



Aide mémoire

FUTURE OF SOCIAL HOUSING			
To Ministers	Hon Chris Bishop	Portfolio	Minister of Housing
	Hon Louise Upston	Portfolio	Minister for Social Development and Employment
Date	18/12/2024	Priority	Medium
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Purpose

1. This aide mémoire outlines choices to help inform your thinking on the future of the social housing work programme. It includes initial questions for you to consider, a draft work programme for 2025, a slide pack collating existing data, and next steps.

Background

2. This aide mémoire focuses on the key questions “what is social housing, who is it for, and what is the Government’s role?” The Ministries of Housing and Urban Development (HUD) and Social Development (MSD) are working together to develop and deliver this work programme.

We have heard from you both that there are key features of a social housing system that are important to this Government

3. Based on discussions to date you have indicated that the following are key for the social housing system:
 - Best use/most impact from funding for social housing, including clear cohorts of focus
 - People are able to access the appropriate level of housing support and service based on need (within resources available)
 - People are supported to move through a multi-tiered system where appropriate (from social to affordable or private)
 - Improved financial incentives to work
 - Data and evidence-based decisions based on a social investment approach.
4. In addition to the features you have identified, any successful system will also need to be both stable and consistent. These features will provide confidence to investors and support scalability for providers.
5. We will develop these features of the system into principles, and test these alongside a possible end state and outcomes for the social housing system in our planned February 2025 advice (detailed in Annex 1).

Key questions to consider

6. There are some foundational questions that you will need to consider and make decisions on over the course of 2025 if progressing significant changes to social housing. These questions are about how the New Zealand social housing system operates, and what changes could be made to make it work better.
7. Many of the current social housing challenges have arisen from the way the Accommodation Supplement (AS) and Income Related Rent Subsidy (IRRS) interact. It will be critical to take a system view, and consider what the relative balance of supply and demand side interventions should be to ensure more equitable outcomes and reduce complexity. This is particularly important when considering adding an affordable rental housing regime. Key questions with choices and trade-offs are described below:



What is the role of social housing?

8. The overarching question sitting behind the provision of social housing relates to how the government deploys its main housing levers for groups of vulnerable people with housing needs. The two key levers are:
 - the direct provision of accommodation (either by the state, or a third party)
 - the provision of subsidies to individuals to make their accommodation more affordable (IRRS and AS are the big ones).
9. Under current settings social housing is defined as IRRS eligible housing provided by Community Housing Providers (CHPs) and Kāinga Ora (collectively around 80,000 places). This is the traditional main cohort for whom the state provides both a physical house, and a subsidy. This subsidy is generally much greater than IRRS itself once capital costs and extra operating are included.
10. Social housing sits within a range of other government supported housing and demand side subsidies that aim to achieve overlapping or similar objectives. AS subsidises housing costs, without regard to the quality or suitability of the housing, at a much lower average costs than other interventions. Emergency housing provides emergency accommodation for those with no other options, with a significant subsidy. Transitional housing provides a bridge between emergency situations and more stable social housing tenures, also with a significant subsidy.
s 9(2)(f)(iv)
11. Taking a broader view of government support for housing invites a broader and potentially multi-tiered, conception of social housing. Systematically working through which cohorts should be eligible for what form(s) of housing support, could lead to a substantively different configuration of the current social housing system.
12. The main choice here is what social housing should look like within the context of the broader range of housing supports. It could be supplemented by new forms of support, such as social affordable rentals, or it could be reformed to encompass them. There are options to graduate the existing subsidies or use them differently – introducing a tiered system of social housing, for example.
13. Some of the key things this will raise are:
 - whether this would create additional layers of complexity and whether that is worth it
 - how far we can go in terms of tailoring levels of subsidy and support to match needs
 - the need for more active purchasing that better matches need to the physical accommodation
 - consideration of the role of AS to ensure equitable outcomes
 - potential for better pathways out of social housing through gradual transition from IRRS to private market
 - whether such an approach could provide housing that is more cost effective than the current IRRS



- whether you want social housing to be a response to people whose primary issue is affordability.

Who is social housing for?

14. Currently, social housing has a broad focus including supporting people with different levels of affordability needs and other barriers to accessing private housing. Under current settings, social housing provision is focused on addressing affordability problems as well as additional needs (e.g., interactions with the justice and health sectors). This has always been the case but does not need to be. Eligibility for social housing could be more tightly focused to those with additional barriers (other than just affordability).
15. Any move to refine the eligibility criteria will expose several consequential issues, such as:
 - how adequate the AS is as an alternative option, and what other alternatives are needed to avoid displacing costs to other parts of Government and communities
 - how well the existing social housing stock meets the needs of the newly eligible cohort, and how the active purchasing approach deals with the economic impacts
 - how larger concentrations of high needs people in social housing could impact social cohesion.
16. It will also raise practical issues, such as:
 - what happens to people who are on the Register and in social housing but no longer meet the eligibility criteria
 - how quickly you could move to a different system and what funding implications there are
 - legislative change would be required.

How long should people be able to stay in social housing?

17. Connected to your decision on what social housing supports are available, and for whom, is the question of how long these supports should be available for. Currently, people can stay in social housing for as long as they continue to be eligible. For people currently in Social Housing we estimate they will spend, on average, a further 16.7 years in Social Housing because the rate that people exit is low and has been declining since 2008. With low exit rates, and without significant ongoing investment in housing supply, there are few vacated houses for others on the Register to move into.
18. You have choices around changing tenure of social housing, i.e., limiting it to a specific period, focusing on specific cohorts such as people leaving prison or care, or designing the system so it better supports people where appropriate, to move through to other tenures, such as affordable rentals or the private market.
19. As previously advised, focusing on reducing future liability to inform your decision about tenure has limitations:
 - Reducing liability by getting people off benefits generally leads to better social outcomes (if people leave benefits for jobs). However, in housing policy, the government has a rationed stock and the Social Allocation System (SAS) works, to some extent, to maximise the liability (duration in social housing) by ensuring that the people with the greatest needs are in them.



- Focusing narrowly on liability in terms of duration spent in social housing may lead you to focus on getting tenants out of social housing quicker, however, this may understate the benefits of providing security of tenure to a household.

20. Taking a cohort approach, and considering the impact of tenure stability and security for different groups, is likely to be more effective and aligned with a social investment approach. This will require us to consider ensuring there are incentives to move through the system, including consideration of how subsidy settings impact financial incentives to work. The attached slide pack (Annex 2) provides you with insights around who is currently in social housing and on the Register which highlight some of the challenges of moving to a different system. It also provides a plan for segmentation analysis in the Integrated Data Infrastructure (IDI) to support your decision making.

How should access/prioritisation of people for social housing be managed?

21. As previously advised, the Social Allocation System (SAS) used to prioritise and assess need has the following key shortcomings:
- It is a point in time assessment and therefore the ratings do not always reflect people's current housing needs
 - It doesn't always accurately capture people's needs, for example, it may record too few bedrooms, due to not accounting for intergenerational families or the wrong priority rating due to not accounting for shared custody arrangements, or the pending return of a child
 - It has become less effective as a prioritisation tool as applicants' needs have become more complex, and the size of the Register has increased.
22. Your decisions on the first three questions will, in part, inform the design of a new assessment and prioritisation tool. There will remain choices, however, around how different needs are weighted and prioritised. As the main driver for inclusion on the Register is accessibility¹, you may also want to consider changing the subsidy levels for different groups who we know face greater barriers to accessing private accommodation (e.g., someone who is currently rated A20 attracting a higher subsidy than someone with a priority B rating).
23. There will also be decisions on who manages access and how the assessment is undertaken. Currently, once MSD has completed prioritisation, CHPs are then given lists of people to house. Under the current settings CHPs have discretion over who they choose to house, whereas Kāinga Ora does not have this flexibility. This results in some discrepancies in who is housed by providers (see slide 11 in Annex 2).
24. Other models to manage access to social housing include devolved models – i.e., where a CHP has full control over who accesses their housing, or where iwi/Māori undertake SAS assessments on their own whenua. You could consider a hybrid model – e.g., colocation of MSD and the housing provider. Devolved models can be more responsive to local needs, and generate additional buy-in from housing providers. However, they also reduce central control of the gateway into social housing, create risks of inconsistent assessment and gaming, which would be complex to set up and potentially come with a financial cost.

¹ Accessibility in the SAS criteria assesses how difficult it is to access and afford suitable and adequate housing due to discrimination, lack of financial means to move, and the availability of alternative, affordable suitable private rental.



25. There will also need to be consideration of how any significant changes to the current SAS model is sequenced with MSD's Te Pae Tawhiti Transformation Programme.

Officials can build on previous thinking about cohort segmentation, and broader insights to underpin this work

26. Segmentation is about identifying distinct characteristics of people and grouping them. An initial segmentation for social housing was developed in 2016 to underpin the first social housing valuation, and subsequently expanded (see Annex 2). This work did not progress beyond 2016. The work was less about determining who social housing should be for, and more about providing an enduring evidence base to understand how the social housing system was performing for different people over time, and where to target investments.
27. As outlined in Annex 2, MSD will consider options to update this segmentation work based on updated IDI analysis of the characteristics of people as they move through the social housing system. We will undertake this analysis with a more specific focus on the key policy questions outlined above (i.e., ensuring the system focusses on the right cohorts at the right time).
28. Annex 3 provides a summary of existing evidence around the benefits of our current model of social housing and about who most benefits, including the broader wellbeing benefits.

Connections to other work

This work on the future of social housing is connected to other workstreams

29. We will consider the connections to these workstreams as this work is developed:
- Officials have provided initial advice for Budget 2025 on options for savings across the AS and IRRS.²
 - The Minister for Social Development and Employment's Making Work Pay programme given the impact of high housing costs on financial incentives to work.
 - In early December HUD advised the Minister of Housing on a new flexible fund, with options for funding to be directed towards both social housing and affordable rentals.
 - Work is progressing on short-term options to improve Community Housing Providers' access to finance. HUD is also working with Treasury on credit enhancement options.

The relationship to the role of other housing and supports which assist people to access and maintain housing is important

30. The role of social housing will have impacts for other forms of housing and housing support, including emergency housing and transitional housing and the role they play in the system.

s 9(2)(f)(iv)

Programmes include Housing First, Rapid Rehousing, and Sustaining Tenancies, with people housed and/or receiving support through these programmes living in social

² You have indicated that you would like to consider two options for AS, increasing the AS entry threshold for updating the AS boundaries and introducing a mechanism for regular updates – approximately \$22.76 million in new homeowners from 30 percent to 40 percent – approximately \$46.38 million in savings over the forecast period; and funding over the forecast period. You have agreed that that it is premature to consider IRRS savings for this Budget, without first having made decisions on the future direction for social housing and affordable rentals.



housing (as well as in private rentals). Annex 1 captures the interdependency of this wider work with the social housing work programme.

Next steps

31. The table below summarises indicative key activities, milestones, and timelines for our proposed future of social housing work programme. Annex 1 details the full work programme, including related work streams, along with key dependencies.
32. We propose to brief you by late February 2025, seeking agreement to the initial direction of the work programme, including principles, end state, outcomes and engagement. In addition we would formalise the work programme with you, including key milestones for 2025. You may choose to update your colleagues, as part of the March Cabinet paper (see Annex 1) about your future of social housing work programme.
33. We are proposing a series of three policy briefings canvassing the key questions we have summarised above at paragraphs 8-25. We suggest you seek Cabinet endorsement in July on a more detailed direction and work programme and any potential public engagement. Following this Cabinet endorsement the third policy briefing will begin to unpick design of subsidies and how this supports your new proposed role for social housing. In November 2025 we propose a further Cabinet report back, seeking any Budget 2026 decisions.
34. Once you have made decisions around the level of change you want to see in the system (April – August briefings) and what that means in terms of regulatory and funding system changes, it will be possible to more accurately detail a timeline from the end of 2025 onwards.

Table 1: Summarised indicative timeline of key activities in 2025

ACTIVITIES	Q1 JAN - MAR	Q2 APR - JUN	Q3 JUL - SEP	Q4 OCT - DEC
Advice agreeing principles, level of ambition and the work programme, inc., key milestones and engagement	 Report back: by end of February	 Further work based on Ministers' decisions		 Report back: November Cabinet paper
Report back one: Who is social housing for and what is government's role?	 Research and analysis, policy development	 Report back one: April	 Report back: July Cabinet paper	
Report back two: how should we assess and prioritise people for social housing?	 Research and analysis, policy development	 Report back two: June		
Report back three: how do you increase mobility through the social housing system?	 Research and analysis, policy development		 Report back three: August	



Annexes

Annex 1: Future of social housing indicative work programme.

Annex 2: Slide pack collating existing evidence on the needs of people on the Register, in social housing and in private rentals, accessing AS.

Annex 3: Existing evidence around the benefits of our current model of social housing and who benefits most.

Annex 1: Future of social housing indicative work programme

WORKSTREAM	Q1 JAN – MAR 2025	Q2 APR – JUN 2025	Q3 JUL – SEP 2025	Q4 OCT – DEC 2025	2026 ONWARDS
Who is social housing for and what is government's role	Feb – briefing to Ministers agreeing principles, level of ambition and formalising the work programme, inc. key milestones and engagement	Apr onwards - a series of briefings detailing options – starting with briefing one: purpose and role of social housing, and who is it for Note on the below: The focus was on moving from many funding pots to one pot, and Māori Housing was where the money was currently allocated.	Jun – briefing two: how should we assess and prioritise people for social housing (i.e., SAS) Jul – Cabinet endorsement more detailed direction and work programme for new social housing system, and decision on engagement Aug – briefing three: how do you increase mobility through the social housing system, including initial consideration of subsidy redesign	Nov – potential Cabinet report back, with any Budget 2026 related decisions Dec – Any decisions for Budget 26	- Potential public engagement on new social housing system - Design of new housing subsidies and any funding or regulatory changes - Implementing new social housing system
Budget 25	Mar – Cabinet paper seeking agreement on role of government in the housing system, value for money change and an opportunity to update Cabinet on your future of social housing work programme	Apr – delivering affordable rentals (AR) phase 1 - managing transition from a focus on Māori housing to a flexible fund and using available capital funding for grants to progress AR alongside delivery of the 1500 social homes funded in B24 May – Budget announcements	s 9(2)(f)(iv)	Oct – considering mitigations for 2028-2030 IRRS cost pressures	AS boundary change and homeowners change implemented mid to late 2026
Delivering Budget 24	Jan onwards – delivering 1,500 B24 social housing places and embedding the strategic partnerships Jan – advice to Cabinet on policy decisions required to implement the B24 boarders' contributions initiative	Apr – draft Bill to implement the boarders' contribution initiative to LEG May – Bill to implement the boarders' contribution initiative goes through Budget night legislation	Mid-2025 onwards – MSD begins gathering information necessary to implement the boarders' contribution initiative		Boarders' contribution initiative goes live 2 March 2026
CHP funding and financing	Mar – Treasury-led advice on options to better support long-term debt finance & increase non-CHP equity investment Feb/Mar – HUD-led advice on government's contracting approach, exploring regular reviews of contracts & increased use of leasing	June – Treasury-led report back to Cabinet on credit enhancement tools	Jul – Treasury-led implementation of pilots, subject to fiscal constraints begins Sept (approx) – HUD-led implementation of contracting & settings changes		
Expansion of social housing tenancy reviews	Feb/Mar – Cabinet paper				
Data and Insights workstream	Feb-Mar – HUD Social Housing Research Summary complete Mar – feeding into Feb briefing to Ministers laying out data workstreams for 2025 Mar – Social housing insights completed in March to underpin April and June policy reports	April onwards – further social housing data analysis as required to support policy work			WAI2750 – the Waitangi Tribunal inquiry into housing policy and services will include Whānau Kāinga – Social housing and the provision of 'public housing' by central and/or local government.

Key interdependency

WORK PROGRAMME	Q1 JAN – MAR 2025	Q2 APR – JUN 2025	Q3 JUL – SEP 2025	Q4 OCT – DEC 2025	2026 ONWARDS
System model: Role of EH, TH, & community group housing; s 9(2)(f)(iv)	s 9(2)(f)(iv)	Apr onwards – agency and sector engagement alongside options development	Q3 – options analysis	Oct – advice to Ministers on system model s 9(2)(f)(iv) Dec – decisions for Budget 26	- Cabinet decisions on system model s 9(2)(f)(iv) - Transition of current programmes to new settings



Annex 2: Slide pack collating existing and proposed analysis on the needs of people on the Register, in Social Housing and accessing Accommodation Supplement



Annex 2: Existing and proposed analysis on the needs of people on the Register, in Social Housing and accessing Accommodation Supplement



We will use existing and new insights to underpin the key policy questions:

1. What is the role of social housing?
2. Who is social housing for?
3. How long should people be able to stay in social housing?
4. How should access/prioritisation of people for social housing be managed?

The following slides provides further detail on what analysis we will undertake to help answer these questions, and what insights are already available.

Depending on the questions you ask and your thinking, we will refine the scope of the analysis.

To understand how the current social housing system works for different groups, we will use the IDI to look at:



People who receive AS support, but are not on the Register

People who enter the Social Housing Register and how this changes while on the Register

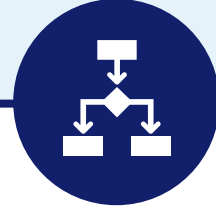
To inform work on who housing supports are for – cohort segmentation



When they enter Social Housing

And over time with duration in Social Housing

To inform work on how to assess/prioritise and tenure/duration



When they exit Social Housing

To inform work on transitions through social housing system



Which groups are more likely to sustainably exit Social Housing

To inform work on who social housing is for, and what is required for sustainable exits

Characteristics will include demographic, employment, education, justice interactions, etc.

We will also look at how material hardship rates change with duration in Social Housing. A household is defined as being in material hardship if it lacks six or more of 17 items on the DEP-17 index (the list of 17 deprivation items).

This will help inform thinking on the future role of social housing

Summary of past analysis

The following summarises some past insights to help inform your thinking.

- › Client segmentation analysis can help to improve our understanding of how the current system is working
- › The gap between what social housing clients pay and the equivalent market rents is large and projected to grow
- › Social Housing, on average, costs more than Accommodation Supplement
- › There is an increasing number of people on the Register requiring 1 bedroom
- › People entering the Register have higher needs than people in Social Housing
- › The main driver for inclusion on the Social Housing Register is Accessibility – inability to access and afford suitable and adequate housing due to discrimination, lack of financial means to move, and the availability of alternative, affordable suitable private rental.
- › Higher priority households on the register aren't always housed first
- › People in Emergency and Social Housing Register have the highest needs compared to those in Social Housing, on AS, and the rest of the population.
- › Nearly half of all children living social housing experience material hardship
- › There are more people in Social Housing than Accommodation Supplement who may have limited ability to increase their incomes
- › Social Housing tenants on a main benefit, on average, have higher after housing incomes than Accommodation Supplement main benefit clients
- › Estimated future housing support payments differ by cohort
- › The rate that people exit Social Housing has generally declined
- › 30% of social housing tenants have been in Social Housing for over 10 years
- › People are spending, on average, longer in Social Housing
- › Tenants with IRRS less than \$150 per week tend to have fewer barriers that may prevent them from exiting Social Housing to the private market

This analysis is described in more detail in the subsequent slides.

Client segmentation analysis can help to improve our understanding of how the current system is working

An initial segmentation approach for social housing was first developed in 2016.

This segmentation approach focused on the following main segments:

- › On the Social Housing Register
- › In social housing with working age primary applicant (broken down by beneficiary/non-beneficiary and children and no children)
- › In social housing with primary applicant on NZS
- › Recent exits from social housing register
- › Recent exits from social housing (split by sustainably housed and unknown/evicted/prison)

It also provided other cohort analysis, including children (with and without OT event/notification), corrections history, health condition, region and exit reason.

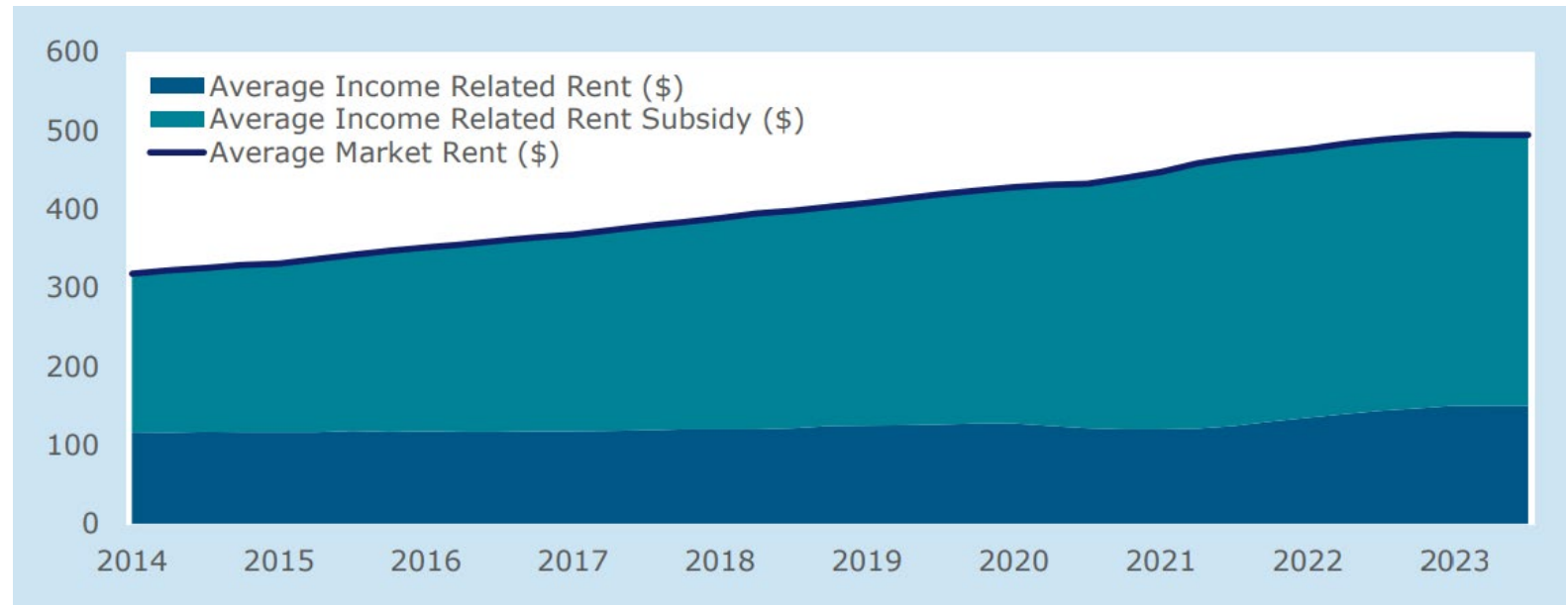
The approach was to segment households by circumstances first, then calculate the distance to average social housing market rent for each segment.

MSD will consider options to update this work based on IDI analysis of the characteristics of people as they move through the social housing system. This will improve our understanding of how the current system is working and where there are opportunities to make improvements.

The gap between what social housing clients pay and the equivalent market rents is large and projected to grow

Average weekly market rent for social housing has steadily been increasing, from \$325 in September 2014 to \$494 in September 2023. However, average Income Related Rent paid by tenants has been relatively stable over this period. As a result, the proportion of market rent paid by the IRRS has increased significantly from 64.1 percent in September 2014 (\$209) to a peak of 73.5 percent in June 2021 (\$337). From June 2021 to September 2023 the proportion closed slightly to 69.7 percent, as a tight labour market meant that incomes grew faster than rents, but the gap was higher at \$344 per week.

As the gap between the market rent for a house and a social housing client's IRR grows, the cost of a private rental becomes increasingly unaffordable for the social housing client. This makes it less likely that clients can afford to exit social housing to the private market. However, the gap will differ by household, location, etc.



Social Housing, on average, costs more than Accommodation Supplement

The difference in housing costs between someone in social housing compared to someone receiving the AS can be large and can create a disincentive to move from a Social House. This size of this difference will depend on household, work status and location.

Currently, there are about 80,000 occupied Social Houses with annual IRRS of \$20,228 per household to housing providers (excluding the cost of capital and operating add-ons).

Accommodation Supplement (AS) is paid to about 370,000 households with an average annual subsidy of \$5,720 paid to individual AS recipients. The average subsidy per household will be higher as there can be multiple AS recipients in a household.

We will look to undertake further affordability and work incentives analysis to help deepen our understanding of people in Social Housing and those in the private market receiving different housing support.

There is an increasing number of people on the Register requiring 1 bedroom

There is a mismatch between the needs of households on the Housing Register (50.6 percent require a one-bedroom dwelling) and properties managed. However, those in social housing may now have lower needs as Social Housing helps address the underlying drivers of housing insecurity.

Kāinga Ora and CHPs (11.9 percent and 36.4 percent, respectively, are one-bedroom). This in part has been driven by a deliberate focus on housing households with children.

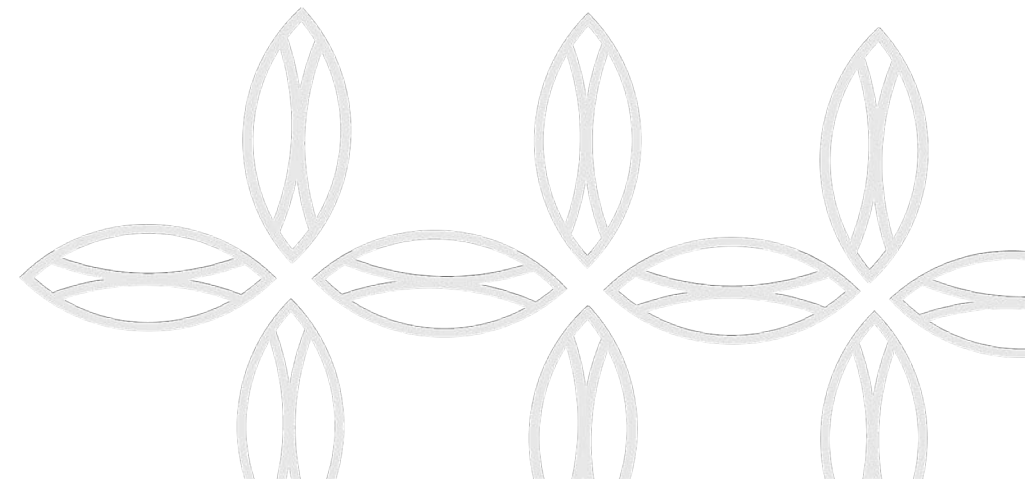
This makes it challenging to place people on the register into houses, and has contributed to growth in the number of people on the Register.

This compares the current stock of Social Houses with those on the register. A better comparison will be recently added houses and planned houses. We will look at adding this analysis. This can also look at other size requirements.

This may suggest different thinking is needed on the configuration of future Social Housing stock, and other ways to meet the needs of people on the Register.

Note: Analysis included in the April 2025 advice (see slides four and five of the appendix titled "What do we know about people receiving social housing supports?") shows that:

- a higher proportion of people in social housing experience material hardship than those receiving the Accommodation Supplement. However, a higher proportion of people on the Register and receiving the AS experience material hardship than those either receiving AS, comparable to the rate for people in social housing.
- people on the Register are more likely to experience other negative factors, such as acute hospitalisation, police proceedings, and mental health and addiction services.
- a lower proportion of tenants who have been in Social Housing for longer (10+ years) experience Material Hardship compared with tenants who have been in Social Housing for shorter periods of time.



People entering the Register have higher needs than people in Social Housing

People on the Social Housing Register have higher and potentially more complex needs than people in Social housing, and they're getting more complex over time. New applications to the Register have higher needs than the current Register population and those exiting (based on 2019 analysis).

Indicators of need include low income, lower levels of education, accessing mental health support and long-term benefit receipt.

Possible reasons why people on the register may now have more complex needs:

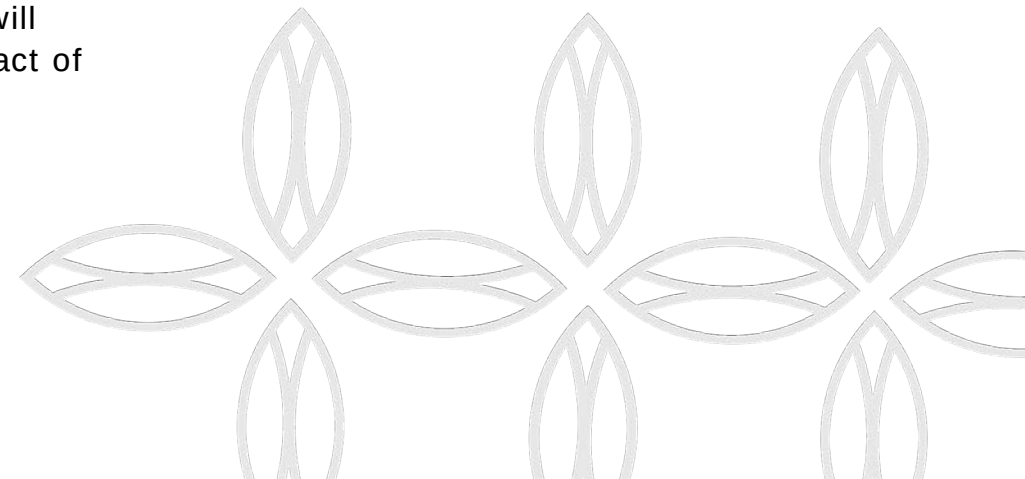
- › a growing number of people with complex needs not in social housing
- › people with lower needs may not be entering the Register as it is less likely they will be housed

Those in social housing may have lower needs than those on the Register as Social Housing helps address the underlying drivers of housing insecurity.

The future analysis signaled earlier will provide further insights into the impact of social housing on people's needs.

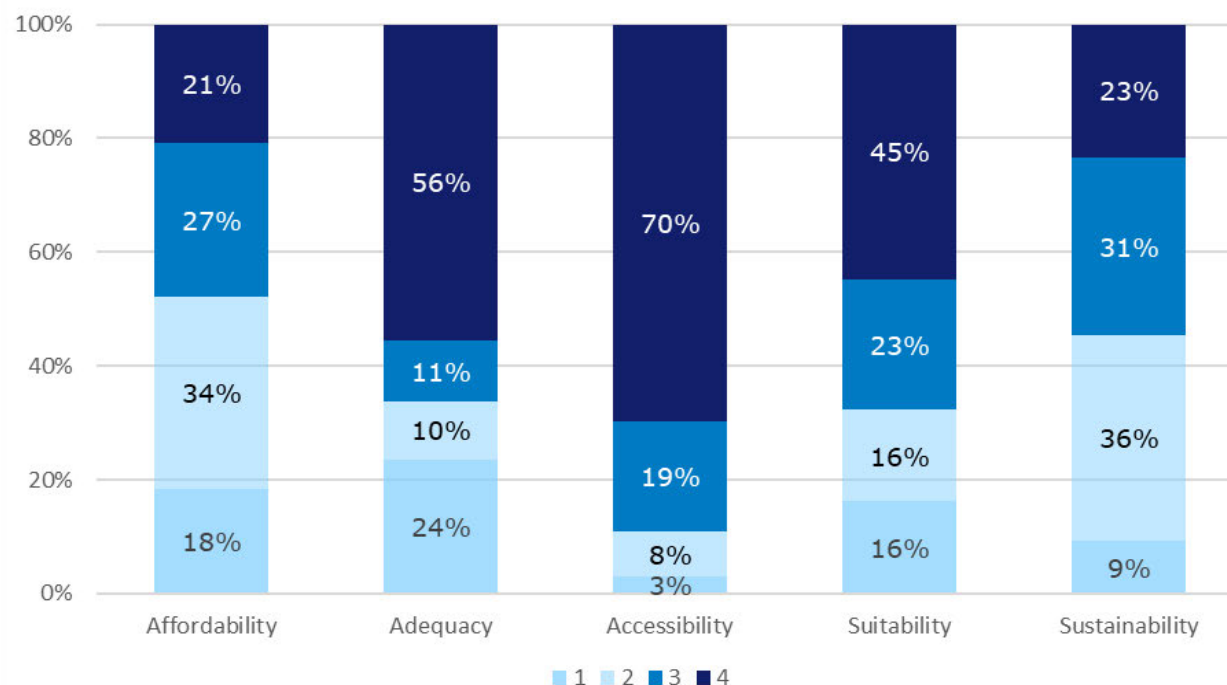
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The main driver for inclusion on the Social Housing Register is Accessibility.

Public Housing Register by criteria scores
as at 30 June 2023



- The data shows the main driver for inclusion on the SH Register is Accessibility with 70% having the highest rating.
- Affordability and Sustainability appear to be the lowest drivers for inclusion on the SH Register.

Note: On the Register, affordability is represented across multiple domains in SAS

Criteria for the Social Allocation System (SAS)

Adequacy of current accommodation - How safe/secure is your current place?

Suitability of current house to meet the household's needs - How badly do you need to move?

Affordability of housing in the private market - Can you afford private rental?

Accessibility of other housing options - How difficult is it to access and afford suitable and adequate housing due to discrimination, lack of financial means to move, and the availability of alternative, affordable suitable private rental?

Sustainability – ability to sustain non-social housing - Could you keep a private rental?

Rating	How it applies
1	This is the lowest priority rating for a SAS assessment.
2	This is the second lowest priority rating for a SAS assessment
3	This combined with any other ratings higher than 1 results in a Priority B rating on the SH Register.
4	The highest priority rating. This combined with any other ratings higher than 1 results in a Priority A rating on the SH Register.

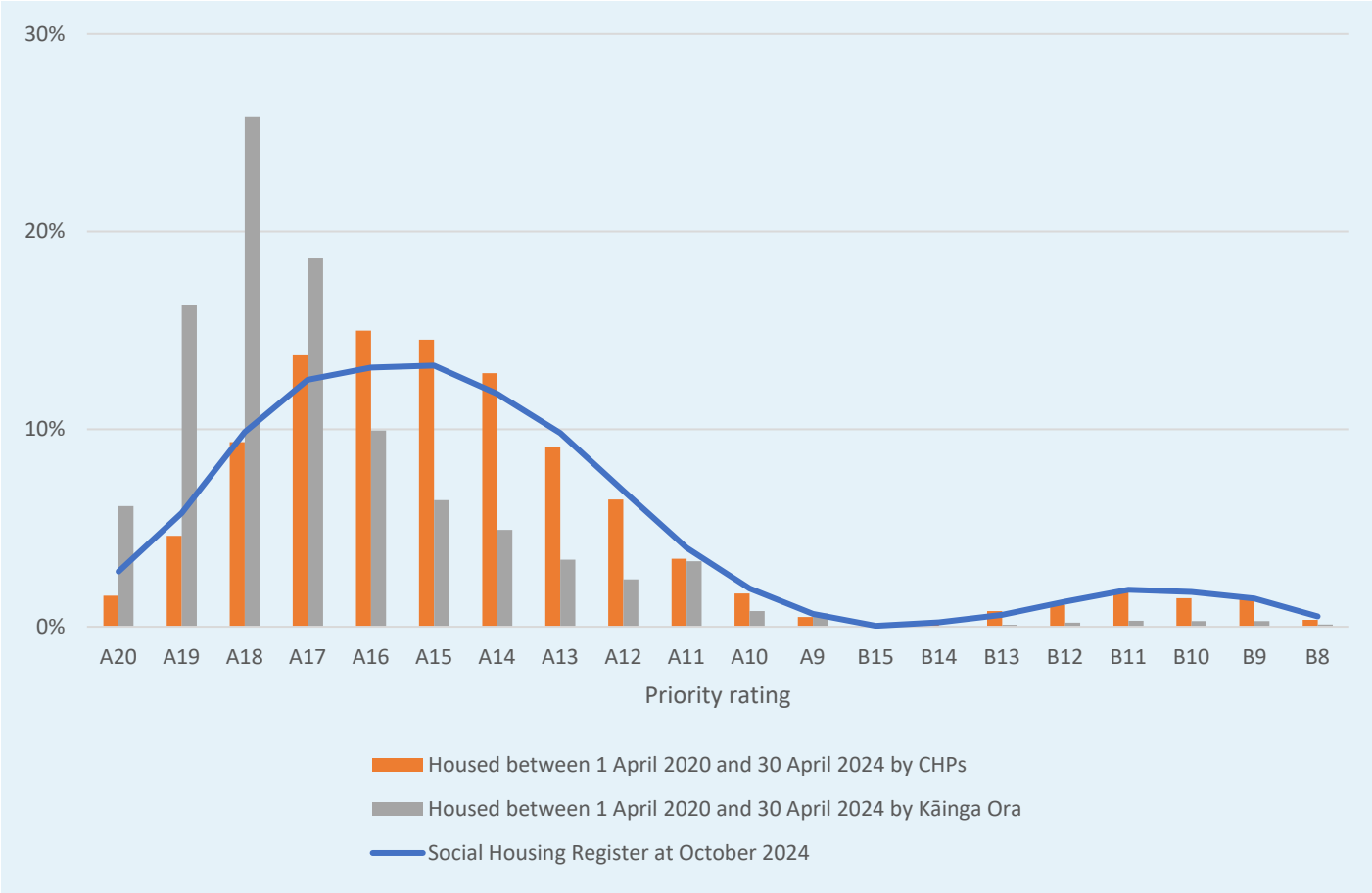
Higher priority households on the register aren't always housed first

Operational guidelines allow CHPs to exercise more discretion in who they house relative to Kāinga Ora, with CHPs tending to house households with lower priority ratings. This is partly because some CHPs provide support services for their specific cohorts (such as the elderly, or people with addiction issues) as well as matching households with suitable housing as it becomes available.

However, the distribution of priority ratings housed by CHPs is close to the distribution of priority ratings on the Register.

There may be opportunities to house more higher priority households. Part of the future policy analysis will look at how to segment and prioritise cohorts differently.

Priority ratings of households housed in Social Housing from 1 April 2020 to 30 April 2023 compared to those on the Register at October 2024



People in Emergency and Social Housing Register, on average, have the highest needs

The table compares the characteristics of people in Emergency housing, on the Social Housing Register, in Social Housing or receiving Accommodation Supplement (AS).

Those in emergency housing or the Register have, on average, the highest needs. Needs are still higher for all 4 groups compared to NZ overall.

This compares the groups at a point in time. We intend to analyse how characteristics (indicators of need) change by duration in each group. For example, this will help better understand how needs change the longer someone is in Social Housing.

Proportion with these characteristics	Emergency Housing	Social Housing Register	Social Housing	AS	All of NZ
No earned income in prior 12 months (Mar-24 qtr)	65%	65%	57%	52%	36%
Acute hospitalisation (Jun-23 qtr)	28%	21%	16%	14%	9%
Received mental health and addiction services (Jun-21 qtr)	32%	23%	11%	13%	4%
Had police proceeding (Dec-23 qtr)	22%	12%	5%	6%	2%
Had theft offence (Dec-23 qtr)	3%	2%	0%	1%	0%
Had any offence excluding driving (Dec-23 qtr)	17%	10%	4%	5%	1%
In prison (Sep-23 qtr)	6%	4%	1%	2%	0%
Received main benefit (Mar-24 qtr)	95%	76%	51%	69%	12%
Social Housing entry (Mar-24 qtr)	11%	6%	9%	0%	0%
Entered Social Housing Register (Mar-24 qtr)	59%	52%	7%	3%	1%

Nearly half of all children living social housing experience material hardship

Nearly half of all SH tenancies have dependent children, and 47 percent of children in social housing are estimated to experience material hardship.

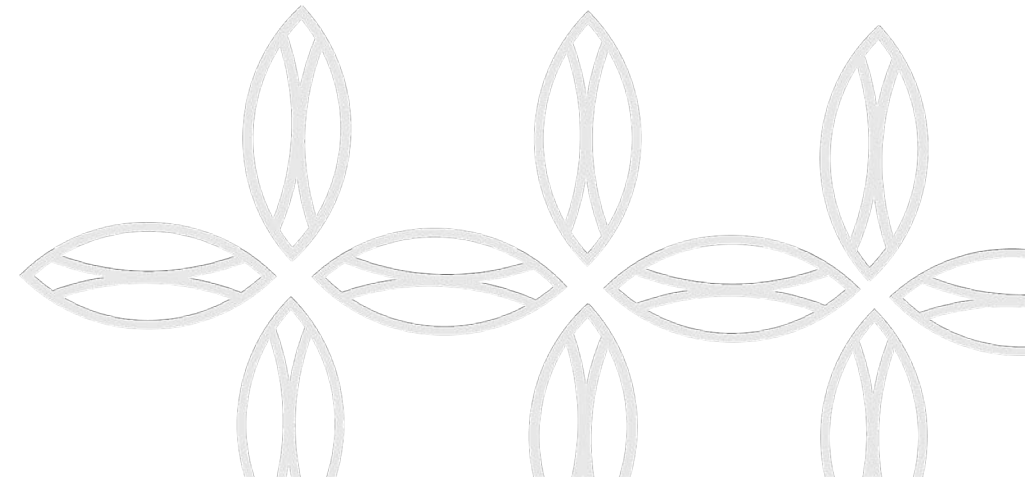
This compares to the overall material hardship rate of 12.5 percent for all children.

