



MINISTRY OF  
SOCIAL DEVELOPMENT  
*Te Manatū Whakahiato Ora*

# report

Date: 11 December 2013 Security Level: IN CONFIDENCE  
To: Hon Bill English, Minister of Finance  
Hon Paula Bennett, Minister for Social Development  
Hon Dr Nick Smith, Minister of Housing

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## Joint Ministers' Meeting: Reviewable Tenancies

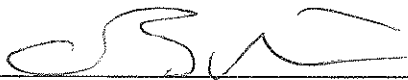
### Purpose

- 1 This report sets out some critical questions about the design of reviewable tenancies, for discussion at the Social Housing Joint Ministers' Meeting on 11 December 2013.
- 2 The report seeks agreement and direction on:
  - the objectives of the reviewable tenancies policy
  - the approach to the review cycle
  - excluded groups
  - service design principles and the proposed model for the service
  - beginning the implementation of reviewable tenancies
  - using 'assured tenancies' to provide more wrap-around support and intensive engagement with particular groups (e.g. vulnerable families).

**Recommended actions**

It is recommended that you:

- 1 **note** that Social Housing Joint Ministers are meeting on 11 December 2013
- 2 **discuss** the key questions set out in this report.



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Anna Butler  
General Manager  
Social Housing and Fraud

11-12-13  
Date

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Hon Bill English  
Minister of Finance

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Date

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Hon Paula Bennett  
Minister for Social Development

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Date

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Hon Dr Nick Smith  
Minister of Housing

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Date

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## Background

- 3 Cabinet agreed in March 2011 that reviewable tenancies will be enabled for all Housing New Zealand (HNZC) tenants who became tenants after July 2011 [CAB (11) 13/5 refers]. In April 2013, Cabinet agreed to extend the ability to carry out tenancy reviews to all existing HNZC tenants, and to tenants of approved Community Housing Providers (CHPs) who are paying an Income Related Rent (IRR) [CBC Min (13) 2/7 refers].
- 4 These decisions have been given effect through amendments to the *Housing Restructuring and Tenancy Matters Act 1992*. When the amendments come into force in 2014, the Ministry of Social Development (MSD) will have the ability to review any tenant's eligibility for social housing. Reviews are not required under the legislation, although Ministers can use a Ministerial Direction to direct MSD to review particular groups of tenants, or to exclude particular groups from the process.
- 5 Tenants have received different levels of information about reviewable tenancies:
  - HNZC tenants who entered into tenancies from 1 July 2011 have been provided with an information pack that signalled that their ongoing need for a state house will be reviewed at least every three years. They have been asked to sign an acknowledgement of receiving this information. It does not form part of their tenancy agreement.
  - In May 2013, following the Government's decision to extend reviewable tenancies to all tenancies, all HNZC tenants were sent information in a flyer stating:

"The main change for you is that in future, your tenancy will be reviewed on a regular basis. Tenancy reviews won't come into effect until next year and will be introduced in stages. Tenancy reviews have already been announced for people who became Housing New Zealand tenants after 1 July 2011."

### What are reviewable tenancies?

- 6 Reviewable tenancies focus on on-going eligibility for social housing, and will be a sensitive and sophisticated process. MSD will identify those with potential to move to sustainable alternative housing, using available data to consider tenants' individual circumstances, and will then work with them to test whether they can achieve this.
- 7 Reviews will not be triggered by a change in circumstances (e.g. change in income or household composition) as business as usual processes will manage these situations.
- 8 Reviewable tenancies will work best if people have the support they need to make the step voluntarily. This is a new process and it will take some time to establish what it takes to help different groups of people to achieve independence.
- 9 There is a range of existing products and services that support people to take up housing (both MSD products, and Ministry of Business Innovation and Employment (MBIE) home ownership products). Alongside these, MSD will be introducing and testing new products and services, designed to create incentives for people to make the step out of social housing, or to avoid the need to enter social housing in the first place. Over time, MSD will learn what is most effective for whom, and what makes the difference in helping people to take up and sustain independent housing options.
- 10 Supply is critical. Without adequate supply of suitable affordable housing in areas where people need it, the reviewable tenancy process will not achieve its objectives. Initially, supply factors will limit the areas where reviews are carried out, while in the longer-term, the reviewable tenancy process will provide information to shape the market.

