

# Hon Chris Bishop

Minister of Housing  
Minister for Infrastructure  
Minister Responsible for RMA Reform  
Minister of Transport  
Leader of the House  
Associate Minister of Finance  
Associate Minister for Sport and Recreation



Hon David Seymour  
Associate Minister of Finance  
Parliament Buildings  
Wellington

Dear David

I am writing in response to your letter of 18 February 2025 requesting additional savings initiatives to bring spending in the housing portfolio back to 2016/17 levels.

I have decided not to submit additional savings initiatives at this time. My view is that the savings I identified in Budget 2024 and propose through Budget 2025 will make significant contributions to fiscal sustainability.

### *Social Housing volumes are key driver of spending growth*

The information provided by HUD, following our meeting on 29 January 2025, shows that key drivers of spending growth have been an additional 26,385 social homes and establishment of Transitional Housing programme (with 6,375 places currently contracted). Based on the information supplied to you by Treasury late last year, by 2027/28 this spending on Social Housing and Transitional Housing makes up 93% of total operating spending.

A return to 2016/17 levels is not possible without a significant reduction in social housing places. I would consider this unacceptable.

That said, now that we have achieved the government target around Emergency Housing – saving \$700m over the next four years compared to BEFU forecasts – I do intend to focus on Transitional Housing as set out below.

### *Significant savings and improvements have been made*

The Housing portfolio has already delivered significant savings through Budget 2024 making up 25% of baseline savings across government. This included significant savings in personnel and maintenance spending within Kāinga Ora. Cabinet agreed the turnaround plan in December 2024 to start delivering on those savings.

Through Budget 2025, I have identified further savings and uncommitted funding that can be re-prioritised to:

- Fully meet cost pressures identified in the Housing Performance Plan

- To fund between 1300-1800 new social housing places (including affordable rentals) from June 2027, once additional places funded through Budget 2024 have been contracted; and
- Move towards flexible approach to funding that responds more effectively to needs in place as recommended by the Independent Review of Kāinga Ora.

§ 9(2)(f)(iv)

[Redacted]

§ 9(2)(f)(iv)

[Redacted]

With respect to the specific areas of spending where you have invited savings initiatives:

- Transitional Housing: I have already proposed savings of \$30 m per annum through Budget 2025 from 2028/29 in anticipation of the Housing Support and Services review. I do not propose further savings. While volumes of Transitional Housing grew significantly under the previous government, the programme has supported the reduction in emergency housing (and the significant associated savings). Given time limited funding set by the previous Government, spending will reduce over the forecast period requiring HUD to exit around 1,000 places. HUD will also exit Contracted Emergency Housing in Rotorua this year, with these savings already incorporated in my Budget 2025 submissions. Bringing forward the review of Housing and Support Services will not affect savings through Budget 2025.
- HUD Departmental: I do not propose further savings. HUD's departmental spending is already on track to be below its establishment level in real terms (HUD was established in October 2018, with the first full year of spending in 2019/20). Savings through Budget 2024 will reduce spending by 17% from 2023/24 levels. FTEs have reduced by 16%. These savings build on earlier reductions in contractor and consultant spend. To make further reductions in HUD's departmental budget will put delivery of government priorities at risk.
- Community Group Housing (CGH): I do not propose further savings. CGH provides support to some of our most vulnerable New Zealanders. Housing is provided by Kāinga Ora at discounted rents to service providers who are contracted by other government departments. To scale back volumes would reduce this support. Reducing housing subsidies would increase costs to other agencies. § 9(2)(f)(iv)

[Redacted]

[Redacted]

[Redacted] Finally, the CGH portfolio is small in the overall context of Kāinga Ora's activities so was not a focus of the Turnaround plan. § 9(2)(f)(iv)

[Redacted]

I trust that my response shows the contribution the Housing Portfolio is making towards improved fiscal sustainability, while at the same time maintaining critical services for our most vulnerable. I look forward to working with you this year as we progress reforms to social housing and housing and support services.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Chris Bishop". The signature is fluid and cursive, with the first name "Chris" and the last name "Bishop" clearly distinguishable.

Hon Chris Bishop  
Minister of Housing

## Annex 1: Budget 2025 Cost Pressures and New Spending Template

### Section 1: Overview

Section 1A: Basic initiative information										
Initiative title (max 120 characters)	Housing Portfolio Reset of Investment – Flexible Fund for new social housing investments (including affordable rentals)									
Lead Minister	Hon Chris Bishop Minister of Housing	Agency	Ministry of Housing and Urban Development (HUD)							
Initiative description (max 800 characters)	This new spending initiative supports delivering of a mix of social housing (including affordable rentals) and market housing with total volumes between 1,900 and 2,400 homes. The mix of tenures will be flexible to respond to varying needs across place. In Phase One, delivery to June 2027, the Fund will primarily offer grants for about 600 Affordable Rentals, complementing the 1,500 Social Homes funded through Budget 2024. Phase Two shifts to providing OPEX for new social housing (including affordable rentals). In both phases, market housing will be included as needed in mixed tenure projects to ensure feasibility or reduce concentrations of social housing. HUD has identified internal reprioritisation options that fully fund this initiative (ID 16511 refers).									
Priority Area (PA) Objective	<input checked="" type="checkbox"/> New Spending Commitments	<input type="checkbox"/>	Capital Investments							
	<input type="checkbox"/> Cost Pressures	<input type="checkbox"/>	Capital Cost Escalation							
	<input type="checkbox"/> Performance Plan Scrutiny									
Is this a cross-Vote initiative?	No									
Does this require legislative change?	No									
Agency contact	Name: Tony De Gregorio s 9(2)(a) (e): Tony.DeGregorio@hud.govt.nz		Treasury contact (Vote Analyst)	Name: Jack Wellwood (e): Jack.Wellwood@treasury.govt.nz						
Section 1B: Summary of funding profile										
Operating costs associated with initiative (\$m)										
2024/25	2025/26	2026/27	2027/28	2028/29	Total	2029/30 & outyears				
0	34.850	40.438	34.998	63.231	173.517	67.641				
Capital costs associated with initiative (\$m)										
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	31/32	33/34	Total
136.446	11.536	74.350	44.350	20.870	20.870	20.870	20.870	20.870	20.870	391.902

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Section 2: Alignment and options analysis

Section 2B: Problem definition – New Spending

The answer to each question must not exceed 1-2 paragraphs

Over the last three decades too few houses have been built in the places they are needed or at prices people can afford. Many New Zealanders face high levels of housing stress, with significant impacts on both individual and social wellbeing and on government spending. Costs to government are incurred directly through Accommodation Supplement, Temporary Additional Support and Emergency Housing Grants, and indirectly, through effects on health, education and employment, and productivity. As of October 2024, over 21,000 households were on the social housing register, having been identified as having urgent housing need, and over 350,000 New Zealanders were receiving Accommodation Supplement – reflecting that their housing costs could not be met by their existing incomes. Over \$2.1 billion was spent on Accommodation Supplement in the 2023/2024 financial year.

While investment in housing has increased in recent years, funding is not sustainable, and funds and programmes need to be rationalised and refocused to improve value for money and effectiveness. Budget 2024 provided funding to expand the supply of social housing provided by Community Housing Providers (CHPs) through savings from ending the ineffective First Home Grant.

In July, Cabinet agreed to reset investment in the housing and urban development system, to clarify the role for government investment, to streamline funds and improve flexibility and value for money, and propose savings, reprioritisation, and new investment through Budget 2025.

Further investment is required through Budget 2025 to provide the community housing sector confidence to invest in increased capability and supply. Without new funding security the sector will start scaling back delivery with the risk of additional time and resources being required to ramp up delivery in the future.

Previous governments have invested in improving housing outcomes through a wide range of funds and programmes – many of which will not be continued – and with a strong emphasis on social housing. These funds and programmes have tended to be inflexible and difficult to use together to support mixed tenure developments and investment in place. There can also be a lack of transparency around what is being purchased, why, and at what cost, and multiple funds can be doing similar things. Where projects have successfully sourced funding from more than one programme, to support mixed tenure developments, funding has come in the form of up front grants, interest free loans and ongoing operating payments. This is confusing, administratively complex and may not best suit the needs of delivery partners.

Future funding certainty is also variable. Funding for new supply through the Māori Housing programme is provided in outyears, while funding for additional social housing places (provided through Budget 2024) only supports delivery by CHPs to June 2027. For new social homes to be delivered by June 2027, these will need to be contracted by the end of 2025 at the latest. Without further funding commitment through Budget 2025, delivery will stall.

The Independent Review of Kāinga Ora noted these challenges and recommended simplifying and consolidating programmes to provide more flexibility to tailor investment to have the greatest impact on meeting needs in place. Cabinet have agreed to act on each of the Kāinga Ora Review recommendations.

Through the reset of investment advice, HUD recommended that investment needs to be more flexible to respond to the different needs in place [HUD2024-005382 refers]. HUD recommended that the role for government be prioritised through investment:

- To improve housing system performance in place through supporting urban development and market supply, and where necessary subsidising some new supply to meet demand in specific places, to reduce overall housing costs and improve housing choice.
- To meet needs and aspirations in place for low-income households through: additional targeted support to households to become homeowners; financial assistance for private housing costs; access to social housing (including affordable rentals), and support for people to access and maintain stable housing.

In places like Rotorua and Hastings this could involve addressing underlying shortfalls in supply through subsidising some market supply alongside delivering social housing (including affordable rentals). In locations like Auckland the focus could be providing social housing (including affordable rentals) to meet needs, with few if any subsidies for market housing.

As an initial step this initiative proposes to reprioritise savings and uncommitted funding from Māori Housing to a Flexible Fund for social housing, affordable rentals and in limited circumstances to

What is the problem that this initiative is trying to solve and why does it need to be solved now?

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subsidise market housing. Further work in 2025 will progress recommendations in other areas, including:

- s 9(2)(f)(iv) [REDACTED]
- s 9(2)(f)(iv) [REDACTED]
- A review of housing supports and services (Transitional Housing and Public Housing Services).
- s 9(2)(f)(iv) [REDACTED]

Advice on the reset of investment set out potential roles for government investment, taking account of the potential gains from Going for Housing Growth (GfHG). This advice showed that the impacts of GfHG would be variable across places with potentially smaller effects in regional locations where development profitability and market supply is lower. Although GfHG could have a material impact on prices and rents over the long term, many households would have insufficient income to access and sustain a rental and some will face additional barriers to accessing housing. The proposed focus of the Flexible Fund – social housing (including affordable rentals) and in limited circumstances subsidising market supply – is to address each of these roles for government: increasing supply where the market will not deliver and helping households to access and afford housing where they otherwise would not.

Central government is best placed to actively purchase improved housing outcomes through investment. Housing stress comes with significant externalities, and these market failures mean that the private housing system’s incentives are not fully aligned with what is socially optimal. Where NGO’s or iwi/Māori organisations have delivered housing outcomes it is often supported by government investment – which this initiative would continue to provide.

HUD has recently reorganised its Delivery group to implement a fund of this type and would not require additional capacity or capability to do so.

The recommendations for the reset of investment and proposed Flexible Fund have been informed by HUD’s experiences of implementing a place-based approach. This includes partnerships across the country with iwi, local government, CHPs, and agencies including Te Puni Kokiri, the Ministry of Social Development, Kāinga Ora and others. Our engagement has continually highlighted that a “one size fits all approach” does not work and there is a need for further investment that is flexible and responsive to needs in place.

<b>Alignment to Government Priorities</b> (if alignment to multiple Priorities is possible, select the most relevant)	<input type="checkbox"/>	Addressing the rising cost of living	<input checked="" type="checkbox"/>	Delivering effective and fiscally sustainable public services
	<input type="checkbox"/>	Building for growth and enabling private enterprise	<input type="checkbox"/>	Not Aligned
This initiative supports delivery of effective and fiscally sustainable public services through rationalising and reprioritising HUD’s investment in the housing and urban development system and allowing HUD to flexibly respond to need in place in the way which is most cost effective.				
<b>Does this initiative relate to one of the Government’s focus areas for Budget 2025?</b>	<input type="checkbox"/>	Economic Growth (invitation only)	<input checked="" type="checkbox"/>	Not Applicable

**Section 2C: Options analysis**

The answer to each question must not exceed 1-2 paragraphs

<b>What was the range of options considered?</b>	<p>This initiative was identified through the reset of investment, which was a first principles review of the role for government investment in the housing and urban development system. The preference for a Flexible Fund that can support a range of tenures reflected that alternatives were less likely to be effective in meeting the varied needs in place. Potential alternatives to the proposed Flexible Fund include:</p> <ul style="list-style-type: none"> <li>• Relying entirely on policy and regulatory changes – i.e. Going for Housing Growth. This option would have less impact in parts of NZ with poor development responsiveness, nor address housing need for households with insufficient incomes or who the market will not serve. While reductions to rents and house prices could be material, these benefits could take twenty years to be fully realised with limited impact in the next three to five years. This approach would be analogous to a no new investment option.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Only subsidising market delivery. While this option would potentially address supply constraints in parts of NZ with high need and poor development responsiveness, it would not address housing needs for those households who the market will not serve. It would not maintain momentum for the community housing sector's delivery. Subsidies for market housing in main centres should be minimal given the high risk that government investment crowds out market supply.</li> <li>• Only investing in Affordable Rentals. This option could increase overall supply, but potentially at higher cost than a mixture including some market delivery. It would also provide access to housing for households who can't access market housing, but would not provide the improvements in after housing cost as social housing. This approach would be similar to the status quo where a separate Māori Housing fund is retained, with no other new investment.</li> <li>• Only investing in Social Housing. Social Housing is the most expensive of our options for addressing housing supply issues, but does provide the highest level of support to those households who receive it. This will tend to highly concentrate the benefits of our investment among relatively few households.</li> <li>• Subsidising on the demand side via increases to Accommodation Supplement and Temporary Additional Support. This will improve affected households' incomes, but may not be as effective at inducing new supply. As with subsidising market housing, this would also not address the housing needs for those households the market will not serve.</li> </ul>
<p><b>What was the process used to select the preferred option?</b></p>	<p>The preferred option was selected through the reset of investment advice. The preference for the Flexible Fund for new investment reflected:</p> <ul style="list-style-type: none"> <li>• That different mixes of investment are required to improve housing system performance and meet needs in different places.</li> <li>• A more flexible and cost-effective approach, that can support a range of tenures including:             <ul style="list-style-type: none"> <li>◦ affordable rentals as a lower cost alternative to the current default of social housing, and</li> <li>◦ the ability to increase overall market supply where this increases choice and enables low-income households to access market housing with the Accommodation Supplement rather than needing social housing.</li> </ul> </li> <li>• Moving from separate funds doing similar things and consolidating programmes.</li> </ul> <p>s 9(2)(f)(iv)</p> <p>Retaining flexibility around the mix of tenures through Phase Two enables the specific mix of social housing (including affordable rentals) and any market housing to be determined considering specific needs, and in consultation with partners, in priority places.</p> <p>The cost benefit analysis used to evaluate this proposal (see below) sets out the high-level approach that HUD will take to considering the costs and benefits of investment in the different tenures within the Flexible Fund and how we expect this could differ across places (we have used Auckland and Rotorua as examples).</p>
<p><b>Interaction with savings proposals</b></p>	<p>This initiative is entirely funded through savings across the Housing Portfolio and reprioritisation of uncommitted Māori Housing funding.</p> <p>This initiative does not depend on the continuation of a function or workforce proposed as a savings measure.</p>

**Section 3: Costs and Benefits Analysis**

<p><b>Section 3A: Benefits and non-fiscal costs</b></p>	
<p>The answer to each question must not exceed 1-2 paragraphs.</p>	
<p><b>What outcome(s) would the initiative achieve?</b></p>	<p>Investment in housing and urban development purchases a mix of increased supply, improved affordability, access to housing and other forms of support that can help people access or retain housing. The proposed Flexible Fund enables HUD to purchase the appropriate mix of supply, affordability, access and support to meet needs in place.</p> <p><b>Increasing Supply:</b> The initiative would increase the supply of social, affordable, and market homes. Increased supply of housing of any tenure would reduce rents relative to the counterfactual, which would reduce associated spending on the Accommodation Supplement, Temporary Additional Support, and Income Related Rent Subsidy, and would increase after housing cost incomes for renters in affected places (relative to a counterfactual which increases</p>

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	<p>incomes for landlords). In the past, because of limitations on how we can invest, we have used social housing to address supply shortages. This very expensive compared to other tenure types.</p> <p><b>Improving affordability and access:</b> Households that are placed into new Social Housing Places (including affordable rentals) would additionally benefit from a wide range of improved outcomes relating to improved access to housing (including for people who face discrimination in the private market), housing affordability, housing quality, tenure security, and others. These are described, and monetised where possible, in the attached CBAX models.</p> <p>Delivery of market rate housing has a flow on effect for our target cohort of households suffering high levels of housing stress through the effect of 'moving chains' – the phenomenon in which houses vacated by movers are taken up by (generally) lower income households. Our best estimate based on the strongest international evidence is that each 100 homes built for the private market 'frees up' around 35 homes for the lowest quintile of households by income in this manner. This has benefits in terms of availability of housing and improved housing quality for these households.</p> <p>Flexibility in delivering a mixture of tenures will also allow us to incorporate the needs and aspirations of partners in place. Investment decisions can also be tailored to produce a mixture of concentrated benefits for high need households and diffuse benefits across the whole housing spectrum.</p>			
<p><b>How will these outcomes be measured and evaluated?</b></p>	<p>The Flexible Fund will support HUD to move to an active purchaser approach where investment is targeted to meet needs in place, as recommended by the Kāinga Ora review.</p> <p>HUD will implement this new approach progressively over time by:</p> <ul style="list-style-type: none"> <li>• Having clear and measurable goals for investment at a national level.</li> <li>• Determining priority locations for investment based on need.</li> <li>• Exercising operational flexibility to determine the appropriate mix of investment in places</li> <li>• Working with local partners.</li> <li>• Having clear reporting on impact and a focus on what works to inform future investment.</li> </ul> <p>A monitoring and review plan will be scoped to track and assess the effectiveness and impact of this fund.</p>			
<p><b>Evidence and assumptions</b></p>	<p>Evidence supporting the benefits described here are included in the attached CBAX and cost benefit models.</p>			
<p><b>Climate impact</b></p>	<table border="1" data-bbox="352 1158 1093 1256"> <tr> <td data-bbox="352 1158 596 1256"> <input checked="" type="checkbox"/> Yes – emissions impacts (positive or negative)                 </td> <td data-bbox="596 1158 841 1256"> <input checked="" type="checkbox"/> Yes – climate adaptation or resilience impacts (positive or negative)                 </td> <td data-bbox="841 1158 1093 1256"> <input type="checkbox"/> No impact                 </td> </tr> </table> <p>While there are emissions associated with the construction and building sector, these are (for the most part) covered under the New Zealand Emissions Trading Scheme. Each tonne of carbon emitted as a result of this scheme will require the surrender of one New Zealand Unit (NZU), which to a first approximation would have permitted the same quantity emission elsewhere at some point. The price of these surrendered NZUs incentivises builders and developers to reduce emissions where possible.</p> <p>New homes are generally required to be either not at high risk from, or adapted to, relevant natural hazards and so represent a slight positive effect on resilience.</p>	<input checked="" type="checkbox"/> Yes – emissions impacts (positive or negative)	<input checked="" type="checkbox"/> Yes – climate adaptation or resilience impacts (positive or negative)	<input type="checkbox"/> No impact
<input checked="" type="checkbox"/> Yes – emissions impacts (positive or negative)	<input checked="" type="checkbox"/> Yes – climate adaptation or resilience impacts (positive or negative)	<input type="checkbox"/> No impact		
<p><b>Section 3B: Expenditure profile and cost breakdown</b></p>				
<p>The answer to each question must not exceed 1-2 paragraphs.</p>				
<p><b>Formula and assumptions underlying costings</b></p>	<p>Formula and assumptions for the costs per tenure are included in the attached CBAX model.</p> <p>See above.</p>			
<p>Provide a breakdown of existing and additional funding sought by individual expense category and agency. Add additional rows as appropriate for additional expense categories.</p>				

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Operating expenses (\$m)											
Existing operating funding (\$m)											
Operating expense category	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total					
<i>Not applicable</i>	0	0	0	0	0	0					
Operating costs associated with initiative (\$m)**											
Operating expense category	2024/25	2025/26	2026/27	2027/28	2028/29	Total	2029/30 & outyears				
OPEX – He Kūku Ki Te Kāinga - Increasing Māori Public Housing Supply (MYA)	0	12.750	15.938	3.188	0	31.875	0				
MCA: Other – Investment in Infrastructure to Advance Development-Ready Land	0	9.600	12.000	2.400	0	24.000	0				
MCA: Other – Fair Value Impairment Loss - Sale of Developments Underwritten - Costs MCA	0	12.500	12.500	0	0	25.000	0				
MCA: Other – Fair Value Impairment Loss - Sale of Developments Underwritten - Costs MCA	0	0	0	12.500	12.500	25.000	0				
MCA: OPEX – Public Housing (MCA)**	0	0	0	16.910	50.731	67.641	67.641				
<b>Total (\$m)</b>	<b>0</b>	<b>34.850</b>	<b>40.438</b>	<b>34.998</b>	<b>63.231</b>	<b>173.516</b>	<b>67.641</b>				
** note that appropriations and categories are subject to change.											
Existing capital funding (\$m)											
Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	Total
<i>Not applicable</i>	0	0	0	0	0	0	0	0	0	0	0

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Capital costs associated with initiative (\$m)											
Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	Total
MCA: CAPEX – UP He Kūku ki te Kainga - Increasing Māori Housing Supply - prepayment of upfront funds MCA	136.446	(4.464)	54.350	11.813	0	0	0	0	0	0	198.145
MCA: CAPEX – UP Māori Infrastructure Projects - prepayment of upfront funds MCA	0	16.000	20.000	4.000	0	0	0	0	0	0	40.000
MCA: CAPEX – Upfront Payments (MCA)	0	0	0	28.538	20.870	20.870	20.870	20.870	20.870	20.870	153.758
<b>Total (\$m)</b>	<b>136.446</b>	<b>11.536</b>	<b>74.350</b>	<b>44.350</b>	<b>20.870</b>	<b>20.870</b>	<b>20.870</b>	<b>20.870</b>	<b>20.870</b>	<b>20.870</b>	<b>391.902</b>

**Section 3C: Scaled and/or Reprioritisation Options to meet 75%, 50% and 25%**

Operating expenses (\$m)							
Operating expenses and reprioritisation (\$m)	2024/25	2025/26	2026/27	2027/28	2028/29	Total	2029/30 & outyears
OPEX – He Kūku Ki Te Kainga - Increasing Māori Public Housing Supply (MYA)	0	9.563	11.953	2.391	0	23.906	0
MCA: Other – Investment in Infrastructure to Advance Development-Ready Land	0	7.200	9.000	1.800	0	18.000	0
MCA: OPEX – Public Housing (MCA)	0	0	0	16.910	50.731	67.641	67.641
<b>Total (\$m) – 75%</b>	<b>0</b>	<b>22.350</b>	<b>27.938</b>	<b>22.498</b>	<b>50.731</b>	<b>123.516</b>	<b>67.641</b>
OPEX – He Kūku Ki Te Kainga -	0	9.705	12.131	2.426	0	24.263	0

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Increasing Māori Public Housing Supply (MYA)											
MCA: Other – Investment in Infrastructure to Advance Development-Ready Land	0	7.307	9.134	1.827	0	18.268	0				
MCA: OPEX – Public Housing (MCA)	0	0	0	16.910	50.731	67.641	67.641				
<b>Total (\$m) – 50%</b>	<b>0</b>	<b>17.012</b>	<b>21.266</b>	<b>21.163</b>	<b>50.731</b>	<b>110.172</b>	<b>67.641</b>				
OPEX – He Kūku Ki Te Kāinga - Increasing Māori Public Housing Supply (MYA)	0	2.838	3.547	0.709	0	7.094	0				
MCA: Other – Investment in Infrastructure to Advance Development-Ready Land	0	2.136	2.671	0.534	0	5.341	0				
MCA: OPEX – Public Housing (MCA)	0	0	0	16.910	50.731	67.641	67.641				
<b>Total (\$m) – 25%</b>	<b>0</b>	<b>4.974</b>	<b>6.218</b>	<b>18.154</b>	<b>50.731</b>	<b>80.076</b>	<b>67.641</b>				
<b>Capital expenses (\$m)</b>											
Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	Total
MCA: CAPEX – UP He Kūku ki te Kāinga - Increasing Māori Housing Supply - prepayment of upfront funds MCA	120.586	(4.464)	54.350	11.813	0	0	0	0	0	0	182.285
MCA: CAPEX – UP Māori Infrastructure Projects - prepayment	0	16.000	20.000	4.000	0	0	0	0	0	0	40.000

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of upfront funds MCA											
<b>Total (\$m) – 75%</b>	<b>120.586</b>	<b>11.536</b>	<b>74.35</b>	<b>15.813</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>222.285</b>
<b>MCA: CAPEX – UP He Kūkū ki te Kāinga – Increasing Māori Housing Supply - prepayment of upfront funds MCA</b>	56.427	(4.464)	54.350	11.813	0	0	0	0	0	0	118.125
<b>MCA: CAPEX – UP Māori Infrastructure Projects - prepayment of upfront funds MCA</b>	0	0.895	1.118	0.224	0	0	0	0	0	0	2.237
<b>Total (\$m) – 50%</b>	<b>56.427</b>	<b>(3.569)</b>	<b>55.468</b>	<b>12.036</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>120.362</b>
<b>MCA: CAPEX – UP He Kūkū ki te Kāinga – Increasing Māori Housing Supply - prepayment of upfront funds MCA</b>	56.424	(37.638)	12.883	3.519	0	0	0	0	0	0	35.191
<b>MCA: CAPEX – UP Māori Infrastructure Projects - prepayment of upfront funds MCA</b>	0	0	0	0	0	0	0	0	0	0	0
<b>Total (\$m) – 25%</b>	<b>56.424</b>	<b>(37.638)</b>	<b>12.883</b>	<b>3.519</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35.191</b>

\*Extend the profile above if funding is needed beyond 2032/33.

**Scaling of initiative**

Expenses associated with this initiative are limited to:

	Phase One	Phase Two
<b>OPEX</b>	Affordable Rentals for Māori Housing Subsidising Market Supply	Social and Affordable Housing Subsidising Market Supply
<b>CAPEX</b>	Affordable Rentals for Māori Housing Affordable Rentals	Social and Affordable Housing

Scaling options are therefore limited to options which reduce the total volume of homes.

Our priorities for these categories of spending are, in descending order:

- OPEX for ongoing Social and Affordable Housing (Phase Two)
- OPEX and CAPEX for Affordable Rentals for Māori Housing (Phase One)
- CAPEX for Affordable Rentals (Phase One).
- CAPEX for ongoing Social and Affordable Housing (Phase Two)
- Subsidising market supply (Phase One and Two)

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	<p>Accordingly, these are reduced or removed in ascending order in the scaling options presented above. In the 50% scaling option, this reduces Māori Housing Affordable Rental delivery from 400 to around 300 and in the 25% scaling option to around 90.</p> <p>The proposal that Flexible Fund projects in Phase One complement delivery of the 1,500 Social Housing Places already funded through Budget 2024 and support continuation of existing Māori Housing affordable rental projects can be implemented within HUD's existing delivery model. There are no significant implications of the initiative, at any scaling option, for workforce during Phase One. The same applies to scaling options which affect Phase Two under the assumption that there will be social housing delivery funded at some point after 2024. HUD will need to retain capability to effectively deliver these future social homes or risk incurring higher costs and slower delivery in future.</p>
<p><b>What are the main risks of the options presented above?</b></p>	<p>Major risks associated with the scaling options presented above are that:</p> <ul style="list-style-type: none"><li>• Limiting the flexibility for HUD to purchase a mix of tenures in priority places and through strategic partners will delay HUDs transition to its new active purchasing delivery model.</li><li>• We lose the option to complement delivery of the 1,500 social homes funded through Budget 2024 with other tenures potentially reducing concentration of social housing and increasing overall supply of affordable and market housing in priority places.</li><li>• The 75% scaled option preserves funding for 400 Māori Housing places in Phase One. Other scaling options reduce this delivery volume significantly. This is a major reputational risk with our Māori housing partners.</li></ul>

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**Section 4: Delivery**

**Section 4A: Procurement**

The answer to each question must not exceed 1-2 paragraphs.

<p><b>What is the initiative purchasing/funding?</b></p>	<p>Phase One (to 30 June 2027) of this initiative will use grant funding to contract delivery of affordable rentals and potentially some market-rate homes (as part of mixed tenure developments). All housing provision purchased through this initiative will be of new builds. Depending on Ministerial decisions the Affordable Rentals will be provided to households according to some set parameters. Proposed mix of investment through Phase One includes:</p> <ul style="list-style-type: none"> <li>• Delivery of around 400 Affordable Rentals from the current Māori Housing pipeline (costing \$55.875 million operating and \$158.125 million capital). HUD will provide advice in early 2025 on which projects in the current pipeline are investment ready and could proceed.</li> <li>• Delivery of around 200 Affordable Rentals alongside Budget 2024 Social Housing places (costing \$80.020 million capital). Investment would be prioritised to priority locations for social housing delivery and through strategic partners.</li> <li>• \$25.000 million operating across 2025/26 and 2026/27 to subsidise market supply within mixed tenure developments that include social housing and affordable rentals.</li> </ul> <p>In Phase Two (after 30 June 2027), the Flexible Fund will provide a mixture of ongoing operating and grant funding to purchase and contract new Social Housing places (including affordable rentals) and market-rate homes where these are part of mixed tenure developments. The specific mix of housing would be determined in consultation with partners in priority places based on need as part of HUD developing active purchasing approach. High level funding mix includes:</p> <ul style="list-style-type: none"> <li>• \$67.641 million operating and \$49.408 million capital funding in the forecast period (and \$67.641 million operating and \$20.870 million capital in outyears) that could fund between 1300 and 1800 social homes (including affordable rentals) and some market homes.</li> <li>• \$25.000 million across 2027/28 and 2028/29 to subsidise market supply within mixed tenure developments that include social housing (including affordable rentals). Ongoing outyear funding to subsidise market supply would come from the outyear funding immediately above.</li> </ul> <table border="1" data-bbox="389 1234 1063 1417"> <thead> <tr> <th></th> <th>Phase One</th> <th>Phase Two</th> </tr> </thead> <tbody> <tr> <td>OPEX</td> <td>Affordable Rentals for Māori Housing Subsidising Market Supply</td> <td>Social and Affordable Housing Subsidising Market Supply</td> </tr> <tr> <td>CAPEX</td> <td>Affordable Rentals for Māori Housing Affordable Rentals</td> <td>Social and Affordable Housing</td> </tr> </tbody> </table>		Phase One	Phase Two	OPEX	Affordable Rentals for Māori Housing Subsidising Market Supply	Social and Affordable Housing Subsidising Market Supply	CAPEX	Affordable Rentals for Māori Housing Affordable Rentals	Social and Affordable Housing
	Phase One	Phase Two								
OPEX	Affordable Rentals for Māori Housing Subsidising Market Supply	Social and Affordable Housing Subsidising Market Supply								
CAPEX	Affordable Rentals for Māori Housing Affordable Rentals	Social and Affordable Housing								
<p><b>What market constraints or other delivery risks exist?</b></p>	<p>As the construction sector is not running at capacity and is unlikely to be running at capacity within the foreseeable future, we do not see any constraints or delivery risks there.</p>									
<p><b>Government Procurement Rules</b></p>	<p>Sourcing processes are consistent with the Government Procurement Rules, noting that social housing providers are additionally regulated as either Crown entities or via Public and Community Housing Management Act 1992 (PaCHMA) registration.</p>									

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**Section 4B: Risks, constraints, and dependencies**

The answer to each question must not exceed 1-2 paragraphs

<b>What are the main risks?</b>	<p>The key risks are:</p> <ul style="list-style-type: none"> <li>• The community housing sector's capacity to deliver newly built places. There is a possible risk that delivery of only new builds may take longer than anticipated. This would result in delivery pushed and funding being reallocated between financial years.</li> <li>• Barriers to delivery in regional New Zealand due to a range of factors, such as lacking infrastructure, small local construction sectors, access to land, and the high costs of construction.</li> </ul>
<b>What are the key constraints?</b>	<p>Infrastructure-ready and build-ready land in regional cities and towns. This constraint is likely to affect this initiative and the cost and timeframe for delivery</p>
<b>What are the key dependencies?</b>	<p>CHPs and affordable housing providers are dependent on the construction sector to deliver new build properties. Changes and constraints (such as supply issues) in this sector may impact the ability to build new houses (though unlikely in next few years).</p> <p>CHPs in most cases are dependent on financing through banks to be able to deliver their housing projects. Any significant changes to lending rules or further large increases in interest rates could affect the ability of CHPs to deliver. The Treasury's work to improve access to social housing finance is an important enabler.</p>

**Section 4C: Governance and oversight**

The answer to each question must not exceed 1-2 paragraphs.

<b>What are the governance arrangements for this initiative?</b>	<p>HUD is headed by our Chief Executive who is responsible for overall performance of the Ministry. Each of our five functional groups are headed by a Deputy Chief Executive. The Ministry's Audit and Risk committee meets regularly to provide high level oversight of Ministry activities, and the Investment and Delivery committee meet monthly to monitor performance of key outputs.</p> <p>This initiative will use the existing governance structure for social housing (including affordable rentals). The social houses are delivered by Kāinga Ora or registered CHPs who are governed under the Crown Entities Act 2004 and the Public and Community Housing Management Act 1992 respectively.</p> <p>Input from key stakeholders, particularly Māori and Iwi groups provided through our place-based partnerships and through our contracts for housing supply and services.</p>
<b>Timeframes and monitoring</b>	<p>Timeframe for delivery through phase one is expected to be to June 2027. Delivery for Phase Two would be from June 2027 through to June 2029. Forms of monitoring to include:</p> <ul style="list-style-type: none"> <li>• Contract monitoring: tracking deliverables in social housing, affordable rental or market housing contracts (e.g. the number of units delivered within the specified timeframes, etc.).</li> <li>• Regulatory oversight: community housing organisations that receive funding for social housing are registered and regulated by the Community Housing Regulatory Authority (CHRA). Minimum Performance Standards apply across all aspects of the organisation to ensure on-going financial and operational viability. Organisations are monitored against these standards annually, with additional monitoring as required.</li> </ul>

**Section 4D: Demonstrating performance**

The answer to each question must not exceed 1-2 paragraphs.

HUD's new Delivery group came into effect from 9 December 2024 and supports a stronger focus on investment to improve performance of local housing systems and to meet needs in place. It will enable a more sophisticated understanding of current and future needs at a national level and how this plays out in local markets. Investment decisions through the Flexible Fund will be based on needs and the capability and capacity of partners in priority places, and involve a much stronger focus on reporting on impact and identifying what works to inform future investment

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Reporting on the Flexible Fund will draw together HUD's reporting on existing funds and programmes, including our existing social and affordable housing programmes. The specifics of this reporting will take will be scoped as the Flexible Fund is further developed. We intend to work closely with Treasury on the development of appropriate guardrails for the Flexible Fund and will incorporate thinking on these into reporting and monitoring requirements.

Evaluation of the Flexible Fund is not specifically funded but can be done through HUD's existing evaluation and monitoring capacity. The required data and information for this evaluation does not require specific additional investment to produce.

### Section 5: Equity

*All initiatives need to complete this section.*

The answer to each question must not exceed 1-2 paragraphs.

<b>Timing of costs and benefits</b>	Capital costs of this initiative will accrue over the short term with capital funding being utilised till July 2027 while ongoing costs, and the majority of benefits, will accrue over the long term – across the social and affordable housing contract lengths (up to 25 years). Many benefits associated with improved housing outcomes will also have long term or intergenerational impacts.			
<b>Treaty of Waitangi (Te Tiriti o Waitangi) Obligations</b>	<b>Yes</b>	There are no risks to Treaty settlements or Treaty settlement commitments associated with this initiative.		
	<b>Yes</b>	Flexibly funding the delivery of social, affordable and market housing would allow partner organisations, including iwi and Māori organisations with whom HUD has existing relationships, to have far greater involvement in the design and implementation of housing investment in place. This element of co-design and co-implementation presents a clear opportunity for the Government to fulfil its obligation under the Treaty of Waitangi to allow for the exercise of rangatiratanga.		
<b>Specific implications regarding human rights</b>	<b>Yes</b>	Per the Office of the High Commissioner for Human Rights, the right to adequate housing encompasses a range of dimensions including affordability, access, aspects of housing quality, and security of tenure. This initiative will have direct benefits in these dimensions for households placed into social housing (including affordable rentals). It will have indirect benefits along some of these dimensions for households who are, as a result of moving chains, able to move into higher quality housing, and it will have city-wide benefits on the affordability and (to some extent) access dimensions as a result of increased housing supply in general.		
<b>Does the initiative have a larger impact on any of the following groups of New Zealanders than on the population as a whole?</b>	<i>Māori</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Pasifika</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Other minority ethnic groups</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Rural Populations</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Seniors</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Disabled Peoples</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Women and girls</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Low-income individuals / families</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Children and Young People</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
<i>Other groups (please specify)</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>	

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**Distributional  
Impacts**

Additional supply of social housing (including affordable rentals) will have the greatest impact on those on the Housing Register (this is true by design for social housing and is assumed for affordable rentals subject to further work in 2025). At the time of Census 2023, 52% of main applicants on the Housing Register identified as Māori, and 16% as Pacific Peoples – as compared to 18% and 9% respectively for individual responses to Census (noting that people can identify as multiple ethnicities in both cases). Other minority ethnic groups are also overrepresented on the Housing Register; 38% of register applicants identify as European, compared to 68% of individuals responding to the Census. Individuals and families on the register are also much more likely to be low income or disabled peoples. As at September 2024, 38% of households on the register included children and 27% of main applicants were over 55.

The benefits of reduced rent more generally will also accrue to lower income households, who are disproportionately likely to belong to the groups listed above. The non-fiscal costs, which accrue to landlords, are similarly disproportionately unlikely to fall on the groups listed above.

# Annex 1: Budget 2025 Cost Pressures and New Spending Template

## Section 1: Overview

Section 1A: Basic initiative information			
<b>Initiative title (max 120 characters)</b>	Housing Portfolio Reset of Investment – Cost Pressures funding to maintain existing service volumes		
<b>Lead Minister</b>	Hon Chris Bishop Minister of Housing	<b>Agency</b>	Ministry of Housing and Urban Development
<b>Initiative description (max 800 characters)</b>	<p>This bid addresses the Housing Portfolio's cost pressures outlined in the Performance Plan, which includes:</p> <ul style="list-style-type: none"> <li>Price pressures: due to rising costs per Social and Transitional Housing place, with payments to Community Housing Providers contractually linked to market rent increases, exceeding the fixed nominal baseline from 2027/28.</li> <li>Volume pressures: initial funding for Housing Services Income-Related Rent Subsidy (IRRS) did not consider prolonged stays in IRRS housing beyond service necessity, requiring about 200 additional IRRS places annually to maintain service volumes.</li> </ul> <p>HUD has identified savings offsetting these pressures through the forecast period (ID 16508 refers). However, cost pressures persist from 2029/30 onwards.</p>		
<b>Priority Area (PA) Objective</b>	<input type="checkbox"/> New Spending Commitments	<input type="checkbox"/> Capital Investments	
	<input checked="" type="checkbox"/> Cost Pressures	<input type="checkbox"/> Capital Cost Escalation	
	<input type="checkbox"/> Performance Plan Scrutiny		
<b>Is this a cross-Vote initiative?</b>	No		
<b>Does this require legislative change?</b>	No		
<b>Agency contact</b>	Name: Igor Dupor s 9(2)(a) (e): igor.dupor@hud.govt.nz	<b>Treasury contact (Vote Analyst)</b>	Name: Jack Wellwood s 9(2)(a) (e): jack.wellwood@treasury.govt.nz

Section 1B: Summary of funding profile						
Operating costs associated with initiative (\$m)						
Initiative	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Market Rents: CHPs	-	-	-	23.068	32.546	55.614
Market Rents: Transitional Housing	-	-	-	9.334	17.482	26.816
Housing Services IRRS	3.906	11.629	19.562	28.226	36.740	100.062
<b>Total (\$m)</b>	<b>3.906</b>	<b>11.629</b>	<b>19.562</b>	<b>60.628</b>	<b>86.768</b>	<b>182.493</b>
Initiative	2029/30	2030/31	2031/32	2032/33	2033/34	Total
Market Rents: CHPs	45.625	56.833	69.548	80.166	92.306	344.479
Market Rents: Transitional Housing	29.898	42.761	56.086	69.892	84.194	282.830
Housing Services IRRS	46.020	55.786	66.491	76.858	88.207	333.361
<b>Total (\$m)</b>	<b>121.543</b>	<b>155.380</b>	<b>192.125</b>	<b>226.915</b>	<b>264.707</b>	<b>960.670</b>

Capital costs associated with initiative (\$m)										
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	31/32	33/34	Total
-	-	-	-	-	-	-	-	-	-	-

**Section 2: Alignment and options analysis**

Section 2A: Problem definition – Cost Pressure									
The answer to each question must not exceed 1-2 paragraphs									
Market Rents: CHPs	<input type="checkbox"/> Wage <input checked="" type="checkbox"/> Price <input type="checkbox"/> Volume <input type="checkbox"/> Other								
Market Rents: Transitional Housing	<input type="checkbox"/> Wage <input checked="" type="checkbox"/> Price <input type="checkbox"/> Volume <input type="checkbox"/> Other								
Housing Services IRRS	<input type="checkbox"/> Wage <input type="checkbox"/> Price <input checked="" type="checkbox"/> Volume <input type="checkbox"/> Other								
<b>What is the cause of the cost pressure?</b>	<p>Price Pressures – market rent growth for Community Housing Providers (CHPs) and Transitional Housing: Payments to CHPs for existing Social and Transitional Houses places are contractually linked to growth in market rents for dwellings. Forecast expenditure remains within appropriation until 2026/27 but will exceed the fixed nominal baseline appropriation from 2027/28 and beyond.</p> <p>Volume Pressures – Housing Services IRRS: Housing First and Rapid Rehousing have a similar funding model that consists of two components: a service component and a housing (IRRS) component. Initial funding for additional IRRS places to support programmes did not account for those who graduate the service but continue to reside in the IRRS property. As the Housing First and Rapid Rehousing programmes continue to mature, the number of clients graduating from the services and continuing to live in an IRRS property is increasing. To maintain funded service levels, as new households enter the programme, additional IRRS places may be brought on, which HUD does not have funding for. Based off recent trends, the number of additional CHP IRRS places to maintain service levels is around 200 places per year with an additional cost of approximately \$100 million in IRRS across the period of FY24/25 – FY28/29 unless measures are taken to address this.</p>								
<b>Why is the cost pressure unmanageable?</b>	<p>HUD expects these cost pressures to be managed within existing baselines, through applying savings identified through the Reset of Investment and detailed in the bid titled 'Housing Portfolio Reset of Investment – Savings to offset Cost Pressures' (ID 16508 refers).</p> <p>Potential mitigations or alternatives to offsetting cost pressures with savings include:</p> <ul style="list-style-type: none"> <li>By March 2025, HUD will provide advice on interim options to manage the volume pressure associated with Housing Services IRRS which may reduce the cost pressure.</li> </ul> <p>s 9(2)(f)(iv)</p> <ul style="list-style-type: none"> <li>s 9(2)(f)(iv)</li> </ul> <p>If these cost pressures were not offset by savings, a commensurate reduction in service volumes may be required by 2028/29 equivalent to 2,451 places comprising:</p> <ul style="list-style-type: none"> <li>1,480 social housing tenancies,</li> <li>299 transitional housing tenancies, and</li> <li>672 Housing First and Rapid Rehousing places.</li> </ul> <p>Offsetting savings have been identified to manage these cost pressures within forecast period to 2028/29 only. From 2029/30, flat nominal appropriation will generate additional cost pressures which will require additional mitigation.</p>								
<b>Alignment to Government Priorities</b> (if alignment to multiple Priorities is possible, select the most relevant)	<table border="0"> <tr> <td><input type="checkbox"/></td> <td>Addressing the rising cost of living</td> <td><input checked="" type="checkbox"/></td> <td>Delivering effective and fiscally sustainable public services</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Building for growth and enabling private enterprise</td> <td><input type="checkbox"/></td> <td>Not Aligned</td> </tr> </table> <p>This initiative supports delivery of effective and fiscally sustainable public services through maintaining the provision of housing and services for vulnerable people through rationalising and reprioritising HUD's investment in the housing and urban development system.</p>	<input type="checkbox"/>	Addressing the rising cost of living	<input checked="" type="checkbox"/>	Delivering effective and fiscally sustainable public services	<input type="checkbox"/>	Building for growth and enabling private enterprise	<input type="checkbox"/>	Not Aligned
<input type="checkbox"/>	Addressing the rising cost of living	<input checked="" type="checkbox"/>	Delivering effective and fiscally sustainable public services						
<input type="checkbox"/>	Building for growth and enabling private enterprise	<input type="checkbox"/>	Not Aligned						

**Section 2C: Options analysis**

The answer to each question must not exceed 1-2 paragraphs

<p><b>What was the range of options considered?</b></p>	<p>Through the Reset of Investment HUD considered the value for money and impact of all funds and programmes across the housing portfolio. Through this process HUD identified sufficient savings to offset these cost pressures and enable current service levels to be maintained [HUD2024-005383 refers].</p> <p>As noted above, HUD intends to identify interim options in March 2025 to reduce the Housing Services IRRS cost pressure. <b>s 9(2)(f)(iv)</b></p> <p>The alternative to funding these cost pressures would be to commit now to reduce volumes or the scope of services. Looking across the Housing Portfolio, there is other lower value spending that can be scaled back to manage these cost pressures.</p>
<p><b>What was the process used to select the preferred option?</b></p>	<p>The reset of investment identified a number of lower value areas of spending that could be reprioritised to offset cost pressures and maintain current volumes.</p>
<p><b>Interaction with savings proposals</b></p>	<p>Refer to the budget bid titled 'Housing Portfolio Reset of Investment – Savings to offset Cost Pressures' (ID 16508 refers), which details the proposed funding to fully offset the cost pressures identified in this bid.</p>

**Section 3: Costs and Benefits Analysis**

**Section 3A: Benefits and non-fiscal costs**

The answer to each question must not exceed 1-2 paragraphs.

<p><b>What outcome(s) would the initiative achieve?</b></p>	<p>Maintaining volumes of social and transitional housing and contracted levels housing first and rapid rehousing places. These programmes provide critical support for vulnerable people who require access to stable housing and support to address other factors that may prevent them from accessing or sustaining housing.</p>		
<p><b>How will these outcomes be measured and evaluated?</b></p>	<p>Performance measurements for the provision of public and transitional housing and housing services are published in the Annual Reports, Statements of Performance, and Statements of Intent for both HUD and Kāinga Ora. In addition, measures are included in the Minister's report on non-departmental appropriations <a href="#">[link]</a>.</p>		
<p><b>Evidence and assumptions</b></p>	<p>Both price pressures initiatives rely on the assumption about market rents, which grew by 4.8% in 2023/24 and are forecast to ease to the long-term average of 2.7% over the coming years. Partially offsetting this is growth in Income Related Rents, which is linked to income growth figures published in BEFU24. HUD has chosen to maintain income growth forecasts from BEFU24, as opposed to incorporating updated forecasts from HYEPU24. HUD has not been able to source equivalent updated forecasts for market rents, which is likely to offset the increased cost pressures associated with downgraded income growth forecasts.</p> <p>Housing Services IRRS: long-term average growth in rents, Tenancy Property Management Overhead growth in line with CPI growth of 2% p.a., and growth in volumes at around 200 per annum, which is down from average annual growth of 331 new places over each of the past 3 years.</p>		
<p><b>Climate impact</b></p>	<p><input type="checkbox"/> Yes – emissions impacts (positive or negative)</p>	<p><input type="checkbox"/> Yes – climate adaptation or resilience impacts (positive or negative)</p>	<p><input checked="" type="checkbox"/> No impact</p>
<p>Not applicable</p>			

**Section 3B: Expenditure profile and cost breakdown**

The answer to each question must not exceed 1-2 paragraphs.

<p><b>Formula and assumptions underlying costings</b></p>	<p>The key assumptions for Market Rents – CHPs includes:</p> <ul style="list-style-type: none"> <li>- The volume of CHP tenancies includes only those which have been announced and funded, with volumes flatlining from 2026/27 onwards at 15,631 places;</li> <li>- Income-related rents growing in line with hourly wage growth from BEFU24; and</li> <li>- Market Rents growth consistent with those presented in the Performance Plan, declining from 4.8% in 2023/24 to 3.7% in 2024/25 and returning to the long-run average of 2.7% thereafter.</li> </ul>
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s 9(2)(f)(iv), s 9(2)(i)

s 9(2)(f)(iv), s 9(2)(i)

Provide a breakdown of existing and additional funding sought by individual expense category and agency. Add additional rows as appropriate for additional expense categories.

**Operating expenses (\$m)**

**Existing operating funding (\$m)\*\*\***

Operating expense category	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Purchase of Public Housing Provision (CHPs only)	295.716	331.940	369.724	369.724	369.724	<b>1,736.828</b>
Transitional Housing (MCA)	393.665	365.174	379.226	345.386	338.742	<b>1,822.193</b>
Services for People in Need of or at risk of Needing Public Housing (Housing Services IRRS component)	73.361	75.354	77.615	79.943	82.341	<b>388.614</b>
<b>Total (\$m)</b>	<b>762.742</b>	<b>772.468</b>	<b>826.565</b>	<b>795.053</b>	<b>790.807</b>	<b>3,947.635</b>

\*\*\* Note: Existing operating funding is consistent with OBU forecasts, which is the measure that impacts OBEGAL, as opposed to funding appropriation limits.

**Operating costs associated with initiative (\$m)**

Operating expense category	2024/25	2025/26	2026/27	2027/28	2028/29	Total
<b>MCA: OPEX – Purchase of Public Housing Provision</b>	-	-	-	23.068	32.546	<b>55.614</b>
<b>MCA: OPEX – Transitional Housing (MCA)</b>	-	-	-	9.334	17.482	<b>26.816</b>
<b>MCA: OPEX – Services for People in Need of or at risk of Needing Public Housing (Housing Services IRRS component)</b>	3.906	11.629	19.562	28.226	36.740	<b>100.062</b>
<b>Total operating expenses (\$m)</b>	<b>3.906</b>	<b>11.629</b>	<b>19.562</b>	<b>60.628</b>	<b>86.768</b>	<b>182.493</b>

\*Extend the profile above to a “steady state” if funding into outyears is irregular. Delete “& outyears” for time-limited funding.

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Existing capital funding (\$m)											
Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	Total
Not applicable	-	-	-	-	-	-	-	-	-	-	-
Capital costs associated with initiative (\$m)											
Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	Total
<b>Total (\$m)</b>	-	-	-	-	-	-	-	-	-	-	-

\*Extend the profile above if funding is needed beyond 2033/34.

**Section 3C: Scaled and/or Reprioritisation Options to meet 75%, 50% and 25%**

Operating expenses (\$m)						
Operating expenses and reprioritisation (\$m)	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Market Rents: CHPs	0	0	0	23.068	32.546	<b>55.614</b>
Market Rents: TH	0	0	0	9.334	17.482	<b>26.816</b>
Housing Services IRRS	2.125	6.327	10.643	15.356	19.988	<b>54.439</b>
<b>Net Total (\$m) – 75%</b>	<b>2.125</b>	<b>6.327</b>	<b>10.643</b>	<b>47.758</b>	<b>70.017</b>	<b>136.869</b>
Market Rents: CHPs	0	0	0	11.534	16.273	<b>27.807</b>
Market Rents: TH	0	0	0	4.667	8.741	<b>13.408</b>
Housing Services IRRS	1.953	5.814	9.781	14.113	18.370	<b>50.031</b>
<b>Net Total (\$m) – 50%</b>	<b>1.953</b>	<b>5.814</b>	<b>9.781</b>	<b>30.314</b>	<b>43.384</b>	<b>91.246</b>
Market Rents: CHPs	0	0	0	5.767	8.137	<b>13.904</b>
Market Rents: TH	0	0	0	2.333	4.371	<b>6.704</b>
Housing Services IRRS	0.976	2.907	4.891	7.057	9.185	<b>25.016</b>
<b>Net Total (\$m) – 25%</b>	<b>0.976</b>	<b>2.907</b>	<b>4.891</b>	<b>15.157</b>	<b>21.692</b>	<b>45.623</b>

Capital expenses (\$m)											
Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	Total
Not applicable	-	-	-	-	-	-	-	-	-	-	-
<b>Total (\$m)</b>	-	-	-	-	-	-	-	-	-	-	-

\*Extend the profile above if funding is needed beyond 2032/33.

<b>Scaling of initiative</b>	<p><b>75% Option:</b> No Scaling applied to price pressure initiatives - Market Rents for CHPs and Transitional Housing and pro-rata scales Housing Services IRRS from \$100.063m to \$54.439m. This is equivalent to a decline in volume growth from 8.6% currently to 5.1% per annum, or an additional 200 places to 116 per annum.</p> <p>Using a pro-rata approach that linearly scaling each cost pressure to 75% of total funding, the subsequent reduction in volumes required to fund this option would be equivalent to:</p> <ul style="list-style-type: none"> <li>- 370 social housing tenancies,</li> <li>- 75 transitional housing tenancies, and</li> <li>- 168 Housing First and Rapid Rehousing places.</li> </ul> <p><b>50% Option:</b> This option linearly scales each cost pressure by 50%. The subsequent reduction in volumes required to fund this option would be equivalent to:</p> <ul style="list-style-type: none"> <li>- 740 social housing tenancies,</li> <li>- 149 transitional housing tenancies, and</li> <li>- 336 Housing First and Rapid Rehousing places.</li> </ul> <p><b>25% Option:</b> This option linearly scales each cost pressure by 25%. The subsequent reduction in volumes required to fund this option would be equivalent to:</p> <ul style="list-style-type: none"> <li>- 1,110 social housing tenancies,</li> <li>- 224 transitional housing tenancies, and</li> <li>- 504 Housing First and Rapid Rehousing places.</li> </ul>
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**What are the main risks of the options presented above?**

If these cost pressures were not funded, a commensurate reduction in service volumes is required by 2028/29 equivalent to 2,451 places comprising

- 1,480 social housing tenancies,
- 299 transitional housing tenancies, and
- 672 Housing First and Rapid Rehousing places.

It is unclear whether it is feasible or possible for HUD and Kāinga Ora to materially decrease the stock of social housing to fund cost pressures and runs counter to other initiatives the government has implemented to increase the stock of public housing.

These volume reductions will continue beyond the forecast period leading to a further reduction of 4,115 places in total by 2033

Counterfactual Reduction in Annual Volumes	Forecast Period					Total	Beyond forecast period					Total
	24/25	25/26	26/27	27/28	28/29		29/30	30/31	31/32	32/33	33/34	
Market Rents: CHPs	-	-	-	1,070	410	<b>1,480</b>	554	450	496	388	434	<b>2,321</b>
Market Rents: Transitional Housing	-	-	-	163	136	<b>299</b>	202	201	201	200	200	<b>1,005</b>
Housing Services IRRS	77	148	147	154	145	<b>672</b>	153	156	165	153	163	<b>789</b>
<b>Total</b>	<b>77</b>	<b>148</b>	<b>147</b>	<b>1,387</b>	<b>691</b>	<b>2,451</b>	<b>909</b>	<b>807</b>	<b>862</b>	<b>741</b>	<b>796</b>	<b>4,115</b>

## Section 4: Delivery

There are *specific sections to complete based on the PA Objective of the Initiative (feel free to delete non-relevant sections of the template):*

- *Cost Pressures, Capital Cost Escalations and Performance Plan Scrutiny: Section 4A and 4D*
- *New Spending Commitments and Capital Investments: All sections*

### Section 4A: Procurement

The answer to each question must not exceed 1-2 paragraphs.

**What is the initiative purchasing/funding?**

Savings identified through the reset of investment can fully offset cost pressures in this initiative. Offsetting Social and Transitional Housing price pressures driven by growth in contracted market rents that exceed fixed nominal baseline funding from 2027/28 and beyond, will maintain provision of public and social housing.

Offsetting Housing Services IRRS pressures will maintain places for people in need of or at risk of needing public housing, including:

- **Housing First:** for people who are experiencing chronic homeless, sleeping rough, or in other places not designed for habitation (e.g. in cars) for at least 12 months, have high or complex support needs and require intensive ongoing support services to place them in housing and help them stay housed. Support is provided for as long as required.
- **Rapid Rehousing:** for people who do not meet the Housing First criteria because of the duration of homelessness they have experienced, or because their support needs are not as high or complex. Support is provided for up to 12 months.