This is despite the fact that children in social housing are in households that (by definition) have adequate after housing cost incomes.

This points to non-income factors (e.g. disability or other severe and complex needs) that may contribute to their higher risk of material hardship. This is likely to mean that this group is less able to manage the impacts of increasing housing costs, and suggests we should consider the supports available to those in social housing.

Source for MSD analysis:

www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/child-poverty-in-nz/child-poverty-report-2024.pdf



There are more people in Social Housing than Accommodation Supplement who may have limited ability to increase their incomes

Benefit status	Social Housing Register	Social Housing	Accommodation Supplement
Jobseeker Support	36%	24%	41%
Sole Parent Support	23%	17%	14%
Supported Living Payment	21%	19%	14%
Main Benefit recipients	80 %	60 %	69 %
Other Non-Main benefit	5%	1%	0%
New Zealand Superannuation or Veteran's Pension	12%	23%	13%
Non-Beneficiary	3%	15%	18%

A higher proportion of people on the Social Housing Register are on a main benefit compared to Social Housing tenants and those receiving AS (80% vs 60% and 69% respectively).

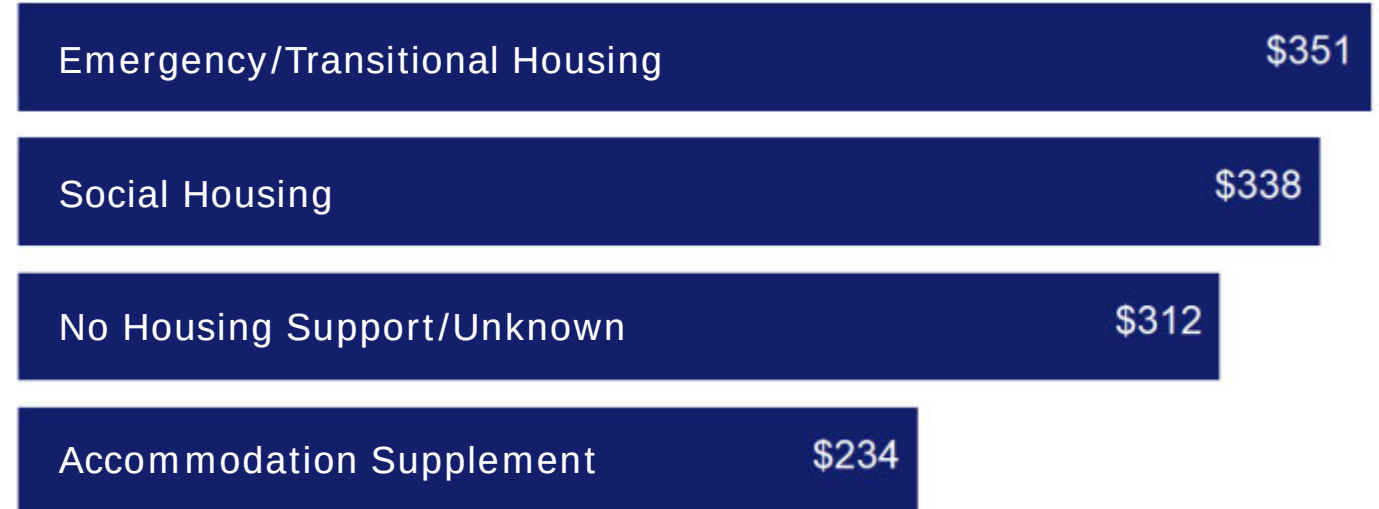
A higher proportion of people on the Social Housing Register and in Social Housing are Supported Living Payment recipients compared to those receiving an Accommodation Supplement (21% and 19% vs 14% in AS). This implies that health conditions might limit the ability of some people on the Register and some social housing tenants to increase their incomes.

A higher proportion of people in Social Housing are supported by New Zealand Superannuation.

Social Housing tenants on a main benefit, on average, have higher after housing incomes than Accommodation Supplement main benefit clients

Average equivalised incomes after housing costs for Accommodation Supplement benefit recipients are \$234 per week are lower than Social Housing benefit recipients at \$338 per week (*Total Incomes Report, MSD, 2024*).

**Average equivalised total income (after housing costs)
varies by housing support type**



Estimated future housing support payments differ by cohort

MSD estimates how long New Zealand adults (aged 16+) with different characteristics will access government housing supports, and the cost of these future lifetime payments ('valuation of the liability'). We can segment the population to understand how characteristics and needs differ for each group, and how they change over time. AS has a higher estimate than SH tenants as there are many more people receiving AS.

Government housing support payments include Income Related Rent Subsidy (IRRS), Accommodation Supplement (AS), Temporary Additional Support (TAS), and Emergency Housing (EH) payments. They do not include expenses to administer these payments. IRRS does not include capital expenditure.

Estimated total and average present value of future government housing payments

	Estimates at 30 September 2023	On the Social Housing Register	Currently in Social Housing	Receiving Accommodation Supplement
Present value of future government housing payments	IRRS	\$2.0b	\$18.7b	\$5.7b
	AS	\$1.3b	\$2.1b	\$18.6b
	TAS	\$0.4b	\$0.7b	\$5.1b
	EH	\$0.6b	\$0.6b	\$1.6b
	Total	\$4.3b	\$22.1b	\$31.0b
Average present value of future government housing payments per person	IRRS	\$67,000	\$139,000	\$14,000
	AS	\$42,000	\$16,000	\$46,000
	TAS	\$14,000	\$5,000	\$13,000
	EH	\$19,000	\$5,000	\$4,000
	Total	\$141,000	\$165,000	\$77,000
Average future years in Social Housing	IRRS	8.5	16.7	2.3

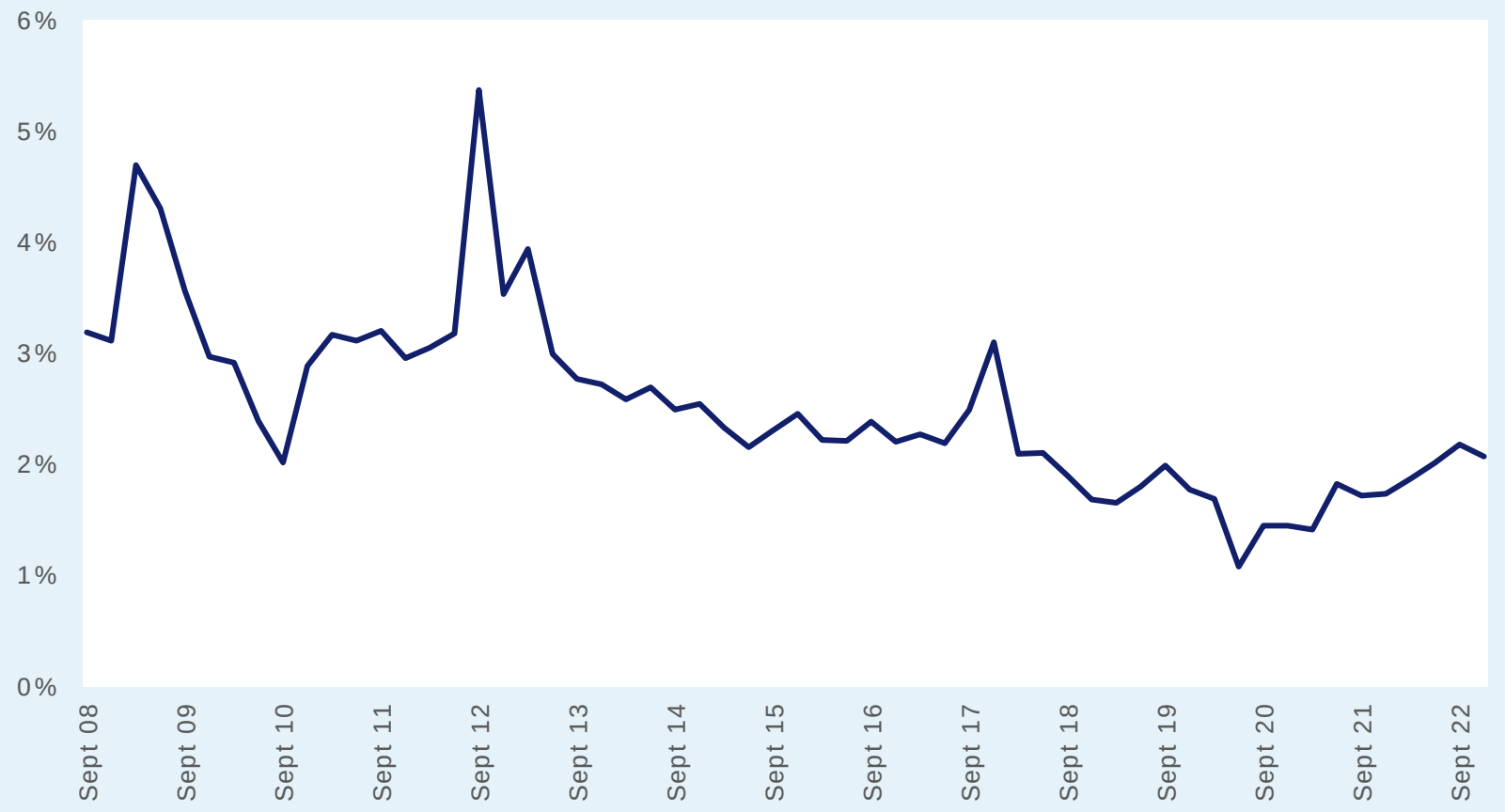
The rate that people exit Social Housing has generally declined

The long-term decreasing affordability of market rents has made it harder for people to exit social housing into the private housing market. This has resulted in Social Housing exit rates declining over time. COVID-19 reduced exits further and they have been slowly increasing since then.

In addition, changes in the tenancy review policy can change the social housing exit rate.

If existing tenancies take longer to be vacated, and the social housing supply does not increase quickly enough to counter this, then those on the Register will spend more time waiting, and a lower proportion will enter social housing each quarter.

Quarterly Social Housing exit rates have decreased significantly, in general, since at least 2008 – although they have increased slightly since 2020



30 % of social housing tenants have been in Social Housing for over 10 years

The number of primary tenants receiving IRRS by tenancy duration at 31 August 2024

Tenancy duration	August 2024
< 3 months	4,107
> 3-6 months	3,489
> 6-12 months	5,988
> 1-2 years	8,826
> 2-4 years	12,177
> 4-6 years	9,228
> 6-8 years	7,317
> 8-10 years	5,043
Over 10 years	23,556
Unspecified	3
Total	79,734

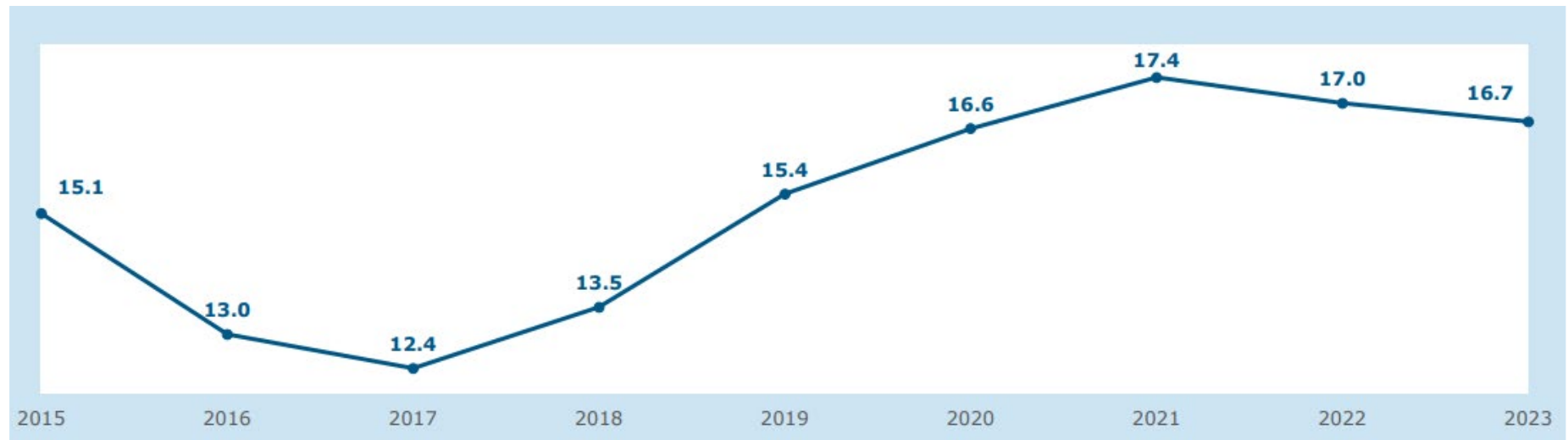
People are spending, on average, longer in Social Housing

Estimated average future years in social housing, for people in social housing, decreased from 15.1 years in 2015, when estimates began, to 12.4 years in 2017.

Estimates of average future years in social housing started increasing from 2018, growing to 17.4 years by 2021, largely driven by the generosity of IRRS compared to AS which provides a disincentive for tenants to exit social housing into the private housing market.

A 2023 review found that fewer tenants were leaving social houses, due to Sustaining Tenancies, tenancy review policies, and tenants' needs becoming increasingly complex and unsuited to private rentals.

For people in social housing, estimated average future years in social housing has decreased since 2021, but is still significantly higher than estimates from 2015 to 2019



Changes to tenancy reviews have impacted exit rates and therefore estimates of future time in social housing.

Tenancy reviews were expanded to more social housing clients in 2014 and the scope broadened in April 2016, contributing to decreases in estimated average future years in social housing between 2015 and 2017. In March 2018, the Government paused periodic tenancy reviews of social housing tenants for vulnerable groups, including people aged 65 or over, families with dependent children, and people with disabilities, to conduct a review of exemption criteria. The pause was extended in March 2020, in response to the COVID-19 lockdowns, to avoid creating uncertainty for tenants. These changes contributed to a decrease in exit rates and consequently an increase in estimates of average future years in social housing over this period. Reviews restarted on 25 March 2024.

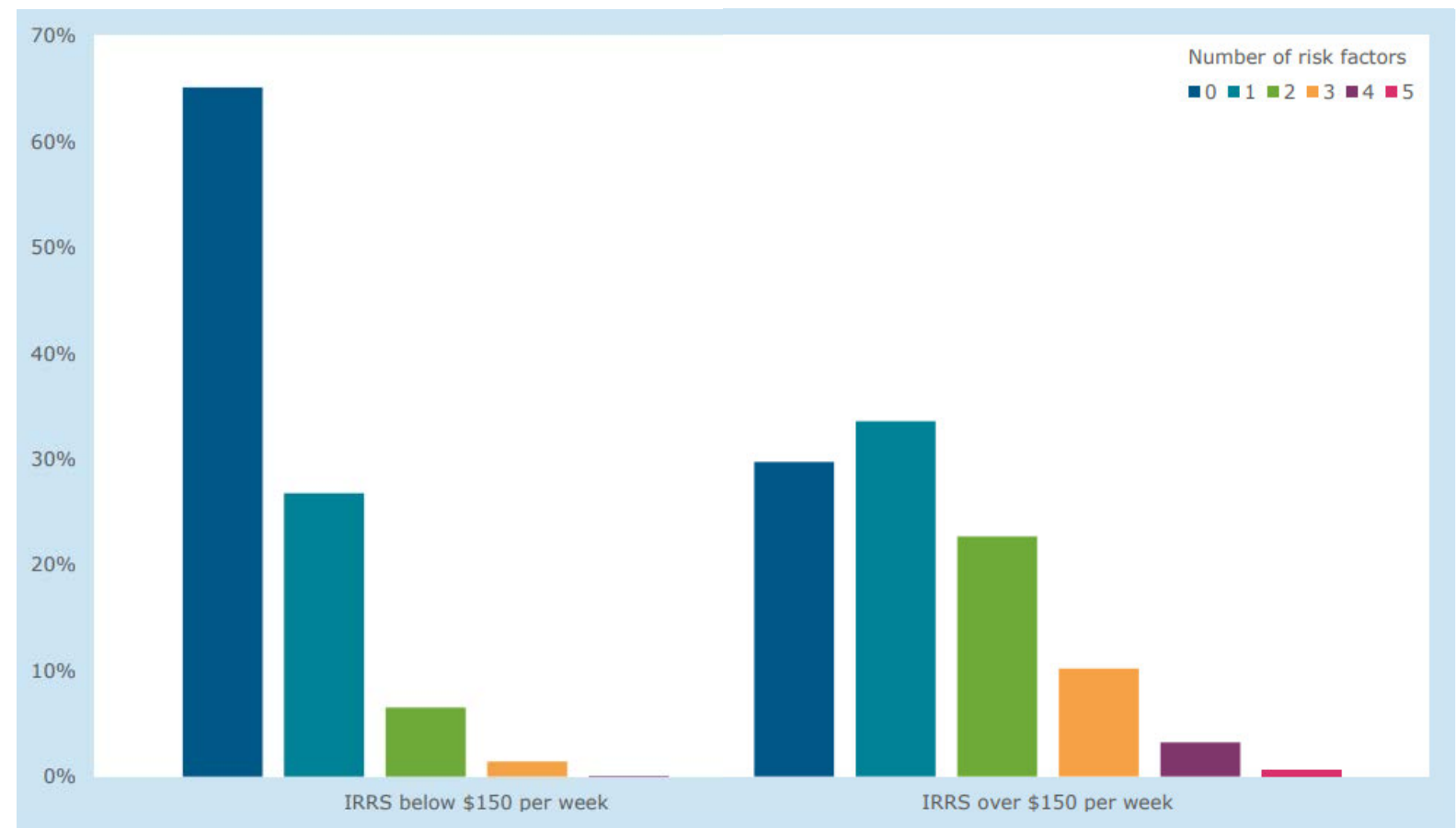
Tenants with IRRS less than \$150 per week tend to have fewer barriers

People with IRRS less than \$150 per week (7% of tenants), from an income perspective, are a group that appears to be closer to being able to afford a private rental, however, they may face other housing barriers (e.g. lack of suitable housing).

This group tends to have fewer 'risk factors' than those with IRRS above \$150 per week. This group is roughly split evenly between households with a child/children, and those without children.

Supporting these clients to overcome their housing barriers (such as accessibility, improved employment income, etc.) may increase the likelihood that they can afford to move into the private housing market, freeing up Social Housing for other households on the Housing Register.

Individuals aged 16+ living in social housing with lower levels of received IRRS tend to have fewer risk factors





Annex 3: Existing evidence around the benefits of our current model of social housing and who benefits most

1. HUD has completed an initial scan of existing evidence showing that our current model of social housing provides broad benefits to tenants including affordability, security of tenure, and tenancy management. The cohorts who currently benefit the most are older-aged people, people with high and complex needs, people with a disability, and families with children. Evidence around the benefits of social housing shows that:
 - the quality of social housing is higher than in the private market³ as social housing is less likely to be mouldy and overcrowded⁴
 - social housing provides relative security of tenure which can enable a stronger sense of place and connection to community⁵.
 - stable tenure can also lead to positive educational outcomes for children with larger effects over time as well as reductions in family violence⁶
 - on average, people with stable housing (i.e., living there for at least 10 years) spent less time receiving other government support (e.g., welfare benefits) than groups of people who transit in and out of social housing⁷
 - for people with a disability or ongoing health issues, being placed in social housing enables them to modify their home to be more accessible⁸
 - for older people, there is an increased sense of being able to manage and afford rent payments (particularly those on a fixed income)⁹
 - tenancy management in social housing, such as being treated with respect and empathy, and having a support person has a positive impact on people's wellbeing¹⁰
2. As part of the 2025 work programme we will undertake further analysis of the evidence around social housing and its broader benefits, as well as looking at the impact of our social housing model on supply.

³ Wellbeing in public housing vs. private rentals: Quality and security make the difference (2023):

<https://www.phcc.org.nz/briefing/wellbeing-public-housing-vs-private-rentals-quality-and-security-make-difference>

⁴ Measuring the wellbeing impacts of public policy: social housing (2018):

<https://www.sia.govt.nz/publications/Measuring-the-wellbeing-impacts-of-public-policy-social-housing>

⁵ Placemaking and public housing: the state of knowledge and research priorities (2023):

<https://doi.org/10.1080/02673037.2023.2206799>

⁶ Public housing – Altruism or investment (2023): <https://www.pwc.co.nz/insights-and-publications/2023-publications/public-housing-altruism-or-investment.html>

⁷ Social housing exit points, outcomes and future pathways: an administrative data analysis (2020):

<https://www.ahuri.edu.au/research/final-reports/326>

⁸ A crisis on the horizon: Ensuring affordable, accessible housing for people with disabilities (2021):

https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/06/crisis-on-the-horizon-ensuring-affordable-accessible-housing-for-people-with-disabilities_9293d1e4/40e857a1-en.pdf

⁹ Ageing well in public housing (2021): <https://www.ahuri.edu.au/research/final-reports/369>

¹⁰ Ibid 9.



Briefing

REVIEW OF THE SOCIAL HOUSING SYSTEM			
To Ministers	Hon Chris Bishop	Portfolio	Minister of Housing
	Hon Louise Upston	Portfolio	Minister for Social Development and Employment
Date	27/02/2025	Priority	Medium
Tracking number	HUD2025-006230, REP/25/2/136		

ACTION SOUGHT	
Action sought	Agree to the objectives, scope and a work programme for a Review of the Social Housing System Forward a copy of this briefing to the Associate Minister of Housing
Deadline	07/03/2025

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Jemima de Lacey	Principal Adviser, HUD, Social Housing and Other Supports	s 9(2)(a)	
Jeremy Steele	General Manager, HUD, Housing Supports & Supply		✓
Geraldine Wilkins	Principal Policy Analyst, MSD Housing Policy		
Hayley Hamilton	General Manager, MSD Housing, Employment and Labour Market Policy		✓

OTHER AGENCIES CONSULTED
The Treasury, the Department of the Prime Minister and Cabinet (DPMC)



RECOMMENDED ACTIONS		
It is recommended that you:	Hon Bishop	Hon Upston
1. Agree to the objectives for the social housing system to guide the review: 1.1. Provides value for money by maximising the impact of the government's investment 1.2. Ensures more equitable outcomes including through timely support that matches need 1.3. Supports people for the duration of housing need, including to housing independence where appropriate 1.4. Provides incentives for people receiving assistance to work 1.5. Supporting optimised investment in housing supply	<i>Agree/Disagree</i>	<i>Agree/Disagree</i>
2. Indicate your preference for the scope of the review: EITHER 2.1. Option 1 (system redesign): Consider the role of social housing, and who it is for, and then redesign the social housing system aligned with this decision OR 2.2. Option 2 (changes within existing system): Present options for change within the existing social housing system	<i>Agree/Disagree</i>	<i>Agree/Disagree</i>
3. Agree to include Temporary Additional Support in scope of the review given that it is most commonly used for housing costs	<i>Agree/Disagree</i>	<i>Agree/Disagree</i>
4. Agree to the work programme, as laid out in Annex B.	<i>Agree/Disagree</i>	<i>Agree/Disagree</i>



5. Forward a copy of this briefing to the Associate Minister of Housing	<i>Agree/Disagree</i>	<i>Agree/Disagree</i>
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Hon Chris Bishop
Minister of Housing
..... / /

Hon Louise Upston
**Minister for Social Development and
Employment**
..... / /

Jeremy Steele
**General Manager, HUD, Housing
Supports & Supply**
27 / 02 / 2025

Hayley Hamilton
**General Manager, MSD Housing,
Employment and Labour Market
Policy**
27 / 02 / 2025



Purpose

6. To seek agreement to a review of the social housing system (the Review) work programme and objectives, and to seek direction on the level of change.

Executive summary

7. The Minister of Housing has set direction for investment in the housing system to focus on increasing flexibility to meet needs in place, improving affordability, and better access to housing and support where it is needed most. This aligns with the Minister of Social Development and Employment's focus on supporting people on benefits to move towards independence, and into work.
8. The social housing (SH) system is underperforming against this direction, namely:
 - 8.1. There are not enough social houses of the right configuration and in the right places to keep up with demand. 24,894 people remain on the Social Housing Register ("the Register") as at January 2025 (despite decreasing by 5,826 since January 2024) and of those that are housed, the median wait time on the Register is 243 days.
 - 8.2. There is low mobility out of SH, even when people's circumstances improve. We estimate that people currently in SH will spend on average a further 16.7 years in SH.
 - 8.3. SH also provides two policy responses directed at two different problems (affordability and access barriers), which don't always coincide.
 - 8.4. For many people accessing the AS, it does not adequately address affordability as 46% of AS recipients receive the maximum subsidy. Consequently, 27.9% of AS recipients also access Temporary Additional Support (TAS), creating poor financial incentives to work.
 - 8.5. Additionally, we know there are people receiving the AS and on the Register who have similar needs as those in SH but receiving less support. This creates inequitable outcomes.
 - 8.6. The cost of this system to government continues to grow.

The Government is already making changes to address some of the problems with the social housing system, but fundamental challenges will remain

9. Current work includes the Going for Housing Growth programme, work to improve Community Housing Providers (CHP) access to finance, and a new role for government investment that is focused on improving housing system performance in place and meeting needs and aspirations in place. Over the long-term these changes will help increase supply and go some way towards improving affordability. However, analysis shows that the positive impacts may not be felt in the next three to five years,



and the impacts will be different from place to place. Many households will still have insufficient income to purchase a home or to access and sustain a private rental.

10. Therefore, without considering the current system of subsidies and the role of SH, we will not be able to make meaningful progress towards bringing down the SH Register numbers, increasing mobility out of SH, reducing the number of people living in TH and in unsuitable living arrangements and improving the after-housing cost incomes of people receiving the AS.

We are proposing the scope of and objectives for your Review

11. We propose the review focus on settings around access to SH and housing assistance housing (income-related rent support (IRRS), AS and TAS). This would include considering the role that affordable rentals could play as part of a broader SH system. There will be strong interdependencies with separate work on the way SH is funded and financed, the shorter-term work on affordable rentals for Budget 2025 and the development of a flexible fund which we will carefully manage.
12. We are also seeking agreement to five objectives for a future SH system to guide the Review, including providing value for money, ensuring more equitable outcomes and providing incentives for people receiving assistance to work.
13. The Review will also consider better targeting investment in line with these objectives and identify options for the use of any savings as part of Budget 2026.

We are also seeking direction on the level of change you want explored

14. To deliver improved affordability, and better access to housing and support where it is needed most, we recommend that the Review first considers the role of SH and who it is for. Significant system reform will take at least 3-5 years given legislative change and substantial system changes required. However, there would be options on the level of change, and sequencing, with Cabinet decisions on system design proposed for November 2025. A significant reform would also be likely to make many people worse off if you refocus the system to support those in highest need.
15. If you do not want to consider the role of SH and who it is for, you could consider reform within the existing system of subsidy, funding and support settings. However, more moderate changes would be unlikely to tackle the significant deficiencies with the current system, many people are likely to remain in housing insecurity and it would still require regulatory and operational changes which would likely take at least 2-3 years to implement.

We have developed a work programme for your agreement

16. **Annex B** maps out a work programme for the Review over the next 18 months. The data workstream is a key part of the work programme and, in line with a social investment approach, is looking at cohort segmentation and the different needs that people have. This will help inform our thinking on how effective SH is for different groups, and who benefits most from direct housing provision compared to a



subsidised rent. We propose that we take Ministers through the insights generated from this analysis at a chew session in late March/early April.

Background

17. Through the reset of investment in housing and urban development, the Minister of Housing has set the direction for investment in the housing system to focus on increasing flexibility to meet needs in place, improving affordability and better targeting access to housing and support where it is needed most. In the welfare system, the Minister of Social Development and Employment has a complementary focus on supporting people on benefits to move towards independence, and into work.
18. In response to earlier advice received on the AS and IRRS (REP/24/9/845, HUD2024-005327 refers), you have asked for advice on how you could approach an SH reform work programme. The Ministries of Housing and Urban Development (HUD) and Social Development (MSD) provided you an aide memoire in December 2024 with initial thinking on this (HUD2024-005813, REP/24/12/1149 refers). This aide memoire included foundational questions that you will need to consider over the course of this year in order to progress substantive change to the SH system. It also provided a summary of existing data on the needs of people on the Register, in SH, and accessing AS at Annex 2.
19. This briefing builds on that aide-memoire, and sets out a possible direction of travel for the Review. It seeks your agreement and direction on several key areas, including testing objectives for a future SH system to guide the Review, your level of ambition for change, and our proposed work programme (see **Annex B**).

Proposed scope, objectives and problem definition of the Review

Proposed scope of the Review

20. We propose that the core focus of this review is:
 - 20.1. The provision of, and access to, government funded social and affordable rentals
 - 20.2. Assistance with housing costs: income-related rent (IRR), AS and TAS¹
21. However, changing how these instruments function will have implications for a broader range of tenure types (e.g., Emergency Housing (EH), TH, council social housing, Supported Housing), and housing support services and programmes (e.g., Housing First, Rapid Rehousing, EH support services). MSD and HUD will work to manage the interdependencies between this Review, and broader work underway in these areas (refer to **Annex B**).

¹ Noting that TAS, which is a hardship payment that MSD administers, is primarily used to meet high housing costs.



We are seeking your agreement to objectives for a future SH system

22. You have told us there are key features of an SH system that are important to the Government. We have used these features to form possible objectives for a future SH system. Table 1 outlines these objectives and assesses the current system against them.
23. In addition to the objectives below, and in line with the Government's focus on fiscal discipline, the Review will consider opportunities to better target investment in line with the objectives and identify options for the use of any savings – for example, reallocating to higher value for money interventions.

Table 1: current system assessed against proposed objectives

OBJECTIVES FOR OUR FUTURE SOCIAL HOUSING SYSTEM	PROBLEMS WITH CURRENT STATE
Provides value for money by maximising the impact of the government's investment	• New Zealand's housing market is one of the least affordable in the world.² • Consequently, the government spends more than \$4 billion on demand side subsidies (AS, TAS & IRRS) to improve affordability.^{3 4 5} • AS is not addressing affordability adequately and more households are coming under housing stress (i.e., AS is becoming less effective without further investment, and TAS continues to increase). • IRRS is comparatively expensive but provides affordability, stability of tenure and access for the household. Additionally, some IRRS funded places are offered by CHPs who deliver tailored tenancy management for different cohorts.
Ensures more equitable outcomes including through timely support that matches need	• The current housing support system results in inequitable outcomes where people with similar needs receive different levels of housing support depending on whether they are in SH or not. These inequitable outcomes are not evenly spread, i.e., Māori face additional barriers. • The housing support system does not distinguish between different needs well (including affordability, accessibility and stability). • The needs of people on the SH Register are becoming more complex, SAS is not effective as a prioritisation tool, and people are waiting long periods of time on the Register, which varies by region depending on supply.

² NZ had the greatest increase to the cost of housing and rents relative to inflation between 2000 and 2020 (NZ:+180% | OECD:+66%), and has the highest proportion of people in the bottom quintile of income distribution spending >40% of their income on rent in the OECD. (NZ;~56% | OECD;~34%).

³ The AS and IRRS are demand-side subsidies which are designed to improve the recipient's after housing income. The key difference is that the IRRS is paid directly to the provider and in some cases, this can be capitalised or combined with the operating supplement to bring on more supply.

⁴ Over the forecast period IRRS expenditure is forecast to increase by 24%, AS expenditure by 1.55%, and TAS by 29.59%. AS expenditure is flattening, because of partly offsetting impacts from a falling number of people on AS and rising AS costs. As more people reach the maxima this will constrain AS expenditure growth, whereas IRRS expenditure continues to increase with market rent increases and increasing numbers of places.

⁵ New Zealand's expenditure on demand side subsidies relative to GDP was the sixth highest in the OECD (NZ:0.43% | OECD Median;0.13%).



Supports people for the duration of housing need, including to housing independence where appropriate	• We estimate that people currently in SH will spend on average a further 16.7 years in SH.⁶ While some of these tenants have minimal ability to change their circumstances (e.g., older people), other people's needs change over time, and our current system does not recognise this, or expect and support people to move towards greater independence.
Provides incentives for people receiving assistance to work	• There are generally poor incentives for SH tenants to move towards independence by increasing their income.⁷ • There are better incentives for people to work while receiving the AS. However, because the AS is inadequate for many people, TAS is operating as a top-up housing subsidy, and it reduces incentives to work significantly due to 100% abatement. • A growing number of households cannot sustain employment or housing independence because they cannot afford or find suitable housing in the places they want to live (and have access to support systems and community) and work. This can impact on regional economies.
Supporting optimised investment in housing supply	• The current system is complex, and does not provide clarity and confidence to investors nor support scalability for providers. • The SH system is dependent on ongoing government support. Frequent policy and funding changes make SH a less attractive investment option for financiers and CHPs. • Using the IRRS as the basis for supply side intervention (with the operating supplement (OS) and IRRS capitalisation) has developed over time, but there may be better models to optimise investment in supply.

24. We have summarised the problem definition as follows:

- 24.1. There are not enough social houses of the right configuration and in the right places to keep up with demand. 24,894 people remain on the Register as at January 2025 (despite decreasing by 5,826 since January 2024) and of those that are housed, the median wait time on the Register is 243 days.
- 24.2. There is low mobility out of SH, even when people's circumstances improve. We estimate that people currently in SH will spend on average a further 16.7 years in social housing.
- 24.3. SH also provides two policy responses directed at two different problems (affordability and access barriers), which don't always coincide.
- 24.4. For many people accessing the AS, it does not adequately address affordability as 46% of AS recipients receive the maximum subsidy. Consequently, 27.9% of AS recipients also access TAS, which creates poor financial incentives to work.

⁶ Social Outcomes Model 2023, <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/research/benefit-system/social-outcomes-model-2023-housing-system-insights-report.pdf>

⁷ The significantly more generous nature of IRRS results in poor incentives to move out of SH, which also may disincentivise IRRS recipients from increasing hours worked (so as not to trigger a tenancy review).



24.5. Additionally, we know there are people receiving the AS and on the Register who have similar needs as those in social housing. This creates inequitable outcomes.

24.6. The cost of this system to the government continues to grow.

The reset work will address some of these challenges, but system issues will remain

25. The Minister of Housing has already made decisions as part of the reset of the housing system work, which is a first step to address some of the problems identified above. In particular, the shift to a more flexible and data-informed approach to investment in social, affordable and market rental housing in place will be a first step towards setting up a system that is better at building supply that meets need in place.
26. Over the long-term, Going for Housing Growth changes will help increase supply and go some way towards improving affordability. However, as previously advised, analysis shows positive impacts may not be felt in the next three to five years and the impact of these supply-side responses will differ from place to place. In some places this work may ease pressure on SH, and allow a focus on people with the most need. But other places will find it difficult to bring on affordable rentals and will continue to rely on SH as a key way to support people struggling with access to housing.
27. Without considering the current system of subsidies and the role of SH, we will not be able to make meaningful progress towards bringing down the SH Register numbers, increasing mobility out of SH, reducing the number of people living in TH and in unsuitable living arrangements, and improving the after-housing cost incomes of people receiving the AS.⁸

The Review is a key opportunity to address these fundamental system issues, and we are seeking an indication on the level of change you want explored

28. The Review is an opportunity to consider the system changes to better address the different needs of people in relation to the following key housing barriers:

28.1. adequacy of income after housing cost

28.2. access to the right housing for the duration of need

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

⁸ The 2023 NZ Census on severe housing deprivation (homelessness) estimates 112,496 people, or 2.3% of the usually resident population are severely housing deprived. Our definition of homelessness organises this population into four groups: those without shelter, those in temporary accommodation, those sharing someone else's private dwelling, and those living in uninhabitable housing.



The key decision we seek your direction on is whether the Review should consider system redesign or options for change within the existing system

30. To deliver improved affordability, and housing supports that meet housing need, we recommend that the Review begins with the question of what the role of SH is, who it is for, and for how long.
31. Given SH sits within a broader context of housing supports and interventions, any decision to change its role, will then bring into question the adequacy of the AS and TAS, other income supports, and the availability of alternative housing such as affordable rentals. This will allow substantive changes to the system to be considered, but it will also take more time to complete and will require difficult decisions around transition for households currently in SH who are no longer eligible.
32. Alternatively, to deliver improved affordability and better access to housing, the Review could consider the existing system of subsidy, funding, and support settings only. These changes would be limited by the existing eligibility and related policy settings for SH and so would not tackle the significant deficiencies deep rooted in the design of the current system and would still require regulatory and operational changes.
33. Regardless of the option chosen, we recommend that changes to TAS are within scope of the Review. As TAS is calculated based on whether the client has enough chargeable income to meet their essential costs, a shortfall in assistance provided by the AS can be reflected in the amount of TAS provided. As at September 2024, 95 percent of allowable costs for TAS were used for accommodation costs.

We have developed illustrative packages of what varying levels of change could look like

34. **Annex A** provides four illustrative packages and assesses these against the objectives in Table 1 above to help inform your direction on level of change. These packages show our preliminary analysis, and more work will need to be done to fully understand the impacts of them. These packages are summarised below:
 - 34.1. **Illustrative package 1:** Enhanced existing system: No changes to SH eligibility, AS and IRRS are brought closer together, greater investment in Affordable Rentals and Affordable Rentals are available to people on the Register and enabling a wider range of entities to be able to support affordable and rental housing.
 - 34.2. **Illustrative package 2:** SH eligibility-only change: Eligibility for SH is changed to focus on supporting people where access is the primary barrier to housing and where the market will not provide. No other changes.
 - 34.3. **Illustrative package 3:** SH eligibility changed and enhanced existing system (combines package 1 and 2).
 - 34.4. **Illustrative package 4:** Fundamental system redesign: Change eligibility for SH (e.g., where people's primary barrier is more than just unaffordability). Single



demand-side subsidy regime across both private and SH. In this scenario, funding for supply and continued management of SH is separated from demand-side subsidy⁹.

35. While illustrative package 4 may best align with the proposed objectives, it will also require consideration of:
- 35.1. how to avoid recreating an inadequate or very expensive subsidy regime like what occurred in 2000 when the IRRS was re-introduced alongside the AS (which had replaced it in 1993-1994), and how to manage the distributional impacts of this.
 - 35.2. how funding for SH is provided, how rents are set/regulated and how tenants are allocated to housing.
 - 35.3. who determines that someone needs access to housing, and who determines they no longer need it.

There are options for how we sequence any changes you decide to make, but significant change will take time to implement

36. At a practical level, the level of system redesign presented in Packages 2-4 will come with significant regulatory, operational and fiscal implications, and would be likely a 3–5-year reform programme.
37. s 9(2)(g)(i)

38. As outlined below we estimate that by the end of 2025 you could be in position to go to Cabinet with a full proposal for SH system redesign, starting the significant operational, legislative and transition work in 2026. Ahead of, or through, Budget 2026, you could announce the direction of travel and a series of key decisions and changes to be implemented progressively over the next few years.

Depending on the scope, this Review has the potential to impact well over 450,000 households

39. This Review may have far reaching impacts. As illustrated in **Table 2** below, many of those impacted will be households in receipt of a main benefit.

⁹ Because of the way the IRRS currently operates, adjusting how we deal with income adequacy via housing subsidies requires us to change how we fund supply, and will have regulatory impacts.



Table 2: Social Housing Register applicants, Social Housing tenants and AS recipients by benefit status (data as at 31 January 2025)

Benefit status	Social Housing Register	Social Housing	Accommodation Supplement
Jobseeker Support	36%	24%	42%
Sole Parent Support	23%	17%	14%
Supported Living Payment	21%	19%	13%
Main Benefit recipients	80%	60%	69%
Other Non-Main benefit	4%	1%	0%
New Zealand Superannuation or Veteran's Pension	12%	23%	13%
Non-Beneficiary	4%	15%	18%
Total applicants/recipients	24,894	82,929	383,556

40. 51% of AS recipients and 39% of SH recipients and 49% of Housing Register applicants are Māori. As such it will be important to consider any Te Tiriti o Waitangi/The Treaty of Waitangi implications of this Review.

Description of our proposed forward work programme

41. **Annex B** maps out the proposed 18-month work programme. This proposed work programme assumes the Review will consider the role of SH and who it is for, but would be updated if you do not choose this option.
42. We have divided our work programme into three workstreams:
- 42.1. **System direction:** will run to mid-2025 and includes work around understanding the current state, identifying and distinguishing needs through cohorts and defining SH in terms of purpose, who it is for and the Government's role. This advice would be delivered in May 2025 with a Cabinet paper to follow in July.
- 42.2. **System design:** will begin in the first half of 2025 by building background knowledge and understanding, but decisions made on the system direction in mid-2025 will impact how the system design progresses. As part of designing a new system we see three separate workstreams looking at eligibility, subsidy reform, and assessing and prioritising access. This advice would be provided in October 2025, with a Cabinet paper following in November.
- 42.3. **Data and research:** this workstream will be a key input to inform our thinking on who SH is for. In line with a social investment approach, the initial focus will be on building a better picture of who currently accesses SH and who doesn't, and how effective SH is at addressing different groups' needs compared to other interventions. We propose that we take Ministers through the insights generated from this analysis at a chew session in late March/early April.