## Objectives of reviewable tenancies

- 11 When Government first agreed to introduce reviewable tenancies in 2011, the objectives at the time focused on *increasing turnover in HNZ housing* [Appendix 1]. The approach and overall objectives need to reflect the new roles of MSD and CHPs.
- 12 MSD recommends that the primary purpose of reviewable tenancies should be to *ensure more people are in the right house, for the right duration*. If this happens, a range of other objectives will also be met:
  - shifting expectations away from a social house for life, to one for the duration of housing need
  - increasing the number of high needs applicants who can be housed
  - increasing the speed at which the housing market receives information so it can be shaped to better meet demand (by reconfiguring HNZC's stock, and driving new provision of CHP and private housing)
  - over time, ensuring that spending on social housing is efficient and reduces long-term liability across both social housing and welfare.

- Is the primary purpose correct?
  - Are these the outcomes you expect from reviewable tenancies?

## Review cycle

- 13 Direction is needed on:
  - whether to retain a regular review cycle that tests eligibility for social housing every three years, or to shift to a targeted approach that works with those most likely to achieve housing independence
  - groups to exclude from the reviewable tenancy process.

## Review cycle for reviewable tenancies

- 14 There are two options for the approach to reviewable tenancies:
  - a three year review cycle (broad brush approach that sees all tenants' eligibility for social housing checked every three years)
  - OR
  - a targeted review cycle, that uses criteria (which may change over time) to target reviews of eligibility for social housing to those who are most likely to successfully achieve independence.
- 15 In a **three year review cycle** all tenants would be subject to a regular review of their eligibility for social housing.
- 16 While only particular groups would need a full face-to-face needs assessment (others would be filtered out through exclusions or a 'desktop evaluation' of available information), this is still a highly resource intensive process, and would ultimately result in volumes of up to 20,000 people going through the initial stages of a review in a given year.
- 17 Early indicative costing suggest that this would require 37 FTEs in staff costs, at an estimated operational cost of approximately \$2.3 million per annum and a one off capital cost of approximately \$0.2 million in the first year.

18 This process meets the objective of shifting tenants' expectations away from a social house for life, and provides information to signal future needs to the market, allowing reconfiguration of supply.

19 9(2)(g)(i)

20 A **targeted review cycle** (recommended by MSD) would focus effort where it is most likely to have an impact.

21 It is a more sophisticated and sensitive approach, that recognises that the process will build support over time if it is seen to deliver results by working with those most likely to attain independence.

22 A targeted approach allows MSD to learn as the process develops. Reviewable tenancies are a new lever. It will take time to build skills and capacity, and understand what works to assist people to move to independence. Understanding the population, the supply of social housing, and the incentives that encourage people to move will all be critical to the long-term success of the reviewable tenancy rollout.

23 Within a targeted review cycle, tenants who are not initially identified for focus could still be notified about the review process and when they are likely to be reviewed in future. This approach means tenants still get a clear message about social housing being for the duration of need, but will be more cost-effective.

24 9(2)(g)(i)

25 Initially MSD propose that the targeted review cycle focus on:

- tenants who are paying market rent, who are likely to be able to sustain a private tenancy, and
- areas where there is sufficient supply of affordable housing, so that tenants have somewhere to go when they exit social housing.

- Do you agree to a targeted review cycle for reviewable tenancies?
- Do you agree that reviewable tenancies should initially be targeted to market renters in areas where there is good supply of affordable housing?

## Exclusions

26 The amended *Housing Restructuring and Tenancy Matters Act 1992* enables Ministers to issue directions excluding particular groups from reviewable tenancies.

27 Ministerial Directions can be used to provide the public and affected groups with certainty that the reviewable tenancy process will not impact on vulnerable people who clearly require ongoing social housing support. This can either be designed to:

- give assurance that certain groups will not be required to exit social housing, but may be required to transfer to a more suitable social house (e.g. an older couple in a large house whose children have left home may be required to transfer to a smaller social house); or
- exclude groups from the review process altogether (even if their house mismatches their needs).

28 MSD has identified the following groups for potential exclusion, and seeks direction on which to continue to develop exclusions:

- older tenants:
  - all older tenants (based on some previous Ministerial statements)

**OR**

  - older tenants who are in the right sized house, and this is unlikely to change (e.g. no children in the household)
- tenants who are permanently and severely disabled and are not able to work (e.g. linked to receipt of the Supported Living Payment)
  - all tenants in this situation

**OR**

  - tenants in this situation in the right sized house
- tenants who have had major modifications made to the house because of a disability or illness
- tenants with children identified as at risk of Rheumatic Fever
- particular families identified as vulnerable or at risk through implementation of the Children's Action Plan, for whom the best outcome is remaining in a stable location and community (see Assured Tenancies section for more on how such an exclusion might work).