The original intention of the Housing First programme was for 20% of participants to be placed in private rentals and receive the Accommodation Supplement and 80% in social housing and receive IRRS. Of those placed in social housing, it was assumed that 80% would be placed in a Kāinga Ora property and 20% in a CHP property, but this has not eventuated. HUD data shows that the majority of Housing First and Rapid Rehousing participants are housed in existing properties CHPs have leased from the rental market to be used as social housing places. This is because they enable the programme to operate as intended in providing quick access to housing and providing participants greater choice as to where they live, both of which are key Housing First principles.

**What market constraints or other delivery risks exist?**

Market Rents – CHPs and Transitional Housing: not applicable, as payments are made to providers with existing contracts.

Housing Services IRRS: subject to advice on interim options to mitigate this pressure, providers should be able to secure 200 places from the rental market to maintain current service levels.

**Government Procurement Rules**

Not applicable

**Section 4B: Risks, constraints, and dependencies**

The answer to each question must not exceed 1-2 paragraphs

<b>What are the main risks?</b>	HUD propose to offset cost pressures with savings from elsewhere in the portfolio to maintain current levels of provision. Risks to maintaining current levels are low.
<b>What are the key constraints?</b>	None – maintaining volumes is BAU.
<b>What are the key dependencies?</b>	In 2025 HUD will review reviewing housing services and supports – including Transitional Housing, Housing First, Rapid Rehousing and Sustaining Tenancies. HUD has committed to savings through this process which are being used to offset the cost pressures from this initiative.

**Section 4C: Governance and oversight**

The answer to each question must not exceed 1-2 paragraphs.

<b>What are the governance arrangements for this initiative?</b>	<p>HUD is headed by our Chief Executive who is responsible for overall performance of the Ministry. Each of our five functional groups are headed by a Deputy Chief Executive. The Ministry’s Audit and Risk committee meets regularly to provide high level oversight of Ministry activities, and the Investment and Delivery committee meet monthly to monitor performance of key outputs.</p> <p>These initiatives will also use the existing governance structure for social housing and affordable rentals. The social houses are delivered by Kāinga Ora or registered Community Housing Providers who are governed under the Crown Entities Act 2004 and/or the Public and Community Housing Management Act 1992, respectively.</p> <p>Input from key stakeholders, particularly Māori and Iwi groups provided through our place-based partnership and through our contracts for housing supply and services.</p>
<b>Timeframes and monitoring</b>	<p>This initiative maintains current volumes and reflects BAU. Forms of monitoring to include:</p> <ul style="list-style-type: none"> <li>- Contract monitoring: tracking deliverables in social housing, affordable rental or market housing contracts (e.g. the number of units delivered within the specified timeframes, etc.).</li> <li>- Regulatory oversight: community housing organisations that receive funding for social housing are registered and regulated by the Community Housing Regulatory Authority (CHRA). Minimum Performance Standards apply across all aspects of the organisation to ensure on-going financial and operational viability. Organisations are monitored against these standards annually, with additional monitoring as required</li> </ul>

**Section 4D: Demonstrating performance**

The answer to each question must not exceed 1-2 paragraphs.

Performance measurements for the provision of public and transitional housing and housing services are published in the annual reports, statements of performance, statements of intent for both HUD and Kāinga Ora. In addition, measures are included in the Minister’s report on non-departmental appropriations [\[link\]](#).

The performance estimates are not expected to change as these cost pressures pre-existing commitments that are to be funded through savings from across the Housing Portfolio.

**Section 5: Equity**

*All initiatives need to complete this section.*

The answer to each question must not exceed 1-2 paragraphs.				
<b>Timing of costs and benefits</b>	Compared to the counterfactual of reduced volumes the benefits to accessing stable housing accrue in both the immediate term and are enduring.			
<b>Treaty of Waitangi (Te Tiriti o Waitangi) Obligations</b>	<b>No</b>	There are no risks to Treaty settlements or Treaty settlement commitments associated with this initiative.		
<b>Specific implications regarding human rights</b>	<b>Yes</b>	Per the Office of the High Commissioner for Human Rights, the right to adequate housing encompasses a range of dimensions including affordability, access, aspects of housing quality, and security of tenure. HUD has identified savings that fully offsets these cost pressures enabling meaning current levels of funded services can be maintained.		
<b>Does the initiative have a larger impact on any of the following groups of New Zealanders than on the population as a whole?</b>	<i>Māori</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Pasifika</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Other minority ethnic groups</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Rural Populations</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Seniors</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Disabled Peoples</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Women and girls</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Low-income individuals / families</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Children and Young People</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Other groups (please specify)</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
<b>Distributional Impacts</b>	<p>Maintaining housing and support services will continue to support vulnerable people. At the time of Census 2023, 52% of main applicants on the housing register identified as Māori, and 16% as Pacific Peoples – as compared to 18% and 9% respectively for individual responses to Census (noting that people can identify as multiple ethnicities in both cases). Other minority ethnic groups are also overrepresented on the register; 38% of register applicants identify as European, compared to 68% of individuals responding to the Census. Individuals and families on the register are also much more likely to be low income or disabled peoples. As at September 2024, 38% of households on the register included children and 27% of main applicants were over 55.</p> <p>Reductions in service scope or volumes used in lieu of funding cost pressures will have a disproportionately negative impact on the above population cohorts.</p>			

## Annex 2: Budget 2025 Savings Template

### Section 1: Overview

Section 1A: Basic initiative information											
Initiative title (max 120 characters)		Housing Portfolio Reset of Investment – Savings to offset Cost Pressures									
Lead Minister		Hon Chris Bishop Minister of Housing			Agency		Ministry of Housing and Urban Development				
Initiative description (max 800 characters)		<p>This bid includes OPEX savings options across the Housing Portfolio totalling \$182.493 million, which HUD proposes be used to offset Cost Pressures (ID 16507 refers). This includes initiatives identified in HUD's Resetting Investment set out in the Housing Portfolio's Performance Plan, including:</p> <ul style="list-style-type: none"> <li>- Public Housing Services / Transitional Housing (\$45m),</li> <li>- Contracted Emergency Housing (\$81.249m),</li> <li>- First Home Loans (\$35.8m),</li> <li>- Māori Housing (\$16.538m), and</li> <li>- Housing Infrastructure Fund (\$3.906m).</li> </ul> <p>These options have marginal impacts on FTEs, as funding is entirely non-departmental and mostly provided to third parties.</p>									
Priority Area (PA) Objective		<input checked="" type="checkbox"/> Targeted policy savings			<input type="checkbox"/> Reprioritisation						
		<input type="checkbox"/> Grants and funds			<input type="checkbox"/> Performance Plan Scrutiny						
		<input type="checkbox"/> Tagged Contingency									
Is this a cross-Vote initiative?		No									
Is this a revenue initiative?				No			Does this require legislative change?				No
Agency contact		Name: Igor Dupor s 9(2)(a) (e): igor.dupor@hud.govt.nz			Treasury contact (Vote Analyst)		Name: Jack Wellwood s 9(2)(a) (e): jack.wellwood@treasury.govt.nz				
Section 1B: Summary of savings/reprioritisation profile											
Operating funding available for return (\$m)											
2024/25	2025/26	2026/27	2027/28	2028/29 and out years*		Total					
(3.906)	(11.629)	(19.562)	(60.628)	(86.768)		<b>(182.493)</b>					
Capital funding available for return (\$m)											
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34*	Total	
0	0	0	0	0	0	0	0	0	0	0	

## Section 2: Alignment and options analysis

Section 2A: Alignment				
The answer to each question must not exceed 1-2 paragraphs				
<b>Does this savings/reprioritisation initiative have implications for the delivery of Government priorities?</b> (if there are implications for multiple Priorities, select the most relevant)	<input type="checkbox"/>	Addressing the rising cost of living	<input checked="" type="checkbox"/>	Delivering effective and fiscally sustainable public services
	<input type="checkbox"/>	Building for growth and enabling private enterprise	<input type="checkbox"/>	No consequences
This initiative supports delivery of effective and fiscally sustainable public services through rationalising and reprioritising HUD's investment in the housing and urban development system, and allowing HUD to flexibly respond to need in place in the way which is most cost effective.				
<b>What is the proposed use for reprioritisation?</b> (for reprioritisation initiatives only)	<input checked="" type="checkbox"/>	Cost Pressures / New Spending	<input type="checkbox"/>	Economic Growth (invitation only)
<b>Which initiative(s) is this intended to be reprioritised for?</b>	<b>ID 16507</b> Housing Portfolio Reset of Investment – Cost Pressures funding to maintain existing service volumes			
Section 2B: Options analysis				
The answer to each question must not exceed 1-2 paragraphs				
<b>What were the range of options considered?</b>	<p>In July, Cabinet agreed to reset investment in housing and urban development to streamline programmes, improve value for money, and increase flexibility to meet needs in place through the active purchaser approach recommended by the Kāinga Ora Review. Through the reset of investment, a line-by-line assessment of each of HUD's funds and programmes were assessed against alignment with the role for government investment, value for money and delivery.</p> <p>HUD has identified several areas where investment may not be as effective or be having the greatest impact:</p> <ul style="list-style-type: none"> <li>• There can be multiple funds performing similar roles;</li> <li>• Funds can have multiple objectives with a lack of transparency about what is being purchased, why and at what cost;</li> <li>• Different levels of support for people in similar situations can be unfair and provide poor incentives for people to move from SH when their situation improves;</li> <li>• Funds can be inflexible and difficult to use together to support investment in place; and</li> <li>• People can be placed in programmes based on housing need, not the need for social services leading to under/over servicing.</li> </ul>			
<b>What was the process used to select the preferred option?</b>	<p>The Reset of Investment advice recommended changes to stop, wind down, and improve the effectiveness of programmes [HUD 2024-005383 refers].</p> <p>Through this work total savings and reprioritisation of uncommitted Māori Housing funding of \$400.450 million OPEX and \$470.874 million CAPEX were identified across the forecast period.</p>			

## Section 3: Costs and benefits analysis

### Section 3A: Benefits and non-fiscal costs

The answer to each question must not exceed 1-2 paragraphs. The primary benefit of savings is fiscal. Therefore, the primary purpose of this section is to highlight any risks or impacts of the savings/reprioritisation initiative.

<p><b>Where do the savings or revenue or reprioritisation arise from?</b></p>	<p><u>Public Housing Services/Transitional Housing (\$45 million over the forecast period):</u>                  HUD will review programmes that provide access to housing and support in 2025. Programmes that will be considered as part of this work include Housing First and Rapid Rehousing, as well as Transitional Housing, Single-Site Supported Housing, Sustaining Tenancies, and Outreach.                  HUD anticipates savings of up to \$45 million across 2027/28 and 2028/29 could be achieved through this process. Potential approaches to finding savings that will be considered include:</p> <ul style="list-style-type: none"> <li>a) s 9(2)(f)(iv)</li> <li>b) s 9(2)(f)(iv)</li> <li>c) s 9(2)(f)(iv)</li> <li>d) s 9(2)(f)(iv)</li> </ul> <p><u>Contracted Emergency Housing (\$81.249m):</u>                  HUD will exit contracted emergency housing motels in Rotorua by December 2025 in line with the Government's commitment.</p> <p><u>First Home Loans (\$35.8m):</u>                  Stop Crown contribution to the FHL insurance premium by moving the FHL to full cost recovery [HUD 2024-005383 refers]. This will generate operating savings of up to \$17.9 million per annum.</p> <p><u>Māori Housing (\$16.538m):</u>                  Reprioritising uncommitted Māori Housing funding to a flexible fund that could fund social housing, affordable rentals and market housing. This would move away from separate funds doing similar things, towards a simpler set of more flexible funding tools.</p> <p><u>Housing Infrastructure Fund (\$3.906m):</u>                  The Minister of Finance and Minister of Housing have agreed to enforce the consequences of milestone draw stop events for the loan facilities for Auckland Northwest, Waikato Te Kauwhata, and Queenstown Ladies Mile and Queenstown Quail Rise. This results in OPEX savings from the unwinding of interest concessions.</p>
<p><b>Risks and impacts</b></p>	<p><u>Public Housing Services / Transitional Housing:</u>                  s 9(2)(f)(iv)</p> <p><u>Contracted Emergency Housing (CEH):</u>                  Provision of CEH is intended to cease by December 2025 subject to granting of resource consent for that period. Exiting CEH by December 2025 is dependent on the provision of alternative accommodation options for residents, including the delivery of sufficient social housing and affordable housing through Kāinga Ora, Community Housing Providers and Māori and iwi organisations. If sufficient alternative housing supply is not delivered by this time, residents will need to exit into unsupported options such as emergency housing.</p> <p><u>First Home Loans:</u>                  There is a risk that the Government could be perceived as further removing support for first home buyers by making changes to the FHL insurance, noting that the First Home Grant was discontinued in Budget 2024. HUD does not consider this change to the FHL would affect first home buyers' ability to purchase a home.</p> <p><u>Māori Housing:</u>                  The proposed reprioritisation of uncommitted Māori Housing funding will effectively end Māori Housing as a stand-alone programme. Ringfencing funding for the projects in the</p>

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	<p>current pipeline and ensuring criteria for the Flexible Fund reflect the challenges with developing Whenua Māori land are key potential mitigations.</p> <p><u>Housing Infrastructure Fund (HIF):</u>          Enforcing the consequences of a council's contract breach and removing its access to remaining loan facility may impact on central Government's relationships with those councils and the associated Urban Growth Partnership. HUD considers that councils have alternative means of financing these projects (either through Local Government Funding Agency or the Infrastructure Funding and Financing Act). There may also a concern from developers and/or existing ratepayers who would be required to meet additional interest costs.</p> <p>CBAx not appropriate or applicable as HUD is proposing that funding is internally reprioritised into programmes that are similar in nature.</p>
<b>Impact on frontline services</b>	<p><input type="checkbox"/> High                      <input type="checkbox"/> Medium                      <input checked="" type="checkbox"/> Low</p> <p>As these savings measures are entirely non-departmental and largely payments made to third parties, we expect FTE impacts for HUD to be marginal. s 9(2)(f)(iv)</p> <p>Housing and services contracted through providers will be affected by the savings proposed, with potential impact on availability of housing and support outlined in the risk section above.</p>
	<p><input type="checkbox"/> Yes – emissions impacts (positive or negative)                      <input type="checkbox"/> Yes – climate adaptation or resilience impacts (positive or negative)                      <input checked="" type="checkbox"/> No impact</p> <p>Not applicable.</p>

**Section 3B: Status quo**

The answer to each question must not exceed 1-2 paragraphs.

<b>Status quo</b>	<p><u>Public Housing Services/Transitional Housing</u>          HUD currently provides a range of housing and support services including Transitional Housing and Public Housing Services (including Housing First, Rapid Rehousing, and Sustaining Tenancies). These programmes will be reviewed in 2025.</p> <p><u>Contracted Emergency Housing (CEH)</u>          HUD will exit CEH motels in Rotorua by December 2025 in line with the Government's commitment.</p> <p><u>First Home Loan</u>          Kāinga Ora administers the FHL insurance scheme and receives a premium of 1.2 percent of the loan value for every FHL underwritten. The insurance premium insures lenders against losses arising from mortgage defaults. Costs towards the premium are currently shared between the first home buyer and the Crown, with contribution rates of 0.5 percent and 0.7 percent respectively.</p> <p><u>Māori Housing</u>          Māori Housing funds at HUD includes Whai Kāinga Whai Oranga (WKWO), consists of three appropriations. These are:</p> <ol style="list-style-type: none"> <li>1) Supply, for vertical build costs through WKWO;</li> <li>2) The Māori Infrastructure Fund, to fund associated infrastructure costs; and</li> <li>3) Capability through WKWO, to ensure build-readiness. Includes funding to process resource consent applications.</li> </ol> <p><u>Housing Infrastructure Fund (HIF)</u>          There are nine HIF project packages, across five councils. These project packages were selected in 2017 to bring forward housing delivery, by financing the delivery of the infrastructure that would enable it with interest free loans. Four of these HIF projects have missed a contractually agreed milestone by two years or more - a "Milestone Drawstop Event". The consequence of a Milestone Drawstop Event is that the Crown is no longer obligated to lend the remaining facility unless Ministers decide to waive the consequences.</p>
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Existing operating funding for programme/service (\$m)							
Title	2024/25	2025/26	2026/27	2027/28	2028/29	Total	2029/30 & out years
Māori Housing**	282.623	242.126	281.279	313.402	272.321	<b>1,391.751</b>	81.480
Public Housing MCA	1,895.381	2,078.540	2,180.902	2,196.752	2,186.466	<b>10,538.041</b>	2,196.752
Contracted Emergency Housing	23.833	24.224	24.623	25.029	25.029	<b>122.738</b>	25.029
First Home Loan	18.473	18.000	18.000	18.000	18.000	<b>90.473</b>	18.000
Housing Infrastructure Fund (HIF)	9.063	0	0	0	0	<b>9.063</b>	0
<b>Total (\$m)</b>	<b>2,229.373</b>	<b>2,362.890</b>	<b>2,504.804</b>	<b>2,553.183</b>	<b>2,501.816</b>	<b>12,152.066</b>	<b>2,321.261</b>

\*\*Note that approximately \$1.16 billion of the \$1.39 billion in Māori Housing funding comes from "Investment in Infrastructure to Advance Development-Ready Land". This appropriation also includes only \$98.615m in funding earmarked for Māori Housing, with the remaining \$1.062bn split across Large Scale Projects and the Infrastructure Acceleration Fund which are excluded from this exercise.

Existing capital funding for programme/service (\$m)										
24/25	25/26	26/27	27/278	28/29	29/30	30/31	31/32	32/33	33/34	Total
0	0	0	0	0	0	0	0	0	0	0

**Section 3C: Savings / Revenue / Reprioritisation profile and cost breakdown**

The answer to each question must not exceed 1-2 paragraphs.

<b>Formula and assumptions underlying costings</b>	<p><u>Public Housing Services / Transitional Housing</u>: the \$45m of savings identified are indicative, but HUD considers achievable.</p> <p><u>Contracted Emergency Housing (CEH)</u>: savings are equivalent to the entire OPEX impact from exiting CEH – noting that savings in 2025/26 are equivalent to 50% of the forecasted expenditure.</p> <p><u>First Home Loans</u>: includes the entirety of forecast expenditure from 2025/26 onwards (less provision for Crown to continue contributing to the mortgage insurance levy for the Kāinga Whenua Loan)</p> <p><u>Māori Housing</u>: funding identified for savings and reprioritisation is from funds that remain uncommitted to date.</p> <p><u>Housing Infrastructure Fund (HIF)</u>: savings are equivalent to the entire OPEX and CAPEX impact from enforcing the consequences of council contractual breaches and removing access to remaining HIF loan facilities.</p> <p>See spreadsheets uploaded to CFISnet detailing the assumptions, allocations and modelling behind the costings associated with this budget submission and other submitted by HUD.</p>
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Provide a breakdown of total initiative expenditure by individual expense category. Total operating and capital expenses in this section must match the totals in *Section 1B: Summary of funding profile*. Insert additional rows as appropriate for additional expense categories.

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Recommended operating savings / reprioritisation (\$m)						
Operating expense category	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
OPEX – He Kūku Ki Te Kainga - Increasing Māori Public Housing Supply (MYA)	0	0	0	(2.699)	(13.839)	<b>(16.538)</b>
MCA: OPEX – Transitional Housing Services	0	0	0	(15.000)	(30.000)	<b>(45.000)</b>
OPEX – Contracted Emergency Housing Accommodation and Services	0	(11.629)	(19.562)	(25.029)	(25.029)	<b>(81.249)</b>
OPEX – Kainga Ora - Homes and Communities	0	0	0	(17.900)	(17.900)	<b>(35.800)</b>
MCA: Other – Fair Value Impairment Loss - Housing Infrastructure Fund MCA	(3.906)	0	0	0	0	<b>(3.906)</b>
<b>Total (\$m)</b>	<b>(3.906)</b>	<b>(11.629)</b>	<b>(19.562)</b>	<b>(60.628)</b>	<b>(86.768)</b>	<b>(182.493)</b>

Additional breakdown of FTE changes over the forecast period

Not applicable

Workforce Management

s 9(2)(f)(iv)

Recommended capital savings (\$m)											
Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34*	Total
<b>Total (\$m)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*Extend the profile above if funding is needed beyond 2033/34.

## Section 4: Delivery

### Implementation of savings / reprioritisation

The answer to each question must not exceed 1-2 paragraphs

Implementation of savings from / reprioritisation of this programme, activity or investment	<u>Public Housing Services / Transitional Housing</u> s 9(2)(f)(iv)
	<u>Contracted Emergency Housing (CEH)</u> HUD has a plan in place to exit CEH motels in Rotorua by December 2025 in line with the Government's commitment.
	<u>First Home Loan</u> Under full cost recovery, the buyer will pay the full premium and the Crown will stop its funding. This raises the premium for the buyer from 0.5 percent to 1.2 percent, which can be added to the loan or paid upfront. Kāinga Ora is required to provide participating lenders with 30 days notice of a change to levy. This means changes cannot be made immediately on announcement.  The insurance premium will not be adjusted for existing borrowers of the FHL or first home buyers who have settled on the FHL prior to the changes taking effect. However, there will be first home buyers who have pre-approved or approved FHL lending but have not settled when

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the premium rate changes. There is a chance that the Crown will have to continue payments in FY2025/26. HUD expects this would be an immaterial amount.

Māori Housing:

The proposal is to reprioritise uncommitted Māori housing funding to a new Flexible Fund set out in HUD’s accompanying budget bid titled ‘Housing Portfolio Reset of Investment – Flexible Fund for new social housing investments (including affordable rentals)’ (ID 16509 refers).

Housing Infrastructure Fund (HIF):

The Ministers of Finance and Housing have now agreed to enforce Milestone Drawstop Event, and the Crown is no longer obligated to lend the remaining facility for the four projects. HUD recommends that Ministers write to affected councils informing of this decision.

Not all the Housing Portfolio’s programmes are well aligned with the recommended roles for government and funding is not sustainable. Through Resetting Investment for Housing and Urban Development [HUD 2024-005383 refers] HUD recommend changes to streamline funds, improve flexibility, increase value for money and effectiveness, and recommend priorities for savings and new investment in Budget 2025.

Public Housing Services / Transitional Housing

Trade-offs will depend on the options that are progressed to realise savings. Options will reduce revenues for some providers

Contracted Emergency Housing (CEH):

See risks above.

First Home Loan:

HUD does not expect moving to cost recovery will affect uptake of the loan or households’ ability to reach home ownership compared to now. For an average FHL of \$550,000, the premium paid by buyers would increase from \$2,750 to \$6,600. If the premium is added to the loan, this would mean for an average FHL mortgage, the loan would change from \$552,750 to \$556,600, a difference of \$3,850. The cost increase is less than 1 percent. HUD has assessed this is unlikely to impact buyers’ ability to service their mortgage, impact the amount needed for a deposit, or how much they can borrow

Māori Housing:

Reprioritising uncommitted funding to a flexible fund will enable HUD to support a range of housing tenures. If funding were retained in its current form, then investment in new housing supply beyond June 207 would be limited to affordable rentals with Māori and iwi providers. Ringfencing some of the flexible fund for the current Māori Housing pipeline and ensuring criteria for the flexible fund reflect the challenges with developing whenua Māori land are key mechanisms to maintain a priority for investment in Māori Housing while enabling other needs to be met.

Housing Infrastructure Fund (HIF):

Enforcing the consequences of the Milestone Draw-Stop Event will end the councils’ access to the remaining HIF loan facility. HUD considers that councils have alternative means of financing these projects (either through Local Government Funding Agency or the Infrastructure Funding and Financing Act).

**Transition costs associated with the savings initiative (\$m)**

2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
0	0	0	0	0	0

## Section 5: Equity

The answer to each question must not exceed 1-2 paragraphs.

<b>Timing of costs and benefits</b>	Costs associated with these savings initiatives are in the short-term but are to be reallocated to initiatives that will similarly deliver benefits in the short-term.			
<b>Treaty of Waitangi (Te Tiriti o Waitangi) implications</b>	<b>Yes</b>	Reprioritising uncommitted Māori housing funding to the Flexible Fund will effectively end Māori Housing as a stand-alone programme. Through the Flexible Fund HUD would continue to partner with Māori and Iwi organisation and including to meet Treaty Settlement obligations. Also, the Flexible Fund will enable HUD to move to an active purchaser approach where investment is determined in consultation with partners in priority places, and housing and services are tailored to meet needs of the local community. Whether or not there is a standalone fund for Māori Housing, HUD will continue to implement MAIHI Ka Ora priorities through its place-based partnerships and the active purchaser approach.		
<b>Human rights implications</b>	<b>Yes</b>	Per the Office of the High Commissioner for Human Rights, the right to adequate housing encompasses a range of dimensions including affordability, access, aspects of housing quality, and security of tenure. Housing and services contracted through providers will be affected by the savings proposed, with potential impact on availability of housing and support in some cases. The review of housing supports and services in 2025 should improve the targeting and effectiveness of programmes overall.		
<b>Does the initiative have a larger impact on any of the following groups of New Zealanders than on the population as a whole</b>	<i>Māori</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Pasifika</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Other minority ethnic groups</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Rural Populations</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Seniors</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Disabled Peoples</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Women and girls</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Low-income individuals / families</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Children and Young People</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
<i>Other groups (please specify)</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>	
<b>Distributional Impacts</b>	<p>Housing and services contracted through providers will be affected by the savings proposed, with potential impact on availability of housing and support in some cases.</p> <p>At the time of Census 2023, 52% of main applicants on the housing register identified as Māori, and 16% as Pacific Peoples – as compared to 18% and 9% respectively for individual responses to Census (noting that people can identify as multiple ethnicities in both cases). Other minority ethnic groups are also overrepresented on the register; 38% of register applicants identify as European, compared to 68% of individuals responding to the Census. Individuals and families on the register are also much more likely to be low income or disabled peoples. As at September 2024, 38% of households on the register included children and 27% of main applicants were over 55.</p>			

## Annex 2: Budget 2025 Savings Template

### Section 1: Overview

Section 1A: Basic initiative information										
<b>Initiative title (max 120 characters)</b>	<i>Housing Portfolio Reset of Investment – Reprioritisation to Flexible Fund and new investment</i>									
<b>Lead Minister</b>	<i>Hon Chris Bishop Minister of Housing</i>	<b>Agency</b>	<i>Ministry of Housing and Urban Development</i>							
<b>Initiative description (max 800 characters)</b>	<p>This bid includes savings options across the Housing Portfolio totalling \$173.516m OPEX and \$287.552m CAPEX over the forecast period, which HUD proposes be reprioritised to initiatives detailed in the bid titled 'Housing Portfolio Reset of Investment – Flexible Fund for new social housing investments (including affordable rentals)' (ID 16509 refers). This includes initiatives presented in the Housing Portfolio's Performance Plan, including:</p> <ul style="list-style-type: none"> <li>- Contracted Emergency Housing (\$5.544m),</li> <li>- First Home Loans (\$35.800m),</li> <li>- Housing Infrastructure Fund (\$5.157m), and</li> <li>- Māori Housing (\$127.015m OPEX and \$287.552m CAPEX).</li> </ul> <p>These options have marginal impacts on FTEs, as funding is entirely non-departmental and mostly provided to third parties.</p>									
<b>Priority Area (PA) Objective</b>	<input type="checkbox"/>	Targeted policy savings	<input checked="" type="checkbox"/>	Reprioritisation						
	<input type="checkbox"/>	Grants and funds	<input type="checkbox"/>	Performance Plan Scrutiny						
	<input type="checkbox"/>	Tagged Contingency								
<b>Is this a cross-Vote initiative?</b>	<b>No</b>	<i>If yes, indicate which other Votes are affected.</i>								
<b>Is this a revenue initiative?</b>	<b>No</b>	<b>Does this require legislative change?</b>			<b>No</b>					
<b>Agency contact</b>	<i>Name: Igor Dupor</i> <b>s 9(2)(a)</b> (e): <i>igor.dupor@hud.govt.nz</i>		<b>Treasury contact (Vote Analyst)</b>	<i>Name: Jack Wellwood</i> <b>(e): jack.wellwood@treasury.govt.nz</b>						
Section 1B: Summary of savings/reprioritisation profile										
Operating funding available for return (\$m)										
2024/25	2025/26	2026/27	2027/28	2028/29		2029/30 and outyears				
0	(34.850)	(40.438)	(34.998)	(63.231)	<b>(173.517)</b>	(67.641)				
Capital funding available for return (\$m)										
24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	Total
(136.446)	(11.536)	(74.350)	(44.350)	(20.870)	(20.870)	(20.870)	(20.870)	(20.870)	(20.870)	<b>(391.902)</b>

## Section 2: Alignment and options analysis

Section 2A: Alignment				
The answer to each question must not exceed 1-2 paragraphs				
<b>Does this savings/reprioritisation initiative have implications for the delivery of Government priorities?</b> (if there are implications for multiple Priorities, select the most relevant)	<input type="checkbox"/>	Addressing the rising cost of living	<input checked="" type="checkbox"/>	Delivering effective and fiscally sustainable public services
	<input type="checkbox"/>	Building for growth and enabling private enterprise	<input type="checkbox"/>	No consequences
	This initiative supports delivery of effective and fiscally sustainable public services through rationalising and reprioritising HUD's investment in the housing and urban development system and allowing HUD to flexibly respond to need in place in the way which is most cost effective.			
<b>What is the proposed use for reprioritisation?</b> (for reprioritisation initiatives only)	<input checked="" type="checkbox"/>	Cost Pressures / New Spending	<input type="checkbox"/>	Economic Growth (invitation only)
<b>Which initiative(s) is this intended to be reprioritised for?</b>	<b>ID 16509</b> Housing Portfolio Reset of Investment – Flexible Fund for new social housing investments (including affordable rentals)			
Section 2B: Options analysis				
The answer to each question must not exceed 1-2 paragraphs				
<b>What were the range of options considered?</b>	<p>In July, Cabinet agreed to reset investment in housing and urban development to streamline programmes, improve value for money, and increase flexibility to meet needs in place through the active purchaser approach recommended by the Kāinga Ora Review. Through the reset of investment, a line-by-line assessment of each of HUD's funds and programmes were assessed against alignment with the role for government investment, value for money and delivery.</p> <p>HUD has identified several areas where investment may not be as effective or be having the greatest impact:</p> <ul style="list-style-type: none"> <li>• There can be multiple funds performing similar roles.</li> <li>• Funds can have multiple objectives with a lack of transparency about what is being purchased, why and at what cost.</li> <li>• Different levels of support for people in similar situations can be unfair and provide poor incentives for people to move from SH when their situation improves.</li> <li>• Funds can be inflexible and difficult to use together to support investment in place; and</li> <li>• People can be placed in programmes based on housing need, not the need for social services leading to under/over servicing.</li> </ul>			
<b>What was the process used to select the preferred option?</b>	<p>The Reset of Investment advice recommended changes to stop, wind down, and improve the effectiveness of programmes [HUD 2024-005383 refers].</p> <ul style="list-style-type: none"> <li>• Through this work total savings and reprioritisation of uncommitted Māori Housing funding of \$400.450 million OPEX and \$470.874 million CAPEX were identified across the forecast period.</li> </ul>			

## Section 3: Costs and benefits analysis

### Section 3A: Benefits and non-fiscal costs

The answer to each question must not exceed 1-2 paragraphs. The primary benefit of savings is fiscal. Therefore, the primary purpose of this section is to highlight any risks or impacts of the savings/reprioritisation initiative.

<p><b>Where do the savings or revenue or reprioritisation arise from?</b></p>	<p><u>Contracted Emergency Housing (\$5.544m):</u> HUD will exit contracted emergency housing motels in Rotorua by December 2025 in line with the Government's commitment.</p> <p><u>First Home Loans (\$35.800m):</u> Stop Crown contribution to the FHL insurance premium by moving the FHL to full cost recovery [HUD 2024-005383 refers]. This will generate operating savings of up to \$17.9 million per annum.</p> <p><u>Māori Housing (\$127.015m):</u> Reprioritising uncommitted Māori Housing funding to a flexible fund that could fund social housing, affordable rentals and market housing. This would move away from separate funds doing similar things, towards a simpler set of more flexible funding tools.</p> <p><u>Housing Infrastructure Fund (\$5.157m):</u> The Minister of Finance and Minister of Housing have agreed to enforce the consequences of milestone draw stop events for the loan facilities for Auckland Northwest, Waikato Te Kauwhata, and Queenstown Ladies Mile and Queenstown Quail Rise. This results in OPEX savings from the unwinding of interest concessions.</p>
<p><b>Risks and impacts</b></p>	<p><u>Contracted Emergency Housing (CEH):</u> Provision of CEH is intended to cease by December 2025 subject to granting of resource consent for that period. Exiting CEH by December 2025 is dependent on the provision of alternative accommodation options for residents, including the delivery of sufficient social housing and affordable housing through Kāinga Ora, Community Housing Providers and Māori and iwi organisations. If sufficient alternative housing supply is not delivered by this time, residents will need to exit into unsupported options such as emergency housing.</p> <p><u>First Home Loans:</u> There is a risk that the Government could be perceived as further removing support for first home buyers by making changes to the FHL insurance, noting that the First Home Grant was discontinued in Budget 2024. HUD does not consider this change to the FHL would affect first home buyers' ability to purchase a home.</p> <p><u>Māori Housing:</u> The proposed reprioritisation of uncommitted Māori Housing funding will effectively end Māori Housing as a stand-alone programme. Ringfencing funding for the projects in the current pipeline and ensuring criteria for the Flexible Fund reflect the challenges with developing Whenua Māori land are key potential mitigations.</p> <p><u>Housing Infrastructure Fund (HIF):</u> Enforcing the consequences of a council's contract breach and removing its access to remaining loan facility may impact on central Government's relationships with those councils and the associated Urban Growth Partnership. HUD considers that councils have alternative means of financing these projects (either through Local Government Funding Agency or the Infrastructure Funding and Financing Act). There may also a concern from developers and/or existing ratepayers who would be required to meet additional interest costs.</p> <p>CBAX not appropriate or applicable as HUD is proposing that funding is internally reprioritised into programmes that are similar in nature.</p>
<p><b>Impact on frontline services</b></p>	<p> <input type="checkbox"/> High      <input type="checkbox"/> Medium      <input checked="" type="checkbox"/> Low         </p> <p>As these savings measures are entirely non-departmental and largely payments made to third parties, we expect FTE impacts for HUD to be marginal <b>s 9(2)(f)(iv)</b></p>

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	Housing and services contracted through providers will be affected by the savings proposed, with potential impact on availability of housing and support outlined in the risk section above.			
<b>Climate impact</b>	<input type="checkbox"/>	Yes – emissions impacts (positive or negative)	<input type="checkbox"/>	Yes – climate adaptation or resilience impacts (positive or negative)
			<input checked="" type="checkbox"/>	No impact
	Not applicable.			

**Section 3B: Status quo**

The answer to each question must not exceed 1-2 paragraphs.

**Status quo**

Contracted Emergency Housing (CEH)  
 HUD will exit CEH motels in Rotorua by December 2025 in line with the Government’s commitment.

First Home Loan  
 Kāinga Ora administers the FHL insurance scheme and receives a premium of 1.2 percent of the loan value for every FHL underwritten. The insurance premium insures lenders against losses arising from mortgage defaults. Costs towards the premium are currently shared between the first home buyer and the Crown, with contribution rates of 0.5 percent and 0.7 percent respectively.

Māori Housing  
 Māori Housing funds at HUD includes Whai Kāinga Whai Oranga (WKWO), consists of three appropriations. These are:

- 1) Supply, for vertical build costs through WKWO;
- 2) The Māori Infrastructure Fund, to fund associated infrastructure costs; and
- 3) Capability through WKWO, to ensure build-readiness. Includes funding to process resource consent applications.

Housing Infrastructure Fund (HIF)  
 There are nine HIF project packages, across five councils. These project packages were selected in 2017 to bring forward housing delivery, by financing the delivery of the infrastructure that would enable it with interest free loans. Four of these HIF projects have missed a contractually agreed milestone by two years or more - a "Milestone Drawstop Event". The consequence of a Milestone Drawstop Event is that the Crown is no longer obligated to lend the remaining facility unless Ministers decide to waive the consequences.

**Existing operating funding for programme/service (\$m)**

Title	2024/25	2025/26	2026/27	2026/27	2028/29	Total	2029/30 & outyears
Māori Housing**	282.623	242.126	281.279	313.402	272.321	<b>1,391.751</b>	81.480
Contracted Emergency Housing	23.833	24.224	24.623	25.029	25.029	<b>122.738</b>	25.029
First Home Loan	18.473	18.000	18.000	18.000	18.000	<b>90.473</b>	18.000
Housing Infrastructure Fund (HIF)	9.063	0	0	0	0	<b>9.063</b>	0
<b>Total</b>	<b>333.992</b>	<b>284.350</b>	<b>323.902</b>	<b>356.431</b>	<b>315.350</b>	<b>1,614.025</b>	<b>124.509</b>

\*\*Note that approximately \$1.16 billion of the \$1.39 billion in Māori Housing funding comes from "Investment in Infrastructure to Advance Development-Ready Land". This appropriation also includes only \$98.615m in funding earmarked for Māori

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Housing, with the remaining \$1.062bn split across Large Scale Projects and the Infrastructure Acceleration Fund which are excluded from this exercise.

**Existing capital funding for programme/service (\$m)**

Title	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34*	Total
Upfront payments: He Kūku	215.888	83.117	74.350	44.350	20.870	20.870	20.870	20.870	20.870	20.870	<b>542.925</b>
Upfront payments: MIF	62.343	22.419	0	0	0	0	0	0	0	0	<b>84.762</b>
<b>Total</b>	<b>278.231</b>	<b>105.536</b>	<b>74.350</b>	<b>44.350</b>	<b>20.870</b>	<b>20.870</b>	<b>20.870</b>	<b>20.870</b>	<b>20.870</b>	<b>20.870</b>	<b>627.687</b>

\*Extend the profile above if funding is needed beyond 2033/34.

**Section 3C: Savings / Revenue / Reprioritisation profile and cost breakdown**

The answer to each question must not exceed 1-2 paragraphs.

<b>Formula and assumptions underlying costings</b>	<u>Māori Housing</u> : Funding identified for savings and reprioritisation is from funds that remain uncommitted to date.
	<u>Contracted Emergency Housing (CEH)</u> : savings are equivalent to the entire OPEX impact from exiting CEH – noting that savings in 2025/26 are equivalent to 50% of the forecasted expenditure.
	<u>First Home Loans</u> : includes the entirety of forecast expenditure from 2025/26 onwards (less provision for Crown to continue contributing to the mortgage insurance levy for the Kāinga Whenua Loan)
	<u>Māori Housing</u> : funding identified for savings and reprioritisation is from funds that remain uncommitted to date.
	<u>Housing Infrastructure Fund (HIF)</u> : savings are equivalent to the entire OPEX and CAPEX impact from enforcing the consequences of council contractual breaches and removing access to remaining HIF loan facilities.
	See spreadsheets uploaded to CFISnet detailing the assumptions, allocations and modelling behind the costings associated with this budget submission and other submitted by HUD.

Provide a breakdown of total initiative expenditure by individual expense category. Total operating and capital expenses in this section must match the totals in Section 1B: Summary of funding profile. Insert additional rows as appropriate for additional expense categories.

**Recommended operating savings / reprioritisation (\$m)**

Operating expense category	2024/25	2025/26	2026/27	2027/28	2028/29	Total	2029/30 & ongoing
<b>MCA: Other</b> – Investment in Infrastructure to Advance Development-Ready Land	0	(1.565)	(12.477)	(29.998)	(0.568)	<b>(44.608)</b>	0
<b>OPEX</b> – Progressing the Pipeline of Māori Housing (MYA)	0	(4.744)	0	0	0	<b>(4.744)</b>	0
<b>OPEX</b> – He Taupae - Building Māori housing capability across the Māori housing continuum	0	(2.500)	(2.500)	(2.500)	(2.500)	<b>(10.000)</b>	(2.500)
<b>OPEX</b> – He Taupua - Lifting Capability of Māori Housing Providers	0	(2.500)	(2.500)	(2.500)	(2.500)	<b>(10.000)</b>	(2.500)

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<b>OPEX – He Kūkū Ki Te Kainga - Increasing Māori Public Housing Supply (MYA)</b>	0	0	0	0	(57.663)	<b>(57.663)</b>	(62.641)
<b>OPEX – Contracted Emergency Housing Accommodation and Services</b>	0	(0.483)	(5.061)	0	0	<b>(5.544)</b>	0
<b>OPEX – Kainga Ora - Homes and Communities</b>	0	(17.900)	(17.900)	0	0	<b>(35.800)</b>	0
<b>MCA: Other – Fair Value Impairment Loss - Housing Infrastructure Fund MCA</b>	0	(5.157)	0	0	0	<b>(5.157)</b>	0
Net FTE funding	0	0	0	0	0	<b>0</b>	0
Net contractor/consultant funding	0	0	0	0	0	<b>0</b>	0
Net FTE and contractor/consultant overhead funding	0	0	0	0	0	<b>0</b>	0
<b>Total (\$m)</b>	<b>0</b>	<b>(34.850)</b>	<b>(40.438)</b>	<b>(34.998)</b>	<b>(63.231)</b>	<b>(173.516)</b>	<b>(67.641)</b>

\*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.

Headcount Change	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears*
<b>Total # of net FTEs (employees and contractors/consultants)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*Extend the profile above to a "steady state" if headcount change into outyears is irregular. Delete "& outyears" for time-limited funding.

<b>Additional breakdown of FTE changes over the forecast period</b>	Not applicable.
<b>Workforce Management</b>	s 9(2)(f)(iv)

Recommended capital savings (\$m)											
Capital expense category	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	Total
<b>MCA: CAPEX – UP He Kūkū ki te Kainga - Increasing Māori Housing Supply - prepayment of upfront funds MCA</b>	(121.932)	10.883	(74.350)	(44.350)	(20.870)	(20.870)	(20.870)	(20.870)	(20.870)	(20.870)	<b>(354.969)</b>
<b>MCA: CAPEX – UP Māori Infrastructure Projects - prepayment of upfront funds MCA</b>	(14.514)	(22.419)	0	0	0	0	0	0	0	0	<b>(36.933)</b>
<b>Total (\$m)</b>	<b>(136.446)</b>	<b>(11.536)</b>	<b>(74.350)</b>	<b>(44.350)</b>	<b>(20.870)</b>	<b>(20.870)</b>	<b>(20.870)</b>	<b>(20.870)</b>	<b>(20.870)</b>	<b>(20.870)</b>	<b>(391.902)</b>

## Section 4: Delivery

### Implementation of savings / reprioritisation

The answer to each question must not exceed 1-2 paragraphs

<p><b>Implementation of savings from / reprioritisation of this programme, activity or investment</b></p>	<p><u>Contracted Emergency Housing (CEH)</u>                      HUD has a plan in place to exit CEH motels in Rotorua by December 2025 in line with the Government’s commitment.</p> <p><u>First Home Loan</u>                      Under full cost recovery, the buyer will pay the full premium and the Crown will stop its funding. This raises the premium for the buyer from 0.5 percent to 1.2 percent, which can be added to the loan or paid upfront. Kāinga Ora is required to provide participating lenders with 30 days notice of a change to levy. This means changes cannot be made immediately on announcement.</p> <p>The insurance premium will not be adjusted for existing borrowers of the FHL or first home buyers who have settled on the FHL prior to the changes taking effect. However, there will be first home buyers who have pre-approved or approved FHL lending but have not settled when the premium rate changes. There is a chance that the Crown will have to continue payments in FY2025/26. HUD expects this would be an immaterial amount.</p> <p><u>Māori Housing:</u>                      The proposal is to reprioritise uncommitted Māori housing funding to a new Flexible Fund set out in HUD’s accompanying budget bid titled ‘Housing Portfolio Reset of Investment – Flexible Fund for new social housing investments (including affordable rentals)’ (ID 16509 refers).</p> <p><u>Housing Infrastructure Fund (HIF):</u>                      The Ministers of Finance and Housing have now agreed to enforce Milestone Drawstop Event, and the Crown is no longer obligated to lend the remaining facility for the four projects. HUD recommends that Ministers write to affected councils informing of this decision.</p>
	<p>Not all the Housing Portfolio’s programmes are well aligned with the recommended roles for government and funding is not sustainable. Through Resetting Investment for Housing and Urban Development [HUD 2024-005383 refers] HUD recommend changes to streamline funds, improve flexibility, increase value for money and effectiveness, and recommend priorities for savings and new investment in Budget 2025.</p> <p><u>First Home Loan:</u>                      HUD does not expect moving to cost recovery will affect uptake of the loan or households’ ability to reach home ownership compared to now. For an average FHL of \$550,000, the premium paid by buyers would increase from \$2,750 to \$6,600. If the premium is added to the loan, this would mean for an average FHL mortgage, the loan would change from \$552,750 to \$556,600, a difference of \$3,850. The cost increase is less than 1 percent. HUD has assessed this is unlikely to impact buyers’ ability to service their mortgage, impact the amount needed for a deposit, or how much they can borrow</p> <p><u>Māori Housing:</u>                      Reprioritising uncommitted funding to a flexible fund will enable HUD to support a range of housing tenures. If funding were retained in its current form, then investment in new housing supply beyond June 207 would be limited to affordable rentals with Māori and iwi providers. Ringfencing some of the flexible fund for the current Māori Housing pipeline and ensuring criteria for the flexible fund reflect the challenges with developing whenua Māori land are key mechanisms to maintain a priority for investment in Māori Housing while enabling other needs to be met.</p> <p><u>Housing Infrastructure Fund (HIF):</u>                      Enforcing the consequences of the Milestone Draw-Stop Event will end the councils’ access to the remaining HIF loan facility. HUD considers that councils have alternative means of financing these projects (either through Local Government Funding Agency or the Infrastructure Funding and Financing Act).</p> <p><u>Contracted Emergency Housing (CEH):</u>                      See risks above.</p>

**Transition costs associated with the savings initiative (\$m)**

2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
0	0	0	0	0	0

## Section 5: Equity

The answer to each question must not exceed 1-2 paragraphs.

<b>Timing of costs and benefits</b>	Costs associated with these savings initiatives are in the short-term but are to be reallocated to initiatives that will similarly deliver benefits in the short-term.			
<b>Treaty of Waitangi (Te Tiriti o Waitangi) implications</b>	<b>Yes</b>	Reprioritising uncommitted Māori housing funding to the Flexible Fund will effectively end Māori Housing as a stand-alone programme. Through the Flexible Fund HUD would continue to partner with Māori and Iwi organisation and including to meet Treaty Settlement obligations. Also, the Flexible Fund will enable HUD to move to an active purchaser approach where investment is determined in consultation with partners in priority places, and housing and services are tailored to meet needs of the local community. Whether or not there is a standalone fund for Māori Housing, HUD will continue to implement MAIHI Ka Ora priorities through its place-based partnerships and the active purchaser approach.		
<b>Human rights implications</b>	<b>Yes</b>	Per the Office of the High Commissioner for Human Rights, the right to adequate housing encompasses a range of dimensions including affordability, access, aspects of housing quality, and security of tenure. Housing and services contracted through providers will be affected by the savings proposed, with potential impact on availability of housing and support in some cases. The review of housing supports and services in 2025 should improve the targeting and effectiveness of programmes overall.		
<b>Does the initiative have a larger impact on any of the following groups of New Zealanders than on the population as a whole</b>	<i>Māori</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Pasifika</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Other minority ethnic groups</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Rural Populations</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Seniors</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Disabled Peoples</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Women and girls</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>
	<i>Low-income individuals / families</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
	<i>Children and Young People</i>	Yes - Positive <input checked="" type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input type="checkbox"/>
<i>Other groups (please specify)</i>	Yes - Positive <input type="checkbox"/>	Yes - Negative <input type="checkbox"/>	No impact <input checked="" type="checkbox"/>	
<b>Distributional Impacts</b>	<p>Housing and services contracted through providers will be affected by the savings proposed, with potential impact on availability of housing and support in some cases.</p> <p>At the time of Census 2023, 52% of main applicants on the housing register identified as Māori, and 16% as Pacific Peoples – as compared to 18% and 9% respectively for individual responses to Census (noting that people can identify as multiple ethnicities in both cases). Other minority ethnic groups are also overrepresented on the register; 38% of register applicants identify as European, compared to 68% of individuals responding to the Census. Individuals and families on the register are also much more likely to be low income or disabled peoples. As at September 2024, 38% of households on the register included children and 27% of main applicants were over 55.</p>			

# Hon Chris Bishop

Minister of Housing  
Minister for Infrastructure  
Minister Responsible for RMA Reform  
Minister for Sport and Recreation  
Leader of the House  
Associate Minister of Finance



20 December 2024

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings  
Wellington

Dear Nicola

I am writing to you to set out my priorities and to confirm initiatives for Budget 2025.

Since taking office, we have made progress on regaining control of spending in the Housing portfolio. This has been driven by greater investment discipline and focus on value for money.

## **Budget 2024**

Through Budget 2024, we found savings of \$1.811 billion operating and \$285 million capital over the forecast period. We were able to use some of these savings to fund 1,500 new social housing places for Community Housing Providers (CHPs) from June 2025 to June 2027. The remaining net savings contributed to the 25% of total baseline savings across government.

## **Progress over the 2024/25 Financial Year**

Since Budget 2024, we have:

- Achieved fundamental reforms as part of our Going for Housing Growth policy programme. Through Pillar One, we will free up more land for development and remove unnecessary planning barriers. Cabinet has also agreed to high-level policy decisions on improving infrastructure funding and financing tools so that “growth can pay for growth” through Pillar Two.
- Met our Government target to reduce Emergency Housing to 800 households by 2030. As at 16 December 2024, there were 673 households in Emergency Housing and Contracted Emergency Housing. The reduction of Emergency Housing need has generated savings of \$703.639 million over the four years from 2024/25 to 2027/28 compared to BEFU.
- Refreshed the Kāinga Ora board and tasked them with developing a turnaround plan for the organisation. Cabinet has endorsed this turnaround plan, which sets Kāinga Ora on a path to fiscal sustainability and surplus in 2036.

**BUDGET-SENSITIVE**

## BUDGET-SENSITIVE

- Commenced a process to reset investment in housing (agreed to by Cabinet in July) to streamline programmes, improve value for money, and increase flexibility to meet needs in place through the active purchaser approach recommended by the Kāinga Ora Review.

I will report back to Cabinet on the Resetting Investment work in March and seek agreement on what the government's role is in the housing system, changes to some programmes, and my priorities for savings and reinvestment. I will also outline how the Ministry of Housing and Urban Development (HUD) will apply an active purchaser approach and my proposed social housing work programme for 2025.

### **Savings and potential reprioritisation**

Initial work on the reset of investment and the HUD Performance Plan has identified opportunities for savings and reprioritisation of \$400.420 million operating and \$470.875 million capital across the Budget 2025 forecast period (2024/25 to 2028/29). This includes:

- **Uncommitted Māori Housing funding:** \$187.964 million operating and \$287.553 million capital across the forecast period,
- **Housing Infrastructure Fund (HIF):** \$9.036 million operating and \$183.322 million in recyclable capital,
- **Cost recovery for First Home Loan:** \$71.6 million operating across the forecast period, and
- **Reset of Housing and Support Services:** \$15 million in 2027/28 and \$30 million per annum from 2028/29 in anticipation of the Ministry of Housing and Urban Development's review of Transitional Housing and Public Housing Services.

The reduction in Emergency Housing has also generated savings of \$703.639 million operating over the four years from 2024/25 to 2027/28 compared to BEFU. I note the previous government used forecast savings in Emergency Housing spending to fund Contracted Emergency Housing in Rotorua.

### **Covering cost pressures**

In the Performance Plan, I identified \$182.493 million of cost pressures over the forecast period. This covers market rent increases for Social Housing and Transitional Housing, and unfunded Income Related Rent Subsidy (IRRS) places within Housing First and Rapid Rehousing. Both pressures can be fully offset through savings identified in the Reset work.

The Performance Plan made visible these cost pressures. In 2025 I plan to work with the Minister of Social Development on the operations and performance of housing related support services, including Housing First and Rapid Rehousing. I also intend to take a close look at Transitional Housing.

I propose reprioritising \$182.493 million of the \$400.420 million in operating savings across the forecast period to cover these cost pressures.

## BUDGET-SENSITIVE

## BUDGET-SENSITIVE

### Potential savings before new initiatives

After cost pressures, there is \$217.927 operating and \$470.875 million in capital savings remaining across the forecast period. If savings from Emergency Housing are also counted, \$921.566 million operating is left over.

### New initiatives for 2025

*Affordable Rentals – funded through reprioritisation of uncommitted Māori Housing Funding*

To implement the active purchaser approach recommended by the Kāinga Ora review, HUD has reorganised its delivery group. I intend to work with HUD in 2025 to refine this further by setting up a ring-fenced team/department within HUD that embeds an approach that uses data and insights to create and administer a range of housing support tools – from light-touch support (like the Residential Development Underwrite) to high-touch support (like Social Housing places). In effect, this would be a Housing Funding Authority (HFA).

The goal is to make every dollar go as far as it can to increase housing supply and support people into safe and suitable housing, in the location where it is needed most. This approach is in line with the Treasury's new Funding and Financing Framework, which is about providing "just enough" funding and/or concession to get things done, allowing the Government to do more.

I propose that the HFA would administer a flexible pool of money, or a 'Flexible Fund', to enable them to make these interventions.

I also propose establishing a permanent role for Affordable Rentals within the housing system as part of the Flexible Fund. This can be progressed in two stages:

- Phase One (pre-HFA): Initial focus on affordable rentals through up front grants and potentially other lower-cost support (e.g., interest free loans). Affordable rentals will include projects from the current Māori Housing pipeline, which will complement delivery of social housing funded through Budget 2024. This approach will maximise supply immediately, while the HFA/HUD's active purchasing approach is being established.
- Phase Two (from end of 2025): Move to a more integrated model, where Affordable Rentals are a type of Social Housing. Under this model, Affordable Rentals would be funded by an operating payment like social housing. This would deliver better value for money as an IRRS-style payment. It would be lower than existing IRRS and help fill a need in the market. s 9(2)(f)(iv)

I propose reprioritising remaining uncommitted Māori Housing Funding (\$173.516 million operating and \$287.553 million capital<sup>1</sup>) to the Flexible Fund. With this level of funding, I expect Phase One to support around 600 affordable rentals that could be delivered by June

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<sup>1</sup> 16.538 million of uncommitted Māori housing funding is needed to offset cost pressure, meaning not all the uncommitted Māori Housing operating funding would be transferred to the Flexible Fund.

## BUDGET-SENSITIVE

2027, and Phase Two to support an additional 1,300 to 1,800 social homes (including affordable rentals) that will be procured together from the Flexible Fund from June 2027 to June 2029.

I am in discussion with Minister Potaka regarding the projects from the Māori Housing pipeline that should be prioritised through Phase One of the Flexible Fund, and I also intend to explore lower cost options to support the supply of Māori Housing with available funding.

Within the Flexible Fund I am proposing some limited capacity to subsidise market housing within mixed tenure developments. Investment would be limited to only those projects where we are already funding social housing and or affordable rentals, and targeted to places like Rotorua or Hastings where there is an acute need to increase overall supply.

Moving to a flexible fund is consistent with the Kāinga Ora review and moves away from the numerous and tightly specified programmes we have now. It will allow the Government to be much more deliberate in what housing solutions it purchases and will enable greater competition and parity between Kāinga Ora and CHPs. Our officials will need to work together in the new year to provide us with advice on the appropriate guardrails for the fund.

I intend to establish HUD's purchasing function in a way that enables Ministers to set clear expectations for investment via this fund at a national level, with the HFA determining priority locations for investment based on need, using data and market analysis.

The HFA would have the operational flexibility to determine the appropriate mix of investment in places. They will be the determiner as to who can best deliver what and where, working with local partners and Kāinga Ora. There would be clear reporting on impact and value for money, as well as a focus on what works to inform future investment.

### *Greenfield Model – funded through reprioritisation of Housing Infrastructure Fund*

I propose reprioritising capital savings from the HIF (\$183.322 million in recyclable capital) to support the Greenfield Model which will soon be administered by National Infrastructure Funding and Financing Limited (NIFFCo). On 8 December, you agreed to NIFFCo using the Greenfield Model for two medium-sized developments, under which NIFFCo would lend at moderately concessional interest rates to Infrastructure Funding and Financing Act 2020 Special Purpose Vehicles over the development/construction period.

Under this model, NIFFCo will provide concessionary loans to developers over the development period of a greenfield housing project. Once the development is complete, the capital can be recycled.

The HIF funding is recyclable, so would be suited to reprioritisation in this way. However, the Greenfield Model creates a non-cash operating impact and therefore may be constrained by the overall remaining operating savings (up to \$44 million). HUD will work through the exact fiscal implications with Treasury, but it may mean there will be left over recyclable capital if the OBEGAL impacts cannot be managed in a way that suits you. Any leftover recyclable capital could, for example, be diverted to the HFA's Flexible Fund.