Engagement and consultation

43. We are working with your offices to find time for the 'chew sessions', mentioned above, as well as dedicated time for you to discuss this advice jointly.
44. There is a cross-agency Governance Group overseeing this work programme which includes members from HUD, MSD, Treasury and DPMC. If you agree to the work programme laid out at **Annex B**, we would test our draft May briefing on the direction of the SH system with wider agencies.
45. We do not recommend broader stakeholder engagement until initial decisions are made in November 2025 on a way forward with the system and how it could be designed. We will provide further advice as part of the May briefing on options for targeted stakeholder engagement, including any treaty settlement and/or relationship obligations relating to the SH system.

Risks

46. Significant changes to the SH system will generate a lot of public interest. We will therefore need to carefully consider how and when to engage both with key agencies, and with wider stakeholders and the public.
47. This work will need to consider domestic and international obligations including the Government's commitment to implement the right to a decent home.¹⁰ We will also work closely with the Child Wellbeing and Poverty Reduction Group to understand the impact of any reform package for the child poverty reduction targets, including a focus on material hardship. This work is also likely to be considered during Stage 2 of the Wai 2750 inquiry. Iwi and Māori have a significant interest in SH, and this work and the extent to which we engage with claimants may be scrutinised.
48. Any significant reform to the SH system will result in changing distributional impacts. While this would be about ensuring the system is more equitable and better at meeting need in a timely manner, there will be 'winners' and 'losers.' We will need to consider these impacts in light of the Crown's Te Tiriti o Waitangi/Treaty of Waitangi obligations, particularly given Māori are overrepresented as SH tenants and on the Register.
49. If you wish for parts of our proposed work programme to progress more quickly, or increase scope, both agencies are likely to have capacity issues and you may need to make prioritisation decisions. Capacity will also be impacted by decisions yet to be finalised in Budget 2025.
50. There are likely to be substantial legislative and funding impacts with any significant changes to the SH system. There will also need to be consideration of how any

¹⁰ This right is set out in the International Bill of Human Rights, Convention on the Rights of the Child, Convention on the Rights of Persons with Disabilities, and United Nations Declaration on the Rights of Indigenous Peoples.



significant changes to the current Social Allocation System is sequenced with MSD's Te Pae Tawhiti Transformation Programme.

Next steps

51. Officials will progress with the next stages of the outlined work programme, once we have direction from you. We understand that this briefing may come up at the Budget 2025 multilateral meeting with yourselves and Ministers Willis and Potaka on 5 March 2025. The next point of engagement with you both would be at the first proposed 'chew session' in late March/early April 2025.

Annexes

Annex A – Illustrative packages to support decision on level of change the Review should consider

Annex B – Detailed 18-month work programme



Annex A: Illustrative packages to support decision on level of change the Review should consider

Annex A: Illustrative packages to support decision on level of change the Review should consider

	Illustrative packages	Provides value for money by maximising the impact of the government’s investment	Ensures more equitable outcomes including through timely support that matches need	Supports people for the duration of need , including to housing independence, where appropriate	Provides incentives for people receiving assistance to work	Supporting optimised investment in housing supply	Level of change (low, medium, high)	Distributional implications
Illustrative package 1	Enhanced existing system End state: A fairer system where people in similar circumstances have access to similar levels of subsidy, and affordable social rentals offer a path out of social housing (SH) where appropriate. This could be achieved through: • Making the accommodation supplement (AS) more generous, and IRRS less generous, and improving support to move out of SH. • s 9(2)(f)(iv) • • • No change to SH eligibility.	Continued reliance on demand-side subsidies (AS and income-related rent subsidy (IRRS)) means that the Government will need to maintain high levels of Government expenditure to improve affordability for individual households, but these tools will remain ineffective to improve the overall affordability of the housing market.	Bringing subsidies closer together (e.g., by improving adequacy of AS, and further graduating IRRS support) this will reduce inequity of supports, but by not considering SH eligibility, this will not fully address issue that people with similar needs receive different levels of support.	Making the AS more generous and the IRRS less generous may reduce the disincentive to move out of SH.	If AS adequacy is improved, reliance on Temporary Additional Support (TAS) to support housing costs could be reduced, improving the incentives for people to work part-time while on benefit or to leave benefit for work. Work incentives are currently undermined by non-take-up of AS by working households. A streamlined subsidy system could also help to improve portability of AS into work, thereby mitigating this negative impact on incentives to work.	s 9(2)(f)(iv) but this package will not generate much additional savings to reallocate towards this supply side investment.	Low/Med	AS population impacted depends on design but if maxima is adjusted, this package could positively impact 175,000 households (Dec 2023 figure). SH population negatively impacted 78,896 households as at July 2024.

	Illustrative packages	Provides value for money by maximising the impact of the government's investment	Ensures more equitable outcomes including through timely support that matches need	Supports people for the duration of need , including to housing independence, where appropriate	Provides incentives for people receiving assistance to work	Supporting optimised investment in housing supply	Level of change (low, medium, high)	Distributional implications
Illustrative package 2	SH eligibility only changed End state: People have access to SH where they cannot access housing in the private market. The rest of the system remains the same. This could be achieved through: - Targeted eligibility for SH (e.g., where assessment is less weighted on unaffordability, and more weighted on accessibility, discrimination, typology). - No changes to rest of the system.	While tighter eligibility would reduce the cost of providing SH and may free up spaces in SH for those with higher needs, without a corresponding change to adequacy of supports and availability of alternative housing this will likely lead to additional hardship for those exiting, putting pressure on wider government and community supports. Still paying IRRS to SH tenants (despite SH tenants having non-income related issues for being in SH) would bring into question what the purpose of the more generous subsidy regime is.	Improved equity of <i>access</i> to supports between people with affordability-only related barriers, but worse overall access to <i>adequate</i> supports that match the need due to inadequacy of AS.	If changes cause SH tenants who have lower AHC incomes than those entering SH to be no longer eligible/exited, this may increase demand for higher levels of AS + TAS support, which has poor work incentives and therefore lower mobility to independence.	If changes cause SH tenants who have lower AHC incomes than those entering SH to be no longer eligible/exited, this may increase demand for higher levels of AS + TAS support, which has poor work incentives due to 100% abatement	Likely increase in demand for private housing, with no corresponding changes to supply (beyond GfHG – which aren't expected to have impacts for at least 3-5 years).	High	Current and future SH population negatively impacted would depend on eligibility decisions, may have flow-on implications for non-SH tenants due to increase in demand for low-income housing. Some people off Register who meet new eligibility positively impacted if space freed up in SH.

	Illustrative packages	Provides value for money by maximising the impact of the government's investment	Ensures more equitable outcomes including through timely support that matches need	Supports people for the duration of need , including to housing independence, where appropriate	Provides incentives for people receiving assistance to work	Supporting optimised investment in housing supply	Level of change (low, medium, high)	Distributional implications
Illustrative package 3	SH eligibility changed and enhanced existing system (combined package 1 and 2) End state: People have access to SH where there are no other options for them in the private market. People have higher after housing cost incomes, and there is greater access to affordable social rentals as an alternative to SH. This could be achieved through: - Targeted eligibility for SH (e.g., where assessment is less weighted on unaffordability, and more weighted on accessibility, discrimination, typology). - Bringing two subsidies closer together. - s 9(2)(f)(iv) - Changes to SH allocation system. - s 9(2)(f)(iv)	Value for money will depend on how adequate supports/available housing are for people no longer eligible for SH.	Improved equity of <i>access</i> to supports between people with affordability-only related barriers, whether these supports matches the need will depend on adequacy.	Whether this system supports greater mobility will depend on decisions on SH tenure length, subsidy design incentives to work, and any supports put in place to promote greater mobility.	Incentives to work will depend on AS/TAS design decisions. More people living out of SH, s 9(2)(f)(iv)	s 9(2)(f)(iv)	High	Current and future SH recipients negatively impacted would depend on eligibility decisions, may have flow-on implications for non-SH tenants due to increase in demand for low-income housing.

	Illustrative packages	Provides value for money by maximising the impact of the government's investment	Ensures more equitable outcomes including through timely support that matches need	Supports people for the duration of need , including to housing independence, where appropriate	Provides incentives for people receiving assistance to work	Supporting optimised investment in housing supply	Level of change (low, medium, high)	Distributional implications
Illustrative package 4	Fundamental system redesign End state: The SH system has fit for purpose tools to address the different drivers of housing insecurity, and can flexibly apply these tools to help ensure that people have adequate after housing incomes and are incentivised to work, can access SH where the market fails, and support for the duration of this need. Government investment between demand and supply side subsidies is more appropriately balanced and targeted to take advantage of their unique strengths. This could be achieved through: - Targeted eligibility for SH (e.g., where assessment is less weighted on unaffordability, and more weighted on accessibility, discrimination, typology) - Changes to SH allocation system. - Single demand-side subsidy regime across both private and SH. - Funding for supply and continued management of SH is separated from demand-side subsidy, and focused on supply that the market does not provide.	System redesign would allow demand and supply side instruments to be specifically designed for the purpose they are intended for, maximising the impact of the government investment in each. Value for money will depend on how adequate single subsidy is. SH influencing market prices downwards and diversifying available stock would reduce overall need for Governmental intervention over the long term	Single subsidy regime would ensure equitable outcomes across income as a dimension of need. Relies on other instruments to ensure equity across other dimensions of need. People with high social needs would not receive higher income support via housing subsidies as they do now. Tenure neutral social supports ensure support is available when it is needed.	Will depend on decisions on SH tenure length, subsidy design incentives to work, and any supports put in place to promote greater mobility.	Will depend on subsidy design but should improve incentives to work for some groups.	A better targeted single demand-side subsidy can provide spending efficiencies that could be reallocated to support supply side investment. Enables mixed tenures and more flexible funding arrangements as supply supports are more clearly separated from demand-side income support.	High	All current AS and IRRS recipients impacted – some AS recipients may benefit, and all IRRS recipients will likely be negatively impacted (without a lot of additional expenditure)



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Annex B: Detailed 18-month work programme

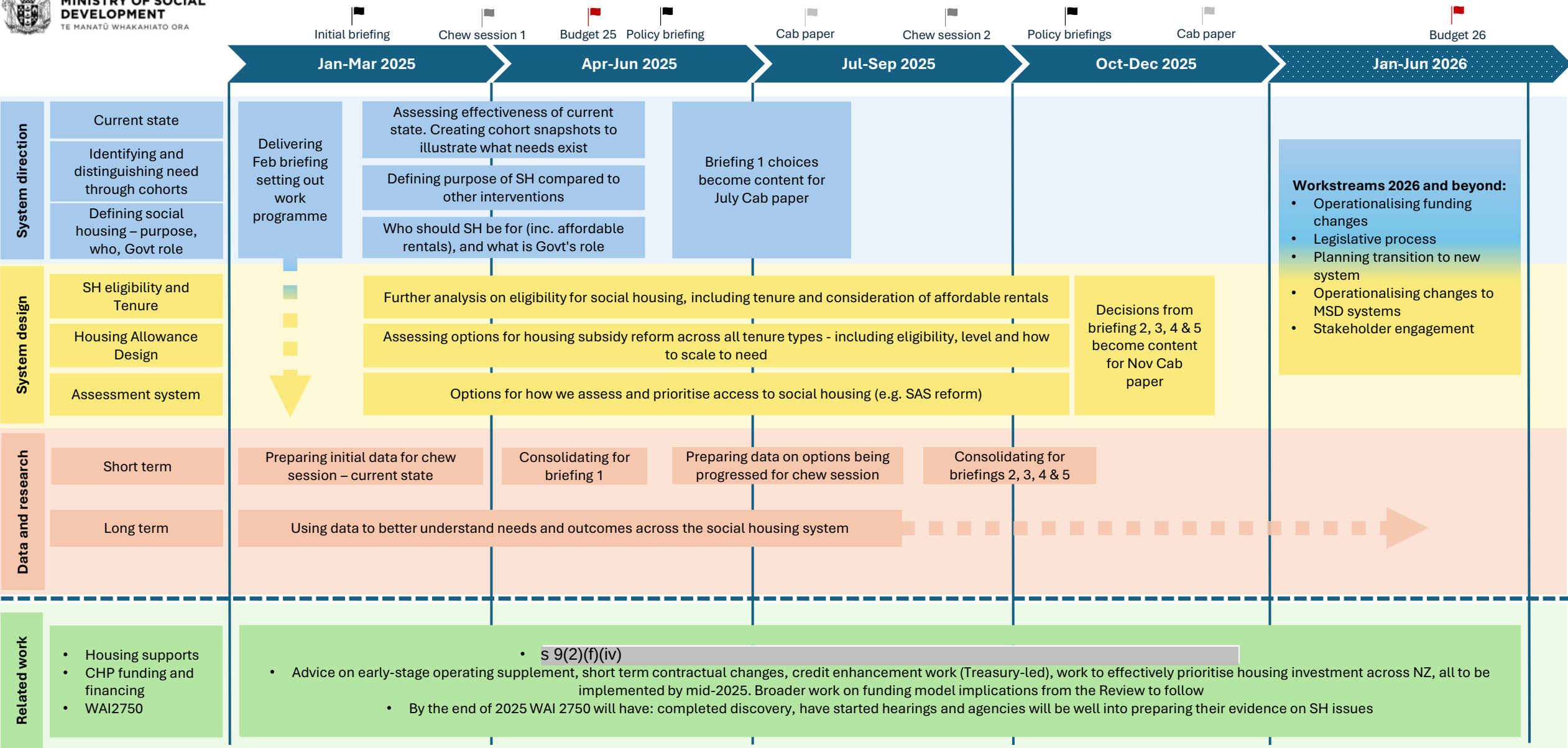
Annex B: Review of Social Housing Work Programme

Budget

Policy advice

Cabinet paper

Chew sessions





Aide mémoire

SEEKING DIRECTION ON THE REVIEW OF SOCIAL HOUSING			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
	Hon Louise Upston		Minister of Social Development and Employment
	Hon Tama Potaka		Associate Minister of Housing
Date	03/04/25	Priority	Medium
Tracking number	HUD2025-006685, REP/25/3/200		

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Hayley Hamilton	General Manager, Housing, Employment and Labour Market Policy (MSD)	s 9(2)(a)	✓
Julia Pearce	Manager, Social Housing and Other Supports (HUD)		✓
Mandy Stratford	Senior Policy Advisor (HUD)		

OTHER AGENCIES CONSULTED
The Department of Prime Minister and Cabinet (DPMC) and The Treasury



Purpose

1. This memo and attached slidepack informs your requested session with officials on the Review of the Social Housing (SH) System on Wednesday 9 April from 6:15-6:45pm. It provides information on:
 - a. the profile of people receiving government housing supports,
 - b. how need compares across different types of housing support, and how this changes with duration in SH,
 - c. how 'employment ready' people receiving different housing supports are,
 - d. the key reasons people leave SH,
 - e. how different places and households may see varying drivers of demand for SH.
2. Given the session is only 30 minutes, we recommend taking the data pack as read and instead focussing the discussion on what our analysis of the above issues means for your objectives for the Review, and the relative prioritisation of these.
3. The objectives set out in previous advice (HUD2025-006230, REP/25/2/136 refers) were:
 - a. provide value for money by maximising the impact of the government's investment,
 - b. ensure more equitable outcomes including through timely support that matches need,
 - c. support people for the duration of housing need, including to housing independence where appropriate,
 - d. provide incentives for people receiving assistance to work,
 - e. supporting optimised investment in housing supply.
4. This discussion will inform the advice you have commissioned from MSD and HUD on the role of SH, who it is for, and how long it should be for, due at the end of May 2025

Key takeaways for you to consider

5. SH currently provides a high level of subsidy for extended periods of time. **SH is an expensive response that is only available to a limited number of households** (based on total number of Income Related Rent Subsidy (IRRS) places). To improve how the system functions, our housing responses need to be effectively targeted to need and continue to be the right response for peoples' needs over time.



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6. The data shows **there are high levels of need¹ across all parts of the SH system** – including current SH tenants, those on the Social Housing Register (the Register), and Accommodation Supplement (AS) recipients. These people may face affordability, availability and/or accessibility challenges that have led them to seek SH. Data shows the needs of those entering the Register and SH are becoming more complex over time, and housing alone may not address all these needs. The only cohort we have identified with consistently lower needs is those over the age of 65. Additionally, there is a mismatch between the needs of those on the Register and the typology of SH, for example, single people with no children.
7. Based on what we now know about the populations, **there are no easy decisions; trade-offs will need to be made** depending on which objectives you want to meet and your level of ambition. For example, with high levels of need across the system, improving equity will be difficult in a fiscally constrained environment. If supporting people into independence is your priority, the data analysis is inconclusive about how long someone needs to be in SH before they are ready to move into the private market.
8. While current Income Related Rent (IRR) settings may act as a disincentive to work, **our data indicates that people in SH may also face broader barriers to work**. We will need to consider different options for tenure in SH, including where “poverty traps” exist around incentives to work as well as how to address the additional barriers to work.
9. We need to be very clear about the needs that SH is attempting to address, and that SH alone cannot address some of the broader issues these households face. **In our May advice, we propose to further segment need** and consider policy responses that look different for different cohorts. For example, the groups to whom the government owes the greatest duty of care, or for whom the long-term social and economic costs are highest, may warrant a different response from groups who are mainly facing affordability challenges.
10. **This segmentation work could also inform how we tailor support to different places**, for example by considering what is needed in each place, and weighting future investment towards demand-side (e.g. adjusting rental subsidies) or supply-side (e.g. building new SH) supports based on our assessments. To support this work, we propose to do further analysis on availability of houses in different regions, and how affordable and accessible they are for different cohorts.

¹ By ‘need’ we mean any combination of the following factors: affordability, availability or accessibility challenges; material hardship; and a range of negative outcomes sourced from the MSD Social Outcomes Model. Annex A describes these outcomes in more detail.

Summary of the key messages in Annex A: slide pack

We have surveyed the profile of people receiving housing supports (slide 2)

11. People seeking housing support tend to be on a benefit, 25-54 and are disproportionately Māori.
12. Single people with no children are the largest household type across all forms of assistance; this is particularly noticeable for people on the Register, or receiving AS, Temporary Additional Support (TAS) and/or Emergency Housing (EH).

There are three key reasons why someone may seek SH (slide 3)

13. These reasons (which may overlap) are:
 - a. Affordability - they struggle to meet housing costs alongside their other expenses,
 - b. Other needs - they cannot access or maintain market accommodation at any price due to other factors – e.g. mental health or addiction challenges, or a poor rental history,
 - c. Availability - there is no suitable market accommodation available (e.g. of the appropriate size or with accessibility features), which may be driven by a lack of overall supply in a place.
14. SH in its current form is a bundled response to this – providing a relatively higher affordability subsidy, access and security of tenure in a suitable home. We need to disentangle the various reasons that people may need support to enable better targeting of those needs.
15. Peoples' need for housing and support changes over time, both at a population and household level. For example, due to the aging population we will likely need a greater number of smaller, accessible homes available for older people in the future. At a household level, the needs of a low-income sole parent family will change over time as children age, or their relationship status changes.

People on the Register tend to have experienced more negative factors than those in SH (slide 4)

16. We have undertaken analysis of outcomes comparing across SH tenants, people on the Register, AS recipients and the general population. This includes considering those who had various negative life experiences within the past year (e.g. hospitalisation, interaction with the justice system), and those who had certain childhood experiences (e.g. an Oranga Tamariki care and protection event).

17. Those on the Register² appear to have experienced more negative factors than those already in social housing, and outcomes are better for those who have been in social housing longer. The analysis finds that the higher someone's Social Allocation System (SAS) score is, the more prevalent the negative outcomes.
18. We have also analysed data from the Household Economic Survey (HES) to compare material hardship rates across the different cohorts. SH tenants and AS recipients both experience higher levels of material hardship than the general population.
19. Material hardship rates for IRR recipients in SH (40 percent) are notably higher than for AS recipients (25 percent), even when benefit/work status is accounted for, and are also higher when comparing by other dimensions, including ethnicity, disability status, and family size/type. We are however, continuing to interrogate this finding, as this analysis is reliant on survey data which may not be representative at this level. Annex B provides some more analysis on the indicative material hardship findings, and the further work we will do.
20. Overall, the data analysis indicates that SH captures those with high needs, but there are still many people in high need outside of it. As a result, the limited number of SH places probably creates horizontal inequities in the current system.

Outcomes tend to be better for those who have been in SH longer (slide 5)

21. While this may reflect the stabilising role of receiving a house and/or the additional support provided by IRRS, there are alternative (or additional) possible explanations. It may, for example, simply be that SH has become increasingly targeted at those with higher needs over time, so that those coming on to the Register and into SH are a higher risk group than previous entrants.
22. We cannot conclusively point to causality here, and the effect is relatively small. This may in part be because SH tenants will likely have additional complex needs that housing alone cannot meet. This also means that the 'return on investment' for SH is unclear.

Those on the lowest incomes often have little financial incentive to work more hours, and there are worse financial incentives to work for those paying IRR than those receiving AS (slide 6)

23. If someone receiving either IRR and AS works more, they often see their housing assistance reduce alongside other payments (benefits, Working for Families, TAS). However financial incentives to work are worse for those receiving IRR: for each additional dollar someone receiving IRR earns, their rent increases by 25c up to a threshold (the rate of NZS), and then increases by 50c on top of that. For someone

² Note that 47% of people on the Register are also receiving the Accommodation Supplement. There are a large proportion of people on the SH Register who are not eligible for AS, including people on the transfer register, those in Emergency Housing and Transitional Housing, living in insecure housing arrangements (e.g. car, tent).

receiving AS, the payment does not abate at all until people are no longer entitled to a main benefit, at which point it abates at 25c for every dollar earned. However, as TAS is effectively operating as a top-up housing subsidy, its dollar for dollar abatement rate also reduces incentives to work significantly for those on and off benefit who are also in receipt of the AS. When combined with the abatement rates of other forms of assistance like Working for Families, these effective marginal tax rates can create significant disincentives for some family types over different levels of income.

AS recipients are also more likely to be closer to the labour market than those on the Register, those in SH, and those in emergency housing (slide 6)

24. This slice of data seeks to understand peoples' ability to move into employment and independence.. The findings could suggest that those in social and emergency housing are more likely to face other barriers to work, in addition to poorer financial incentives. However, it could also be reflective of the targeting of SH at those individuals with higher needs, who are less likely to be in (or close to) paid employment to begin with.

The more generous nature of IRR (compared to AS) creates poor incentives to leave SH, but they may also be facing other barriers (slide 7)

25. On average, an SH tenant will spend another 16.7 years in SH. In the year ending January 2025, the three main reasons for people leaving SH tenancies were: main tenant deceased (22 percent), entering private accommodation and receiving AS or TAS (21 percent) and change in living environment (16 percent).
26. The complex needs of many SH tenants may create additional challenges to moving to private accommodation. However, private accommodation is often also more expensive than IRR, even with AS and/or TAS.

Different regional housing markets will require different interventions (slide 8)

27. In some places with better functioning housing markets (such as Christchurch), market accommodation is more affordable and available to lower income households. This is potentially because the rental market has been more responsive to growing demand, or has more manageable growth in demand, so the Register may consist of more people experiencing challenges accessing a private rental. In such cases, demand-side supports may be the most effective intervention.
28. However, in other places (e.g. Rotorua), the market has not responded well to growth of demand, meaning there may be no market accommodation that is available or affordable, even if someone is receiving the maximum level of the AS. These places may require different government responses as a result, for example a focus on increasing supply.



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29. Note that the SH Register and the number of people in SH in a place is not necessarily a good proxy of housing need; it could also be a reflection of the supply of SH in a place (i.e. if supply of SH in a place is low or non-existent, people will be less likely to enter the Register).

Next steps

30. We will continue to develop our May advice, which will be informed by the data and evidence we have presented to you, the discussion and direction in this session, and additional evidence we are able to analyse by May. You will receive this advice on 29 May 2025.

Targeted stakeholder engagement

31. Subject to your direction, we would also like to carry out some early targeted engagement with trusted stakeholders. We will engage directly with your offices on this. The advantages of engaging now (rather than at a later stage of the project) are:
- a. This is likely to be a long process of substantial reform, and having the support of key stakeholders will be crucial. Engaging with them early will be a key way of developing and maintaining trust.
 - b. Stakeholders hold a great deal of sector knowledge and information that will be invaluable when developing this work.
32. We propose early engagement with some of the following people/organisations, who are trusted existing stakeholders (we will likely not have resources or time to talk to all).

s 9(2)(a)



Annexes

Annex A: Slide pack

Annex B: Material hardship findings



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Annex A: Slide pack



What do we know about people receiving social housing supports?

April 2025



Profile of people receiving housing supports

Most people seeking housing support are on a benefit, 25-54 & disproportionately Māori

Key findings

- > Those in Social Housing tend to be older and therefore more likely to be receiving NZS.
- > Those on the Register are more likely to be on a benefit, excluding NZS, especially JS related benefits.
- > Māori are disproportionately represented in all cohorts.
- > AS clients are more likely to be NZ European.

Age at Feb 2025	Social Housing		Register		AS		TAS		EH	
24 and under	2,334	3%	2,412	10%	54,681	14%	10,035	9%	117	25%
25-39	20,208	24%	9,198	37%	127,932	34%	35,055	32%	198	43%
40-54	23,487	28%	6,303	26%	91,575	24%	29,634	27%	99	21%
55-64	17,649	21%	3,492	14%	51,414	14%	19,602	18%	48	10%
65 and over	19,491	23%	3,273	13%	52,233	14%	13,875	13%	0	0%
Total	83,169	100%	24,678	100%	377,835	100%	108,201	100%	462	100%

Benefit Type ¹	Social Housing		Register		AS		TAS			
No benefit	12,330	15%	1,089	4%	66,276	18%	4,458	4%		
NZ Super	19,173	23%	3,090	13%	49,440	13%	13,335	12%		
JS related	20,028	24%	8,739	35%	152,481	40%	52,716	49%		
SPS	14,598	18%	5,697	23%	55,074	15%	18,678	17%		
SLP	15,747	19%	5,073	21%	51,702	14%	18,795	17%		
YP/YPP	108	0%	222	1%	1,917	1%	192	0%		
Other	1,182	1%	765	3%	942	0%	21	0%		
Total	83,166	100%	24,675	100%	377,832	100%	108,195	100%		

Total Response Ethnicity	Social Housing		Register		AS		TAS		EH	
Māori	32,292	35%	11,475	40%	119,841	30%	37,725	33%	261	51%
NZ European	26,685	29%	8,646	31%	191,343	48%	57,972	51%	189	37%
Pacific People	20,655	22%	4,176	15%	39,813	10%	10,524	9%	42	8%
Asian	4,227	5%	1,272	4%	30,240	8%	6,498	6%	9	2%
MELAA	2,607	3%	816	3%	5,298	1%	1,827	2%	6	1%
Other	6,093	7%	1,953	7%	8,820	2%	27	0%	9	2%

Single people with no children are the largest household type across all forms of assistance

Key findings

- > Auckland has a higher proportion of people in Social Housing compared to the other supports.
- > Bay of Plenty has a lower proportion of people in Social Housing compared to the other supports.
- > People on the Register, AS, TAS and EH are much more likely to be single with no children than those in Social Housing.
- > 54% of people on the register are single without children. There is a limited number of one-bedroom social houses.

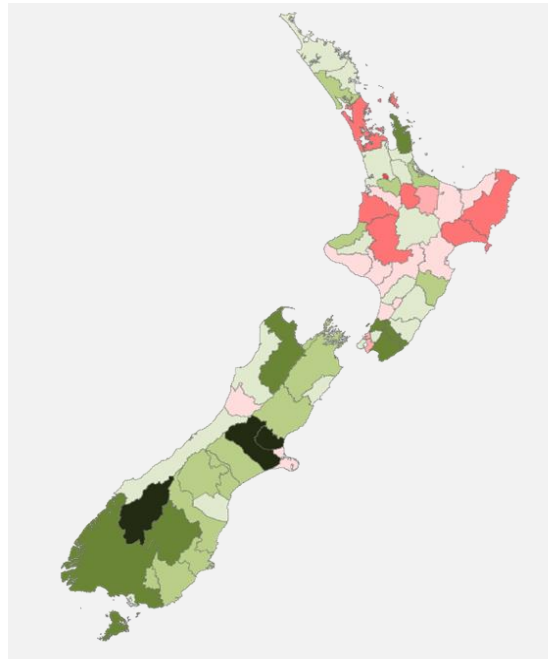
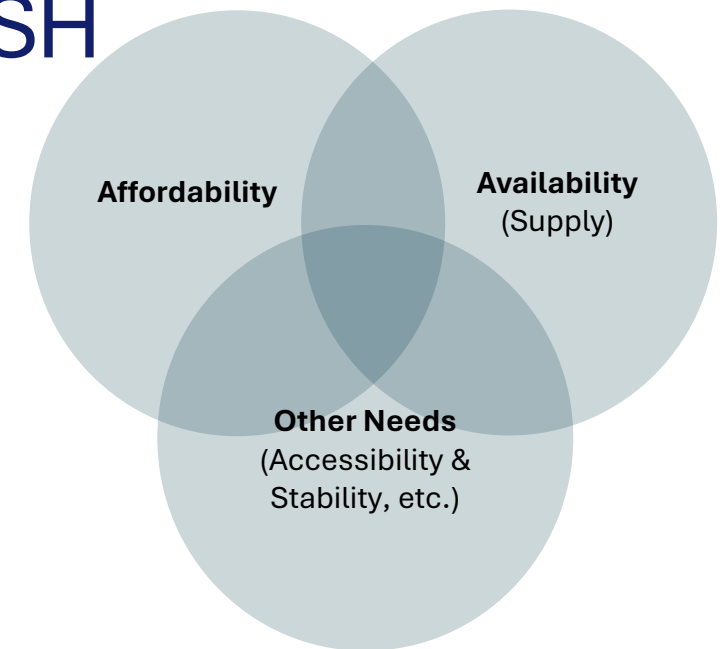
Housing Region	Social Housing		Register		AS		TAS		EH	
Auckland	38,790	47%	8,919	36%	126,957	34%	37,323	34%	27	6%
Bay of Plenty	3,675	4%	2,385	10%	36,744	10%	11,319	10%	21	5%
Canterbury	10,215	12%	2,256	9%	35,586	9%	8,889	8%	51	11%
Central	2,631	3%	1,251	5%	20,145	5%	6,429	6%	12	3%
East Coast	4,539	5%	1,965	8%	18,372	5%	4,911	5%	42	9%
Northland	2,631	3%	1,188	5%	18,933	5%	5,862	5%	3	1%
Southern	2,127	3%	942	4%	21,027	6%	5,799	5%	3	1%
Taranaki	1,320	2%	966	4%	19,278	5%	5,721	5%	18	4%
Waikato	5,778	7%	1,743	7%	32,403	9%	9,837	9%	123	27%
Wellington	9,465	11%	2,157	9%	28,293	7%	8,007	7%	78	17%
West Coast-Tasman	1,896	2%	894	4%	12,819	3%	3,468	3%	51	11%
Other	99	0%	6	0%	7,275	2%	627	1%	27	6%
Total	83,166	100%	24,672	100%	377,832	100%	108,192	100%	456	100%

Household Type	Social Housing		Register		AS		TAS		EH	
Single, no children	30,990	37%	13,359	54%	241,017	64%	73,251	68%	270	59%
Single, with children	20,262	24%	7,920	32%	90,636	24%	25,935	24%	150	33%
Couple, no children	15,072	18%	1,392	6%	22,023	6%	5,565	5%	12	3%
Couple, with children	16,845	20%	2,004	8%	24,162	6%	3,447	3%	24	5%
Total	83,169	100%	24,675	100%	377,838	100%	108,198	100%	456	100%

¹ Benefit Types include: Jobseeker Support Work Ready and Jobseeker Support Health Condition or Disability (JS related); Sole Parent Support (SPS); Supported Living Payment (SLP); Youth Payment and Young Parent Payment (YP/YPP).

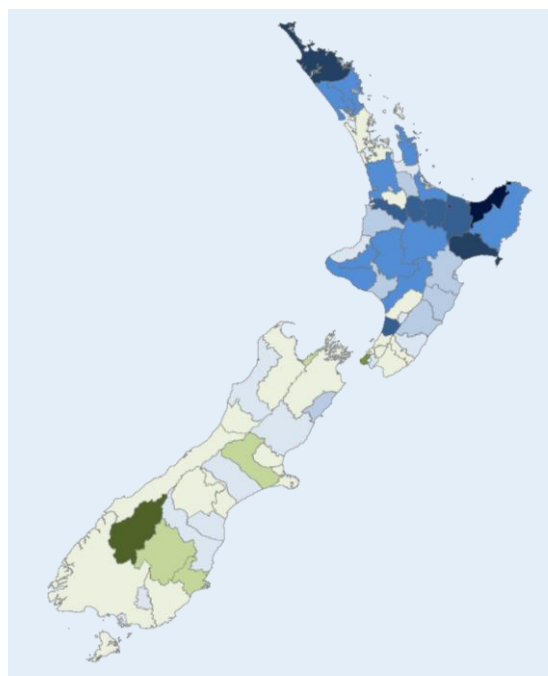
There are three key reasons why people enter SH

These reasons can overlap and alter over time at a household, regional and population levels. Our current SH system provides a combined response to affordability, availability and other housing needs. These reasons may overlap.



The number of renters over 65 will continue to grow over coming decades across the country

- More of these people will require housing assistance into old age, which would put increasing pressure on the SH system under current settings.
- Many are Māori and Pacific peoples.
- **Dark pink places have the highest share** of people over 65 who are renting, **dark green places have the lowest**. But Auckland has the highest number of people over 65 who are renting (over 43,500 families).

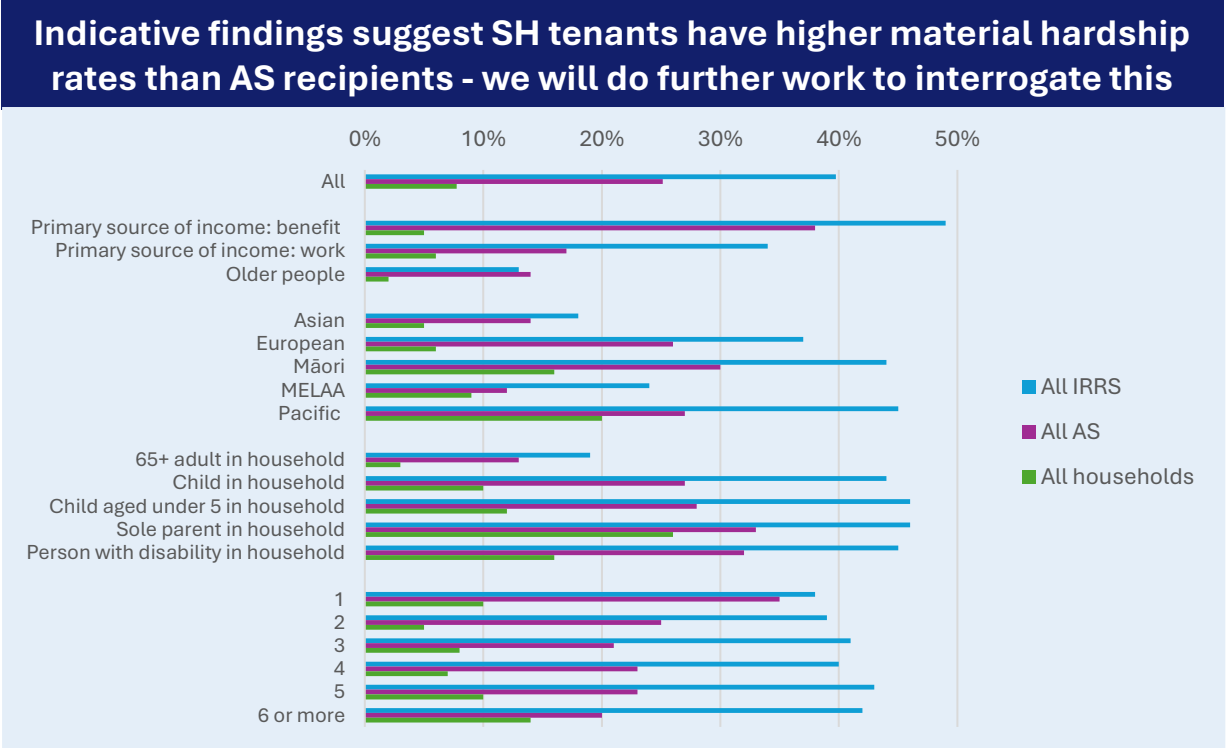
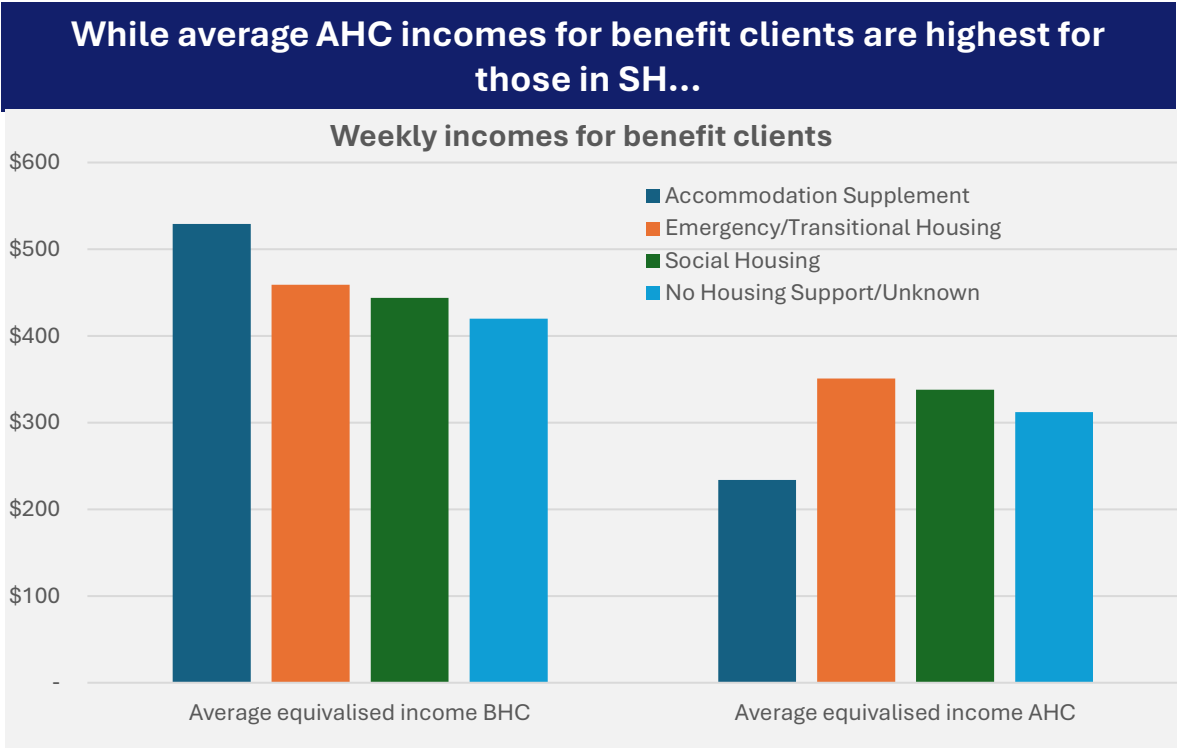
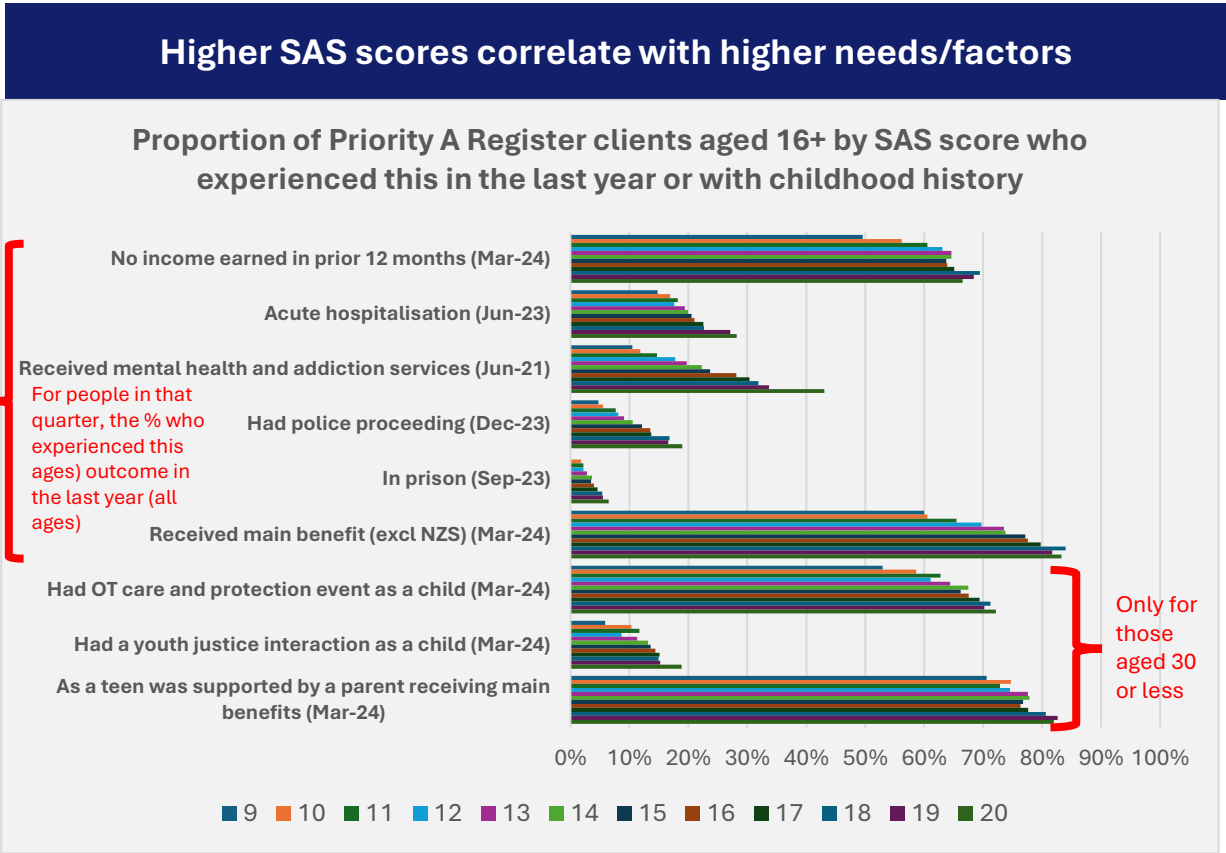
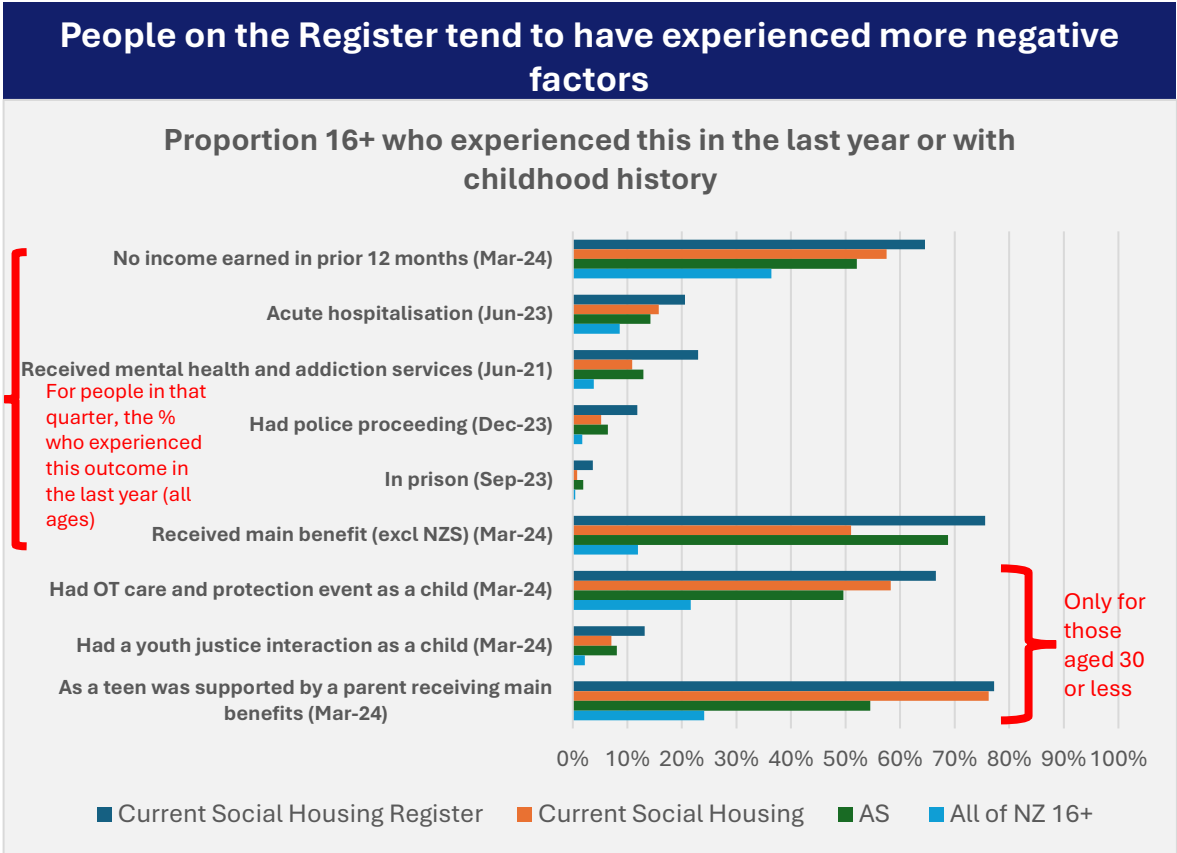