- Which groups do you want MSD to develop exclusions for?

## Service design

29 Officials have developed a set of principles for the service model aimed at achieving the objectives identified above. The model should:

- be flexible to learn from the initial rollout, and adapt over time
- recognise and take account of individual and family circumstances, in particular the needs of any children living at the property
- support achieving relevant Better Public Services targets
- provide a seamless service for tenants who also receive income support through the benefit system
- provide support to move to alternative housing before any decision to terminate a tenancy
- assure particular groups that they will be able to stay in social housing
- target the most intensive support where it will make the biggest long-term difference to long-term liability.

30 The proposed targeted review service delivery model is based on these principles. It focuses strongly on engaging with tenants with potential for independence at the level they require, to support them to move from social housing without needing to use compulsion.

- 31 The proposed reviewable tenancy process will result in one of five outcomes:
- tenants choose to exit social housing and move to alternative housing
  - tenants transfer to more suitable social housing
  - nothing (the person remains in their current social house)
  - the person's IRR Subsidy is stopped and they remain in their house (for tenants of CHP's who wish to continue the tenancy without the subsidy; Ministers have directed that HNZC must exit tenants who are found to be ineligible)
  - the tenancy is terminated (this would happen after a period of working with the tenant, and termination of the tenancy would not necessarily mean that support to find an alternative house is stopped).
- 32 The service delivery process is a mix of brokerage and case management and will be tailored to get the right outcome for each tenant. It will be possible for some or all of this process to be contracted out to a third party.

- Do you support these principles?
- Do you agree that MSD should investigate options for contracting out this service?

## Implementation

- 33 MSD is implementing the new assessment model from April 2014. Reviewable tenancies will have a significant impact on Work and Income's capacity. To ensure long-term success, reviewable tenancies need to be carried out in a sophisticated and sensitive way, and to deliver good results for clients. Staff capability is crucial.
- 34 An integrated IT and case management approach is a key feature of the end state for social housing but will take time to develop and deliver.
- 35 The above factors limit the number of tenants that it is manageable for MSD to work with in the early stages.

## Initial target groups

- 36 From July 2014, MSD proposes focusing on market renters who entered into their HNZ tenancy in July 2011 or later. These were the first groups to be advised when they entered their state housing tenancy that the tenancy would be subject to review after no later than three years. Paying market rent suggests that they are more likely to be able to sustain independent housing.
- 37 MSD also propose to consider targeting those people who entered into their HNZ tenancy 2011 and onwards who are near to paying market rent (e.g. within \$10-\$50).
- 38 There are currently up to 146 households paying market rent, who entered their current house since July 2011. Of these, around 54 entered their current house as a result of a business-initiated transfer by HNZ and therefore were not advised that their tenancies may be reviewed at the time.

- 39 Of the remaining 92 households who have been clearly advised that their tenancy is subject to review from July 2014, initial data indicates that:
- an estimated five households are likely to have tenants over the age of 65
  - an estimated five households are likely to have someone receiving a benefit for their illness or disability (e.g. receive Supported Living Payment)
  - an estimated 42 households will likely live in areas with limited alternative housing supply (an estimated 29 households in Auckland and 13 households in Christchurch).<sup>1</sup>
- 40 Not all of the 92 households will have been in social housing for three years at July 2014, with about 30 households reaching the three year mark between July and October 2014.
- 41 There are 149 additional households who entered their current house since July 2011, who are not market renters but who receive a relatively low IRR subsidy of between \$10 and \$50 per week. About 55 of these tenancies are likely to be the result of business initiated transfers by HNZN. Of the remaining 94 households:
- an estimated 11 households are likely to have tenants over the age of 65
  - an estimated 14 households are likely to have someone receiving a benefit for their illness or disability (e.g. receive Supported Living Payment)
  - an estimated 15 households will likely live in areas with limited alternative housing supply (an estimated 10 households in Auckland and five households in Christchurch).
- 42 If all market and near market renters entering tenancies since 2011 are reviewed this will result in up to 186 reviews. A number of these may be reconciled at the desktop review stage because of exclusions, housing supply or other factors identified that preclude a tenant from a full review.