The cost of the interest concession is \$10,000 per dwelling and represents good value for money compared to other interventions that aim to boost housing supply (e.g., the Infrastructure Acceleration Fund).

## BUDGET-SENSITIVE

## BUDGET-SENSITIVE

### *Creating greater certainty for forward pipeline of social housing places*

I propose reprioritising a proportion of the Emergency Housing savings to boost our new supply commitment to at least 1,000 new social homes (including affordable rentals) per annum from June 2027 to June 2029 (or at least 2000 places in total). As a reminder Kāinga Ora is currently funded for new supply to June 2025, with no net growth beyond. There is existing funding of 750 homes per year by CHPs for delivery in 25/26 and 26/27.

The HFA would be agnostic to whether these places were allocated to Kāinga Ora or CHPs and would make this decision based on who could deliver the best value for money to the Government. This would go a long way to enable true contestability and competitive neutrality between Kāinga Ora and CHPs.

I understand the reduced spending on Emergency Housing has been reflected in HYEPU forecasts but given that it is active Ministerial decisions around Emergency Housing that have driven this substantial decline in spending, I believe it should be available for reprioritisation.

### *Credit Enhancement Scheme for CHPs*

As you know, I am also exploring options for a credit enhancement scheme for CHPs. Options include (but are not limited to) providing direct lending or guarantees to CHPs, establishing a Crown intermediary to provide financing efficiencies, or providing lending or guarantees to a private lender. Helping CHPs access debt on terms reflective of their real risk profile and circumstance will put them on a more level playing field with Kāinga Ora and support this Government's goal of competitive neutrality.

I will be reporting back to Cabinet in early 2025 on this financing intervention. The financial implication of establishing a credit enhancement scheme ranges from "Contingent Liability" (guarantee) to needing to capitalise and provide operating funding for a Crown intermediary. Treasury, with support from HUD, are completing work on this, and I will keep you informed as advice develops.

### *Regional Deals Secretariat*

As you are aware, last month, we had a meeting with Minister Brown regarding ongoing funding for the Regional Deal's Secretariat. I propose using a small proportion of the \$44m (e.g., in the scale of \$2m per annum) in operating savings to fund the Regional Deal's Secretariat over the forecast period but not in out years.

### **Potential savings after new initiatives**

A small amount of operating savings and recyclable capital could also be returned to the centre. In line with advice from Treasury, I will consider options for these savings as part of the Budget 2025 Baseline Savings Programme led by Minister Seymour.

### **Further work in 2025 to drive value for money**

s 9(2)(f)(iv)

## BUDGET-SENSITIVE

s 9(2)(f)(iv)

I am not proposing further savings from the Kāinga Ora Large-Scale Projects at this stage. My expectation is that refocusing the programme on enabling social housing renewal will provide further options for capital savings as part of the March report back along with other potential expenditure reductions across Kāinga Ora.

### Budget submissions for Housing Portfolio

I am confirming that I have submitted the initiatives for Budget 2025 for the Ministry of Housing and Urban Development, which covers all proposals for the Housing Portfolio.

I am submitting the targeted policy savings, reprioritisation, and tagged contingency initiatives outlined below for the Housing Portfolio as detailed below:

ID 16508	Savings	Reprioritisation	Housing Portfolio Reset of Investment – Savings to offset cost pressures
ID 16511	Savings	Reprioritisation	Housing Portfolio Reset of Investment – Reprioritisation to Flexible Fund and new investment
ID 16512	Savings	Tagged Contingency	Budget 2020 - Waitangi Tribunal Housing Policy and Services Kaupapa Inquiry (Wai 2750) Tagged Contingency

I have also submitted the cost pressure and new spending commitments and capital investments initiatives as detailed below:

ID 16507	New Spending / Cost Pressure	Cost Pressure	Housing Portfolio Reset of Investment – Cost Pressures funding to maintain existing service volumes
ID 16509	New Spending / Cost Pressure	New Spending	Housing Portfolio Reset of Investment – Flexible fund for new investment in social housing and affordable rentals

Yours sincerely,



Hon Chris Bishop  
Minister of Housing

BUDGET-SENSITIVE



## Briefing

RESETTING INVESTMENT AND BUDGET 2025			
<b>To Minister</b>	Hon Chris Bishop	<b>Portfolio</b>	Housing
<b>Date</b>	15 August 2024	<b>Priority</b>	High
<b>Tracking number</b>	HUD2024-005206		
ACTION SOUGHT			
<b>Action sought</b>	<p>Agree approach to the reset of investment and areas of focus for Budget 2025.</p> <p>Forward to Housing Ministers for the meeting on 27 August to discuss and confirm:</p> <ol style="list-style-type: none"> <li>1. focus for new investment and reprioritisation through Budget 2025</li> <li>2. s 9(2)(f)(iv) [REDACTED]</li> <li>3. potential reprioritisation from other portfolios; and</li> <li>4. s 9(2)(f)(iv) [REDACTED]</li> </ol>		
<b>Deadline</b>	19 August 2024		
CONTACT FOR DISCUSSION			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st contact</b>
Nick McNabb	Chief Advisor, Strategy, Insight and Governance	s 9(2)(a) [REDACTED]	✓
OTHER AGENCIES CONSULTED			
The Treasury [Housing and Urban Growth, and Welfare and Oranga Tamariki Teams], and the Ministry of Social Development (MSD).			



## RECOMMENDED ACTIONS

It is recommended that you:

- |   |                      |
|---|----------------------|
| <p>1. <b>Agree</b> to the following approach to the reset of investment in housing and urban development to inform the November report back including:</p> <ul style="list-style-type: none"><li>a. Understanding the potential impact of Going for Housing Growth and limits of the market.</li><li>b. Given the limits of the market, setting out the role and potential impact of government investment.</li><li>c. Assessing the cost effectiveness of current funds and programmes and new initiatives in meeting the roles set out in 1b above, and recommended changes to programmes.</li><li>d. Changes to simplify funds and programmes to apply more flexibility in places to meet need and support the active purchaser approach recommended in the findings of the Independent Review of Kāinga Ora.</li><li>e. Identifying priorities for future investment and reprioritisation in the housing system (including from other votes) for Budget 2025 and over the next three to five years.</li></ul> | <p><i>Agreed</i></p> |
| <p>2. <b>Note</b> that in progressing the reset, the Ministry of Housing and Urban Development (HUD) will apply the Treasury's value for money framework and advice from the Social Investment Agency as appropriate.</p>   | <p><i>Noted</i></p>  |
| <p>3. <b>Note</b> that HUD will provide advice on 1a and 1b above by the end of September 2024.</p>   | <p><i>Noted</i></p>  |



4.	<b>Agree</b> that HUD will provide advice on 1c-1e by the end of October 2024, covering the areas set out in Table One in this briefing.	<i>Agree/Disagree</i>
5.	<b>Note</b> that Budget 2025 allowances are constrained with the expectation that cost pressures and new spending initiatives are primarily managed through reprioritisation.	<i>Noted</i>
6.	<b>Agree</b> to the areas of focus for new spending and reprioritisation to be developed through the reset for Budget 2025 set out in Table Two and Table Three.	<i>Agree/Disagree</i>
7.	<b>Note</b> that funding each new initiative in Table Two through reprioritisation will require additional savings to be found, s 9(2)(f)(iv) [redacted] [redacted] [redacted] [redacted]	<i>Noted</i>
8.	s 9(2)(f)(iv) [redacted] [redacted] [redacted] ■ [redacted] [redacted] ■ [redacted] [redacted] [redacted] [redacted] [redacted]	<i>Agree/Disagree</i>
9.	s 9(2)(f)(iv)	<i>Agree/Disagree</i>



**10. Forward** this briefing to Housing Ministers for discussion *Agree/Disagree*  
on 27 August 2024 and confirm:

- a. areas of focus for new investment and reprioritisation through Budget 2025
- b. s 9(2)(f)(iv) [redacted]  
[redacted]  
[redacted]
- c. potential reprioritisation from other portfolios; and
- d. s 9(2)(f)(iv) [redacted]  
[redacted]

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Nick McNabb  
**Chief Advisor**  
15 / 08 / 2024

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Hon Chris Bishop  
**Housing**  
..... / ..... / .....



## Purpose

1. To set out the work underway to reset investment in housing and urban development and seeks your agreement to this approach and to confirm areas of focus for new spending initiatives and savings for Budget 2025.
2. We also propose you discuss with Housing Ministers on 27 August 2024:
  - a. focus for new investment and reprioritisation through Budget 2025
  - b. s 9(2)(f)(iv)
  - c. potential reprioritisation from other portfolios.
  - d. s 9(2)(f)(iv)

## Executive summary

3. On 1 July 2024 Cabinet agreed to reset investment in housing and urban development. A key focus of the reset is to clarify the role of government investment in housing and urban development to inform future investment and reprioritisation. s 9(2)(f)(iv)
4. We will provide you with advice in September on the role of government investment, based on an understanding of the potential impact of Going for Housing Growth (GfHG) and the “limits of the market.” Decisions on role of government investment will enable HUD to finalise its assessment of the cost effectiveness of existing funds and potential new initiatives. This will inform advice to you in October 2024 on changes to funds and programmes, including simplifying them to increase flexibility in place, along with savings and investment priorities for Budget 2025 and ongoing work. We seek your agreement that the October 2024 advice cover the areas set out in Table One of this briefing.
5. Based on current information about savings and new spending priorities, funding new initiatives from reprioritisation through Budget 2025 will be challenging. s 9(2)(f)(iv)
6. Potential savings through stopping further Large Scale Project (LSP) neighbourhoods and exiting some Housing Infrastructure Fund (HIF) and Infrastructure Acceleration Fund (IAF) agreements would provide one off rather than ongoing savings. While funding within Māori Housing could be reprioritised, further savings would be required, s 9(2)(f)(iv)



- 7. s 9(2)(f)(iv) [Redacted]
- 8. s 9(2)(f)(iv) [Redacted]
- 9. We recommend you discuss and confirm with Housing Ministers on 27 August the areas of focus for new investment and reprioritisation s 9(2)(f)(iv) [Redacted]
- 10. s 9(2)(f)(iv) [Redacted]

## Background

- 11. On 1 July 2024, Cabinet agreed to reset investment in housing and urban development [ECO-24-MIN0121 refers]. You are due to report back in November with initial outcomes of the review with recommendations on:
  - a. the role of government investment in housing and urban development and implications for existing funds and programmes
  - b. a simpler and more effective set of funding tools that can be applied flexibly in places to meet need
  - c. proposals for investment through Budget 2025; ands 9(2)(f)(iv) [Redacted]
- 12. Cabinet also agreed that the reset be framed around three key principles:
  - a. ensuring investments optimise value for money, sustainably delivering on the Government’s fiscal, economic and social objectives;
  - b. increasing supply where this complements the GfHG policy to improve ownership and rental affordability over the medium to long term;
  - c. applying a social investment approach to improve affordability, access to housing, and support for those who need it, to reduce the Housing Register and get people out of motels into stable housing.



13. The reset will inform future investment and reprioritisation to shift the system through responding to the Kāinga Ora review, supporting growth in the community housing sector, s 9(2)(f)(iv) and the government target to reduce the use of emergency housing.
14. The reset, along with the Kāinga Ora turnaround plan, will provide HUD's primary inputs to the Treasury's Fiscal Sustainability Programme, including the Performance Plan for Housing and Urban Development that you need to submit to Treasury by 7 November (CAB-24-MIN-0273 refers). The broad focus of the reset means that housing programmes have been excluded from Treasury's parallel deep dive into grants and funds.

### Focus for the reset

15. A key focus of the reset is to clarify the role government of investment in housing and urban development to inform future investment and reprioritisation. s 9(2)(f)(iv)  
[REDACTED]
16. To identify the role of government investment, we intend to develop scenarios of the potential impacts from GfHG over time. This will inform the extent that additional market supply can reduce housing costs and increase choice for people and over what timeframe. It will also identify the limits to the market. For example, the impacts of GfHG may be smaller in regional locations compared to main centres. Even with significant increase in market supply, choices are may remain constrained for some large and intergenerational families, Māori wanting to live on or near their whenua, older people, single people, young people, and people with disabilities.
17. Based on understanding the impacts from GfHG and the limits to the market, we will provide advice in September 2024 on the potential for government investment to:
  - a. increase supply (including build to rent) beyond what the market would do to increase housing choice and reduce housing costs, and how this role might differ across places and parts of the economic cycle.
  - b. support urban development and improve urban and economic performance
  - c. support homeownership through addressing barriers to serviceability and raising deposit
  - d. improve income adequacy and reduce poverty through reducing housing costs and/or increasing incomes.
  - e. respond to need for government assisted housing through providing direct access to housing for those who can't secure market housing and support for people to retain or secure public or private housing.
















18. Based on a clear understanding of the different roles for government investment, subsequent advice in October 2024 will cover:
  - a. The cost effectiveness of current funds and programmes and new initiatives in meeting the roles identified above, and recommended changes to programmes.
  - b. Changes to simplify funds and programmes to apply more flexibility in place to meet need and support the active purchaser approach recommended by the Kāinga Ora review.
  - c. Priorities for future investment in the housing system and opportunities for reprioritisation including for Budget 2025 (see paras 22-32 below) and over the medium to long term.
19. In progressing the reset, we will apply the Treasury's value for money framework and advice from the Social Investment Agency as appropriate
20. We expect the October 2024 advice and recommendations will focus on the areas set out in Table One below.
21. We do not propose a separate review of investment in Māori Housing. Advice in October 2024 will set out the best ways for government investment to improve housing outcomes for Māori consistent with the recommendations in Table One. This could include partnering with Iwi or Māori housing providers or building on existing Crown/Māori housing partnerships that are bringing on new supply. This work will also take into account the additional challenges with whenua Māori and the Government's obligations as a Treaty partner.

**Table One: Areas of focus for October 2024 report back**

GOVERNMENT ROLE	RECOMMENDATIONS IN OCTOBER
<p><b>Increasing supply beyond the market and supporting urban development</b></p>	<ul style="list-style-type: none"> <li>• Changes to funds and programmes that improve cost effectiveness and impact in different places and parts of the economic cycle.</li> <li>• Moving to a simpler and more flexible set of funds and levers to support active purchasing, including potentially land acquisition underwrites, and where necessary subsidies to address poor development economics.</li> <li>• Options to reprioritise and new spending including:               <ul style="list-style-type: none"> <li>○ s 9(2)(f)(iv) [REDACTED]</li> <li>○ role of government in supporting urban development</li> <li>○ further savings from LSPs, HIF and IAF.</li> <li>○ s 9(2)(f)(iv) [REDACTED]</li> </ul> </li> </ul>
<p><b>Supporting home ownership</b></p>	<ul style="list-style-type: none"> <li>• Cost recovery for the First Home Loan.</li> <li>• Any future investment in progressive home ownership that could be included as part of mixed tenure developments through active purchasing.</li> </ul>
<p><b>Improving incomes/reducing housing costs</b></p>	<ul style="list-style-type: none"> <li>• s 9(2)(f)(iv) [REDACTED]               <ul style="list-style-type: none"> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> <li>■ [REDACTED]</li> </ul> </li> <li>• New investment in social and affordable housing as part of mixed tenure developments and active purchasing</li> <li>• s 9(2)(f)(iv) [REDACTED]</li> </ul>
<p><b>Responding to need for government assisted housing provision and support</b></p>	<ul style="list-style-type: none"> <li>• Progress on outcomes-based contracting to support exits from emergency housing motels into stable housing and landlord incentives</li> <li>• Options for optimising transitional housing as reflected in the emergency housing delivery plan</li> <li>• s 9(2)(f)(iv) [REDACTED]</li> <li>• Future programme of work to improve targeting and effectiveness of programmes (including Transitional Housing and public housing services such as Housing First, Rapid Rehousing, Sustaining Tenancies and Single Site Supported Housing).</li> </ul>



## Areas of focus for Budget 2025

- 22. The budget allowance for Budget 2025 is highly constrained and the Minister of Finance has set clear expectations that agencies should reprioritise. This expectation will be reinforced through Performance Plans that are required to set out how agencies work within baselines.
- 23. Based on current information, the main areas of new spending and reprioritisation that should be considered through the reset (as per Table One) to inform Budget 2025 are summarised in Tables Two and Three below. We seek your agreement to HUD progressing these through the reset.
- 24. Funding all new initiatives from within current housing spending will be challenging.   
s 9(2)(f)(iv)   
  

- 25. Potential savings through stopping further LSP neighbourhoods and exiting some HIF and IAF agreements would provide one off rather than ongoing savings. Savings through LSPs and the HIF would be capital. While funding within Māori Housing could be reprioritised, this would also fall short with further savings required, s 9(2)(f)(iv)   

- 26. s 9(2)(f)(iv) 
- 27. s 9(2)(f)(iv)   
  
  

- 28. s 9(2)(f)(iv)   


<sup>1</sup> s 9(2)(f)(iv)   


<sup>2</sup> s 9(2)(f)(iv)   
  




s 9(2)(f)(iv)

29.

s 9(2)(f)(iv)

30.

We do not expect that reprioritisation alone will be sufficient to support long term sustainable funding for continued growth in social and affordable housing and the renewal of Kāinga Ora's portfolio. Over the medium to long term, increased supply through GfHG should increase housing options for some people who might otherwise end up in emergency and transitional housing, s 9(2)(f)(iv). Even so, sustainable multi-year funding is likely to require new spending in future budgets.

31.

Note the areas for reprioritisation in Table Three do not cover all areas of spending within the housing portfolio. We have focused on those areas, based on current information, where we consider savings are possible. Areas of spending not listed include:

a. Pacific Housing: funding through the Pacific Housing Strategy and for the Porirua redevelopment is fully contracted

b. s 9(2)(i), s 9(2)(j)

c. Funding for Community Group Housing and Public Housing Services reduces from June 2025. HUD's Performance Plan will set out how we manage this funding reduction while maintaining housing and service provision.

32.

A further potential cost pressure relates to the Minister of Local Government seeking baseline transfers from departments to fund regional deals. We have advised DIA that there is no funding that can be reprioritised and that decisions would need to be made as part of Budget 2025.



**Table Two: Potential New Initiatives for Budget 2025**

INITIATIVE	DESCRIPTION	HOW MUCH
<p>s 9(2)(f)(iv)</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>s 9(2)(f)(iv)</p> <ul style="list-style-type: none"> <li>■ [Redacted]</li> <li>■ [Redacted] <ul style="list-style-type: none"> <li>■ [Redacted]</li> <li>■ [Redacted]</li> </ul> </li> <li>■ [Redacted]</li> <li>■ [Redacted]</li> </ul>	<p>s 9(2)(f)(iv)</p> <p>[Redacted]</p> <p>[Redacted]</p>
<p><b>Additional social and affordable housing</b></p>	<p>Additional social and affordable housing places to support mixed tenure development through active purchasing and strategic partnerships.</p>	<p>For 1000 social homes. \$50m p.a. <u>ongoing</u></p> <p>For affordable rentals, approximately \$320m <u>one off</u> capital for 1000 homes (with technical operating cost of \$21m p.a for duration of contract)</p>
<p><b>Community Housing Provider (CHP) access to finance</b></p>	<p>Options to improve CHP access to finance may require government support, for example through guarantees or direct lending.</p> <p>Options could reduce operating cost for new social housing, and if applied to restructuring existing debt may reduce cost of some current IRRS contracts.</p>	<p>Budget implications are uncertain and will be covered in advice in September. This may include funding for early stage operating supplement to improve CHP access to finance.</p>
<p><b>Additional Kāinga Ora social housing places 25/26</b></p>	<p>Funding and financing for an additional 500 net new places as part of Kāinga Ora’s renewal programme to reduce the number of homes that need to be sold (HUD 2024-004991 refers).</p> <p>The Kāinga Ora Turnaround plan will include suggested renewal activity in future years with implications for the current debt headroom and future funding.</p>	<p>For 500 net new places in 2025/26, \$25m p.a. operating <u>ongoing</u> and up to \$350m capital <u>one off</u> (from current 3bn headroom).</p>
<p><b>Landlord incentives and social outcomes contracting</b></p>	<p>Part of Emergency Housing Delivery Plan.</p> <p>Potential to reprioritise from uncommitted Emergency Housing System Review funds within HUD Transitional Housing appropriation (see Table Three below).</p>	<p>\$6-12m <u>over two years</u> for the Social Outcomes Contract.</p> <p>Advice in early September on landlord incentives.</p>
<p><b>Government role in supporting urban development</b></p>	<p>HUD will provide advice in early September on roles government can play in supporting urban development and the future of Kāinga Ora’s broad urban development function.</p> <p>Depending on choices around the role government plays, s 9(2)(f)(iv)</p> <ul style="list-style-type: none"> <li>■ [Redacted]</li> <li>■ [Redacted]</li> </ul>	<p>TBC and dependent on choices around government’s role.</p>

**Table Three: Possible reprioritisation for Budget 2025**

INITIATIVE	DESCRIPTION	HOW MUCH
<b>Large Scale Projects</b>	<p>The Ministers of Finance and Housing have agreed to the realigned LSP programme to reflect savings returned through Budget 2024 (HUD2024-004939 refers).</p> <p>The realignment retains the option for Ministers in to decide in November not proceed with three neighbourhoods in Mangere, Mt Roskill and Tamaki – with up to 1761 fewer homes being enabled and implications for Kāinga Ora’s renewals programme.</p>	\$58-222m <u>one off</u> capital savings.
<b>Housing Infrastructure Fund and Infrastructure Acceleration Fund</b>	<p>By the end of September, HUD will provide advice to the Ministers of Finance and Housing about four HIF loans where delivery is so delayed that the loans could either be terminated, or reinstated with new delivery timelines. [HUD2024-004995 refers].</p> <p>§ 9(2)(f)(iv)</p> <p>Terminating existing agreements will affect future housing supply and relationships with local authorities.</p>	<p>HIF funding is capital and <u>one off</u>. There is a small operating expense for interest write down.</p> <p>§ 9(2)(f)(iv)</p>
<b>Māori Housing</b>	<p>The only programme with outyear funding for new housing supply within the housing portfolio. Te Puni Kōkiri also has ongoing funding for Papakāinga and repairs.</p> <p>Advice on Kāinga Ora review system level changes indicated Māori Housing funding could enable delivery of affordable housing through strategic partnerships with Māori and Iwi groups [HUD2024-004991 refers]</p>	<p>HUD \$58m p.a operating and \$44m capital p.a <u>ongoing</u>.</p> <p>TPK \$56m p.a. operating <u>ongoing</u>.</p>
<b>Transitional Housing</b>	<p>HUD is developing and will execute a plan to exit Transitional Housing motels to manage expiry of funding from end June 2025. The Minister of Housing was invited through Budget 2024 to extend funding for motels. HUD recommended not seeking funding, instead prioritising new investment in social housing.</p> <p>Funding initially provided for the Emergency Housing System Review (within the Transitional Housing appropriation) could be reprioritised to fund Social Outcomes Contract.</p> <p>§ 9(2)(f)(iv)</p>	<p>§ 9(2)(f)(iv)</p>
§ 9(2)(f)(iv)	§ 9(2)(f)(iv)	§ 9(2)(f)(iv)
<b>Rotorua Contracted Emergency Housing</b>	The Government has committed to to exit motels by December 2025. Funding will be freed up as motels are exited.	Up to \$24m p.a. <u>ongoing</u>



s 9(2)(f)(iv)

33. s 9(2)(f)(iv)

34. s 9(2)(f)(iv)

35. s 9(2)(f)(iv)

s 9(2)(f)(iv)

36. s 9(2)(f)(iv)

37. s 9(2)(f)(iv)

38. s 9(2)(f)(iv)

s 9(2)(f)(iv)

39. s 9(2)(f)(iv)

s 9(2)(f)(iv)

## Consultation

40. We have consulted with Treasury and MSD on the approach to the reset and priorities for Budget 2025. s 9(2)(f)(iv)

<sup>3</sup> s 9(2)(f)(iv)



s 9(2)(f)(iv)

## Next steps

41. We seek your feedback on the approach to the reset and focus for Budget 2025 at the officials meeting on 19 August.
42. We recommend you forward this briefing to Housing Ministers for the meeting on 27 August to discuss and confirm:
  - a. areas of focus for new investment and reprioritisation through Budget 2025
  - b. s 9(2)(f)(iv)
  - c. potential reprioritisation from other portfolios; and
  - d. s 9(2)(f)(iv).
43. We will provide you with advice by end September seeking high level decisions around the role of the market and government investment. We will also test this advice with the Housing Experts' Advisory Group.
44. Based on decisions on the role of government, HUD will complete its assessment of the cost effectiveness of existing funds and new initiatives and provide advice in October with recommended change to funds and programmes, priorities for Budget 2025 and the ongoing programme of work to inform the November Cabinet report back.



## Briefing

RESETTING INVESTMENT – ROLE OF GOVERNMENT INVESTMENT			
<b>To Minister</b>	Hon Chris Bishop	<b>Portfolio</b>	Housing
<b>Date</b>	27 September 2024	<b>Priority</b>	High
<b>Tracking number</b>	HUD2024-005382		
ACTION SOUGHT			
<b>Action sought</b>	Provide feedback on the recommended roles for government investment to inform advice on 17 October on effectiveness of programmes and new initiatives, changes to improve flexibility and priorities for investment and savings through Budget 2025.		
<b>Deadline</b>	7 October 2024		
CONTACT FOR DISCUSSION			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st contact</b>
Nick McNabb	Chief Advisor, Strategy, Insights and Governance	s 9(2)(a)	
Brad Ward	Deputy Chief Executive, Organisational Performance	s 9(2)(a)	✓
OTHER AGENCIES CONSULTED			
The Treasury (Tsy) [Housing and Urban Growth Team] and the Ministry of Social Development (MSD)			



<b>RECOMMENDED ACTIONS</b>		
It is recommended that you:		
1.	<b>Note</b> we have considered potential gains from Going for Housing Growth to identify the limits to the market and where government investment could have the greatest impact.	<i>Noted</i>
2.	<b>Note</b> the potential impact of Going for Housing Growth is significant but will vary across place and be realised over the medium to long term (10 to 20 years), and affordability and availability will remain a challenge for some people	<i>Noted</i>
3.	<p><b>Agree</b> that the role for government investment in housing and urban development should be prioritised through investment:</p> <p>a. <u>To improve housing system performance in place</u> through enabling and facilitating urban development and market supply, and where necessary subsidising new supply to meet demand, to reduce overall housing costs and improve housing choice.</p> <p>b. <u>To meet needs and aspirations in place</u> through: additional support to households to become homeowners; financial assistance for private housing costs; access to social housing and affordable rentals; and support for people to access and maintain stable housing.</p>	<i>Agree/ Disagree</i>
4.	<b>Agree</b> to the high-level roles for government investment in housing and urban development and outcomes set out in Table One.	<i>Agree/ Disagree</i>
5.	<b>Note</b> a key change in governments role is that any subsidies for new supply need to be targeted to those locations where need is high, and development profitability and market supply is low.	<i>Noted</i>
6.	<b>Note</b> that recommendation 5 means that programmes should provide lower subsidies for new supply in markets like Auckland where there is a higher risk that government investment could crowd out market supply.	<i>Noted</i>



- |   |                     |
|---|---------------------|
| <p>7. <b>Note</b> the high-level roles for government investment in Table One will inform advice on 17 October 2024 on the effectiveness of programmes and new initiatives, changes to programmes to improve flexibility, and priorities for new investment and savings in Budget 2025.</p> | <p><i>Noted</i></p> |
|---|---------------------|

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Brad Ward  
**Deputy Chief Executive**  
27 / 09. / 2024.

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Hon Chris Bishop  
**Minister of Housing**  
..... / ..... / .....



## Purpose

1. To seek feedback on the role for government investment in housing and urban development, based on potential gains from Going for Housing Growth (GfHG), limits of the market, and where government investment could have the greatest impact.

## Executive summary

2. To inform this advice we have considered the theoretical maximum impact of GfHG to identify limits to the market and where government investment could have the greatest impact.
3. To understand potential limits to the market we have considered a high-level scenario of theoretical gains from GfHG. If supply could respond to market demand without constraint, house prices and rents might be 20% lower than otherwise relative to incomes (see paras 23 to 27). These benefits would be realised over the medium to long term (10 to 20 years).
4. Impacts will vary across locations. We would expect greater gains in high priced main centres. Impacts may be modest in regional locations where prices and development profitability are lower and for whenua Māori land, which is often located in areas with poor development profitability and can face other constraints and development costs.
5. Based on these theoretical impacts from GfHG, we recommend the role for government investment be prioritised through investment:
  - a. To improve housing system performance in place through enabling and facilitating urban development and market supply, and where necessary subsidising new supply to meet demand, to reduce overall housing costs and improve housing choice.
  - b. To meet needs and aspirations in place through: additional support to households to become homeowners; financial assistance for private housing costs; access to social housing and affordable rentals; and support for people to access and maintain stable housing.

## Investment to improve housing system performance in place

6. Government investment has an important role in realising housing and urban development outcomes. This includes ensuring that RMA and infrastructure plans realise the gains from GfHG, and co-ordinating priority developments and complex projects (including transport investment). Investment can also support sector capacity in a downturn.
7. In locations such as Rotorua and Hastings where development profitability is low, and need is high, government should subsidise housing supply to meet demand that the market won't. Increasing supply through supply subsidies for mixed tenure developments can be cost effective relative to building more expensive social housing



(e.g., the average upfront grant for an affordable rental is \$320,000 compared to \$650,000 build cost for Kāinga Ora social housing)<sup>1</sup>

## Meeting needs and aspirations in place

8. Even if the theoretical gains from GfHG are realised, there may be no material impact in the next three to five years. Many households will still have insufficient income to purchase a home or to access and sustain a private rental. Some households will face additional barriers to accessing housing. Housing instability has a significant negative impact on other social outcomes such as educational achievement, mental and physical health, and labour market engagement. For these reasons the Government has an ongoing role to support people into stable housing through:
  - a. supporting buyers to access mortgage finance to purchase a home
  - b. providing financial assistance to meet the cost of market housing and access to social housing and affordable rentals
  - c. providing interim housing and additional support for people to access and maintain housing.

## Targeting investment through place based investment

9. The key change in approach recommended in this paper is that subsidies for new supply need to be targeted to those locations where need is high, and development profitability and market supply is low. Currently programmes can provide higher subsidies for new supply in locations with more responsive supply and lower subsidies in less responsive markets. This has led to over delivery in locations like Auckland and difficulties with addressing underlying supply problems in regional locations.
10. Investment to meet need in place should be based on a granular assessment of need and the flexibility to invest in a broader range of housing tenures. This includes affordable rentals as alternative the current default of social housing, and where needed the ability to increase market supply which can expand overall choice, including for low-income households supported by the Accommodation Supplement (AS). This more flexible and targeted approach is consistent active purchaser approach recommended by the Kāinga Ora independent review

## Next steps

11. The roles for government investment recommended in this paper are summarised in Table One below. These roles will inform advice on 17 October 2024 on effectiveness of programmes and new initiatives, changes to improve flexibility to meet needs in place, and investment priorities and savings for Budget 2025. s 9(2)(f)(iv)

<sup>1</sup> See Slide 12 of HUD's 2023 Briefing for Incoming Ministers.



**Table One: Roles for Government Investment in Housing and Urban Development**

ROLE	ACTIVITIES	HOUSING OUTCOMES
<b>Enable urban development and increase supply</b>	<ul style="list-style-type: none"> <li>• Ensure infrastructure and planning settings realise benefits of GfHG</li> <li>• Facilitate and co-ordinate urban development projects (including realising housing benefits of major transport investment)</li> <li>• Make vacant and underutilised Crown land available to market.</li> <li>• Buy/sell land to aggregate land and make available to market</li> <li>• De-risk development during market downturns</li> <li>• Where development profitability is low (e.g. Rotorua or Hastings) - provide subsidies to address the gap between market value and cost</li> </ul>	<ul style="list-style-type: none"> <li>• Gains maximised from GfHG</li> <li>• Improved pace, scale and quality of urban development compared what market would do.</li> <li>• Recycle Crown capital from vacant or underutilised Crown land</li> <li>• Sector capacity is better maintained through economic downturns</li> <li>• Increased overall supply (including housing types and tenures), improving affordability and availability of housing</li> </ul>
<b>Increasing home ownership</b>	<ul style="list-style-type: none"> <li>• Support buyers to access mortgage finance (including intermediate tenures such as Progressive Home Ownership)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved stability and tenure security for households</li> <li>• Decreased housing costs in retirement</li> <li>• Reduced need for retirees to access income support for their housing costs</li> </ul>
<b>Assistance with housing costs</b>	<ul style="list-style-type: none"> <li>• Provide income support to meet market housing costs (e.g., AS)</li> <li>• Provide access to social housing and affordable rentals</li> </ul>	<ul style="list-style-type: none"> <li>• Improved income adequacy and poverty reduction</li> <li>• Improved tenure security</li> </ul>
<b>Provide access to housing and support</b>	<ul style="list-style-type: none"> <li>• Provide access to interim housing, and social housing and affordable rentals</li> <li>• Support people into, and to maintain stable housing (including prevention and early intervention)</li> </ul>	<ul style="list-style-type: none"> <li>• More homelessness prevented and people in stable housing</li> <li>• Reduced government cost for interim housing (where more people are in stable housing)</li> <li>• Reduced cost to other government systems (e.g., health, justice)</li> </ul>



## Background

12. The table below sets out the previous decisions and advice relating to the reset of investment (the reset) and future milestones:

	MILESTONE	COMMENT
<b>1 July 2024</b>	Cabinet agrees to the reset	Report back in November 2024
<b>15 August 2024</b>	HUD advice on approach to the reset and new initiatives and savings for Budget 2025	Noted that funding new initiatives from savings will be challenging
<b>27 August 2024</b>	Housing Ministers discussed the reset <b>§ 9(2)(f)(iv)</b>	<b>§ 9(2)(f)(iv)</b>
<b>19 September 2024</b>	<b>§ 9(2)(f)(iv)</b>	<b>§ 9(2)(f)(iv)</b>
<b>27 September 2027</b>	<b>This advice</b> – seeks feedback on role for government investment, based on potential impact of GfHG	Your feedback will inform advice on 17 October 2024
<b>17 October</b>	Advice on the cost effectiveness of current programmes and new initiatives, changes to simplify funds, and future investment and savings for Budget 2025	To discuss with Housing Ministers 22 October
<b>17 October</b>	<b>§ 9(2)(f)(iv)</b>	<b>§ 9(2)(f)(iv)</b>
<b>November 2024</b>	Proposed report back to Cabinet on reset to inform Budget 2025	Ministers to confirm if report back required before end of year

13. You will also receive separate advice on the role of government in urban development, and future of functions carried out by Kāinga Ora, ahead of your meeting with the Kāinga Ora Board Chair on the 3 October (HUD2024-005195 refers).



## Approach to the role of government investment

14. Cabinet agreed that the role for government investment in housing and urban development be framed around three principles:
  - a. Ensure investments optimise value for money, sustainably delivering on the Government's fiscal, economic and social objectives.
  - b. Increase supply where this complements the GfHG policy to improve home ownership and rental affordability over the medium to long term
  - c. Apply a social investment approach to improve affordability, access to housing, and support for those who need it, and in turn reduce the Housing Register and get people out of motels and into stable housing.
15. Underpinning these principles is an expectation that government should invest where there is a clear market failure or unmet social need and should not crowd out others, including local government.
16. To ground our advice, we have considered the theoretical maximum gains from GfHG to identify limits to the market and where government investment has the greatest impact. Consistent with principles b and c in para 13 our approach considers governments role through investment:
  - a. To improve housing system performance in place through enabling and facilitating urban development and market supply, and where necessary subsidising new supply to meet demand, to reduce overall housing costs and improve housing choice.
  - b. To meet needs and aspirations in place through: additional support to households to become homeowners; financial assistance for private housing costs; access to social housing and affordable rentals; and support for people to access and maintain stable housing.
17. To give effect to principle a in para 13, advice in October will set out the effectiveness of our programmes and new initiatives, changes to improve flexibility to meet needs in place, and priorities for new investment and savings through Budget 2025.
18. This briefing is structured as follows:
  - a. Section One sets out potential impacts of GfHG on affordability and housing choice over time and how these impacts might differ across locations.
  - b. Section Two sets out the role for government investment to improve housing system performance in place through enabling urban development and market supply and where necessary subsidising new supply.
  - c. Section Three sets the role for government investment to meet needs in place through additional support to households.




- d. Section Four sets out how investment might be targeted to improve impact and value, including through place-based investment strategies.

## Section One: Potential impacts of Going for Housing Growth

19. The objective of GfHG is to improve housing affordability by significantly increasing the supply of developable land for housing, both inside and at the edge of our urban areas. GfHG will make system changes to address the underlying causes of the housing supply shortage by:

s 9(2)(f)(iv)



20. If these system shifts are successful and sufficient, we expect a sustained increase in the supply of housing over time that would bring down rents and house prices and increase housing choice for people. However, even with a significant increase in market supply, choices will remain constrained for some people.
21. To understand potential limits to the market we have considered a high-level scenario of the theoretical gains from GfHG where supply can respond to market demand<sup>2</sup> without constraint. This is not a projection of the impact of GfHG, rather it is a scenario to help delineate respective roles of government and the market. To develop this scenario, we have considered the following:
  - a. Land price indicators, particularly the Rural Urban Fringe Differential, that provide potential evidence of an undersupply of housing relative to market demand.
  - b. The cumulative impact of GfHG and previous reforms such as the NPS-UD. The working assumption is that GfHG as a whole removes remaining constraints to the supply of developable land.
  - c. The construction sector responds to the increase in developable land with a sustained increase in housing supply over time such that market demand is fully met and Rural Urban Fringe Differentials fall to zero.
  - d. While land prices might adjust quickly, we assume that rents and house prices adjust more slowly, and in line with the increase in dwellings relative to population change.<sup>3</sup>

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<sup>2</sup> Market demand means the willingness to pay for housing at a price that is commercially viable in the absence of constraints to supply.

<sup>3</sup> House prices could adjust faster than rents where buyers' willingness to pay fully reflect the expectation that rents will in the future be lower than otherwise.



- e. As land efficiency indicators are based on current construction costs, we have not assumed any reduction in construction costs.
22. This simplified and theoretical approach suggests that eliminating the Rural Urban Differential would require a country-wide reduction in house prices and rents of around 20%.
23. Based on observed correlation between incomes, housing stock, population and rent growth, this reduction in housing costs would require around 250,000 additional homes to be built across New Zealand.<sup>4</sup> This would be in addition to new supply required to meet population change and could be considered an indicative and theoretical “size of the prize” for GfHG (it is not an estimate of the impact).
24. An increase in supply of this magnitude would take time to deliver, and the benefits may take up to 20 years to be realised in full. While these plausible impacts on housing costs are significant there may be little material impact in the next three to five years.
25. Reductions to housing costs should be viewed as improvements to ownership and rental affordability compared to otherwise, as rents and house prices would still likely grow in nominal terms (and potentially in real terms).
26. These plausible gains are subject to uncertainty. Gains could be higher if construction costs fall significantly, and smaller if GfHG is not fully effective.
27. For the purposes of this advice, the specific numbers presented in this section are less important than the potential scale of impact and what this implies about the impact of government investment compared to the market. The analysis in this paper assumes the gains identified above are realised. Should benefits be lower the this would imply a larger role for government investment.

**Potential impact of GFHG - key points:**

- The potential impact of GFHG could be significant where an increase in the supply of developable land results in a sustained increase in the supply of housing.
- Gains would come through improved rental and ownership affordability and improved availability and choice for households.
- Gains would be realised over time, with little material impact in the next three to five years.

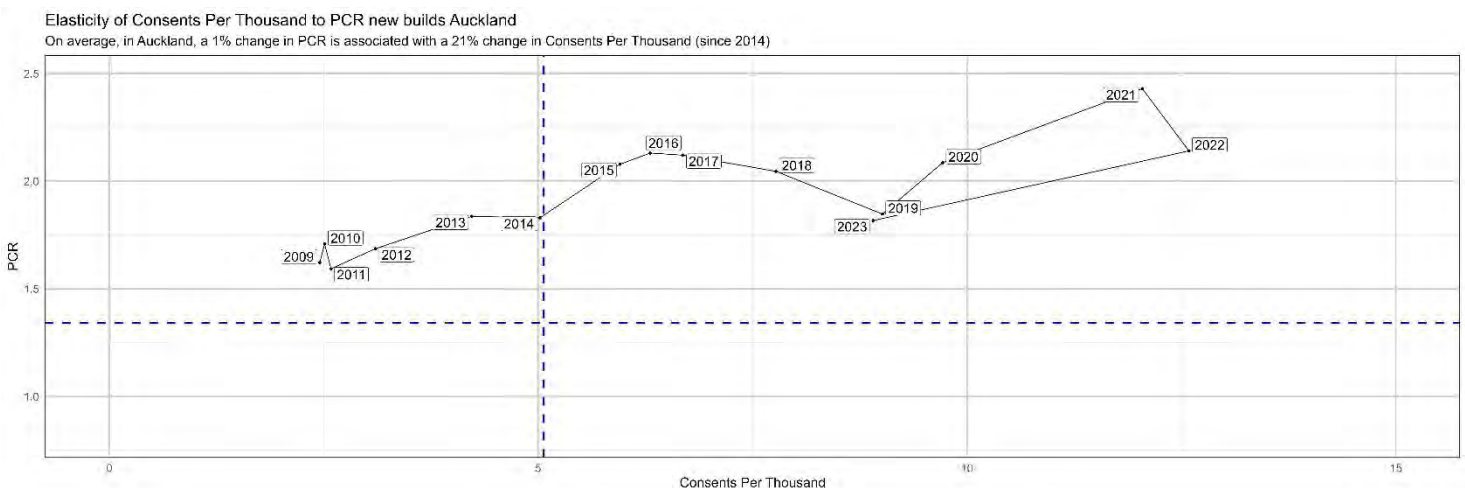
<sup>4</sup> *What Drives Rents in New Zealand? National and Regional Analysis*, Housing Technical Working Group paper: RBNZ, Treasury and the Ministry of Housing and Urban Development.



## The impact of GfHG may be greater in some locations than others

28. Land price indicators can also be used to understand potential impacts of GfHG in different locations. To do this we have used the Price Cost Ratio (PCR) along with the number of building consents by population to assess current and potential supply responsiveness.
29. The PCR shows how current house prices compare with the costs of construction.
  - a. A high PCR indicates that residential development should be profitable, with a sufficient gap between house prices and costs of construction to cover land purchase, land development and infrastructure costs and developer margin.
  - b. A low PCR would suggest development may not be profitable, with insufficient gap between house prices and development costs. Homes may cost more to develop than they are worth.
30. The level of consents compared to population indicates the extent that supply is currently responding to market demand.
31. Figure One below shows the PCR for housing in Auckland mapped against consents per 1000 people (the blue dotted lines show the mean across TAs). Auckland has a relatively high PCR, suggesting development has been and remains profitable. The increase in consents relative to population shows that new supply has been increasingly responsive, likely enabled by the Auckland Unitary Plan and NPS-UD. The fact the PCR remains high suggests that overall supply remains below market demand, and that this high rate of supply would need to be sustained for some time to see the PCR fall. The combination of high profitability and supply would suggest that sustaining high levels of supply into the future would be the key benefit of GfHG.

**Figure One: Responsiveness of housing supply in Auckland**



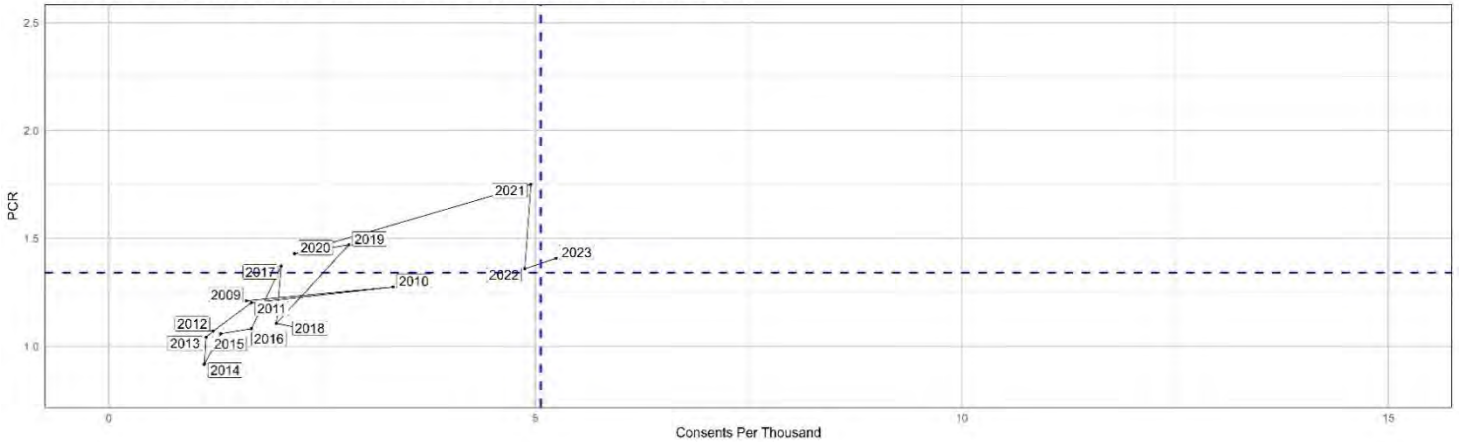
32. The picture in other parts of New Zealand is different. Figure Two shows that Rotorua has a much lower PCR and levels of consents compared to population. For most of the last decade, prices have not been much higher than the cost of construction, suggesting development at any scale has not been profitable. From around 2019 the



PCR and housing supply increased, but from a low base. Profitability has since declined as prices have fallen and construction costs have increased. Given the time lags involved with land development and housing supply, the incentives for development in Rotorua have overall been weak. In 2023 more than a third of consents were to Kāinga Ora, indicating a sharp decline in market supply.

**Figure Two: Responsiveness of housing supply in Rotorua**

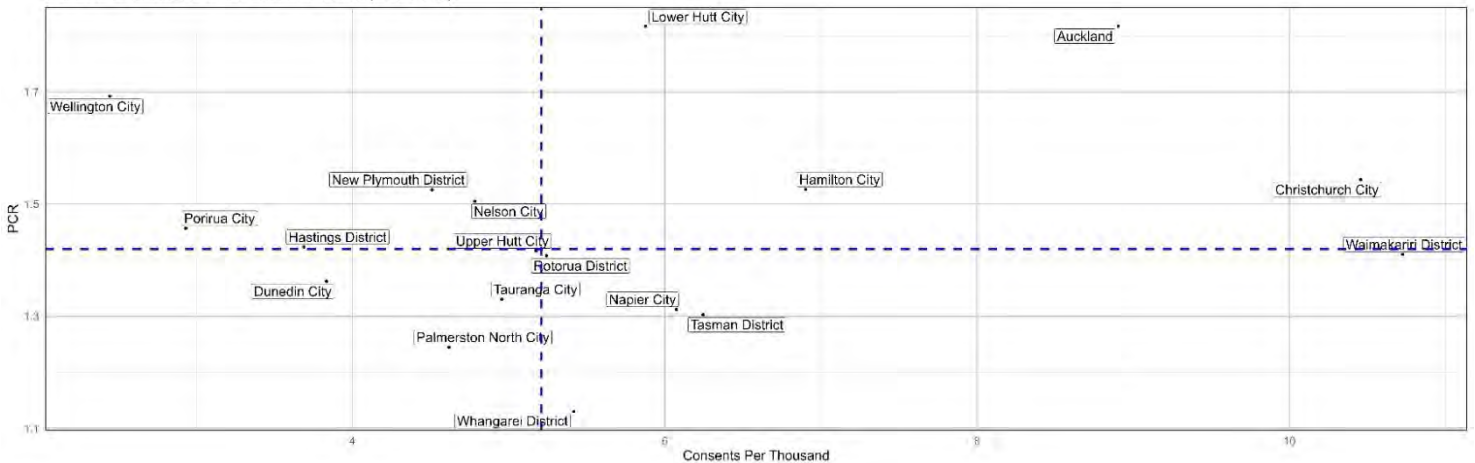
Elasticity of Consents Per Thousand to PCR new builds Rotorua  
On average, in Rotorua, a 1% change in PCR is associated with a 5% change in Consents Per Thousand (since 2014)



33. Figure Three shows the profitability and responsiveness of Tier One and Two in 2023, indicating the variation across councils.<sup>5</sup> Figure Four suggests what the different combinations of development profitability and supply responsiveness might imply about current constraints to the supply of developable land and housing.

**Figure Three: Supply responsiveness for Tier One and Two Councils**

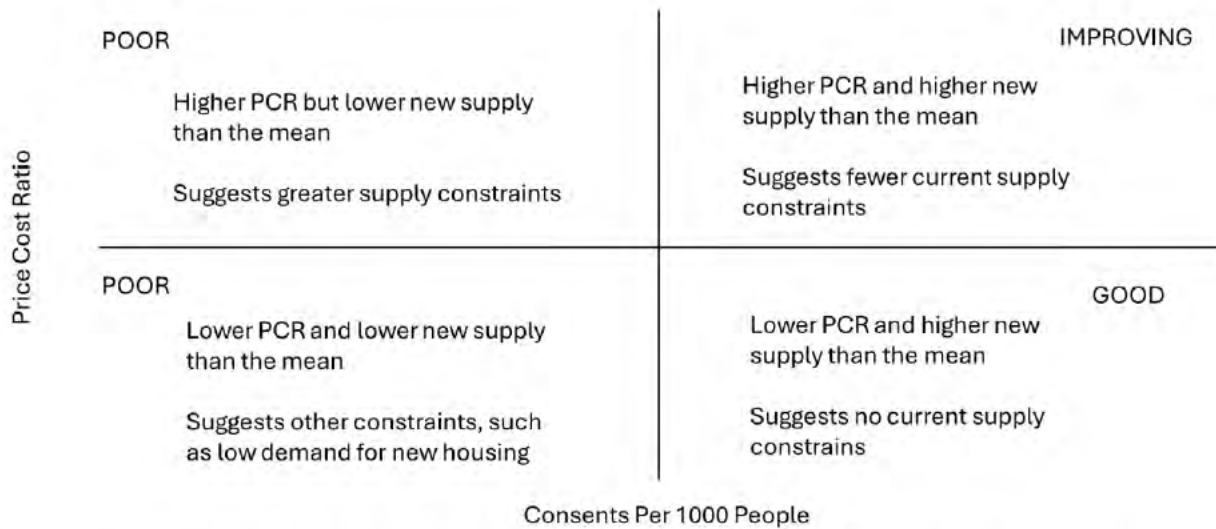
Consents Per Thousand vs PCR new builds (Year 2023)



<sup>5</sup> Selwyn and Queenstown Lakes consents per thousand of 16.5 and 19.6 respectively so have been left off this chart for readability. Selwyn has a PCR of 1.4, close to the mean, whereas Queenstown has one of the highest PCRs at 1.8



**Figure Four: Combinations of Supply Responsiveness**



34. Table Two below suggests the potential impacts from GfHG for different combinations of development profitability and supply responsiveness, or the quadrants of Figure Four.

**Table Two: Potential impact of GfHG in different locations**

QUADRANT	POTENTIAL GFHG IMPACT
<p>Top Left: High profitability and low construction</p> <p>E.g., Wellington City</p>	<ul style="list-style-type: none"> <li>• Enable and sustain increases in supply over time, by removing current and future constraints (as has occurred earlier this year in Wellington City through the implementation of the MDRS and NPS-UD).</li> <li>• Rental and ownership affordability may improve over time as new supply responds to market demand.</li> </ul>
<p>Top Right: High profitability and high construction</p> <p>E.g., Auckland and Lower Hutt</p>	<ul style="list-style-type: none"> <li>• Sustain the current high levels of new supply through increasing the supply of developable land for future development.</li> <li>• Rental and ownership affordability may improve over time as new supply responds to market demand.</li> </ul>



<p>Bottom Right: Moderate profitability and high construction</p> <p>E.g., Waimakariri and Selwyn (and at times Christchurch City)</p>	<ul style="list-style-type: none"><li>• Sustain the current high levels of new supply through increasing the supply of developable land for future development</li><li>• Less improvement in ownership and rental affordability as supply is already more responsive to market demand.</li></ul>
<p>Bottom Left: Low profitability and low construction</p> <p>E.g., Rotorua, Napier, Hastings, smaller urban and rural areas</p>	<ul style="list-style-type: none"><li>• Increasing supply of developable land may have moderate impact on new housing supply.</li><li>• While new supply may meet market demand, supply may not keep up with demand from population change. Rental and ownership affordability and overall housing choice may not materially improve.</li><li>• In many instances the cost to develop may be higher than value on completion, meaning land availability may not be the key constraint.</li></ul>

## Development of whenua Māori has additional challenges

35. Whenua Māori is often located in areas with poor development profitability and lower levels of market supply. In addition, whenua Māori can face a range of other constraints that can limit and increase the cost of development relative to general title land:
- a. Fragmented and complex ownership structures limit the ability to obtain capital or mortgages to build housing on whenua Māori, and the housing and legal systems do not easily accommodate large numbers of owners.
  - b. Over a quarter of whenua Māori is landlocked, often in part or whole by crown land, reducing the choices available for its use or limiting the options to lease the land.
  - c. District planning has not traditionally looked at whenua Māori as a means for housing development, so resource consent applications can be costly.



**Impact of GFHG across locations – Key Points**

- The impacts of GFHG will vary by location. Specifically:
  - In higher priced locations GfHG can support a sustained increase in housing supply that can improve affordability and housing choice over time
  - In lower priced regional centres and smaller urban and rural areas development profitability is lower and has varied over time, suggesting increases in market supply could be modest.
- Whenua Māori is often located in areas where development profitability and supply responsiveness is low and has additional challenges relating to ownership, access, and development costs.

**Section Two: Investment in place – role of government investment**

36. Government investment can play an important role in improving overall housing system performance in places through ensuring benefits from GfHG are realised, and increasing overall supply in locations where the market response may be insufficient to meet need.
37. There are important roles for government to enable urban development and market supply through:
  - a. Ensuring infrastructure and planning system settings are functioning appropriately to realise the benefits of GfHG.
  - b. s 9(2)(f)(iv) [Redacted]
  - c. Supporting residential construction activity through economic downturns to maintain sector capacity, thereby enabling a swifter and less inflationary recovery.
38. Investment can also influence the composition of supply, by increasing the proportion of certain types homes that would not otherwise be provided by the market (e.g., different sized homes, apartments or homes with universal design, and Build to Rent).



Investment can also encourage housing types that are untested in particular locations, such the medium density typologies that were developed at Hobsonville Point.

39. Where development profitability is low and market supply is insufficient to meet need, government can use subsidies to increase overall supply. This can contribute to lower housing costs, improve availability and housing choice and reduce demand for higher cost government housing support. Weak development profitability can mean there is lower risk that government investment crowds out market supply with more enduring and long-term impacts on the overall supply of housing supply.<sup>6</sup>
40. However, subsidies for new supply should be targeted. Where the market is responsive there is greater risk that government investment would compete for sector capacity or develop sites that would be developed anyway, meaning housing may be brought forward rather than adding to the overall volume of housing.
41. Table Three below sets out recommended roles for government investment to enable urban development and increase supply. In October we will provide advice on the effectiveness of current programmes in meeting these roles and changes to improve alignment.

**Table Three: Governments role to enable Urban Development and increase supply**

ROLE	ACTIVITIES	HOUSING OUTCOMES
<b>Enable Urban Development and increase supply</b>	<ul style="list-style-type: none"> <li>• Ensure infrastructure and planning settings realise benefits of GfHG</li> <li>• Facilitate and co-ordinate urban development projects (including realising housing benefits of major transport investment)</li> <li>• Make vacant and underutilised Crown land available to market.</li> <li>• Buy/sell land to aggregate land and make available to market</li> </ul>	<ul style="list-style-type: none"> <li>• Gains maximised from GfHG</li> <li>• Improved pace, scale and quality of urban development compared what market would do.</li> <li>• Recycle Crown capital from vacant or underutilised Crown land</li> <li>• Sector capacity is better maintained through economic downturns</li> <li>• Increased overall supply (including housing types and tenures), improving</li> </ul>

<sup>6</sup> Evidence on the US Low Income Housing Tax Credit finds between two thirds and 100% of subsidised housing developments would have been built anyway in areas where development is profitable. The level of crowd out was lower in areas where development profitability was lower.



	<ul style="list-style-type: none"> <li>• De-risk development during market downturns</li> <li>• Where development profitability is low (e.g. Rotorua or Hastings) - provide subsidies to address the gap between market value and cost</li> </ul>	affordability and availability of housing
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### Section Three: Government investment to meet residual needs and aspirations in place

42. Increased supply should reduce housing costs and increase availability and choice over time. However, some households may still have insufficient income to purchase a home or to access and sustain private rentals. Some households may face additional barriers to accessing housing in the market and may require other support to obtain and sustain housing. Housing stability, regardless of tenure type, is a critical enabler of other social outcomes such as participation in education and employment, and mental and physical health outcomes.