The support a sole parent family requires today is different from what they will need in 15 years time

- Sole parent families face specific difficulties in securing housing and employment.
- The support these families require will change with time, as children in the household age or if their relationship status or child support arrangements change.
- A disproportionate number are Māori and/or have a disability.
- Not receiving support at a critical time may lead to intergenerational impacts – kids who grow up poor or in insecure housing typically have worse outcomes into adulthood.
- **Dark blue places have the highest share** of sole-parent families on main benefit, **dark green places have the lowest**. But Auckland has the highest concentration of sole parent families on main benefit (over 34,000 families).
- A high proportion of low income sole-parent families live in areas where supply struggles to respond – but the highest number live in Auckland where supply is more responsive – see Slide 9 - These challenges will play out differently in different places.

People on the Register tend to have experienced more negative factors than those in SH, but material hardship rates of SH tenants appear higher than AS recipients

While these factors do not necessarily reflect an actual need for housing or directly align with current housing support assessments, when combined, they suggest levels of service usage and hardship.



* AS is included in AS recipient BHC income as the client receives this money. For EH recipients, & SH tenants on IRR, the respective subsidy is not included as income as it is not income paid to the client (instead paid to the provider).

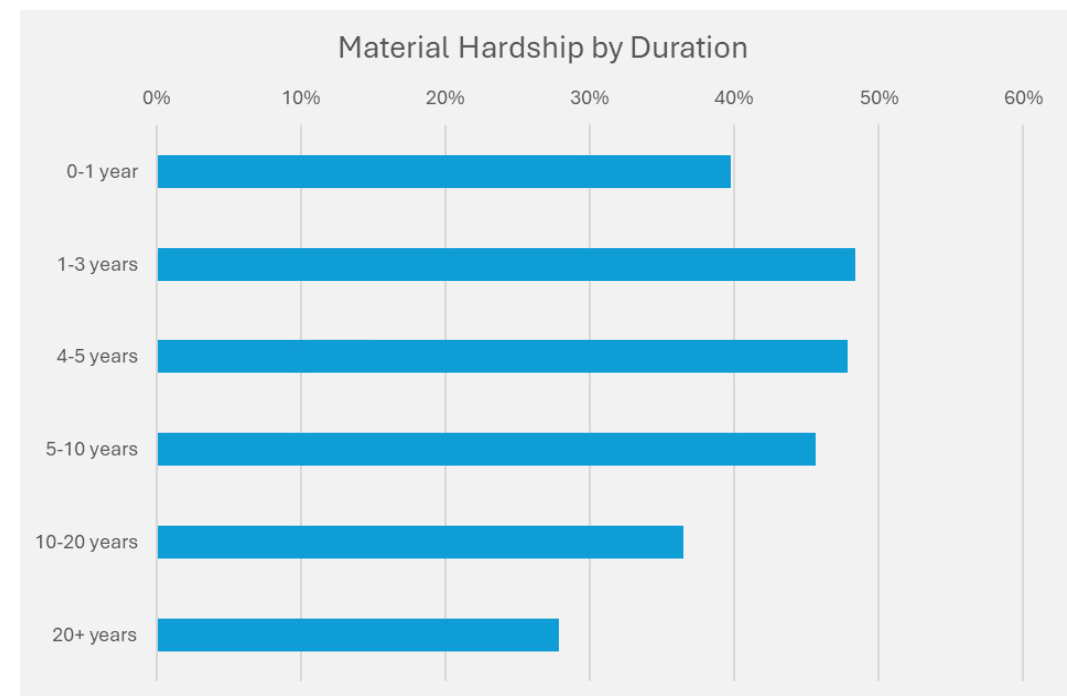
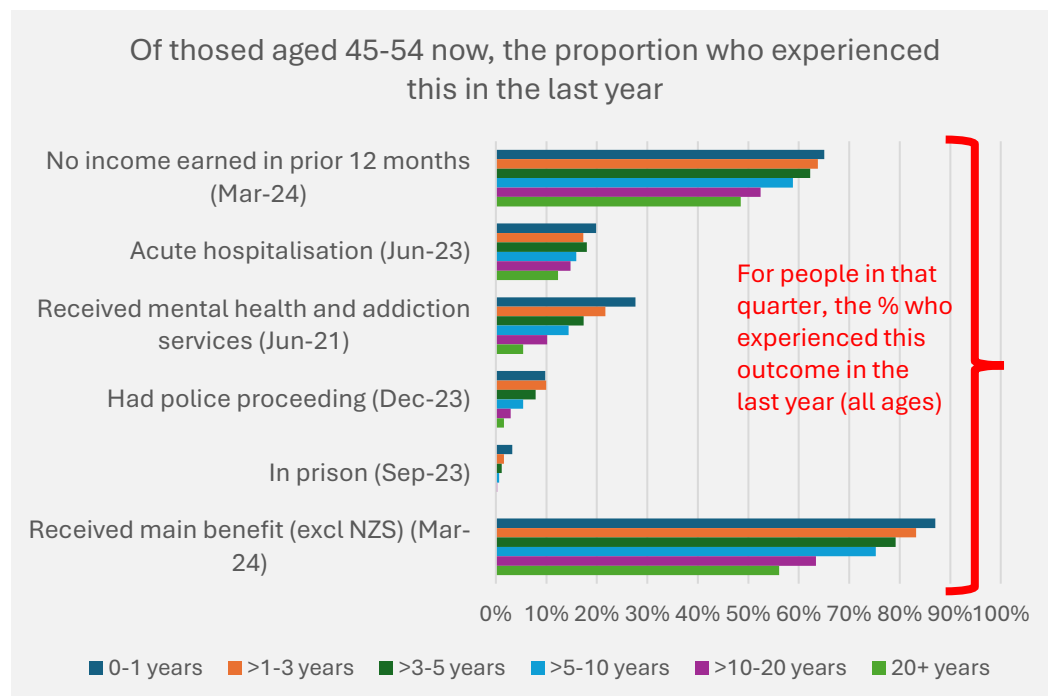
How does duration in SH affect the cohort?

Service interactions tend to be less frequent for individuals who have been in SH for a longer period

- > Interaction with service tend to change with age:
 - acute hospitalisation increases with age
 - accessing mental health support and interacting with the Justice System initially increases then decreases.
- > As duration increases, for those under 65, SH tenants were less likely to have:
 - earned no income
 - been hospitalised
 - interacted with Justice
 - accessed mental health support
 - been on a benefit.
- > Example shown for those currently aged 45-54.
- > Over age 65 the duration impact appears to disappear.

Tenants who have been in SH for longer (10+ years) have lower Material Hardship rates

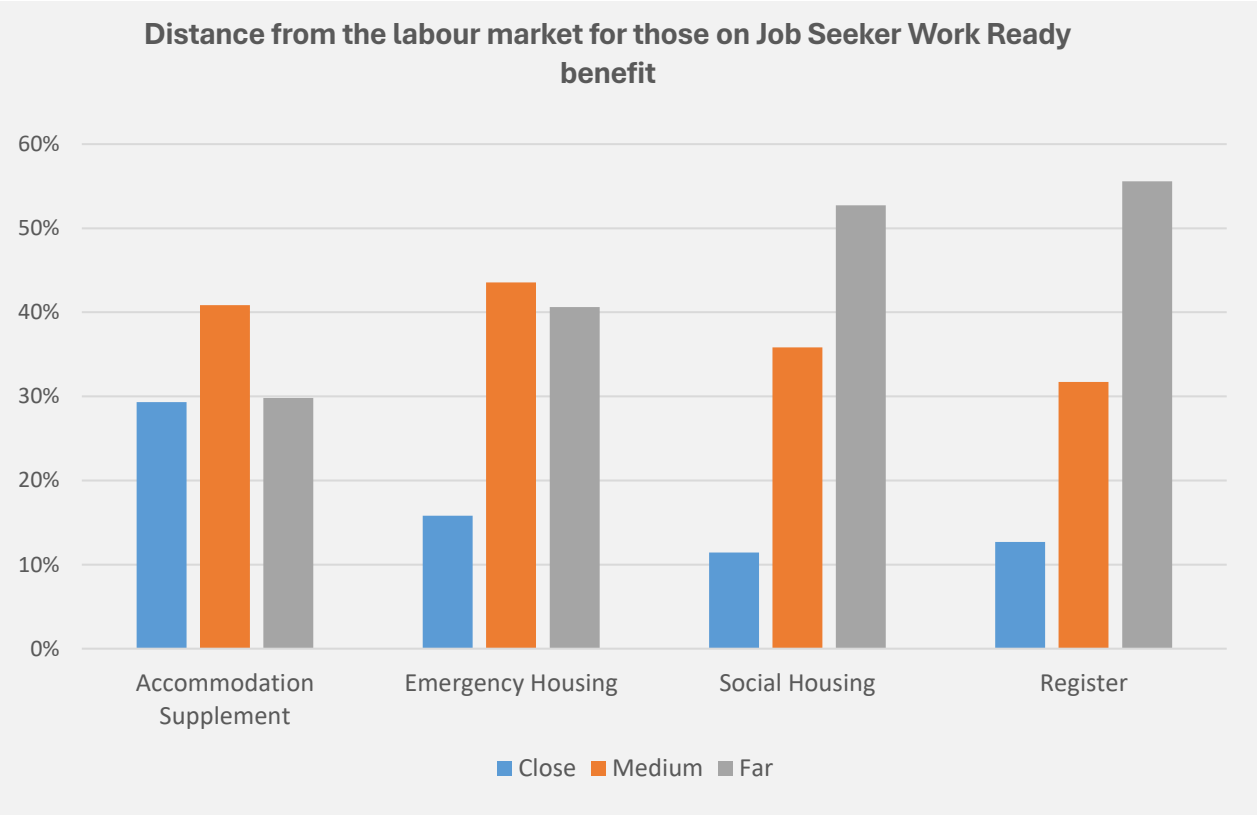
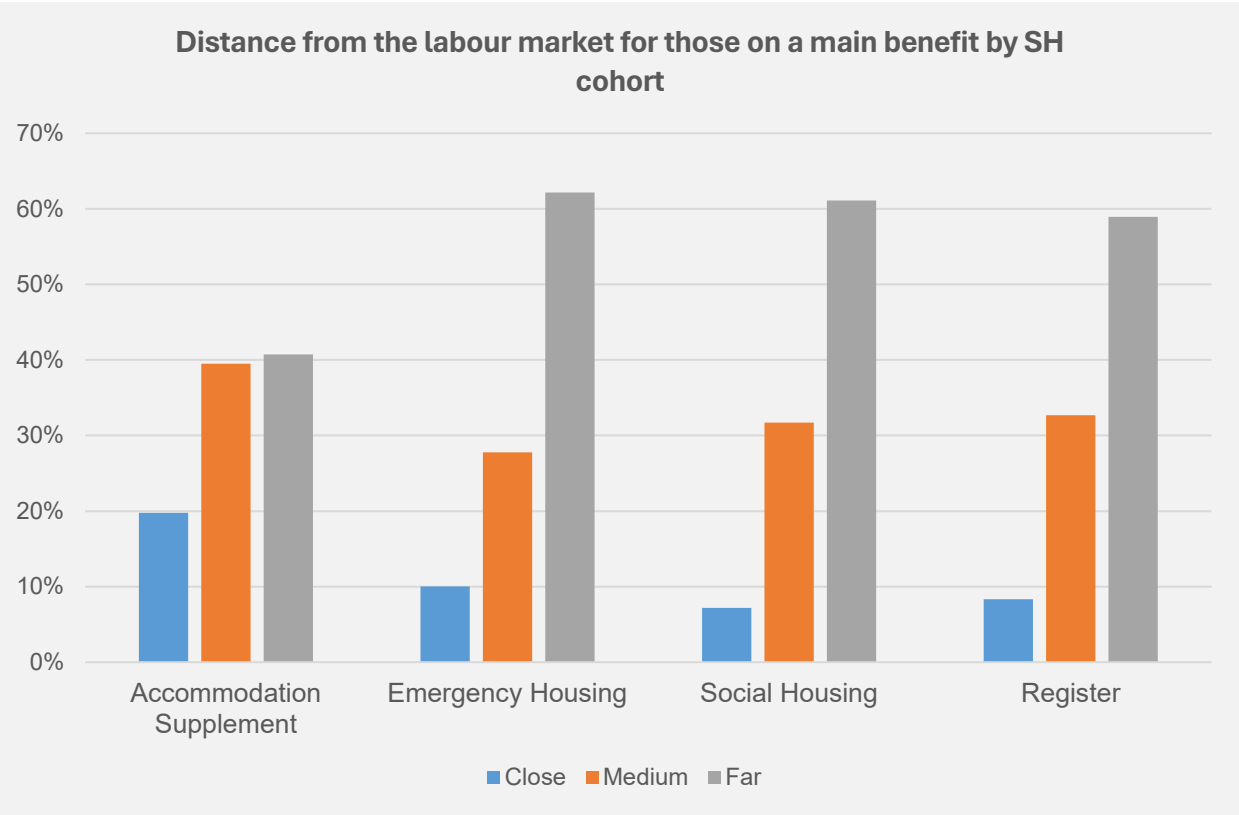
- > This could be due to the impact of social housing, but it also could reflect that social housing has become increasingly targeted at those with higher needs over time.
- > SAS criteria are currently designed to identify those in urgent housing need, and it is possible that gaining a social house results in some improvement in outcomes (both initially, with the provision of a house/subsidy, and also over time).
- > While this may reflect the stabilising role of receiving a house and/or the additional support provided by IRRS, there are alternative (or additional) possible explanations.
- > It may, for example, simply be that SH has become increasingly targeted at those with higher needs over time, so that those coming on to the register and into housing are a higher risk group than previous entrants.



AS recipients are more likely to be closer to the labour market

Distance to the labour market¹ analysis indicates the extent of barriers to finding work

- This analysis is only available for people receiving a main benefit.
- It estimates the proportions who are close/medium/far to the labour market.¹
- Those close tend to have fewer barriers but many still need support to exit into and stay in work, especially in the current environment. We estimate that people on a main benefit who are close to the labour market will spend 40% of the next 10 years in employment.
- AS clients on a main benefit are more likely to be on JS who tend to be closer to the labour market.
- This remains true even when comparing social housing tenants and AS recipients on JS WR and JS HCD benefits, although the gap reduces between AS recipients and SH tenants.



Additionally, the system settings can reduce incentives to work

There are worse financial incentives to work for those paying IRR than those receiving AS:

- for each additional dollar someone receiving IRR earns, their rent increases by 25c up to a threshold (the rate of NZS) and then increases by 50c on top of that.
- for someone receiving AS, the payment does not abate at all up to its threshold, and then at only 25c above that. However, as TAS is operating as a top-up housing subsidy, it does reduce incentives to work significantly for those receiving both AS and TAS.

1. The MSD distance to the labour market is a developmental model in the IDI that measure estimates the extent to which clients are unable to find entry to the labour market because of a lack of qualifications, vocational skills and employment history, or the presence of other barriers such as health issues, caring for a dependent child/adult, or other social risk factors. Estimates are at 27 December 2024. It doesn't take into account the current economic/labour market context.

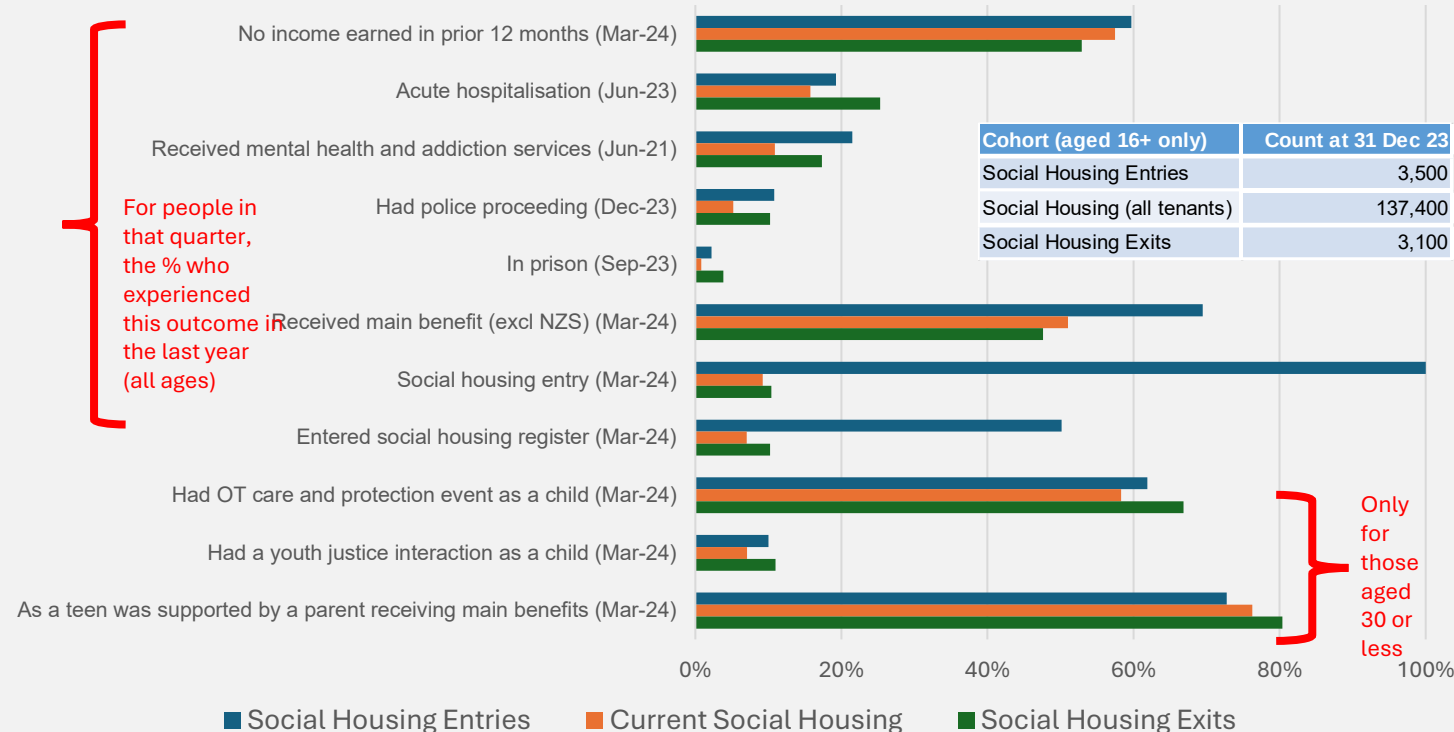
The more generous nature of IRR, compared to AS, creates poor incentives to leave SH, among other barriers

Estimates of future years in SH are higher for people receiving sole parent support

- > For everyone in Social Housing, the estimated average is 16.7 future years in social housing and 9.3 future years receiving a main benefit (which stops at age 65).
- > Those on Sole Parent Support (SPS) are currently estimated to be in SH and on a main benefit longer on the future. They are younger, on average, with children which can limit which work is suitable.
- > Those not on a main benefit have a lower estimate.
- > Those who are 'closer' to being able to afford equivalent private market rentals, the lower the estimate (14.8 years for those with IRRS <\$150 per week).
- > However, the estimate is still high so there may be opportunities to support people back in the private market.

Those entering SH tend to have experienced more negative factors than those who exit

Proportion 16+ who experienced this in the last year or with childhood history



- > Those who exit were less likely to have earned no income or been on a main benefit.
- > But were also more likely to have interacted with Justice and required hospitalisation.
- > For the year ending Jan 2025, the top three reasons people exit SH are: death (22%), entering private accommodation & now receiving AS or TAS (21%) & Change in living arrangement (16%).

Other insights into why people leave SH

These factors tend to decrease with household size

- > As household size increases, the primary tenants were less likely to have:
 - Not been earning
 - Accessed mental health support
 - Interacted with the Justice System
- > This may indicate that the higher cost or availability of larger houses is a greater driver of need, rather than other social needs.

People 'close' to paying market rent tend to have less of the factors

- > IRRS is the different between market rent and 25% of their income. Higher IRRS means they are 'further' from being able to afford market rental.
- > As people get 'further' from affording private rentals they were more likely to have:
 - Not been earning
 - Been on a benefit
- > Justice interactions and mental health support tended to be higher for those who are a 'medium' distance.
- > There may be other barriers to moving into the private market.

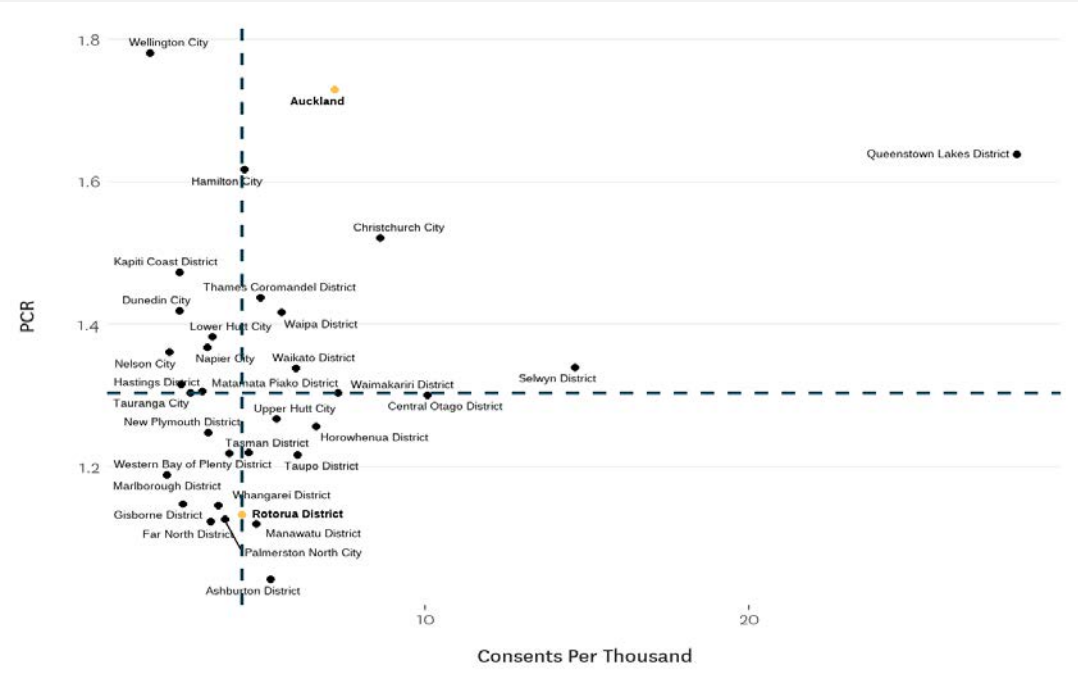
Māori and Pākehā are more likely to have these factors; Pacific peoples are less likely

- > Māori and Pākehā are more likely to have experienced all these factors than the total NZ population.
- > Pacific people are less likely to have experienced all these factors than the total NZ population.
- > Pacific people are more likely to live in Auckland which has higher housing costs thus bringing in a wider group of people in with 'lower' needs.

Different regional housing markets will require different interventions

There are varying regional responses to changes in demand which suggest different solutions in different markets, e.g. Auckland and Rotorua

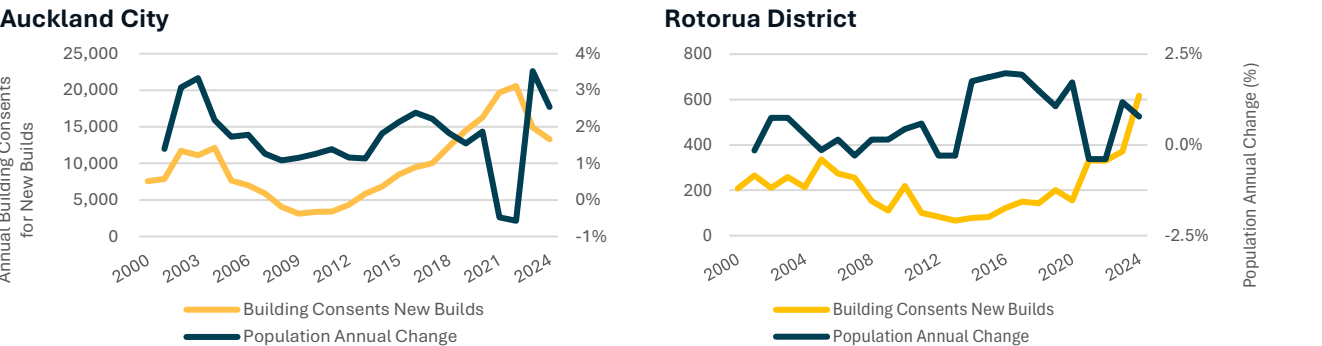
Consent per Thousand vs Price-Cost Ratio: All New Builds (2024)



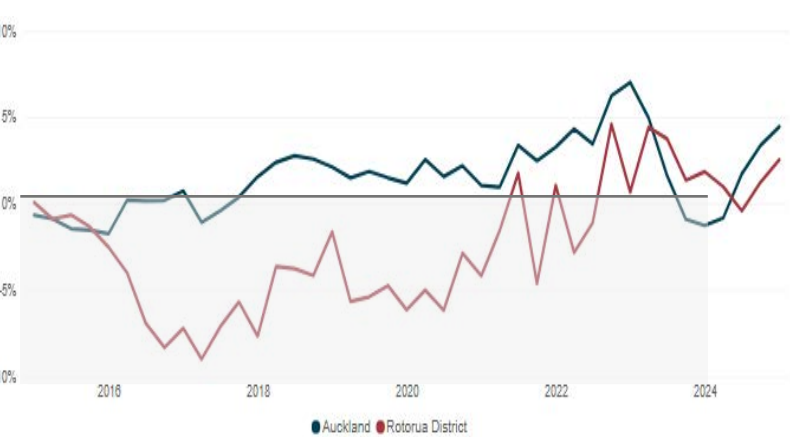
There are highly varied regional responses to increases in demand depending on both the level of restriction on new supply (price cost ratio, Y axis, shows where house prices are higher relative to cost) and level of supply (consents per thousand residents, X axis).

Where restrictions are low and supply is high, a region will be much more responsive to demand than the opposite scenario. This has implications for the effectiveness and costs of addressing different needs by place.

Building Consents & Population Annual Change



Rental Affordability Indicator



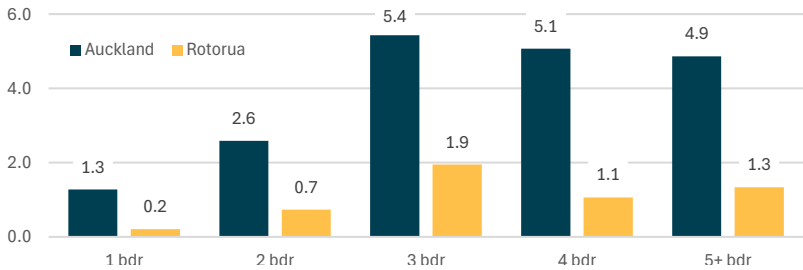
Auckland has become increasingly responsive to changing demand over the last ten years.

This suggests that demand-side responses are likely to be effective for affordability issues in Auckland. However, Auckland still receives nearly half of all IRRS payments.

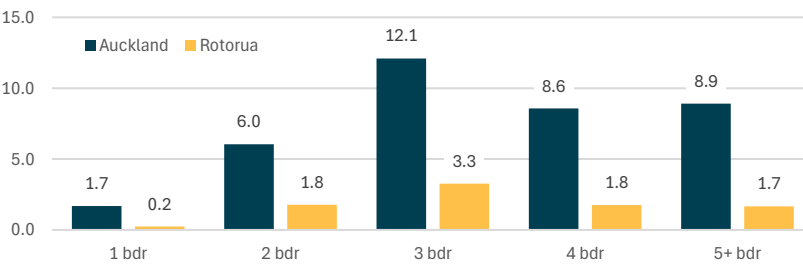
Development economics in Rotorua means supply struggled to respond to increasing population, with substantial increases in need.

Auckland's responsive market provides greater choice around responding to need than in Rotorua's

Ratio to SH Register: New Bonds under 40 percentile of Rent



Ratio to SH Register: Social Housing Stock



Social Housing Stock and Register by Bedrooms (Jun 24)

Auckland	1 bdr	2 bdr	3 bdr	4 bdr	5+ bdr	Total
Housing Register	3,558	2,256	1,059	585	192	7,653
Transfer Register	453	609	642	423	174	2,298
New Bonds 40 pct	4,544	5,829	5,747	2,966	934	20,020
Social Housing Stock	6,014	13,614	12,816	5,012	1,711	39,176

Rotorua	1 bdr	2 bdr	3 bdr	4 bdr	5+ bdr	Total
Housing Register	345	255	138	48	9	795
Transfer Register	15	21	12	9	3	57
New Bonds 40 pct	73	187	269	51	12	592
Social Housing Stock	83	454	451	84	15	1,087

Availability across regions is distinct from affordability.

The ratio of suitable homes to applicants on the Housing Register is greater than one in Auckland and substantially higher than in Rotorua.

This suggests that more households are likely to find a suitable home in Auckland where sufficient affordability and access support are provided. But in Rotorua, availability would remain a constraint without additional supply response.

Appendix: data sources & definitions

Additional details

>This pack includes analysis from the MSD Social Outcomes Model. This analysis counts those in the resident population over the age of 16.

>This analysis shows the proportion of people in each cohort who have experienced each factor within the last 12 months and looks at people in the most recent quarter of data available for each factor. For example, “In prison (Sep-23)” is people in the cohort who, as at 30 September 2023, were in prison at some point in the last 12 months.

>Different times are used based on when data in the IDI is updated to. This means we are comparing slightly different cohorts.

>Counts may differ from official reporting.

>Social housing includes CHPs.

>Social housing register includes those on the transfer register.

>The maps of need across the country use Census 2023 data for sole parent families and people over 65. Data about sole parents on main benefit is MSD data for February 2025. Share, means the share of the total population of sole parents or people over 65. The footnote references separate research on challenges sole parents face securing housing and employment, and their characteristics.

>We have used Stats NZ consent and population data on slide 9. Rental affordability data is from HUD’s [Change in Housing Affordability Indicators](#) tool. Other data on slide 9 is HUD analysis from HUD, MSD and MBIE Tenancy Bond data.

IDI Disclaimer

>Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this study are the work of the authors, not Stats NZ or individual data suppliers.

>These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit <https://www.stats.govt.nz/integrated-data/>

>The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

Definitions

No income earned in prior 12 months	Proportion of people who earned no income in the last 12 months from wages and salaries, ACC weekly compensation, paid parental leave, student allowance, sole trader / partnership / company income. Excludes benefits and NZ Super.
Had police proceeding	Proceeded against by police for an offence in the last 12 months. Police proceeding include all types of police proceedings against a person, including proactively detected, acquisitive, interpersonal and personal sexual.
Social housing entry	Entered social housing in the last 12 months. Entries are defined here as having the factor in one quarter and not having that factor in the prior quarter.
Had acute hospitalisation	Had at least one day in hospital from an acute hospitalisation event in the last 12 months.
In prison	Had been in prison in the last 12 months. This is a Corrections managed sentence.
Entered social housing register	Entered social housing register in the last 12 months. Entries are defined here as having the factor in one quarter and not having that factor in the prior quarter.
Received mental health and addiction services	Received an inpatient or community specialist mental health service in the last 12 months.
Received main benefit	Had received main benefit in the last 12 months. Excludes NZ Super.
As a teen was supported by a parent receiving main benefits	For those aged 30 or less now, when they were 13–18 years old, they had a parent or guardian who was receiving a benefit.
Had a youth justice interaction as a child	For those aged 30 or less now, interacted with the Youth Justice system (a report of concern, family group conference or whānau agreement), or youth justice placement.
Had OT care and protection event as a child	For those aged 30 or less now, there was a report of concern, care and protection investigation, family group conference, whānau agreement, or care and protection placement with Oranga Tamariki.
Equivalisation	Equivalisation means total incomes are adjusted by family size and composition to allow total incomes to be compared across family types.
New bonds under 40 percentile	Rental properties in the bottom 40th percentile of the market. Commonly used as a threshold for lower income rentals.

[Mako Mama – Mangopare](#); [Fact-sheet: what’s happening to the number of sole parents on benefit?](#); [The Negative Effects of Instability on Child Development: A Research Synthesis](#); [Parenthood and the Labour Market](#); [The Drivers of Mothers Parental Leave Decisions](#) - Ministry of Social Development

Annex B: Further detail on material hardship findings

The analysis of material hardship rates for IRR recipients in SH (40 percent) are notably higher than for AS recipients (25 percent), including when comparing across subgroup characteristics, including benefit/work status, ethnicity, disability status, and family size/type. These findings are somewhat surprising, particularly given IRR recipients in similar circumstances will have better after-housing-cost incomes.

Some caution is needed, as this analysis is reliant on survey data which may not be representative at this level. Further work is required to interrogate these findings, and explore the extent to which these results driven by real-world differences in need, or by the data and/or the way the analysis was undertaken.

There are a range of reasons why hardship rates may be higher, despite higher after-housing-cost (AHC) income. AHC incomes are a relatively limited proxy for the resources available to a household, and their living standards can reflect a range of other factors, including assets and savings; household costs (including those associated with health conditions or disabilities); personal skills and abilities, and support to and from those outside the household.

The material hardship analysis also suggests older people, as a group, appear to be one identifiable lower needs group within SH. Those who are 65+ have material hardship rates of 13 percent, well below the 35 percent rate for IRR recipients in general. There are a range of possible reasons for this. It could, for example, reflect the fact that NZS is much more generous than working age benefits, or it could be due to the fact that older tenants entered SH a long time ago and SH housing has gradually been targeted to those with higher needs over time.

Briefing

REVIEW OF THE SOCIAL HOUSING SYSTEM – OPTIONS FOR SYSTEM DIRECTION			
To Ministers	Hon Chris Bishop	Portfolio	Minister of Housing
	Hon Louise Upston	Portfolio	Minister for Social Development and Employment
CC Minister	Hon Tama Potaka	Portfolio	Associate Minister of Housing
Date	16 June 2025	Priority	Medium
Tracking number	HUD2025-006645, REP/25/5/385		

ACTION SOUGHT	
Action sought	To seek a decision on the direction of the social housing (SH) system. It also seeks agreement on the scope of further subsidy advice.
Deadline	27 June 2025

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Jemima de Lacey	Principal Adviser, HUD, Social Housing and Other Supports	s 9(2)(a)	
Julia Pearce	Manager, HUD, Social Housing and Others Supports		✓
Geraldine Wilkins	Principal Policy Analyst, MSD Housing Policy		
Katy Te Amo	Acting General Manager, MSD Housing, Employment and Labour Market Policy		✓

OTHER AGENCIES CONSULTED
Department of Corrections, Department of the Prime Minister and Cabinet (DPMC), Kāinga Ora – Homes and Communities (Kāinga Ora), Ministry of Education, Ministry for Ethnic Communities, Ministry of Health, Ministry of Justice, Ministry for Pacific Peoples, Ministry for Regulation, Ministry of Youth Development, Offices for Seniors, Oranga Tamariki, Social Investment Agency, Te Puni Kōkiri, the Treasury, and Whaikaha – Ministry of Disabled People.