43 9(2)(g)(i)

- Do you support beginning the rollout of reviewable tenancies in July 2014 with:
  - post-July 2011 market renters
  - post-July 2011 near market renters?

#### Proposed rollout process

- 44 Cabinet will finalise decisions about reviewable tenancies (including roll-out) in late January 2014.

#### Communications

- 45 MSD and HNZN will jointly write to all state house tenants in March 2014 advising them of MSD's new role in social housing. This offers an opportunity to communicate key messages about the roll-out of reviewable tenancies.

<sup>1</sup> These groups are not mutually exclusive, for example a tenant may be 65 and living in Christchurch.



46 The communications strategy will also cover any change to information previously given to tenants who entered into state housing tenancies since July 2011 and to all tenants in May 2013. A detailed communications plan is being developed and Ministers will be advised on this as part of the January Cabinet paper.

#### *Design principles and phases*

47 The rollout of reviewable tenancies will begin in July 2014. MSD's phased process will be underpinned by the service design principles (see paragraph 29 above). This enables MSD to respond appropriately to tenants with differing circumstances and adapt if tenants' circumstances change during the review process.

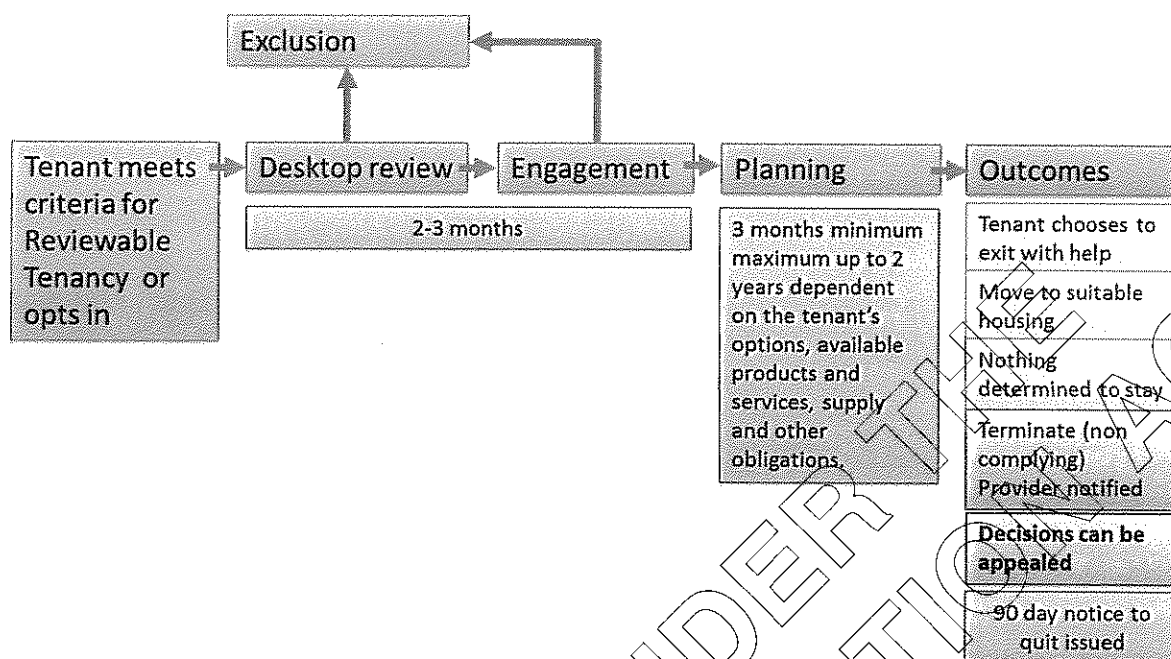
48 MSD will fine-tune its service approach for future reviews as more is learnt about this new function. Reviewing a small group of tenants in 2014 allows for significant learning opportunities for MSD.

49 The proposed phases of the reviewable tenancy process are:

- a paper-based **desktop review** that determines which tenants should be excluded from review, because they meet exclusion criteria, or for other reasons (e.g. local market conditions), and which tenants MSD should engage with further
- an **engagement phase** when MSD meets with the tenant and learns more about their circumstances. At this stage, some tenants may be excluded from review as better understanding is obtained about their situation. This process will take two to three months
- a **planning phase** when MSD will work intensively with tenants who have potential to move into private housing and may use products and services (to come) to support them to move. The length of time for this phase will be dependent on the tenant's circumstances and the nature of the private housing market in their location. The timing will vary from a minimum of three months up to two years, for example if home ownership is an option for the tenant
- the final phase sees the review completed and **decisions** confirmed. Tenants will be either supported to private tenancies, given a 90 day notice to quit if engagement indicates they could sustain private housing, be transferred to more appropriate social housing or they will remain in their current tenancy
- some tenants who are not exited from social housing, but not formally excluded from review, will be subject to further consideration of their continued eligibility to receive social housing on an on-going basis.