#### Assistance for low to middle income households - home ownership

43. Home ownership can provide greater stability and security compared to renting, and can support stronger community engagement. Mortgage finance also enables households to front load housing cost during their working lives, with lower housing costs in retirement (i.e. limited to rates, insurance and maintenance). By comparison older renters may need to manage changes to market rents, often within fixed incomes, with increased fiscal risks for government over time.
44. Over time increased supply that reduces prices relative to incomes should reduce the deposit size and income required to service a mortgage and bring forward and increase home ownership.
45. Ongoing factors that may limit increases to home ownership include:
- Improvements over time may occur too late in some households working life to enable them to access a mortgage (or they may reach retirement with an outstanding mortgage)<sup>7</sup>.
  - There will remain a group of working households who can service most but not all the mortgage for a home, and would benefit from progressive home ownership products.

<sup>7</sup> There are over 7000 pensioners who are currently receiving the Accommodation Supplement to cover home ownership costs.



- c. Single adults may continue to find it harder to own compared to couples who are able to combine incomes.

46. We see a continued role for government investment to increase home ownership with benefits to households and lower long term fiscal risk to government, as summarised in Table Four.

**Table Four: Government Role to Support Home Ownership**

ROLE	ACTIVITIES	HOUSING OUTCOMES
<b>Increasing home ownership</b>	<ul style="list-style-type: none"> <li>• Support buyers to access mortgage finance (including intermediate tenures such as PHO)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved stability and tenure security for households</li> <li>• Decreased housing costs in retirement</li> <li>• Reduced need for retirees to access income support for their housing costs</li> </ul>

47. At this time, we do not recommend any significant expansion to home-owner support. In October we will provide advice on the effectiveness of the First Home Loan, including options for increased cost recovery. We will also recommend options to reprioritise funding to enable future investment in lower cost PHO to support mixed tenure developments through place-based investment (see Section Four).<sup>8</sup>

48.

s 9(2)(f)(iv)



<sup>8</sup> The average cost of the interest concession for PHO loans to providers was \$140,000. This is lower than the average upfront grant of 320,000 for affordable rentals. See Slide 12 of HUD's 2023 Briefing for Incoming Ministers.



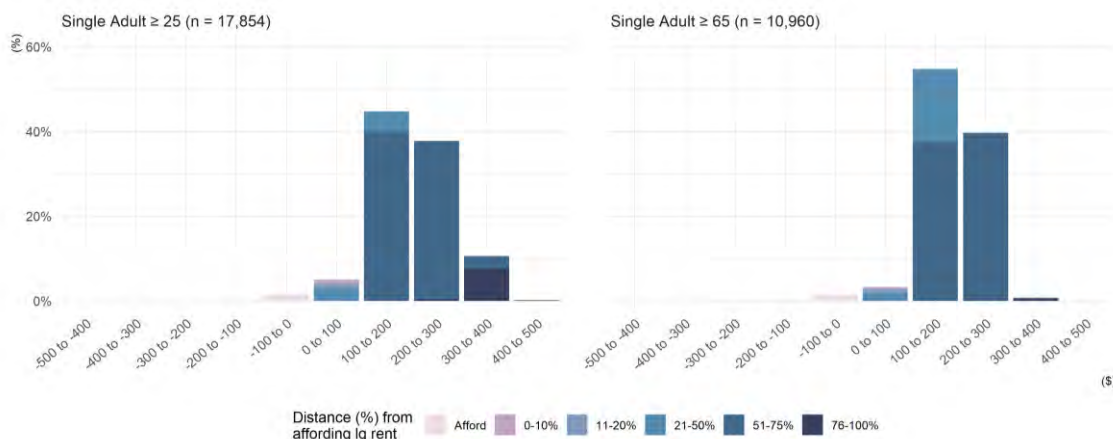
## Assistance for low-income households - rental

49. Increased supply should improve rental affordability over time and increase availability and choice for renters. Potential benefits over time include:
- Slower rent growth relative to incomes, reducing rental stress and/or enabling households to improve the quality of rental housing.<sup>9</sup>
  - More choice in the rental market, improving tenants' bargaining position around terms like tenure security and quality, and reducing the likelihood that households experience, or are at risk of experiencing, homelessness.
  - Slower growth in the cost of government housing assistance.
50. However, the need for housing assistance for low-income households will continue.

### Lower income households face significant affordability gap

51. Figures Five and Six below show the “affordability gap” for households currently in IRRS social housing should they move into the private rental market. Using 30% of income spent on rent as a benchmark, the “affordability gap” measures how far households would be from that benchmark where they paying a lower quartile rent for an appropriately sized home<sup>10</sup> (and before AS is taken into account).

**Figure Five: Affordability Gap for Single Adults in Social Housing<sup>11</sup>**



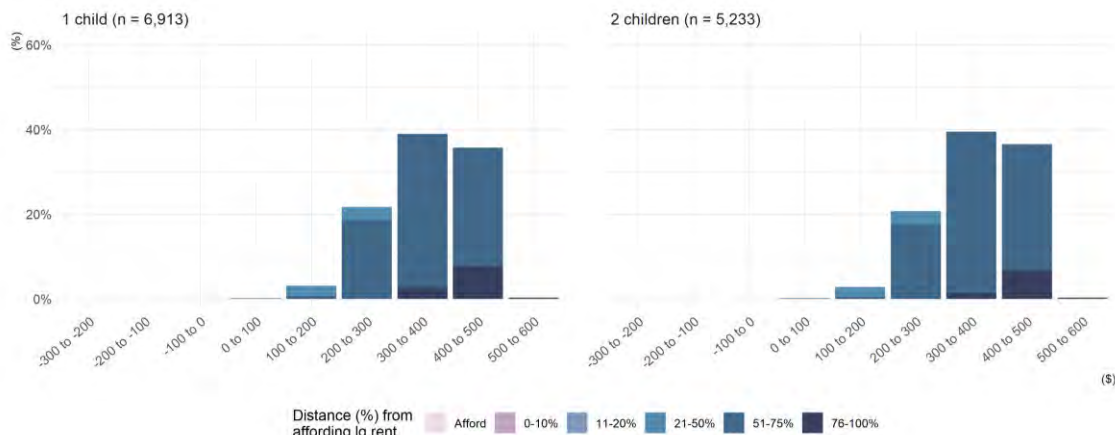
<sup>9</sup> We would expect that rents would fall relative to incomes on a quality adjusted basis (i.e. like for like rentals would have lower rents than otherwise). It is possible that households on average continue to spend a similar proportion of their income on rents, with the improvement in rental affordability spent on better quality rentals.

<sup>10</sup> For a single adult we have assumed a one-bedroom rental and for Sole parent with one and two children we have assumed a two bedroom home.

<sup>11</sup> This is initial high level analysis and will be refined over coming weeks to input to advice on the AS and IRRS.



**Figure Six: Affordability Gap for Sole Parents in Social Housing**



- 52. For most households the affordability gap is significant and could not be covered by the AS. Currently the maximum rates of AS are \$165 per week for a single adult and \$305 for a three-person household (in Auckland).<sup>12</sup> These rates fall short of the affordability gap for most social housing tenants and create strong disincentives to move from social housing. The affordability gap relative to available assistance is larger for single adults.
- 53. Even with a 20% decline in rents relative to incomes over 20 years these affordability gaps will remain significant, and ongoing housing assistance to help people with their housing costs will be needed.

**Some households can also face availability challenges**

- 54. The limited availability of smaller homes also contributes to a larger affordability gap for single adults. Most homes in New Zealand are traditional family homes, which can limit choices for single adult households who are competing with families in the rental market. Lower quartile rentals of smaller – assumed in Figure five - may not in practice be available. Larger households can face similar challenges finding larger homes, resulting in over-crowding.
- 55. Where housing is not available in the market people may end up sharing housing with others. Some multi-family households live in over-crowded homes, with negative impacts on health outcomes. Also, many of the 69,000 boarders receiving the AS will live as part of other households. These arrangements won't always be available, suitable or sustainable.
- 56. The combination of the affordability gap, lack of options in the market, and ability to live as part of another household, are key drivers of the high rates of single adults on the Social Housing Register and in Emergency and Transitional Housing.

<sup>12</sup> The current maximum rates for AS were set in 2018 based on 2016 rents.



57. In the future, the growing number of renters reaching retirement are likely to face increasing challenges with affordability and availability of rental housing.<sup>13</sup> Accessible housing is also a current challenge and will grow.

**Housing assistance for low income households**

- 58. Low-income households currently receive significant housing assistance from government. The AS provides support to meet private market housing costs. IRRS funds the provision of secure low-rent social housing for people who struggle to find and sustain housing in the private rental market.
- 59. The AS is demand driven and available to recipients who are eligible, while access to the limited number of IRRS Social Housing places is managed through the Social Allocation System and the Social Housing Register. Social Housing tenancies are tied to particular homes, while AS can move with the household.
- 60. A limited number of affordable rentals, provided by housing providers and iwi at discounted rents are also available. Access to affordable rentals is determined by providers and availability. Lower income tenants are still likely to receive the AS, however this will be at a lower cost to government because of the discounted rent cost.
- 61. The key roles for government to provide financial assistance for low-income households are summarised in Table Five. Key choices around how government assistance is provided include:
  - a. Type and level of housing assistance that is provided to different households
  - b. The volume of social housing and affordable rentals that are available
  - c. Decisions around who is eligible and prioritised for social housing and affordable rentals

**Table Five: Government role to provide assistance with housing costs**

ROLE	ACTIVITIES	HOUSING OUTCOMES
<b>Assistance with housing costs</b>	<ul style="list-style-type: none"> <li>• Provide income support to meet market housing costs (e.g., AS)</li> <li>• Provide access to social housing and affordable rentals</li> </ul>	<ul style="list-style-type: none"> <li>• Improved income adequacy and poverty reduction</li> <li>• Improved tenure security</li> </ul>

<sup>13</sup> Around 40% of older people are totally reliant on NZ Superannuation and a further 20% have minimal income to supplement their NZS.



62. In October HUD will provide advice about future investment in social housing and future investment in affordable rentals. s 9(2)(f)(iv)

63. s 9(2)(f)(iv)

### Some people require additional support

64. Even with increased supply and housing assistance, there will still be people who need additional support to secure and maintain stable housing and have very limited housing choice, for example:
- a. People needing specialist housing support because of significant long term impairment (e.g., chronic severe mental health, intellectual disability, physical or neurological conditions) who should be living in the community not in institutional residential care.
  - b. People needing specialist housing support that allows them to habilitate and/or (re)integrate into the community (e.g., people leaving state care or custody and young people facing significant housing and other barriers).
  - c. People who are struggling to have their housing and other needs met for a wide variety of reasons including income but also family harm, discrimination, mental health, addictions, disconnection from whānau, community, health and social services (this is the largest single population segment needing housing assistance).
  - d. People who are difficult and challenging to manage in a tenancy because of purposeful harm or intimidation such as noise disturbance, property damage, criminal harassment, and violence.
65. Additional support and services for people who need it most fits across two key areas, summarised in Table Six.



**Table Six: Government role to provide access to housing, and support to obtain and maintain housing**

ROLE	ACTIVITIES	HOUSING OUTCOMES
<p><b>Provide access to housing and support</b></p>	<ul style="list-style-type: none"> <li>• Provide access to interim housing, and social housing and affordable rentals</li> <li>• Support people into, and to maintain stable housing (including prevention and early intervention)</li> </ul>	<ul style="list-style-type: none"> <li>• More homelessness prevented and people in stable housing</li> <li>• Reduced government cost for interim housing (where more people are in stable housing)</li> <li>• Reduced cost to other government systems (e.g., health, justice)</li> </ul>

66. While both forms of support are needed, there are risks of under or over servicing including when tying housing to the provision of services. For example, transitional housing services are attached to the provision of interim housing for people with nowhere to stay and are funded on the basis that the same level of support is needed for all households.
67. In October we will provide advice on:
- a. The plan to reduce the number of transitional housing places to manage declining funding (for transitional housing motels) and options for further savings within the programme.
  - b. A future programme of work to improve effectiveness and targeting of programmes including Housing First, Rapid Rehousing, Sustaining Tenancies, Single Site Supported Housing, Creating Positive Pathways and Homelessness Outreach services.

**Section Four: targeting investment through place based strategies.**

68. The recommended roles for government investment, summarised in Table One, will inform advice in October on the effectiveness of current funds and programmes and changes to improve flexibility to meet need in places. A key focus will be to improve clarity around how and where investment contributes to outcomes and how investment should be targeted in future.
69. An important shift will be how investment is used to increase overall supply. Over time many programmes have subsidised housing supply. As market responsiveness in



some locations has increased our approach to investment has not adjusted. For example:

- a. **Social Housing:** Higher rates of operating supplement, paid in addition market rents - are available for social housing developments where rents and development profitability are already higher. This will have contributed to the over delivery of Social Housing in Auckland relative to the rest of the country.
  - b. **Land for Housing:** The effective subsidy for developers from deferred settlement of land is worth more in main centres where land prices and development profitability are higher (and lower subsidies are needed).
70. Future investment in Auckland (and other locations with strong responsiveness), whether to enable urban development or increase the volume of social housing and affordable rentals, should involve much smaller subsidies for new supply.
71. In regional locations where market supply has not responded to population growth and need is high, investment has been predominantly through social housing and some affordable rentals and Māori Housing. These programmes have more flexibility to provide subsidies for new supply but are higher cost per home. Flexibility to subsidise a wider range of tenures could reduce the overall cost of increasing supply, including through providing explicit subsidies for the supply of market homes and funding for lower cost tenures like Progressive Home Ownership (PHO).
72. This proposed approach involves more flexibility to meet needs in place by separating decisions around the mix of housing tenures required in a place, and the extent that subsidies are needed for new housing supply.

### Place-based investment strategies

73. Improved transparency and understanding of where investment has the greatest impact can support a shift towards a more strategic approach to investment. As previously advised, [HUD2024-004991, 26 July 2024], HUD is proposing an approach to active purchasing that focuses on place-based investment, consistent with the recommendations of the Kāinga Ora review. Examples of the different approaches are set out below:



**Table Seven: Priorities for place-based investment strategies**

	<b>AUCKLAND</b>	<b>ROTORUA OR HASTINGS</b>
<b>Investment to support housing system performance in place</b>	<p>High Impact:</p> <ul style="list-style-type: none"> <li>• Ensure infrastructure and planning system settings realise the benefits of GfHG</li> <li>• Enable and facilitate priority development areas and specific projects (including realising housing benefits of transport investment)</li> <li>• Support construction through economic downturn</li> <li>• Influence pace, scale and density and type of housing and tenure.</li> </ul> <p>Limited use of subsidies to increase overall supply (e.g., focus limited to housing types market wont provide)</p>	<p>High Impact:</p> <ul style="list-style-type: none"> <li>• Provide subsidies to increase overall volume and type of housing that market won't deliver</li> <li>• Enable and facilitate development (i.e. through land acquisition)</li> <li>• Support construction through economic downturn</li> </ul> <p>Moderate Impact:</p> <ul style="list-style-type: none"> <li>• Ensure infrastructure and planning system settings realise the benefits of GfHG</li> </ul>
<b>Investment to meet needs in place</b>	<p>Based on granular assessment of need in a place:</p> <ul style="list-style-type: none"> <li>• Support households into ownership and provide financial assistance to meet private housing costs (consistent with national settings).</li> <li>• Increase Social Housing, Affordable Rentals and PHO to meet need and aspiration in place.</li> <li>• Contract services to support people to secure and sustain stable housing.</li> </ul>	

## Consultation

74. The Treasury and MSD have been consulted.
75. Treasury is not supportive of a more active role to enable urban development through buying and selling of land or including increasing home ownership as a specific role for



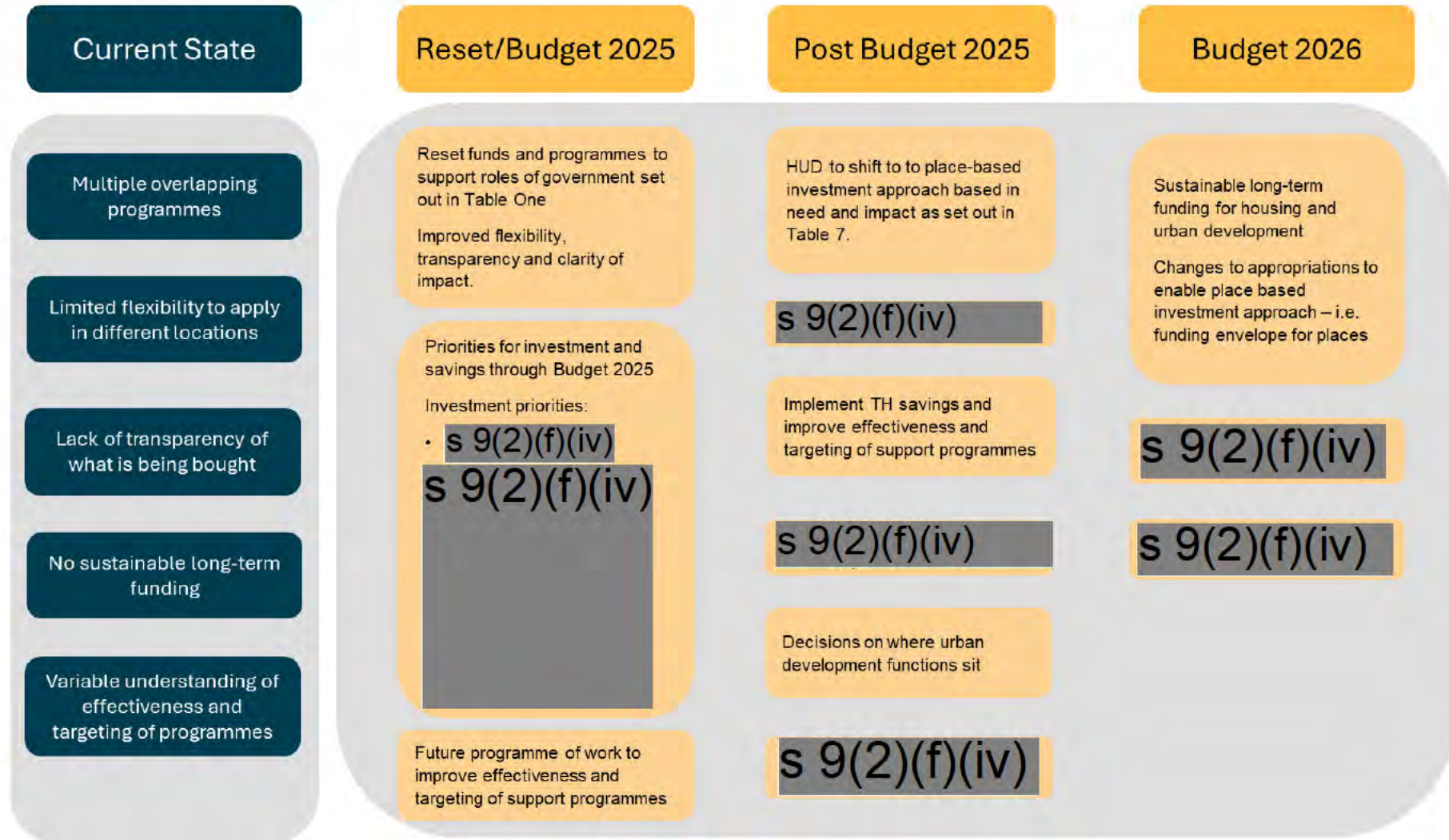
government investment. We will work with Treasury over the coming weeks to inform the October advice on effectiveness of funds and programmes and investment priorities and savings for Budget 2025.

## Next steps

76. Based on your feedback on the role of government investment we will provide advice on 17 October 2024 on:
  - a. The cost effectiveness and value for money of current funds and programmes, and new initiatives
  - b. Changes to funds and programmes, including simpler more effective tools that can be applied flexibly in place
  - c. Priorities for investment and savings through Budget 2025
  - d. s 9(2)(f)(iv)
77. The advice in October will inform the approach Ministers take to Budget 2025. To give a sense of how the reset supports shifts to the wider system, figure Seven shows key decision points for Budget 25, further work in 2025 and potential decisions for Budget 2026



**Figure Seven: wider system shifts and place based investment**





## Annex One: Caveats and Assumptions

The potential impact of Going for Housing Growth (GfHG), outlined in Section one of the paper, is intended to show a maximum theoretical impact of Going for Housing Growth. It is derived from the indicators typically used as evidence of the potential gains of such supply side reform. As a maximalist example it makes several assumptions and simplifications, outlined below. In reality these assumptions and other unknowns are highly likely to alter the time taken for Going for Housing Growth to have an effect and the extent of that effect.

### Estimation of plausible gains

The estimation of plausible gains through GfHG given in this briefing is based on a simplified economic estimation of the number of additional dwellings required to lower house prices to a level that negates the price differential in each area. This is a theoretical model based on general assumptions. It assumes GfHG removes all barriers responsible for differentials. It doesn't make any assessment of the actual amount of land that might become available, provided with infrastructure, developed and built upon. It does not assess how much of differentials is due to immutable restrictions, such as geographical restrictions.

### Impact of council implementation

GfHG requires Tier 1 and 2 councils to free up 30 years' worth of developable land, but councils have a choice as to how they enable that. Councils choosing to implement MDRS may see larger and faster impacts from upzoning than others that opt out of MDRS and rely more on rezoning land.

### Funding and finance / infrastructure

It assumes that infrastructure can and will be funded, planned and built in sufficient volume to allow land to be developed at any point. Infrastructure also needs to be coordinated across multiple agencies and government departments to ensure that developments have adequate services such as schools, shopping, and medical facilities, as well as core infrastructure of transport, three waters, electricity and telecoms.

### Nature of land ownership and landholding behaviour

Fragmented land ownership might reduce economies of scale and feasibility compared to larger parcels of land. Land bankers and developers may not react as anticipated, especially as drivers may be very individual based upon profit intentions, debt position, available capital or finance and length of ownership (longer term holders will have a different cost base to a recent purchaser). It is unknown to what extent the most profitable and feasible land for (increased) development – with higher amenity value and/or lower transport and infrastructure costs - has already been acquired by land bankers. The higher the proportion of this land held by such land bankers, the less impact releasing further, lower amenity, land



will have on the future value of their holdings. This will reduce their incentive to bring forward land development in response to GfHG changes.

## Construction Sector Capacity

The speed of supply gains from GfHG will depend on the part of the economic cycle the construction sector is in at the time changes are implemented, and on future construction cycles. How quickly and sustainably the construction sector can scale up adequately for additional demand will be dependent on several factors, including:

- overall health of the economy, which might hamper banks and developers' appetites for expansion.
- the length and depth of the current market decline, and the risk that loss of businesses and workforce might become a structural impairment to the speed of the recovery.
- the ability of businesses to cope with the expanded demand without triggering construction cost inflation caused particularly by a shortage of labour.
- the ability for other professions required in land development / subdivision process (e.g., geotechnical, surveying) to scale up as required and not become a pinch point.

## Availability of Finance

As with the construction sector, financial conditions will also impact the rate of gains from GfHG. Banks decisions on lending for further development will depend on risk appetite and prevailing interest rates and economic conditions. The position of the banks' mortgage portfolios is dependent on house values. The extent and speed banks are willing and able to lend for further development that will increasingly reduce the house values underpinning their portfolio may create a 'speed limit' on how quickly increasing amounts of development can be funded.



## Briefing

<b>2024 OCTOBER BASELINE UPDATE SUBMISSION: VOTE HOUSING AND URBAN DEVELOPMENT</b>			
<b>To Minister</b>	Hon Chris Bishop	<b>Portfolio</b>	Minister of Housing
<b>Date</b>	11 October 2024	<b>Priority</b>	High
<b>Tracking number</b>	HUD2024-005350		
<b>ACTION SOUGHT</b>			
<b>Action sought</b>	<ol style="list-style-type: none"> <li><b>approve</b> changes to the appropriations for which you are responsible for within Vote Housing and Urban Development; and</li> <li><b>sign</b> and forward the 2024 October Baseline Update submission (including tables 1 and 2) to the Minister of Finance.</li> </ol>		
<b>Deadline</b>	1pm Monday 14 October 2024		
<b>CONTACT FOR DISCUSSION</b>			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st contact</b>
Tony De Gregorio	Chief Financial Officer	§ 9(2)(a)	
Laura Crane	Manager, Financial Reporting and Control	§ 9(2)(a)	✓
<b>OTHER AGENCIES CONSULTED</b>			
The Treasury, Kāinga Ora – Homes and Communities and Tāmaki Redevelopment Limited.			



<b>RECOMMENDED ACTIONS</b>	
It is recommended that you:	
<p>1. <b>note</b> that the OBU process provides an opportunity for appropriation Ministers to seek Minister of Finance approval to:</p> <ul style="list-style-type: none"> <li>• make changes to appropriations to reflect or implement relevant Cabinet or joint Ministers' decisions approved since the 2024 BEFU; and</li> <li>• make other technical adjustments which do not put any new policy in place, do not entail any new funding, and do not require an approval by Cabinet;</li> </ul>	<i>noted</i>
<p>2. <b>agree</b> to the proposed financial changes to appropriations as set out in the 2024 OBU submission (Annex A); and</p>	<i>agree/disagree</i>
<p><b>agree</b> to sign and forward the 2024 OBU submission (including tables 1 and 2) to the Minister of Finance by 1pm Monday 14 October 2024.</p>	<i>agree/disagree</i>

---

Brad Ward  
**Deputy Chief Executive,  
Organisational  
Performance, Te Tūāpapa  
Kura Kāinga - Ministry of  
Housing and Urban  
Development**  
11/10/24

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Hon Chris Bishop  
**Minister of Housing**  
..... / ..... / .....



## Purpose

1. This briefing outlines the impacts of Cabinet and joint Ministers' decisions approved since the 2024 Budget and seeks your approval to make changes to appropriations for Vote Housing and Urban Development, as part of the October Baseline Update (OBU) process.

## Executive summary

2. The Ministry of Housing and Urban Development (the Ministry) is seeking joint Ministers' approval to a number of appropriation changes to reflect or implement relevant Cabinet or joint Ministers' decisions approved since the 2024 Budget, and to make other technical adjustments which do not put any new policy in place, do not entail any new funding, and do not require an approval by Cabinet.

## Background

3. The OBU process provides an opportunity for appropriation Ministers to seek Minister of Finance approval to make changes to appropriations to:
  - a. reflect or implement relevant Cabinet or joint Ministers' decisions approved since 2024 Budget; and
  - b. to make other technical adjustments which do not put any new policy in place, do not entail any new funding, and do not require an approval by Cabinet.
4. Joint Ministers are requested to approve changes, within the criteria set out in the Cabinet Office Circular CO (18) 2, *Proposals with Financial Implications and Financial Authorities*.
5. This is a technical update with its contents designed to require no review by Cabinet.
6. There are no changes that require Cabinet approval or should be considered as part of the Budget process.
7. The following proposed changes are explained in more detail in Annex A. The OBU submission has been developed considering the wider value for money work currently underway.
8. The proposed changes to appropriations for the Vote are included in the 2024 OBU submission as set out in Annex A. The format of this submission is largely prescribed by a Treasury Circular.
9. The effect on OBEGAL since 2024 BEFU of the above appropriation changes and forecast changes is savings of \$86 million over the four-year period (2024/25 to 2027/28). This is mainly due to operating expenditure savings from:



- Budget 2024 savings for Large Scale Projects. The Ministry was instructed to not include these in 2024 BEFU due to budget sensitivities at the time. These savings are now reflected in this OBU submission;
- Lower holding and interest costs on the Kāinga Ora Land Programme on the basis of a new further development at s 9(2)(f)(iv). Note any future potential losses for sites divested will be included as a specific fiscal risk and updated in the forecasts once there is greater certainty of a loss being incurred; and
- Lower than anticipated pre-approved uptake of First Home Grants.

These savings have been partly offset by the following increases from:

- Social Housing accommodation - increases in Community Housing Providers (CHP) costs (costs of construction particularly in regions);
- Social Housing services forecast (contracts have been incrementally increasing against a flat baseline);
- Build Ready programme write downs; and
- expenditure profile of the Infrastructure Acceleration Fund (IAF) is based on revised Kāinga Ora forecasts on cash outflow expectations. Noting that the increased spend in the forecast period is less than a 3% increase against the overall IAF funding available. Further investigation is being undertaken to verify the forecast phasing, which may result in savings in the forecast period.

See Annex D for more details.

10. Once approved, the consolidated 2024 OBU submission (including tables 1 and 2) for Vote Housing and Urban Development is required to be forwarded from your office to the Minister of Finance for final approval.

## **OBU Changes**

11. The following proposed changes are explained in more detail in Annex A.
  - a. Establishing a General Underwrite to Maintain Housing Construction - On 1 September 2024, joint Ministers approved the following briefing: *Establishing a General Underwrite To Maintain Housing Construction – Implementation Update* [HUD2024-005126 refers]. As a result, the Ministry is seeking approval for the following:
    - Establishment of the Residential Development Fund multi-year multi-category appropriation (MY MCA), as agreed in the above briefing
    - Transferring funding from Build Ready Development to the Residential Development Underwrite Purchase appropriation, as noted in the above briefing; and



- Recycling of Funds Back into the Build Ready Development appropriation – seeking a ‘top up’ the Affordable Housing Fund for those homes that have been purchased through underwrites and subsequently on-sold. The funding will be reprioritised into the new appropriation at the 2025 March Baseline Update.
- b. Confirmation of In-principle Expense and Capital Transfers (IPECTs) requested at the 2024 March Baseline Update relating to the following underspends in the 2023/24 financial year:

*Departmental expense transfers*

- i. WAI2750 Enquiry
- ii. Ministry of Housing and Urban Development – Responding to savings initiatives and Emergency Housing

*Non-departmental expense or capital transfers*

- iii. Emergency Housing Reset
- iv. Local Innovations and Partnership Fund
- v. Affordable Housing Fund
- vi. Early-stage Operating Supplement
- vii. Māori Housing Supply and Māori Housing Infrastructure
- viii. Land acquisition of stage three – the Neighbourhood at Ormiston
- ix. Forecasting Adjustments to the Housing Programme.

- c. Confirmation of IPECTs requested as part of the 2023/24 June Technical Adjustment process (JIPECT) relating to the following underspends in the 2023/24 financial year.

*Departmental expense transfers*

- i. Ministry of Housing and Urban Development – Responding to savings initiatives

*Non-departmental expense transfers*

- ii. Māori Housing Supply and Māori Housing Infrastructure
- iii. Land acquisition of stage three – the Neighbourhood at Ormiston
- iv. Te Puea Memorial Marae
- v. First Home Grants Administration.

- d. Approval of adjustments funded from revenue changes. These reflect latest expected year end forecasts and relate to:

*Departmental adjustments*



- i. Revenue from secondments

*Non-departmental adjustments*

- ii. Crown revenue sales forecasts and resulting cost of sales.

- e. Other Funding adjustments:

- i. Supported Accommodation for High Needs Rangatahi - fiscally neutral adjustment from the Public Housing MCA to the Transitional Housing MCA
- ii. Wakatipu Shovel Ready Project – fiscally neutral adjustment from the Land for Housing Operations appropriation to the Transfer of infrastructure assets to Councils and other Stakeholders appropriation
- iii. Land for Housing Operations – topping up this appropriation to cover a immaterial accounting non-cash adjustment made in 2023/24 to write down inventory
- iv. Transfer of Underspends from expired Multi-Year Appropriation (MYA) to current MYAs - Infrastructure Investment to Progress Urban Development MYA and Progressive Home Ownership Fund MYA
- v. Property Provider Management System - fiscally neutral adjustment from the Public Housing MCA to Departmental baselines to address a shortfall in funding
- vi. Discharging the Residential Property Managers Bill - in April 2024 the Cabinet Business Committee (CBC) agreed to discharge the above Bill from the House [CBC-24-MIN-0028 refers]
- vii. Approval for adjustments from the reforecast of several Multi-year Appropriations (MYAs), e.g., Buying off the Plans programme and Shovel Ready projects to align budgets with forecasted actual expenditure.

- f. Request for one performance reporting exemption from 2024/25 for Vote Housing and Urban Development. An exemption is being sought for the operating expenses category of the newly established Residential Development Fund MY MCA above. Due to the nature of the transactions being funded, the performance information will not be informative.

12. Some items listed in Table 2 attached to this submission do not require joint Ministers' approval. These items are detailed here to ensure you have visibility of all the Ministry's vote changes. All Cabinet/joint Ministers' decisions relating to Vote Housing and Urban Development made since the previous baseline update have been included in this update as follows:

- i. *Establishing a General Underwrite To Maintain Housing Construction – Implementation Update* [HUD2024-005126 refers]



- ii. *Approval for a One-off Funding Transfer for Emergency Housing Social Outcomes Contracting Trial [HUD2024-005349 refers].*

## Risks

13. The proposed adjustments hold no risk as they bring forward underspends from 2023/24 to 2024/25 and outyears or are fiscally neutral over the forecast period. However, the risk of not approving the changes to Vote Housing and Urban Development's appropriations are:
  - i. the Ministry will not have sufficient funds for committed projects (funding agreements are in place) which have been delayed due to factors outside the Ministry's control; and
  - ii. the Ministry's ability to implement a smooth transition to the desired savings / FTE levels will be inhibited; including the ability to pay for severance and glide path costs to obtain the annualised savings levels required.

## Consultation

14. The Treasury were provided with a draft of the attached letter. No significant issues arose from their review.
15. Kāinga Ora – Homes and Communities and Tāmaki Redevelopment Limited provided updated forecast data for the fiscal forecasts.

## Next steps

16. The Minister of Finance will advise you of her approval to the submission by 8 November 2024.
17. As noted in the submission, the Ministry has begun a review of the appropriations structure of Vote Housing and Urban Development for consideration for the Estimates of Appropriations 2025/26, due to the large number of appropriations managed by the Ministry and the complexity of changes (which require full consultation with the Treasury). Any formal changes will be sought in a future joint Ministers' briefing later this calendar year.



## Annexes

The following are attached:

- a) Annex A - 2024 October Baseline Update Submission for Vote Housing and Urban Development.
- b) Annex B - Table 1 Summary Table of Baseline Numbers for Vote Housing and Urban Development.
- c) Annex C - Table 2 Financial Changes proposed for Vote Housing and Urban Development.
- d) Annex D – Table showing changes in OBEGAL since 2024 BEFU (2024/25 to 2027/28).



**Annex D – Table showing changes in OBEGAL since 2024 BEFU (2024/25 to 27/28)**

OBEGAL imact	BEFU 2024 Forecast					OBU 2024 Forecast					Variance				
	2024/25 (M's)	2025/26 (M's)	2026/27 (M's)	2027/28 (M's)	Total (M's)	2024/25 (M's)	2025/26 (M's)	2026/27 (M's)	2027/28 (M's)	Total (M's)	2024/25 (M's)	2025/26 (M's)	2026/27 (M's)	2027/28 (M's)	Total (M's)
Large Scale Projects - Operating Expenditure	76	66	118	131	391	73	54	63	13	202	2	12	56	119	189
Kāinga Ora - Land Programme	10	15	17	18	60	6	7	7	8	27	4	8	10	10	33
First Home Grants	35	-	-	-	35	20	-	-	-	20	15	0	0	0	15
Social Housing - Community Housing Providers	294	318	355	371	1,339	296	332	370	393	1,390	(1)	(14)	(15)	(21)	(52)
Social Housing Services	94	88	86	86	355	107	108	110	87	412	(13)	(20)	(24)	(1)	(57)
Infrastructure Acceleration Fund	164	201	224	55	643	67	169	191	243	669	97	32	33	(188)	(26)
Build Ready Development programme write-downs	6	3	-	-	9	17	3	-	-	20	(11)	1	0	0	(11)
Buying off the Plans holding costs & write-downs	0	0	0	-	0	1	1	0	0	2	(1)	(1)	(0)	(0)	(2)
Land for Housing - Operations	23	-	-	-	23	2	25	-	-	27	21	(25)	0	0	(4)
<b>Total</b>	<b>702</b>	<b>692</b>	<b>800</b>	<b>662</b>	<b>2,856</b>	<b>588</b>	<b>698</b>	<b>740</b>	<b>743</b>	<b>2,770</b>	<b>114</b>	<b>(7)</b>	<b>60</b>	<b>(82)</b>	<b>86</b>

# Hon Chris Bishop

Minister of Housing  
Minister for Infrastructure  
Minister Responsible for RMA Reform  
Minister for Sport and Recreation  
Leader of the House  
Associate Minister of Finance



14 October 2024

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings  
WELLINGTON

Dear Nicola

## 2024 October Baseline Update

### Submission for Vote Housing and Urban Development

#### Introduction

This report covers items affecting the baseline for **Vote Housing and Urban Development** which is administered by the Ministry of Housing and Urban Development (the Ministry) for the 2024 October Baseline Update.

I confirm that none of the changes contained in this update require Cabinet decisions at this time.

The Table 2 referred to below is attached to this letter.

The proposed changes to baselines are as follows:

#### Changes requiring approval of joint Ministers

##### Establishing a General Underwrite to Maintain Housing Construction

On 26 June 2024, Cabinet agreed to end the KiwiBuild programme and Build Ready Development pathway and to move to a single underwriting programme to mitigate the current downturn in residential construction [ECO-24-MIN-0121 refers].

Cabinet also authorised the Minister of Finance and the Minister of Housing (joint Ministers) to make any decisions reasonably necessary to give effect to these decisions, drawing on the existing KiwiBuild and Build Ready Development appropriations.

On 1 September 2024, joint Ministers agreed to the creation of a new multi-year multi-category appropriation for residential development underwrites, to cover both non-departmental inventory and operating expenses incurred in the provision of purchasing homes under the residential development underwrite [*Establishing a General*

*Underwrite To Maintain Housing Construction – Implementation Update HUD2024-005126 refers].*

The Ministry now requires joint Ministers’ approval to establish this appropriation as follows:

***Establishment of Residential Development Fund multi-year multi-category appropriation.***

1. **note** that the Minister of Finance has agreed to the creation of a new multi-year multi-category appropriation for establishing a general underwrite to maintain housing construction.

*Noted*

**MoF approval only:**

2. **approve** the single overarching purpose of this appropriation as per below table.

*Approved/Not Approved*

3. **approve** the establishment of the following new MY MCA, to run from 1 October 2024 to 30 June 2029 as follows:

*Approved/Not Approved*

<b>MY MCA Title</b>	<b>Overarching purpose statement</b>	<b>Vote Name</b>	<b>Minister of/for Portfolio</b>	<b>Appropriation Administrator</b>
Residential Development Underwrite	The single overarching purpose of this appropriation is to record purchase costs and associated expenses incurred in acquiring, holding and on-selling homes under the residential development underwrite.	Housing and Urban Development	Minster of Housing	Ministry of Housing and Urban Development
<b>Category Type</b>	<b>Category Title</b>		<b>Category Scope</b>	
Non-Departmental Output Expense	Residential Development Underwrite Purchase		This category is limited to expenses incurred in the provision of purchasing homes under the Residential Development Underwrite.	
Non-Departmental Output Expense	Operating the Residential Development Underwrite		This category is limited to expenses incurred in relation to the facilitation, acquisition and subsequent on-sale of homes or developments in the Residential Development Underwrite.	

**Transferring Funding from Build Ready Development to the Residential Development Underwrite Purchase appropriation**

Furthermore, as noted in the above briefing [HUD2023-005126 refers], funding is available in the Affordable Housing Fund Non-departmental Output Expense Appropriation to fund all costs associated with administering a residential development underwrite to maintain housing construction.

Therefore I am seeking approval to transfer \$123 million available from the Affordable Housing Fund appropriation: \$105 million for the underwriting of homes and \$18 million for the costs of operating the underwrite regarding the facilitation, acquisition and subsequent on-sale of any homes (including write-downs).

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Non-departmental Output Expense: Affordable Housing Fund (MYA)	-	-	(123.000)	-	-
	<b>2024/25 to 2028/29</b>				
Multi-Category Expenses and Capital Expenditure:  Residential Development Underwrite (MCA MYA)  Non-Departmental Output Expenses:  Residential Development Underwrite purchases  Operating the Residential Development Underwrite			105.000   18.000		

Note that the indicative spending profile for the above appropriation is as follows:

	\$m – increase/(decrease)				
<b>Indicative annual spending profile</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>

Residential Development Underwrite (MCA MYA)					
Non-Departmental Output Expenses:					
Residential Development Underwrite purchases	-	52.500	52.500	-	-
Operating the Residential Development Underwrite	-	9.000	9.000	-	-
<b>Total Operating</b>	-	<b>61.500</b>	<b>61.500</b>	-	-

### ***Recycling of Funds Back into the Build Ready Development (BRD) appropriation***

On 21 June 2022, Cabinet agreed that proceeds from third parties from on-selling the purchase of the underwritten developments can be used to increase the Affordable Housing Fund non-departmental output expense MYA up to \$65 million [CPC-22-MIN-0017 refers].

I seek your agreement to ‘top up’ the Affordable Housing Fund for those homes that have been subsequently on-sold to be made available for reprioritisation into the new appropriation at the 2025 March Baseline Update. To date three (3) developments have been purchased as underwrites and on-sold for proceeds of \$19.826 million<sup>1</sup>. The revenue received from the sale of the underwrites is being utilised to fund an increase in the BRD appropriation. The revenue received is fully offsets the increase.

Accordingly, I seek your approval for the following technical adjustment of \$19.826 million, with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25 to 2028/29</b>
Non-departmental Output Expense: Affordable Housing Fund (MYA)	19.826

Note that the indicative spending profile for the above appropriation is as follows:

	\$m – increase/(decrease)				
<b>Indicative annual spending profile</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>

<sup>1</sup> Salisbury Street, Levin \$3.251 million (2023/24), Galbraith Street, Ngāruawāhia \$7.870 million (2024/25) and Maraekakaho Road, Hastings \$8.705 million (2024/25).

	-	-	19.826	-	-
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## Confirmation of In-principle Expense or Capital Transfers

### **Confirmation of In-principle Expense or Capital Transfers requested at the 2024 March Baseline Update (MBU)**

As part of the 2024 MBU joint Ministers agreed to In-principle Expense and Capital Transfers (IPECTs) within the Vote totalling \$353.783 million [[HUD202-003651 refers].

The Ministry's audited financial statements for 30 June 2024 have been finalised and underspends are confirmed for the appropriations administered under the Vote.

Accordingly, I seek your agreement to confirm the final amounts to be transferred from 2023/24 to 2024/25, 2025/26 and 2026/27, with no impact on the operating balance and/or net debt:

Approved In-Principle Expense Transfers at 2024 MBU	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			Total Confirmed
			2024/25	2025/26	2026/27	
WAI2750 Enquiry	<b>Managing the Housing and Urban Development Portfolio MCA</b>  <b>Departmental Output Expense:</b> Policy Advice and Ministerial Servicing	1.700	1.500	-	-	1.500
Ministry of Housing and Urban Development – Responding to savings initiatives and Emergency Housing	<b>Managing the Housing and Urban Development Portfolio MCA</b>  <b>Departmental Output Expense:</b> Policy Advice and Ministerial Servicing	2.250	2.250	-	-	2.250
Emergency Housing Reset (Non-departmental Funding)	<b>Public Housing MCA</b>  <b>Non-departmental Output Expense:</b> Services for People in Need of or at Risk of Needing Public Housing  <b>Transitional Housing MCA</b>  <b>Non-departmental Output Expenses:</b>	0.158	-	-	0.158	0.158

Approved In-Principle Expense Transfers at 2024 MBU	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
	Provision of Transitional Housing Places	4.665	-	-	4.665	4.665
	Transitional Housing Services	7.309	-	-	7.309	7.309
<b>Local Innovations and Partnership Fund</b>	<b>Non-departmental Output Expense:</b>					
	Local Innovations and Partnerships	5.000	2.000	2.750	0.250	5.000
<b>Affordable Housing Fund</b>	<b>Upfront Payments MCA</b>					
	<b>Non-departmental Capital Expenditure:</b>					
	Affordable Housing Fund - Prepayment of Grants	78.000	73.215	-	-	73.215
<b>Early-stage Operating Supplement</b>	<b>Upfront Payments MCA</b>					
	<b>Non-departmental Capital Expenditure:</b>					
	Community Housing Providers – Early-Stage Operating Supplement	30.000	27.372	-	-	27.372
<b>Māori Housing Supply and Māori Housing Infrastructure</b>	<b>Amortisation of Upfront Payments MCA</b>					
	<b>Non-departmental Other Expenses:</b>					
	Amortisation of Upfront Payments - He Kūkū ki te Kāinga	2.350	2.350	-	-	2.350
	Amortisation of Upfront Payments - Māori Infrastructure Fund	0.150	0.128	-	-	0.128
	<b>Upfront Payments MCA</b>					
	<b>Non-departmental Capital Expenditure:</b>					
	He Kūkū ki te Kāinga - Increasing Māori Housing Supply - prepayment of upfront funds	40.000	21.428	-	-	21.428
	Māori Infrastructure Projects - Prepayment of Upfront Funds	13.000	13.000	-	-	13.000
<b>Land acquisition of stage 3 – the Neighbourhood at Ormiston</b>	<b>Non-departmental Capital Expenditure:</b>					
	Land purchase within the Housing Agency Account	7.928	7.928			7.928

Approved In-Principle Expense Transfers at 2024 MBU	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
Forecasting Adjustments to the Housing Programme	<b>Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA</b>					
	<b>Non-departmental Other Expenses:</b>					
	Fair Value Impairment Loss – Affordable Housing Fund	14.000	14.000	-	-	14.000
	Fair Value Impairment Loss – Housing Infrastructure Fund	9.063	9.063	-	-	9.063
	<b>Non-departmental Capital Expenditure:</b>					
Land for Housing – Deferred Settlements	138.210	-	30.000	108.210	138.210	
<b>Total Operating</b>		<b>46.645</b>	<b>31.291</b>	<b>2.750</b>	<b>12.382</b>	<b>46.423</b>
<b>Total Capital</b>		<b>307.138</b>	<b>142.943</b>	<b>30.000</b>	<b>108.210</b>	<b>281.153</b>

**Confirmation of IPECTs requested as part of the 2023/24 June Technical Adjustment process (JIPECT)**

As part of the 2023/24 JIPECT joint Ministers agreed to further IPECTs within the Vote totalling \$33.977 million [HUD2023-004457 refers], to be confirmed at this baseline update.

The Ministry's audited financial statements for 30 June 2024 have been finalised and underspends are confirmed for the appropriations under the Vote.

Accordingly, I seek your agreement to confirm the final amounts to be transferred, with no impact on the operating balance and/or net debt:

Approved In-Principle Expense Transfers at June 2024	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
Ministry of Housing and Urban Development – Responding to savings initiatives	<b>Managing the Housing and Urban Development Portfolio MCA</b>					
	<b>Departmental Output Expense:</b> Policy Advice and Ministerial Servicing	0.500	0.500	-	-	0.500
Māori Housing Supply and	<b>Upfront Payments MCA</b>					

Approved In-Principle Expense Transfers at June 2024	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
<b>Māori Housing Infrastructure</b>	<b>Non-departmental Capital Expenditure:</b> He Kūkū ki te Kāinga - Increasing Māori Housing Supply - prepayment of upfront funds	7.000	-	-	-	-
	Māori Infrastructure Projects - Prepayment of Upfront Funds	11.000	6.107	-	-	6.107
	<b>Amortisation of Upfront Payments MCA</b>					
	<b>Non-departmental Other Expense:</b> Amortisation of Upfront Payments - He Kūkū ki te Kāinga	4.650	4.364	-	-	4.364
<b>Land acquisition of stage three – the Neighbourhood at Ormiston</b>	<b>Non-departmental Capital Expenditure:</b> Land purchase within the Housing Agency Account	1.100	1.100	-	-	1.100
<b>Te Paea Memorial Marae</b>	<b>Upfront Payments MCA:</b>  <b>Non-departmental Capital Expenditure:</b> Transitional Housing Providers - Prepayment of Upfront Funds	8.021	8.021	-	-	8.021
<b>First Home Grants Administration</b>	<b>Non-departmental Output Expense:</b> Kāinga Ora - Homes and Communities	1.706	1.706	-	-	1.706
<b>Total Operating</b>		<b>6.856</b>	<b>6.570</b>	-	-	<b>6.570</b>
<b>Total Capital</b>		<b>27.121</b>	<b>15.228</b>	-	-	<b>15.228</b>

### Other Fiscally Neutral Adjustments

An explanation of each proposed adjustment is listed below, and the amounts are specified in Table 2.

### Revenue from Secondments

From time to time the Ministry's seconded its staff to other government agencies. The increase in baseline of \$120,000 in 2024/25 in the appropriation below, is funded by an increase in departmental revenue and will be used to cover the additional costs associated with bringing on additional resource to cover the absence of the seconded staff.

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Multi-Category Expenses and Capital Expenditure:					
Managing the Housing and Urban Development Portfolio MCA					
Departmental Output Expense:					
Policy Advice and Ministerial Servicing (funded by departmental revenue)	0.120	-	-	-	-

***Property Provider Management System (PPM)***

The Ministry has reviewed its departmental baseline and has identified a shortfall in funding of \$0.656 million from 2024/25 onwards in relation to the amortisation and capital charge for its Property, Provider Management System (PPM) which has recently been implemented. This system enables the exchange of information between MSD, and Community Housing Providers (CHPs) about properties, contracts and housing related support services. It is proposed to fund these costs by a fiscally neutral adjustment from the Public Housing MCA to the Managing the Housing and Urban Development Portfolio MCA as these costs are directly related to administering CHPs.

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Multi-Category Expenses and Capital Expenditure:					

Managing the Housing and Urban Development Portfolio MCA					
Departmental Output Expense:					
Management of Housing Provision and Services (funded by revenue Crown)	0.656	0.656	0.656	0.656	0.656
Public Housing MCA					
Non-Departmental Output Expense:					
Purchase of Public Housing Provision	(0.656)	(0.656)	(0.656)	(0.656)	(0.656)

***Supported Accommodation for High Needs Rangatahi***

As part a review of the Aotearoa New Zealand Homelessness Action Plan (HAP), a Budget 2022 initiative was approved to fund four (4) additional actions to address critical areas of need. This included expanding the supply of rangatahi focused transitional housing places.

Funding for this action was appropriated under the Public Housing MCA. However, given the nature of service provided, and to align to where actual costs are allocated, it was deemed appropriate to transfer the funding to the Transitional Housing MCA.

A fiscally neutral adjustment of \$30.780 million (from 2023/24 to 2027/28) was approved as part of the 2024 Budget Package technical initiative [CAB-24-MIN-0148.40 refers]. However, a residual amount of \$3.320 million remains in the Public Housing MCA.

Accordingly, I seek your approval for the following fiscal neutral adjustment, with no impact on the operating balance and/or net debt:

<b>Vote Housing and Urban Development Minister of Housing</b>	\$m – increase/(decrease)				
	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Multi-Category Expenses and Capital Expenditure:					
Public Housing MCA					
Non-Departmental Output Expense:					
Services for People in Need of or at risk of Needing Public Housing	(1.660)	(1.660)	-	-	-
Transitional Housing MCA:					
Non-Departmental Output Expense:					
Transitional Housing Services	1.660	1.660	-	-	-

### ***Wakatipu Shovel Ready Project***

In 2024/25 it is estimated that costs of \$8.100 million will be incurred in transferring this infrastructure asset to Queenstown Lakes District Council.

It is proposed to fund this cost by a fiscally neutral adjustment from the Land for Housing Operations MYA to the Transfer of infrastructure assets to Councils and other Stakeholders MYA, where other similar expenses are appropriated for.

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net debt:

<b>Vote Housing and Urban Development Minister of Housing</b>	\$m – increase/(decrease)				
	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Non-departmental Other Expenses:					
Land for Housing Operations (MYA)	(8.100)	-	-	-	-
Transfer of infrastructure assets to Councils and other Stakeholders (MYA)	8.100	-	-	-	-

### **Forecasting Adjustments**

An explanation of each proposed forecasting adjustment is listed below with the amounts specified in Table 2 attached to this letter.

## **Crown Revenue Sales Forecasts**

The Ministry has updated its revenue forecast for sales of land and of underwritten properties.

### ***KiwiBuild Housing Sales***

At 2022 MBU joint Ministers approved the establishment of the Land for Housing MYA and the Buying off the Plans MYA, to replace the KiwiBuild Housing MYA which expired on 30 June 2022. As stated above, on 26 June 2024 Cabinet agreed to end the KiwiBuild programme and Build Ready Development pathway and to move to a single underwriting programme to mitigate the current downturn in residential construction [ECO-24-MIN-0121 refers].

Therefore it is timely to retire the KiwiBuild Housing Sales revenue line and to create two (2) new revenue lines for income received from the sale of land under the Land for Housing Programme and for the sale of dwellings under the Buying off the Plans Programme.

Accordingly, I seek your approval for the following forecast adjustments against revenue (for the change in revenue lines above, plus changes in forecast), with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
<b>Minister of Housing</b>					
<b>Non-tax Revenue</b>					
KiwiBuild Housing Sales	(24.028)	(79.349)	(79.926)	(116.339)	(116.339)
Land for Housing Revenue	45.028	78.349	79.926	116.339	116.339
Buying off the Plans Revenue	45.000	-	-	-	-
Sale of Developments Underwritten	20.340	-	-	-	-
<b>Total Operating</b>	<b>86.340</b>	<b>(1.000)</b>	-	-	-

## **Other Technical Changes**

An explanation of each proposed technical change is listed below with the amounts specified in Table 2 attached to this letter.

### **Cost of sales**

As requested above, the Ministry is seeking to update its revenue forecast for sales of land and underwritten properties. Therefore, it requires a rephrasing of associated expenditure related to these sales.

Accordingly, I seek your approval for the following forecast adjustments against sales costs with a corresponding impact on the operating balance and/or net debt.

The following forecast adjustments are required to align the appropriations with the forecasted revenue, with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA					
Non-departmental Other Expenses:					
Sale of Developments Underwritten – Costs	20.340	-	-	-	-
Sale of Land and Dwellings – Costs	66.000	(1.000)	-	-	-
<b>Total Operating</b>	<b>86.340</b>	<b>(1.000)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### ***Land for Housing Operations***

At 30 June 2024, because of a downward revaluation, the Ministry wrote down the value of its inventory by \$4.119 million; the write down was allocated against the Land for Housing Operations MYA.

However, funding is still required so that the Ministry can continue work in the programme. This would then ensure that sufficient funding remains in the appropriation for unanticipated non-cash technical expenses that are non-discretionary, given current accounting standards.

Accordingly, I seek your approval for the following technical adjustment of \$4.119 million to the Land for Housing Operations MYA, with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Non-departmental Other Expense:					
Land for Housing Operations (MYA)	4.119	-	-	-	-

### ***Transfer of underspends from expired Multi-Year Appropriations (MYA) to current MYAs***

At Budget 2024 two new MYAs were established from 1 July 2024 to replace the previous MYAs which expired on 30 June 2024:

- Infrastructure Investment to Progress Urban Development MYA
- Progressive Home Ownership Fund MYA

At this time, it was approved in-principle that any underspends from the previous MYAs would transfer to the newly created MYAs. The Ministry's audited financial statements for 30 June 2024 have now been finalised and the underspends for these expired appropriations are as follows:

- Infrastructure Investment to Progress Urban Development MYA - \$18.743 million
- Progressive Home Ownership Fund MYA - \$30.867 million.

Accordingly, I seek your agreement to confirm the final amounts to be transferred from 2023/24 to 2024/25, with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Non-departmental Output Expense:					
Infrastructure Investment to Progress Urban Development (MYA)	18.743	-	-	-	-
Non-departmental Capital Expenditure:					
Progressive Home Ownership Fund (MYA)	30.867	-	-	-	-
<b>Total Operating</b>	<b>18.743</b>	-	-	-	-
<b>Total Capital</b>	<b>30.867</b>	-	-	-	-

### ***Discharging the Residential Property Managers Bill***

On 22 April 2024, the Cabinet Business Committee (CBC) agreed to discharge the above Bill from the House once it is reported back by the Social Services and Community Committee [CBC-24-MIN-0028 refers].

The CBC also authorised the Ministers of Housing and Finance to make decisions at the 2024 OBU with respect to returning any unspent funding in Vote Housing and Urban Development appropriated to establish the Real Estate Authority's role as the Authority of the Residential Property Management regime.

In August 2023, the Ministry was allocated \$7.510 million for the Real Estate Authority to establish its role as the Authority of the Residential Property Management regime, and for the authority's initial operating costs of regulating the residential property management regime.

In 2023/24, \$0.187 million was spent on the above costs. Therefore the remaining unspent funds of \$7.323 million needs to be returned to the Crown.