RECOMMENDED ACTIONS		
It is recommended that you:		
1.	Note that Cabinet agreed that the Government has a role in delivering better housing support to those who need it, and that this role is to support people into safe and stable housing (whether market or non-market) to improve the welfare of New Zealanders and minimise wider costs to society.	<i>Noted</i>
2.	Agree to one of the system direction options and the role of social housing and housing subsidies within this: a. Option 1 - Status quo +: No major change to who government provides access to secure and stable housing to, but possibly significant change to role of subsidies to improve mobility and incentives to work. b. Option 2 - Tightened access to social housing and focus on assisting those no longer eligible: Access to social housing is tightened, requiring a focus on housing assistance to support people in the private market. c. Option 3 - System Reform: A social housing system which delineates service offerings dependent on housing need by making significant changes in how the government provides housing and housing subsidies. (recommended)	<i>Agree/Disagree</i> <i>Agree/Disagree</i> <i>Agree/Disagree</i>
3.	Agree that further advice considers a range of subsidy design options, including both what a single subsidy model could look like alongside advice on how we could bring the subsidies closer together and improve their functioning as an integrated set of subsidies (i.e., retain two subsidies).	<i>Agree/Disagree</i>
4.	Note that we will provide advice on what support services people on the Register, in social housing and those exiting social housing have access to, and how access to these services work, s 9(2)(f)(iv)	<i>Noted</i>
5.	Note that once we have your preference for system direction, we will provide further advice on how to determine eligibility for the model chosen.	<i>Noted</i>
6.	Discuss with officials when you want to go to Cabinet with an update, and/or decisions on this Review.	
7.	Note the proposed sequencing of briefings through to November 2025.	<i>Noted</i>



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

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

Hon Louise Upston
**Minister for Social Development and
Employment**
..... / /

Julia Pearce
**Manager, HUD, Social Housing and Other
Supports**

Katy Te Amo
**Acting General Manager, MSD
Housing, Employment and Labour
Market Policy**

16 / 06 / 2025

16 / 06 / 2025

Purpose

8. To seek a decision on the direction of the social housing (SH) system. It also seeks agreement on the scope of further subsidy advice.

Executive summary

You have asked us to present bold options for change to the social housing system

9. We know our SH system is not delivering the outcomes the Government is seeking – costs are high and growing, there is a lot of unmet housing need and current subsidy design strongly disincentivises people to work and move out SH. You have asked officials to present options to reform the system to better meet the following objectives:
 - a. ensure more equitable outcomes including through more timely support that better matches need,
 - b. support people for the duration of housing need, including to housing independence where appropriate,
 - c. provide value for money by maximising the impact of the government's investment,
 - d. provide incentives to work for people receiving assistance,
 - e. supporting optimised investment in housing supply.

Reconsidering the role of SH in our current context is key to delivering a more functional and fair system

10. The housing market in which SH operates has changed significantly over time, with an increasing number of people renting for longer. SH was first introduced as an alternative to home ownership for families and many of its settings and public expectations about its role are a legacy of this. Given the changing way in which New Zealanders live, and the increasing housing support that people require, we need to reconsider what role SH plays and how it is delivered.
11. SH only makes up 3.8 percent of homes and without significant investment this won't substantially change. Given the reliance on the market to provide housing, we are considering how the government can better deliver housing support to those who need it. The government has four main mechanisms to do this – increase the supply of housing, provide financial assistance for housing, provide access to secure and stable housing, and provide housing and social service support.
12. This Review is primarily focused on changing how the government could better provide financial assistance and access to secure and stable housing.

This briefing seeks your direction on three options which reimagine how the government uses its mechanisms to better meet your objectives for reform

13. **Option 1 - Status quo +:** No major change to who government provides access to secure and stable housing to, but possibly significant change to role of subsidies to improve mobility and incentives to work.
14. **Option 2 - Tightened access to social housing and focus on assisting those no longer eligible:** Access to SH is more tightly focused, requiring a focus on housing



assistance to support people in the private market. Significant trade-offs required around who is provided SH, and for how long.

15. **Option 3 - System Reform (recommended):** A SH system which delineates service offerings dependent on housing need by making significant changes in how the government provides housing and subsidies. This could be achieved through s 9(2)(f)(iv)

Alternatively, you could decouple the house from subsidy i.e., a household may be offered just a house, a subsidy, or both.

16. The key decisions that will likely have the most impact are around whether to narrow access to SH and by how much and whether you want to retain current subsidies or move to redesign the subsidy system. The fundamental choice is whether to retain two subsidies, or move to a single subsidy model (which would have implications for the funding model). We recommend our advice in September includes a range of options, including both single and two subsidy options. All system direction options work with either a single or dual subsidy, however, to varying degrees.
17. We think Option 3 best meets your objectives and ambition because:
- a. it better matches housing response to need, which improves value for money and ensure more equitable outcomes,
 - b. it presents a greater opportunity to reimagine how the government can use the SH system to influence broader housing availability and affordability, optimising investment in supply, and
 - c. it is most likely to achieve public buy-in to full subsidy redesign (and the difficult decisions you will need to make to achieve this), which will help achieve better incentives to work, and support people to independence (where appropriate).

Full transition to a new system will take at least three to five years, but you have choices to make minor changes in the meantime

18. There will be choices about what is possible to announce through Budget 2026, ahead of the further detailed policy design, and legislative and operational changes. You may be able to announce the direction of travel for the system, and/or you could choose to announce some initial changes (for example, changes to contribution rates for IRRS, or additional supports or incentives to leave SH).

You have some key choices in upcoming advice

19. Under any system direction option, you will have to make decisions which you will receive advice on in upcoming papers. This includes how you determine eligibility and tenure duration and access to social supports. This next round of advice will include distributional implications of the options (i.e., winners and losers), and indicative costings, including how any savings are used.

We suggest you update Cabinet on your proposed approach

20. Given the wide-ranging impacts of change to the SH system, we are seeking your views on when you want to update Cabinet on this work. Options include taking a paper in August (following decisions on this report) or waiting until we have provided further advice on key components (e.g., in November).

Background

21. In April 2025 you agreed to the scope, objectives, and problem definition for a Review of the SH System. You also indicated your preference that you are interested in redesigning the system including the role of SH and who it is for, rather than making changes within the existing system (HUD2025-006230, REP/25/2/136 refers).
22. The scope of the Review is a) the provision of, and access to, government funded SH and Affordable Rentals, and b) assistance with housing costs: Income-Related Rent Subsidy (IRRS), Accommodation Supplement (AS) and Temporary Additional Support (TAS)¹.
23. You agreed (in order of priority) that the objectives for the Review are to:
- a. ensure more equitable outcomes including through more timely support that better matches need,
 - b. support people for the duration of housing need, including to housing independence where appropriate,
 - c. provide value for money by maximising the impact of the government's investment,
 - d. provide incentives for people receiving assistance to work,
 - e. supporting optimised investment in housing supply.
24. There are potential implications for a broader range of tenures and housing support services and programmes, dependent upon the decisions you make about the purpose and role of SH and affordable rentals. The Ministry of Social Development (MSD) and the Ministry of Housing and Urban Development (HUD) are working to manage the interdependencies between this Review and broader work underway such as the Going for Housing Growth programme, Investment System, s 9(2)(f)(iv)
25. Our advice has been informed by the targeted engagement you agreed to with six key stakeholders. We also held discussions with officials from New South Wales and Ireland, who are undertaking similar reforms. Findings from these engagements are detailed throughout the advice, as well as summarised in **Annex A**.

Structure of this briefing

26. The next sections of this paper step you through the following:

¹ Noting that TAS, which is a hardship payment that MSD administers, is primarily used to meet high housing costs (as at September 2024, 95 percent of allowable costs for TAS were used for accommodation costs).



- a. first, we lay out the Government's agreed role in delivering housing support, and the mechanisms available to deliver on this.
- b. second, the paper assesses how effectively these mechanisms are currently deployed across SH, AS/TAS and Affordable Rentals.
- c. third, it sets out the different ways in which these mechanisms could be arranged in three system direction options, and seeks agreement to one of these options.
- d. fourth, we set out our thinking on four key decisions you will need to make in further advice coming later in 2025:
 - Most options presented will require decisions on how you determine **eligibility**, and how to **allocate and prioritise**.
 - You will also need to consider which cohorts have access to which housing and for how long (**tenure**).
 - We recommend our subsidy advice (due in September) covers both what a single **subsidy model** could look like, alongside advice on how you could bring the subsidies closer together (i.e., retain two subsidies).
 - s 9(2)(f)(iv) we will consider what **support services** people on the Register, in SH and those exiting SH have access to, and how access to these services work.
- e. Finally, we outline the Minister of Housing's preference to embed Affordable Rentals in the SH system and outline some of the key decisions and choices that could be explored to achieve this intent.

Cabinet has agreed that Government has a role is in delivering better housing support to those who need it

27. This role is to support people into safe and stable housing (whether market or non-market) to improve the welfare of New Zealanders and minimise wider costs to society.
28. One way to understand this is to look at three different needs people face around availability, affordability, and other needs:
 - a. affordability - they struggle to meet housing costs alongside their other expenses.
 - b. availability - there is no suitable market accommodation available (e.g., of the appropriate size, or with accessibility features), which may be driven by a lack of overall supply in a place.
 - c. other needs - they cannot access or maintain market accommodation at any price due to other factors such as family size and composition, requirements for accessible or modified housing, histories with state services (care, custody, health), or previous rental history (none or poor).

29. While this is a useful starting point to understand need, in practice, we know that many people seeking housing assistance will have needs spanning all three components, and peoples' needs aren't fixed but change over time. Data analysis shows most people on the Register face discrimination (an availability issue), as well as a lack of income, and a sizeable proportion also face other barriers.

The Government has four main mechanisms to deliver on this role

30. These are:
- increasing the supply of housing** to increase availability and choice and put downward pressure on housing costs
 - financial assistance** to people and rent subsidies for tenants
 - providing **access to secure and stable housing** for people who can't access through the market
 - housing and social service support** for people experiencing, or at risk of homelessness.
31. Supply-side measures (a and c) influence housing costs but have long lead-times before they flow through to lowering housing costs overall, and impacts will be different from place to place. Demand-side measures (b and d) are more direct and can be specifically targeted to low-income households, but do not improve supply.
32. The scope of this Review is primarily focused on financial assistance and providing access to secure and stable housing with other work programmes focused on the other two mechanisms.

Current purpose and effectiveness of SH, AS, TAS, Affordable Rentals, and who they are for

We have assessed what the current purpose of SH is and who it is for

Current purpose of SH: A safety net for those who are unable to obtain and maintain housing successfully in the private market by providing access to a separate subsidised housing market that is rationed to those who have the greatest housing need determined by the Social Allocation System (SAS), for the duration of that need.

33. SH is the Government's primary supply-side intervention². The role of SH in New Zealand's housing assistance system has changed over time, with successive government housing reforms. It provides a bundled response to affordability, availability, and other needs – providing a relatively high affordability subsidy (the IRRS), access, and security of tenure for most tenants in a suitable home.

² Government has two main levers with housing assistance: demand-side interventions which improve the consumers purchasing power and access to services (i.e., housing allowances, and cash-grants), and supply-side interventions which directly provide housing and related services, or influence how providers of housing operate, such as setting standards or stimulating construction.

34. Eligibility is first determined through income, asset, and residency tests, and then prioritisation to determine “greatest housing need” is undertaken through the SAS. This assesses peoples’ housing needs across five categories: accessibility, adequacy, affordability, suitability and sustainability.
35. There are specific fast tracks into SH and exclusions from periodic tenancy reviews.³
36. There is high variability when comparing the role of SH, and its settings, internationally. The proportion of SH in New Zealand is similar to that of Canada and Australia (around 3-4 percent), but substantially less than Ireland and England (between 10-17 percent). **Annex B** compares New Zealand SH to overseas jurisdictions.
37. Internationally, SH is often designed in response to different economic conditions, and to reflect different political and cultural attitudes to welfare and housing. Many jurisdictions have, in recent times, expanded their SH systems to supply an additional tier of affordable or cost-rental housing⁴ aimed at working households and addressing market failures. Other common approaches include tenure neutral housing allowances and regional SH delivery to respond to local market conditions.

SH is targeting people with high housing need, however, there are many people outside of SH with similar levels of housing need who are not currently able to access SH

38. Overall, for those in SH, it is meeting its role in providing a safety net that is targeted to people in high housing need. SAS prioritises people in greatest housing need and those in SH show improved outcomes (HUD2025-006685, REP/25/3/200 refers). While this may reflect the stabilising role of SH, it may also be because over time SH has become increasingly targeted at those with higher housing needs, so that those coming on to the Register and into SH have higher housing needs than previous entrants.
39. However, the 23,886 households⁵ on the Register shows high unmet housing need, and underrepresentation in Māori, and single and large households entering SH. The highest priority households on the Register aren’t always housed first (i.e., A19s and A20s on average spend almost three months longer on the Register to house than A14s-A18s). This is likely due to the higher complexity of their needs which results in a lower number of suitable houses being available. Of those that were housed in SH in the year ending 31 March 2025, it took 405 days (13.3 months) on average to be housed across all priority ratings, with a median of 220 days (7.2 months).
40. Additionally, SH is an increasingly expensive intervention (see paragraph 50). All stakeholders noted that while SH might work well for some households, the system does not work well overall.

³ The existing fast tracks prioritise SH for households with children that are in EH (12+ weeks), and households with children at risk of rheumatic fever, or that Oranga Tamariki has care of. The exclusions from periodic tenancy reviews imply a focus on SH supporting those who have dependent children, greater than 65 years old, receive a Supported Living Payment, or those with an agreed lifetime tenure with Kāinga Ora.

⁴ Cost-rental housing is a form of subsidised housing that sets rent at a level sufficient to cover the ongoing costs of the property (such as tenancy management, maintenance, and rates) and recouping some development costs.

⁵ As at March 2025.



41. It is unclear how the SH system is performing in relation to supporting people for the “duration of housing need.” Our understanding of this is complicated by the fact that the system only prioritises based on need at the point of entry. The estimated average future years for a household entering SH is 16.7 years, and there is insufficient evidence to know whether people are exiting SH because their housing needs have been resolved.
42. Mobility out of SH is likely low for a range of reasons, including: lack of access to non-financial supports to address underlying needs, unavailability of suitable affordable housing, and lack of income and inadequacy of the AS at addressing affordability. There are also financial disincentives to work and increase income in SH.⁶ Additionally, some households have vulnerabilities which mean SH is an appropriate long-term solution, a conclusion also repeated by multiple stakeholders engaged with.
43. We have not identified any evidence that there is a significant cohort in SH that are being supported beyond the “duration of their need”. In our data work to date, the only cohorts with consistently fewer interconnected needs and higher after housing costs income are older people, although research suggests there is likely to be risks associated with moving them to other tenures.⁷
44. The current bundling of the more generous IRRS and physical SH place is a key driver of inequities and demand for SH. This creates large disincentives to move to the private market and limits ability for people who cannot access in private market to get into SH.

The AS provides limited housing cost support to low-income households, often supplemented by TAS; it is a less generous subsidy than Income Related Rent

Current purpose of AS: to provide income support for low-to-middle income households primarily within the private market that are experiencing housing costs above a threshold. It partially subsidises those costs while attempting to retain incentives to economise on housing costs, move toward increased independence through work, and to minimise market distortion.

Current purpose of TAS: a non-taxable hardship assistance payment paid as a “last resort” to help people with their regular essential living costs that cannot be met from their income and other resources. It is income and cash asset tested and is intended to be temporary paid for a maximum of 13 weeks, after which people can reapply to continue to receive support.

Current purpose of IRR/IRRS: The IRR and IRRS have dual purposes. IRR limits accommodation costs to 25 percent of income to ensure rents are affordable⁸. IRRS is paid to the provider to subsidise the difference between IRR and market rent to equalise the provision of SH to provision in the private rental market⁹.

45. The AS was designed in the early 1990s and for a renter provides up to a 70 percent subsidy of housing costs that exceed 25 percent of the base rate of benefit and Family

⁶ As at 31 March 2025, around 1.3 percent of Social Housing tenants are paying market rent.

⁷ Moving older people from secure housing can lead to emotional and financial stress that undermines their health and independence (Bekhet et al., 2009; Howden-Chapman et al., 1999; Morris, 2018; Perry et al., 2014), increasing the likelihood of costly care needs and broader societal impacts (Ergas & Paolucci 2011).

⁸ This 25 percent is up to an income threshold (\$538.42 for a single person and \$828.34 for other household types). IRR is increased by 50 percent of any income above that threshold.

⁹ Operational Supplement and upfront Operational Supplement are also provided by the government where IRRS does not cover the cost to deliver a social house or where equity is needed to support better access to finance for Community Housing providers.



Tax Credit.¹⁰ It sets maximum rates based on relationship status and number of children and broad geographic region. The maximum rates are based on the 40th percentile of rents. Maximum rates have not been updated since the Family Package in 2018, which was based on 2016 rents.

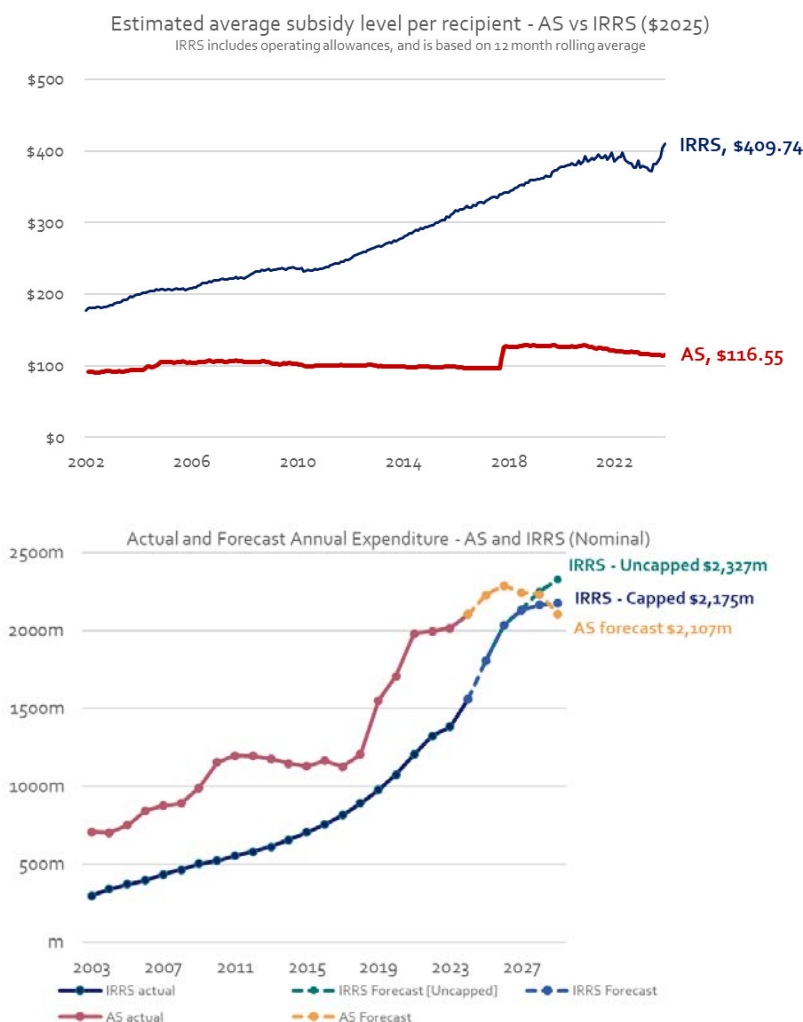
46. TAS was introduced in 2006 to be more formulaic, and less discretionary than the Special Benefit, which it replaced. It has some elements of discretion but is largely rules-based to ensure equity and to control costs. It was intended to be a last resort, temporary payment for people with unusually high essential costs that mean that they had a significant weekly income deficit.
 - a. While intended to be a 'by exception' payment, rising housing costs combined with the operation of the AS formula has meant that the number of people accessing TAS has grown strongly since inception. 95 percent of TAS expenditure is on housing costs, and it is generally not temporary in practice as housing costs are difficult to economise on.
 - b. The high use of TAS is undermining key features of the AS and has negative work incentives due to a 100 percent abatement rate and no incentive to minimise housing costs in some circumstances. That a quarter of recipients receive TAS means AS is failing to meet the minimum standard of affordability for many people.

The AS is inadequate for many households in addressing housing unaffordability, but is effective in subsidising housing costs and minimising landlord capture

47. The AS has a standard design for a demand-side subsidy, by international standards. It includes elements to mitigate landlord capture, such as the maximum rate of subsidy, co-payment, and fact that AS is generally paid to the tenant and provides only a partial subsidy toward actual housing costs. These features provide incentives for recipients to economise on housing costs, but systematically over time have worsened the real after-housing cost incomes of recipients, as private rents have increased.
48. While most commentators assume the AS is systematically 'captured' by landlords, the available empirical evidence is now quite compelling that the rate of capture is relatively small. A study commissioned by MSD on the 2018 AS changes suggested that after two years around 90 percent of the extra increase in assistance was receiving by AS recipients as an extra increase in after-rent income, once changes in the composition of recipients and the boundary areas were controlled for.
49. While AS appears to limit landlord capture, it has some problematic features:
 - a. the non-adjustment of the maximum rates for significant periods of time, and performance of the AS formula in the face of long-term increases in rents has meant that it no longer achieves reasonable after-housing cost outcomes.
 - b. the maximum rate is for a household of three-plus people which disadvantages larger households.

¹⁰AS is also available for boarders, additional residents and homeowners. For homeowners, the AS entry threshold is set at 30 percent of benefit + FTC. Following changes announced in Budget 2025, this will rise to 40 percent from 1 April 2027.

- c. the adequacy problems within AS have contributed to strong rises in TAS use, which in turn has problematic features (discussed below).
50. In addition, the worse financial position of people receiving AS compared to households paying an Income Related Rent (IRR) creates potential equity issues, and a poverty trap disincentivising people from moving into work or housing independence.
51. As shown in the graph below, as at June 2024 the average level of AS was \$117 per week (per family unit), compared to \$410 per week through IRRS (per tenancy). The gap between the two levels of support has been steadily growing, and is likely to continue to grow in the future. Total IRRS expenditure is forecast to continue to rise, and overtake AS expenditure in 2027/28, despite the fact that AS assists a considerably larger number of people.¹¹ As part of our upcoming subsidy advice, we are further investigating the key drivers of these trends.



¹¹There are a range of factors, beyond housing costs, which contribute to recent and future trends in overall expenditure. Total IRRS spend continues to increase likely due to rising market rents, increasing numbers of SH places, and increases in the cost of additional supply (e.g., increased use of operating supplement). AS expenditure will initially rise, and then flatten and fall, as increases in AS due to rising housing costs are offset by a falling number of people on AS and more people reaching the maxima, which constrains AS expenditure growth.

TAS has become a housing cost top-up, and functions poorly as such

52. Though other allowable costs include household items, employment and child support, TAS functions largely as a housing payment rather than the hardship payment as was originally envisaged. As a housing payment, it functions poorly as:
- it creates strong disincentives to work (a 100 percent withdrawal rate as incomes rise)
 - it pulls against the design features of AS that seek to minimise market distortion, by providing a subsidy of close to 100 percent toward housing costs once a tenant is receiving it
 - it is very complicated and has very high compliance costs for applicants and MSD, including the requirement for reassessment every 13 weeks.

Affordable Rentals have been targeted at a different cohort than SH, but tenants can receive AS and TAS

53. Since 2021 the Government supported around 1,600 affordable rental homes through both the Affordable Rental Pathway of the Affordable Housing Fund and Whai Kāinga Whai Oranga.¹² These funds were created to increase the supply of rental housing to reduce demand on the housing system. There were several key differences between Affordable Rentals under these schemes and SH:
- Target Group: Lower-income people not in SH or low priority the Register.
 - Tenant Selection: Providers have discretion (e.g., prioritising older people, whānau, or Māori who whakapapa to their rohe).
 - Providers: Open to non-registered and registered Community Housing Providers (CHPs), iwi, and Māori housing providers.
 - Rent Levels: Typically, 80 percent of market rent or 30 percent of income – less generous than SH subsidies.
 - Location Focus: Built in areas lacking other affordable housing options.

This enabled housing development where the market wouldn't build, at a cheaper cost to the government than SH

54. On average the grant funding per home for new Affordable Rentals has cost less to the government than delivering new SH (estimated at around \$21,000 on average per Affordable Rental place p.a.¹³ compared to \$46,667 on average per SH place p.a.). However, the amount saved in IRRS and OS is in part offset by expenditure on the AS and TAS.

¹² Whai Kāinga Whai Oranga is jointly administered by HUD and Te Puni Kōkiri (TPK). This figure does not include affordable homes that may be contracted by TPK under this fund, and they may have their own way in which they assess projects and other contracting settings than HUD's.

¹³ This is based on the average annual cost of grant funding for Affordable Rentals under the Affordable Housing Fund (for an average grant payment of \$320,000 in total per home) and Whai Kāinga Whai Oranga (if funded at \$535,000 per home) and spread across the contracting period of 15 or 25 years.

55. Tenants in Affordable Rentals benefit from a stable and secure tenancies as it is typically offered as a long-term tenancy, compared to renting in the private market. However, affordable rentals remain a small part of the market.

It is unclear whether Affordable Rentals have been allocated to those most in need, and how affordable these housing options are for low-income households

56. As providers have had discretion in tenant allocation and selection within the broad eligibility parameters of the schemes, we don't have detailed information on who has been housed, their previous housing situation and how affordable the rent is compared to the rent paid by those on the SH Register and other low income households.
57. Discretion is valued by providers and may support improved outcomes for the tenants. For example, for Māori providers who can ensure priority is given to placing people who whakapapa to their rohe and provide culturally appropriate support. s 9(2)(f)(iv)

HUD is progressing with implementing the Flexible Fund agreed in Budget 2025 (short-term approach for Affordable Rentals)

58. HUD has provided initial advice to the Minister of Housing on high-level parameters for Affordable Rentals as part of the new flexible fund established through Budget 25 [HUD2025-007125]. This will inform advice on final detailed design elements of the above parameters in August and enable finalisation of the investment plan in October. While this is the short-term approach, we are considering how to best achieve your longer-term objectives for Affordable Rentals as part of this Review. This is discussed further from paragraph 100.

Given the problems identified above, we are seeking your direction on how to redesign the system to better meet your objectives

59. As outlined above, how the government currently deploys its available mechanisms isn't working for everyone. There are opportunities to unbundle, and redesign how the housing and subsidies are provided by the government and interact to better play to their respective strengths.
60. The exact role of subsidies and who government provides access to secure and stable housing to will be worked through in subsequent reports, but the high-level choices as to how you think about the respective roles of each are set out in three system direction options below.

There are three broad options for the SH system direction; these options steer you to different end states

61. The below table illustrates these options, and assesses these against your objectives. With any option, there will design and transition decisions that we will need to work through (i.e., eligibility, subsidy design, allocation and prioritisation, etc).

Option 1 - Status quo +: No major change to who government provides access to secure and stable housing to, but possibly significant change to role of housing subsidies to improve mobility and incentives to work.

Role of SH: a safety net for those who cannot access and maintain housing successfully in the private market. Rationed to those who have the greatest housing need, for the duration of need (current role)

Role of Affordable Rentals: provides sub-market rental housing as an alternative to SH

Role of subsidies: Role to be determined in further advice, but options to bring subsidies closer together or create a single subsidy

Description	Alignment	Trade-offs
• Role of SH remains unchanged. • Either brings AS and IRRS closer together or introduces a single subsidy. • Focus on levers that promote housing independence (e.g., additional supports/incentives to exit SH) Tenure limits may be difficult without change to purpose. s 9(2)(f)(iv)	• More equitable system • Could support more housing independence but unlikely to increase flow out of SH quickly and at scale. • Incentives to work	• Difficult to introduce tenure limits or change eligibility within existing purpose • Buy-in more difficult without new vision for SH system

Option 2 - Tightened access to social housing and focus on assisting those no longer eligible: access to social housing is more tightly focused, requiring a focus on housing assistance to support people in the private market.

Role of SH: a safety net for those with the greatest housing need that aims to swiftly house the most in need

Role of Affordable Rentals: s 9(2)(f)(iv)

Role of subsidies: role to be determined in further advice, but options to bring subsidies closer together or create a single subsidy

Description	Alignment	Trade-offs
• SH eligibility would be narrowed either through tighter core eligibility or tightening SAS (or a combination) to ensure those in the highest need are accessing SH. This could be accompanied by tenure limits to increase flow through the system where possible. s 9(2)(f)(iv)	• Value for money (but potential broader social and health costs if no available suitable housing for people required to exit or no longer eligible for SH. Could be mitigated by significant investment in Affordable Rentals or increased AS). • More people out of SH may move into market housing, however, it is likely that some of those no longer eligible under this option would not be able to afford and/or sustain market housing creating risk of churn (i.e., back on to Register, in EH/TH or other forms of homelessness) or requiring support from community groups.	• Could improve outcomes for people now able to access SH (quicker), but unlikely to improve equity overall if no suitable housing for those exiting or no longer eligible. • Increase in work for government and providers to administer tenure limits. An increased investment in affordable housing is likely needed to prevent worse outcomes for people leaving SH and pressure on other systems such as EH/TH. • We would no longer have a way to capture the need currently signaled by the Housing Register.



Option 3 - System reform: A social housing system which delineates service offerings dependent on housing needs by making significant changes in how the government provides housing and housing subsidies (recommended)

Role of SH system: provides levels of support differentiated by severity and permanence of housing need. There is a choice as to how far you go in unbundling the subsidy from the house with one option being multiple tiers of housing provision, for example:

- One tier focussed on those who cannot access and maintain housing in the private market, and are unlikely to be able to ever be able to, with the other tier for those who have access and affordability needs but improvements in circumstances are possible **OR**
- Complete decoupling of house from subsidy – i.e., a household may be offered just a house, just a subsidy, or both.

Role of Affordable Rentals: s 9(2)(f)(iv)

Role of subsidies: role to be determined in further advice, but complete decoupling option likely to be better suited to a single subsidy.

Description	Alignment	Trade-offs
• Fundamental system redesign targeting different types, intensity and duration of housing need, and changing how government uses SH to influence broader housing availability and affordability. • As outlined above, there is a choice as to how this is designed. • Affordable Rentals could be a different way of funding housing, s 9(2)(f)(iv) • or (if moving to a single subsidy) may become redundant as single subsidy may reduce need for in-between SH and market housing option.	• More equitable system depending on resources available, and how affordable the tiers of housing are. • Value for money – depending on design could minimise risk of under or overservicing; and could improve affordability and conditions of broader housing market. • May help house high housing needs cohorts off the Register quicker (i.e., current A20s) • Could support more housing independence if provided staircase of housing support, and variations in tenure length. • Incentives to work improved with subsidy design & choices out of SH. • May increase social licence to make difficult transition decisions.	• Upfront investment likely needed, but aligned with social investment approach – longer term pay off. • Difficult choices about transition pathway – s 9(2)(f)(iv) • Long time to implement and likely complex legislative change. s 9(2)(f)(iv)

In assessing the options, we consider that Option 3 will best deliver on your objectives

62. **Option 1:** as shown in the table above, you could still progress significant change within Option 1 however, it may be more difficult to create the social license for difficult decisions (e.g., on subsidy reform), without reimagining and resetting expectations on what the end state for SH could look like. This is our second preferred option, after Option 3.
63. **Option 2:** this option has the potential to improve the flow through the SH system if you are willing to make choices to narrow who is eligible and for how long. While both Option 2 and 3 will require difficult decisions on eligibility, Option 2 may be perceived as just tightening eligibility for SH rather than improving the functioning of the broader system. s 9(2)(g)(i)
64. Based on our data analysis to date there are no easily identifiable groups that have lower need for SH. While more people may move out of SH into market housing, there is risk of churn (i.e., back on to Register, in EH/TH or in other forms of homelessness) or requiring support from community groups, without significant additional investment in alternative housing options. As such, while this option may improve outcomes for people now able to access SH (quicker), it is unlikely to improve equitable outcomes

overall without additional investment in alternative housing options and/or support (e.g., the AS).

65. Once we have your preferred system direction option, we will provide further policy advice on the target cohorts for SH (underpinned by data analysis), but this will require difficult decisions and trade-offs. Some examples could include populations transitioning out of state care, former refugees, and those for whom the social returns from SH are the greatest (e.g., families with young children).
66. **Option 3:** reimagines how the government provides housing and subsidies, providing different levels of support differentiated by housing need. We could see this working either by establishing multiple tiers of SH, with allocation based on type, severity and permanence of need, s 9(2)(f)(iv)
67. We will provide you with further advice on which approach we think best meets your objectives, however, we think it may be that a tiered approach may be more workable in the short-term. This would not preclude moving to a full decoupling of the house and the subsidy as the end state.
68. The key decisions that will likely have the most impact are around whether to narrow access to SH and by how much and whether you want to retain current subsidies or move to redesign subsidy system (potentially to a single subsidy).
69. We think Option 3 best meets your objectives and ambition because:
 - a. it better matches housing response to need, which improves value for money and ensure more equitable outcomes.
 - b. presents a greater opportunity to reimagine how the government can use the SH system to influence broader housing availability and affordability, optimising investment in supply, and
 - c. is most likely to achieve public buy-in to full subsidy redesign (and the difficult decisions you will need to make to achieve this), which will help achieve better incentives to work, and support people to independence (where appropriate).
70. However, there are some difficult design and transition decisions with this model that we will need to work through, including:
 - a. if a tiered model, what proportion of current SH fits into each tier,
 - b. how eligibility is determined, and/or tightened, including through what allocation and prioritisation), and how incentives are managed (informed by data analysis on different cohorts),
 - c. what the appropriate balance is between what the tenant pays and what the government pays,
 - d. whether a single or dual subsidy model is the best fit,
 - e. how the SH system interacts with other types of government provided housing that includes supports (i.e., Transitional and Supported Housing) and how it interacts with council housing. Some of the external stakeholders argued that

TH should be integrated with SH in a future state to provide more long-term supported housing solutions to people in need.

71. Additionally, we will need to do detailed cost modelling to understand whether this model generates sufficient savings to fund a fiscally neutral system change, or whether additional funding would also be required/other choices made around further tightening eligibility for social or affordable housing.

Transitioning to the new system

72. As previously advised, and dependent on your choices, any significant reform programme is estimated to take at least 3-5 years to implement.
73. Dependent on where you get to by the end of 2025, there will be choices about what is possible to announce through Budget 2026, ahead of the further detailed policy design, legislative and operational changes. You may be able to announce the direction of travel for the system, and/or you could choose to announce smaller changes that are faster to implement, and that may start to take you in your chosen direction (for example, changes to contribution rates for IRRS, or additional supports or incentives to leave SH).
74. We will also need to consider the timing of system reform will MSD's Services of the Future transformation programme, which may present an opportunity to create a single client view across housing, income and employment.

The below sections set out our thinking on four key decisions you will need to make in further advice coming later in 2025

We will provide you with further advice on how to change eligibility, and allocation and prioritisation for SH

75. Changing eligibility for SH is the key lever outlined in Option 2, but also will need to be considered as part of Option 3. Options to ration and prioritise access to SH will require difficult decisions, covered as part of our proposed September advice.
76. To target eligibility, there are choices around s 9(2)(f)(iv) [REDACTED]
77. To help inform your decisions about eligibility, and further to our data analysis discussed with you in April, we have analysed peoples' responses to individual SAS questions to better understand the different issues facing households seeking SH, and where these intersect. While the Register is not a perfect measure of need it does help provide a loose proxy for the proportion of people that have access and broader supports needs beyond affordability. The key findings are outlined in **Annex C**, and indicate that:
- a. a substantial proportion of potential future SH tenants' needs would likely be met through access to a subsidised house.
 - b. at least a third of potential future SH tenants may need more wraparound support to sustain housing.

78. We also know from other data analysis that there some groups with high needs that are likely to be permanent (e.g., disabled people with certain impairments), versus those with needs that may evolve over time, such as families with young children.

s 9(2)(f)(iv)

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

80. Options 2 and 3 also will require us to rethink how we assess and prioritise access to SH. Our further advice will cover considerations such as what criteria we use to assess need, who undertakes the assessment and how SH tenants' priority ratings and needs are reassessed. We will also provide further Treaty implications of any options in this advice.
81. Legislative change would be required to make changes to eligibility, tenure, and SAS as core eligibility for SH, and the key components of SAS are determined via Ministerial Direction and governed by PaCHMA.¹⁴

Our advice will also assess how tenure limits could support your objectives

82. Considering implementing tenure limits could have the following benefits:
- a. Reduce numbers on the Housing Register
 - b. May improve incentives for people to seek paid employment and private accommodation as their situation improves
 - c. Reset the public's expectation around tenure in government supported housing.
83. Evidence suggests we should approach tenure limits with caution, and consider them alongside improvements to the availability of alternative housing options. While fixed term SH tenancies are common in many European jurisdictions, they are operationally more similar to our system of tenancy reviews, so that people are eligible to reapply once a fixed term tenancy ends.
84. s 9(2)(ba)(i)
85. Research suggests that enabling movement and choice may be more productive to achieve sustainable exits. Stakeholders suggested that providing bridging support

¹⁴ Public and Community Housing Management Act 1992, Ministerial Direction found here: <https://www.workandincome.govt.nz/map/legislation/ministerial-directions/continued-eligibility-for-social-housing-direction/ministerial-direction-on-continued-eligibility-for.html>.

when households leave SH could be an effective tool to promote mobility and sustainable transitions out of SH. This could be achieved either through transitional subsidies or support services that continue for a period of time once a household leaves SH to provide a buffer while adjusting to a new living situation. Other ideas include ensuring access to programmes for getting people into work or training.

86. We will provide you further advice on whether a form of fixed term tenancy would have benefits in the New Zealand system, alongside options for transitional incentives and supports to ensure those leaving SH do not filter back into the system.

We recommend that our subsidy design advice covers a range of options, including what a single subsidy model could look like and how we could bring the subsidies closer together and improve their functioning as an integrated set of subsidies

87. A fundamental choice when thinking about housing subsidies (AS, IRR, and TAS) is whether to continue to have two subsidies (one for private renters and one for those in SH), or change to one tenure-neutral housing subsidy. The two-subsidy approach retains a model of SH that provides access to a physical house alongside a greater level of financial support.
88. The single-subsidy approach would support housing affordability for all low-income households through a tenure-neutral subsidy. Under this model, the role of SH would not be financial support, but rather to provide access to a physical house to those who have difficulty accessing it.
89. A single subsidy would remove a lot of the financial disincentive to move and give the opportunity to improve incentives to work as well. It would allow targeted services that support people to independence to be more effective. Together these would go a long way to meeting Ministers' objectives. The main ongoing benefits of SH would be greater security of tenure than in the private market, and it could also serve as a platform for services.
90. There are a range of options for the single subsidy, however we see all options removing IRR:
- a. retain AS with its current design (but choose to update the maxima to 2025 rents and adjust the boundaries).
 - b. enhancements to the AS, combining a maxima update with other changes like increasing the subsidy rate and/or changing the maxima adjustment for household size/location of housing.
 - c. replacing the AS with a new payment that has a different design 
s 9(2)(f)(iv) 
91. 
92. Increased reliance on what was a private-market oriented subsidy would likely raise questions about the adequacy problems in the current subsidy design at significant fiscal cost. For example, a simple uprating of the AS maxima to reflect 2025 rents

would cost in the order of \$400m per annum (and this costing does not include changes to any changes to geographic boundaries that may be out-of-date). Consideration would also need to be given to the appropriate level of 'market' rent charged to SH tenants, which could in turn have implications for funding arrangements for Kāinga Ora and other SH providers.

93. Even with these changes, options that remove or significantly reduce IRR would still likely see a substantial reduction in income for existing SH tenants,¹⁵ and transitional arrangements would likely be required to mitigate the impact.
94. For example, when the AS replaced IRR and the Accommodation Benefit in the 1990s, and SH tenants shifted to paying market rents, the transition was made gradually over nearly four years (October 1991 to July 1995), often in increments limited to \$10-20, and a series of protections and supports were also introduced alongside it.¹⁶ Similarly, we would recommend that the transition for *existing* SH tenants to paying (subsidised) market rent would occur gradually, and be accompanied by increases to AS or a more generous replacement, to offset some of the losses that would occur.
95. Options that 'bring the subsidies closer together' include either a) reducing IRR, b) increasing AS (or introducing a more generous replacement, or c) some combination of both. It would be challenging to fund meaningful increases in AS solely through cost-savings in IRR, given that AS recipients are a much larger group.
96. For example, increasing the IRR contribution from 25 percent to 30 percent would generate ~\$130m in savings per annum, so would only cover around a third of the cost of a simple maxima update described above. Increasing the contribution to 35 percent would save ~\$260m per annum, and cover around two-thirds of the cost, but would see average losses of \$70-100 per SH tenancy.
97. **Recommendation:** We recommend proceeding with work on a single subsidy as well undertaking work on other options, including options that bring the subsidies closer together (in terms of affordability outcomes) and address TAS. We will provide further advice on this as part of the subsidy and supply settings papers in September.

