

Increasing the minimum housing cost contribution for social housing tenants, and people in emergency and transitional housing

Initiative Sponsors: Ministry of Social Development and Ministry for Housing and Urban Development

Description:

This initiative lifts the minimum Income-Related Rent (IRR) contribution of tenants in social housing, as well as the client contribution in transitional and emergency housing, from 25 to 30 percent of income. These changes will come into effect from 1 April 2027. For social housing tenants, the change will be phased in within twelve months of coming into effect (at the time of a tenant's annual review or next change in circumstances).

Financial Impact: Savings of \$387.515 million over the forecast period. Savings from this initiative will be reinvested to increase the Accommodation Supplement (AS) maxima.

(\$m)	2025/26	2026/27	2027/28	2028/29	2029/30	Operating Total	Capital Total
Vote Social Development	-	1.698	1.128	0.218	0.151	3.195	1.500
Vote Housing and Urban Development	-	(1.153)	(90.229)	(147.500)	(151.828)	(390.710)	-
Total	-	0.545	(89.101)	(147.282)	(151.677)	(387.515)	1.500

Why is the government making changes to Income Related Rents?

This change, alongside changes to the Accommodation Supplement and Temporary Additional Support (TAS), makes a start on improving equity and incentives in the housing subsidy system as part of a multi-year programme to reform the social housing system.

Once these changes are made, social housing households will continue to have higher after housing incomes than comparable private market households.

When will the changes happen?

The increase to the minimum IRR, the emergency housing client contribution, and the transitional housing client contribution will come into effect from 1 April 2027.

For social housing, the new minimum contribution rate will be used in the calculation of Income-Related Rent (IRR) from 1 April 2027. The change will be phased in over the year, with the new minimum contribution rate being applied at a tenant's annual review or change in circumstances, whichever occurs first.

The new client contribution rate will be applied to all emergency housing grant applications made from 1 April 2027. For clients with active emergency housing grants on 1 April 2027, the 25 percent contribution rate will continue to apply until the grant expires. If a person reapplies, the new contribution rate will apply to their new emergency housing grant.

For transitional housing, the rent subsidy paid by the Ministry of Housing and Urban Development to transitional housing providers will be adjusted to reflect the contribution increase via changes to transitional housing contracts at their renewal dates, starting from 1 April 2027.

How will the savings be achieved?

The savings will be achieved by increasing the minimum IRR for social housing tenants, thus reducing government spending per tenant on the Income-Related Rent Subsidy. Increasing the client contribution for emergency and transitional housing from 25 to 30 percent of income will similarly reduce the cost to government of providing these supports.

Who will these changes impact?

These changes will impact social housing tenants who are paying an Income-related Rent, as well as all clients accessing emergency and transitional housing. The changes will increase the housing contributions of 84,000 families in social housing. As of 31 March 2026, there were 471 households in emergency housing and 5,942 transitional housing places.

What will be the impact of these changes?

The package aims to better support housing independence by rebalancing assistance between social and private housing. Social housing households will continue to have higher after housing incomes than comparable private market households.

The changes will increase the IRR of around 84,000 families in social housing, lowering after-housing cost income by an average of \$31 per week.

This, coupled with increases to the AS maxima, will help improve financial incentives to move into the private market. These changes will also improve the financial sustainability of the housing support system.

What will these savings be used for?

The savings from this initiative will be reinvested to increase the maximum rates of the Accommodation Supplement for low-income households in the private market by between ~\$10 and ~\$30 per week.

How will this impact community housing providers (CHPs)?

The total income received by CHPs will remain unchanged, however, there will be an increase in the amount that comes from the tenant's Income-Related Rent and a decrease in the amount provided by the government.

Officials will work with CHPs to ensure they are able to implement any changes they need to make.

How will different families be impacted by these changes?

The following scenarios illustrate the impact of the increase of the Income-Related Rent contribution on families total weekly income after housing costs.

	Weekly income after housing costs		IRR impact
	Status quo	Income after IRR contribution increases from 25% to 30%	
Sole parent with 1 child, benefit, social housing	\$591	\$557 (-\$34, -5.8%)	-\$34
Couple, 4 children, on benefit, social housing	\$1,076	\$1,034 (-\$42, -3.9%)	-\$42