Accordingly, I seek your approval for the following technical adjustment of \$7.323 million to the Authority for the Residential Property Management Regime MYA, with a corresponding impact on the operating balance and/or net debt:

<b>Vote Housing and Urban Development Minister of Housing</b>	<b>\$m – increase/(decrease)</b>				
	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Non-departmental Output Expense: Authority for the Residential Property Management Regime (MYA)	(1.649)	(1.299)	(4.375)	-	-

### **Reforecast of MYAs**

The Buying-off-the Plans, Affordable Housing Fund, Infrastructure Investment to Progress Urban Development, Kāinga Ora Land Programme, Housing Infrastructure Fund Loans, Kāinga Ora - Homes and Communities Crown Lending Facility, Progressive Home Ownership Fund and Housing Acceleration Fund MYAs have had forecast updates which have changed their indicative spending profiles.

Accordingly, I seek your approval for the following spending profile changes, with no impact on the operating balance and/or net debt:

<b>Vote Housing and Urban Development Minister of Housing</b>	<b>\$m – increase/(decrease)</b>				
	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
<b>Non-departmental Output Expenses:</b>					
Buying off the Plans Programme (MYA)	3.165	31.254	(34.419)	-	-
Operating the Buying off the Plans Programme (MYA)	1.053	0.842	(1.895)	-	-
Affordable Housing Fund (MYA)	25.627	7.705	(33.332)	-	-
Infrastructure Investment to Progress Urban Development (MYA)	(21.298)	14.100	7.198	-	-
<b>Non-departmental Other Expense:</b>					

Kāinga Ora Land Programme (MYA)	(5.534)	5.534	-	-	-
<b>Non-departmental Capital Expenditure:</b>					
Housing Infrastructure Fund Loans (MYA)	(82.591)	15.895	65.366	1.330	-
Progressive Home Ownership Fund (MYA)	(41.264)	24.622	16.642	-	-
Kāinga Ora - Homes and Communities Crown Lending Facility (MYA)	(1,057.000)	252.000	805.000	-	-
<b>Multi-Year Multi-Category Appropriations</b>					
Housing Acceleration Fund					
Non-departmental Capital Expenditure:					
Investment in Crown-owned Entities to Advance Development-Ready Land	(18.327)	18.327	-	-	-
Non-departmental Other Expense:					
Investment in Infrastructure to Advance Development-Ready Land	(168.191)	168.191	-	-	-
<b>Total Operating</b>	<b>(190.805)</b>	<b>219.921</b>	<b>(29.116)</b>	<b>-</b>	<b>-</b>
<b>Total Capital</b>	<b>(1,173.555)</b>	<b>318.549</b>	<b>853.676</b>	<b>1.330</b>	<b>-</b>

## Request for Performance Reporting Exemptions for 2024/25 Onwards for Vote Housing and Urban Development

I am seeking your approval for the exemption from end-of-year performance reporting for those appropriations and categories of MCAs listed in Annex A1. Annex A1 provides reasons for why these exemptions are sought. Any exemptions and the reason for the exemption are disclosed in the Estimates. For those appropriations subject to Budget decisions, your approval would be subject to the reason for granting the exemption still being applicable once these decisions are taken.

### Other Cabinet decisions

Several items listed in Table 2 attached to this submission do not require joint Minister approval. All Cabinet/joint Ministers' decisions relating to Vote Housing and Urban Development made since Budget 2024 have been included in this update and are listed in detail in Table 2 attached to this letter:

- *Establishing a General Underwrite To Maintain Housing Construction – Implementation Update* [HUD2024-005126 refers]

- *Approval for a One-off Funding Transfer for Emergency Housing Social Outcomes Contracting Trial* [HUD2024-005349 refers]

## Changes to appropriation structures

As stated at the 2024 MBU [HUD briefing HUD2024-003651 refers] the Ministry needs to restructure its appropriations as there are too many separate appropriations and several different appropriation types. s 9(2)(f)(iv)

[REDACTED]

## Recommendations

I agree and recommend that you:

1. **agree** to establish a new multi-year multi-category appropriation for Residential Development Underwrite, effective from 1 October 2024 to 30 June 2029, as detailed above;
2. **agree** the changes to those baselines for the appropriations in Vote Housing and Urban Development that require joint Ministers' approval, as set out in Table 2; and
3. **agree** that the proposed changes to appropriations and departmental capital injections and withdrawals for 2024/25, covered by recommendation two above, be included in the 2024/25 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

I recommend that you:

4. **grant** an exemption from end-of-year performance reporting for those appropriations and categories of MCAs listed in Annex A1;

I recommend that you:

5. **note** that Table 2 includes for completeness other changes to baselines for the appropriations in Vote Housing and Urban Development that have been approved by Cabinet or joint Ministers since the previous baseline update or do not require such approval.

Hon Chis Bishop  
**Minister of Housing**

...../...../2024

## Annex A1:

### Proposed exemptions from end-of-year performance reporting

Criterion 3:

- a) The appropriation or category of appropriation or category of non-departmental expenses or non-departmental capital expenditure is one from which resources will be provided to a person or entity other than a department, a functional chief executive, an Office of Parliament, or a Crown entity; and
- b) an exemption is sought on the basis that end-of-year performance information for the appropriation or category is not likely to be informative

Vote	Appropriation/ category title	An exemption is sought under S.15D(b)(ii) of the PFA as additional performance information is unlikely to be informative because...	2024/25 (\$000)
Housing and Urban Development	Residential Development Underwrite (MY MCA)  <i>Category: Operating the Residential Development Underwrite</i>	An exemption is sought under S.15D(b)(ii) of the PFA as additional performance information is unlikely to be informative as this category is solely for costs in relation to the facilitation, acquisition and subsequent on-sale of homes or developments in the Residential Development Underwrite.	9,000

# Hon Chris Bishop

Minister of Housing  
Minister for Infrastructure  
Minister Responsible for RMA Reform  
Minister for Sport and Recreation  
Leader of the House  
Associate Minister of Finance



14 October 2024

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings  
WELLINGTON

Dear Nicola

## **2024 October Baseline Update**

### **Submission for Vote Housing and Urban Development**

#### **Introduction**

This report covers items affecting the baseline for **Vote Housing and Urban Development** which is administered by the Ministry of Housing and Urban Development (the Ministry) for the 2024 October Baseline Update.

I confirm that none of the changes contained in this update require Cabinet decisions at this time.

The Table 2 referred to below is attached to this letter.

The proposed changes to baselines are as follows:

#### **Changes requiring approval of joint Ministers**

##### **Establishing a General Underwrite to Maintain Housing Construction**

On 26 June 2024, Cabinet agreed to end the KiwiBuild programme and Build Ready Development pathway and to move to a single underwriting programme to mitigate the current downturn in residential construction [ECO-24-MIN-0121 refers].

Cabinet also authorised the Minister of Finance and the Minister of Housing (joint Ministers) to make any decisions reasonably necessary to give effect to these decisions, drawing on the existing KiwiBuild and Build Ready Development appropriations.

On 1 September 2024, joint Ministers agreed to the creation of a new multi-year multi-category appropriation for residential development underwrites, to cover both non-departmental inventory and operating expenses incurred in the provision of purchasing

homes under the residential development underwrite [*Establishing a General Underwrite To Maintain Housing Construction – Implementation Update HUD2024-005126* refers].

The Ministry now requires joint Ministers' approval to establish this appropriation as follows:

***Establishment of Residential Development Fund multi-year multi-category appropriation.***

1. **note** that the Minister of Finance has agreed to the creation of a new multi-year multi-category appropriation for establishing a general underwrite to maintain housing construction.

*Noted*

**MoF approval only:**

2. **approve** the single overarching purpose of this appropriation as per below table.

*Approved/Not Approved*

3. **approve** the establishment of the following new MY MCA, to run from 1 October 2024 to 30 June 2029 as follows:

*Approved/Not Approved*

<b>MY MCA Title</b>	<b>Overarching purpose statement</b>	<b>Vote Name</b>	<b>Minister of/for Portfolio</b>	<b>Appropriation Administrator</b>
Residential Development Underwrite	The single overarching purpose of this appropriation is to record purchase costs and associated expenses incurred in acquiring, holding and on-selling homes under the residential development underwrite.	Housing and Urban Development	Minster of Housing	Ministry of Housing and Urban Development
<b>Category Type</b>	<b>Category Title</b>		<b>Category Scope</b>	
Non-Departmental Output Expense	Residential Development Underwrite Purchase		This category is limited to expenses incurred in the provision of purchasing homes under the Residential Development Underwrite.	
Non-Departmental	Operating the Residential Development Underwrite		This category is limited to expenses incurred in relation to the facilitation, acquisition and	

Output Expense	subsequent on-sale of homes or developments in the Residential Development Underwrite.
----------------	--

***Transferring Funding from Build Ready Development to the Residential Development Underwrite Purchase appropriation***

Furthermore, as noted in the above briefing [HUD2023-005126 refers], funding is available in the Affordable Housing Fund Non-departmental Output Expense Appropriation to fund all costs associated with administering a residential development underwrite to maintain housing construction.

Therefore I am seeking approval to transfer \$123 million available from the Affordable Housing Fund appropriation: \$105 million for the underwriting of homes and \$18 million for the costs of operating the underwrite regarding the facilitation, acquisition and subsequent on-sale of any homes (including write-downs).

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
<b>Vote Housing and Urban Development Minister of Housing</b>					
Non-departmental Output Expense: Affordable Housing Fund (MYA)	-	-	(123.000)	-	-
	<b>2024/25 to 2028/29</b>				
Multi-Category Expenses and Capital Expenditure:  Residential Development Underwrite (MCA MYA)  Non-Departmental Output Expenses:  Residential Development Underwrite purchases  Operating the Residential Development Underwrite			105.000   18.000		

Note that the indicative spending profile for the above appropriation is as follows:

Indicative annual spending profile	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29
Residential Development Underwrite (MCA MYA)					
Non-Departmental Output Expenses:					
Residential Development Underwrite purchases	-	52.500	52.500	-	-
Operating the Residential Development Underwrite	-	9.000	9.000	-	-
<b>Total Operating</b>	-	<b>61.500</b>	<b>61.500</b>	-	-

### ***Recycling of Funds Back into the Build Ready Development (BRD) appropriation***

On 21 June 2022, Cabinet agreed that proceeds from third parties from on-selling the purchase of the underwritten developments can be used to increase the Affordable Housing Fund non-departmental output expense MYA up to \$65 million [CPC-22-MIN-0017 refers].

I seek your agreement to 'top up' the Affordable Housing Fund for those homes that have been subsequently on-sold to be made available for reprioritisation into the new appropriation at the 2025 March Baseline Update. To date three (3) developments have been purchased as underwrites and on-sold for proceeds of \$19.826 million<sup>1</sup>. The revenue received from the sale of the underwrites is being utilised to fund an increase in the BRD appropriation. The revenue received is fully offsets the increase.

Accordingly, I seek your approval for the following technical adjustment of \$19.826 million, with a corresponding impact on the operating balance and/or net debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)	
	2024/25 to 2028/29	
Non-departmental Output Expense: Affordable Housing Fund (MYA)	19.826	

Note that the indicative spending profile for the above appropriation is as follows:

<sup>1</sup> Salisbury Street, Levin \$3.251 million (2023/24), Galbraith Street, Ngāruawāhia \$7.870 million (2024/25) and Maraekakaho Road, Hastings \$8.705 million (2024/25).

Indicative annual spending profile	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29
	-	-	19.826	-	-

## Confirmation of In-principle Expense or Capital Transfers

### *Confirmation of In-principle Expense or Capital Transfers requested at the 2024 March Baseline Update (MBU)*

As part of the 2024 MBU joint Ministers agreed to In-principle Expense and Capital Transfers (IPECTs) within the Vote totalling \$353.783 million [[HUD202-003651 refers].

The Ministry's audited financial statements for 30 June 2024 have been finalised and underspends are confirmed for the appropriations administered under the Vote.

Accordingly, I seek your agreement to confirm the final amounts to be transferred from 2023/24 to 2024/25, 2025/26 and 2026/27, with no impact on the operating balance and/or net debt:

Approved In-Principle Expense Transfers at 2024 MBU	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
WAI2750 Enquiry	Managing the Housing and Urban Development Portfolio MCA  Departmental Output Expense: Policy Advice and Ministerial Servicing	1.700	1.500	-	-	1.500
Ministry of Housing and Urban Development – Responding to savings initiatives and Emergency Housing	Managing the Housing and Urban Development Portfolio MCA  Departmental Output Expense: Policy Advice and Ministerial Servicing	2.250	2.250	-	-	2.250
Emergency Housing Reset (Non-departmental Funding)	Public Housing MCA  Non-departmental Output Expense: Services for People in Need of or at Risk of Needing Public Housing	0.158	-	-	0.158	0.158

Approved In-Principle Expense Transfers at 2024 MBU	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
	<b>Transitional Housing MCA</b>					
	<b>Non-departmental Output Expenses:</b>					
	Provision of Transitional Housing Places	4.665	-	-	4.665	4.665
	Transitional Housing Services	7.309	-	-	7.309	7.309
<b>Local Innovations and Partnership Fund</b>	<b>Non-departmental Output Expense:</b>					
	Local Innovations and Partnerships	5.000	2.000	2.750	0.250	5.000
<b>Affordable Housing Fund</b>	<b>Upfront Payments MCA</b>					
	<b>Non-departmental Capital Expenditure:</b>					
	Affordable Housing Fund - Prepayment of Grants	78.000	73.215	-	-	73.215
<b>Early-stage Operating Supplement</b>	<b>Upfront Payments MCA</b>					
	<b>Non-departmental Capital Expenditure:</b>					
	Community Housing Providers – Early-Stage Operating Supplement	30.000	27.372	-	-	27.372
<b>Māori Housing Supply and Māori Housing Infrastructure</b>	<b>Amortisation of Upfront Payments MCA</b>					
	<b>Non-departmental Other Expenses:</b>					
	Amortisation of Upfront Payments - He Kūkū ki te Kāinga	2.350	2.350	-	-	2.350
	Amortisation of Upfront Payments - Māori Infrastructure Fund	0.150	0.128	-	-	0.128
	<b>Upfront Payments MCA</b>					
	<b>Non-departmental Capital Expenditure:</b>					
	He Kūkū ki te Kāinga - Increasing Māori Housing Supply - prepayment of upfront funds	40.000	21.428	-	-	21.428
	Māori Infrastructure Projects - Prepayment of Upfront Funds	13.000	13.000	-	-	13.000

Approved In-Principle Expense Transfers at 2024 MBU	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
Land acquisition of stage 3 – the Neighbourhood at Ormiston	<b>Non-departmental Capital Expenditure:</b> Land purchase within the Housing Agency Account	7.928	7.928			7.928
Forecasting Adjustments to the Housing Programme	<b>Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA</b>					
	<b>Non-departmental Other Expenses:</b>					
	Fair Value Impairment Loss – Affordable Housing Fund	14.000	14.000	-	-	14.000
	Fair Value Impairment Loss – Housing Infrastructure Fund	9.063	9.063	-	-	9.063
	<b>Non-departmental Capital Expenditure:</b> Land for Housing – Deferred Settlements	138.210	-	30.000	108.210	138.210
<b>Total Operating</b>		<b>46.645</b>	<b>31.291</b>	<b>2.750</b>	<b>12.382</b>	<b>46.423</b>
<b>Total Capital</b>		<b>307.138</b>	<b>142.943</b>	<b>30.000</b>	<b>108.210</b>	<b>281.153</b>

**Confirmation of IPECTs requested as part of the 2023/24 June Technical Adjustment process (JIPECT)**

As part of the 2023/24 JIPECT joint Ministers agreed to further IPECTs within the Vote totalling \$33.977 million [HUD2023-004457 refers], to be confirmed at this baseline update.

The Ministry's audited financial statements for 30 June 2024 have been finalised and underspends are confirmed for the appropriations under the Vote.

Accordingly, I seek your agreement to confirm the final amounts to be transferred, with no impact on the operating balance and/or net debt:

Approved In-Principle Expense Transfers at June 2024	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
Ministry of Housing and Urban Development – Responding to	Managing the Housing and Urban Development Portfolio MCA					

Approved In-Principle Expense Transfers at June 2024	Appropriation	Approved Requested Transfer (\$M)	Confirmed Transfer (\$M)			
			2024/25	2025/26	2026/27	Total Confirmed
savings initiatives	<b>Departmental Output Expense:</b> Policy Advice and Ministerial Servicing	0.500	0.500	-	-	0.500
Māori Housing Supply and Māori Housing Infrastructure	<b>Upfront Payments MCA</b>					
	<b>Non-departmental Capital Expenditure:</b> He Kūkū ki te Kāinga - Increasing Māori Housing Supply - prepayment of upfront funds	7.000	-	-	-	-
	Māori Infrastructure Projects - Prepayment of Upfront Funds	11.000	6.107	-	-	6.107
	<b>Amortisation of Upfront Payments MCA</b>					
	<b>Non-departmental Other Expense:</b> Amortisation of Upfront Payments - He Kūkū ki te Kāinga	4.650	4.364	-	-	4.364
Land acquisition of stage three – the Neighbourhood at Ormiston	<b>Non-departmental Capital Expenditure:</b> Land purchase within the Housing Agency Account	1.100	1.100	-	-	1.100
Te Paea Memorial Marae	<b>Upfront Payments MCA:</b>					
	<b>Non-departmental Capital Expenditure:</b> Transitional Housing Providers - Prepayment of Upfront Funds	8.021	8.021	-	-	8.021
First Home Grants Administration	<b>Non-departmental Output Expense:</b> Kāinga Ora - Homes and Communities	1.706	1.706	-	-	1.706
<b>Total Operating</b>		<b>6.856</b>	<b>6.570</b>	-	-	<b>6.570</b>
<b>Total Capital</b>		<b>27.121</b>	<b>15.228</b>	-	-	<b>15.228</b>

## Other Fiscally Neutral Adjustments

An explanation of each proposed adjustment is listed below, and the amounts are specified in Table 2.

### Revenue from Secondments

From time to time the Ministry's second its staff to other government agencies. The increase in baseline of \$120,000 in 2024/25 in the appropriation below, is funded by an increase in departmental revenue and will be used to cover the additional costs associated with bringing on additional resource to cover the absence of the seconded staff.

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Managing the Housing and Urban Development Portfolio MCA					
Departmental Output Expense:					
Policy Advice and Ministerial Servicing (funded by departmental revenue)	0.120	-	-	-	-

### Property Provider Management System (PPM)

The Ministry has reviewed its departmental baseline and has identified a shortfall in funding of \$0.656 million from 2024/25 onwards in relation to the amortisation and capital charge for its Property, Provider Management System (PPM) which has recently been implemented. This system enables the exchange of information between MSD, and Community Housing Providers (CHPs) about properties, contracts and housing related support services. It is proposed to fund these costs by a fiscally neutral adjustment from the Public Housing MCA to the Managing the Housing and Urban Development Portfolio MCA as these costs are directly related to administering CHPs.

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net debt:

<b>Vote Housing and Urban Development Minister of Housing</b>	<b>\$m – increase/(decrease)</b>				
	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Multi-Category Expenses and Capital Expenditure:					
Managing the Housing and Urban Development Portfolio MCA					
Departmental Output Expense:					
Management of Housing Provision and Services (funded by revenue Crown)	0.656	0.656	0.656	0.656	0.656
Public Housing MCA					
Non-Departmental Output Expense:					
Purchase of Public Housing Provision	(0.656)	(0.656)	(0.656)	(0.656)	(0.656)

***Supported Accommodation for High Needs Rangatahi***

As part a review of the Aotearoa New Zealand Homelessness Action Plan (HAP), a Budget 2022 initiative was approved to fund four (4) additional actions to address critical areas of need. This included expanding the supply of rangatahi focused transitional housing places.

Funding for this action was appropriated under the Public Housing MCA. However, given the nature of service provided, and to align to where actual costs are allocated, it was deemed appropriate to transfer the funding to the Transitional Housing MCA.

A fiscally neutral adjustment of \$30.780 million (from 2023/24 to 2027/28) was approved as part of the 2024 Budget Package technical initiative [CAB-24-MIN-0148.40 refers]. However, a residual amount of \$3.320 million remains in the Public Housing MCA.

Accordingly, I seek your approval for the following fiscal neutral adjustment, with no impact on the operating balance and/or net debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Public Housing MCA					
Non-Departmental Output Expense:					
Services for People in Need of or at risk of Needing Public Housing	(1.660)	(1.660)	-	-	-
Transitional Housing MCA:					
Non-Departmental Output Expense:					
Transitional Housing Services	1.660	1.660	-	-	-

### ***Wakatipu Shovel Ready Project***

In 2024/25 it is estimated that costs of \$8.100 million will be incurred in transferring this infrastructure asset to Queenstown Lakes District Council.

It is proposed to fund this cost by a fiscally neutral adjustment from the Land for Housing Operations MYA to the Transfer of infrastructure assets to Councils and other Stakeholders MYA, where other similar expenses are appropriated for.

Accordingly, I seek your approval for the following fiscally neutral adjustment, with no impact on the operating balance and/or net debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-departmental Other Expenses:					
Land for Housing Operations (MYA)	(8.100)	-	-	-	-
Transfer of infrastructure assets to Councils and other Stakeholders (MYA)	8.100	-	-	-	-

### **Forecasting Adjustments**

An explanation of each proposed forecasting adjustment is listed below with the amounts specified in Table 2 attached to this letter.

### **Crown Revenue Sales Forecasts**

The Ministry has updated its revenue forecast for sales of land and of underwritten properties.

#### **KiwiBuild Housing Sales**

At 2022 MBU joint Ministers approved the establishment of the Land for Housing MYA and the Buying off the Plans MYA, to replace the KiwiBuild Housing MYA which expired on 30 June 2022. As stated above, on 26 June 2024 Cabinet agreed to end the KiwiBuild programme and Build Ready Development pathway and to move to a single underwriting programme to mitigate the current downturn in residential construction [ECO-24-MIN-0121 refers].

Therefore it is timely to retire the KiwiBuild Housing Sales revenue line and to create two (2) new revenue lines for income received from the sale of land under the Land for Housing Programme and for the sale of dwellings under the Buying off the Plans Programme.

Accordingly, I seek your approval for the following forecast adjustments against revenue (for the change in revenue lines above, plus changes in forecast), with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
<b>Minister of Housing</b>					
<b>Non-tax Revenue</b>					
KiwiBuild Housing Sales	(24.028)	(79.349)	(79.926)	(116.339)	(116.339)
Land for Housing Revenue	45.028	78.349	79.926	116.339	116.339
Buying off the Plans Revenue	45.000	-	-	-	-
Sale of Developments Underwritten	20.340	-	-	-	-
<b>Total Operating</b>	<b>86.340</b>	<b>(1.000)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### **Other Technical Changes**

An explanation of each proposed technical change is listed below with the amounts specified in Table 2 attached to this letter.

#### **Cost of sales**

As requested above, the Ministry is seeking to update its revenue forecast for sales of land and underwritten properties. Therefore, it requires a rephrasing of associated expenditure related to these sales.

Accordingly, I seek your approval for the following forecast adjustments against sales costs with a corresponding impact on the operating balance and/or net debt.

The following forecast adjustments are required to align the appropriations with the forecasted revenue, with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Housing Programme Fair Value Impairment Loss and Inventory Disposal MCA					
Non-departmental Other Expenses:					
Sale of Developments Underwritten – Costs	20.340	-	-	-	-
Sale of Land and Dwellings – Costs	66.000	(1.000)	-	-	-
<b>Total Operating</b>	<b>86.340</b>	<b>(1.000)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### ***Land for Housing Operations***

At 30 June 2024, because of a downward revaluation, the Ministry wrote down the value of its inventory by \$4.119 million; the write down was allocated against the Land for Housing Operations MYA.

However, funding is still required so that the Ministry can continue work in the programme. This would then ensure that sufficient funding remains in the appropriation for unanticipated non-cash technical expenses that are non-discretionary, given current accounting standards.

Accordingly, I seek your approval for the following technical adjustment of \$4.119 million to the Land for Housing Operations MYA, with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Non-departmental Other Expense:					
Land for Housing Operations (MYA)	4.119	-	-	-	-

**Transfer of underspends from expired Multi-Year Appropriations (MYA) to current MYAs**

At Budget 2024 two new MYAs were established from 1 July 2024 to replace the previous MYAs which expired on 30 June 2024:

- Infrastructure Investment to Progress Urban Development MYA
- Progressive Home Ownership Fund MYA

At this time, it was approved in-principle that any underspends from the previous MYAs would transfer to the newly created MYAs. The Ministry's audited financial statements for 30 June 2024 have now been finalised and the underspends for these expired appropriations are as follows:

- Infrastructure Investment to Progress Urban Development MYA - \$18.743 million
- Progressive Home Ownership Fund MYA - \$30.867 million.

Accordingly, I seek your agreement to confirm the final amounts to be transferred from 2023/24 to 2024/25, with a corresponding impact on the operating balance and/or net debt:

	\$m – increase/(decrease)				
<b>Vote Housing and Urban Development Minister of Housing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29 &amp; Outyears</b>
Non-departmental Output Expense:					
Infrastructure Investment to Progress Urban Development (MYA)	18.743	-	-	-	-
Non-departmental Capital Expenditure:					
Progressive Home Ownership Fund (MYA)	30.867	-	-	-	-
<b>Total Operating</b>	<b>18.743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital</b>	<b>30.867</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Discharging the Residential Property Managers Bill**

On 22 April 2024, the Cabinet Business Committee (CBC) agreed to discharge the above Bill from the House once it is reported back by the Social Services and Community Committee [CBC-24-MIN-0028 refers].

The CBC also authorised the Ministers of Housing and Finance to make decisions at the 2024 OBU with respect to returning any unspent funding in Vote Housing and Urban Development appropriated to establish the Real Estate Authority's role as the Authority of the Residential Property Management regime.

In August 2023, the Ministry was allocated \$7.510 million for the Real Estate Authority to establish its role as the Authority of the Residential Property Management regime, and for the authority's initial operating costs of regulating the residential property management regime.

In 2023/24, \$0.187 million was spent on the above costs. Therefore the remaining unspent funds of \$7.323 million needs to be returned to the Crown.

Accordingly, I seek your approval for the following technical adjustment of \$7.323 million to the Authority for the Residential Property Management Regime MYA, with a corresponding impact on the operating balance and/or net debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Non-departmental Output Expense: Authority for the Residential Property Management Regime (MYA)	(1.649)	(1.299)	(4.375)	-	-

#### **Reforecast of MYAs**

The Buying-off-the Plans, Affordable Housing Fund, Infrastructure Investment to Progress Urban Development, Kāinga Ora Land Programme, Housing Infrastructure Fund Loans, Kāinga Ora - Homes and Communities Crown Lending Facility, Progressive Home Ownership Fund and Housing Acceleration Fund MYAs have had forecast updates which have changed their indicative spending profiles.

Accordingly, I seek your approval for the following spending profile changes, with no impact on the operating balance and/or net debt:

Vote Housing and Urban Development Minister of Housing	\$m – increase/(decrease)				
	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
<b>Non-departmental Output Expenses:</b>					
Buying off the Plans Programme (MYA)	3.165	31.254	(34.419)	-	-
Operating the Buying off the Plans Programme (MYA)	1.053	0.842	(1.895)	-	-
Affordable Housing Fund (MYA)	25.627	7.705	(33.332)	-	-

Infrastructure Investment to Progress Urban Development (MYA)	(21.298)	14.100	7.198	-	-
<b>Non-departmental Other Expense:</b>					
Kāinga Ora Land Programme (MYA)	(5.534)	5.534	-	-	-
<b>Non-departmental Capital Expenditure:</b>					
Housing Infrastructure Fund Loans (MYA)	(82.591)	15.895	65.366	1.330	-
Progressive Home Ownership Fund (MYA)	(41.264)	24.622	16.642	-	-
Kāinga Ora - Homes and Communities Crown Lending Facility (MYA)	(1,057.000)	252.000	805.000	-	-
<b>Multi-Year Multi-Category Appropriations</b>					
Housing Acceleration Fund					
Non-departmental Capital Expenditure:					
Investment in Crown-owned Entities to Advance Development-Ready Land	(18.327)	18.327	-	-	-
Non-departmental Other Expense:					
Investment in Infrastructure to Advance Development-Ready Land	(168.191)	168.191	-	-	-
<b>Total Operating</b>	<b>(190.805)</b>	<b>219.921</b>	<b>(29.116)</b>	<b>-</b>	<b>-</b>
<b>Total Capital</b>	<b>(1,173.555)</b>	<b>318.549</b>	<b>853.676</b>	<b>1.330</b>	<b>-</b>

### **Request for Performance Reporting Exemptions for 2024/25 Onwards for Vote Housing and Urban Development**

I am seeking your approval for the exemption from end-of-year performance reporting for those appropriations and categories of MCAs listed in Annex A1. Annex A1 provides reasons for why these exemptions are sought. Any exemptions and the reason for the exemption are disclosed in the Estimates. For those appropriations subject to Budget decisions, your approval would be subject to the reason for granting the exemption still being applicable once these decisions are taken.

## Other Cabinet decisions

Several items listed in Table 2 attached to this submission do not require joint Minister approval. All Cabinet/joint Ministers' decisions relating to Vote Housing and Urban Development made since Budget 2024 have been included in this update and are listed in detail in Table 2 attached to this letter:

- *Establishing a General Underwrite To Maintain Housing Construction – Implementation Update* [HUD2024-005126 refers]
- *Approval for a One-off Funding Transfer for Emergency Housing Social Outcomes Contracting Trial* [HUD2024-005349 refers]

## Changes to appropriation structures

As stated at the 2024 MBU [HUD briefing HUD2024-003651 refers] the Ministry needs to restructure its appropriations as there are too many separate appropriations and several different appropriation types. The Ministry has begun work in this area to simplify/streamline its appropriations. Changes will need agreement from The Treasury and joint Ministers' approval, and is planned for consideration for the Estimates of Appropriations 2025/26. Any formal changes will be sought in a future joint Ministers' Briefing later this calendar year.

## Recommendations

I agree and recommend that you:

1. **agree** to establish a new multi-year multi-category appropriation for Residential Development Underwrite, effective from 1 October 2024 to 30 June 2029, as detailed above;
2. **agree** the changes to those baselines for the appropriations in Vote Housing and Urban Development that require joint Ministers' approval, as set out in Table 2; and
3. **agree** that the proposed changes to appropriations and departmental capital injections and withdrawals for 2024/25, covered by recommendation two above, be included in the 2024/25 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

I recommend that you:

4. **grant** an exemption from end-of-year performance reporting for those appropriations and categories of MCAs listed in Annex A1;

I recommend that you:

5. **note** that Table 2 includes for completeness other changes to baselines for the appropriations in Vote Housing and Urban Development that have been approved by Cabinet or joint Ministers since the previous baseline update or do not require such approval.



Hon Chis Bishop  
**Minister of Housing**

17/10/2024

## Annex A1:

### Proposed exemptions from end-of-year performance reporting

Criterion 3:

- a) The appropriation or category of appropriation or category of non-departmental expenses or non-departmental capital expenditure is one from which resources will be provided to a person or entity other than a department, a functional chief executive, an Office of Parliament, or a Crown entity; and
- b) an exemption is sought on the basis that end-of-year performance information for the appropriation or category is not likely to be informative

Vote	Appropriation/ category title	An exemption is sought under S.15D(b)(ii) of the PFA as additional performance information is unlikely to be informative because...	2024/25 (\$000)
Housing and Urban Development	Residential Development Underwrite (MY MCA)  <i>Category: Operating the Residential Development Underwrite</i>	An exemption is sought under S.15D(b)(ii) of the PFA as additional performance information is unlikely to be informative as this category is solely for costs in relation to the facilitation, acquisition and subsequent on-sale of homes or developments in the Residential Development Underwrite.	9,000

**Table 1: Summary Table of Baseline Numbers, 2024/25 OBU (HYEFU), Vote 27 - 0: Housing & Urban Dvlpmt - Housing and Urban Development.**

Appropriations	2024/25		2025/26		2026/27		2027/28		2028/29	
	Agreed Changes \$000	Revised Baseline \$000	Agreed Changes \$000	Revised Baseline \$000	Agreed Changes \$000	Revised Baseline \$000	Agreed Changes \$000	Revised Baseline \$000	Agreed Changes \$000	Revised Baseline \$000
Appropriations										
Departmental Output Expenses	-	-	-	-	-	-	-	-	-	-
Departmental Other Expenses	-	-	-	-	-	-	-	-	-	-
Departmental Capital Expenditure	-	3,700	-	2,551	-	1,400	-	1,400	-	1,400
Non-Departmental Output Expenses	99,463	624,532	53,012	256,460	(171,707)	246,756	-	122,623	23,480	146,103
Benefits or Related Expenses	-	35,000	-	-	-	-	-	-	-	-
Capital Contributions to the Department (Pre PFAA)	-	-	-	-	-	-	-	-	-	-
Non-Departmental Borrowing Expenses	-	-	-	-	-	-	-	-	-	-
Non-Departmental Other Expenses	(2,509)	81,520	5,534	272,520	-	46,789	-	46,789	-	46,789
Non-Departmental Capital Expenditure	(497,689)	4,087,357	292,517	1,449,043	887,008	5,320,329	1,330	945,999	(944,669)	(100)
Repayment of Debt (Pre PFAA)	-	-	-	-	-	-	-	-	-	-
Multi-Category Expenses and Capital Expenditure	(186,333)	3,837,612	278,536	4,810,494	182,287	3,099,063	344	2,895,740	(38,157)	2,857,239
<b>Total Appropriations</b>	<b>(587,068)</b>	<b>8,669,721</b>	<b>629,599</b>	<b>6,791,066</b>	<b>897,588</b>	<b>8,714,337</b>	<b>1,674</b>	<b>4,012,551</b>	<b>(959,346)</b>	<b>3,051,531</b>
<b>Crown Revenue and Receipts</b>										
Tax Revenue	-	-	-	-	-	-	-	-	-	-
Non-Tax Revenue	86,340	153,608	(1,000)	103,182	-	80,126	-	116,539	-	116,539
Capital Receipts	-	-	-	-	-	-	-	-	-	-
<b>Total Crown Revenue and Receipts</b>	<b>86,340</b>	<b>153,608</b>	<b>(1,000)</b>	<b>103,182</b>	<b>-</b>	<b>80,126</b>	<b>-</b>	<b>116,539</b>	<b>-</b>	<b>116,539</b>
<b>Output Revenue</b>										
Revenue Crown	6,646	67,633	2,174	63,562	1,301	62,894	1,000	62,588	634	62,222
Revenue Dept	120	120	-	-	-	-	-	-	-	-
Revenue Other	-	-	-	-	-	-	-	-	-	-
<b>Total Output Revenue</b>	<b>6,766</b>	<b>67,753</b>	<b>2,174</b>	<b>63,562</b>	<b>1,301</b>	<b>62,894</b>	<b>1,000</b>	<b>62,588</b>	<b>634</b>	<b>62,222</b>
<b>Capital Injections</b>										
	-	2,300	-	1,151	-	-	-	-	-	-

**Table 2: Baseline Changes Report, 2024/25 OBU (HYEFU), Vote 27 - 0: Housing & Urban Dvlpmt - Housing and Urban Development.**

Classification	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000	Authority for Change	Final Year Funding
<b>Non-Departmental Output Expenses</b>							
He Kūku ki te Kāinga – Increasing Māori Housing Supply							
Non-Dept Annual Appropriation							
Adjustment to outyears for Budget 2024 initiatives	-	-	-	-	23,480	CAB-24-MIN-0148.39	On going
<b>Kāinga Ora - Homes and Communities</b>							
Non-Dept Annual Appropriation							
First Home Grants Administration IPET (From Technical Adjustment)	1,706	-	-	-	-	Proposal No 410	On going
<b>Local Innovations and Partnerships</b>							
Non-Dept Annual Appropriation							
Local Innovations and Partnership Fund IPET	2,000	2,750	250	-	-	CO (18) 2 para 43	On going
<b>Total changes - Non-Departmental Output Expenses</b>	<b>3,706</b>	<b>2,750</b>	<b>250</b>	<b>-</b>	<b>23,480</b>		
<b>Non-Departmental Capital Expenditure</b>							
Kāinga Ora – Homes and Communities Private Debt Refinancing Facility							
Non-Dept Annual Appropriation							
Adjustment to outyears for Budget 2024 initiatives	-	-	-	-	(900,000)	CAB-24-MIN-0148.39	On going
<b>Land purchase within the Housing Agency Account</b>							
Non-Dept Annual Appropriation							
Land acquisition of stage three – the Neighbourhood at Ormiston	7,928	-	-	-	-	CO (18) 2 para 43	On going
Land acquisition of stage three – the Neighbourhood at Ormiston IPCT (From Technical Adjustment)	1,100	-	-	-	-	Proposal No 314	On going
<b>Total changes - Non-Departmental Capital Expenditure</b>	<b>9,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(900,000)</b>		
<b>Multi-Category Expenses and Capital Expenditure</b>							
Amortisation of Upfront Payments (MCA)							
Non-Departmental Other Expenses							
Amortisation of Upfront Payments - He Kūku ki te Kāinga							
Non-Dept Annual Appropriation							
Adjustment to outyears for Budget 2024 initiatives	-	-	-	-	2,218	CAB-24-MIN-0148.39	On going
Maori Housing Supply and Maori Housing Infrastructure IPET	2,350	-	-	-	-	CO (18) 2 para 43	On going

Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000	\$000	\$000	\$000	\$000		Funding
Maori Housing Supply and Maori Housing Infrastructure IPECT (From Technical Adjustment)							
Amortisation of Upfront Payments - Maori Infrastructure Fund	4,364	-	-	-	-	- Proposal No 312	On going
<b>Non-Dept Annual Appropriation</b>							
Adjustment to outyears for Budget 2024 Initiatives					57	CAB-24-MIN-0148.39	On going
Maori Housing Supply and Maori Housing Infrastructure IPECT	128	-	-	-	-	- CO (18) 2 para 43	On going
<b>Housing Programme Fair Value Impairment Loss and Inventory Disposal (MCA)</b>							
<b>Non-Departmental Other Expenses</b>							
Fair Value Impairment Loss – Affordable Housing Fund							
Forecasting Adjustments to the Housing Programme IPECT	14,000	-	-	-	-	- CO (18) 2 para 43	On going
<b>Non-Dept Annual Appropriation</b>							
Forecasting Adjustments to the Housing Programme IPECT	9,063	-	-	-	-	- CO (18) 2 para 43	On going
<b>Non-Departmental Capital Expenditure</b>							
Land for Housing – Deferred Settlements							
<b>Non-Dept Annual Appropriation</b>							
Forecasting Adjustments to the Housing Programme IPECT		30,000	108,210	-	-	- CO (18) 2 para 43	On going
<b>Non-Departmental Other Expenses</b>							
Sale of Developments Underwritten - Costs							
<b>Non-Dept Annual Appropriation</b>							
Cost of Sales	20,340	-	-	-	-	- CO (18) 2 para 59.1	On going
<b>Sale of Land and Dwellings – Costs</b>							
<b>Non-Dept Annual Appropriation</b>							
Cost of Sales	66,000	(1,000)	-	-	-	- CO (18) 2 para 59.1	On going
<b>Managing the Housing and Urban Development Portfolio (MCA)</b>							
<b>Departmental Output Expenses</b>							
Management of Housing Provision and Services							
<b>Dept Annual Appropriation</b>							
Establishing a General Underwrite to Maintain Housing Construction	1,740	1,518	445	344	253	ECO-24-MIN-0121 and HUD2024-005126	On going
Property Provider Management System (PPM) Revenue Crown	656	656	656	656	656	CO (18) 2 para 32.1	On going
Establishing a General Underwrite to Maintain Housing Construction	1,740	1,518	445	344	253	ECO-24-MIN-0121 and HUD2024-005126	On going
Property Provider Management System (PPM)	656	656	656	656	656	CO (18) 2 para 32.1	On going

11 Oct 2024 11:29:23 AM

Karen.Bennett@hud.govt.nz

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Classification	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000	Authority for Change	Final Year Funding
<b>Policy Advice and Ministerial Servicing</b>							
<b>Dept Annual Appropriation</b>							
Adjustment to outyears for Delivering the Emergency Housing Reset and Redesign: Place-based Plans Wellington/Hamilton	-	-	-	-	(275)	SWC-23-MIN-0103	On going
Approval for a One-off Funding Transfer for Emergency Housing Social Outcomes Contracting Trial	-	-	200	-	-	SOU-24-MIN-0107, - HUD2024-005349	On going
Ministry of Housing and Urban Development – Responding to savings initiatives and Emergency Housing IPET	2,250	-	-	-	-	CO (18) 2 para 43	On going
Ministry of Housing and Urban Development – Responding to savings initiatives IPET (From Technical Adjustment)	500	-	-	-	-	Proposal No 391	On going
Revenue from Secondments	120	-	-	-	-	CO (18) 2 para 32.5	On going
WAI2750 Enquiry IPET	1,500	-	-	-	-	CO (18) 2 para 43	On going
<b>Revenue Crown</b>							
Adjustment to outyears for Delivering the Emergency Housing Reset and Redesign: Place-based Plans Wellington/Hamilton	-	-	-	-	(275)	SWC-23-MIN-0103	On going
Approval for a One-off Funding Transfer for Emergency Housing Social Outcomes Contracting Trial	-	-	200	-	-	SOU-24-MIN-0107, - HUD2024-005349	On going
Ministry of Housing and Urban Development – Responding to savings initiatives and Emergency Housing IPET	2,250	-	-	-	-	CO (18) 2 para 43	On going
Ministry of Housing and Urban Development – Responding to savings initiatives IPET (From Technical Adjustment)	500	-	-	-	-	Proposal No 391	On going
WAI2750 Enquiry IPET	1,500	-	-	-	-	CO (18) 2 para 43	On going
<b>Revenue Dept</b>							
Revenue from Secondments	120	-	-	-	-	CO (18) 2 para 32.5	On going
<b>Public Housing (MCA)</b>							
<b>Non-Departmental Output Expenses</b>							
<u>Purchase of Public Housing Provision</u>							
<b>Non-Dept Annual Appropriation</b>							
Adjustment to outyears for Main Benefit Indexation to CPI Rather than Wages from 1 April 2024	-	-	-	-	(10,286)	CAB-23-MIN-0490	On going
Property Provider Management System (PPM) Services for People in Need of or at risk of Needing Public Housing	(656)	(656)	(656)	(656)	(656)	CO (18) 2 para 32.1	On going
<b>Non-Dept Annual Appropriation</b>							
Approval for a One-off Funding Transfer for Emergency Housing Social Outcomes Contracting Trial	2,950	5,900	2,950	-	-	SOU-24-MIN-0107, - HUD2024-005349	On going
Emergency Housing Reset (Non-departmental Funding) IPET	-	-	158	-	-	CO (18) 2 para 43	On going

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Karen.Bennett@hud.govt.nz

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Classification	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	Authority for Change	Final Year Funding
Supported Accommodation for High Needs Rangatahi	(1,660)	(1,660)	-	-	-	CO (18) 2 para 32.1	On going
<b>Transitional Housing (MCA)</b>							
<b>Non-Departmental Output Expenses</b>							
Provision of Transitional Housing Places							
<b>Non-Dept Annual Appropriation</b>							
Adjustment to outyears for Budget 2024 initiatives	-	-	-	-	1,000	CAB-24-MIN-0148.40	On going
Adjustment to outyears for Delivering the Emergency Housing Reser and Redesign: Place- based Plans Wellington/Hamilton	-	-	-	-	(4,001)	SWC-23-MIN-0103	On going
Approval for a One-off Funding Transfer for Emergency Housing Social Outcomes Contracting Trial	(885)	(1,770)	(885)	-	-	SOU-24-MIN-0107, HUD2024-005349	On going
Emergency Housing Reser (Non-departmental Funding) IPET	-	-	4,665	-	-	CO (18) 2 para 43	On going
Transitional Housing Services							
<b>Non-Dept Annual Appropriation</b>							
Adjustment to outyears for Budget 2024 initiatives	-	-	-	-	1,000	CAB-24-MIN-0148.40	On going
Adjustment to outyears for Delivering the Emergency Housing Reser and Redesign: Place- based Plans Wellington/Hamilton	-	-	-	-	(4,643)	SWC-23-MIN-0103	On going
Approval for a One-off Funding Transfer for Emergency Housing Social Outcomes Contracting Trial	(2,065)	(4,130)	(2,265)	-	-	SOU-24-MIN-0107, HUD2024-005349	On going
Emergency Housing Reser (Non-departmental Funding) IPET	-	-	7,309	-	-	CO (18) 2 para 43	On going
Supported Accommodation for High Needs Rangatahi	1,660	1,660	-	-	-	CO (18) 2 para 32.1	On going
<b>Upfront Payments (MCA)</b>							
<b>Non-Departmental Capital Expenditure</b>							
Affordable Housing Fund - Prepayment of Grants							
<b>Non-Dept Annual Appropriation</b>							
Affordable Housing Fund IPCT	73,215	-	-	-	-	CO (18) 2 para 43	On going
Community Housing Providers - Early Stage Operating Supplement							
<b>Non-Dept Annual Appropriation</b>							
Early-stage Operating Supplement IPCT	27,372	-	-	-	-	CO (18) 2 para 43	On going
He Kōwhiri ki te Kāinga - Increasing Māori Housing Supply - prepayment of upfront funds							
<b>Non-Dept Annual Appropriation</b>							
Adjustment to outyears for Budget 2024 initiatives	-	-	-	-	(23,480)	CAB-24-MIN-0148.39	On going
Maori Housing Supply and Maori Housing Infrastructure IPCT	21,428	-	-	-	-	CO (18) 2 para 43	On going
Māori Infrastructure Projects - Prepayment of Upfront Funds							
<b>Non-Dept Annual Appropriation</b>							

Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000	\$000	\$000	\$000	\$000		Funding
Maori Housing Supply and Maori Housing Infrastructure (PECT)	13,000	-	-	-	-	CO (18) 2 para 43	On going
Maori Housing Supply and Maori Housing Infrastructure (PECT) (From Technical Adjustment)	6,107	-	-	-	-	Proposal No 312	On going
Transitional Housing Providers - Prepayment of Upfront Funds							
<b>Non-Dept Annual Appropriation</b>							
Te Puea Memorial Marae (PECT) (From Technical Adjustment)	8,021	-	-	-	-	Proposal No 315	On going
<b>Total changes - Multi-Category Expenses and Capital Expenditure</b>	<b>271,498</b>	<b>30,518</b>	<b>120,787</b>	<b>344</b>	<b>(38,157)</b>		
<b>Total changes - Output revenue (Crown +Dept+Other)</b>	<b>6,766</b>	<b>2,174</b>	<b>1,301</b>	<b>1,000</b>	<b>634</b>		
<b>Non-Tax Revenue</b>							
<b>Buying off the Plans Revenue</b>							
Non-Dept Revenue							
Crown Revenue Sales Forecasts	45,000	-	-	-	-	CO (18) 2 para 61	On going
<b>KiwiBuild Housing Sales</b>							
Non-Dept Revenue							
Crown Revenue Sales Forecasts	(24,028)	(79,349)	(79,926)	(116,339)	(116,339)	CO (18) 2 para 61	On going
<b>Land for Housing Revenue</b>							
Non-Dept Revenue							
Crown Revenue Sales Forecasts	45,028	78,349	79,926	116,339	116,339	CO (18) 2 para 61	On going
<b>Sale of Developments Underwritten</b>							
Non-Dept Revenue							
Crown Revenue Sales Forecasts	20,340	-	-	-	-	CO (18) 2 para 61	On going
<b>Total changes - Non-Tax Revenue</b>	<b>86,340</b>	<b>(1,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>		

## Multi-year Appropriations

Multi-year Appropriations	Totals	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000	\$000	\$000	\$000	\$000	\$000		Funding
<b>Non-Departmental Output Expenses</b>								
<b>Affordable Housing Fund (MYA)</b>								
(From 01 July 2022 - 30 June 2027)								
Appropriation								
<b>OBU offset vote changes for this baseline</b>								
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(18,221)	(18,221)	-	-	-	-	-	
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs	18,221	Supps June 18,221	-	-	-	-	CO (18) 2 para 59	On going

Multi-year Appropriations	Totals	Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000		\$000	\$000	\$000	\$000	\$000		Funding
Budget (2024) outyear 4 amount	-		-	-	-	-	-		
<b>Other vote changes for this baseline</b>									
Establishing a General Underwrite to Maintain Housing Construction	(127,300)	Cabinet	-	(2,340)	(124,960)	-	-	- ECO-24-MIN-0121 and HUD2024-005126	On going
Recycling of Funds Back into the Build Ready Development appropriation	19,826	Cabinet	-	-	19,826	-	-	- CPC-22-MIN-0017	On going
Reforecast of Affordable Housing Fund MYA	-	Tech Adj	25,627	7,705	(33,332)	-	-	- CO (18) 2 para 59.3	On going
	(107,474)								
<b>Overall change to appropriation</b>	<b>(107,474)</b>								
<b>Authority for the Residential Property Management Regime (MYA)</b> (From 01 July 2023 - 30 June 2027) Appropriation									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(575)		(575)	-	-	-	-		
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs	575	Supps.June	575	-	-	-	-	- CO (18) 2 para 59	On going
Budget (2024) outyear 4 amount	-		-	-	-	-	-		
<b>Other vote changes for this baseline</b>									
Discharging the Residential Property Managers Bill	(7,323)	Cabinet	(1,649)	(1,299)	(4,375)	-	-	- CBC-24-MIN-0028	On going
	(7,323)								
<b>Overall change to appropriation</b>	<b>(7,323)</b>								
<b>Buying off the Plans Programme (MYA)</b> (From 01 July 2022 - 30 June 2027) Appropriation									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(5,100)		(5,100)	-	-	-	-		
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs	5,100	Supps.June	5,100	-	-	-	-	- CO (18) 2 para 59	On going
Budget (2024) outyear 4 amount	-		-	-	-	-	-		
<b>Other vote changes for this baseline</b>									
Reforecast of Buying off the Plans Programme MYA	-	Tech Adj	3,165	31,254	(34,419)	-	-	- CO (18) 2 para 59.3	On going

Multi-year Appropriations	Totals	Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000		\$000	\$000	\$000	\$000	\$000		Funding

**Overall change to appropriation**

**He Kūku ki te Kāinga – Increasing Māori Housing Supply (MYA)  
(From 01 July 2022 - 30 June 2025)**

Appropriation									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(20,724)		(20,724)	-	-	-	-	-	
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs	20,724	Supps, June	20,724	-	-	-	-	-	CO (18) 2 para 59
Budget (2024) outyear 4 amount	-		-	-	-	-	-	-	On going
<b>Other vote changes for this baseline</b>									
There are no vote changes	-		-	-	-	-	-	-	
<b>Overall change to appropriation</b>									

**Infrastructure Investment to Progress Urban Development (MYA)  
(From 01 July 2024 - 30 June 2029)**

Appropriation									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	-		-	-	-	-	-	-	
Budget (2024) outyear 4 amount	-		-	-	-	-	-	-	
<b>Other vote changes for this baseline</b>									
Infrastructure Investment to Progress Urban Development MYA	18,743	Tech Adj	18,743	-	-	-	-	-	CO (18) 2 para 59
Reforecast of Infrastructure Investment to Progress Urban Development	-	Tech Adj	(21,298)	14,100	7,198	-	-	-	CO (18) 2 para 59.3
<b>Overall change to appropriation</b>									
	18,743		18,743						

**Land for Housing Programme (MYA)  
(From 01 July 2022 - 30 June 2027)**

Appropriation									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(20,093)		(20,093)	-	-	-	-	-	

Multi-year Appropriations	Totals	Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year Funding
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs Budget (2024) outyear 4 amount	\$000	SuppsJune	\$000	\$000	\$000	\$000	\$000	- CO (18) 2 para 59	On going
<b>Other vote changes for this baseline</b>									
There are no vote changes									
<b>Overall change to appropriation</b>									
<b>Operating the Buying off the Plans Programme (MYA)</b> <b>(From 01 July 2022 - 30 June 2027)</b>									
<b>Appropriation</b>									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	236		236	-	-	-	-		
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs Budget (2024) outyear 4 amount	(236)	SuppsJune	(236)	-	-	-	-	- CO (18) 2 para 59	On going
<b>Other vote changes for this baseline</b>									
Reforecast of Operating the Buying off the Plans Programme MYA		Tech Adj	1,053	842	(1,885)	-	-	- CO (18) 2 para 59.3	On going
<b>Overall change to appropriation</b>									
<b>Operating the Land for Housing Programme (MYA)</b> <b>(From 01 July 2022 - 30 June 2027)</b>									
<b>Appropriation</b>									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	13		13	-	-	-	-		
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs Budget (2024) outyear 4 amount	(13)	SuppsJune	(13)	-	-	-	-	- CO (18) 2 para 59	On going
<b>Other vote changes for this baseline</b>									
There are no vote changes									
<b>Overall change to appropriation</b>									

Multi-year Appropriations	Totals	Classificat on	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000		\$000	\$000	\$000	\$000	\$000		Funding

**Progressing the Pipeline of Māori Housing 2022 - 2025 (MYA)  
(From 01 July 2022 - 30 June 2025)**

Appropriation	Totals	Classificat on	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000		\$000	\$000	\$000	\$000	\$000		Funding
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(5,652)		(5,652)	-	-	-	-	-	
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs	5,652	Supps.June	5,652	-	-	-	-	-	On going
Budget (2024) outyear 4 amount	-		-	-	-	-	-	-	
<b>Other vote changes for this baseline</b>									
There are no vote changes	-		-	-	-	-	-	-	
<b>Overall change to appropriation</b>	-		-	-	-	-	-	-	

**Non-Departmental Other Expenses  
Kāinga Ora Land Programme (MYA)  
(From 01 July 2021 - 30 June 2026)**

Appropriation	Totals	Classificat on	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000		\$000	\$000	\$000	\$000	\$000		Funding
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(1,247)		(1,247)	-	-	-	-	-	
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs	1,247	Supps.June	1,247	-	-	-	-	-	On going
Budget (2024) outyear 4 amount	-		-	-	-	-	-	-	
<b>Other vote changes for this baseline</b>									
Reforecast of Kāinga Ora Land Programme MYA	-	Tech Adj	(5,534)	5,534	-	-	-	-	On going
<b>Overall change to appropriation</b>	-		-	-	-	-	-	-	

**Land for Housing Operations (MYA)  
(From 01 July 2021 - 30 June 2026)**

Appropriation	Totals	Classificat on	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year
	\$000		\$000	\$000	\$000	\$000	\$000		Funding
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	2,341		2,341	-	-	-	-	-	

Multi-year Appropriations	Totals	Classificati on	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year Funding
	\$000		\$000	\$000	\$000	\$000	\$000		
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs Budget (2024) outyear 4 amount	(2,341)	Supps/June	(2,341)	-	-	-	-	- CO (18) 2 para 59	On going
<b>Other vote changes for this baseline</b>									
Land for Housing Operations	4,119	Tech Adj	4,119	-	-	-	-	- CO (18) 2 para 58.1	On going
Wakatipu Shovel Ready Project	(8,100)	FNA	(8,100)	-	-	-	-	- CO (18) 2 para 32.2	On going
	(3,981)								
<b>Overall change to appropriation</b>	(3,981)								
<b>Transfer of Infrastructure assets to Councils and other Stakeholders (MYA) (From 01 July 2024 - 30 June 2029)</b>									
<b>Appropriation</b>									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	-		-	-	-	-	-		
Budget (2024) outyear 4 amount	-		-	-	-	-	-		
	-		-	-	-	-	-		
<b>Other vote changes for this baseline</b>									
Wakatipu Shovel Ready Project	8,100	FNA	8,100	-	-	-	-	- CO (18) 2 para 32.2	On going
	8,100								
<b>Overall change to appropriation</b>	8,100								
<b>Non-Departmental Capital Expenditure</b>									
<b>Housing Infrastructure Fund Loans (MYA) (From 01 July 2023 - 30 June 2028)</b>									
<b>Appropriation</b>									
<b>OBU offset vote changes for this baseline</b>									
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(41,751)		(41,751)	-	-	-	-		
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs Budget (2024) outyear 4 amount	41,751	Supps/June	41,751	-	-	-	-	- CO (18) 2 para 59	On going
Housing Infrastructure Fund Loans MYA	44,669		44,669	-	-	-	-		
	(44,669)	Budget/OY4	-	-	-	-	(44,669)	CO (18) 2 para 59	On going
<b>Other vote changes for this baseline</b>									

Multi-year Appropriations	Totals	Classificat	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for	Final Year
	\$000	on	\$000	\$000	\$000	\$000	\$000	Change	Funding
Reforecast of Housing Infrastructure Fund Loans MYA	-	Tech Adj	(82,591)	15,895	65,366	1,330	-	CO (18) 2 para 59.3	On going
<b>Overall change to appropriation</b>	-								

**Kāinga Ora – Homes and Communities Crown Lending Facility (MYA)**  
(From 01 October 2022 - 30 June 2027)

**Appropriation**

**OBU offset vote changes for this baseline**

Difference between 2023/24 Supps and 2023/24 Jun Actuals (600,000)  
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs 600,000 Supps.June  
Budget (2024) outyear 4 amount -

**Other vote changes for this baseline**

Reforecast of Kainga Ora - Homes and Communities Crown Lending Facility MYA - Tech Adj (1,057,000) 805,000

**Overall change to appropriation**

**Land for Housing Programme - developers' loan payments (MYA)**  
(From 01 September 2021 - 30 June 2025)

**Appropriation**

**OBU offset vote changes for this baseline**

Difference between 2023/24 Supps and 2023/24 Jun Actuals (1,520)  
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs 1,520 Supps.June  
Budget (2024) outyear 4 amount -

**Other vote changes for this baseline**

There are no vote changes

**Overall change to appropriation**

**Progressive Home Ownership Fund (MYA)**  
(From 01 July 2024 - 30 June 2029)

**Appropriation**

**OBU offset vote changes for this baseline**

Multi-year Appropriations	Totals Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year Funding
	\$000	\$000	\$000	\$000	\$000	\$000		

Difference between 2023/24 Supps and 2023/24 Jun Actuals  
Budget (2024) outyear 4 amount

Other vote changes for this baseline								
Progressive Home Ownership Fund MYA	30,867	30,867						On going
Reforecast of Progressive Home Ownership Fund MYA		(41,264)	24,622	16,642				On going
Overall change to appropriation	30,867							
	30,867							

**Multi-Category Expenses and Capital Expenditure**

Housing Acceleration Fund (MCA MYA)  
(From 01 July 2021 - 30 June 2026)  
Overall change to the Appropriation

**MYMCA Category Details**

**Non-Departmental Capital Expenditure**

Investment in Crown-owned Entities to Advance Development-Ready Land

**Appropriation**

**OBU offset vote changes for this baseline**

Difference between 2023/24 Supps and 2023/24 Jun Actuals	304,752	304,752						
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs		(304,752)						On going
Budget (2024) outyear 4 amount								

**Other vote changes for this baseline**

Reforecast of Housing Acceleration Fund MYA

		(18,327)	18,327					On going
Overall change to appropriation category								

**Non-Departmental Other Expenses**

Investment in Infrastructure to Advance Development-Ready Land

**Appropriation**

Multi-year Appropriations	Totals Classification	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change	Final Year Funding
	\$000	\$000	\$000	\$000	\$000	\$000		
<b>OBU offset vote changes for this baseline</b>								
Difference between 2023/24 Supps and 2023/24 Jun Actuals	(33,439)	-	-	-	-	-	-	-
Adjusting future profiles for difference between supplementary estimates forecasts and actual spends for MYAs	33,439	33,439	-	-	-	-	CO (18) 2 para 59	On going
Budget (2024) outyear 4 amount	-	-	-	-	-	-	-	-
<b>Other vote changes for this baseline</b>								
Reforecast of Housing Acceleration Fund MYA	-	(168,191)	168,191	-	-	-	CO (18) 2 para 59.3	On going
<b>Overall change to appropriation category</b>								
<b>Residential Development Underwrite (MCA MYA)</b> (From 01 October 2024 - 30 June 2029)								
Overall change to the Appropriation	123,000							
<b>MYMCA Category Details</b>								
<b>Non-Departmental Output Expenses</b>								
<b>Operating the Residential Development Underwrite Appropriation</b>								
<b>OBU offset vote changes for this baseline</b>								
Difference between 2023/24 Supps and 2023/24 Jun Actuals	-	-	-	-	-	-	-	-
Budget (2024) outyear 4 amount	-	-	-	-	-	-	-	-
<b>Other vote changes for this baseline</b>								
Establishing a General Underwrite to Maintain Housing Construction	18,000	9,000	9,000	-	-	-	ECO-24-MIN-0121 and HUD2024-005126	On going
<b>Overall change to appropriation category</b>								
	18,000							
	18,000							
<b>Residential Development Underwrite Purchase Appropriation</b>								
<b>OBU offset vote changes for this baseline</b>								

Multi-year Appropriations							Final Year
	Totals	2024/25	2025/26	2026/27	2027/28	2028/29	Authority for Change
	\$000	\$000	\$000	\$000	\$000	\$000	Funding
Difference between 2023/24 Supps and 2023/24 Jun Actuals							
Budget (2024) outyear 4 amount	-	-	-	-	-	-	-
<b>Other vote changes for this baseline</b>							
Establishing a General Underwrite to Maintain Housing Construction	105,000	-	52,500	52,500	-	-	- ECO-24-MIN-0121 and HUD2024-005126
<b>Overall change to appropriation category</b>	<b>105,000</b>						On going

Difference between 2023/24 Supps and 2023/24 Jun Actuals

**Other vote changes for this baseline**

Establishing a General Underwrite to Maintain Housing Construction

**Overall change to appropriation category**

**Classification Key**

Short Name	Description	Reference
Cabinet	Cabinet policy decision	Approvals are sought in cabinet papers (refer to cabinet manual), with authority given via a cabinet minute. The authority for change should reference both supporting documents.
ECT	Expense and Capital Transfer	Defined in (Cabinet Office Circular Financial changes that can be approved by Joint Ministers). Transferring funding within an appropriation across financial years.
ECT ip	Expense and Capital Transfer in-principle	Defined in (Cabinet Office Circular). The portion of an ECT that can't be accurately quantified so the transfer amount has been approved in-principle. 1st time can count in fiscal forecasts is OBU.
Fcst Adj	Forecast Adjustments	Defined in (Cabinet Office Circular). Adjustments to the forecast expenditure of PLAs or where there is a pre-determined cost calculation, or Crown Revenue.
FLoS	Front-Loading of Spending	Defined in (Cabinet Office Circular Financial changes that can be approved by Joint Ministers). Bringing forward expenditure to create lasting cost savings.
FNA	Fiscally Neutral Adjustment	Defined in (Cabinet Office Circular Financial changes that can be approved by Joint Ministers). Transferring funding between appropriations within a financial year.
RoU	Retention of Underspends	Defined in (Cabinet Office Circular Financial changes that can be approved by Joint Ministers). Transferring underspends to the next financial year.
RoU 50%	Retention of Underspends @ 50%	Defined in CO Circular. Portion of an ROU can't accurately quantify so the transfer amount of 50% of an underspend has been approved in-principle. 1st time can count in fiscal forecasts is OBU.
Tech Adj	Technical adjustment	Defined in (Cabinet Office Circular). Technical accounting adjustments with no cash impact to the Crown, MYA spending profile changes, non-controversial appropriation title or scope changes.
SuppsJune	Offset MYA June vs Supps Difference	This is a subset of the Technical Adjustments classification for neutral changes to the MYA spending profile to offset the difference between the Supps Forecast and June Actual.
BudgetOY4	Offset MYA Budget OY4 Rollover	This is a subset of the Technical Adjustments classification for neutral changes to the MYA spending profile to offset the rollover of Budget OY4 into OBU OY4.
Return Sav	Return of savings to the Crown	Returning savings to the Crown is always encouraged. Departments can achieve this by constantly looking for efficiency gains through improvements in processes and technology.
Crown Liab	Recognition of Existing Crown liability	Crown liabilities need to be recognised as soon as possible. These affect Non-Departmental Appropriations.