50 There will be some tenants who are not willing to engage with MSD at all. If this is clearly the case, they can be progressed to the final formal review at any point. In all cases MSD will work with a tenant for at least six months before providers are advised and the 90 day notice to quit period commences.

51 Work is still underway to finalise detail of the service delivery model. The indicative process and timing is outlined below:



#### 2014 Rollout

- 52 Between March and June 2014, MSD will identify tenants who are eligible for review and those people who may be formally excluded from that group. Letters will be sent to these groups in June 2014 telling them what will happen.
- 53 Earliest formal reviews would occur in August 2014. These timeframes mean that a 90 day notice to quit is unlikely to be issued to a tenant before early 2015. However, the timeframes do offer the opportunity of having some tenants transferred into private housing or more appropriate social housing in 2014.
- 54 Some tenants might seek to appeal reviews of eligibility. The initial appeal period typically takes up to 38 days. If the decision of the Benefit Review Committee is challenged, the appeal could continue indefinitely. Subject to further policy work in this area, MSD would suspend the process that leads to notice to quit being given until the appeal process is exhausted.

• Do you support this approach to the initial rollout?

### Assured Tenancies

- 55 Stability of housing can be an important feature in improving social outcomes for children who are at risk of poor life outcomes.
- 56 Assured tenancies provide security of tenure in social housing for certain families and people for significant periods of time. This will provide children of these families with a greater opportunity to avoid negative social outcomes that impact on them and on the taxpayer. The policy acknowledges that longer-term (although not life-long) tenancies would provide real social benefits for these children and their families.

## Who will assured tenancies apply to?

- 57 Some families with children, identified through the roll-out of children's teams. Further work is required to determine criteria for inclusion within the policy but transient families and those with health/neglect needs would be included in the initial target-group.
- 58 The criteria for inclusion within the policy can be refined as more information and analysis becomes available through the implementation of the Children's Action Plan.

## How will it work?

- 59 An assured tenancy would enable the tenant to be excluded from review.
- 60 The duration of an assured tenancy would need to be sufficient to enable children's vulnerability to be significantly diminished. Further work will need to be done to provide options but preliminary thinking suggests that for families with young children an initial five years with possibility of a further three to five years assured tenancy could be considered.
- 61 At the conclusion of the term, unless the family is excluded from review on other grounds, tenancy would be reviewable. Notwithstanding the assured quality of the tenancy, MSD would, in appropriate cases, work with families where a sustainable healthy private tenancy is a real possibility earlier on in the life of the tenancy.

## What obligations will tenants have?

- 62 Obtaining an assured tenancy would require that certain obligations be met. These include obligations imposed through recent benefit reforms system and any requirements commitments arising from Children's Team's plans. For assured tenants with very young children, these obligations will always include enrolling children in early childhood education and receiving regular health checks.
- 63 Agencies or case managers could be contracted to report to MSD on the families' progress and circumstances regularly (e.g. every six months).

## Could the policy apply to any other groups?

- 64 Some groups of tenants (e.g. the very elderly) would be excluded from reviewable tenancies and have on-going access to social housing assured as appropriate. However, consideration could be given to groups of tenants, such as some disabled tenants who could be supported into sustainable private housing over a longer period of time.

- Should MSD do further work on policy that assures longer-term tenancy for some families with vulnerable children without providing a home for the life of the tenant?
- Are you interested in work being done on the policy applying to other groups?

## Next steps

- 65 MSD will use direction from Joint Ministers to develop a Cabinet paper for January 2014, seeking final agreement to the approach to reviewable tenancies and to the initial rollout strategy.

## Appendix

### 2011 Objectives for reviewable tenancies [from SOC (11) 12 Rec 2.1 refers]

“Increase turnover by supporting tenants who could sustain alternative housing options to move out of state housing in order to:

- shift tenants’ expectations of state housing from a state house for life to duration of need
- ensure housing is provided to those in highest need for the duration of that need
- increase the number of high need applicants HNZC can house
- increase the rate at which HNZC can reconfigure its stock to match demand for state housing”.

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