There is a related question on how the Government purchases SH

98. Subsidy reform may impact on the level and certainty of revenue streams made available to providers (e.g., if more reliant on tenant rent). This could impact the providers' ability to attract and service finance costs and impact what type of services they deliver.
99. These risks can be managed through policy design following your decisions on preferred system direction option. We will advise on how these decisions align with the preferred supply side funding approaches being developed by HUD through the Housing Investment System and if subsequent work is required.

¹⁵For example, total incomes work indicates average equivalised After Housing Costs (AHC) income for SH clients is \$338, whereas for AS clients it is \$234. This figure is equivalised.

¹⁶ These included tenancy protections for those aged over 65 and for those with significant health conditions and disabilities, rent rebates for those aged over 55, and increases to the AS and Special Benefit.



s 9(2)(f)(iv)

100. Currently Government agencies, service providers, Kāinga Ora, and CHPs may refer SH tenants to housing programmes and supports, or to health and social supports (where available), and some CHPs may be able to refer people to supports offered through their broader organisations' distinct health or social service arms.

101. Given what we understand about the needs of people both on the Register, and in SH,
s 9(2)(f)(iv)

102.

103.

104.

We will explore options to achieve your objectives for Affordable Rentals which may look different in the short- and long-term

105. Minister Bishop has indicated a desire for Affordable Rentals to become a permanent and integrated part of the SH system. We understand you want to better support people to step through the system towards independence, and to have a lower cost supply-side intervention than SH.

106. In the short-term we have provided Minister Bishop with advice on the high-level parameters for Affordable Rentals to be allocated within the Flexible Fund.
s 9(2)(f)(iv)

¹⁷ s 9(2)(f)(iv)



s 9(2)(f)(iv)

There are implications for any changes made

Treaty of Waitangi obligations

108. As part of the first stage of WAI 2750, the Crown accepted it has obligations under the Treaty in relation to the provision of housing and housing services. Māori have a significant interest in any changes being considered for the SH system given Māori are significantly overrepresented in the SH system and other worse housing outcomes. IDI data tells us that Māori on the register are also likely to have high housing needs – they are more likely to be experiencing or at risk of homelessness; have a SAS score of 16 or higher; and indicate safety, discrimination, financial, and addiction issues that impact on their access to safe and secure housing.
109. There are potential Treaty risks associated with any changes that tighten access to social housing:
 - a. if they result in less data being captured on housing needs (via Housing Register),
 - b. or if there are not suitable alternative housing options for Māori who could become ineligible for social housing.
110. We will provide further Treaty analysis of options in upcoming advice.
111. This work presents opportunities to partner with iwi and Māori through locally-led solutions; and support Māori CHPs to improve outcomes for Māori who need SH. We will continue exploring these opportunities under whichever option is chosen.

Partnering with Māori in the SH system is integral to improving equity and housing outcomes for Māori.

112. In submissions to WAI 2750, the Crown accepted it has a partnership duty to engage with Māori in the development of housing policy and services. Engaging with iwi and Māori is a necessary part of significant policy change where Māori have an interest, such as this work. We propose engaging as early as possible in the process to ensure stakeholders can meaningfully input.

Changes could also have implications for achieving your Child Poverty Targets

113. The changes being considered through this Review could have implications for achieving the Material Hardship Portfolio Target and the AHC50 child poverty target. Changes to eligibility and subsidies are likely to impact on the housing costs of families in and close to being in material hardship and AHC50 poverty. Our upcoming advice will consider the impacts of proposed changes on households with children.

Consultation

114. The Treasury supports system reform given the financial unsustainability of the current system, noting that further analysis is required to support detailed design decisions. In particular, social housing cost pressures continue to grow, driven by market rent increases, and further funding will be required at future Budgets in the absence of substantial policy change. At Budgets 2024 and 2025, Ministers deferred making decisions on savings from the IRRS in favour of this Review. Given the Government's tight fiscal constraints, the Treasury understands that this Review is expected to identify options for potential savings in Budget 2026.

Next steps

115. There will be a series of briefings through the second half of the year seeking decisions on the key design choices. Given the wide-ranging impacts of change to the SH system, we are seeking your views on when you want to update Cabinet on this work. Options include taking a paper in August (following decisions on this report) or waiting until we have provided further advice on key components (e.g., November).



116. Once you have taken decisions at the end of the year there will be choices around broader stakeholder engagement on your chosen changes. Most of the stakeholders we engaged with emphasised the importance of public buy-in to any reform programme, and suggested a combination of focus groups, polling and white papers or discussion documents may be useful to test ideas and start the public conversation.

Annexes

Annex A: Summary of findings from engagement

Annex B: Cross-country comparison of Social Housing models and purpose

Annex C: Drivers of household need for Social Housing

Annex A: Summary of findings from engagement

1. Minister Bishop agreed for officials to undertake targeted engagement with six stakeholders, which occurred in the first half of May.¹⁸ We also spoke to officials working in housing in Ireland and New South Wales (NSW). A summary of the key findings by theme are included below, and an international engagement summary.

General Comments	The current system is not working, as there was general agreement across stakeholders that change was needed, but there was not unified agreement on what a new system should look like: • There are issues within the system that is causing an increased demand for SH increasing, and limiting the ability to improve supply of SH. • Public buy-in for changes to the system is necessary, with any changes clearly informed by public opinion (polling, focus groups) and well-articulated. • We were often recommended to look at different European models of SH, such as Ireland (cost-rentals) and Finland (Housing First). • Different models of SH and better leveraging the private market could improve the supply and delivery of SH. • Look at investment over time and social return on investment. Cost of status quo is high. Improved delivery and supply will have increased upfront costs, but greater return over time and better long-term outcomes.
Market conditions & Typology	The system does not provide for diverse or changing needs, an increase stock of different typologies and housing models is required, the current market does not serve those seeking alternative housing tenures: • Subsidies are structured around a 'Eurocentric nuclear family' and do not account for 2+ adult households, intergenerational, or cultural living arrangements. • Intergenerational housing & support has been in demand by Māori and Pasifika for decades. Other cultural cohorts where this is not only wanted, but normal, are increasing such as Chinese, Indian, and Filipino. • Older people have unique and growing housing needs. There is a shortage of appropriate accessible housing. The system needs to prepare for future need: • The population is aging, and projections predict will be one million people aged 65+ by 2028. This cohort of older people will be more diverse and alternative different living arrangements and have greater housing need being more likely to enter retirement in unstable housing arrangements. • Climate change will cause both large capital destruction and displacement of people from privately owned and rented homes and will disproportionately impact low-income people due to their concentration in more at-risk areas. • New stock is not being developed in a climate-resilient manner and in flood-prone areas. Housing market conditions are untenable, current market settings and government interventions are not making a meaningful impact on the cost of housing, being delivered in the right places, and effectively helping low-income people into secure affordable housing and home-ownership: • SH has a role in reducing the price of rent and rectifying market failures, it is not doing this currently. • More forms of supply side interventions were recommended, but diversity in what model and outcomes were wanted. Some emphasised the importance of improving the quality of existing private and SH stock. • Poor housing quality has evidential negative impacts on the health and wellbeing of the household

¹⁸ s 9(2)(a)

	Caution over further investing in AS and cash subsidies whilst we have constrained supply, stakeholders where generally supportive of the review considering SH and AS together: Cash subsidies such as the AS increasing whilst supply is constrained can have an inflationary effect on rent prices and does not have a material impact on improving market conditions or reducing affordability long-term. It raises cash available and transfers public funds to private actors, whilst not always having a clear return on investment.
Role of SH	Security of tenure is critical to the improvement of material conditions; different cohorts will require different tenure types, but generally improved tenure security was supported. People's need will change over time with changes in material conditions, greater array of tenure type will address a greater array of needs: - Those with the highest, most complex needs, must have SH with secure tenure, cash subsidies in the private market do not provide the same security currently. There will be a cohort likely reliant on SH for the rest of their lives. - When families children leave home, their circumstances become more flexible and their necessary housing typology changes. - Older people have high need for secure tenure, requiring continuity in housing and care. People are limited to be able to improve their circumstances: - There were different perspectives on what independence looks like, but generally people agreed SH system should enable people who aspire for it to graduate through services and enter a private rental or property ownership. - SAS and poor work incentives of different supports limit the ability of people to improve their material circumstance. - People exiting SH should continue to receive some support to ensure longevity of their improved circumstances. Some emphasised the importance of whānau navigator supports, and financial literacy to support people to be rent ready, and sustain private housing. - Private rentals have a high barrier to entry/maintenance – bonds, higher average rent, lower tenure security. A large portion of people who leave SH for the private market will return to SH. The roles of different supports within the system are unclear, and clients are not able to access suitable services which are suited to their conditions and needs: - SAS is insufficient to understand the type of tenure or best point of intervention required for a client's circumstances, and often promotes people reaching crisis before intervention. - A vulnerability approach over need assessment could enable earlier and more suitable intervention. - People with complex needs are placed in SH housing without the services and/or supports required for the long-term wellbeing and development of clients. - Services need to be developed to better meet their purpose, with systems such as Housing First being better supported. - Current subsidies don't function well and are difficult to unpick. AS is no longer effective in meeting original intent and TAS is treated as an additional support for when conditions deteriorate.
Delivery	Leverage community partners, take a client-based approach, and enable flexible delivery, to better provide integrated support suitable to a households individual needs and unique circumstances: - Community partners, such as CHPs, are better placed, with links and into the communities they serve, to conduct assessments and deliver local place-based solutions. - Inflexible policy conditions leads to lost opportunities for development and improvement of material conditions, leading to extended reliance on the system. - Some stakeholders identified the settings for CHPs limiting to their organisational goals, and therefore do not want to pursue CHP status. Settings should support providers to target specific cohorts, for example iwi housing providers being able to target their beneficiaries. - Current policy settings create an unhelpful separation between offering a house and providing services. Government agencies are siloed and focused on delivery of their programme, creating a disjointed delivery of services and increased difficulty of access.



- Most saw a role for Kāinga Ora in continuing to provide SH, but also wanted to expand the amount of stock provided by CHPs.

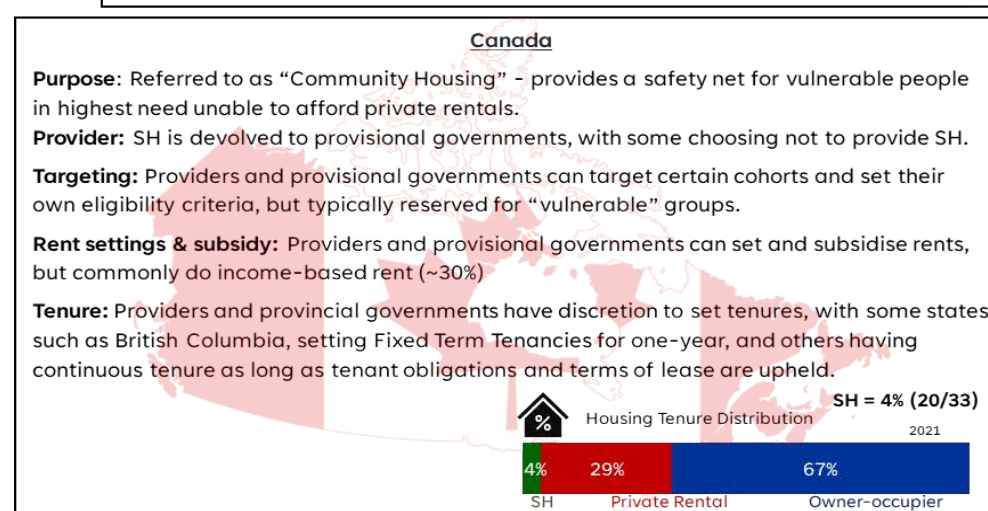
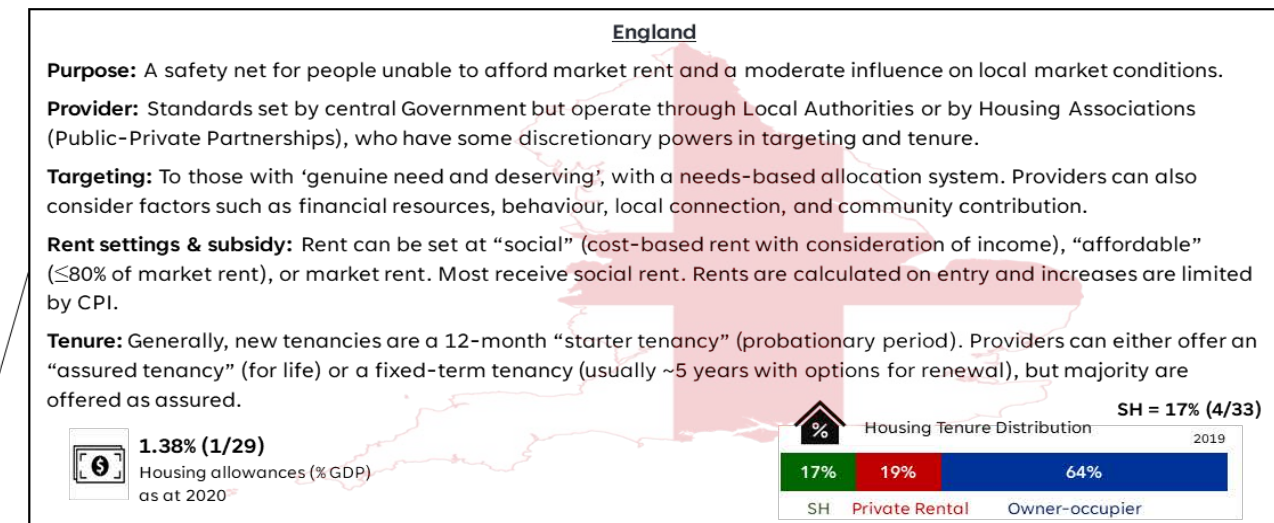
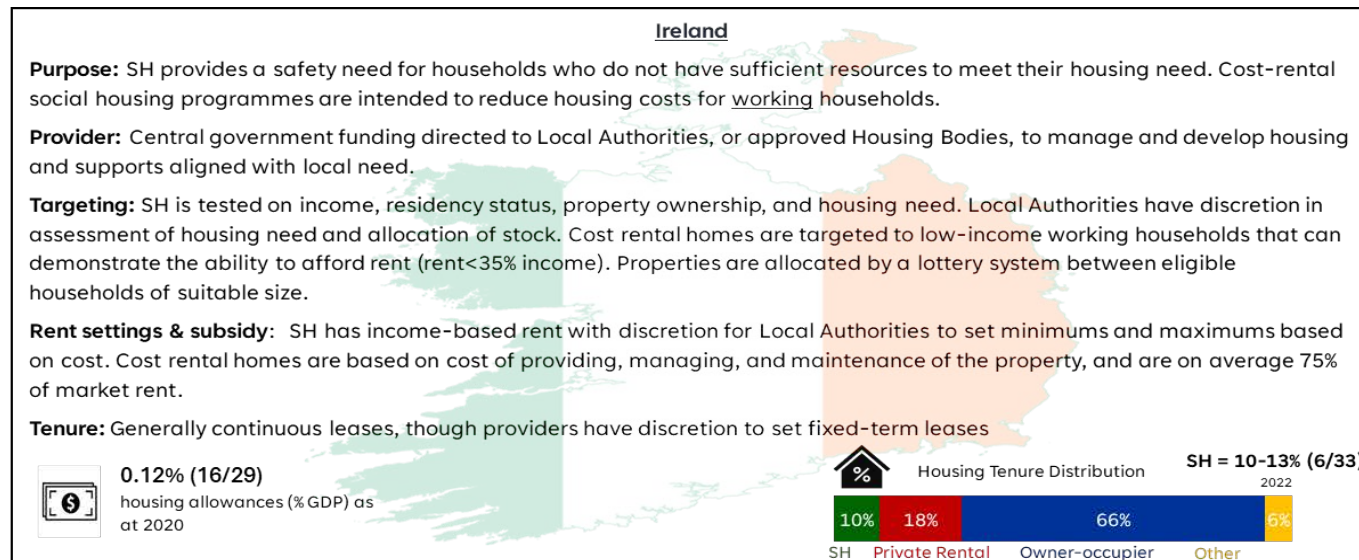
International Engagement Summary

Common Themes	Both countries face challenges with increasing housing need and an unaffordable housing market putting pressure on their housing support system. Both have: • taken steps away from a SH system that only focuses support to those in the greatest need. • developed new supply side interventions generally targeting higher-income households than those in SH but are currently small scale. • devolve who provides access to secure and stable housing to local authorities, with recent additional funding and direction coming from the Federal Government in response to rising housing need and political pressure. • faced challenges of under-delivery, not able to scale their respective supply-side subsidies as fast as desired.
Ireland	Similar SH settings and model, a high level of subsidy targeted to high need and provides alternative to private market, however, SH makes up 10-13 percent of total housing. Have created a large build programme to bolster affordable supply within the private market, and a cost-rental programme that provides decent secure tenancies often at below market prices to working households. Development of cost rental housing is funded through Government loan (at 1 percent interest rates), with ongoing costs covered by tenant cost-based rent. There is high upfront costs for the government, but low ongoing costs. Ireland has unique issues of a high number of vacant dwellings, primarily abandoned due to poor quality. The build programme also involves renovating these poor standing dwellings.
NSW - Australia	s 9(2)(ba)(i) They are now developing a new plan that focuses on better supporting both people in SH and private rental markets, improving delivery of supply, and improving system connections. AH and SH are targeting different cohorts, with AH focused at lower to moderate-income working households that still having housing need.

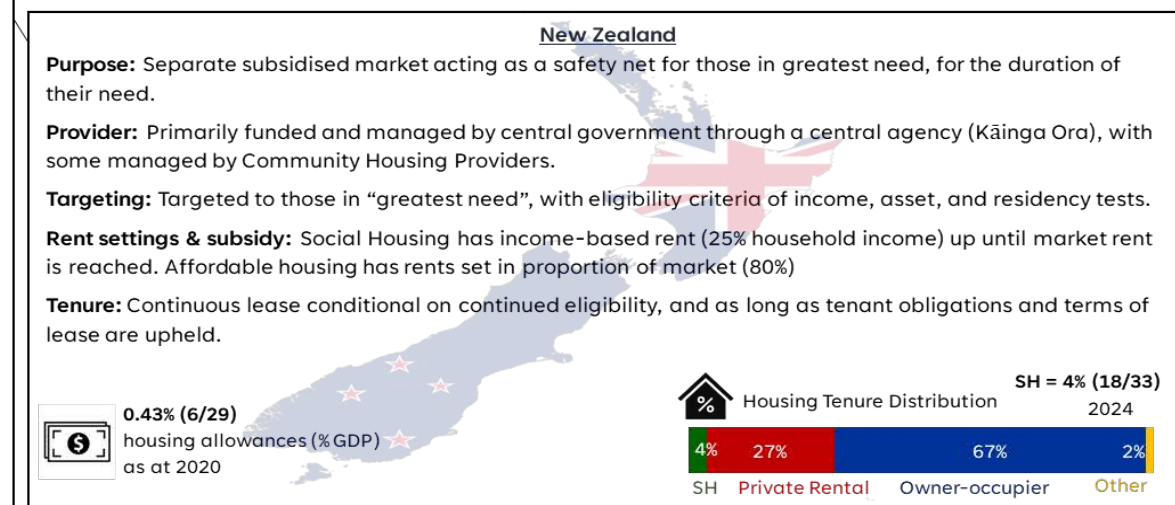
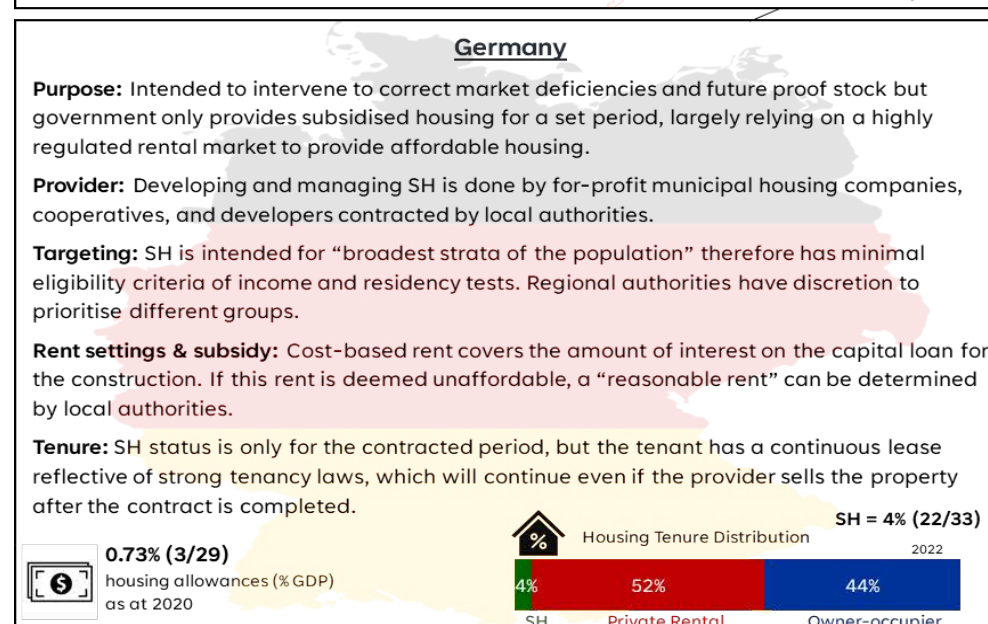
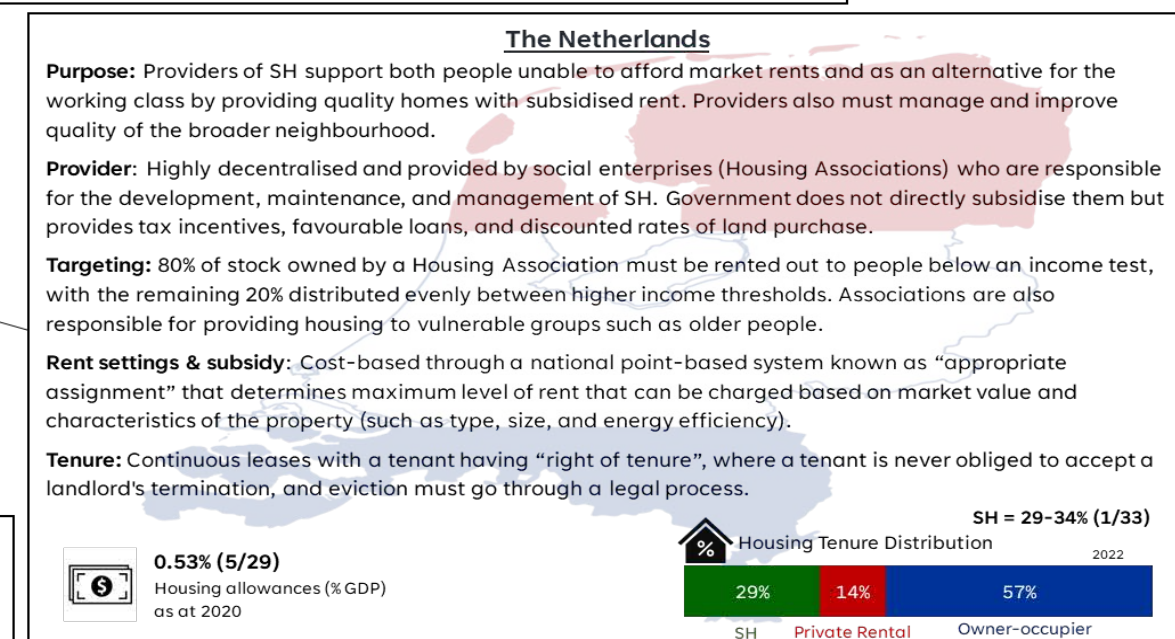
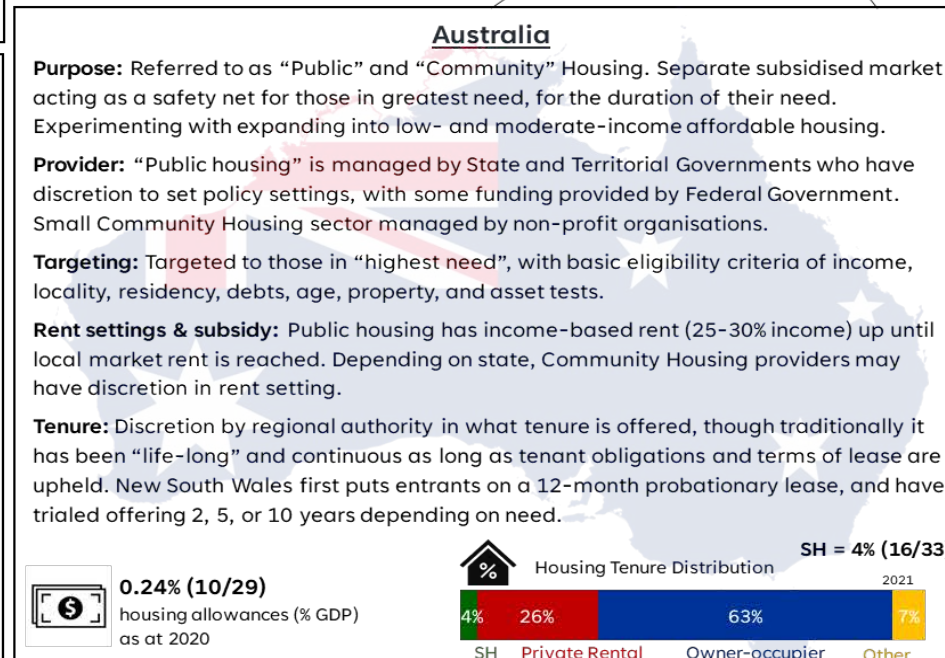
Annex B: Cross-country comparison of Social Housing models and purpose

1. Cross-country comparison of different SH models and levers such as targeting, provider, tenure, and rent settings. The bottom right figure compares housing tenure distribution between 33 OECD countries, and the bottom left figure shows the proportion of expenditure on housing allowances relative to GDP between 29 OECD countries.

Note: Definitions of subsidies are different across all countries, and aren't directly comparable. Countries have different social housing models, different housing markets, and different purposes for government housing assistance, all of which impact on choices around the housing support and subsidies that are available.



International Social Housing Systems





Annex C: Drivers of household need for Social Housing

1. Further to our data analysis discussed with you in April, we have analysed peoples' responses to individual SAS questions to better understand the different issues facing households seeking SH, and where these intersect.
2. While the Register is not a perfect measure of need it does help give a sense of what proportion of people have affordability and other access and support needs (e.g., experiencing family or neighbourhood violence, discrimination, financial, health) or a combination of all four. Our key findings include:
 - a. Around 85 percent of households on the Register face discrimination barriers to accessing private housing.
 - b. Around 82 percent of households on the Register face safety concerns (e.g., at risk of family or neighbourhood violence).
 - c. Almost three quarters of households on the Register face both discrimination and safety issues.
 - a. Just over a third experience safety, discrimination, health, and financial issues combined.
 - b. However, not all groups with other support needs (e.g., those at risk of violence), have high access and affordability issues and therefore don't get a high priority rating.
 - c. The priority ratings on the Register increase with the number and complexity of needs, indicating that the Register does a good job at prioritising those in greatest housing need.
 - d. 17 percent of people on the Transfer Register indicate concerns on the adequacy of the current SH including excessive dampness, leaking water or broken pipes, inadequate bathroom.
3. These findings give you some indication of the relative size of the groups experiencing different drivers of their housing insecurity, with a substantial cohort facing discrimination and safety issues, and a smaller (but not insignificant) cohort experiencing affordability, access, and other social needs.

Analysis of affordability needs for people living in social housing

August 2025

Method

This analysis estimated residual income after housing costs as a proxy for affordability for all renting households in New Zealand. It measured residual income after housing costs as follows:

- the distance between the household income and the price of a lower quartile rental of the size the household needed in the Territorial Authority they lived in.

Residual income after housing costs were estimated excluding government housing assistance, so incomes did not include Income-Related Rent Subsidy (IRRS), Accommodation Supplement (AS), or Temporary Additional Support (TAS).

The unit of analysis was households, covering those in some form of social housing according to 2023 Census - including non-IRRS housing provided by Community Housing Providers, councils, and other non-profits - and private renters. The analysis identified households receiving IRRS-social housing, AS or AS/TAS, and those receiving no government housing assistance.

Households follow the official census classification and are based on Census 2023 data. They may comprise individuals, single or multi-family units, unrelated members, or a mix of family and unrelated members. Census households are endogenous to the current system as people and families may adjust their household arrangements in response to existing housing needs and assistance settings. This analysis does not consider how household composition might differ under alternative housing assistance settings.

Analysis

Estimated distance to afford a lower quartile rental with no housing assistance (equivalised residual income measure)

We have adopted the residual income measures used by the Welfare Expert Advisory Group (WEAG) and further updated by the Ministry of Social Development (MSD). Households are classified by their estimated equivalised residual weekly income after deducting the cost of a lower-quartile rent for the dwelling size they need. Households with \$450 or more remaining are classified as having sufficient income to meet their

basic needs; those with less than \$450 are grouped into three levels of unaffordability. Income and rents were calculated as of 2023.

Note that households could have equivalised income above the unaffordable thresholds but still face financial stress. These thresholds are just an indication. Household income is calculated using the IDI's Total Incomes module, which considers all government benefits and transfers, plus income from work but excluded AS and TAS.

The analysis provides one view of affordability in the private rental market and should be interpreted as an estimate that is useful to describe the alternatives that these households would face in the private rental market, at a population level. The full picture of affordability for each household, is more nuanced and would require understanding the household wealth, assets, and their actual rent payments. The affordability estimate does not tell you about other reasons households may need Social Housing, nor does it indicate if suitable lower-quartile private rentals are available where households need them.

Social Housing Tenants Findings Summary

In Census 2023, there were 91,041 households who lived in some form of social housing. Most of these are households receiving IRRS paid directly to their housing provider. The remainder in social housing live in: local authority or city council housing, Iwi, hapū or Māori land trusts, community housing providers, other non-profits providing housing, or Other state-owned housing.

Private rental alternatives for those in Social Housing

This analysis examines private sector housing options for any household currently residing in social housing. It does so by comparing their household income, without any form of housing assistance (including IRRS, AS, or TAS), to the cost of renting a lower quartile private dwelling of the appropriate size within their Territorial Authority.

In general, 42% of households currently in social housing would find it severely unaffordable without AS/TAS to rent in the private market meaning their income would be unlikely to be sufficient to cover essentials like power, food and transport. These households had less than \$240 of equivalised weekly income after housing costs.

Households whose income may allow them to 'afford' a lower quartile rent

29% of social housing tenants would have >\$449 per week left after affording a private rental, even without AS/AS+TAS assistance. The proportions are highest amongst couples with adult children (67%), couples with older children (46%) and solo parents with adult children (46%). It's also high for extended family (60%), large (50%), and multi-family (48%) households.

IDI disclaimer

Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this study are the work of the authors, not Stats NZ or individual data suppliers.

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit <https://www.stats.govt.nz/integrated-data/>

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes and is not related to the data's ability to support Inland Revenue's core operational requirements.

Table 1: Affordability of Private Housing for People living in Social Housing

	Total Households (%)	Households in the group, where the distance to afford a lower quartile rent (equivalised residual income) >\$449 (%)
TOTAL	91,041	29%
Over 65 living alone	18%	6%
Under 65 living alone	16%	18%
Couple without children	7%	42%
Solo parent with young children	6%	13%
Solo parent with older children	11%	21%
Solo parent with adult children	7%	46%
Couple with young children	6%	35%
Couple with older children	7%	46%
Couple with adult children	3%	67%
Extended family	6%	60%
Multi-family	0%	48%
Flat	2%	40%
Other	6%	39%
Large household	9%	50%
Disabled	26%	26%

How to interpret the table: The column labelled ‘Total Households’ shows the total number of households in this rental segment, followed by the percentage breakdown for different household types. For instance, there are 91,041 households living in social housing—of these, about 18% consist of people aged 65 and over living alone (which is roughly 16,387 households).

The next column provides the estimated percentage of that specific household type that would be considered to afford a lower-quartile rent in the private rental market.

To continue with the ‘over 65 living alone’ example: 6% would find it ‘affordable’ to rent a lower-quartile property of the right size, as the estimated equivalised residual income is \$450 per week or higher.



Briefing

OPTIONS TO REDUCE TIME TO HOUSE A19/20 SOCIAL HOUSING APPLICANTS			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
CC Minister	Hon Louise Upston	Portfolio	Minister for Social Development and Employment
	Hon Tama Potaka		Associate Minister of Housing
Date	07 August 2025	Priority	Medium
Tracking number	HUD2025-007391 REP/25/7/577		

ACTION SOUGHT	
Action sought	Note HUD and MSD have investigated the time to house for A19/20 households and have improved understanding of the trends. We recommend progressing actions to address the barriers identified through aligned system level workstreams, rather than pursuing additional short-term options at this time.
Deadline	21/08/2025

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Rebekah Hood	HUD - Manager, Operational Policy	s 9(2)(a)	✓
Jeremy Steele	HUD - General Manager, Housing Supports and Supply		
Alex McKenzie	MSD – Manager, Housing Policy		✓
Julia Bergman	MSD - General Manager, Housing, Employment, and Labour Market		

OTHER AGENCIES CONSULTED
Kāinga Ora Homes and Communities



RECOMMENDED ACTIONS

It is recommended that you:

- | | |
|---|-----------------------|
| 1. Note a review of data to better understand trends for 'time to house' for priority A19/20 households has highlighted the dynamic nature of the Social Housing Register, with household ratings being updated as their circumstances change. It found: <ul style="list-style-type: none"> a. the longer average 'time to house' for A19/20 households is impacted by the high proportion of households who enter the Social Housing Register at a lower priority rating as that wait time is included in the metric, and b. when households enter the Social Housing Register at priority rating A19/20 they are housed faster than households starting at lower priority ratings. | <i>Noted</i> |
| 2. Note engagement with Kāinga Ora and select Community Housing Providers identified two main challenges for housing A19/20 households: limited suitable housing options and the complexities managing higher needs tenants without adequate support or resourcing. | <i>Noted</i> |
| 3. Agree that we focus on short and medium-term actions to respond to the barriers identified in this paper through existing workstreams, rather than pursuing additional actions at this time. Including through the Review of the Social Housing System, work underway to increase the proportion of one-bedroom social housing places, short-term actions to address homelessness, and the Housing Investment Strategy. | <i>Agree/Disagree</i> |

Jeremy Steele
HUD
General Manager –
Housing Supports and
Supply

7 / 8 / 2025

Julia Bergman
MSD
General Manager,
Housing, Employment, and
Labour Market

7 / 8 / 2025

Hon Chris Bishop
Minister of Housing

..... / /



Purpose

1. To provide advice on the average time to house A19 and A20-priority social housing (SH) applicants and information on options to reduce the time taken to house.

Executive summary

2. You received advice on 16 June 2025 [HUD 2025-006645, REP/25/5/385] which indicated that the highest priority households on the Social Housing Register¹ (the Register) aren't always housed first, and on average take longer to house than lower priority rated households. You requested further advice and options to improve the time taken to house A19/20 households.
3. To inform this advice, the Ministry of Social Development | Te Manatū Whakahiato Ora (MSD) has undertaken data analysis of the social housing (SH) prioritisation and allocation system.
4. A review of 'time to house' data has changed our understanding of how prioritisation is working. 'Time to house' is reported based on the final rating a household has before being housed and will also include a household's time spent on the Register at a lower priority rating if they enter lower than A19/20.
5. A significant proportion of A19/20 households (70-75%) enter the Register at a lower priority rating. Therefore, the average 'time to house' is affected by the dynamic nature of the Register, as the time A19/20 households spend at lower priority ratings is counted towards the average.
6. The review concluded that once the dynamic nature of the Register is accounted for, higher priority households are housed faster on average and a conclusion that those in highest need are taking longest to house is not supported.
7. The time taken to house A19/A20 households is quickest for those who enter the Register at that rating and is longer for households that enter at a lower priority rating.
8. The investigation demonstrates how the Register allows for changes in ratings when either the households circumstances change, or new information is received. This is how the Register is intended to work.
9. Looking at 'time to house' data in isolation has some limitations, as it only includes households who are housed into SH, and not those who remain waiting to be housed or exit the Register before being housed.
10. HUD and MSD also engaged with Kāinga Ora and CHPs to understand about their experiences with the SH allocation process and housing A19/20 households. This included what they see as key barriers to providing the right house in a timely manner and opportunities for improvement (see **Annex A** for feedback from providers).

¹ Note: for the purposes of this paper, 'the Register' includes households on the transfer register, that is, those who are in an unsuitable SH place and waiting to be moved



11. These engagements showed that there are two key factors that make it challenging to successfully house A19/20 households: the availability of the right supply (including ensuring that the right mix of households are placed together); and the complexities of managing higher needs tenants without the appropriate support or resourcing.
12. Providers emphasised the importance of assessing household needs and ‘community fit’ alongside housing supply when placing tenants in proximity to existing households. This step is important for safety as well as to enable more stable tenancies.
13. Steps have already been taken to increase the supply of appropriate typologies, and s 9(2)(f)(iv) and the Review of the Social Housing System will explicitly consider issues around support available and whether further changes are needed. Actions already underway include:
 - a. Increasing the proportion of one-bedroom social housing places
 - b. short-term actions to address homelessness, and
14. medium-long term initiatives such as the Review of Social Housing, s 9(2)(f)(iv) and the Housing Investment Strategy, discussed further below.
15. We have analysed short-term options to address immediate issues, should you wish to consider them (**Table 2**). However, we recommend considering these options through the existing system level workstreams rather than pursuing additional standalone options at this time.
16. Consideration was given to enabling CHPs to lease private rentals for SH to increase supply in the short-term. This is being taken forward as part of the work on short-term options to address homelessness and so, not considered in this advice.

Background

We have undertaken a review of the data and operational processes to better understand the ‘time to house’ for priority A19/20 households

17. You received advice on 16 June 2025 [HUD 2025-006645, REP/25/5/385] which reported that the highest priority households on the Register aren’t always housed first, with A19/20s households taking longer to house than A14-A18 households. You requested further advice and options to improve the time taken to house A19/20 households and options to reduce this.
18. MSD has undertaken data analysis to further understand how priority rating relates to time taken to house, the new insights from this data review are set out below.
19. HUD and MSD have engaged with Kāinga Ora and select CHPs to review operational processes and identify both barriers to housing A19/20s and potential ways in which the SH allocation process could be improved for these households.

20. This work is aligned with the advice on short-term actions to address homelessness, the Review of Social Housing (RoSH) and s 9(2)(f)(iv).
21. The key steps in the assessment, prioritisation and matching process for social housing include:
 - a. When applying for SH, households needs are assessed through the Social Allocation System (SAS) and assigned a priority rating from B8 to A20 based on the cumulative scoring within 5 domains of housing need. A20 households are those who have been assessed as having the highest housing need and being immediately at risk due to their circumstances.²
 - b. When an SH provider notifies MSD of a vacant social housing place, MSD provides a shortlist of suitable households based on information such as location, bedrooms required, and any tenant preferences.
 - c. Shortlists are ordered by priority, with households with Fast Track status placed at the top of the shortlist, followed by other households ordered from highest priority rating to lowest. Providers then choose the highest-priority household they consider suitable for that place, requesting a new list if no applicants are suitable. There is some discretion for CHPs to apply additional criteria depending on the cohorts they support.