Other Other changes outside the above criteria

There should be very few changes outside the above criteria, so if there are any they require extra scrutiny.



## Briefing

<b>RESETTING INVESTMENT FOR HOUSING AND URBAN DEVELOPMENT – CHANGES TO FUNDS AND PROGRAMMES AND BUDGET 2025</b>			
<b>To Minister</b>	Hon Chris Bishop	<b>Portfolio</b>	Housing
<b>Date</b>	17 October 2024	<b>Priority</b>	High
<b>Tracking number</b>	HUD 2024-005383		
<b>ACTION SOUGHT</b>			
<b>Action sought</b>	Agree to recommend changes to streamline funds, improve flexibility, value for money and effectiveness and priorities for savings and new investment in Budget 2025.		
<b>Deadline</b>	21 October 2024		
<b>CONTACT FOR DISCUSSION</b>			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st contact</b>
Brad Ward	Deputy Chief Executive, Organisational Performance	§ 9(2)(a)	✓
Nick McNabb	Chief Advisor, Strategy, Insights and Governance	§ 9(2)(a)	
<b>OTHER AGENCIES CONSULTED</b>			
The Treasury [Housing and Urban Growth Team] and the Ministry of Social Development (MSD)			



<b>RECOMMENDED ACTIONS</b>	
It is recommended that you:	
1. <b>Note</b> that a number of funds and programmes are not well aligned with the role for government investment and changes can be made to streamline, improve flexibility and improve effectiveness.	<i>Noted</i>
<b>Programmes to stop, scale back or remove government support</b>	
2. <b>Agree</b> to the following changes to stop, scale back or remove government support from programmes:	<i>Agree/Disagree</i>
a. Stop the Kāinga Ora Land Programme with fiscal implications to be determined through decisions around existing land holdings	
b. Recover investment from the Infrastructure Acceleration Fund (IAF) and Housing Infrastructure Fund (HIF) where contractual milestones are not being met, with potential savings from HIF of up to \$180 million	
c. Scale back future investment in Large Scale Projects with potential capital savings of \$58-222 million (in addition to Budget 2024 savings)	
d. Stop contributing to the mortgage insurance levy for the First Home Loan and move to full cost recovery with operating savings of up to \$18 million per annum.	
3. <b>Note</b> that the Ministry of Housing and Urban Development (HUD) has plans in place to stop and scale back spending in the following areas:	<i>Noted</i>
a. Reduce the volume of Transitional Housing by around 1000 places through exiting motels that are higher cost to manage declining baseline (i.e. no additional savings)	
b. Exit Contracted Emergency Housing in Rotorua by December 2025 with operating savings of \$24 million per annum from 2026/27.	



<b>Remaining programmes need to be targeted and consolidated</b>		<i>Agree/Disagree</i>
4.	<p><b>Agree</b> to the following changes to programmes and work in 2025 to improve alignment with the role for government, and improve flexibility and effectiveness:</p> <p>a. s 9(2)(f)(iv) [Redacted]</p> <p>b. Reprioritise Māori Housing funding of \$102 million per annum to a general flexible fund for affordable rentals and, where required, subsidising some market supply in areas such as Rotorua and Hastings.</p> <p>c. s 9(2)(f)(iv) [Redacted]</p> <p>d. s 9(2)(f)(iv) [Redacted]</p>	<i>Agree/Disagree</i>
5.	<p><b>Note</b> further advice on the design of the flexible fund in recommendation 4b will consider how best to continue investment in Māori led development taking account that whenua Māori land is often located in areas with poor development economics (e.g., Tairāwhiti)</p>	<i>Noted</i>
6.	s 9(2)(f)(iv) [Redacted]	<i>Noted</i>
7.	s 9(2)(f)(iv) [Redacted]	<i>Agree/Disagree</i>
8.	<p><b>Note</b> the changes to programmes in recommendations 2, 3 and 4 would provide savings and reprioritisation through Budget 2025 of:</p>	<i>Noted</i>



	<ul style="list-style-type: none"> <li>a. Ongoing operating funding: of around \$88 million in 2025/26 increasing to \$100-\$130 million per annum in 2027/28 and outyears.</li> <li>b. Ongoing capital funding: of \$44 million per annum from 2025/26.</li> <li>c. One off capital funding: of between \$58-222 million across the forecast period.</li> <li>d. Recyclable Capital: of up to \$180 million across the forecast period.</li> </ul>	
9.	<p><b>Note</b> s 9(2)(f)(iv) [REDACTED] [REDACTED]</p> <ul style="list-style-type: none"> <li>a. s 9(2)(f)(iv) [REDACTED] [REDACTED]</li> <li>b. could fund continued growth in the community housing sector through new social and affordable housing, and any new social housing as part of Kāinga Ora’s renewals programme (depending on the acceptance of the Credible Plan and appetite for sales to finance renewals)</li> </ul>	<i>Noted</i>
10.	<p><b>Agree</b> that between \$40-70 million of one-off capital savings from the Large Scale Projects be reprioritised to provide upfront Operating Supplement (OS) to Community Housing Providers (CHPs) to deliver some of the Budget 2024 places (with a focus on those priority locations outside main centres) and this be confirmed ahead of Budget 2025 to enable places to contracted.</p>	<i>Noted</i>
11.	<p><b>Indicate</b> priorities for new investment through savings and reprioritisation through Budget 2025 (listed in HUD recommended order of priority):</p> <ul style="list-style-type: none"> <li>a. New social housing places for CHPs of a minimum of 500 places per annum for two years (1000 in total).</li> <li>b. A flexible fund for affordable rentals and, where required, subsidising some market supply in places like Rotorua and Hastings.</li> </ul>	<i>Agree/Disagree</i>



- c. New social housing places through Kāinga Ora renewals (depending on appetite for sales as part of the Credible Plan).
- d. s 9(2)(f)(iv)

12. **Note** that alongside the Kāinga Ora Credible Plan, the reset of investment is a key input to the Performance Plan for Housing and Urban Development and Budget 2025. *Noted*

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Brad Ward  
**Deputy Chief Executive**  
17 / 10 / 2024

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Hon Chris Bishop  
**Minister of Housing**  
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## Purpose

1. To provide advice on recommended changes to programmes to improve flexibility, value for money and effectiveness to meet needs in place, and priorities for savings and new investment through Budget 2025

## Executive summary

2. On 27 September, HUD provided advice on the role for government investment in housing and urban development considering the potential gains from Going for Housing Growth (GfHG), the limits to the market, and where government investment could have the greatest impact [HUD2024-005382 refers].
3. Not all current programmes are well aligned with the recommended roles for government and funding is not sustainable. We recommend changes to streamline funds, improve flexibility, increase value for money and effectiveness, and recommend priorities for savings and new investment in Budget 2025.

## Programmes to stop, scale back or remove government support

4. Consistent with narrowing the focus of Kāinga Ora and removing duplication, the Kāinga Ora Land Programme should be stopped. You will receive further advice from HUD and Kāinga Ora by the end of October on the disposal or continuation of current sites and fiscal implications. You have agreed to receive further advice in February 2025 about the s 9(2)(f)(iv) in particular a detailed market valuation and robust market soundings.
5. Investment in Large Scale Projects should be scaled back given the higher cost of infrastructure renewals and land remediation, and declining land sales revenue. You will receive advice by end of November on future neighbourhoods and opportunities to realise cost savings across the programme (earlier advice in July [HUD2024-004939] noted potential savings of \$58-222 million capital from not progressing future neighbourhoods).
6. The one-off HIF and IAF are inconsistent with the beneficiary pays approach, and funding should be recovered where contractual milestones are not met (you will receive advice by end October on \$180 million of recyclable capital potentially recoverable through the HIF).
7. Government should stop contributing towards the mortgage insurance levy for the First Home Loan. Moving the scheme to full cost recovery would save up to \$18 million per annum operating. The levy would increase from \$2,750 to \$6,600 for an average First Home Loan of \$550,000 and should have no impact on uptake.
8. HUD will exit motels used for Transitional Housing by 2027/28 and Contracted Emergency Housing in Rotorua by December 2025. The number of Transitional Housing places will reduce by around 1,000 (compared to around 6,500 now). This



reduction is required to manage declining baseline funding (i.e., it will not generate additional savings). Exiting Contracted Emergency Housing will generate \$24 million per annum savings from 2026/27.

## Remaining programmes need to be targeted and consolidated

9. s 9(2)(f)(iv)  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]
10. The Kāinga Ora independent review recommended simplifying and consolidating programmes to provide more flexibility to tailor investment to have the greatest impact in meeting needs in place. As an initial step, we recommend funding for Māori Housing be reprioritised to a single general flexible fund for affordable rentals and, where required, subsidising market supply in places like Rotorua and Hastings where there is a shortage of housing and high need. We recommend continued investment in affordable rentals as these are a lower cost alternative to social housing that provide stable housing to those who may be lower priority for social housing.
11. This flexible fund would replace separate funds for Māori and Pacific Housing and affordable rentals that we have had in the past. We will provide further advice ahead of Budget submissions in December on the operation of the flexible fund, and how best to continue investment in Māori led development taking account that whenua Māori land is often located in areas with poor development economics (e.g., Tairāwhiti).
12. s 9(2)(f)(iv)  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]  
[Redacted]
13. s 9(2)(f)(iv)  
[Redacted]  
[Redacted]  

These programmes include Transitional Housing, Housing First, Sustaining Tenancies and Single Site Supported Housing. We do not recommend scaling back these programmes at this time given risks to the Government Target on Emergency Housing. We do anticipate savings of up to \$30 million are available from rationalising services from 2027/28 and can commit to these savings now. We will provide advice ahead of Budget 25 submissions about the extent that these savings are available for reprioritisation or needed to offset cost pressures across the public housing appropriation noted in the draft Performance Plan deal with cost pressures from market rents and expiry of time limited funding.



14. Recommended changes and savings are summarised in Table One below.

**Table One: Summary of changes to programmes and savings**

PROGRAMME	RECOMMENDATION	SAVINGS
<b>Kāinga Ora Land Programme</b>	Stop the programme and wind down.	Dependent on decisions for current land holdings
<b>IAF and HIF</b>	Wind down and recover funding where permitted under contracts.	Up to <u>\$180 million recyclable capital</u> from the HIF.
<b>Large Scale Projects</b>	Continue but consider further savings from existing and future neighbourhoods.	Between <u>\$58-222 million one off capital</u> if future neighbourhoods not progressed. Advice by end November will provide options for existing and future neighbourhoods.
<b>First Home Loan</b>	Retain scheme, but stop government contribution to mortgage insurance levy.	Up to \$18 million <u>operating per annum</u> .
<b>Transitional Housing</b>	Reduce volume by 1000 to manage decline in funding.	No savings as reduction in volume required to manage expiry of time limited funding.
<b>Exit Contracted Emergency Housing</b>	Exit motels by end December 2025.	<u>\$24 million per annum operating</u> from 2026/27.
s 9(2)(f)(iv)	[REDACTED]	[REDACTED]
<b>Māori Housing</b>	Reprioritise to single general flexible fund for affordable rentals and, where required, subsidising market supply.	Reprioritise <u>\$102 million per annum of operating (\$58 million) and capital (\$44 million)</u> .



<p><b>Housing and Support reset (e.g., Transitional Housing and Housing First)</b></p>	<p>§ 9(2)(f)(iv)</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>Savings of <u>\$30 million operating per annum</u>. May be required to offset future cost pressures.</p>
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**Priorities for Budget 2025**

- 15. While guidance on the Budget 2025 process is still being developed, our advice takes into account the tight fiscal environment, and the expectation set by the Minister of Finance that any new spending be funded through reprioritisation.
- 16. The changes to programmes recommended above identify operating funding of around \$88 million from 2025/26, increasing to between \$100-130 million in 2027/28 and outyears through savings and reprioritisation. In addition, a further \$44 million per annum from 2025/26 of capital funding that could be reprioritised.
- 17. § 9(2)(f)(iv) [Redacted]  
[Redacted] Savings could fund continued growth in the community housing sector through new social and affordable housing, and any new social housing as part of Kāinga Ora’s renewals programme (dependent on the level of sales used to finance). § 9(2)(f)(iv) [Redacted]  
[Redacted]  
[Redacted]
- 18. Further one-off capital savings could be secured from Large Scale Projects and the HIF (recyclable). Our advice on improving access to finance [HUD2024-005328 refers] recommended that capital savings could be reprioritised to enable Operating Supplement (OS) to be paid up front to enable CHPs to access finance and deliver more of the Budget 2024 social housing places as build to own (with a focus on those priority locations outside main centres). We recommend capital of \$40-70 million be reprioritised from LSP savings and that this be confirmed ahead of Budget 2025 to enable places to be contracted.

**Background**

- 19. On 27 September 2024, HUD provided advice on the role for government investment in housing and urban development considering the potential gains from GfHG, the limits to the market and where government investment could have the greatest impact [HUD2024-005382 refers]. The principles for government investment agreed by Cabinet in July and roles for government investment recommended by HUD are summarised in Annex One.
- 20. In the 27 September 2024 advice, we recommended that the role for government investment should be prioritised through investment:



- a. To improve housing system performance in place through supporting urban development and market supply, and where necessary subsidising some new supply to meet demand in specific places, to reduce overall housing costs and improve housing choice.
  - b. To meet needs and aspirations in place for low-income households through: additional targeted support to households to become homeowners; financial assistance for private housing costs; access to social housing and affordable rentals; and support for people to access and maintain stable housing.
21. We also noted that key shifts in approach to investment were:
- a. Subsidies for new supply should be targeted to where need is high and development profitability and supply is low; and
  - b. To meet needs in place a broader range of lower cost tenures are needed as an alternative to the default of social housing.
22. We have assessed each of HUD's programmes against the recommended roles to inform recommendations to streamline, improve flexibility, value for money and effectiveness, and priorities for new investment and savings through Budget 2025.
23. Recommended changes to funds and programmes in this briefing also support other key system shifts including:
- a. Enabling the agreed strategic direction for the Community Housing Sector to grow and meet the needs of their communities.
  - b. Shifting to an active purchaser approach recommended by the Kāinga Ora Independent Review to invest more flexibility in place based on a more granular assessment of need.
  - c. Refocusing Kāinga Ora as a provider of social housing. A credible plan being developed by the Kāinga Ora board includes future investment scenarios.
  - d. Meeting the Government Target to reduce emergency housing use by 75 percent by 2030.
24. To this point our assessment has focused on HUD programmes. Subsequent advice can consider alignment of programmes within Te Puni Kōkiri and MSD.

### **Aligning programmes to role for government investment**

25. Not all current programmes are well aligned with the recommended roles for government investment. Reasons include:
- a. There can be multiple funds performing similar roles.
  - b. Funds can have multiple objectives with a lack of transparency about what is being purchased, why and at what cost.



- c. In some instances, we may be paying for things that we don't need (e.g., subsidising social housing builds in markets where leasing may be a more appropriate and cost effective alternative and vice versa).
  - d. Different levels of support for people in similar situations can be unfair and may provide poor incentives for people to move from social housing when their situation improves.
  - e. Funds can be inflexible and difficult to use together to support investment in place, and are not consistent with a more tailored active purchaser approach.
  - f. People are placed based on housing need, not the need for social services, leading to under/over servicing.
26. We have assessed each of our programmes against the recommended role for government investment and the wider shifts indicated in paragraph 23 above. Our assessment and recommendation for each programme, considering alignment, value for money and delivery effectiveness, is summarised in Annex B. The key recommendations are outlined in Tables Two and Three. In summary:
- a. Table Two recommends programmes that should be stopped, scaled back, wound down or have government subsidies removed. These programmes, or current levels of government investment, are not consistent with the role for government and/or reflect poorer value for money.
  - b. Table Three recommends programmes that should continue and changes to improve alignment with the role of government, provide flexibility and increase effectiveness. Recommendations include changes that can be made now and where further work is proposed in 2025 to inform Budget 2026.

**Table Two: Programmes to stop, scale back or remove government support:**

PROGRAMME	PROPOSED CHANGE AND WHY	NEXT STEPS
<b>Kāinga Ora Land Programme</b>	<p><b>Stop the programme and wind down</b></p> <p>To avoid duplication with Land for Housing and enable Kāinga Ora to focus on social housing.</p> <p>Addresses concerns about Kāinga Ora competing with private developers and limited likelihood that programme will deliver outcomes different to the market</p>	<p>Ministers have received initial advice on <a href="#">§ 9(2)(f)(iv)</a> and will receive further advice from HUD and Kāinga Ora on options for other sites by the end of October.</p> <p>Divesting land at a loss would have near-term OBEGAL impacts, but reduce longer term holding costs.</p>
<b>IAF and HIF</b>	<p><b>Wind down</b></p> <p>Inconsistent with the beneficiary pays approach, under which growth should be paying for growth, and existing home-owners and residents should generally pay for upgrades or renewals of existing water infrastructure (enabled by Local Water Done Well). Directly subsidising homes (discussed in Table Three below) is a more direct and certain way to increase supply in places with unmet needs and poor development economics.</p> <p><a href="#">§ 9(2)(f)(iv)</a></p>	<p>HUD will monitor compliance with contract terms and advise on opportunities to claw back funding as appropriate<sup>1</sup>.</p> <p>HUD provide further advice on HIF loans by the end of October.</p>
<b>LSPs</b>	<p><b>Retain, subject to realising cost savings</b></p> <p>Cost of enabling social, affordable and market housing has increased due to higher infrastructure renewals and land remediation costs and lower revenues from land sales. Propose not progressing some uncommitted investment.</p> <p>Scaling back investment is consistent with refocusing Kāinga Ora on renewing its housing stock rather than enabling market supply. Any future investment would be informed by the role of government in Urban Development and Kāinga Ora's renewals programme.</p>	<p>You will receive advice by end November on future neighbourhoods and opportunities to realise cost savings across the programme (in addition to the \$435 million savings in Budget 2024).</p> <p>This includes potential savings of \$58-222 million CAPEX from cancelling some neighbourhoods, with a reduction of 1761 homes enabled; and options to realise costs savings in other neighbourhoods.</p>
<b>First Home Loan</b>	<p><b>Retain, but stop government contributions to borrowers mortgage insurance levy</b></p> <p>Moving to full cost recovery would increase the insurance levy paid by buyers. The levy would increase from \$2,750 to \$6,600 for an average First Home Loan of \$550,000.</p> <p>As buyers would still have access to low deposit mortgages, this change should have no impact on uptake. It also removes a potential distortion relative to low equity premiums charged by Banks.</p>	<p>Advice on timing and next steps to inform December 2025 Budget Submissions.</p> <p>Savings of up to \$18 million operating funding per annum.</p>
<b>Reducing Transitional Housing Places – Exiting motels</b>	<p><b>Scale back the number of Transitional Housing places</b></p> <p>Time limited funding for Transitional Housing motels expires from 1 June 2025 and funding for the Emergency Housing System review from 1 July 2028. HUD will manage the reduction in funding by exiting motels used for Transitional Housing. This will reduce the overall number of TH places by 1,000 from the current level of around 6,500.</p>	<p>HUD will exit Transitional Housing motels by 2027/28, with focus on managing risk to the Government Target on Emergency Housing.</p> <p>Will not deliver savings as reduction in volume is required to manage declining funding.</p>
<b>Exiting Contracted Emergency Housing</b>	<p><b>Stop use of Contracted Emergency Housing</b></p> <p>HUD will exit Contracted Emergency Housing in Rotorua in line with the government commitment to exit by December 2025.</p>	<p>HUD has provided advice on the plan to exit motels by December 2025.</p> <p>Exiting will provide savings of \$24 million operating per annum from 2026/27.</p>

<sup>1</sup> Note: Treasury will provide further advice on the possibility of transferring administration of these funds to the Crown Infrastructure Funding and Financing Agency once its other new functions have been stood up.

**Table Three: Remaining programmes need to be targeted and consolidated**

ROLES	ACTIVITIES	RECOMMENDATION	COMMENT
<b>Enabling Urban Development and increasing supply</b>	Ensure infrastructure and planning settings realise benefits of GfHG.  Facilitate and co-ordinate urban development projects.	<b>Maintain capacity within HUD to:</b> <ul style="list-style-type: none"> <li>review and comment on district plans</li> <li>s 9(2)(f)(iv)</li> <li>Administer the Infrastructure Funding and Financing Act.</li> </ul> Kāinga Ora will need to support Specified Development Projects (SDPs) if you agree to these.	Budget 2024 provided funding, via the Kāinga Ora—Homes and Communities appropriation, for Kāinga Ora to progress SDPs (noting funding declines significantly from July 2025)
	Make vacant and underutilised Crown land available to market.  Buy/sell land to aggregate land and make available to development partners.	s 9(2)(f)(iv) <ul style="list-style-type: none"> <li></li> <li></li> </ul>	Most land was originally acquired under the Public Works Act, meaning it can't be sold on the open market without first being offered to the previous owner and then iwi (under relevant Treaty settlements).  Offer back obligations do not apply where land is developed in accordance with an approved development scheme under the Housing Act, and the programme partners with iwi to satisfy Treaty settlement obligations.
	De-risk development during market downturns.	s 9(2)(f)(iv)	s 9(2)(f)(iv)
	Where development profitability is low (e.g., Hastings and Rotorua) provide subsidies to address the gap between market value and cost.	Ensure subsidies to increase housing supply (of all tenures) are targeted and applied in limited circumstances. This means providing payments above market prices and rents to increase overall supply in places like Rotorua and Hastings where development profitability, and prices and rents are low. In main centres, focus could be to increase pace and scale and/or density (e.g., apartments within the Carrington development).  As an initial step we recommend reprioritising funding for Māori Housing to a single general flexible fund for affordable rentals and, where required, subsidising market supply in places like Rotorua and Hastings where there is a shortage of housing and high need.	Advice in October on social housing funding settings will provide options to improve targeting and flexibility of social housing funding, including where and how funding is used to increase overall supply.
<b>Increase Home Ownership</b>	Support buyers to access mortgage finance (including intermediate tenures such as Progressive Home Ownership).	<b>Retain the First Home Loan (with cost recovery) and the Kāinga Whenua Loan.</b> s 9(2)(f)(iv)	s 9(2)(f)(iv)

ROLES	ACTIVITIES	RECOMMENDATION	COMMENT
<p><b>Assistance with housing costs</b></p>	<p>Provide income support to meet market housing costs (e.g., AS).</p> <p>Provide funding to support the delivery of social housing and affordable rentals.</p>	<p>§ 9(2)(f)(iv)</p>	<p>Work is underway in a number of areas to reduce cost and improve effectiveness and value for money including</p> <ul style="list-style-type: none"> <li>• § 9(2)(f)(iv)</li> <li>• § 9(2)(f)(iv)</li> <li>• The Kāinga Ora Credible Plan will reduce cost of providing existing social housing places (Budget 2024 savings) and cost for renewal and new places.</li> <li>• Access to finance work could reduce cost of new social housing places managed by CHPs.</li> </ul>
<p><b>Provide access to housing and support</b></p>	<p>Provide access to interim housing, and social housing and affordable rentals.</p> <p>Support people into, and to maintain, stable housing (including prevention and early intervention).</p>	<p>The initial focus is to exit from motels used for Contracted Emergency Housing and Transitional Housing.</p> <p>As a next step, we recommend resetting the suite of programmes that provide interim and stable housing and support to be more effective in meeting the housing and other needs that prevent people from sustaining housing. § 9(2)(f)(iv)</p> <p>§ 9(2)(f)(iv)</p> <p>We consider the reset of programmes could deliver at least \$30m across Transitional Housing and Public Housing Services and can be committed to now.</p>	<p>Through 2024 our focus has been to support the Emergency Housing target and improving the data and evidence of how people are supported to move through the system.</p> <p>We do not recommend scaling back these programmes now as this could risk the gains towards the EH target.</p>



## **Simplifying and consolidating funding to support active purchasing**

27. The changes recommended in Tables Two and Three above are intended to refocus and simplify investment in housing and urban development.
28. The Kāinga Ora independent review recommended simplifying and consolidating programmes, providing more flexibility to tailor investment to have the greatest impact in meeting needs in place. In places like Rotorua and Hastings, this would involve addressing underlying shortfalls in housing through subsidising market housing alongside providing affordable rentals and social housing. In locations like Auckland, the focus could be providing additional affordable rentals and social housing to meet need and increasing pace, scale and density of supply.
29. As an initial step towards consolidation, we recommend reprioritising funding for Māori Housing into a single general flexible fund for affordable rentals in any location where there is high need, and subsidising market housing where need is high due to a shortfall in housing and where market responsiveness is low. The flexible fund would replace separate funds we have had in the past that seek to achieve similar outcomes, like the Affordable Housing Fund, Māori Housing and funding for Pacific Housing.
30. s 9(2)(f)(iv)  
[Redacted text]
31. We can consider opportunities to further integrate, and where suitable consolidate, funds in 2026 with changes implemented through Budget 2026. We will also look to align Ministerial delegations across housing supply programmes which are currently inconsistent.
32. Irrespective of which funds are consolidated, our intention is that all investment will be informed by an active purchaser approach and a granular assessment of needs in a place. For example, the needs in a place should inform future rebalancing of the Transitional Housing Portfolio and where reset housing and support programmes are prioritised in future. This would be consistent with a social investment approach.
33. We will provide further advice ahead of Budget 25 submissions in December on the design of the flexible fund. Advice will consider options to maintain investment in Māori Housing. Although a focus on need will ensure the needs of Māori are prioritised alongside the general population, advice will consider how to maintain investment in Māori-led development taking account that whenua Māori land is often located in areas with poor development economics (e.g., Tairāwhiti)
34. Māori Housing funding currently has a complex set of appropriations. We will work closely with Treasury to manage any fiscal implications from reprioritising this funding including amortisation and any changes to the split of capital and operating funding.



## Budget 2025

35. While guidance on the Budget 2025 process is still being developed, our advice takes into account the tight fiscal environment and the Minister of Finance’s expectation that new spending be funded through reprioritisation. Table Four below summarises the potential savings and options for reprioritisation arising from recommended changes to programmes.

**Table Four: potential savings and reprioritisation for Budget 2025**

SAVINGS	NEXT STEPS	HOW MUCH
<b>Large Scale Projects</b>	HUD to provide advice in November 2024 on options for further savings within existing and future neighbourhoods.	Between \$58-222 million one off capital if future neighbourhoods not progressed.
<b>Housing Infrastructure Fund</b>	HUD provide advice on HIF loans by the end of October.	Up to \$180m recyclable capital.
<b>First Home Loan – cost recovery</b>	HUD to provide advice on timing and sequencing by December.	Up to \$18m per annum operating.
<b>Contracted Emergency Housing</b>	HUD has plan in place to exit motels by December 2025.	\$24m per annum operating from 26/27.
<b>Housing and Support reset (e.g., Transitional Housing and Housing First)</b>	Advice in 2025 to reset programmes. Advice in December on the extent that savings are needed to meet cost pressures or available for reprioritisation.	\$30m from 2027/28.
<b>Māori Housing</b>	HUD to provide advice in December on moving to flexible fund for new supply and affordable rentals.	\$102m per annum, made up of \$58m operating and \$44m capital.

36. Potential savings from Table Four are a mix of operating and capital, and ongoing, one off and recyclable funding with implications for how this funding can be used to fund other priorities:



- a. Ongoing operating funding: of around \$88 million in 2025/26 increasing to \$100-\$130 million per annum in 2027/28 and outyears from savings and reprioritisation. Some savings from the Housing and Support reset may be required to offset cost pressures.
- b. Ongoing capital funding: of \$44 million per annum from 2025/26.
- c. One off capital funding: of between \$58-222 million across the forecast period.
- d. Recyclable Capital: of up to \$180 million across the forecast period relating to interest free loans that are expected to be repaid to the Crown within 10 years.

37. s 9(2)(f)(iv)  
[REDACTED] However, savings and reprioritisation could fund continued growth in the community housing sector through new social and affordable housing, and new social housing as part of Kāinga Ora’s renewals programme. Table Five below summarises potential priorities for new investment.

38. s 9(2)(f)(iv)  
[REDACTED]  
[REDACTED]  
[REDACTED]

**Table Five: Reprioritisation and new investment priorities– in order of HUD recommended priority**

NEW SPENDING	DESCRIPTION	HOW MUCH
<b>New social housing for CHPs</b>	Funding additional social housing beyond June 2027 would support funding certainty for the sector and increase benefits from potential credit enhancements to improve access to finance.  In order to be delivered by June 2027, social housing places funded through Budget 2024 will need to be contracted by the end of 2025. Should new places be deferred to Budget 2026, there is a risk the pipeline will stall.	A two-year commitment of 500 places per annum (1000 places in total) from July 2027 would require \$50 million in outyears.
<b>Improving CHP access to finance by</b>	Providing OS upfront would enable more of the Budget 2024 social housing places to be delivered by CHPs as Build to Own (with a focus on those priority locations	Requires capital funding to provide OS as upfront payment, with amortisation



<b>providing OS upfront</b>	<p>outside main centres). Upfront OS provides CHPs equity to enable remaining debt finance to be raised.</p> <p>Many CHPs have utilised available equity on previous developments.</p>	<p>of the capital payment over the life of contract.</p> <p>Capital funding could be reprioritised from LSP savings ahead of Budget 2025 to enable places to be contracted.</p> <p>Between \$40-70m of capital appropriation may be required – further work is needed to validate and work through fiscal implications with Treasury.</p>
<b>Flexible fund for affordable rentals and new supply</b>	<p>Reprioritise funding for Māori Housing into a single general flexible fund for affordable rentals and, where required, to subsidise market housing.</p> <p>Choices around the extent Māori Housing funding is reprioritised to the flexible fund or whether some funding is used to fund social housing places.</p>	<p>Current Māori Housing funding could support between 200-300 affordable rentals per annum, based on current use as up-front grants.</p> <p>Subsidies required for market housing to be determined.</p>
<b>New social housing places – Kāinga Ora</b>	<p>The Credible Plan will also provide scenarios for future renewals investment. The central scenario considers around 2000 gross builds a year with choices for Ministers around levels of sales or new social housing places.</p> <p>In 2025/26 the central scenario projects around 900 sales, assuming no net new social housing.</p> <p>Depending on appetite for the level of Kāinga Ora sales, additional social housing places could be purchased to reduce sales numbers.</p>	<p>Funding around 500 new social housing places would require operating funding of around \$25m from 2026/27 and reduce the number of social homes that are sold in 2025/26 to around 400.</p> <p>Reducing sales would also mean Kāinga Ora exhausts existing debt headroom earlier.</p>



s 9(2)(f)(iv)

## Risks

39. Note that reprioritising funding for Māori housing will be contentious and will be raised by claimants through hearings for the second stage of the Wai 2750 Housing Policy and Services Kaupapa Inquiry that commence in late 2025.

## Consultation

40. We have consulted with the Treasury and MSD, and incorporated their comments.

## Next steps

41. We seek your agreement to the proposed changes to programmes and the work programme for 2025 to align with the role of government, improve flexibility and effectiveness and consolidate programmes.
42. Subject to your feedback on priorities for new investment through Budget 2025, and clarity on the process for Budget 2025, we will develop required submissions for savings, reprioritisation and new investment.
43. Further work for Budget 2025 would include considering the impact of different mixes of investment in market housing, social housing and affordable rentals in priority places.

## Annexes

Annex One: Principles and roles for government investment

Annex Two: Line by line assessment of funds and programmes



## Annex One: Principles and Roles for Government Investment

<b>PRINCIPLES FOR INVESTMENT (AGREED BY CABINET)</b>	
<ul style="list-style-type: none"> <li>Ensuring investments optimise value for money, sustainably delivering on the Government’s fiscal, economic and social objectives.</li> <li>Increasing supply where this complements our Going for Housing Growth policy to improve ownership and rental affordability over the medium to long term.</li> <li>Applying a social investment approach to improve affordability, access to housing, and support for those who need it, to reduce the Housing Register and get people out of motels in to stable housing.</li> </ul>	
<b>RECOMMENDED ROLES FOR GOVERNMENT INVESTMENT</b>	
<b>To improve housing system performance in place</b>	
<b>Enable urban development and increase supply</b>	<ul style="list-style-type: none"> <li>Ensure infrastructure and planning settings realise benefits of GfHG.</li> <li>Facilitate and co-ordinate urban development projects (including realising housing benefits of major transport investment).</li> <li>Make vacant and underutilised Crown land available to market.</li> <li>Buy/sell land to aggregate land and make available to market.</li> <li>De-risk development during market downturns.</li> <li>Where development profitability is low (e.g. Rotorua or Hastings) - provide subsidies to address the gap between market value and cost.</li> </ul>
<b>To meet needs in place</b>	
<b>Increasing home ownership</b>	<ul style="list-style-type: none"> <li>Support buyers to access mortgage finance (including intermediate tenures such as Progressive Home Ownership).</li> </ul>
<b>Assistance with housing costs</b>	<ul style="list-style-type: none"> <li>Provide income support to meet market housing costs (e.g., AS).</li> <li>Provide access to social housing and affordable rentals.</li> </ul>
<b>Provide access to housing and support</b>	<ul style="list-style-type: none"> <li>Provide access to interim housing, and social housing and affordable rentals.</li> <li>Support people into, and to maintain stable housing (including prevention and early intervention).</li> </ul>



## HUD2024-005383 Annex Two: Line by Line Assessment of HUD's Funds and Programmes

Programme Description	Funding	Alignment with Government roles	Value for Money	Delivery (expected or actual)	Recommendations (including financial implications)
<p><b>Land For Housing</b> Facilitates development on crown and private land to increase supply and improve affordability.</p> <p>Can defer settlement on land sold and write down land values.</p>	<p>\$343m recyclable capital funding for land acquisition remaining. Crown holds \$450m of land.</p>	<p><b>Enable urban development and increase supply</b> – land must be developed in accordance with an agreed development scheme</p> <p><b>Assistance with housing costs</b> – 30% of homes must be social, affordable or BTR – opportunities for CHPs to purchase homes</p>	<p>Low cost per dwelling (~\$20,000 economic holding cost per dwelling), but additionality lower as most delivery in main centres where market responsiveness is higher.</p> <p>Helps to identify and recycle government investment in vacant and underutilised land across the Crown estate, and leverages significant private investment.</p> <p>Note: social housing funded separately.</p>	<p>2,131 homes completed by programme. 2,117 homes currently in delivery with a further 6,074 homes currently in the pipeline (a mix of social, affordable and market homes).</p> <p>Progress has been adversely impacted by resourcing challenges, market headwinds, and increased focus on challenging regions. Recent changes to social and affordable housing targets, and launch of Residential Development Underwrite, will help commercial viability.</p>	<p>§ 9(2)(f)(iv)</p> <p>Immediate focus on expediting development of existing land holdings to recycle capital and reduce holdings costs. § 9(2)(j)</p> <p>Difficult to quantify but likely to have some fiscal impact.</p> <p>Holding costs are currently forecasted for sites we hold.</p>
<p><b>Kāinga Ora Land Programme</b> As above on private land.</p> <p>Crown funds interest costs and to purchase non-market outcomes.</p>	<p>\$2bn debt facility.</p> <p>\$36.766m allocated across the forecast period from 2024/25 to 2028/29 for holding and interest costs.</p>	<p><b>Enable urban development and increase supply</b> – through making land 'build ready' and on-selling to private developers.</p> <p>However, inconsistent with focussing Kāinga Ora on social housing.</p>	<p>Cost per home unclear as no homes completed to date.</p> <p>Effectiveness of increasing supply uncertain due to potential of crowding out private developers by competing for private land in major centres where the market is already responsive.</p> <p>Initial indications suggest the programme could face significant write downs and/or development feasibility challenges on land acquired to date.</p>	<p>Has purchased three sites and entered into one Land Supply Agreement. No homes under construction or delivered to date.</p> <p>Challenges with existing sites suggest issues with quality of due diligence, decision making, and ability to achieve objectives.</p>	<p><b>Stop:</b> and wind down to avoid duplication with Land for Housing and enable Kāinga Ora to focus on social housing</p> <p>Ministers have received advice on § 9(2)(f)(iv) and will receive advice on options for other sites by the end of October.</p> <p>§ 9(2)(f)(iv)</p>
<p><b>Kāinga Ora Large Scale Projects</b> Funds land development and infrastructure to regenerate suburbs with high concentration of social housing.</p>	<p>\$1.86bn one-off capital and operating funding envelope from HAF.</p>	<p><b>Enable urban development and increase supply</b> – through making super lots available to private developers</p> <p><b>Assistance with housing costs</b> – supports renewal of social housing</p>	<p>High cost per home enabled and variation across neighbourhoods.</p> <p>Programme has not been self-funding as initially expected. Has required significant additional government investment in site remediation and infrastructure.</p> <p>High costs reduce value of any housing supply brought forward through the investment.</p> <p>Note: social housing separately funded.</p>	<p>Progress has been adversely impacted by market headwinds.</p> <p>Recent changes to remove affordable housing requirements, reduce social housing delivery, and § 9(2)(f)(iv) could help commercial viability and land sales.</p> <p>Originally expected to enable ~18,500 homes. Re-sequenced programme expected to enable ~14,000 homes as at July. Additional costs savings option will reduce this further. Has delivered ~5300 homes across the six LSPs.</p>	<p><b>Keep:</b> Continue with existing LSPs, subject to realising cost savings.</p> <p>Minsters will receive advice by end November on future neighbourhoods and opportunities to realise further costs savings across the programme. Not progressing future neighbourhoods would provide one off capital savings of \$58-222m</p> <p>Scaling back investment is consistent with Kāinga Ora focusing on renewals rather than enabling market housing.</p>
<p><b>Tāmaki Regeneration Programme</b> Capital injection to finance the delivery of new build social housing within the Tāmaki Regeneration Programme.</p>	<p>\$870m capital funding (Equity injection to finance social housing renewal)</p>	<p><b>Assistance with housing costs</b> – supports renewal of social housing</p>	<p>Cost per home is ~\$920,000, inclusive of demolition, remediation and in-lot infrastructure costs (excluding land costs). Expensive compared to other builds but difficult land</p>	<p>Current Tāmaki funding is expected to deliver approximately 740 homes.</p> <p>From 2013 to 2024, TRC replaced 484 aging social homes with 1,520 new social, affordable and market homes. This is significantly behind initial expected delivery timeframes.</p>	<p>§ 9(2)(f)(iv)</p>

			<p>conditions and has been utilising Kāinga Ora build partners.</p> <p>Has not provided additional market supply benefits anticipated.</p>	<p>TRC have paused market delivery during the 2023-2027 delivery period to meet demand for social housing, requiring greater upfront Crown investment.</p>	
<p><b>Infrastructure Acceleration Fund (IAF)</b> Grants to bring forward enabling infrastructure to increase the supply of housing</p>	<p>\$1bn one off fund now committed.</p>	<p><b>Enable urban development and increase supply</b> – bringing forward infrastructure in some regions.</p>	<p>Relatively low cost per home enabled (~\$36K per home).</p> <p>Likely only brought forward infrastructure delivery, not creating additional infrastructure supply. Indirect nature of investment means Crown has limited ability to influence if/when homes are built.</p> <p>Programme targeted at wider system problems that are now being addressed through Local Water Done Well and Going for Housing Growth.</p>	<p>Expected to enable ~30,000 homes. However, two projects have been terminated by mutual agreement, two others at risk of termination as unlikely to meet delivery milestones</p> <p>Low efficiency and effectiveness due to long timeframes and interconnected nature of infrastructure requirements.</p>	<p>s 9(2)(f)(iv)</p> <p>Hamilton Funding Agreement Variation Request received by Ministers on 4<sup>th</sup> October.</p>
<p><b>Housing Infrastructure Fund (HIF)</b> Interest free loans to Councils in high-growth areas to bring forward enabling infrastructure.</p>	<p>\$1bn one off fund</p>	<p><b>Enable urban development and increase supply</b> – through bringing forward infrastructure provision in some regions.</p>	<p>Relatively low cost per home. ~\$15K per home (recyclable principle) plus interest concessions.</p> <p>Likely only brought forward infrastructure delivery, not creating additional infrastructure supply. Indirect nature of investment means Crown has limited ability to influence if/when homes are built.</p> <p>Programme targeted at wider system problems that are now being addressed through Local Water Done Well and Going for Housing Growth.</p>	<p>Secured deals with 5 councils expected to enable ~66,000 homes. Delivery to date unclear.</p> <p>Low efficiency and effectiveness due to long timeframes and interconnected nature of infrastructure requirements. Contracts did not incorporate mechanism to ensure delivery of housing.</p> <p>Some projects delayed significantly</p>	<p><b>Wind down:</b> need to honour existing contracts, but option to claw back funding if councils miss drawdown milestones.</p> <p>HUD will provide further advice by the end of October on options to claw back up to \$180 million.</p>
<p><b>Residential Development</b> Underwrite Similar to KiwiBuild and Build Ready Developments, but time limited and with fewer restrictions to maximise the number of homes and jobs supported, while minimising the costs and risks to the Crown</p>	<p>\$105m recyclable funding.</p>	<p><b>Enable urban development and increase supply</b> – through derisking development during market downturns.</p>	<p>Bringing forward supply, not creating additional supply in medium to long term. Anticipated benefits include retaining sector capacity and supporting a less inflationary recovery.</p> <p>As a guarantee scheme future uncertainty costs unknown. Rising costs would not necessarily mean lower effectiveness, as they would correlate with a larger downturn in the construction sector.</p>	<p>Designed to maximise supply and minimise the costs and risks to the Crown relative to other underwriting programmes.</p>	<p><b>Keep:</b> reflects current government priorities. Need to consider any ongoing role for the RDU beyond the current downturn. We recommend keeping it 'on the shelf' between downturns (with flexibility for some targeted use between downturns to accelerate development of Crown owned land in order to reduce holding costs and expedite capital recycling – e.g., Carrington).</p>
<p><b>AHF Affordable Rentals Pathway</b></p>	<p>\$150m one off fund.</p>	<p><b>Assistance with housing costs</b> – by</p>	<p>Most investment has been focused in regional locations</p>	<p>Funding has now been allocated and homes are in delivery.</p>	<p><b>Keep:</b> Continue to invest in affordable rentals through single flexible fund (from reprioritising Māori Housing funding).</p>

Capital grants for providers to develop or purchase housing to be provided as affordable rentals for 15 -20 years.			providing access to affordable housing.  <b>Enable urban development and increase supply</b> – through subsidising delivery where the market is less likely to build.	where development profitability is lower, increasing additionality achieved.  Anticipated good value for money. Affordable rental tenure has lower whole of life cost compared to social housing. Provides improved stability and affordability for low income working households who may not qualify for social housing and where market delivery is less likely.  Requirement for co-funding has attracted additional sources of capital/land reducing cost to Government. But has reduced ability for some housing providers to participate.	Efficiency and effectiveness of spend unknown at this stage.	
<b>Whai Kāinga Whai Oranga</b> Provides capital grants towards cost of Māori housing including technical planning, and new supply.  Funds a mix of housing, largely affordable rentals, but with flexibility to complement other housing products like Social Housing and PHO.  Tenure mix is determined by the relevant iwi or Iwi Collective partner.		Māori Housing HUD: \$102m per annum from 24/25.	<b>Enable urban development and increase supply</b> – strong alignment as supporting supply where the market is unlikely to build. <b>Assistance with housing costs</b> – through delivering affordable rentals  <b>Provide access to housing and support</b>  <b>Supporting home ownership</b>	Lower whole of life cost than social housing, but higher than affordable rentals reflecting higher development costs for whenua Māori or rural general title land.  Provides additional supply in regions and on land where market ability to provide is limited.  Grants build capital base of providers to support future reinvestment.	281 of the 1046 homes contracted have been delivered  Enables and leverages Māori land and funds.  Funding for capability and capacity has enabled Māori and iwi groups to develop investment ready proposals.	<b>Reprioritise:</b> Continue to subsidise housing supply where need is high and provide affordable tenures through a single general flexible fund  HUD will provide further advice in December on the operation of the flexible fund, including options to maintain investment in Māori led development taking account that whenua Māori land is often located in areas with poor development economics (e.g., Tairāwhiti)
<b>Māori Infrastructure Fund (MIF)</b> Grants to support public infrastructure and/or on-site infrastructure projects to enable new homes on Māori land and for Māori-led projects.		Around \$20 million of one off fund remains	<b>Enable urban development and increase supply</b> – strong alignment as supporting supply where the market is unlikely to build.	Separate funding of onsite infrastructure contributed to overall cost of new housing supply with similar impact as Whai Kāinga Whai Oranga.	2,700 infrastructure sites by June 2025. As of Aug 2024: <ul style="list-style-type: none"> <li>2014 sites contracted</li> <li>501 sites completed</li> <li>1513 remaining sites to be completed.</li> </ul> Enables and leverages Māori land and funds.	<b>Stop:</b> Do not continue with separate Māori Infrastructure Fund. Onsite infrastructure works funded through the single flexible fund.
<b>Progressive Home Ownership Interest free loans to deliver shared equity schemes.</b>	Provider and Te Au Taketake pathways  Kāinga Ora First Home	\$440m one off fund. No new money for investment.	<b>Supporting home ownership</b> -by reducing deposit barrier.	Cost to government through interest concession for interest free loans from 95-140k.  Effective at helping households who would otherwise not achieve ownership. Uncertain if high costs are warranted compared to alternatives for achieving outcomes.	1384 homes have been delivered, with a further 746 contracted. A total of 2121 expected to be delivered by FY 26/27.  Delivery through Te Au Take Take Pathway was slower as providers needed to develop PHO programmes.  <b>Kāinga Ora First Home Partner pathway</b> The First Home Partner pathway closed in 2023. There were significant delivery issues with this	s 9(2)(f)(iv)

	Partner pathway			Initially funding was available for new builds which would have supported supply in regional locations. Amendments in 2023 to allow existing homes in some cases reduced effectiveness at increasing supply.	pathway and KO committed more houses than they had funding for. The pathway delivered well for the priority group of families, it did not deliver well for Māori or Pasifika.	
<b>First Home Loan</b> Subsidised mortgage insurance for low deposit loans.	\$18m operating forecast ongoing	<b>Supporting home ownership</b> -by reducing deposit barrier.		The median cost to the Government per loan is \$4,000. Moving to cost recovery could achieve similar impact at lower cost.  Effectively reduces deposit barrier for eligible households who would struggle to secure lending otherwise. Most likely brings forward home ownership (more than former First Home Grant).	2,729 homes were bought with a First Home Loan in FY23/24,. Uptake has been increasing year on year for the last five years.  Recent changes RBNZ prudential rules to fully recognise the insurance have increased effectiveness of First Home Loans.  Effectiveness limited by low number of large bank providers.	<b>Keep:</b> Recommend retaining programme and move to full cost recovery  Will provide savings of up to \$18 million operating per annum
<b>Kāinga Whenua loan</b> Provides support to enable building on whenua Māori.  The house is provided as security for the loan. The Government takes the risk of any default through the insurance scheme, as the collectively owned land is not taken as security.	Small - Included as part of the \$18m First Home Loan Funding	<b>Supporting home ownership</b> – through enabling housing on whenua Māori  <b>Enable urban development and increase supply</b> – through addressing a market failure around lending on whenua Māori		As a type of guarantee it is good value for money. There have been no defaults to date.  Strong additionality of supply as leverages bank lending that would not happen without the guarantee, because the collectively owned land can't be used as banks security for a mortgage.	103 loans have been made as at October 2024. The Kāinga Ora Board agreed changes to the loan in December 2023, which we expect to lead to an increase in the number of loans made over time.  Only offered by one bank, limiting effectiveness. Would be improved if other banks follow the Commerce Commission recommendation to offer Kāinga Whenua Loans.	<b>Keep:</b> Represents the only product to facilitate bank lending against collectively owned Māori land.  Can support new supply on whenua Māori with low government investment.
<b>Accommodation Supplement (AS)</b> Assists low-income households with private housing costs.	\$2,559m forecasted in 2023/24 (AS and TAS).	<b>Assistance with housing costs</b> – by direct subsidy.  <b>Supporting home ownership</b> – some alignment as assists by helping keep some in ownership		Average weekly rate paid to recipients is \$110 per week  Supports people to access market housing with more choice including around location. Low impact on overall market rent prices.  Less effective at reducing poverty or housing stress for lower income earners/beneficiaries. AS provides assistance for 360,000 low-income households. The average rate of assistance is significantly lower than IRR for people on similarly low incomes.	Take up is poor by low income working households.  Effectiveness impacted by infrequent payment rate updates to reflect current rents. Abatement can create poor incentives for work. Boundaries create inequities and distort local housing markets.	<b>s 9(2)(f)(iv)</b>
<b>Social Housing</b> Provision of existing and new build social housing through Kāinga Ora and Community Housing Providers (CHPs).	\$1,788m forecast in 2024/25.	<b>Assistance with Housing Costs</b> by linking rent to tenant income  <b>Provides access to housing and support</b> by		Provides higher after housing cost incomes and stability compared to accommodation supplement. It also purchases new supply, which the AS does not. Cost per household also higher.	CHPs are on track to deliver their FY25 target of 600 places, having delivered 159 places as at 31 August '24.  Kāinga Ora have sufficient committed pipeline to meet target in all regions except East Coast and Canterbury.	<b>Keep:</b> a number of workstreams intend to reduce the cost and improve effectiveness of social housing including: <ul style="list-style-type: none"> <li>The Kāinga Ora turn around plan to reduce expenditure (B24 Savings) and reduce cost of new social housing and renewals</li> <li>Improving access to and reducing cost of social housing finance</li> </ul>

<p>Includes Income Related Rent Subsidy (IRRS) which covers the difference between tenant income related rent contribution (~25%) and market rent</p>		<p>providing stable housing for those who can't access market housing.</p> <p><b>Enable urban development and increase supply</b> where new build social housing places delivered (in some regions)</p>	<p>The significant affordability gap for social housing tenants moving to market rentals reduces incentives to move. There is a lack of affordable rentals for people to move into.</p> <p>Subsidies for new supply in main centres less effective in increasing overall supply compared to alternative methods.</p> <p>Build to own delivery models support growth in CHP capital base enabling future reinvestment.</p>	<p>Lack of transparency around funding and Regulatory settings are not well aligned with the strategic direction for CHPs.</p> <p>Challenges delivering in regions</p> <p>High costs of construction, maintenance and provision by Kāinga Ora identified by Independent Review</p>	<p>s 9(2)(f)(iv)</p> <p>Expenditure is explicitly linked to market rent while appropriation has fixed nominal baseline in outyears. Draft Performance Plan indicates forecast spending will exceed appropriation in FY27/28.</p>
<p><b>Contracted Emergency Housing</b></p> <ul style="list-style-type: none"> <li>- Contracted motels to be used for emergency housing for families with children who have an urgent housing need in Rotorua;</li> <li>- On-site 24/7 security services; and</li> <li>- Social service providers to support a move to stable housing, and once in stable housing, to maintain that housing</li> </ul>	<p>\$24m forecast in 2024/25.</p>	<p><b>Assistance with housing costs</b> – after first 7 days, people in programme pay a contribution tied to income</p> <p><b>Provide access to housing and support</b> – through access to emergency accommodation and support services</p>	<p>Cost per annum per place = \$105,040 (service cost per place = \$48,360 + place subsidy = \$56,680)</p> <p>Review found better outcomes for families as a result of service provision and on-site security.</p> <p>Provides safe and secure emergency accommodation for families in a location where demand for emergency housing was particularly high, and supply of market and new social housing particularly low.</p> <p>Given higher quality service and security, cost is high compared to emergency housing motels funded through MSD, and very high compared to transitional housing and social housing.</p> <p>Most recipients would require assistance with housing costs even if not receiving additional services or support.</p>	<p>May 2024 data shows 247 motel units contracted across 10 motels. This has capacity to deliver to 185 households.</p> <p>Length of stay is longer than anticipated due to supply constraints.</p>	<p><b>Stop:</b> Exit all CEH in accordance with agreed exit plan by December 2026</p> <p>Will provide savings of \$24 million operating per annum from 2026/27.</p> <p>Will still incur housing and/or support costs if people move from CEH into transitional housing or social housing (or private rental housing if receiving AS)</p>

<p><b>Transitional Housing (TH)</b></p> <ul style="list-style-type: none"> <li>- Interim housing for people with an immediate housing need who have no appropriate alternative</li> <li>- Social services to support a move to stable housing and once in stable housing, to maintain that.</li> </ul> <p>Properties sourced by providers from Kāinga Ora, community housing providers, and private market (cannot include social housing properties).</p>	<p>\$393m forecast in 2024/25. Falling to \$365m in 2025/26.</p>	<p><b>Assistance with housing costs</b> – people in programme pay income related contribution to rent</p> <p><b>Provide access to housing and support</b> – through provision of interim housing and support services</p>	<p>Cost per annum per place (general transitional housing = \$54,392 (service cost per place = \$26,000 + place subsidy = \$27,300)</p> <p>Cost per annum per place (transitional housing motels) = \$79,000 (service cost per place = 15,589 + place subsidy = 61,685)</p> <p>TH motels costs significantly higher than general transitional housing without any clear evidence of better outcomes.</p> <p>Overall value for money of programme unknown. Cheaper cost than emergency housing but more expensive than social housing, and similar in cost to stable housing programmes.</p> <p>Risk of under or over servicing due to use of programme to target wide variety of needs over and above housing need.</p> <p>Most recipients would require assistance with housing costs even if not receiving additional services or support.</p>	<p>Number of contracted places at the end of August 2024 = 6,398 places (all TH, including youth/Rangatahi, motels).</p> <p>Intended stay length of average 12 weeks has proven not achievable across the programme (including because lack of supply of stable housing and because of wide focus of transitional housing).</p> <p>Some programmes are designed for longer stays (e.g., youth focused transitional housing which may be for up to a year), or for narrow target populations (for example, those needing refuge from family violence).</p> <p>Wide range of properties, from motels to rooms in shared housing, to multiple units on a single site, to stand-alone housing.</p>	<p><b>Stop</b> HUD has plan in place to exit TH motels which are higher cost</p> <p>Will still incur housing costs if people move from TH motels into social housing (or private rental housing if receiving AS)</p> <p><b>Keep</b> remaining TH and s 9(2)(f)(iv) consider options to: s 9(2)(f)(iv)</p>
<p><b>Rangatahi Supported Accommodation</b></p> <ul style="list-style-type: none"> <li>- Transition focussed housing for young people with significant habilitation/(re)integration needs and immediate housing needs that are beyond the scope of Oranga Tamariki Transition Support Services</li> <li>- Specialist social services (including onsite 24/7 support) to address high or complex support needs and support a move to stable housing, and once in stable housing, to maintain that housing.</li> </ul> <p>Service provision for at least 12 months.</p> <p>Properties sourced by the provider (cannot include</p>	<p>Funded from within Transitional Housing.</p>	<p><b>Assistance with housing costs</b> – youth in programme pay income related contribution to rent</p> <p><b>Provides access to housing and support</b> – through access to longer interim housing (compared to transitional housing) and specialised support services.</p>	<p>Range from \$78,000 to \$130,000 per place per annum (includes place and service costs)</p> <p>Programme designed to fill a known gap for service and housing provision for youth with particularly high or complex support needs. Higher service and housing costs due to needs of target population. Value for money uncertain due to early stage of service. Will be evaluated as it progresses.</p> <p>Most recipients would require assistance with housing costs even if not receiving additional services or support</p>	<p>Sites were stood up from July 2023-April 2024 and are contracted for two and a half years. Currently delivering to 13 youth.</p> <p>High costs of providing and challenging for providers to meet necessary service levels and acquire appropriate properties.</p>	<p><b>Keep</b> pending evaluation with future advice to manage impact and value for money, will included in the transition from state care or custody work under the EH target delivery plan (noting target population not restricted to rangatahi that have been in care or youth justice systems) – future question about where services should be commissioned and funded from.</p> <p>s 9(2)(f)(iv)</p>

properties used for transitional or social housing).						
<p><b>Housing First</b> Purchases social services to support people experiencing chronic homelessness (people who have been rough sleeping or sleeping in other places not designed for habitation for at least 12 months over the past three years, with high or complex support needs, and needing intensive ongoing support services to help maintain stable housing.</p> <p>Support is provided for as long as required.</p> <p>Primarily housed in social housing, some private rentals.</p>	\$48.3m for services	<p><b>Assistance with housing costs</b> – if in social housing, people in programme pay income related rents, if in private housing, they may receive the AS)</p> <p><b>Provide access to housing and support</b> – through access to stable housing (social housing or private rental housing) and support services</p>	<p>Cost per annum per place = \$56,904 (service cost per place = \$21,200 + place subsidy = \$35,704). This is cost effective compared to costs incurred to systems such as health and justice from chronic homelessness.</p> <p>Evaluations show programmes achieves improved outcomes for people experiencing chronic homelessness and reduced costs to other systems (justice and health).</p> <p>Most recipients would require assistance with housing costs even if not receiving additional services or support.</p>	<p>As at June 2024, 7,832 households have been accepted in the programme and 4,186 households have been housed by the programme.</p> <p>Service and rental cost inflation has increased costs.</p> <p>There is growing cost pressure in this space as people that enter Housing First and are allocated social housing may remain in social housing after exiting the programme.</p>	<p><b>Keep</b> s 9(2)(f)(iv)</p>	
<p><b>Rapid Rehousing (RR)</b> Support services to support people experiencing homelessness who don't meet the Housing First criteria because of duration experiencing homelessness or because their support needs are not as high or complex</p> <p>Support is provided for up to 12 months</p> <p>Primarily housed in social housing, some private rentals.</p>	\$10.6m in 2025/26 for services	<p><b>Assistance with housing costs</b> – if in social housing, people in programme pay income related rents, if in private housing, they may receive the AS)</p> <p><b>Provide access to housing and support</b> – through access to stable housing (social housing or private rental housing) and support services</p>	<p>Cost aligns with Housing First. Length of time in service can be up to 12 months for Rapid Rehousing compared to 'as long as needed' for Housing First but outcomes improve as for Housing First.</p> <p>Evaluation shows similar outcomes as for Housing First, although programme is newer and further evaluation would be needed.</p> <p>Most recipients would require assistance with housing costs even if not receiving additional services or support.</p>	<p>September 2023 data indicates 701 contracted places for Rapid Rehousing.</p> <p>Service and rental cost inflation has increased costs.</p> <p>There is growing cost pressure in this space as people that enter Rapid Rehousing and are allocated social housing may remain in social housing after exiting the programme.</p>	<p><b>Keep</b> s 9(2)(f)(iv)</p>	
<p><b>Creating Positive Pathways (CPP)</b> Support services for people who have recently been released or are about to be released from prison (sentence of more than two years or had frequent interactions with Corrections) who don't have access to stable housing, are at high risk of reoffending, and are experiencing or are likely to experience homelessness. Must have completed or are completing a Corrections reintegration activity.</p>	<p>\$1.1M per annum contracted. Funding is \$438k (services)</p> <p>No forecast spending from 1 July 2025</p>	<p><b>Assistance with housing costs</b> –people in programme pay income related rent</p> <p><b>Provide access to housing and support</b> – through access to stable housing (social housing only) and support services</p>	<p>Service: \$25k per place (average) + contingency fund for remediation of meth contamination of up to \$10k per client. IRRS average costs (with no OS) = \$20,284</p> <p>Similar costs to Housing First and Rapid Rehousing</p> <p>Designed as a four-year trial. Internal mid-point review in 2021 found that trial participants housed had a comparatively lower re-offending rate than</p>	<p>September 2023 data indicates 265 clients accepted into the initiative, with 179 in social housing</p> <p>Difficulties in securing properties, and challenges with capacity of service providers to meet service needs.</p>	<p><b>Wind down</b> with no new referrals and consider future need as part of transition from state care or custody work under the EH Target delivery plan.</p> <p>Assistance with housing costs for tenants that remain in social housing will continue to be met.</p>	

<p>Support for as long as needed within trial period.</p> <p>Housed in social housing.</p>			<p>average population who had served prison sentences and that the cost of the programme was significantly less than the cost of imprisonment.</p> <p>Most recipients would require assistance with housing costs even if not receiving additional services or support.</p>		
<p><b>Single Site Supported Housing (SSSH) – Kāinga Ora</b> Onsite support services (including 24/7 support); 24/7 onsite security/concierge services for people (predominantly singles and couples without children in their care) with a range of support needs (including people who have been chronically or recently homeless) delivered through single inner city social housing sites.</p> <p>Support services currently funded to end of 24/25</p> <p>Housed in social housing.</p>	<p>\$8.9M in 24/25 (services)</p>	<p><b>Assistance with housing costs</b> – tenants in SSSH pay income related rent</p> <p><b>Provide access to housing and support</b> – through access to stable housing (social housing) and onsite support services in specific circumstances (see description)</p>	<p>Te Mātāwai opened in 2023 and Te Ō in 2024, Kāinga Ora have evaluations planned but findings are not yet available.</p> <p>Comparable costs to Housing First and Rapid Rehousing but considerably higher than social housing without service provision.</p> <p>Comparable international models show evidence of improved outcomes for people with high and complex needs, however, international models include a mix of affordable rental units (for people without additional needs) alongside units for tenants who have been experiencing chronic homelessness (who do receive services).</p> <p>Risks associated with high concentration of service needs in high density housing are unclear; and the economic life for high rise social housing is not proven.</p> <p>Most recipients would require assistance with housing costs even if not receiving additional services or support.</p>	<p>Te Mātāwai (Auckland) opened in 2023 with service provision to tenants in 200 units at the site (and an additional 50 units in a neighbouring Kāinga Ora social housing building)</p> <p>Te Ō (Wellington) opened in 2024 with services being provided to tenants in 80 social housing units at the site</p> <p>New programme which requires Kāinga Ora and service provides to manage their responsibilities to tenants effectively.</p>	<p>Keep s 9(2)(f)(iv)</p>
<p><b>HomeGround – Auckland City Mission</b> Homeground is inner city IRRS social housing (half of the tenancies are for HF tenants, and all tenants are singles or couples without children in their care) with the following characteristics: 24/7 onsite support services; 24/7 onsite security/concierge services; and communal or shared spaces.</p>	<p>\$2.5M per annum up to June 2026 (non-HF services).</p>	<p><b>Assistance with housing costs</b> – tenants at HomeGround pay income related rent</p> <p><b>Provide access to housing and support</b> – through access to stable housing (social housing) and on-site support services in specific circumstances (see description)</p>	<p>Additional funding to enable service delivery to non-Housing First tenants and to fund necessary security/concierge services (\$2.5M per annum for 3 years to 2025/26).</p> <p>Opened in 2022 with comparable costs to Housing First and Rapid Rehousing.</p> <p>Risks similar to SSSH however impact from tenants having access onsite detox (social and</p>	<p>HomeGround (Auckland) in Auckland with service provision to tenants in 80 social housing units</p> <p>New programme and approach to supporting HF tenants.</p> <p>Risk to delivery from high concentration of need in high density single site has resulted in extension of services to all tenants.</p>	<p>Keep s 9(2)(f)(iv)</p>

			<p>medical) and medical practice funded by Health likely to benefit.</p> <p>Most recipients would require assistance with housing costs even if not receiving additional services or support. HF tenants would continue to receive HF funding.</p>		
<p><b>Community Group Housing (CGH)</b> Kāinga Ora properties leased to service providers who are funded to deliver community based residential and non-residential services (predominantly residential. Service provision includes:</p> <p>a. intellectual and/or physical disability, including in some cases those under compulsory care orders;</p> <p>b. respite;</p> <p>c. refuge;</p> <p>d. rehabilitation/ (re)integration;</p> <p>e. mental health and addiction;</p> <p>f. children and young people at risk.</p> <p>Service provision contracted by a range of government agencies, including Health, Oranga Tamariki, Corrections, and the Ministry of Social Development.</p>	<p>\$31m in 2024/25 but will fall to \$24m in 2025/26</p>	<p><b>Assistance with housing costs</b> – people engaged in service provision offered through CGH may pay income related contributions to rent for residential services (depending on length of stay and type of service)</p> <p><b>Provide access to housing and support</b> – through access to appropriate properties for service provision as funded by government agencies (see description)</p>	<p>Housing costs met primarily through appropriation (with variation in the extent to which service providers contribute to these costs).</p> <p>Service costs met fully by government agency contracting the service provision. Housing costs vary per property (properties themselves vary from 1 to 18 bedrooms and some are highly modified) and are currently based on market rents.</p> <p>Responds to need for specific types of properties that the service provider is less likely to secure in the market because of:</p> <ul style="list-style-type: none"> <li>• time and cost</li> <li>• location (where a property needs to be, or cannot be)</li> <li>• degree of modification and compliance needed</li> <li>• safety requirements, or discrimination, relating to the circumstances of the people who will be receiving services</li> <li>• requirement for anonymity</li> </ul> <p>Risk to service delivery due to challenges with securing appropriate properties.</p> <p>Value for money of housing and support uncertain and likely to vary considerably based on property use.</p>	<p>1503 portfolios in the CGH portfolio (April 2024). Of these:</p> <ul style="list-style-type: none"> <li>• 93.3% support residential community services (interim eg Women’s Refuge or stable eg, housing for people with chronic intellectual disability);</li> <li>• 4.2% support non-residential community services (eg Plunket); and</li> <li>• 2.5% of properties are vacant.</li> </ul> <p>Not all properties are used for the purposes for which they are intended.</p> <p>Length of tenure for service providers considerably longer than average tenancies in social housing.</p> <p>Residential services may provide interim or stable housing.</p> <p>Demand data shows 86 pending applications from service providers, with 31% of these for intellectual disability support.</p> <p>Kāinga Ora required to make prioritisation decisions to respond to demand.</p>	<p>Keep s 9(2)(f)(iv)</p>
<p><b>Sustaining Tenancies (ST)</b> Social services to help support tenants in rental properties (private or social) who are at risk of losing their tenancies, to prevent a loss of tenancy, or if tenancy is lost, to help achieve a new tenancy.</p>	<p>\$11.247m in 2024/25</p>	<p><b>Provide access to housing and support</b> – through services which support maintaining stable housing (social housing or private rental)</p>	<p>Average cost \$5,000 per household</p> <p>Reduces likelihood that tenancy will be lost, and that inability to find a new tenancy would require place in emergency housing or transitional housing.</p>	<p>Number of households accepted into service in 2023 = 3140</p> <p>Variable practice across service providers, some people returning to service multiple times, or remaining in service for long periods of time.</p>	<p>Keep but consider in context of early intervention work under EH delivery plan (phase one underway led by MSD until early 2025, phase two to be led by HUD, currently being scoped) and s 9(2)(f)(iv)</p> <p>s 9(2)(f)(iv)</p>

			<p>Previous evaluations found the initiative:</p> <ul style="list-style-type: none"> <li>• Helped tenants stabilise existing tenancies;</li> <li>• Reduced reliance on EH and TH;</li> <li>• Prevented homelessness rates increasing.</li> </ul>		
<p><b>Outreach</b> Social services to support people experiencing homelessness (particularly people who are rough sleeping or sleeping in other uninhabitable places) to help alleviate barriers with accessing supports needed to exit homelessness</p>	\$3.3m in 2024/25	<p><b>Provide access to housing and support</b> – through services which support people to engage with necessary services (see description)</p>	<p>Providers paid a set amount of funding based on performance measures rather than set volumes (20 FTE funded).</p> <p>New programme with impact reliant on appropriate local supports and housing to connect people to. Designed to reach and support people who are rough sleeping or sleeping on other uninhabitable places to engage with services which will lead to improved outcomes and avoid costs to other systems (health and justice)</p>	<p>Providers currently contracted for 3 years in Whangarei, Auckland, Hamilton, and Wellington/Lower Hutt.</p> <p>Work to seek out engage with target population focussing on building trust to encourage and support engagement with existing social and health services, and HUD programmes such as Housing First or transitional housing.</p>	<p><b>Keep s 9(2)(f)(iv)</b></p> <p>[REDACTED]</p> <p>[REDACTED]</p>

# 1. Department overview: Housing & Urban Development

## KEY ISSUES

New Zealand's housing and urban systems face significant challenges, due to insufficient construction of housing in needed areas coupled with unresponsive urban planning. Addressing these problems requires collaborative efforts from central and local governments, iwi and Māori, developers, investors, construction companies, Kāinga Ora and Community Housing Providers (CHPs).

In Budget 2024 (B24), the Housing Portfolio contributed 25%, or \$391.4m per annum, of Baseline Reduction operating savings realised across the public sector, with an additional \$61.3m in savings from policy changes (i.e. First Home Grants) [Source].

The bulk of savings come from reductions to Kāinga Ora expenditure, including asset maintenance (totalling \$655m) and personnel (\$182m) which are being confirmed as part of the Credible Plan. Large Scale Projects savings (\$200m OPEX and \$235m CAPEX) were confirmed in July, with further work being undertaken to identify options for further reductions in scope of the programme.

HUD's departmental appropriation for BAU activities (excluding one-off ringfenced funding) has decreased 17.2% from \$73.7m in 2023/24 to \$61m in 2024/25, driven by a 15.7% decline in HUD's departmental FTEs (down 60 FTEs from 383 to circa 323). Funding remains broadly flat through to 2028/29, equivalent to a 33.1% CPI adjusted decline on 2019/20 levels. HUD plans to operate within this funding envelope to deliver Government priorities for housing. Further departmental savings would limit HUD's ability to meet its existing obligations.

HUD and the Treasury are supporting Kāinga Ora to deliver a Credible Plan towards financial sustainability – enabling Kāinga Ora to operate within its approved debt allocation and start to reduce its operating losses. This will involve Budget 2025 considerations.

There are several Significant Fiscal Risks across the housing portfolio, including:

1) *Existing commitments* that include,

- increasing market rents on current and any net additions to social and transitional housing (TH);
- Housing Services Income Related Rent Subsidy (IRRS) programmes that did not anticipate people remaining in IRRS housing when services were no longer needed;
- Kāinga Ora's delivery of renewals and confirmation of B24 savings, which will be further detailed in its Credible Plan; and
- § 9(2)(f)(iv)

2) *Unfunded commitments* requiring policy decisions, § 9(2)(f)(iv)

Sustainable funding is needed to increase the supply of social and affordable housing and funds and programmes need to be more effective. HUD is resetting investment in housing and urban development and has identified options for savings, reprioritisation and future funding priorities [HUD 2024-005383 refers]. Savings and reprioritisation of \$88-130m per annum have been identified and are sufficient across the forecast period to cover non-departmental cost pressures, 500 new Social Housing volumes in both 2027/28 and 2028/29 and a flexible fund for affordable rentals and new housing supply. Credible Plan choices and decisions could result in additional expenditure savings in addition to those in B24. These savings could help further offset cost pressures and support additional investments.

However, continued price pressures and fixed nominal baselines mean cost pressures beyond the forecast period cannot be absorbed, § 9(2)(f)(iv)

## TARGETS AND PRIORITIES

### Government targets

The Government aims to end the large-scale and long-term use of motels for Emergency Housing (EH) for people in urgent housing need. The EH Target is to reduce the number of households in EH by 75%, or no more than 800 households, by 2030. The Government is focused on:

- Reducing demand: actions include tightening the gateway into EH;
- Improving pathways out of EH. Actions include the Priority One Fast Track which was established in April 2024 and prioritises moving families with children out of EH and into Social Housing;
- Increasing the supply of housing, including 1,500 Social Housing places (2025-2027) funded through Budget 2024.

### Strategic priorities

The Government has identified five strategic priorities to address the housing crisis:

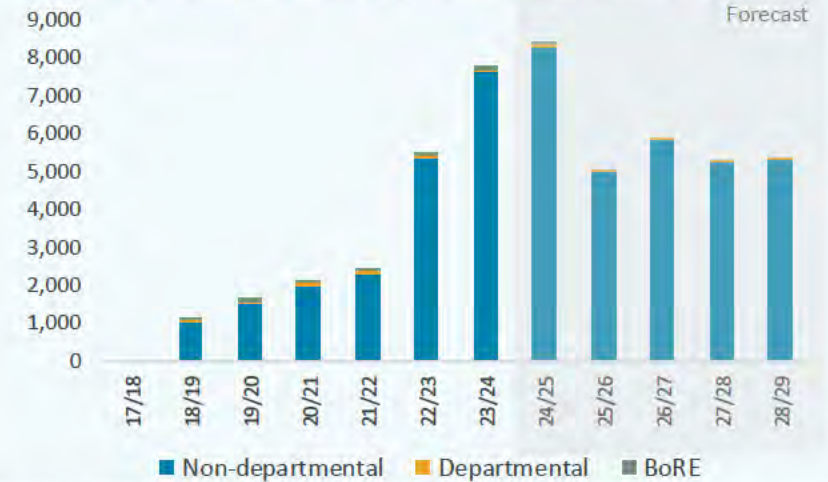
- the GfHG policy will focus on urban limits, infrastructure funding and financing, and encouraging cities and regions to grow;
- improvements to the rental market will make it easier to be a landlord, and easier to be a tenant;
- building and construction changes will improve competition and lower building costs;
- better SH will better look after those who need support
- reform of the *Resource Management Act*.

### Portfolio priorities

Consistent with Strategic Priorities and Government targets, as above.

## EXPENDITURE BY TYPE

1.2 Departmental, Non-Departmental and BoRE (\$m)



### Recent changes in expenditure (2019/20 to 2023/24)

Between 2019/20 and 2023/24, non-departmental expenditure increased 389% or \$6.1bn. Contributing to this, CAPEX increased \$5.0bn driven by:

- Kāinga Ora's Crown Lending Facility (up \$4.1bn from 19/20 to 23/24),
- Housing Acceleration Fund (Large Scale Projects) (\$409m),
- Progressive Home Ownership (\$158m), and
- Upfront Payments for He Kūku ki te Kāinga - Increasing Māori Housing Supply (\$143m).

Non-departmental OPEX & other funding increased 88.3% or \$1.2bn, driven by:

- Purchase of Public Housing Provision (up \$502m) for new public houses;
- The Transitional Housing Multi-category Appropriation (\$197m) for additional Transitional Housing places; and
- Fair Value Loss on Progressive Home Ownership Loans (\$156m).

Excluding once-off ringfenced funding, departmental OPEX increased 12.8% or \$7.9m to \$69.5m.

### Recent changes in expenditure (2023/24 to 2027/28)

Between 2023/24 and 2027/28, total non-departmental expenditure is set to decrease \$2.4bn or 32% to \$5.3bn, driven by:

- Kāinga Ora's Crown Lending Facility (down \$3.5bn on 2023/24 levels);
- Investment in Crown-owned Entities to Advance Development-Ready Land (\$334m); and
- Progressive Home Ownership Fund (\$158m).

Kāinga Ora debt headroom is \$23bn and the Credible Plan is focused on sustainable levels of borrowing to stay within that envelope and reduce over time.

By 2027/28, forecast departmental OPEX excluding once-off ringfenced funding is set to revert near to 2019/20 nominal levels, representing a decrease of 9.9% or \$6.9m to \$62.6m.

### Monitoring and funding of Crown companies or entities

Kāinga Ora

Tāmaki Regeneration Company

## SPEND BY PORTFOLIO

1.1

% of Vote(s) by portfolio



## 2. Department overview: Current specific fiscal risks, workforce, and third-party revenue

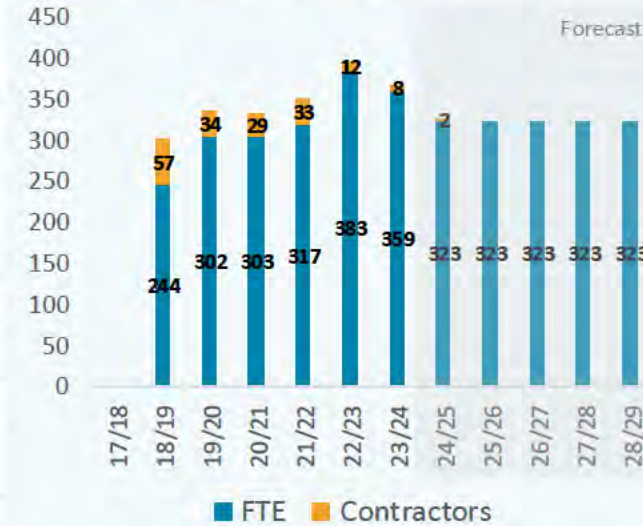
### SPECIFIC FISCAL RISKS

### WORKFORCE

Title / Description	Amount and Probability	Mitigations
<p><b>Existing commitments</b></p> <p><i>Increases to cost per place for SH and TH and Housing Services IRRS:</i> Payments to CHPs for existing Social and Transitional Houses places are contractually linked to growth in market rents. Forecast expenditure remains within appropriation until 2026/27 but will exceed the fixed nominal baseline appropriation from 2027/28 and beyond.</p> <p><i>Housing Services IRRS (i.e. Housing First):</i> where initial funding provided did not anticipate people remaining in IRRS housing when services were no longer needed. To maintain current volumes of people in these services, additional IRRS places need to be brought on, at the rate of around 200 places a year. These places are currently unfunded.</p>	<p>SH: \$55.6m across 27/28 and 28/29, escalating thereafter.</p> <p>TH: \$26.8m across 27/28 and 28/29, escalating thereafter.</p> <p>Housing Services IRRS: \$100m over the 5 years to 28/29.</p> <p>Probable (51-100%)</p>	<p>Savings from Resetting Investment can cover SH and TH price pressures to 28/29.</p> <p>Budget 2026, § 9(2)(f)(iv)</p>
<p><i>Kāinga Ora Operating Expenditure Forecast Reductions &amp; Future Operating Model:</i> There is a risk that the expenditure reductions, such as those associated with anticipated reductions in maintenance and personnel expenditure committed through B24 as part of Kāinga Ora's Credible Plan, do not eventuate.</p>	<p>\$0 to \$1.0b 24/25 to 27/28</p> <p>Unlikely (0-19%)</p>	<p>Kāinga Ora's Credible Plan to validate these savings.</p>
<p>§ 9(2)(f)(iv)</p>	<p>Amount: TBC Reasonably Possible (20%-50%)</p>	<p>Ongoing advice on all acquisitions under KO's land programme, including advice on § 9(2)(f)(iv) due Feb-25.</p>
<p><i>Realising sales of dwellings – Build Ready Development (BRD) &amp; KiwiBuild:</i> Contracted prepurchase and underwrites of dwellings under the Buying off the Plans and BRD could result in a loss on sale. OBU has included anticipated losses on sale for BRD, but some uncertainty remains for dwellings not intended to be sold beyond the near term.</p>	<p>Amount: TBC Possible (20%-50%)</p>	<p>Setting changes made for Buying off the Plans to reduce Crown exposure risk.</p>
<p><i>Financing Kāinga Ora's renewal programme:</i> The Credible Plan incorporates ambitious cost reduction assumptions for SH construction and financing assumptions utilising larger sale volumes than recent history. If these savings are not realised, or sales volumes and expected sales prices do not eventuate, there will be an adverse impact on the debt of Kāinga Ora with flow on impact to the OBEGAL in terms of interest, depreciation and potentially the need to fund additional social houses.</p>	<p>Determined through Credible Plan</p> <p>Possible (20%-50%)</p>	<p>Kāinga Ora's Credible Plan to identify scenarios, associated actions and monitoring approach for savings programme to achieve fiscal sustainability.</p>
<p><b>Unfunded commitments requiring policy choices</b></p> <p><i>SH Volumes:</i> There is no funding for net additional houses to meet external demand for places beyond June 2027, with varying impacts on OBEGAL and debt depending on the approach and mix of delivery between CHPs and Kāinga Ora.</p>	<p>Volumes: \$47m across 27/28 and 28/29 (500 new places p.a. if delivered via CHPs)</p>	<p>Choices available around scale, scope and method of delivery. Re-prioritisation from Resetting Investment to fund 500 new social homes in both 27/28 and 28/29.</p>

### 2.2

### How FTE is changing



### Drivers and implications of change(s) in FTE

HUD is currently undertaking an organisational change programme, with an expectation that we will land on a workforce of circa 323 FTE.

**There will be a 15.7% reduction in FTEs – from 383 to circa 323 – across all business areas.**

The three main drivers for the required change are:

1. continuing to shift the housing system;
2. adapting to Government priorities that we are directly responsible for; and
3. ensuring ongoing fiscal sustainability.

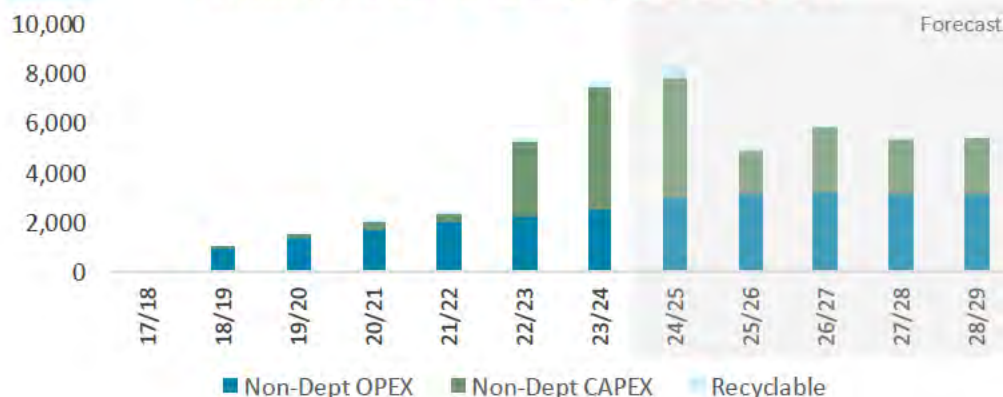
Note: Compared to 2023/24, personnel expenditure (excluding contractors) is set to decrease by an average of \$6.0m p.a. over the forecast period.

§ 9(2)(f)(iv)

§ 9(2)(f)(iv)

### RECYCLABLE FUNDING

### 2.1a Forecast Non-Dept: highlighting recycled funding (\$m)



### Activities funded by recyclable funding

The recyclable funding mechanism is one where the impact on government finances are temporary, as funding will be returned over time. Charts 2.1a shows the total non-departmental funding actuals/forecasts highlighting the materiality of those programmes where funding is recycled, which includes:

- 1) AHF: Build Ready Development - Inventory, Holding costs & write downs (OPEX) (total spent/forecast is \$126m, returned within 5 years)
- 2) KiwiBuild: Buying off the Plans initiative, (CAPEX), (\$113m, 10 years),
- 3) Land for Housing Programme incl. developer loan payments (CAPEX), (\$479m, 10 years), and
- 4) Progressive Home Ownership funds (CAPEX), (\$440m, over 15-20 years)

Note: third-party revenue within the Housing Portfolio is negligible.

### 3. Value and Performance: Key impact areas

#### HOUSING SYSTEM PERFORMANCE

##### Current state

The housing and urban systems in New Zealand face significant challenges. Over the last three decades, not enough houses have been built in the places they are needed or at prices people can afford. Urban development and planning has not been responsive enough to demand.

The mismatch between housing supply and demand for homes has fuelled high housing costs and contributed to high rates of financial stress and homelessness. Evidence of this includes:

- In 2023, 66% of households lived-in owner-occupied dwellings, compared with a peak of 74% in households in the 1990s;
- As of June 2022, 43% of renting households spent at least 30% of their income on housing, compared with 21% for owner occupiers; and
- In 2018 at least 102,000 people were estimated to be living in severe housing deprivation.

##### Desired state

To address the long-term systemic challenges and current economic conditions, priority areas of focus are:

1. Remove system barriers to unlock housing supply in land, infrastructure, development and construction markets;
2. Prioritise investment and improve funds and programmes to support the right mix of market, affordable and social homes in the places they are needed; and
3. Improve planning and investment in places, recognising that not all places are the same, and learn from and build on the still maturing placed-based partnerships in priority places across New Zealand.

GfHG and building system reforms respond to the first priority while the Kāinga Ora Credible Plan, responding to the system recommendations from the independent review of Kāinga Ora and our *Resetting Investment* address the second and third priorities.

##### Constraints and opportunities

Some locations can be more resilient to population change and growth. Over the last decade, rental affordability has improved by 16% in Auckland, but declined by 23% in Rotorua, highlighting that places need different strategies and responses, and government's role may vary.

The independent review of Kāinga Ora recommended government policy and investment builds on current place-based partnerships. These partnerships have local leadership and can support agreement around how areas will accommodate growth and prioritise and co-ordinate investment, planning and delivery of infrastructure and housing.

##### Improvement and learning

Our *Resetting Investment* work recommends changes to stop, wind down, and improve the effectiveness of programmes. This enables savings and reprioritisation for new investment and manage declining funding. In 2025, HUD will provide advice on further improvements to investment including:

- **§ 9(2)(f)(iv)** [REDACTED]
- **Resetting housing support and services (including Transitional Housing and Housing First)** **§ 9(2)(f)(iv)** [REDACTED]

#### INVESTMENT IN HOUSING AND URBAN DEVELOPMENT

##### Current state

While investment in the system has increased in recent years funding is not sustainable, and funds and programmes need to be rationalised. HUD has identified several areas where investment may not be as effective or be having the greatest impact:

- There can be multiple funds performing similar roles;
- Funds can have multiple objectives with a lack of transparency about what is being purchased, why and at what cost;
- Different levels of support for people in similar situations can be unfair and provide poor incentives for people to move from SH when their situation improves;
- Funds can be inflexible and difficult to use together to support investment in place;
- People can be placed in programmes based on housing need, not the need for social services leading to under/over servicing.

##### Desired state

Our *Resetting Investment* work has identified changes to streamline funds, improve flexibility, value for money and effectiveness. Government investment should be prioritised through investment to:

- Improve housing system performance in place through supporting urban development and market supply, and where necessary subsidising new supply to meet demand, to reduce overall housing costs and improve housing choice; and
- Meet needs and aspirations in place through additional targeted support to households to become homeowners; financial assistance for private housing costs; access to Social Housing and affordable rentals; and support for people to access and maintain stable housing.

HUD and Treasury are supporting Kāinga Ora to deliver a Credible Plan towards financial sustainability, enabling Kāinga Ora to operate within its approved debt allocation and start to reduce its operating losses.

##### Constraints and opportunities

The independent review of Kāinga Ora recommended simplifying and consolidating programmes to provide more flexibility to tailor investment to have the greatest impact on meeting needs in place.

In places like Rotorua and Hastings, this could involve addressing underlying shortfalls in supply through subsidising market housing alongside providing affordable rentals and Social Housing. In locations like Auckland, the focus could be providing additional affordable rentals and Social Housing to meet need but little if any subsidy for market housing.

As an initial step towards consolidation, the Reset of Investment proposes reprioritising funding for Māori Housing into a single general flexible fund for affordable rentals in any location where there is high need, and to subsidise market housing where need is high and market responsiveness is low (i.e., Rotorua).

##### Improvement and learning

Through our *Resetting Investment* work, HUD has identified savings and reprioritisation of \$88m operating in 2025/26 rising to \$130m in 27/28. Further ongoing capital, one-off capital and recyclable capital savings have been identified. These savings are sufficient across the forecast period to cover cost pressures, new Social Housing in 2027/28 and 2028/29, and a flexible fund for affordable rentals and new housing supply that support move to an active purchaser.

However, future growth in market rents for contracted Social Housing and Transitional Housing beyond the current forecast period cannot be absorbed. **§ 9(2)(f)(iv)** [REDACTED]

# 4. Managing within baselines: Current and future drivers - HUD & Kāinga Ora

## COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES

4.1

	Operating impact \$m increase, (decrease)						
	2017/18	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
<b>HUD Operating baseline*</b>	-	2,484.322	3,262.156	4,291.292	3,005.006	2,959.182	2,967.641
<b>HUD Forecast baseline*</b>	-	2,552.323	3,091.988	3,191.234	3,200.983	3,172.776	3,117.972
Total price pressures (SH and TH)	-	-	-	-	-	32.402	50.028
Total volume pressures (New builds & Housing Services)	-	-	3.906	11.629	19.562	39.976	71.990
Total other pressures (Wai 2570)	-	-	-	-	-	0.800	0.800
Total from coalition commitments (GfHG)	-	-	-	-	TBD	TBD	TBD
<b>Total cost pressures</b>	-	-	3.906	11.629	19.562	73.178	122.818
<b>Total reprioritisation/Reset Investment</b>	-	-	-	88.000	100.000	130.000	130.000
<b>Net impact on baseline</b>	-	-	3.906	(76.371)	(80.438)	(56.822)	(7.182)

\*HUD Operating baseline shows the appropriations view. HUD Forecast baseline are included to show the impact on OBEGAL. Kāinga Ora cost pressures are reported separately through existing forecasts which sit outside the Appropriation view. Refer comment under Future Drivers.

### Summary of cost pressures:

- New Social/Affordable Housing and Housing Supply (Price & Volume):** OBEGAL impacts are linked to market-based rent levels paid to CHPs and the level of expenditure by Kāinga Ora (as IRRS is an intra-crown transaction with Kāinga Ora). Ongoing price pressures (totalling \$55.6m in 27/28 and 28/29) reflect forecast increases in market rents paid to CHPs that exceed appropriation, due to fixed nominal baselines. Volume pressures (\$47m) based on 500 net new social homes per annum from 27/28, with choices around scale, scope and method of delivery. Housing Services IRRS (volume pressure \$100m over 5yrs): There may be volume pressures in providing new places to vulnerable people that need wrap around support services (i.e. Housing First). Policy settings will be further reviewed by Mar-25 to manage this pressure.
- Transitional Housing (Price Pressure):** Focus is on reducing volumes and shifting supply to meet sustainable funding levels as TH MCA decreases \$55m or 14% between 2024/25 and 2028/29. Ongoing growth in market rents for TH providers from 2027/28 (\$26.8m in 27/28 and 28/29).
- § 9(2)(f)(iv)
- § 9(2)(f)(iv)
- Kāinga Ora (TBD):** B24 banked \$1 billion in savings over the forecast period. HUD is seeking assurances noting that these savings must be made, with a focus on maintenance and personnel (contributing \$655m and \$182m to the savings respectively). Submission of the Credible Plan to Ministers on 20 November 2024.
- § 9(2)(f)(iv)
- § 9(2)(f)(iv)
- Tāmaki RC (TBD):** Funding required (mostly CAPEX) to finance renewals beyond June 2027, with plans to deliver up to 500 homes p.a.. Government decision required to agree volumes beyond June 2027. § 9(2)(f)(iv)

Area	24/25	25/26	26/27	27/28	28/29	Description
Resetting Investment	-	88	100	130	130	The <i>Reset of Investment in Housing and Urban Development</i> has identified options for savings and reprioritisation that could support further investment in SH, affordable rentals and price pressures in future years. This advice provides options for ongoing OPEX savings/reprioritisation of up to \$88m in 25/26 increasing to \$130m p.a. from 27/28, plus ongoing CAPEX of \$44m from 25/26. One-off CAPEX savings include \$58-222m across the forecast period, and \$180m in recyclable funding.
Kāinga Ora Expenditures	TBD	TBD	TBD	TBD	TBD	Kāinga Ora is delivering their <i>Credible Plan</i> – which reports back to Ministers on 20 November 2024 – to confirm B24 savings (primarily maintenance and personnel), reduced cost to build and flow on impact in interest and depreciation compared to B24 expenditure profiles. Credible Plan choices and decisions could result in additional expenditure savings in addition to those in B24. These savings could help further offset cost pressures and support new investments.

### FUTURE DRIVERS

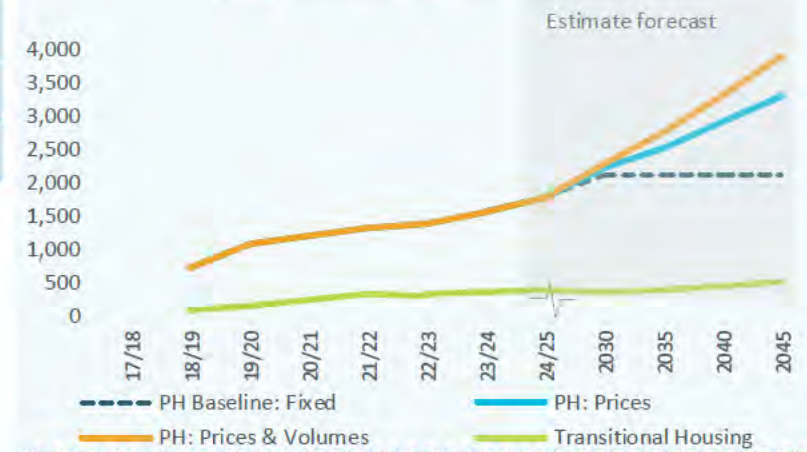
**Prices:** Market rents grew nationally by 4.8% in 2023/24 and forecast to ease to long-term averages of 2.7% over the coming years.

**Volumes:** Longer-term growth in SH demands (i.e., funding CHPs and/or Kāinga Ora to build public housing post-26/27) to grow in line with population growth.

The Kāinga Ora long-term forecasted expenses (i.e. their OBEGAL impact) are to be confirmed through their Credible Plan currently underway and their projections are not included below.

The forecast fiscal costs of future drivers over the next 20 years

Long forecast in cost drivers 4.2



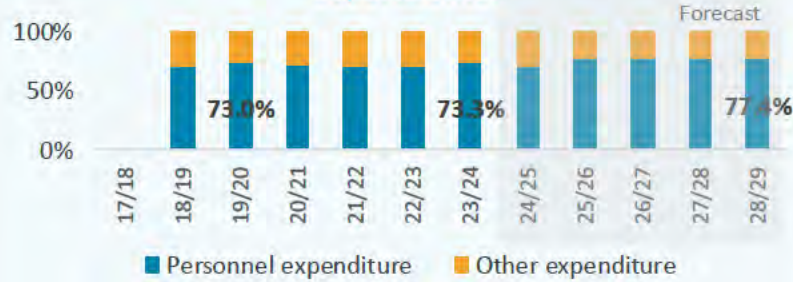
### Choices to mitigate/manage long-term pressures

Policy that causes demand or demand driver	Options to manage this?	Lead time required to make changes?
§ 9(2)(f)(iv)		

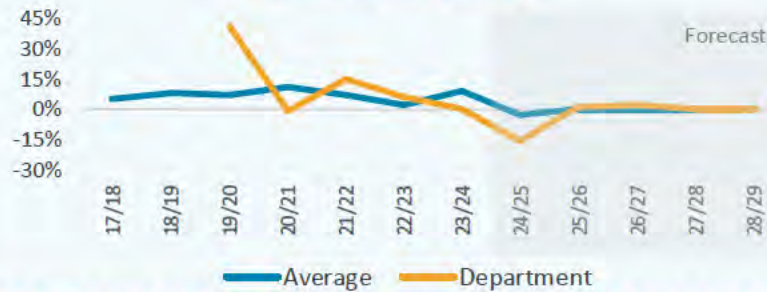
## 5. Managing within baselines: Workforce and capability

### SUMMARY OF WORKFORCE

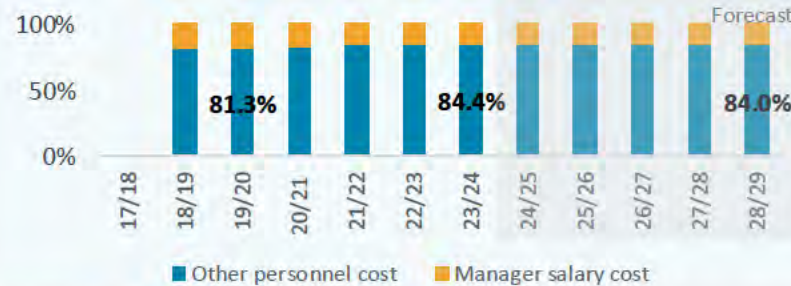
#### 5.1 Percentage of personnel costs, departmental



#### 5.2 Change in departmental personnel costs compared to average



#### 5.3 Managers salary as a % of departmental personnel expenditure



#### Contractor and consultant spend

HUD has significantly reduced reliance on contractors and consultants, with \$4.7m forecasted spend for 2024/25 and reducing to \$4.2m in 2026/27 (down from \$7.6m in 2023/24, and from a high of \$19.1m in 2021/22). The primary use of consultants over the forecast period is on the Land for Housing programme, where the required expertise does not exist within HUD for: geotechnical site investigations, legal due diligence, master planning, etc.

HUD has no forecasted allowance for contract staff beyond 2024/25 (unless new workstreams are created that require their use – these will be time-limited / ringfenced).

Additionally, HUD supports Te Matapihi and Community Housing Aotearoa to enable ongoing policy advice, system settings, and a deeper level of engagement with priority groups within the Community and Māori housing sectors. Expenditure on Peak Body Services has reduced by 50% from 2023/24 to 2024/25 and beyond.

#### Impact of workforce

Improving Housing System Performance in Place (Supply) and Meeting Needs In Place (Demand)	
Total FTE supporting Impact	323
Admin Support	25
Business Support (e.g. legal)	14.5
Corporate Support (HR, Communications, Governance, ICT etc)	34.5
Delivery	91.5
Leader	54
Policy, Data & Insights and Strategy	103.5

#### Strategy for workforce costs, including remuneration

HUD has a Collective Employment Agreement in place, which runs for the three years to 2026/27. HUD mirrors many of the terms and conditions, including remuneration for our people, in Individual Employment Agreements. This gives us certainty over workforce costs in the medium term – pay rises are reflected in our personnel expenditure forecasting.

Despite forecasting a flat workforce from 2024/25 of circa 323 FTEs, HUD can manage remuneration increases within baseline via reductions in other expenditure.

The 2024/25 budgets include funding for redundancy payments and other one-off costs associated with our phase change programme – these are funded within baseline.

HUD has recently moved to a position-management based approach to further manage our departmental budget and workforce. This will improve our budgeting practices, provide a consistent approach to managing vacancies, and aid our budget planning and reporting.

HUD reports on our workforce to internal governance each month, which enables a proactive approach to workforce management - capability, capacity and costs.

Based on processes, practices and controls we have a high degree of confidence that our forecast workforce is affordable within baseline.

#### Capability – non-workforce (e.g. organisational systems, processes, governance, technology and data)

We do not expect to require any new capability in the medium term that could not be funded out of baseline if required.

Any associated costs with improving our existing capability can also be met within our existing baseline, noting:

- we have continuous improvement plans for our ERP system (Oracle) and our platform for managing our housing and service support providers; and
- we are currently implementing our new Data Strategy.

#### Workforce changes required to ensure delivery in the key areas of impact

Change required (including targeted workforce segment)	Current state (% of the target workforce)	Ideal state within the time horizon	Plan to achieve the change	Risks, challenges, and barriers
1 HUD has consulted and has made changes as part of the final stage of the organisational change programme. The proposed structural changes consider the capacity and capability required to continue delivery of government priorities. Post restructure, it is not expected that any significant workforce changes will be required to maintain delivery in key areas.				

## 6. Managing with baselines: Investment and monitoring

### INVESTMENT (\$200M+)

Investments in the planning stage (departmental and non-departmental)

The table below outlines departmental or non-departmental investments over \$200m in the planning stage.

Project	Total Cost	Forecast business case approval	Forecast delivery start	Forecast completion	CBA
(AGENCIES MAY NEED TO POPULATE)					
Large Scale Projects <sup>1</sup>	\$1.867bn	2022	Mar-19 to Dec-22	Dec-25 to Dec-36	TBD
Renewal Programme	\$3.602bn	Jun-24	Jun-24	Jun-26	TBD
TRC next tranche	TBC	TBC	TBC	TBC	TBD
Arlington	\$296.2m	2021	Sep-21	Dec-27	TBD

Note: While the total cost of LSPs is \$4.551bn, the Crown contribution is \$1.867bn. The remaining \$2.684bn is funded by \$2.284bn in revenues from Kāinga Ora land sales and a \$417m contribution from Auckland Council.



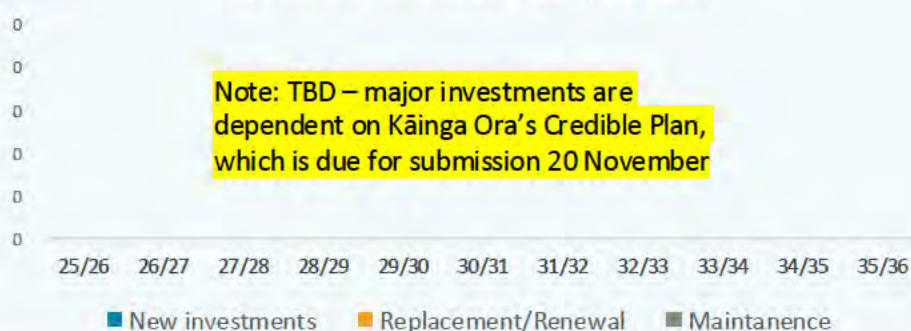
#### Assurance on delivery of investments

The Large-Scale Projects have been subject to three annual Gateway Reviews since 2022. The key themes have been better reporting, stakeholder relationships and risk management.

Implementation of \$200m+ projects in the last five years:

Total no. of projects	No. assessed	Met or exceeded expected benefits	On time	On Budget	To scope
[X]	[X]	[X]	[X]	[X]	[X]

#### 6.2 Investment intentions by type (\$m)



### MONITORING STATEMENT

HUD assists Ministers to monitor the performance, and manage the governance, of two entities:

1. Kāinga Ora – Homes and Communities (Kāinga Ora), a Crown agent under the Crown Entities Act 2004
2. Tāmaki Redevelopment Company Ltd (TRC), a Schedule 4A company under the Public Finance Act 1989.

HUD applies a differential monitoring approach to the entities, proportionate to each entity’s risk profile. This means that monitoring of Kāinga Ora is more intensive than monitoring of TRC. HUD advises Ministers on Letters of Expectation, the annual Statement of Performance Expectations (SPE), budget funding and performance measures for the Estimates of Appropriations, the Annual Report, and the triennial Statement of Intent. These entities provide a large amount of reporting, both regular and ad hoc. Some of the reporting is to Ministers and some is just to HUD. These reports are analysed by HUD, with Ministers being alerted to issues as required:

Reporting Activity	Kāinga Ora	Tāmaki Regeneration Company
Monthly Reporting	Kāinga Ora reports to Ministers focused on housing delivery, and progress with key areas of focus in the LOE (disruptive behaviour by tenants, rent debt, community engagement) which HUD provides independent advice on to Ministers.	TRC reports to HUD on progress against the housing delivery plan
Quarterly Reporting	From Kāinga Ora to HUD on progress against performance measures in the SPEs and the Estimates of Appropriations, key initiatives and risks, organisational health, operational and capital spending. HUD advises Ministers about SPE performance each quarter. Kāinga Ora to HUD (not Ministers) on large-scale projects, spending on consultants and contractors. An investment report is provided to the Treasury each quarter.	From TRC to the Ministers on progress against performance measures in the SPEs and the Estimates of Appropriations, key initiatives and risks, organisational health, operational and capital spending. HUD advises Ministers about SPE performance each quarter
Ad Hoc	Both entities provide ad hoc reporting from time-to-time on specific matters, for example Kāinga Ora’s recent briefing to Ministers on progress with replacing the Sustaining Tenancies Framework	

HUD monitoring advisors generally consult other relevant teams in HUD (e.g. the policy team) and may decide to produce a briefing for the Minister. These briefings note the performance reported by the entity and provide HUD’s view on performance, risks, issues, and any areas of concern. HUD briefings will generally be fact-checked with the entities. The Kāinga Ora Board Chair meets the Responsible Ministers each month to discuss key issues. HUD provides Ministers with background information and talking points to support those meetings and sometimes senior HUD officials also attend.

#### Current performance and fiscal risks, and mitigations

Entity	Risks	Mitigations (both entities)
Kāinga Ora	<p>The Board is presenting its Credible Plan to Ministers in November 2024. Kāinga Ora is projecting savings of \$1 billion over the next four years, with a portion of maintenance savings currently subject to a review by Deloitte.</p> <p>The Credible Plan has ambitious targets for the reduction of total capitalised costs for SH places and sales revenue to fund the renewal programme. If either of these targets are not achieved there is an impact on total borrowing requirements.</p> <p>Meeting build targets for public housing in 2024/25 and 2025/26. The delivery pipeline, and achievement of targets outside Auckland and Christchurch, is being closely monitored.</p>	<p>HUD maintains an ongoing monitoring framework that tracks financial, operational, and delivery risks across both Kāinga Ora and TRC. This involves quarterly and monthly reports, flagging emerging risks early.</p> <p>Regular engagement with the Minister of Housing by HUD senior management on Kāinga Ora issues and Ministers requesting independent advice on all relevant Kāinga Ora issues.</p> <p>Stakeholder Engagement: HUD facilitates communication between these entities, the Treasury, and Ministers, ensuring that all parties are aware of the risks, funding gaps, and progress toward mitigation</p> <p>HUD is heavily involved in the Credible Plan with central agencies and works with TRC to understand current delivery risks which includes scenario planning if certain funding streams are delayed or reduced and assessing the impact of economic or policy changes on their operations.</p>



## Briefing

PERFORMANCE PLAN – HOUSING PORTFOLIO FINAL SUBMISSION			
<b>To Minister</b>	Hon Chris Bishop	<b>Portfolio</b>	Housing
<b>Date</b>	31 October 2024	<b>Priority</b>	High
<b>Tracking number</b>	HUD2024-005593		
ACTION SOUGHT			
<b>Action sought</b>	Approve the Housing Portfolio's Performance Plan for submission to the Treasury on 7 November, as part of Cabinet's Fiscal Sustainability Programme.		
<b>Deadline</b>	4 November 2024		
CONTACT FOR DISCUSSION			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st contact</b>
Brad Ward	DCE, Organisational Performance	s 9(2)(a)	✓
Igor Dupor	Principal Analyst – Strategic Finance, Organisational Performance	s 9(2)(a)	
OTHER AGENCIES CONSULTED			
The Treasury [Housing and Urban Growth Team] and Kāinga Ora. DPMC and the PSC have seen previous versions of the Performance Plan.			



<b>RECOMMENDED ACTIONS</b>		
It is recommended that you:		
1.	<b>Note</b> that both the Kāinga Ora Credible Plan and HUD's Resetting Investment advice are a key input to the Performance Plan for Housing and Urban Development and Budget 2025.	<i>Noted</i>
2.	<b>Note</b> the Housing Portfolio has non-departmental cost pressures totalling \$229.492 million over the forecast period, with the Resetting Investment advice identifying \$448 million of potential savings and reprioritisation, leaving \$222.413 million for a flexible fund for affordable rentals and new supply (after offsetting the cost pressures).	<i>Noted</i>
3.	<b>Note</b> you will receive the Kāinga Ora Credible Plan on 20 November 2024 and this may identify further areas for investigation and possible savings in addition to those in Budget 2024.	<i>Noted</i>
4.	<b>Agree</b> by March 2025, HUD will review the settings for Housing Services provided with IRRS places (such as Housing First and Rapid Rehousing), to manage the number of additional IRRS places required to support these programmes and reduce the cost pressure.	<i>Agree/Disagree</i>
5.	<b>Note</b> that any relevant feedback is required by 4 November 2024 to allow for the Performance Plan to reflect any final comments.	<i>Noted</i>
6.	<b>Approve</b> this Performance Plan for submission to the Treasury on 7 November 2024.	<i>Approve/Disapprove</i>

Brad Ward  
**DCE – Organisational Performance**  
31 / 10 / 2024

Hon Chris Bishop  
**Minister of Housing**  
..... / ..... / .....