‘Time to house’ measurement and insights

A review of ‘time to house’ data provided insights about what the measure is showing, which has changed our understanding of how prioritisation is working

22. ‘Time to house’ measures a household’s time spent on the Register at all priority ratings until they are housed in SH. MSD undertook a review of the time to house data and how it has previously been interpreted, which highlighted:
 - a. The Register is dynamic, and as people’s needs change overtime MSD collects new information, reassesses the households, and updates their priority ratings. If a households circumstances deteriorate while they are on the Register, they are assigned a higher priority rating to reflect increased need.
 - b. ‘Time to house’ has been reported based on the **final rating** a household has before being housed and will also include a household’s time spent on the Register at a lower priority rating if they enter lower than A19/20.³
23. Due to a significant proportion of A19/20 households (70-75%) entering the Register at a lower priority rating, the average time to house data is affected, making it appear

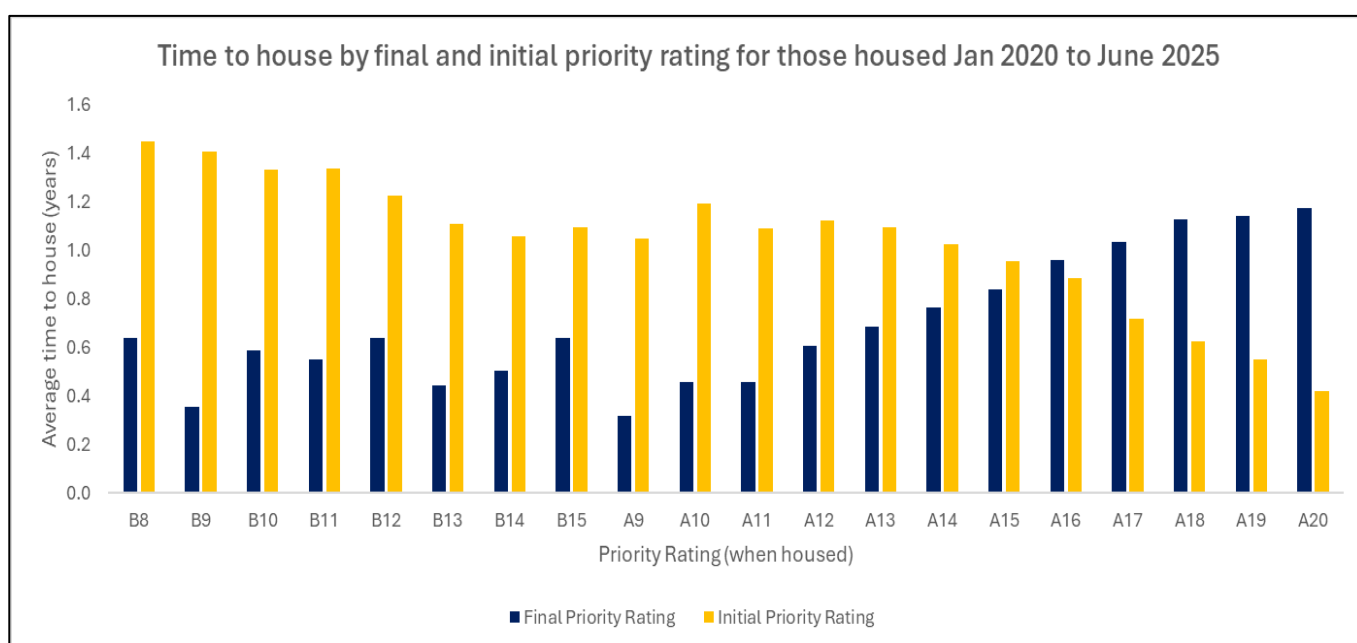
² You received a briefing from MSD in May 2025 outlining social housing priority ratings and the matching process for social housing vacancies [REP/25/5/341 refers]

³ For example, the “average time to house A19 households” could include a household who spent nine months at A14, before moving to A19 for one month before being housed but exclude a household that spent four months at A19 before moving to A20 for one month before being housed.

that A19/20 priority households are taking longer to house.⁴ **Figure 1** shows the difference between time to house based on initial and final ratings to illustrate how average time to house changes when the dynamic nature of the Register is better accounted for (see **Annex B** for more information).

24. The greater averages for final priority rating suggests many A19/20 households started at a lower priority rating and had long periods on the Register before circumstances changed and they were prioritised. The lower averages for initial priority rating suggest that when looking at a particular point in time, the time to house is quickest for those currently assessed as highest need.⁵

Figure 1. Average time to house by final (blue) and initial (yellow) priority rating for those housed between Jan 2020 to June 2025.



Data shows prioritisation is generally working to support households with the highest priority into social housing, although we don't have the full picture

25. MSD's investigation has shown that due to the considerations above, the previous interpretation of the time to house data, that those in highest need are taking the longest to house, is not supported when the full context is considered. The review concluded:
- The time taken to house A19 and A20 households who enter the Register at that priority rating **is faster than households starting at lower priority ratings**, as per Figure 1. This suggests that when MSD identifies a household is in highest housing need, on average, they are housed quickest.

⁴ Between January 2020 to June 2025.

⁵ For initial priority rating, A19 households take 0.55 years and A20 households take 0.42 years on average.



- b. Average time to house for A19/20 households increases if they enter the Register under a lower priority rating. For A20 households that were housed between 1 Jan 2020 to 24 July 2025, if they entered the Register at a lower priority rating, it took longer on average to house them (**Table 1**). A similar trend is seen for A19 households.
 - c. The Register is being managed as intended, with changes to households' circumstances or new information resulting in a households' priority rating being updated to better reflect their level of housing need.
 - d. Despite this, not all vacancies are suitable for households with the highest needs and there are some A19/20 households with barriers limiting successful housing. We note some reasons why and possible solutions below.
26. 'Time to house' data has some limitations in what can be draw from it, as it does not include time spent on the Register by households who have not yet been housed, or who exited the Register by means other than moving into SH. It also does not indicate the 'likelihood' of being housed, or how long households spent at their final priority rating prior to being housed.
27. This advice does not include information on the population characteristics of those on the Register, such as ethnicity or household composition, so does not include analysis of cohort variations for time to house. The RoSH is looking at how allocation and prioritisation can affect different cohorts.

Table 1. Time to House for A20 Households Housed by Initial Priority Rating (Jan 2020 – July 2025)⁶

	Initial Priority Rating on Entry to the Register			
	A20 (28% 552)	A19 (7% 133)	A18 – A15 (36% 709)	≤A14 (29% 581)
Average Time to House	~4 months (0.3 years)	~11 months (0.9 years)	~1 year and 4 months (1.3 years)	~1 year and 11 months (1.9 years)

Provider engagement findings

Providers highlighted two key factors that can make it challenging to successfully house A19/20 households and impact their time to house

28. We asked select SH providers about their experiences with the SH allocation process and housing A19/20 households, including what they see as key barriers to providing the right house in a timely manner and opportunities for improvement.⁷

⁶ Only including households that entered a KO managed property. - Note that this footnote refers to the data in 'Table 1' above

⁷ s 9(2)(a)

29. They identified that there are two key factors that can make it challenging to successfully house A19/20 households:
- availability of the right typology in the right places (houses for singles, housing suitable for high needs tenants, accessible housing), and
 - provider concerns around the complexities of managing higher needs tenants without the appropriate support or resourcing.

When housing tenants, providers consider supply, community fit, and household support needs and cost implications

30. Providers emphasised the importance of ‘community fit’ alongside housing supply when placing tenants and this step is important for safety as well as to enable more stable tenancies. This involves assessing households’ needs and characteristics in relation to existing households, particularly in medium-to high-density housing.
31. While dense housing offers an efficient response to supply shortages and provides shared utilities and services that improve community, it may not suit many A19/20 households without appropriate support. Concentrated placements can pose risks to community stability and may not be sustainable for the prospective tenant either. Providers also noted many households require accessible housing and there is limited supply.
32. In addition to supply and fit, providers consider households’ ability to sustain tenancies, especially where ongoing support may lapse upon placement. To make informed decisions, providers routinely gather further information through interviews with prospective households, sometimes uncovering details that would have increased an applicant’s priority rating.
33. Housing high-needs tenants also brings higher costs, with providers citing increased expenses from tenancy management, property damage, and insurance excesses. (See **Annex A** for further provider insights).

Short term actions and system work underway are expected to improve housing outcomes for A19/20 households

34. Work to improve success in housing A19/20 households will be most effective delivered through work underway to increase the proportion of one bedroom social housing places, the short-term actions to address homelessness, and medium-long term initiatives such as the Review of Social Housing System, s 9(2)(f)(iv) [REDACTED], and the Housing Investment Strategy, discussed further below.
35. This is because a key solution to housing more A19/20 households is increasing supply of the right type of housing and support, in the right places.
36. We have analysed some short-term options to address immediate issues, should you wish to consider them, in **Table 2** below.



Short term options being considered to respond to homelessness will likely improve housing outcomes for some A19/20 households

37. There will be an overlap between those living without shelter and A19/20 households, as some will be on the Register. The level and type of impact that short-term actions to address homelessness⁸ would have on outcomes for A19/20s will depend on the target cohort, and if there are changes to Register prioritisation.

Contracting to increase supply of one-bedroom social housing places is underway which should alleviate some supply constraints for A19/20s

38. Work is underway to ensure SH supply better matches demand, as 63.8% of A19/20 households require one-bedroom properties (as at 31 July 2025), whilst only ~12% of KO managed properties are one bedroom (as at 31 March 2025).
39. For example, 87 one-bedroom SH places were approved through Strategic Partners in July. As per recent advice⁹ Kāinga Ora funding settings have been changed which will support the delivery of a greater proportion of one-bedroom properties through the renewal programme.

The Housing Investment Strategy and annual investment plans will ensure that supply is better targeted towards high need

40. HUD has provided you with a draft of the Housing Investment Strategy which sets out a single investment objective, *to enable people in high housing need to have access to secure and stable housing*, and three actions to achieve this objective [HUD2025-007315 refers]. HUD will allocate funding in line with the investment strategy to ensure that funding and the mix of housing solutions best targets need in the context of location and achieves value for money.
41. Based on in-depth needs analysis of people and place, investment will be made in areas with the greatest housing need and in a way that is tailored to the specific needs of those places. A priority consideration for Budget 2025 funding will be how best to support those in the highest categorised need on the Register.

The Review of the Social Housing System is considering prioritisation and allocation practices to ensure more timely support that better matches need

42. The Review of the Social Housing is assessing longer term options related to the provision of, and access to, government funded SH and affordable rentals, and government funded housing subsidies.

⁸ Briefing: advice on short-term actions to address homelessness, HUD2025-007568/REP/25/7/576

⁹ Briefing: Funding settings for Kāinga Ora delivery of one-bedroom homes, HUD2025-007034

43. One of the Review objectives is to ensure more equitable outcomes including through more timely support that better matches need. To deliver on this, MSD and HUD will provide advice in September and October on options to improve allocation and prioritisation practices. This advice will consider SH system solutions to some of the issues identified in this briefing, including considering options to change or reform SAS, alongside changes to case management and supports.

We recommend responses to the barriers raised in this briefing are considered through existing workstreams

44. Through discussion with providers and operational teams we identified a range of options that could address some of the barriers to successful housing for A19/20s in the short-medium term, see Table 2 below.
45. We recommend considering these options through the existing system level workstreams rather than pursuing additional standalone options at this time.

TABLE 2: OPTIONS CONSIDERED TO IMPROVE HOUSING OUTCOMES FOR A19/20 HOUSEHOLDS			
Option	Benefits	Costs/Risks	Recommendation
Targeted leasing of private market housing by SH providers to meet supply gaps.	Addresses short-term capacity constraints and is a quicker way to get the right typology for households. Avoids upfront capital and wait times.	Increases IRRS funding needs and creates cost pressures. Limited by the number of suitable homes on the rental market and dependant on CHP capacity.	Recommended to be progressed through short-term options to address homelessness. This option is being actioned through the short-term response to homelessness. Work underway through the Investment Plan should support supply better meeting need.

s 9(2)(f)(iv)



s 9(2)(f)(iv)



Next steps

46. You will receive further advice on the short-term actions to address homelessness (date tbc). You will also receive updates on the Review of Social Housing and s 9(2)(f)(iv) and investment Strategy in September and October.

Annexes

Annex A: Provider Insights

Annex B: Time to House by Final vs Initial Priority Rating

Annex A: Provider Insights

Community fit, as well as housing supply, are key considerations when choosing tenants

1. All providers engaged highlighted the importance of 'community fit' when assessing whether to offer a place. Considerations include households' needs and characteristics, as well fit with existing households close to the potential placement.
2. Housing density can have a bearing on placement decisions, as closer proximity in medium-high density housing complexes can intensify household interactions.
3. Dense SH can be an economic way to address the supply shortages, however there may be limitations in its effectiveness to specifically target the high proportion A19/20 households, who are often single with complex needs. Without appropriate support, concentrating these households can pose risks.
4. As a result, the ability to house A19/20 households depends on the supply and typology of housing available and on how and where it is integrated into communities.

Some A19/20 households require ongoing support to sustain tenancies

5. Some providers reported that they encounter A19/20 households that would lose access to ongoing support once placed in SH. Without these supports, providers are often reluctant to house certain households, as they may struggle to sustain their tenancies or pose greater risks to staff and property.

Providers often seek further information from applicants to make informed placement decisions

6. All providers we spoke with gather further information before offering a place to a household due to limitations of the information provided by MSD through allocation shortlists.
7. This helps to ensure providers make informed placement decisions which improves the likelihood that an households' tenancy will be sustainable.

Housing high-needs applicants can be more expensive than other applicants

8. Some providers noted that housing tenants with high and complex needs often leads to increased costs for tenancy management, maintenance, remediation and insurance. These costs are driven by issues such as property damage, methamphetamine contamination and arson, which in some instances may not be covered by insurance or attract high excesses.



Annex B: Time to House by Final vs Initial Priority Rating

- When we measure 'time to house' we usually use the priority rating at the time they were housed (final priority rating). This approach shows a trend that higher priority rated households took longer on average to house.

FINAL PRIORITY RATING	AVERAGE OF TIME TO HOUSE (YEARS)	COUNT ¹⁰	PROPORTION
B8	0.6	79	0.2%
B9	0.4	233	0.5%
B10	0.6	254	0.6%
B11	0.6	266	0.6%
B12	0.6	182	0.4%
B13	0.4	112	0.3%
B14	0.5	32	0.1%
B15	0.6	9	0.0%
A9	0.3	185	0.4%
A10	0.5	430	1.0%
A11	0.5	1,100	2.5%
A12	0.6	1,566	3.5%
A13	0.7	2,236	5.0%
A14	0.8	3,300	7.4%
A15	0.8	4,257	9.5%
A16	1.0	5,679	12.7%
A17	1.0	8,223	18.4%
A18	1.1	8,836	19.8%
A19	1.1	5,413	12.1%
A20	1.2	2,285	5.1%
Grand Total	1.0	44,677	100.0%

Average time to house **increases** with **final** priority rating

¹⁰ Includes households that were housed into either KO managed SH properties or CHP managed SH properties, between Jan 2020 to June 2025. - Note that this footnote refers to the data in the table above

2. However, the Register is dynamic, and this influences average time to house. Priority ratings often change significantly over time, and the majority of A19/20 households housed entered the Register under a lower priority rating. MSD regularly reviews household's statuses on the Register to capture changes in circumstance.
3. When taking the initial priority rating assigned, we see those with a higher priority, on average, take less time to house. This suggests that when looking at a particular point in time, the time to house is quickest for those currently assessed as highest need.

Initial priority rating	Average of Time to house (years)	Count	Proportion
B8	1.4	321	0.7%
B9	1.4	751	1.7%
B10	1.3	965	2.2%
B11	1.3	881	2.0%
B12	1.2	584	1.3%
B13	1.1	352	0.8%
B14	1.1	128	0.3%
B15	1.1	36	0.1%
A9	1.0	459	1.0%
A10	1.2	1,179	2.6%
A11	1.1	2,595	5.8%
A12	1.1	3,752	8.4%
A13	1.1	4,765	10.7%
A14	1.0	5,715	12.8%
A15	1.0	5,918	13.3%
A16	0.9	5,506	12.3%
A17	0.7	5,004	11.2%
A18	0.6	3,207	7.2%
A19	0.6	1,721	3.9%
A20	0.4	808	1.8%
Grand Total	1.0	44,647	100.0%

**Average time to
house
decreases with
initial priority
rating**

Report



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Date: 20 August 2025 **Security Level:** Budget: Sensitive
To: Minister for Social Development and Employment
File Reference: REP/25/7/580

Options for reducing reliance on Temporary Additional Support

Purpose of the report

- 1 This report provides advice on options to reduce reliance on Temporary Additional Support (TAS), by shifting support for housing costs back to the Accommodation Supplement (AS). Housing Ministers will receive further advice on TAS in the context of housing assistance in September as part of the Review of the Social Housing System (RoSH), and there will be options for changes to TAS in the context of Budget 2026.

Executive summary

- 2 Reducing reliance on TAS for housing costs by shifting those costs into the AS would address one of the most serious problems with housing subsidies – the misalignment of AS and TAS to their respective purposes.
- 3 Over time the AS has lost its efficacy in addressing everyday housing costs, and has become less fit-for-purpose. Periods of strong growth in rents have exacerbated this. In response, TAS is now fulfilling part of the role of a housing subsidy – covering housing costs that overflow from AS.
- 4 The result is that TAS undermines the functioning of the housing subsidies, and is playing an unintended role in the housing market. This creates poor financial incentives to work and has a heavy administrative burden on its recipients and MSD. AS is in turn undermining the proper functioning of TAS – which is designed as a final backstop to the welfare system to address high and unusual ongoing financial need for short periods.
- 5 This paper explores options for shifting housing costs back into AS. It concludes that there is no mechanism for doing this on a fiscally neutral, dollar-for-dollar basis, but there are options that improve the function of AS

and substantially reduce reliance on TAS. The most effective is an AS maxima increase and increase to the subsidy rate.

- 6 As an indication of what can be achieved, bringing the AS maxima up to date in 2027/8 would cost around the same as the entire TAS appropriation (\$661m TAS appropriation vs \$623 gross cost to update the AS maxima). For around the same savings as would be achieved by an increase in IRR to 30%, an increase in the AS subsidy rate from 70% to 75% could be achieved. We recommend this you consider this further in the context of the subsidy redesign advice you will receive on 8 September.
- 7 Aside from options that shift housing costs from TAS to AS there are other possibilities if Budget 2026 savings are the priority, or if you want to achieve fiscal neutrality. We have offered some ideas that could be explored further.

Recommended actions

It is recommended that you:

- 1 **Note** that you will receive advice on 8 September 2025 on options for reform of housing subsidies, including TAS, as part of the RoSH work programme
- 2 **Note** that the most efficient and cost-effective policy options we have identified for reducing reliance on TAS for housing costs are increases to the AS maxima and subsidy rate, although this would require significant investment in the AS
- 3 **Note** that progressing any of the options in this paper would need to be considered against the wider priority work programme, including other Budget 2026 initiatives, and there is likely to be difficult trade-offs with existing demands on the system.
- 4 **Note** that if you would like further advice on options that create savings in TAS in, over-and-above compensating increases in AS, this could be provided as part of wider advice in the context of Budget 2026

YES / NO



Julia Bergman
**General Manager, MSD Housing,
Employment and Labour Market Policy**

Date

Hon Louise Upston
**Minister for Social Development and
Employment**

Date

Background

- 8 This report responds to your request, following the joint Housing Ministers meeting on social housing [REP/25/5/385], for initial advice on TAS and AS in the context of possible Budget 2026 initiatives.
- 9 You asked that the advice address the increasing number of people accessing TAS for housing costs, noting that this undermines the functioning of the housing subsidies.
- 10 This briefing is in two parts:
 - Part One: Overview of TAS
 - Part Two: Options to reduce the use of TAS for housing costs

Part one: overview of Temporary Additional Support

History and intent

- 11 TAS is intended to be a last resort payment to alleviate financial hardship for people whose essential costs cannot be met from their chargeable income and other sources. It is part of the third tier of the benefit system, which provides a backstop to prevent people from falling through the cracks into severe poverty.
- 12 TAS was introduced in 2006 and was designed to be more formula driven than its more discretionary predecessor Special Benefit (introduced in 1981). Special Benefit continues to operate as a grandparented payment for a small number of people.

Operation

- 13 TAS is the most complicated payment in the income support system. The 'temporary' nature of TAS is its 13-week grant period, after which clients must reapply. Recipients are expected to take necessary and reasonable steps to improve their situation by obtaining financial assistance from all other sources, decreasing costs, and increasing income. In practice, with housing costs the intractable main driver of TAS, this is hard to enforce.
- 14 The combination of discretion, the complex formula and 13-week reapplications makes TAS a resource-intensive payment to administer, with limited outcomes for the investment which come at the expense of employment focussed activities.
- 15 After applying residency and cash asset tests, TAS calculates a person's income deficiency by assessing the amount by which their allowable costs exceed disposable income (from pretty much *all* sources). During the process of calculating the TAS rate, a person's actual accommodation costs are

reduced by a further \$33.10 (called the “accommodation loading”).¹ TAS entitlement is capped at 30 per cent of the main benefit rate. There is a top up to the maximum rate for disability costs.

- 16 Only costs that are essential for daily living and not avoidable may be claimed. The main examples are essential household items, employment-related costs (e.g. vehicle repayments), health and disability costs, accommodation, and child support costs. Some allowable costs have their own maximum rates of payment, but housing does not. The housing costs that are allowable for TAS are the same that are allowable for AS.

Who receives TAS

- 17 As at December 2024 there were 108,375 recipients of TAS (up from 20,066 in December 2007). The average rate of payment was \$93.76, up from \$44.11 in December 2007 – an increase in real terms of 39.6 per cent.
- 18 Nearly half of TAS recipients are on Jobseeker Support, but their average payments are lower than people on other benefits. There are also around 13,000 NZ Superannuitants and 4,200 working households. While the total numbers are smaller, the number of NZS recipients receiving TAS has doubled since mid-2019. 29,000 had children, 86 per cent are renters, 9 per cent are homeowners and 4 per cent are boarders.
- 19 Many people do use TAS for the short periods intended. For people who enter TAS during a typical year, over half stay for 13 weeks or less, and another 30% are gone within a year.
- 20 However, there is a group that receives TAS for much longer. As at the end of December 2024 about 10,000 TAS recipients had received it for 5-10 years, and close to another 25,000 had received it for 2-5 years.

TAS is effective at identifying people in significant hardship

- 21 TAS is tightly targeted, with features that ensure that only significant income deficiency is identified and addressed. The formula requires the person to have a proven situation where their expenses exceed their income, by a margin of more than \$33.10 per week if accommodation costs are involved.
- 22 The example below shows the situation a sole parent with 1 child in Auckland would be in if they were receiving the average rate of TAS.

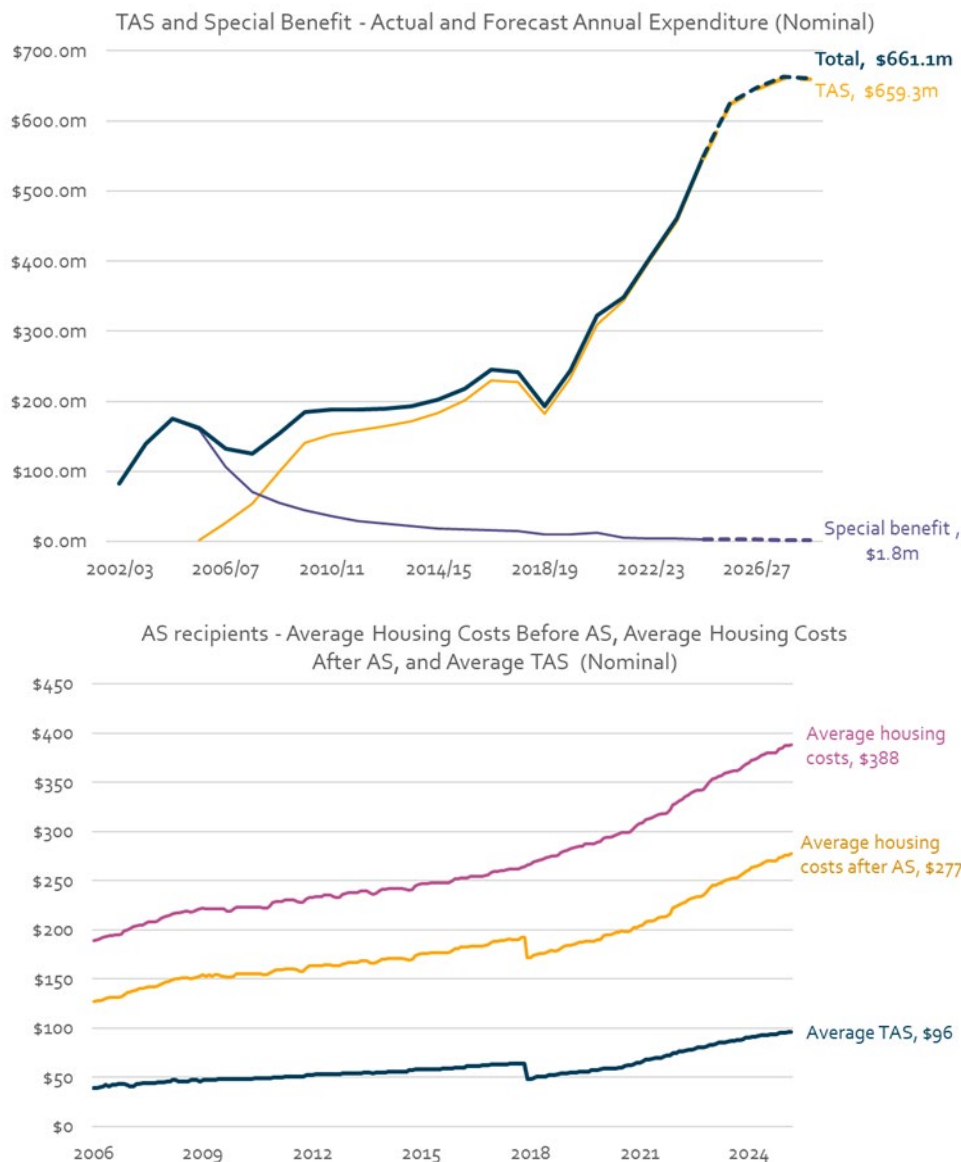
¹ The accommodation loading was introduced to prevent TAS from undermining the AS and reinforcing that people need to fund a certain proportion of their accommodation costs before being eligible for a government subsidy. Previously Special Benefit could end up funding 100% of accommodation costs.

	Weekly income (outgoings)
Sole Parent Support benefit	\$505.80
Family Tax Credit	\$144.30
Accommodation Supplement	\$235.00
Temporary Additional Support	\$93.87
Total weekly income	\$978.97
Rent	(\$557)
Income remaining after rent	\$421.97 (\$328.10 if no TAS)

- 23 To give a sense of how far this level of residual income would stretch, we compared the residual income in the table above to the work on household budgets that MSD has previously published. This work sets a stringent household budget for basic necessities such as food, transport, clothing and utilities. It benchmarks these expenses against credible sources and academic literature.
- 24 The stringent basic budget for a sole parent with one pre-school aged child comes out at \$420 per week – almost exactly the residual income generated by including TAS in the example above. That will be coincidence, but it does indicate that without TAS, people with everyday housing and other costs, would fall well below (by over \$90 in the example) the most stringent budgets we monitor.

Numbers and Expenditure

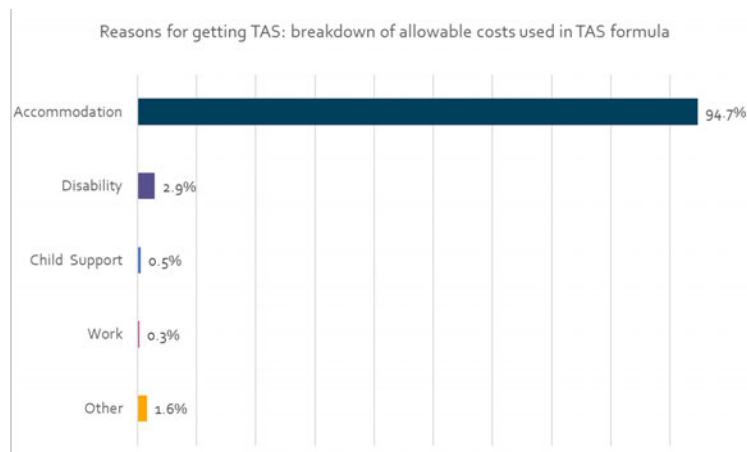
- 25 Total TAS expenditure is forecast to be \$623m in 2025/26, and to increase by 29.6% over the forecast period.
- 26 TAS has seen strong growth from the 2019/20 year onward. The primary drivers are increasing beneficiary numbers, strong increases in the rents beneficiaries are paying, and the reducing share of housing costs met by AS (which tends to decline between maxima updates). The graphs below show nominal growth in the appropriation alongside the rent levels subsidised by AS versus TAS.



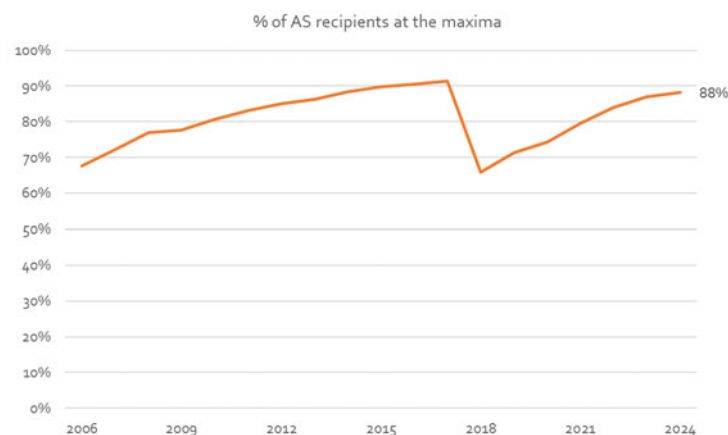
- 27 As TAS has elements of discretion and requires a full assessment to determine eligibility, it is not possible to accurately determine whether a person is eligible without a formal assessment. However, based on the information MSD holds, we can prepare a rough proxy for the proportion of people who appear to be eligible for TAS based only on their known costs. On that basis, we estimate that around 70 per cent of people on benefit who appear to be eligible for TAS are receiving it.

TAS mainly covers housing costs

- 28 TAS is available to cover a range of essential costs, however by far the largest dollar value amounts included in TAS assessments are accommodation related.



- 29 Most people receiving TAS are at the AS maxima. As at December 2024 88 per cent of TAS recipients also received the maximum payment of AS. This percentage drops sharply when the AS maxima are increased, as occurred in 2018.



- 30 Of those who receive TAS, 43 per cent receive the maximum rate, an increase from 32 per cent in 2018 following the adjustment of the AS maxima.

How TAS functions as part of the housing system

- 31 AS provides a 70 per cent subsidy for housing costs above an entry threshold, up to a maximum. TAS takes unsubsidised housing costs from AS (less \$33.10 per week), combines that with other allowable costs, and provides support based on any resulting deficiency of income.
- 32 The result is that TAS kicks in when the combination of the AS partial subsidy of housing costs, and/or maximum rate interact with the family's other circumstances to create an income deficit. Take-up of TAS is negligible among social housing tenants as the more generous subsidy means most people do not have an income deficiency.
- 33 The graphs below show a sole parent with one child, and how TAS interfaces with AS in a low-cost location (Area 4) and a high-cost location (Area 1 – Auckland). In Area 4, TAS is received slightly after the rent puts the person

at the AS maximum. In Auckland the person is in deficit (and therefore eligible for TAS) well before they reach the AS maximum.

Level of AS/TAS received at different rent levels



- 34 These outcomes vary by location, household type and what other costs are in the household budget. But the pattern is the same:
- the AS maxima are out of line with contemporary rents, so many people reach the maxima, and rely instead on TAS
 - rents in some locations are high enough that people have an income deficit before they reach the AS maxima.

Financial incentives

- 35 AS abates at 25 cents per dollar of income above the benefit cut-out point for a person on Jobseeker Support. This is designed to fit around the withdrawal of other payments and ensure reasonable returns from work.
- 36 TAS is based on assessed income deficiency so as a person's income increases their TAS is withdrawn dollar-for-dollar (as long as they are below the TAS maximum) – a 100 per cent rate of abatement. Earning more money while receiving TAS leaves the person no better off financially. For someone receiving the average TAS payment, that means they need to earn about \$94 per week before they see *any* benefit from working.

TAS undermines the functioning of AS, and AS undermines the intent of TAS

- 37 The operation of TAS undermines the function and incentive structure of AS. This is occurring in part because AS is not fulfilling its own function:

- the maximum rates of AS are intended to prevent people getting government support for more expensive properties than is reasonable – but the maxima are now too low to achieve that purpose
 - the AS subsidy rate is intended to provide incentives to economise on housing, but people are in income deficit in high-cost locations at relatively low rents.
- 38 Consequentially, TAS picks up significant and relatively widespread income deficiencies and is functioning as designed to mitigate hardship. However, because TAS is not designed as a housing subsidy, its operation significantly undermines the mainstream housing subsidies:
- TAS effectively increases the AS maxima to the tune of its own limits (about \$151 per week for a sole parent), and provides a 100 per cent subsidy of additional rent up to that limit, risking landlord capture and removing the incentive to economise on housing costs
 - the 100 per cent withdrawal rate of TAS significantly worsens financial incentives for recipients, undermining the abatement settings in AS.

Part two: options to reduce reliance on TAS for housing costs

- 39 As part of RoSH, we are looking closely at the role of TAS. In that context, the ideal future state would involve designing housing payments (in the context of the wider housing system) in a way that removes the need for TAS for housing costs in all but unusual or extreme cases.
- 40 As you requested, the options below all focus on reducing TAS by sheeting housing costs back home to the housing subsidies.

Shifting housing costs from TAS into AS

- 41 Unfortunately, the nature of the TAS and AS formulas means it is not possible to directly shift funding from TAS into AS and achieve a dollar-for-dollar offset. There are several reasons for this, but the key ones are:
- not everyone who receives AS also receives TAS, so changes to AS benefit significantly more people than receive TAS
 - take-up of TAS is less than 100 per cent, so even changes to AS that result in dollar-for-dollar reductions in TAS entitlement, could at best only achieve TAS reductions of around 70 per cent
 - many people are at, or above, the maximum rate for TAS, so reducing the pressure on TAS for some people will not reduce their paid TAS rate (just the amount by which they are over the maximum)
 - TAS takes into account non-housing costs as well as housing costs

- Some people, such as people without permanent residence, can access TAS but not AS.

42 The TAS formula also works on a total income deficiency concept which isn't readily replicated within AS, and would have a number of problematic features if it were.

Options to reduce TAS reliance for housing costs

- 43 While a direct lift and shift of costs from TAS into AS isn't feasible, there are levers available for reducing reliance on TAS for housing costs.
- 44 The single biggest driver of housing costs being picked up in TAS is reaching the AS maximum rates. The AS maxima are based on the 40th percentile of rents in 2016, and are now low relative to the market. Accommodation costs above this level receive no additional subsidy through AS which quickly creates an income deficit for TAS. The table below shows how prevalent reaching the AS maxima now is:

AS region	Household size - % at AS maximum		
	1	2	3+
1	37%	56%	62%
2	47%	65%	68%
3	52%	70%	74%
4	56%	71%	72%

- 45 The relatively low proportion of people at the maxima in Area 1 disguises that people in high-cost locations qualify for TAS at rents below the maxima. For this reason, a combination of maxima increases and changes to the AS subsidy (particularly in high cost regions) would be required to remove reliance on TAS for accommodation costs in an equitable manner. To get the best value, maxima increases of at least \$60 per week are required.

46 s 9(2)(f)(iv)

s 9(2)(f)(iv)

s 9(2)(f)(iv)



s 9(2)(f)(iv)



- 47 A one-off increase to the AS maxima, in isolation from any other changes, would deliver one-off gains similar to what occurred in 2018. Those gains can relatively quickly erode. To permanently reduce the reliance on TAS, regular adjustments to the maxima to reflect future rent increases would be needed.

Reducing TAS by means other than covering housing costs through AS

- 48 While beyond the immediate scope of this paper, there are levers available for reducing TAS spend over and above any increase in coverage of housing costs through AS. These options could be considered for Budget 2026, or on their own merits alongside options to strengthen the functioning of housing subsidies:

s 9(2)(f)(iv)



- 49 There is also a quirk of the TAS formula that has come to the fore during the period of increases in real rates of benefits from 2018 to 2023. Because TAS uses the benefit rate to set both the maximum rate of TAS (30% of main benefit plus FTC), and sets aside 70% of the main benefit plus FTC as 'standard costs', the benefit increases did not result in the significant

reductions in individual TAS entitlements that might have been expected. [REDACTED]

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

50 s 9(2)(f)(iv) [REDACTED]

Operational implications

- 51 We have conducted a high-level assessment of the operational and timing implications of the options in this paper. The indicative estimated effort required to implement these options ranges from approximately six months for a single maxima change s 9(2)(f)(iv) [REDACTED]. Based on current programming, that work could begin from July 2027.
- 52 Some of the simpler options would ideally be implemented alongside the Annual General Adjustment to minimise operational impacts and costs. It is likely that the more complex options would require some kind of transitional arrangements that would be complex to administer and require ongoing manual processing to manage ongoing reviews and change in circumstances.
- 53 Progressing any of these options would need to be considered against the wider priority work programme, including other Budget 2026 initiatives. As TAS is a tricky and resource-intensive part of the system, and given the constraints on MSD's systems, we need to give consideration to the level of complexity relative to the return, and there is likely to be difficult trade-offs with existing demands on the system.

Next steps

- 54 You will receive further advice from MSD and HUD on TAS in the context of the RoSH work in early September.
- 55 Let us also know if you would like further advice on options that generate reductions in TAS use either alongside enhancements to housing subsidies, or independently of that.

Author: Jason Raven, Chief Advisor: Economics and Policy

Responsible manager: Julia Bergman, General Manager, Housing, Employment and Labour Market



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Report

Date: 8 September 2025 **Security Level:** IN-CONFIDENCE

To: Hon Chris Bishop, Minister of Housing
Hon Louise Upston, Minister for Social Development and
Employment

Cc: Hon Tama Potaka, Associate Minister of Housing

File Reference: REP/25/7/573, HUD2025-007656

Cover Report for Review of the Social Housing System: Eligibility and Subsidy Design Reports

Purpose of the report

- 1 This cover report and accompanying annexes outline how the social housing (SH) eligibility options and recommended subsidy redesign options impact the future SH system. It also provides advice on different fiscal scenarios, and next steps.

Recommended actions

It is recommended that you:

- 2 **note** we suggest you first read this cover memo, followed by the report on social housing eligibility (REP- REP/25/9/679, HUD2025-007371 refers), and then subsidy redesign (REP/25/7/579, HUD2025-007655 refers)
- 3 **agree** to the following new objective for the Review of the Social Housing System, as requested in June:
 - 3.1 support the Government's child poverty reduction targets, including the child material hardship target

Agree/Disagree

- 4 **discuss** this package of advice with MSD and HUD Officials on Monday 15 September 2025
- 5 **forward** this package of advice to the Minister of Finance for her information
- 6 **discuss** the long-term fiscal context for the Review with the Minister of Finance, and the implications of this for reform options and the sequencing of change
- 7 **note** that following your decisions on this package of advice we will provide you with:
 - 7.1 a draft A3 for review by 2 October, for Cabinet Strategy Committee on 14 October
 - 7.2 advice on social housing prioritisation and allocation, case management and other supports that help people move towards independence by the end of 2025.



Julia Pearce
**Manager, Social Housing and
Other Supports, HUD**
8/9/2025



Julia Bergman
**General Manager, Housing,
Employment and Labour Market
Policy, MSD**
8/9/2025

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

Hon Louise Upston
**Minister for Social Development
and Employment**
..... / /

Background

We recommend reading this cover memo, followed by advice on eligibility and then subsidy redesign

- 8 The purpose of each of these reports is as follows:
 - 8.1 **Cover report (1):** outline how the social housing (SH) eligibility options and subsidy redesign recommended impact the future SH system. It also provides advice on packages of reform under different fiscal scenarios, and next steps.
 - 8.2 **Eligibility report (2):** seeks decisions on eligibility and duration settings.
 - 8.3 **Subsidy report (3):** seeks a decision on the direction for the reform of housing subsidies, within the context of the Review.
- 9 By the end of the year you will receive initial advice on the needs assessment, and allocation settings as well as case management and other supports, alongside any Budget 2026 advice. Further detailed advice will follow in early 2026.
- 10 In June you also asked for advice on shorter-term actions that could be progressed through Budget 2026 in line with the direction of the Review. You have since received advice on time to house for A19/20 priority rated households on the Register (HUD2025-007391, REP/25/7/577), and agreed that the barriers identified should be progressed through existing workstreams, including this Review. You also decided to make 300 additional SH places available for those sleeping rough or without shelter and engaged with Housing First (HUD2025-007568, REP/25/7/576 and HUD2025-007725).
- 11 The Minister of Social Development and Employment has also received advice on options to reduce reliance on Temporary Additional Support (TAS), by shifting support for housing costs back to the Accommodation Supplement (AS) (REP/25/7/580 refers). Further advice is provided below on the fiscal context for this Review, and options for Budget 2026.

In June you agreed to progress a redesign of the SH System

- 12 Over the first half of 2025 you agreed to the scope, objectives, problem definition and high-level system direction for a Review of the SH System (HUD2025-006230, REP/25/2/136 and HUD2025-006645, REP/25/5/385 refer).
- 13 The five objectives of the Review agreed in February are as follows:
 - 13.1 ensure more equitable outcomes including through more timely support that better matches need,

- 13.2 support people for the duration of housing need, including to housing independence where appropriate,
 - 13.3 provide value for money by maximising the impact of the government's investment,
 - 13.4 provide incentives for people receiving assistance to work,
 - 13.5 support optimised investment in housing supply.
- 14 In June you asked to add a sixth objective on child poverty reduction. We have drafted the following objective in consultation with the Child Wellbeing and Poverty Reduction team for your agreement:
- 14.1 support the Government's child poverty reduction targets, including the child material hardship target.
- 15 In June you also agreed to progress with full system reform, indicating your preference for an SH system which better matches our response to housing need by making significant changes in how the government provides housing and housing subsidies. You noted that further advice would be provided on options to use levers in the SH system differently to deliver on this direction.