## Purpose

1. To seek your approval to submit the Performance Plan for the Housing Portfolio to the Treasury on 7 November.

## Background

2. Cabinet agreed on 29 July 2024 to commission Performance Plans [CAB-24-MIN-0273 refers] and they form a key part of Cabinet's *Fiscal Sustainability Programme*. Performance Plans are owned by the Responsible Minister as appointed by the Minister of Finance, who must ensure the production of a Performance Plan for each of their agencies.
3. The Ministry of Housing and Urban Development (HUD) is required to include information on all funding flowing to and through the Ministry, including non-departmental spend (i.e., Kāinga Ora and Tāmaki Regeneration Company).
4. Performance Plans are intended to be succinct documents that demonstrate Ministers' plans for the Ministry to deliver within set baselines and will be updated in 2025 once Budget 2025 considerations are complete.
5. HUD has previously submitted two drafts of the Performance Plan to central agencies, which were shared with your office. The first submission, on 12 September, highlighted cost pressures and plans to manage current and future drivers, which was used by the Treasury to formulate the government's strategy for Budget 2025. The second submission, on 17 October, was the first full draft submission to ensure agencies were on track to complete their Performance Plans.
6. The key difference between this submission and previous versions include:
  - a. more detail and firming-up of cost pressures, including finances consistent with October Baseline Update (OBU);
  - b. identifying an additional cost pressure related to Housing Services Income Related Rent Subsidy (IRRS) (i.e. Housing First); and
  - c. incorporation of mitigating savings and reprioritisations from the Resetting Investment work, which fully offset cost pressures for Social and Transitional Housing and Housing Services (i.e. Housing First) and 500 new Social Housing places in both 2027/28 and 2028/29.
7. The final Performance Plan needs to be submitted to the Treasury on 7 November and requires sign-off from the Responsible Minister. Central agencies will review these submissions over November and December, before they are provided to the Cabinet Expenditure and Regulatory Review Committee in early 2025.



## Cost pressures, risks, and unfunded commitments

8. HUD's Performance Plan has a focus on managing cost pressures within existing baselines. Key inputs into preparing the Performance Plan were *Resetting Investment* [HUD 2024-005383 refers] and Kāinga Ora's Credible Plan towards financial sustainability, which you will receive on 20 November 2024. These inputs are critical because they provide mitigating actions to manage cost pressures within existing baselines over the forecast period (2025/26 to 2028/29).
9. The Performance Plan highlights the following fiscal risks/cost pressures:
  - a. Existing commitments:
    - i. Social and Transitional Housing price pressures from payments to CHPs that are contractually linked to growth in market rents (\$55.6m for Social Housing and \$26.8m for Transitional Housing – across the years of 2027/28 and 2028/29 and escalating beyond the forecast period);
    - ii. Housing Services IRRS (i.e. Housing First), where initial funding provided did not anticipate people remaining in IRRS housing when services were no longer needed. To maintain current volumes of people in these services, additional IRRS places need to be brought on, at the rate of around 200 places a year. These places are unfunded, with an additional cost of approximately \$100 million across the forecast period; and
    - iii. Kāinga Ora's delivery of renewals and confirmation of Budget 2024 savings, which will be further detailed in its Credible Plan, and risks around realising the sale of land and dwellings, for example the Kāinga Ora land programme.
  - b. Unfunded commitments
    - i. Social Housing volume pressures for 500 net additional houses in both 2027/28 and 2028/29;
    - ii. s 9(2)(f)(iv)
    - iii. ring-fenced departmental funding to lead the Crown's response to the Waitangi Tribunal (Wai 2570 inquiry) totalling up to \$1.6 million across 2027/28 and 2028/29.



## Managing within baselines

10. The fiscal impact of non-departmental OPEX cost pressures identified in the Performance Plan across the five years to 2028/29 totals \$229.492 million<sup>1</sup>. Through the *Resetting Investment* work, HUD has identified potential savings and reprioritisations of \$88-130 million OPEX per annum, totalling to \$448 million over the forecast period.
11. HUD expects to fully cover cost pressures for existing commitments for Social and Transitional Housing and Housing Services IRRS over the forecast period, plus the cost of 500 new Social Housing places in both 2027/28 and 2028/29. This leaves \$222.413 million of the identified total savings of \$448 million between 2025/26 and 2028/29 that could be made available for a flexible fund (as identified in the *Resetting Investment* advice) for affordable rentals and new supply. See Table One below.
12. The Kāinga Ora Credible Plan is intending to cover fiscal risks relating to:
  - a. Budget 2024 savings; and
  - b. renewal programme scenarios to support the financial sustainability of Kāinga Ora.
13. The Kāinga Ora Credible Plan may identify further areas for investigation and possible savings in addition to those in Budget 2024. These savings would further help offset the cost pressures outlined in the Performance Plan and/or enable new investment.
14. HUD's departmental appropriation, excluding one-off ringfenced funding, decreased 17.2% from \$73.7 million in 2023/24 to \$61 million in 2024/25, driven by a 15.7% decline in departmental FTEs (down 60 FTEs from 383 to circa 323). HUD plans to operate within this funding envelope to deliver Government priorities for housing. Further departmental savings would limit HUD's ability to meet its existing obligations.
15. By March 2025, we will review settings for Housing Services provided with IRRS places, such as Housing First and Rapid Rehousing, to manage the number of additional IRRS places required to support these programmes and reduce the cost pressure.
16. It is important to note that continued price pressures from market rents combined with fixed nominal baselines mean cost pressures beyond the forecast period (i.e. from 2029/30) for Social and Transitional Housing cannot be absorbed by the savings and reprioritisations identified in the *Resetting Investment* work. Options to manage these cost pressures beyond the end of the forecast period include:
  - a. s 9(2)(f)(iv)

<sup>1</sup> Note that \$3.906 million of Housing Services IRRS cost pressures are in 2024/25, which we will manage through March Baseline Update (MBU).



b. s 9(2)(f)(iv)

17. s 9(2)(f)(iv)

18. Table One below summarises the quantified non-departmental fiscal risks and cost pressures, along with the offsetting mitigations identified by the *Resetting Investment* work.

**Table One: Quantified Non-Departmental Cost Pressures & Mitigations: OBEGAL impact (\$m) <sup>2</sup>**

Non-Dept Cost Pressures / SFRs	24/25	25/26	26/27	27/28	28/29	Total
Market rents: CHPs	-	-	-	23.068	32.546	55.614
Housing Services IRRS	3.906	11.629	19.562	28.226	36.740	100.062
New Social Housing places: CHPs	-	-	-	11.750	35.250	47.000
<b>Total: Social Housing</b>	<b>3.906</b>	<b>11.629</b>	<b>19.562</b>	<b>63.044</b>	<b>104.536</b>	<b>202.676</b>
Rental Subsidy: Transitional Housing	-	-	-	9.334	17.482	26.816
<b>Total: Transitional Housing</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.334</b>	<b>17.482</b>	<b>26.816</b>
<b>Total Cost Pressures</b>	<b>3.906</b>	<b>11.629</b>	<b>19.562</b>	<b>72.378</b>	<b>122.018</b>	<b>229.492</b>
Mitigations from <i>Resetting Investment</i>	24/25	25/26	26/27	27/28	28/29	Total
Māori Housing	-	58.000	58.000	58.000	58.000	232.000
Public Housing Services / TH	-	-	-	30.000	30.000	60.000
Contracted Emergency Housing	-	12.000	24.000	24.000	24.000	84.000
First Home Loan	-	18.000	18.000	18.000	18.000	72.000
<b>Total Mitigating Options</b>	<b>-</b>	<b>88.000</b>	<b>100.000</b>	<b>130.000</b>	<b>130.000</b>	<b>448.000</b>
<b>OBEGAL Impact / Flexible Funding available</b>	<b>3.906</b>	<b>(76.371)</b>	<b>(80.438)</b>	<b>(57.622)</b>	<b>(7.982)</b>	<b>(222.413)<sup>3</sup></b>

19. In our *Resetting Investment* advice, we recommended that funding for Māori Housing be reprioritised to a single general flexible fund for affordable rentals and where required (and in limited circumstance) to subsidise some market housing supply. In Table One, above, Māori Housing funding of \$232 million has been applied to offset cost pressures and new Social Housing places with the OBEGAL impact indicating funding remaining for a flexible fund. This leaves a flexible fund of \$222.413 million over the four years to 2028/29.

<sup>2</sup> Note: this table excludes the \$1.6 million of departmental cost pressures related to Wai 2570 across 2027/28 and 2028/29.

<sup>3</sup> The total OBEGAL impact / flexible funding available, totalling \$222.413 million, excludes the \$3.906 million cost pressure in 2024/25, which HUD will manage through MBU.



## Consultation

20. We have consulted with the Treasury and Kāinga Ora. The Treasury indicated we should use using forecast expenditures, rather than appropriations, to more accurately reflect the Housing Portfolio's impact on OBEGAL. The Treasury provided no other substantive feedback on the Performance Plan.
21. Note that the Treasury have advised the Minister of Finance that our Performance Plan was 'not on track' based on the second draft provided to them on 17 October because it did not include detailed savings and reprioritisation options to offset cost pressures identified over the forecast period. We understand most other agencies were also not on track.
22. HUD had advised the Treasury, prior to their advice to the Minister of Finance, that options for savings and reprioritisation were set out in our advice on *Resetting Investment*, which you have now received.
23. With initial feedback from you on the Resetting Investment advice, we have now been able to provide a final Performance Plan that provides savings and reprioritisations options that fully covers significant fiscal risks/cost pressures relating to price pressures for Social Housing, Transitional Housing and Housing Services across the forecast period, and new Social Housing places in 2027/28 and 2028/29.

## Next steps

24. Provide feedback to HUD by 4 November if any changes are required to the Performance Plan.

## Annexes

Annex A: *Performance Plan Housing Portfolio – Final Submission.pptx*



## Aide mémoire

OVERVIEW OF HOUSING FIRST AND RAPID REHOUSING			
<b>To Minister</b>	Hon Chris Bishop	<b>Portfolio</b>	Minister of Housing
<b>Date</b>	18/11/2024	<b>Priority</b>	Low
<b>Tracking number</b>	HUD2024-005682		
CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
William Barris	General Manager, Partnerships and Performance	s 9(2)(a)	✓
Jo Hogg	DCE, System Delivery and Performance	s 9(2)(a)	
OTHER AGENCIES CONSULTED			
N/A			



## Purpose

1. To provide the information you requested on the Housing First and Rapid Rehousing programmes, outlining the nature of the cost pressures identified and HUD's proposed approach to addressing these.
2. To also provide further information on **s 9(2)(f)(iv)** (Transitional Housing and Public Housing Services) to be carried out in 2025, and potential changes that could make up the \$30m of annual savings from 2027/28 that were included in the Housing Portfolio Performance Plan to offset future cost pressures.

## Background

3. HUD recently provided you its Housing Portfolio's Performance Plan [HUD2024-005593 refers] outlining an approximate \$100m cost pressure across the forecasted period FY24/25 to FY28/29 in the Income Related Rent Subsidy (IRRS) relating predominately to the Housing First programme, with Rapid Rehousing also a contributing factor.
4. HUD advised it can fully cover cost pressures for the Housing Services IRRS over the forecast period through the savings and reprioritisations outlined in the final Performance Plan, however it will explore options to manage cost pressures by reviewing programmes' settings to manage the number of IRRS places required to support the programmes.

## Purpose and Performance of Housing First and Rapid Rehousing

### Housing First and Rapid Rehousing prioritise access to stable housing

5. Housing First was introduced into New Zealand in 2014 by Hamilton-based collective The People's Project.<sup>1</sup> Government funding (beginning in 2017) has supported the expansion of Housing First and HUD now contracts 17 providers to deliver 2,750 places across 11 locations: the Far North, Whangarei, Auckland, Hamilton, Rotorua, Tauranga, Hawke's Bay, Wellington, Nelson, Blenheim, and Christchurch.
6. Housing First is grounded on five key principles:
  - a. Immediate access to housing with no readiness conditions (housing first)
  - b. Participant choice and self-determination
  - c. Individualised and person-driven support
  - d. Harm reduction and recovery-orientation approach
  - e. Social and community integration
7. Rapid Rehousing, also based on Housing First principles, was established as a trial in 2020 and is delivered by 12 providers who deliver 671 places across eight locations: Whangārei, Auckland, Hamilton, Tauranga, Rotorua, Nelson, Blenheim and Christchurch.
8. Rapid Rehousing aims to help individuals and whānau who have recently become homeless to quickly access housing to reduce the effects associated with long periods of homelessness such as poorer health.

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<sup>1</sup> Housing First - The People's Project ([thepeoplesproject.org.nz](http://thepeoplesproject.org.nz))



## Who is eligible and how the programmes are accessed

9. Housing First is for people who are experiencing chronic homeless, sleeping rough, or in other places not designed for habitation (e.g. in cars) for at least 12 months, have high or complex support needs and require intensive ongoing support services to place them in housing and help them stay housed. Support is provided for as long as required.
10. Rapid Rehousing is for people who do not meet the Housing First criteria because of the duration of homelessness they have experienced, or because their support needs are not as high or complex. Support is provided for up to 12 months.
11. Programmes can be accessed by households self-referring, referrals from other agencies or providers reaching out to households who are experiencing homelessness. Providers conduct an assessment using the criteria outlined above, to determine entry to the programmes.

## Housing First and Rapid Rehousing performance

12. Housing First and Rapid Rehousing aim to house households as quickly as possible and provide support services to meet their needs. At any one time, both programmes will have a number of households in service who are housed or waiting to be housed. When a household is housed and no longer requires support, they graduate from the programme.
13. HUD contracts with providers for a set number of places and as households graduate the programme, a new household can enter. Households who are housed when they graduate, continue to reside in the property they are in and each time a new household enters the programme, providers need to source new housing.
14. HUD data captures a number of indicators that help us understand a household's status through the programmes. These include the number of households currently in service, the number housed, and the number who have graduated. The below table provides a current snapshot of what this looks like for both programmes as well as the type of housing households are placed in.

Households supported by Housing First and Rapid Rehousing			
	Households currently in the programme	Households Graduated	Type of housing placements
<b>Housing First</b>	3,360 households are currently in the programme and of these: <ul style="list-style-type: none"> <li>- 2376 are housed</li> <li>- 984 are waiting to be housed</li> </ul>	713	73% in CHP IRRS 12% in KO IRRS 9% in Private rentals 6% in other/unknown
<b>Rapid Rehousing</b>	1,803 households are currently in the programme and of these: <ul style="list-style-type: none"> <li>- 975 are housed</li> <li>- 828 are waiting to be housed</li> </ul>	414	61% in CHP IRRS 15% in KO IRRS 20% in Private rentals 3% in other/unknown

\*Reporting continues to be updated with the latest provider reports, and figures may be revised in future reporting.



15. There is high demand for both programmes and this is reflected through the number of households currently in each. Data shows the majority of those housed through both programmes are in CHP IRRS properties. A higher number of Rapid Rehousing households are in private rentals, and this is most likely due to the less complex needs of the cohort the programme supports.
16. As both programmes mature, graduation levels are increasing. Since June 2022, graduations for Housing First have increased from 272 to 713 and Rapid Rehousing graduations have increased from 99 to 414.
17. In 2021 HUD commissioned an independent developmental evaluation of Housing First and a review of the Rapid Rehousing, with a final report released in June 2023. This evaluation was designed to identify opportunities to improve the service rather than to examine the effectiveness of the programme itself, however conclusions drawn from the evaluation were that Housing First and Rapid Rehousing are achieving positive outcomes.
18. There is strong international evidence that Housing First is effective in supporting people with a history of chronic homelessness and high complex support needs to exit homelessness and maintain stable housing.<sup>2</sup> Housing First tenants are supported to access health, mental health, and other support services, and over time are less likely to be admitted to hospitals and emergency departments or be involved with the criminal justice system.
19. University of Otago researchers working with the People's Project and utilising administrative data in the Stats NZ Integrated Data Infrastructure analysed outcome of 357 households and found after five years of first being housed with Housing First, the number of hospitalisations reduced by 44 per cent, health inpatient unit bed nights reduced by 63 per cent and mental health residential unit bed nights reduced by 73 per cent. The researchers recorded reductions in the number of interactions with Police and Courts including a 43 per cent reduction in criminal charges and growth in incomes and in the number of months people paid tax.<sup>3</sup>

## **Nature of identified cost pressures and how these will be managed**

### **Most Housing First and Rapid Rehousing participants are housed through CHPs leasing properties from the rental market**

20. The original intention of the Housing First programme was for 20% of participants to be placed in private rentals and receive the Accommodation Supplement and 80% in social housing and receive IRRS. Of those placed in social housing, it was assumed that 80% would be placed in a Kāinga Ora property and 20% in a CHP property, but this has not eventuated.
21. HUD data shows that the majority of Housing First and Rapid Rehousing participants are housed in existing properties CHPs have leased from the rental market to be used as social housing places. This is because they enable the programme to operate as intended in

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<sup>2</sup> Housing First began in New York and has been widely adopted across America and internationally, including Europe the United Kingdom, Australia, and Canada as well as in New Zealand. Roggenbuck, C. (2022) Housing First: An evidence review of implementation, effectiveness and outcomes, report prepared by AHURI, Australian Housing and Urban Research Institute Limited, Melbourne. <https://www.ahuri.edu.au/sites/default/files/documents/2022-08/AHURI-Prof-Services-Housing-First-An-evidence-review-of-implementation-effectiveness-and-outcomes.pdf> and

<sup>3</sup> Ombler J, Jiang T, Fraser B, Nelson J, McMinn C, Hawkes K, Atatoa-Carr P, Pehi T, Aspinall C, Bierre S, Schick K, Howden-Chapman P & Piers N (2024). Five-Year Post-Housing Outcomes for a Housing First Cohort in Aotearoa, New Zealand. *International Journal on Homelessness* 2024; 4(1). <https://ojs.lib.uwo.ca/index.php/ijoh/article/view/16747>



providing quick access to housing and providing participants greater choice as to where they live, both of which are key Housing First principles.

22. CHPs' predominant use of properties from the rental market is adding to the cost pressure in the Housing First and Rapid Rehousing IRRS categories. HUD does not have sufficient IRRS funding for these additional places as it was previously assumed most participants would be placed in KO social housing (either existing or new supply).
23. Housing First and Rapid Rehousing providers are expected to support entries into stable housing as quickly as possible. This would be difficult to achieve if providers had to rely predominantly on Kāinga Ora social housing properties as Kāinga Ora has less flexibility than CHPs to target particular population groups from the social housing register. The ability of CHPs to leverage relationships with private sector landlords, and lease properties that can be provided as social housing to Housing First and Rapid Rehousing tenants, has therefore occurred at higher rates than anticipated.
24. Both Housing First and Rapid Rehousing currently have an exemption to the capping of the use of private rentals as social housing and can continue using these properties to house participants from both programmes.

### There are some common causes for the cost pressures experienced across both programmes

25. Housing First and Rapid Rehousing have a similar funding model that consists of two components: a service component and a housing (IRRS) component.
26. The average cost per annum per place for Housing First is \$56,904 (service cost per place = \$21,200 + IRRS place subsidy = \$35,704). Rapid Rehousing costs broadly align with those for Housing First IRRS however service funding is \$5,000 less per annum. The difference is due to the distinction in target groups, including length of homelessness and level of support need.
27. Although contracting arrangements for Housing First and Rapid Rehousing are not outcome-based models, payments for housing-related costs are only made once participants are housed.
28. Initial funding for additional IRRS places to support programmes did not account for those who graduate the service but continue to reside in the IRRS property they were placed in through the service. As the Housing First and Rapid Rehousing programmes continue to mature, the number of clients graduating from the services and continuing to live in an IRRS property is increasing. This means more new households are entering the programme who require housing which HUD does not have funding for, adding to the cost pressure.
29. Based off recent trends, forecasting shows the number of additional CHP IRRS places continuing to increase by 200 places per year with an additional cost of approximately \$100 million in IRRS across the period of FY24/25 – FY28/29 unless measures are taken to address this.

### How the cost pressure will be managed

30. HUD data shows continuing high demand for both programmes, and research demonstrates that the programmes are effective in the outcomes they set out to achieve. However, they are fiscally unsustainable as the households are not being housed as originally intended in existing or new supply social housing places through Kāinga Ora.



31. As previously noted, HUD can fully cover cost pressures for the Housing Services IRRS over the forecast period of 2024/25 to 2028/29, through the savings and reprioritisations outlined in the final Performance Plan, however HUD will explore options to reduce the current forecasted cost pressure. This could include:

§ 9(2)(f)(iv)

32. Changes required to reduce the forecasted cost pressure could mean a reduced level of service is available to those who are eligible for the service or programme participants need to wait longer to be housed as there are less housing opportunities available.
33. By March 2025, we will provide you interim options to manage the IRRS cost pressure relating to these programmes.

### Wider reset of housing and support programmes

34. In addition to options for managing cost pressures, HUD has recommended § 9(2)(f) (iv) and not scaling back these programmes at this time given risks to the achievement of the Government Target on Emergency Housing [HUD 2024-0053483 refers]. Programmes that will be considered as part of this work include Housing First and Rapid Rehousing, as well as Transitional Housing, Single-Site Supported Housing, Sustaining Tenancies, and Outreach.

35. HUD anticipates savings of up to \$30 million from 2027/28 could be achieved through this process. § 9(2)(f)(iv)

§ 9(2)(f)(iv)



## Next steps

36. By the end of March 2025, HUD will provide you with the interim options it is considering to reduce the IRRS cost pressure relating to the Housing First and Rapid Rehousing programmes. This will include our intended next steps to the broader reset of programmes that provide access to housing and support.



## Briefing

HOUSING INFRASTRUCTURE FUND: DECISIONS ON NEXT STEPS			
<b>To Ministers</b>	Hon Chris Bishop	<b>Portfolio</b>	Housing
	Hon Nicola Willis	<b>Portfolio</b>	Finance
<b>Forward to</b>	Hon Simeon Brown	<b>Portfolio</b>	Local Government, Transport
<b>Date</b>	3/12/2024	<b>Priority</b>	High
<b>Tracking number</b>	HUD2024-005284		
ACTION SOUGHT			
<b>Action sought</b>	Agree to the recommendations in this briefing.		
<b>Deadline</b>	10/12/2024		
CONTACT FOR DISCUSSION			
<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st contact</b>
Fiona McCarthy	Manager, Land Use and Land Markets	s 9(2)(a)	✓
Olivia Burnett	Senior Policy Advisor, Land Use and Land Markets	s 9(2)(a)	
Brandon Twigley	Finance Business Partner	s 9(2)(a)	
OTHER AGENCIES CONSULTED			
The Treasury (TSY), Department of Internal Affairs (DIA), New Zealand Transport Agency (NZTA)			



<b>RECOMMENDED ACTIONS</b>	
It is recommended that you:	
<b>Background</b>	
1. <b>Note</b> that there are nine HIF project packages, across five councils. These project packages were selected in 2018 to bring forward housing by financing the delivery of the infrastructure that would enable it. Projects were selected following a request for proposals from high growth councils.	<i>Noted</i>
2. <b>Note</b> that the HIF is split into a HUD administered portion (\$611.550 million) and an NZTA administered portion (\$388.450 million). All nine HIF projects receive a loan administered by HUD - of these, five also receive NZTA funding via the HIF. This briefing only concerns the HUD administered portion of the HIF.	<i>Noted</i>
3. <b>Note</b> that the Ministers of Housing and Finance are responsible for the HUD administered portion of the HIF (predominately waters infrastructure, but for some projects the local share of transport infrastructure), and the Ministers of Transport and Finance are responsible for the NZTA administered portion of the HIF (transport infrastructure only) [CAB-16-MIN-0683.01 refers].	<i>Noted</i>
4. <b>Note</b> that for the HUD administered portion, four HIF projects have missed a contractually agreed milestone by two years or more, meaning the Crown is no longer obliged to lend the remaining loan facility. This is called a "Milestone Drawstop Event".	<i>Noted</i>
5. <b>Note</b> that following a Milestone Drawstop Event the Crown is no longer obliged to lend the remaining HUD administered loan facility for any of the project components <i>unless</i> Ministers decide to waive the relevant Milestone Drawstop Event.	<i>Noted</i>
s 9(2)(h) [REDACTED]	
[REDACTED]	<i>Noted</i>
<i>Requirements of a decision to enforce</i>	
7. <b>Note</b> that in making a decision to enforce a Milestone Drawstop Event, both Ministers would also need to conclude that the Crown is not acting "oppressively" under the Credit Contracts and Consumer Finance Act 2003.	<i>Noted</i>
8. <b>Note</b> that officials consider that in the circumstances, it is reasonable to conclude that enforcing the consequences of a Milestone Drawstop Event for any of the loans loan is not oppressive.	<i>Noted</i>



<i>Requirements of a decision to waive</i>		
9.	<b>Note</b> that in deciding to waive the Milestone Drawstop Event and have HUD renegotiate with Council to vary the loan, the <u>Minister of Finance</u> , on behalf of the Crown, must also conclude that it is “necessary or expedient in the public interest” to do so (section 65ZD of the Public Finance Act).	<i>Noted</i>
10.	<b>Note</b> that that in the circumstances, officials consider it is reasonable to conclude that a variation to each loan is necessary or expedient in the public interest.	<i>Noted</i>
<b>Projects to decide on</b>		
Auckland Northwest – Red Hills and Whenuapai		
11.	<b>Note</b> that two milestones have been missed by over two years and overall completion of this project is delayed by three years.	<i>Noted</i>
12.	<b>Agree to enforce</b> the consequences of the Milestone Drawstop Events and remove Auckland Council’s access to the remaining loan facility for Auckland Northwest (savings of \$133.250 million CAPEX and nil OPEX impact).  If you disagree, HUD will work with Auckland Council to renegotiate the Facility Agreement. This would not impact any fiscal indicators, but no savings would be available.	<i>Agree / Disagree</i>
Waikato Te Kauwhata		
13.	<b>Note</b> that one milestone has been missed by over two years, and overall completion is delayed by four years.	<i>Noted</i>
14.	<b>Agree to enforce</b> the consequences of the Milestone Drawstop Events and remove Waikato District Council’s access to the remaining loan facility for Waikato Te Kauwhata (savings of \$25.070 million CAPEX and nil OPEX impacts).  If you disagree, HUD will work with Waikato District Council to renegotiate the Facility Agreement, which would not impact any fiscal indicators, but no savings would be available.	<i>Agree / Disagree</i>
Queenstown Ladies Mile		
15.	<b>Note</b> that at least one milestone has been missed by two years, and overall completion of the project is delayed eight years when compared to the original agreement.	<i>Noted</i>
16.	<b>Note</b> that the Te Pūtahi Ladies Mile Plan Variation has been going through the Streamlined Planning Process (SPP) and was recently approved by the Minister for the Environment. The variation becomes operative on 6 December 2024.	<i>Noted</i>



17.	Agree to enforce the consequences of the milestone drawstop events and remove Queenstown Lakes District Council's access to the remaining loan facility for Queenstown Ladies Mile (savings of \$15.654 million capex and nil opex impact).  If you disagree, HUD will work with Queenstown Lakes District Council to renegotiate the Facility Agreement. This would incur an interest concession impact of approximately \$1.267 million, which would be covered by an existing appropriation. As such, this decision would not impact any fiscal indicators, but no savings would be available.	Agree / disagree
Queenstown Quail Rise		
18.	<b>Note</b> that at least one milestone has been missed by over two years, and the overall completion of the project is no longer a priority for Council so the timing of expected completion is unknown.	<i>Noted</i>
19.	<b>Agree to enforce</b> the consequences of the Milestone Drawstop Events and remove Queenstown Lakes District Council's access to the remaining loan facility for Queenstown Quail Rise (savings of \$9.348 million CAPEX and nil OPEX impact).  If you disagree, HUD will work with Queenstown Lakes District Council to renegotiate the Facility Agreement. The fiscal implications of this are unknown as the delivery timeline is not yet confirmed. However, any interest concession impacts would be covered by the existing appropriation so would not impact any fiscal indicators, and no savings will be available.	<i>Agree/ Disagree</i>
<b>Next steps</b>		
20.	<b>Note</b> that HUD will provide you with draft letters that reflect the decisions made in recommendations 11-19, to send to the Mayor and Chief Executive of each council.	<i>Agree/ Disagree</i>
21.	<b>Note</b> that should you choose to remove the councils access to all four loans, the \$183.433 million of CAPEX (and \$11.171 million of OPEX) will be available for reprioritisation. Advice on these savings would be provided as part of bids for Budget 2025.	<i>Noted</i>
22.	<b>Agree to instruct</b> your officials share this briefing with the Minister of Local Government and Minister of Transport for his awareness.	<i>Agree/ Disagree</i>
23.	<b>Note</b> that HUD will work with the Treasury, Ministry of Transport, and NZTA as needed on future advice about the loan facility to NZTA.	<i>Noted</i>



<b>Other matters</b>		
<i>Current administration of the HIF</i>		
24.	<b>Note</b> that when HUD was established in 2018, no formal delegations for the HIF loans were transferred over from the Ministry of Business, Innovation and Employment.	<i>Noted</i>
25.	<b>Agree</b> to approve the actions taken by the Chief Executive of HUD (or delegated officials) to give effect to the loans provided to HIF Projects, while there was no formal delegation in place. This will ratify earlier actions taken.	<i>Agreed / Disagree</i>
<i>Future administration of the HIF</i>		
26.	<b>Note</b> that the HIF is currently administered and monitored in house at HUD (unlike the Infrastructure Acceleration Fund which is administered by Kāinga Ora).	<i>Noted</i>
27.	<b>Note</b> that the Treasury will provide advice on opportunities for the National Infrastructure Funding and Financing Limited (NIFFCo) to administer additional infrastructure funds in 2025, once NIFFCo's other new functions have been stood up.	<i>Noted</i>

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Fiona McCarthy  
**Manager, Land Use and  
Land Markets**  
3 / 12 / 2024

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Hon Chris Bishop  
**Minister of Housing**  
..... / ..... / .....

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Hon Nicole Willis  
**Minister of Finance**  
..... / ..... / .....



## Purpose

1. This briefing seeks decisions on how the Crown will respond to four Housing Infrastructure Fund (HIF) loans which have missed a contractually agreed milestone.

## Executive Summary

2. There are nine HIF project packages, across five councils. These project packages were selected in 2017 to bring forward housing delivery, by financing the delivery of the infrastructure that would enable it.
3. Administration of the HIF is split between the Ministry of Housing and Urban Development (HUD) and the New Zealand Transport Agency (NZTA). HUD administers a \$611.55 million facility which is lent, interest free, directly to councils, and the NZTA administers a \$388.45 million facility, which it can borrow, interest free, from the Debt Management Office (DMO). All nine HIF projects are eligible to receive HIF projects receive a loan administered by HUD - of these, five also receive NZTA funding.
4. This briefing focusses on next steps for HUD administered portion. Of the nine projects that receive a HUD administered loan, three projects are fully drawn down (Tauranga Te Maunga, Tauranga Waiari and Hamilton Peacocke) so have no next steps other than repayment of the loan as previously negotiated. Two projects are meeting contractual milestones (Tauranga Pāpāmoa East Interchange, and Kingston Quail Rise) so will continue as previously agreed unless any delays occur, or issues arise.
5. The remaining four HIF projects have missed a contractually agreed milestone by two years or more - a "Milestone Drawstop Event". The consequence of a Milestone Drawstop Event is that the Crown is no longer obligated to lend the remaining facility *unless* Ministers decide to waive the consequences.
6. These projects are:
  - Auckland Northwest – Red Hills and Whenuapai.
  - Waikato Te Kauwhata.
  - Queenstown Ladies Mile.
  - Queenstown Quail Rise.
7. Decisions are needed on next steps for these projects prior to HUD making its Budget 2025 submissions - the Minister of Housing is due to receive advice on this on 12 December. You could defer making decisions on this briefing until after regions have submitted their proposals for Regional Deals (Feb 2025), however, this would mean any savings identified would not be part of Budget 2025.
8. Decision making requirements are set out in full in paragraphs 31-44. To mitigate the risk of judicial review, Ministers need to consider and decide on each project individually.
9. The options available to Ministers for each loan are to:
  - a) **Enforce** the consequences of the Milestone Draw-Stop Event and **end** the councils' access to the remaining loan facility.



To take this action, Ministers would need conclude that the Crown is not acting “oppressively” under the Credit Contracts and Consumer Finance Act 2003.

s 9(2)(h)

[REDACTED]

or

- b) **Waive** the consequences of the Milestone Draw-Stop Event and agree for HUD to work with the council to **vary** the Facility Agreement which would enable the council to draw the loan again.

To take this action, the Minister of Finance or her delegate would need to conclude that the terms of the lending are “necessary or expedient in the public interest” (section 65ZD of the Public Finance Act).

HUD considers that you can take the view that reinstating these loans is necessary and/or expedient in the public interest to ensure that the fund can be successfully delivered and meet important public interest outcomes (i.e. increased housing supply).

10. In summary, if you wish to enforce the consequences of the Milestone Drawstop Event, you must agree that the Crown is not acting oppressively, and if you wish to waive the consequences, you must consider that the loan terms are “necessary or expedient in the public interest”. HUD Legal considers that whichever action you decide to take, the risk of legal challenge is low.
11. The HIF programme was initially approved to bring forward infrastructure to assist with delivering housing supply. While there remains a supply shortage, projects should be reconsidered against current circumstances, housing priorities and Government policy. This is particularly relevant given the Government’s focus on ensuring value for money in its investments. Officials’ analysis against these priorities are set out in paragraphs 45-63.
12. Officials also note that engagement has occurred with each Council, and each Council has confirmed that if the remaining HIF funding is not available, this would not materially impact on the delivery of the infrastructure proposed to be delivered.
13. HUD officials, on balance and having considered the reasons discussed throughout this briefing, recommend:
  - For **Auckland Northwest – Red Hills and Whenuapai**, that the Milestone Drawstop Event is **enforced** because two milestones have been missed by two years, and overall completion of the project is delayed by three years.
  - For **Waikato Te Kauwhata** - that the Milestone Drawstop Event is **enforced** because one milestone has been missed by two years, and overall completion of the project is delayed by four years.
  - For **Queenstown Ladies Mile** - that the Milestone Drawstop Event is **enforced** because one milestone has been missed by two years, and overall completion of the project is delayed by eight years; and



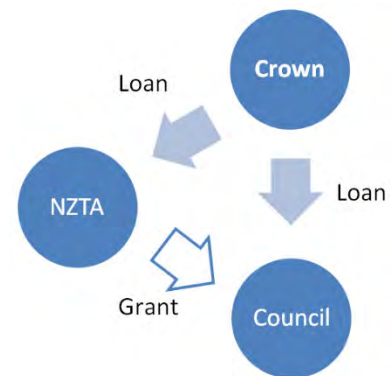
- For **Queenstown Quail Rise** - that the Milestone Drawstop Event is **enforced** because the project has been delayed (by at least two and half years) and is no longer a priority for the council.

## Background

14. The \$1 billion HIF provides 10-year interest-free loans to five high growth councils and NZTA, for nine packages of transport and/or water infrastructure projects that enable housing. The HIF was intended to bring forward infrastructure to support councils in providing infrastructure ready land under the National Policy Statement – Urban Development Capacity (NPS-UDC).
15. In July, you were provided with an overview of the Housing Infrastructure Fund (HUD2024-004995). In this, HUD signalled that the Ministers of Housing and Finance would soon be asked to decide whether to enforce or waive the consequences of a missed contractual milestone for four HUD administered Facility Agreements. This briefing seeks those decisions.

## How the HIF is arranged

16. The HIF consists of \$611.55 million of interest free loans to five councils and a \$388.45 million interest-free loan facility to NZTA.
17. HUD administers the portion of the HIF that is lent directly to councils (nine projects across five councils). Five of the projects also receive a grant from NZTA via the National Land Transport Fund., NZTA has an interest-free facility from the Debt Management Office (DMO) that allows it to access funds to co-invest alongside local councils on the transport components of five projects.
18. The Ministers of Housing and Finance are responsible for the HUD administered portion of the HIF (i.e. predominately waters infrastructure, but for some projects the local share of transport infrastructure), and the Ministers of Transport and Finance are responsible for the NZTA administered portion of the HIF (transport infrastructure only) [CAB-16-MIN-0683.01 refers].
19. The HUD-administered portion provides 10-year interest free loans to councils and is mostly used for water infrastructure, but in some agreements also finances the local share of some transport infrastructure. The loan is repaid by the councils with both fixed repayments that are set in the contract, and variable repayments that are set 10 years after each drawdown.
20. The NZTA-administered portion consists of a 10-year interest free loan facility from the Debt Management Office (DMO) to the National Land Transport Fund (NLTF) to contribute to the NZTA share of the transport aspects of five of the HIF projects. NZTA repays this loan with future NLTF revenue.
21. In addition to the loan amount, the Crown must also recognise an interest concession impact (the implied interest forgone on each loan). This is a technical non-cash expense but is required to be appropriated with associated OBEGAL impact. This concession cost is recognised at the time the loan agreement is executed and there are no further OBEGAL impacts of the scheme *unless* an amendment to the timing of a councils repayments is approved by Ministers.





## HIF projects

22. This briefing focusses on next steps for HUD administered portion. Of the nine projects that receive a HUD administered loan, three projects are fully drawn down (Tauranga Te Maunga, Tauranga Waiari and Hamilton Peacocke) so have no next steps other than repayment of the loan as previously negotiated. Two projects are meeting contractual milestones (Tauranga Pāpāmoa East Interchange, and Kingston Quail Rise) so will continue as previously agreed unless any issues arise.
23. The remaining four HIF projects have missed a contractually agreed milestone by two years or more - a “Milestone Drawstop Event”. The consequence of a Milestone Drawstop Event is that the Crown is no longer obligated to lend the remaining facility *unless* Ministers decide to waive the consequences.
24. These projects are:

### Auckland Northwest – Red Hills Whenuapai <sup>1</sup>

	HUD	NZTA	Total
Drawn	\$3m	\$0	\$3m
Remaining	\$133.3m	\$202.9m	\$336.2m
<b>Total</b>	<b>\$136.3m</b>	<b>\$202.9m</b>	<b>\$339.2m</b>

### Waikato Te Kauwhata

	HUD	NZTA	Total
Drawn	\$12.9m	-	\$12.9m
Remaining	\$25.1m	-	\$25.1
<b>Total</b>	<b>\$38m</b>	<b>-</b>	<b>\$38m</b>

### Queenstown Ladies Mile

	HUD	NZTA	Total
Drawn	\$1.8m	\$0	\$1.8m
Remaining	\$15.7m	\$6.5m	\$22.2m
<b>Total</b>	<b>\$17.5m</b>	<b>\$6.5m</b>	<b>\$24m</b>

### Queenstown Quail Rise

	HUD	NZTA	Total
Drawn	\$2.3m	\$0	\$2.3m
Remaining	\$9.3m	\$4.5m	\$13.8m
<b>Total</b>	<b>\$11.6m</b>	<b>\$4.5m</b>	<b>\$16.1m</b>

25. While the NLTF contributes funding to three of these four projects, this briefing concentrates on the HUD portion of the HIF. HUD will work with NZTA, the Ministry of Transport, and the Treasury to provide advice on the NZTA loan and the projects it funds.
26. Further detail on each of these projects is in **Annexes A-D**.

## Contractual obligations under the HIF

27. Each HUD HIF Facility Agreement includes a list of project components, and commencement and completion date milestones.
28. As an example, Table 1 below shows the Milestone Timeline in the Queenstown Ladies Mile Facility Agreement:

<sup>1</sup> While NZTA has access to a \$202.9m loan facility to enable residential development in the Northwest, the project has been rescoped and some aspects deferred, meaning NZTA will only draw on \$35.3m of the loan.



Table 1 example of contractual milestones in a HIF Facility Agreement

MATERIAL COMPONENT	COMMENCEMENT	COMPLETION
Structure Plan Establishment Report	October 2018	December 2019
Structure Plan Strategic Case	January 2020	April 2020
Structure Plan Programme Business Case and Plan Variation	May 2020	May 2021
Preliminary Design and Consenting	May 2021	May 2023
Detailed Design	May 2023	November 2023
Construction of Roothing	January 2024	May 2025
Construction of 3W	January 2024	May 2025

29. A 'Milestone Drawstop Event' is when one of the commencement or completion milestones is missed by two years. The consequence of a Milestone Drawstop Event is that the Crown is no longer obligated to provide any further drawings to that council for that project<sup>2</sup>.
30. Milestone Drawstop Events are the main enforcement right the Crown has in the HIF agreements, and in early briefings about the HIF was described as a "use it or lose it" clause.

s 9(2)(h) [REDACTED]

31. s 9(2)(h) [REDACTED]  
[REDACTED]  
[REDACTED]

s 9(2)(h) [REDACTED]

32. s 9(2)(h) [REDACTED]  
[REDACTED]  
[REDACTED]

33. s 9(2)(h) [REDACTED]  
[REDACTED]

- a. s 9(2)(h) [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

<sup>2</sup> Clause 12.1 of the HIF Facility Agreements state that "the Crown's obligations to make any further Drawing are terminated, and the Facility Limit is permanently reduced to the Outstanding Amount of any drawings that had been made up to that time".



e. s 9(2)(h) [redacted]  
[redacted]

f. s 9(2)(h) [redacted]  
[redacted]

34. s 9(2)(h) [redacted]

35. s 9(2)(h) [redacted]  
[redacted]  
[redacted]

36. Officials also note that engagement has occurred with each Council, and each Council has confirmed that if the remaining HIF funding is not available, this would not materially impact on the delivery of the infrastructure proposed to be delivered.

s 9(2)(h) [redacted]

37. s 9(2)(h) [redacted]

s 9(2)(h) [redacted]

38. s 9(2)(h) [redacted]  
[redacted]  
[redacted]  
[redacted]  
[redacted]

s 9(2)(h) [redacted]

39. All HIF projects, like most other infrastructure projects around the country, have been delayed or suffered cost escalations due to COVID-19 disruption, severe weather events, consenting



or plan change delays, supply chain challenges, and/or local resourcing issues. Some councils have experienced these impacts more acutely than others.

- 40. The HIF programme was initially approved to bring forward the delivery of infrastructure to assist with delivering housing supply.
- 41. The original loan agreements had a grace period of two years for missing milestones. Each project has missed a milestone and overall completion has been delayed by over two years, reducing its alignment with the HIF’s original purpose of bringing forward the delivery of infrastructure ready land and housing.
- 42. Table 2 compares the originally agreed delivery periods to the currently estimated delivery period.

*Table 2 comparison of original and current agreements, against actual delivery timeframes*

COUNCIL AND PROJECT	ORIGINAL AGREEMENT		CURRENT AGREEMENT		UPDATED ACTUALS		LENGTH OF DELAY
	Start	Finish	Start	Finish	Start	Finish	
Auckland Northwest	Oct-20	Jun-25	-	-	Jul-22	Jun-28	3 years
Waikato Te Kauwhata	Jan-20	Jun-26	-	-	Jan-20	Jun-30	4 years
Queenstown Ladies Mile	Oct-18	Jun-24	Oct-18	May-25	Oct-18	Jun-32	8 years
Queenstown Quail Rise	Sep-18	Jun-22	Sep-18	Jun-24	Sep-18	unknown	2.5 years +

- 43. Information on each of the projects is set out in **Annex A**.
- 44. Officials also note that each Council has confirmed that if the relevant HIF funding is not available for its project/s, it would not materially impact on the delivery of the infrastructure proposed to be delivered.

### **You may also consider how the HIF aligns to the government housing and urban development priorities**

- 45. While there remains a housing supply shortage, these projects should be reconsidered against current circumstance (i.e. the delays to the projects), housing priorities and Government policy. This is particularly relevant given the Government’s focus on ensuring value for money in its investments.

*Officials recommend targeting the Crown’s investment in housing and urban development in mixed tenure development in areas where supply is constrained*

- 46. In HUD 2024-005382 – *Role of Government Investment*, officials undertook analysis to understand the potential impact of Going for Housing Growth in each of the Tier 1 and 2 councils. This was done by comparing the price cost ratio (PCR) (which compares house prices with the costs of construction) against the level of consents compared to population (which indicates the extent that supply is currently responding to demand).





reduced financing costs flow through to lower development contributions, which means developers do not cover the full costs of growth infrastructure.

*Councils will have options for how to proceed, however, this will make development in these areas more expensive and additional financing costs could be passed on to existing ratepayers*

53. Councils have alternative ways to access the finance needed to fund these projects, including borrowing through the:

- **Local Government Funding Agency:** A HIF loan facility counts towards the total amount of debt a council can borrow under the Local Government Funding Agency's (LGFA) debt covenants. If a loan facility was removed, a council would be able to use that increased headroom to access debt through LGFA, but doing so will increase financing costs (via the added interest).

LGFA is also progressing two policies to increase its lending appetite to the local government sector:

- lending to council-guaranteed water borrowers at much higher regulated utility borrower levels (500% of revenue); and
- extending debt limits for high-growth councils from 280 per cent to 350 per cent of revenue.

- **Infrastructure Funding and Financing Act:** Councils could also consider utilising the Infrastructure Funding and Financing Act to fund and finance this infrastructure, but it would take at least 12-24 months to establish a levy.

54. Both options will result in increased financing costs for the projects. As such, councils may reconsider the scope and/or timing of infrastructure they are delivering.

55. If councils borrow from LGFA, councils would need to raise additional revenue to pay back the additional interest. s 9(2)(j)

[REDACTED]

56. If development contributions are already locked for certain developments, councils may need to increase general rates to cover the additional increase costs. If this happens, existing ratepayers would service (and therefore subsidise) some or all of the additional interest cost via general rates. Neither the exact proportion of growth vs renewal infrastructure in these areas, nor the likely increase to growth charges vs general rates is known.

*These infrastructure packages all enable growth in mutually agreed (by local and central government) as Priority Development Areas*

57. All four projects are in areas identified as Priority Development Area (PDA) in the relevant Spatial Plan and/or Future Development Strategy (FDS).<sup>3</sup> PDAs are areas where there is joint

<sup>3</sup> Future Development Strategies are required under the National Policy Statement on Urban Development 2020 (NPS-UD). As they are a key input to an FDS, spatial plans are usually developed prior to an FDS being developed.



agreement to focus effort on aligning investment and planning decisions necessary for better enabling growth.

58. All these councils' Spatial Plans were either developed in partnership with, or have been given support of, the relevant Urban Growth Partnership, which includes representatives from both local and central government.
59. Removing access to the remaining loan facility may negatively impact on relationships with the relevant councils and Urban Growth Partnership.

*Removing access to the remaining loan facility may impact on the negotiation of Regional Deals.*

60. Cabinet has agreed that the Minister of Local Government will invite all regions to submit a Regional Deal proposal [CAB-24-MIN-0421 refers].
61. There is a risk that Auckland, Waikato District and Queenstown Lakes District Council feel that a decision to remove access to their HIF loan is inconsistent with messaging they are receiving about the possible benefits that could be afforded to them under a Regional Deal.
62. Officials consider this risk can be mitigated by a strong communications approach around current reforms and reference to the Crown's focus on value for money.
63. You could defer making decisions on this briefing until after regions have submitted their proposals (Feb 2025), however, HUD does not recommend this as any savings identified could not be part of Budget 2025.

## **Impact of these decisions on the corresponding NZTA investment**

### *Arrangements*

64. The NZTA portion of the HIF funding is a 10-year interest free loan facility from the Debt Management Office (DMO) to the National Land Transport Fund (NLTF). These funds are then used to contribute towards the NZTA share for the selected projects. The loan is repaid by future NLTF revenue.
65. The HIF loans enables NZTA to borrow up to a certain amount to enable residential development in the relevant area, however, it does not mean all projects are in the current NLTP.
66. The NLTP 2024/27 invests in some (but not all) of the approved HIF transport projects:
  - **Auckland Northwest (\$202.9m HIF loan facility):** at Auckland Council's request, NLTF co-funding for transport infrastructure to enable residential development in the Northwest was reduced from \$202.9m to \$35m in October 2024. These savings are expected to be banked during the March baseline update, but do not impact on Vote Housing.
  - **Queenstown Ladies Mile (\$6.5m HIF loan facility):** of the transport projects listed in the Detailed Business Case (DBC), only the roundabout is funded through the current NLTP. The surrounding footpaths, underpass or bus shelters are not.
  - **Queenstown Quail Rise (\$4.5m HIF loan facility):** of the transport projects listed in the Detailed Business Case (DBC), no projects are funded in current NLTP.
67. The **Waikato Te Kauwhata** HIF arrangement is only for water infrastructure.



*Impact should council's access to the HUD HIF loan be removed*

- 68. Removing a council's access to the remainder of its HUD HIF loan may impact on NZTA's portion. It would be up to councils to seek alternative funding or financing arrangements for the projects no longer funded by the HUD HIF loan. Councils may not necessarily proceed on the basis of additional interest costs, or may re-scope, and therefore may not want the NZTA portion.
- 69. If a council is unable to fund the waters aspects of these projects, and/or development contributions increase, this could put at risk the feasibility and timing of some planned housing developments. The risk of this is low as HUD expects councils will be able to borrow through the LGFA (although with additional cost in the form of interest).
- 70. If the council did not have the necessary co-funding arrangements for the transport aspects of underlying project (e.g. through the LGFA or the IFF Act), NZTA would have to re-assess the project to determine whether it met the relevant criteria under the Government Policy Statement on Land Transport to be included in the NLTP.
- 71. A council might also ask for additional assistance from NZTA, such as an enhanced funding assistance rate.
- 72. Note that when assessing NLTP investment, road access for housing development outside of regionally/nationally significant housing developments is considered a low priority for NLTF funding.

*Impact should council's access to the HUD HIF loan be reinstated*

- 73. There will be no direct impact on the NZTA funding or co-funding the councils receive if the HUD portion of a councils HIF loan is reinstated.

**Risks**

s 9(2)(h)

- 74. s 9(2)(h) [Redacted]
- 75. s 9(2)(h) [Redacted]

**Relationships with councils**

- 76. Removing access to the remaining loan facility may negatively impact on relationships with the relevant council and Urban Growth Partnership.
- 77. Additionally, council may feel that a decision to remove access to their HIF loan is inconsistent with messaging they are receiving about the possible benefits that could be afforded to them under a Regional Deal.
- 78. Officials consider this risk can be mitigated by a strong communications approach around current reforms and a focus on the Crowns value for money.
- 79. Officials will draft letters for you to review and send to the Mayor and Chief Executive of each council.



## Fiscal impacts

80. When council's draw down their HIF loans from HUD, the cash payments are treated as a capital expenditure and are recyclable (because the Council will repay each drawing within 10 years of the drawdown date).
81. Accounting standards require the Crown to recognise a non-cash operating expense for the implied interest on the loans the Crown has forgone, called an interest concession. The interest concession amount is a one off OBEGAL impact that only occurs when the loan is executed, or when a loan variation amending the fixed repayment schedule is executed.
82. The forecasts provided to the Treasury as part of the 2024 October Baseline Update included the \$183.322 million of capital payments and \$9.063 million operating cost which has been retained to cover the potential interest concession impact should the loans be reinstated.

*Should you choose to waive the consequences and reinstate the loan*

83. Waiving the consequences of the Milestone Drawstop Events and reinstating the HIF loans will:
- continue the Crown's obligation to pay \$183.322 million of capital funding over the forecast period (this amount would reduce if only some loans were reinstated), which would mean HIF funds would not be available for savings or reprioritisation.
  - result in an increased interest concession impact of at least \$1.267 million operating funding, which would use up a portion of the \$9.063 million referred to in paragraph 82 above.<sup>4</sup>

Council and Project	Total loan facility	Capital drawn to date	Existing interest concession impact	Costs to reinstate	
				Remaining to be paid (CAPEX)	Est. added interest concession (OPEX)
Auckland Northwest	136.300	3.050	32.739	133.250	-
Waikato Te Kauwhata	38.000	12.930	9.328	25.070	-
Queenstown Ladies Mile	17.500	1.846	3.538	15.654	1.267
Queenstown Quail Rise	11.600	2.252	3.637	9.348	-
<b>Total</b>	<b>203.400</b>	<b>20.078</b>	<b>49.242</b>	<b>183.322</b>	<b>1.267</b>

*Should you choose to enforce the consequences and end councils' access to the remaining loan*

84. Removing access to all four of the remaining loan facilities will allow for savings and reprioritisation options, including:
- \$183.322 million of capital funding; and

<sup>4</sup> This estimated interest concession impact is for Queenstown Ladies Mile only. Based on our analysis of alternative repayment schedules, there is no additional interest concession impact estimated for Auckland Northwest or Waikato Te Kauwhata, should these loans be reinstated. No calculation has been prepared for Quail Rise due to lack of data.



- \$11.171 million of operating funding, comprising of:
  - \$9.063 million which had been set aside to account for the potential interest concession impact of future variation requests, and
  - \$2.108 million which would come from unwinding the historical interest concession, resulting in gains to the Operating Balance over the forecast period as funding would be brought forward from the out years to the 2024/25 financial year.

85. Advice on reprioritisation and savings will be provided as part of Budget 2025 bids.

## Other matters

### Moving the HIF to National Infrastructure Funding and Financing Limited

86. The Government is establishing a National Infrastructure Agency, called National Infrastructure Funding and Financing Limited (NIFFCo), on 1 December 2024. The Government has signalled that one of NIFFCo's functions will be to administer central government infrastructure funds.
87. The Treasury will provide advice on opportunities for NIFFCo to administer additional infrastructure funds in 2025, once NIFFCo's other new functions have been stood up. HUD will work with the Treasury as needed on this advice.

### Clarifying delegations

88. When HUD was established in 2018, some of MBIE's housing policy functions were transferred to HUD, however, no formal delegations were transferred over.
89. Cabinet agreed in 2016 to establish the Housing Infrastructure Fund [CAB-16-MIN-0303, CAB-16-MIN-0683.01 and EGI-16-MIN-0228 refer] and gave the Minister of Finance and Minister of Housing authority to authorise drawdowns of the Fund for the construction of water infrastructure [CAB-16-MIN-0683.01 refers].
90. The Treasury has advised that the administration of the HIF loans can be delegated from the Secretary of Treasury to HUD officials, utilising the authority in a general delegation from a prior Minister of Finance to the Secretary of Treasury to administer loans.
91. The Treasury and HUD propose that the Secretary of Treasury will delegate to the HUD Chief Executive and the Deputy Chief Executive responsible for the HIF programme to sign any amendment to an existing HIF loan and to sub delegate administrative powers to the General Manager who is responsible for the HIF programme.
92. Notwithstanding this delegation, HUD officials will seek Ministers approval in future, should a Milestone Drawstop Event occur on these or the other HIF loans (Tauranga Pāpāmoa East Interchange, and Queenstown Kingston).
93. Ministers are also asked to approve the actions taken by the Chief Executive of the Ministry of Housing and Urban Development (or delegated officials) to give effect to the loans provided to HIF Projects, while there was no formal delegation in place. This will ratify earlier actions taken.



## Ongoing monitoring and evaluation

94. Due to resourcing pressures, HUD has taken a light touch approach to monitoring the HIF. HUD's monitoring activities generally consist of checking compliance when drawdowns occur, reviewing annual reports (when received), and undertaking twice-yearly reforecasting of expected drawdowns. In depth analysis of projects is undertaken when amendment requests are received.
95. HUD is developing an internal HIF dashboard to enable active monitoring of the HIF and will work with the Treasury to finalise this.

## Consultation

96. The following entities were consulted on this paper:
  - The Treasury (TSY)
  - Department of Internal Affairs (DIA)
  - New Zealand Transport Agency (NZTA)

## Next steps

97. HUD will provide you both with draft letters to send to the relevant Mayors and Chief Executives based on decisions made.
98. Instruct your officials share this briefing with the Minister of Local Government and Minister of Transport for his awareness.
99. HUD will work with the Treasury, Ministry of Transport, and NZTA as needed on future advice about the loan facility to NZTA.
100. Should the Crown choose to remove the councils access to these loans, the \$183.4m capital funding will be available for reprioritisation. Advice will be provided on reprioritisation as part of Budget 2025.

## Annexes

**Annex A:** Project overviews

**Annex B:** Analysis of the relevant factors



## Annex A: Project overviews



s 9(2)(h)  
s 9(2)(h)