This package of advice has been underpinned by data analysis

- 16 This includes new analysis on:
- 16.1 availability and affordability pressures for all renting households in NZ
 - 16.2 at-risk cohorts in SH, EH, on the Register and in receipt of the AS
 - 16.3 how long households stay in SH, and how this differs by different household and benefit types
- 17 The advice also builds on earlier analysis that compared cohorts accessing different forms of government housing assistance. This indicated that there are high levels of need across the system, with households on the Register and in SH having higher needs on average than those in receipt of the AS.
- 18 Our further analysis supports this finding and suggests that the system overall does a reasonable job at prioritising SH to households who, on average, have higher levels of ongoing material need, in addition to their housing issues. However, there are people with lower levels of need in SH and people with higher levels of need in private rentals. We also note that greater need does not necessarily equate to greater need for SH.
- 19 Although 60% of households who enter SH remain for more than 5 years, there are some who exit much faster, with around 40% of households currently **entering SH** exiting within 5 years. However, we estimate that around 80% of all SH households **currently in SH** will still be there in 5 years. This indicates that while there is already some flow, there may be opportunities to increase this by using your levers differently.

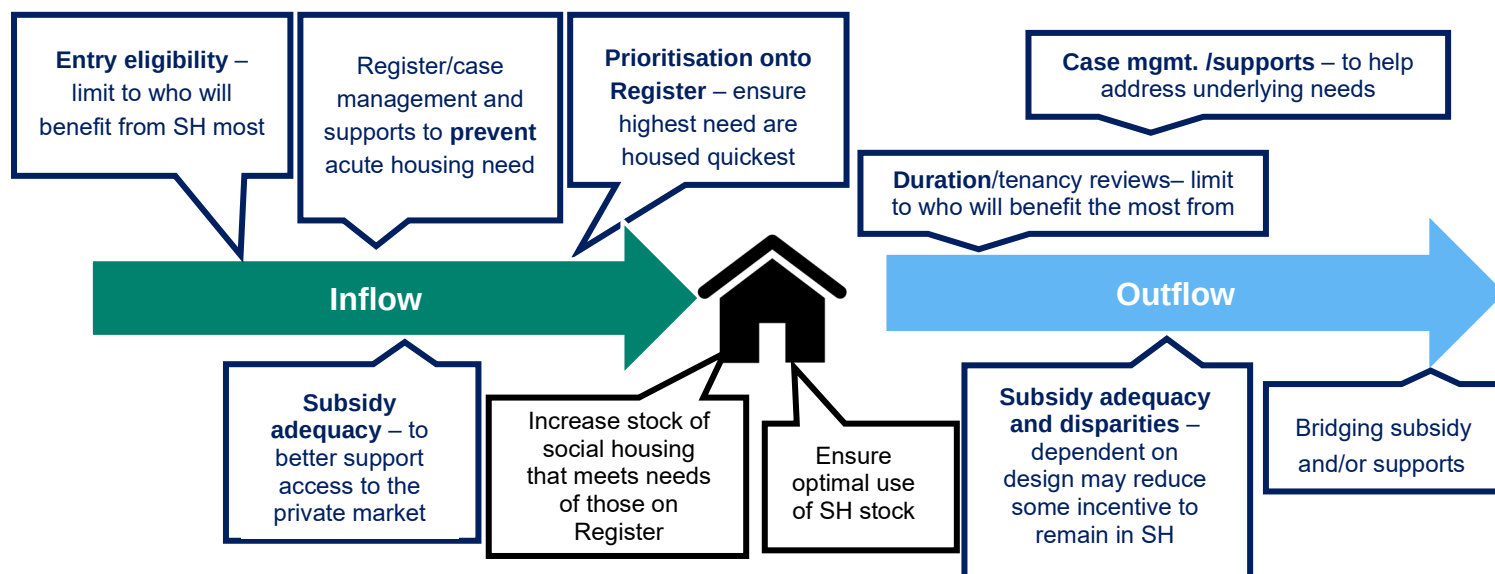
- 20 It is important to note that our September advice assumes that any further SH supply investment will not increase the proportion of SH in New Zealand. Currently SH makes up 3.8% of housing in New Zealand and to maintain that level of stock would require adding approximately 1100-1500 new SH places each year.

To better match response to need, we recommend reducing the emphasis of SH on affordability, and focussing on access need

- 21 Taken together, the analysis to date indicates that the SH system is not providing equitable outcomes through timely support that matches need or for the duration of need. In the context of 19,000 households on the Register and your objectives for the Review, there is a need to focus on who benefits most from SH. Overall we suggest refocussing the system to more closely match affordability need with subsidy and access need with eligibility for a SH.
- 22 Currently eligibility and prioritisation for SH is assessed against five factors – affordability, adequacy, suitability, access and ability to sustain private tenancy. In reality, affordability underpins most of these factors and as a result is likely over-weighted when assessing who needs SH under current settings.
- 23 We recommend a shift in the focus of SH to prioritise households who cannot **access** safe and secure housing in the private market and that support should be for duration of need. If affordability is the primary issue but the household could access a property via the private market this should be addressed via AS.
- 24 When we talk about an access need in this context we are referring to availability of the right typology, discrimination, lack of social networks or skills that mean living with others is unsafe or unsustainable, and/or other life circumstances that create housing instability.
- 25 This shift to focus on access needs recognizes that SH is an expensive response and should be rationed to situations where simply a higher subsidy would not address housing need.
- 26 Your decisions on the subsidy paper will impact how clean cut the delineation is between the role of SH and the role of housing subsidies. Under a single subsidy approach, SH becomes your primary tool to address access needs, with the AS (or a version of it), becoming the primary mechanism to address affordability. Whereas if you opt to retain a dual subsidy approach, but bring the two subsidies together, SH retains, to some extent, its dual focus on affordability and access needs, but to a lesser degree than currently.

To refocus the system, you have a range of levers available

27 The below diagram demonstrates the levers you have available to impact change in the SH System. These levers sit within the broader system including market housing supply, housing unaffordability, mismatch between types of housing in private market and needs, poverty and income adequacy and discrimination in the rental market.



Based on the levers you have available, here are the key questions we need to answer

28 As we discussed in our June advice, there is a key decision on the purpose of SH and who it should be for. This can be broken down into four sub-questions, with our key advice on each outlined below:

28.1 **In deciding who SH is for, how could eligibility settings be refocused on those most in need of access to a house?** The eligibility report presents opportunities to improve who we prioritise for SH by focusing our housing needs assessment on households primarily facing accessibility, rather than affordability, challenges.

s 9(2)(f)(iv)

28.2 **Should SH provide a house for life or for the duration of need?**

In line with your objective to support people for the duration of housing need, we recommend considering duration limits, alongside changes to assess and respond to needs more effectively throughout a households' duration in SH. We also propose looking at options to

support mobility out of SH through case management and supports and individual housing plans.

- 28.3 **Is there a reason for having a difference between the subsidy available for SH tenants and households in the private market?** At a high-level, the subsidy paper presents three main approaches. The first removes income related rent (IRR) and provides support through a single tenure-neutral demand side subsidy. The second and third options keep the higher level of support for those in SH, but aim to bring the subsidies closer together. The paper recommends either moving to a single subsidy approach but with changes to mitigate the impact on tenants, or bringing the two subsidies closer together.
- 28.4 **How can changes to the Accommodation Supplement and Temporary Additional Support more effectively support households in the private rental market?** Over time the AS has become less effective, with an increasing number of households relying on TAS to meet essential costs. Compared to the AS, TAS has poor work incentives and may not encourage households to minimise housing costs. However, reducing reliance on TAS will require additional fiscal cost or reduced income adequacy for those with low residual incomes. Increases to the AS may also improve household's ability to sustain housing in the private market and complement changes to the SH subsidies.

The emerging future state for SH based on our recommendations better aligns with the RoSH objectives

- 29 The form of the future SH system will depend on your decisions in this September advice, as well as subsequent decisions on needs assessment, allocation, case management and other supports. If you agree with our recommended options, the emerging system is one where eligibility for a SH is refocussed on those with access needs, there are clear upfront expectations on the duration of support, more active and ongoing assessment of need accompanied by case management and services, and the subsidies are either brought closer together, or combined. This would reflect a substantial shift in the SH system.
- 30 In practical terms, shifting focus for SH to access needs may change the composition of who is on the Register, but we will need to explore the impacts further. This access focus may better align with the single subsidy approach, but does not preclude you from taking other subsidy approaches.
- 31 Each individual shift in this advice is set out below:

	From (current state)	To (future state)	Alignment with objectives
Eligibility	• SH is for those who cannot access and maintain housing successfully in the private market, due to a range of affordability and access barriers. It is rationed to those in greatest need, including affordability.	• SH is refocussed on those who cannot access safe and stable housing in the private market. • This is a shift away from affordability being a key factor in determining eligibility and priority for SH, although income and asset limits would ensure it remains targeted at low-income households.	• Ensures that support better matches housing need. • Provides value for money, and optimises investment in supply by focussing provision of housing towards those with an access need for housing, where the private market is not providing.
Duration	• SH is for people for the duration of their housing need but current expectations and subsidy settings may disincentivise people from improving their circumstances, and tenancy reviews are ineffective in their current form.	• SH is for people for the duration of need but coupled with a stronger focus on shifts to housing independence where appropriate. • This could be achieved through fixed term durations with clear expectations agreed upfront, more active and ongoing case management and supports, bridging subsidies, and/or strengthened tenancy reviews.	• SH system supports people for the duration of housing need, including to housing independence where appropriate. • Provides value for money by maximising the impact of the government's investment. • Would improve horizontal equity by ensuring that SH is provided to those who benefit the most.
Subsidy – Social Housing	• SH provides housing alongside a premium subsidy compared to AS.	• Either: SH provides a house only, with the rent paid by the household comparable to those receiving AS. • OR: SH provides a higher level of financial support than the AS, but gap is smaller than currently.	• More equitable income support across private and SH tenants. • Improves incentives to work for those able to. • Provides value for money by social housing focussing on access only (under single subsidy option). • Will likely negatively impact child poverty reduction target.
Subsidies – AS	• AS has become less effective over time, with more people relying on TAS, with poor incentives to work and to minimise housing costs.	• Choices to improve adequacy of AS to (1) improve affordability of private rentals and/or (2) reduce reliance on TAS with the trade-off of higher fiscal cost/or lower residual incomes for some.	• Improves incentives to work. • May support income adequacy and reduces child poverty.

The fiscal context will impact the extent to which you can achieve this future state, and meet your objectives

32 There are options to progress packages with these initiatives which generate savings, are fiscally neutral or add new investment into the system. The table below sets out selected key cost savings and new possible spending options

put forward in this advice, with available costings outlined in **Annex 2** and in the subsidy report.

- 33 Once we have your direction on the fiscal scenarios, and recommendations, we can model different packages. Importantly, key parameters of the existing system are not fully funded – such as future movements in market rents for IRRS, which impact the long-term fiscal sustainability of the system if no changes are made.

	Cost saving initiatives	New spending initiatives
Key decisions, with large fiscal impact	• Move to a single subsidy, OR • Increase IRR contribution rate	• Update the AS maxima • New SH supply • Improving the functioning of the SH system, including changing the needs assessment, operationalising duration limits and more active case management and supports
Possible changes with smaller fiscal impact	• Increase to EH/TH contribution rate • s 9(2)(f)(iv) • [REDACTED]	• Increases to AS subsidy rate • s 9(2)(f)(iv) • [REDACTED] • Transition out of SH subsidy

- 34 While this review is not driven by the need to find savings fiscal sustainability and value for money are key considerations. The extent to which you are able to meet the overall objectives of the review without significant numbers of low-income households being financially worse will, in large part, be determined by the fiscal parameters for the package of changes. Reprioritising any savings actions within the system (rather than returning to the centre) provides more options to:

- 34.1 bring the subsidies closer together, by increasing the AS, rather than just increasing IRR,
- 34.2 optimise the use of current SH stock, by redesigning the system to better delineate between different types and duration of housing need, and support people into independence where appropriate, and/or
- 34.3 add any additional new SH places.

- 35 There are also some initiatives that will be more successful if progressed together. For example, progressing fixed term tenure limits, without improvements to make the AS more fit for purpose and without investing in

increased case management and others supports, may result in less sustainable exits and more churn through the system, including to more costly interventions.

It will likely take several years to realise change, and if you want this work to commence quickly, trade-offs will need to be made

- 36 The other relevant factor, also signalled in the subsidy and eligibility reports is that realising any savings will likely take several years. While announcements could be made in Budget 2026, the earliest MSD could start progressing any new work would be July 2027.
- 37 To progress work earlier than this, trade-offs would be required against the wider priority work programme, including delivering on previous Budget commitments, other Budget 2026 initiatives, s 9(2)(f)(iv) and MSD's Services for the Future transformation programme.
- 38 We understand there is interest in progressing an IRR contribution rate increase in Budget 2026. Detailed advice on options for this change is provided in the subsidy report. Other changes you could announce and implement on a shorter-term timeframe include increasing the AS maxima, and/or using savings found to fund new SH places through the flexible fund. Redesigning SAS, introducing duration limits and moving to a single subsidy model would be longer-term changes to implement due to the complexity and take multiple years.
- 39 We recommend you have a discussion with the Minister of Finance around the fiscal implications of the Review. This would be ahead of taking the rest of your colleagues through what the Review is trying to achieve at the October Cabinet Strategy session you have requested.

Subsidy and eligibility decisions will have broader impacts for the rest of the system

- 40 There are interdependencies between your choices on subsidy design and eligibility, with the future of Affordable Rentals, supply-side settings, prioritisation and allocation, case management and other supports. These interdependencies are summarised below:
- 40.1 **Affordable Rentals:** AR would play different roles depending on your subsidy decisions – this is described at paragraphs 73-74 of the subsidy report. We see four options: AR is a bespoke product for other distinct purposes (E.g. to support development on whenua Māori), AR is a sub-market option for low-income people, s 9(2)(f)(iv) or, under a tenure neutral subsidy approach, AR is no longer a distinct tier. s 9(2)(f)(iv)

- 40.2 **Supply-side settings:** There will be a continued role for government to ensure providers have access to sufficient funding to meet the costs of SH provision. This will remain unchanged across different subsidy options. Key changes from the subsidy options relate to how much the tenant contributes and how the government subsidy is delivered. Implications of these options on provider risk exposure as well as implications on existing relationship agreements with providers is discussed at paragraphs 75-83 of the subsidy report.
- 40.3 **Social Allocation System (SAS):** As outlined in the eligibility report, we recommend redesigning the housing needs assessment (currently SAS) to better target SH to those with housing access needs. There are also opportunities to consider how to make the assessment more efficient, better integrated with MSD's income and employment assessments, and how we use the information collected to inform our response.
- 40.4 **Case Management and other supports:** Your decisions on eligibility and, in particular, duration, will impact on the relative importance of dedicated supports that address underlying needs and support SH tenants to independence, and help tenants adjust to non-SH living post transition.
- 41 There are also wider implications including for s 9(2)(f)(iv) [REDACTED], Short-term homelessness work, the Emergency Housing Target, delivering the Housing Investment Strategy and advice for Budget 2026. We are working closely across HUD and MSD teams to ensure alignment, and understand the impact of proposed changes.
- 42 There are also other levers that could address some housing access needs. s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Treaty implications

- 43 Māori are significantly overrepresented in the SH system – including as tenants in IRR housing, on the Register, and as recipients of AS. As such, any changes made to the SH system need to carefully examine Treaty of Waitangi (Treaty) implications.
- 44 The Review provides an opportunity to respond to stage one findings of the Wai 2750 Housing Policy and Services Kaupapa Inquiry, including ensuring Māori have equitable access to SH, as well as other relevant housing supports such as the AS. There are also opportunities to incentivise Māori and iwi housing providers to continue to provide and potentially increase their

provision of social housing and affordable rentals. Work in this space that improves outcomes for Māori is likely to be well received by iwi and Māori, and have a positive impact on Māori Crown relationships.

- 45 The extent to which the changes will uphold the Treaty will depend on the cumulative impact of any changes on Māori. The impacts of this work programme will depend on the choices made, as well as detail on the options that will be worked through and provided in further advice. This work provides potential for consistency with the Treaty, as well as opportunities to mitigate the impact where there is inconsistency.
- 46 Subsidy reform is likely to lead to some Māori being made worse off, which risks further inequity in housing outcomes for Māori, creating potential inconsistency with the Treaty. However, there are elements of the subsidy design choices which would lead to some Māori being better off, including increases to AS. There will be opportunities to further mitigate the negative impacts, including the Treaty impact. Further information on this will be provided in future advice.
- 47 The subsidy design options also have implications for the role of Affordable Rentals. Many iwi and Māori providers develop and deliver affordable rentals, so any changes to the role of affordable rentals may impact the extent to which iwi and Māori choose to provide housing. We propose changes to affordable rentals is something we consult with iwi and Māori on, when consultation occurs.
- 48 The advice you receive by the end of the year will explore further opportunities for Treaty alignment, including:
 - 48.1 Continuing to capture information on people's housing needs, even if eligibility is narrowed;
 - 48.2 Cohort placement (further information is provided in the eligibility and tenure paper); and
 - 48.3 How Government funded programmes and services can support people in the SH system toward housing independence and ensure better outcomes.
- 49 Many iwi and Māori groups will have significant interest in this work. Genuine consultation with iwi and Māori is the best opportunity to ensure this work provides consistency with the Treaty, and leads to the provision of support that better matches the needs of Māori. We will provide you with advice before consultation is undertaken.

Next steps

In October you will present to the Cabinet Strategy Committee, and you will receive further advice by the end of the year

- 50 You asked to take an item on the Review to the Cabinet Strategy Committee in October. This will be an opportunity to introduce your colleagues to the purpose of the Review, it's scope and objectives, and outline the opportunity for change and how we might transition to it over time.
- 51 Before the end of the year, you will receive another package of papers. This will include initial advice on redesigning the housing needs assessment, and allocation processes based off your decisions around eligibility changes, and a paper which looks at changes to case management and other supports.
- 52 This advice will also consider the next stage of the Review. Dependent on your decisions, we will likely suggest some form of public consultation (i.e. a discussion document or white paper) for early in 2026 along with consideration of further detailed advice and Cabinet dates.

Annexes

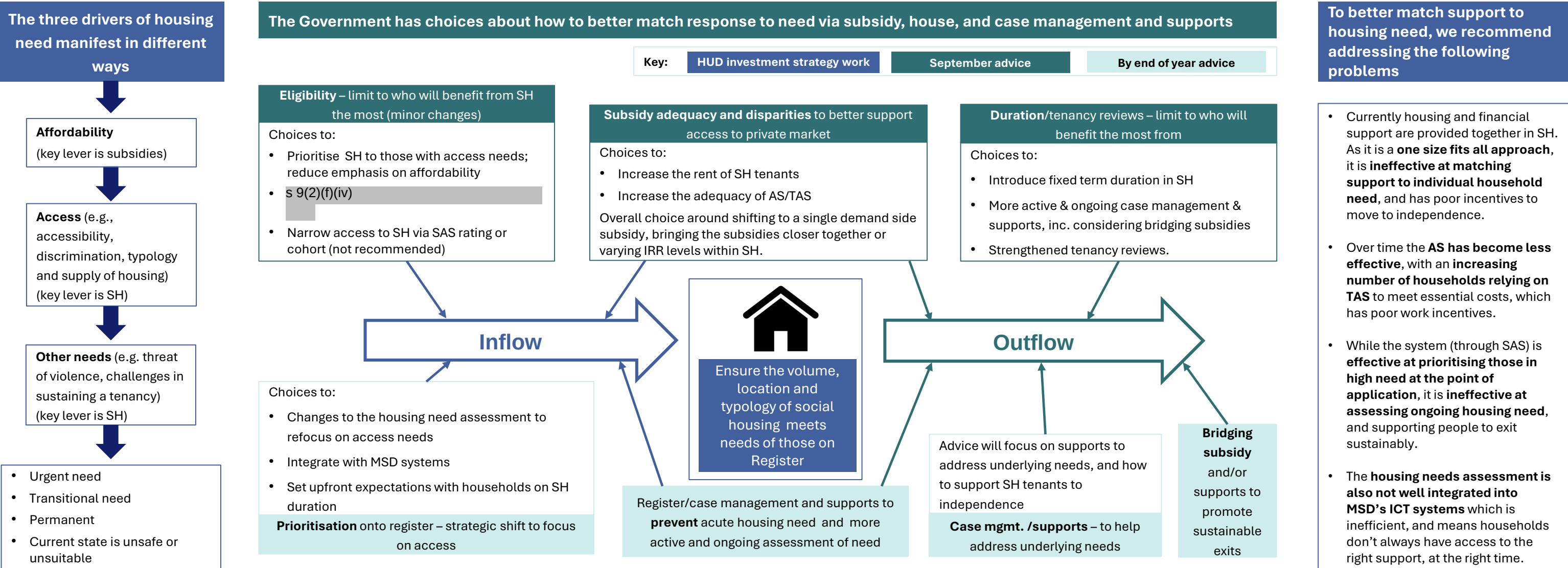
- 53 Annex 1: Review of Social Housing System – Overview of September Advice
- 54 Annex 2: Fiscal implications

File ref: REP/25/7/573, HUD2025-007656

Authors: Geraldine Wilkins, Principal Policy Analyst, MSD & Jemima de Lacey, Principal Policy Adviser, HUD

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Annex 1: Review of the Social Housing System – Overview of September Advice



Review of social housing System – Comparing recipients of housing supports

Most people seeking housing support are on a benefit, 25-54, single with no children & disproportionately Māori

Key findings

- Those in social housing tend to be older and therefore more likely to be receiving NZS.
- Those on the Register are more likely to be on a benefit, excluding NZS, especially JS related benefits.
- Māori are disproportionately represented in all cohorts.
- AS clients are more likely to be NZ European.
- People on the Register, AS, TAS and EH are much more likely to be single with no children than those in SH.
- 54% of people on the register are single without children. There is a limited number of one-bedroom SH.

SH tenants and those on the Register do, on average, have higher levels of material hardship than AS recipients

- Analysis of material hardship shows that, despite the higher level of financial support provided through IRR, material hardship rates are higher for those in social housing (44%) than for AS recipients (26%). Those on the Register also have higher material hardship rates (around 44%).
- That is not an unusual result because the deprivation index we use looks to measure the actual living conditions people experience, rather than their after-housing-cost incomes.
- Around half of the difference in material hardship rates can be explained by income and housing costs, and by differences in make-up of the two populations (e.g. household composition, disability, demographics and benefit receipt).
- The remainder of the gap can’t be directly observed in the data but is likely explained by differences in savings, debt and assets, mental and physical health conditions, personal factors like addiction, household dysfunction, ability to manage incomes, and difference in level of support to and from outside the household.
- This aligns with analysis included in previous advice that shows SH tenants have higher rates of hospitalisation, receipt of mental health and addiction services, interactions with the justice system etc.
- The causes of material hardship are diverse. Some people have unavoidable long-term needs, while others have contributed to and continue to contribute to their own hardship. The system does not differentiate in its provision of extra subsidy.
- The bundling together of housing and additional financial support is a response to tenants who have a revealed high level of broader social and material needs. But it is also a blunt tool that introduces inequities and perverse incentives.**

Age at Feb 2025	Social housing		Register		AS		TAS		EH	
24 and under	2,334	3%	2,412	10%	54,681	14%	10,035	9%	117	25%
25-39	20,208	24%	9,198	37%	127,932	34%	35,055	32%	198	43%
40-54	23,487	28%	6,303	26%	91,575	24%	29,634	27%	99	21%
55-64	17,649	21%	3,492	14%	51,414	14%	19,602	18%	48	10%
65 and over	19,491	23%	3,273	13%	52,233	14%	13,875	13%	0	0%
Total	83,169	100%	24,678	100%	377,835	100%	108,201	100%	462	100%

Benefit Type	Social housing		Register		AS		TAS		Benefit Types include: Jobseeker Support Work Ready and Jobseeker Support Health Condition or Disability (JS related); Sole Parent Support (SPS); Supported Living Payment (SLP); Youth Payment and Young Parent Payment (YP/YPP).	
No benefit	12,330	15%	1,089	4%	66,276	18%	4,458	4%		
NZ Super	19,173	23%	3,090	13%	49,440	13%	13,335	12%		
JS related	20,028	24%	8,739	35%	152,481	40%	52,716	49%		
SPS	14,598	18%	5,697	23%	55,074	15%	18,678	17%		
SLP	15,747	19%	5,073	21%	51,702	14%	18,795	17%		
YP/YPP	108	0%	222	1%	1,917	1%	192	0%		
Other	1,182	1%	765	3%	942	0%	21	0%		
Total	83,166	100%	24,675	100%	377,832	100%	108,195	100%		

Total Response Ethnicity	Social housing		Register		AS		TAS		EH	
Māori	32,292	35%	11,475	40%	119,841	30%	37,725	33%	261	51%
NZ European	26,685	29%	8,646	31%	191,343	48%	57,972	51%	189	37%
Pacific People	20,655	22%	4,176	15%	39,813	10%	10,524	9%	42	8%
Asian	4,227	5%	1,272	4%	30,240	8%	6,498	6%	9	2%
MELAA	2,607	3%	816	3%	5,298	1%	1,827	2%	6	1%
Other	6,093	7%	1,953	7%	8,820	2%	27	0%	9	2%

Household Type	Social housing		Register		AS		TAS		EH	
Single, no children	30,990	37%	13,359	54%	241,017	64%	73,251	68%	270	59%
Single, with children	20,262	24%	7,920	32%	90,636	24%	25,935	24%	150	33%
Couple, no children	15,072	18%	1,392	6%	22,023	6%	5,565	5%	12	3%
Couple, with children	16,845	20%	2,004	8%	24,162	6%	3,447	3%	24	5%

Households across different rental segments have different abilities to afford and find appropriate housing in the private rental market

IDI modelling has been done to understand how well households across different rental segments (social housing, private rentals with accommodation support, and private rentals without support) might be able to afford and find appropriate housing in the private market.

This should be interpreted as indicative of areas for further investigation, rather than as definitive estimates of households not needing housing support.

- Need for financial support to meet housing costs appears very varied across social housing tenants and those in private rentals. Other needs may still warrant remain in SH.
- ~29% (26,000) of households in SH have sufficient income to manage lower quartile private market rental costs and modest expenses. Often seemingly from changes to household since entering SH, like children reaching adulthood.
- A severe lack of available, suitable private rentals is common for very small and large households but less so for small to medium sized households
 - Only 4% of couples and sole parents with young children in social housing live in areas with a severe shortage.
 - ~20% (approx. 1,700) of large households (requiring 5+bedrooms) in social housing live in areas with severe lack of available private rentals.

Around 40% of new SH tenancies ended before 5 years

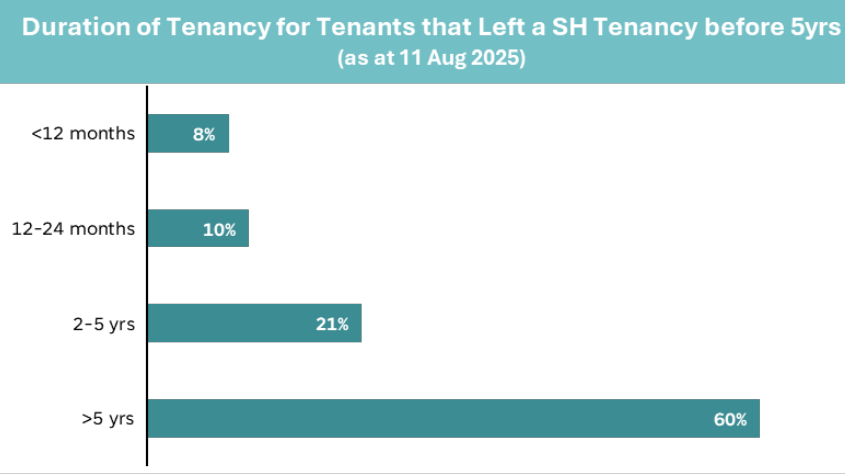


Table 1 Proportion of households that exited a SH tenancy before 5 years, as at 11 August 2025, by average time between start and exit. Note this is inclusive of all exit types (exiting into private market, death, incarceration, entering care, etc).

Most SH tenancies (60%) continue for at least 5yrs after starting, and for the ~40% that ended before:

- Most did so with 2-5yrs (21%), and many would be due to situations where the tenant hasn’t “chosen” to end the tenancy, but a result of them dying, being incarcerated, or entering care.

We see variances in this by household size, age, and benefit type, for example:

- Households with an SLP recipient tend to exit slower with 69% remaining after 5yrs.



Report

Date: 8 September 2025 **Security Level:** IN-CONFIDENCE

To: Hon Chris Bishop, Minister of Housing
Hon Louise Upston, Minister for Social Development and Employment

Cc: Hon Tama Potaka, Associate Minister of Housing

File Reference: REP/25/9/679, HUD2025-007371

Review of Social Housing: Eligibility and Duration

Purpose of the report

- 1 This paper provides advice on eligibility and fixed-term tenancies for social housing (SH), including options related to:
 - 1.1 changing eligibility for SH to ration and prioritise access to improve the functioning of the SH system
 - 1.2 whether a form of fixed-term tenancy would have benefits in the New Zealand system, alongside options for transitional incentives and supports to ensure those leaving SH do not re-enter into the system.
- 2 This advice should be read together with the *Cover Report for Social Housing System Eligibility and Subsidy Design* [REP/25/7/573, HUD2025-007656], which brings together this advice, and the accompanying *Review of the Social Housing System – Advice on Housing Subsidies* [REP/25/7/579, HUD2025-007655].

Executive summary

We recommend increasing the focus on SH meeting access needs over affordability

- 3 There are a range of barriers people face to accessing housing. The current needs assessment process for SH addresses five factors (affordability, adequacy, suitability, accessibility and sustainability). Affordability underpins most of these factors and as a result is likely over-weighted when assessing who needs a social house under current settings.
- 4 In addition to affordability challenges, barriers people face to accessing housing include discrimination, availability of the right typology, a lack of social networks and social skills, and other life circumstances.
- 5 Given these barriers are not impacted by affordability, we think there is a case to reduce the emphasis on affordability and instead prioritise households who have the *greatest* challenges with access to safe and stable housing in the market. Where affordability is the primary barrier, subsidies such as the Accommodation Supplement (AS) may be more suitable to addressing this need.
- 6 Your decisions on the subsidy paper will impact how clear the delineation between the role of an SH and the role of housing subsidies is, with a single subsidy approach providing clear delineation and a dual subsidy approach meaning SH retains, to some extent, its dual focus on affordability and access needs.
- 7 This shift to focus on access needs recognises that SH is an expensive response and should be rationed to situations where lower cost responses, such as a higher subsidy, would not address the housing need.
- 8 Refocusing SH on households with access needs may change the composition and priority of people on the Register. However, it may not have a significant impact on who goes into SH, because we know households currently prioritised for SH generally have both access and affordability challenges. There are likely to be trade-offs in who is prioritised for the benefits social housing provides as well. If you agree to progress this change, we can provide you further advice on the likely impacts.
- 9 **Annex A** includes a summary of the findings from our literature review, including the range of benefits SH provides and additional analysis undertaken as part of this work. Given the range of benefits, the Review will need to decide which benefits to prioritise in decisions around who SH is for.

s 9(2)(f)(iv)

There are opportunities to improve the current SH system to align with the proposed focus on access and get more movement through the system

- 12 People who are eligible for SH must meet residency criteria, age limits, income and asset tests, and go through a substantial housing need assessment via the Social Assessment System (SAS).
- 13 Regardless of the outcome of the needs assessment, households are only eligible for the house and subsidy that SH provides.
- 14 Once people are placed in SH, no further detailed needs assessments are carried out after this point. And the tenancy reviews that are conducted have not been successful in significantly increasing movement out of SH.
- 15 To align with the proposed shift and address the known issues with the current SH system, this paper recommends:
 - 15.1 redesigning the housing needs assessment to more tightly focus on those with access needs
 - 15.2 changes to core eligibility settings
 - 15.3 exploring fixed-term durations with clear expectations and obligations attached to that duration.

We recommend changes to our assessment of need for SH to better prioritise households with housing access needs

- 16 We recommend a substantive redesign of the current assessment of housing need (currently SAS) to align with our recommended approach for a tighter focus on those with access needs.
- 17 A redesign of the current needs assessment presents opportunities to improve the needs assessment so it can be used to identify and address housing access needs and is able to monitor changing needs over time.
- 18 SAS also has known limitations, including being a prescriptive, time-consuming and inefficient process. The Review presents an opportunity to address these known issues.

We recommend changes s 9(2)(f)(iv)

19 For core eligibility settings, we recommend:

19.1 Changes to the residency criteria – to restrict the unintended access to SH for asylum seekers as agreed previously (see REP/24/11/1073)

s 9(2)(f)(iv)

You have a range of levers to increase movement out of SH

- 20 There are currently weak incentives to leave SH, and the system is not designed to identify 'duration of need' when people enter SH, nor does it monitor how needs change over time in SH well. Exits from SH are encouraged through tenancy reviews, however, under current settings, less than one percent of current SH tenants are eligible for tenancy reviews.
- 21 Despite low incentives to exit and the limited scope of tenancy reviews, some households do exit SH, and not all SH households face availability challenges in the private market. MSD analysis shows that 40 percent of households in SH exit within five years, with 60 percent remaining longer. HUD analysis also identified that some cohorts in SH would not have availability challenges in the private market (for example, small to medium families).
- 22 There will be trade-offs involved in moving people out of social housing, and some people may be worse off if they leave. For example, the security of tenure associated with SH offers clear benefits to some groups (such as families with children and older people). However, if higher needs households are able to benefit from SH as a result, this would improve the effectiveness of the system.
- 23 You have choices as to how to achieve greater flow out of SH, which are not mutually exclusive. These include:
- 23.1 Introducing fixed-term durations in SH
 - 23.2 Focus more on active case management and supports
 - 23.3 Reconsidering the scope and focus of tenancy review processes
 - 23.4 Graduated and transitional subsidies to support SH households to adjust to private rental market housing.

- 24 Given limited international and domestic evidence of the effectiveness of fixed-term durations alone, we recommend considering a combination of the above. We recommend only introducing fixed-term tenancies if complemented by:
 - 24.1 upfront planning (for example, individualised housing independence plans) and clear responsibilities of the provider and tenant
 - 24.2 support throughout the SH tenancy, where needed, to respond and address underlying household access needs
 - 24.3 possible 'bridging' supports to help exits be successful.
- 25 Fixed-term tenure durations would also be supported by addressing the current inadequacy of AS.
- 26 Despite the reduction of tenure security if fixed-term durations are introduced, SH would still provide improved access to housing by reducing the effects of discrimination, providing a "friendly landlord" and providing a stable environment for a household to address contributing factors to their housing need. If you wish to explore fixed term durations further, advice on this will be provided before the end of 2025.

Implementation

- 27 Implementation of these options will take time and have associated costs. Indicative timeframes for implementation are 2 years for changes to the needs assessment, and 2-3 years for changes to tenancy review and duration settings. Smaller changes to the core eligibility requirements would take less time (estimated to take 9 months). These timeframes consider policy decisions, legislation changes, IT changes and training for staff required to implement the change.
- 28 These timeframes and associated costs will vary depending on your decisions and any trade-offs required, particularly for MSD's work programme. Following decisions, these will be further refined and advice on timeframes and costs of implementation will be provided.

There may also be options to address housing access needs that are more cost-effective outside of SH

- 29 While there continues to be a need for government provision of SH, there are other levers available that may be able to address some housing access needs. Alternative ways to provide access to secure tenure housing could be explored through the Housing Investment Strategy or HUD's broader market interventions including Going for Housing Growth.

Recommended actions

It is recommended that you:

- 1 **Agree** to a strategic shift for the focus of Social Housing to reduce the emphasis on affordability and instead prioritise households who have challenges with access to safe and stable housing in the market

AGREE/DISAGREE

Eligibility choices

- 2 **Agree** to make changes to the housing needs assessment to better prioritise households with housing access needs

AGREE/DISAGREE

- 3 **Note** that as part of the Review officials will progress the changes to the residency criteria you previously agreed to exclude asylum seekers from Social Housing eligibility (REP/24/11/1073 refers)

s 9(2)(f)(iv)



Duration limits

- 7 **Agree** to explore fixed-term duration in Social Housing further

AGREE/DISAGREE

- 8 **Note** international evidence indicates that fixed duration alone is not successful in improving movement out of Social Housing

- 9 **Note** officials will explore options for coupling fixed-term duration with creating individualised plans towards housing independence, and using case management, support services, tenancy reviews and bridging supports where needed to encourage movement out of Social Housing, where appropriate. We will provide you further advice by the end of 2025

10 s 9(2)(f)(iv)

[REDACTED]



Julia Pearce
**Manager, Social Housing and
Other Supports, HUD**
8/9/2025



Julia Bergman
**General Manager, Housing,
Employment and Labour
Market Policy, MSD**
8/9/2025

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

Hon Louise Upston
**Minister for Social
Development and Employment**
..... / /

We recommend reducing the emphasis on affordability for SH and focussing on access needs

- 30 SH in NZ provides a range of benefits to households, communities and government, which vary by the individual household. The benefits include providing access to a tenancy, relative security of tenure, and addressing affordability challenges. These benefits are well documented in the literature, which is summarised in **Annex A**.
- 31 Given the range of benefits, the Review will need to decide which benefits to prioritise in decisions around who SH is for.
- 32 The current needs assessment process for SH addresses five factors: ability to **afford** housing in the private rental market, **adequacy** of current housing, **suitability** of current housing, ability to **access** housing, and ability to **sustain** a private tenancy. Affordability underpins most of these factors and as a result is a key driver for who needs SH under current settings and may be overweighted in the needs assessment.
- 33 In addition to affordability challenges, barriers people face to accessing housing include:
 - 33.1 Discrimination – landlords are reluctant to rent to some people due to their characteristics (e.g. ethnicity, criminal history, lack of rental history)
 - 33.2 Availability of the right typology in the private housing market (e.g. smaller or accessible homes for people with disabilities or older people to live independently)¹
 - 33.3 A lack of social networks and social skills that mean living as part of other households is not safe or sustainable
 - 33.4 Other life circumstances (e.g. domestic violence, mental health, addiction) that create housing instability/make it challenging to successfully sustain a tenancy.
- 34 Given these barriers are not impacted by affordability, we think there is a case to reduce the emphasis on affordability and instead prioritise households who have the greatest challenges with access to safe and stable housing in the market. Where affordability is the primary barrier, subsidies such as the

¹ In particular, affordability and availability analysis conducted by HUD, based on census data, found that SH tenants in need of a one-bedroom house would face difficulties accessing suitable housing in the private rental market. This is discussed further later in the paper.

Accommodation Supplement (AS) may be more suitable to addressing this need.

- 35 Your decisions on the subsidy paper will impact how clean cut the delineation is between the role of social housing and the role of housing subsidies. Under a single subsidy approach, social housing becomes your primary tool to address access needs, with the AS (or a version of it) becoming the primary mechanism to address affordability. Whereas, if you opt to retain a dual subsidy approach but bring the two subsidies together, SH retains, to some extent, its dual focus on affordability and access needs, but to a lesser degree than is currently the case.
- 36 This recommended approach is underpinned by the following additional analysis suggesting that there may be some SH tenants who may benefit less from SH than others:
 - 36.1 An estimated 29 percent (26,000) of households in some form of social housing have sufficient income to be able to manage housing and modest expenses if they were renting a lower quartile market rent of the size they need in their territorial authority
 - 36.2 Ten percent of households in social housing have adult children and the ability to meet private rental costs appears higher amongst those groups (though they may have other needs that warrant remaining in social housing)
 - 36.3 Availability issues are lower for small to medium sized households, meaning they may have other options than social housing where access issues have been resolved or can be managed
 - 36.4 While rates of material hardship are higher in SH there is a range of reasons for this, and a larger share of those in material hardship are in the private rental market.
- 37 Additional analysis on rates of material hardship showed that while rates of material hardship are higher in SH there is a range of reasons for this, and a larger share of those in material hardship are in the private rental market.
- 38 The proposed shift to focus on access needs recognises that SH is an expensive response with a limited supply, and should be rationed to situations where lower cost responses, such as a higher subsidy, would not address the housing need.

Shifting focus for SH to access needs may change the composition of who is on the Register, and we will need to explore the impacts further

- 39 Refocusing SH on households with access needs may change the composition of who is on the Register and how they are prioritised. This change may not have a significant impact on who goes into SH, because we know that

households currently prioritised for SH generally have both access and affordability challenges. However, currently, the focus on affordability can reduce visibility of some underlying drivers of need.

40 Reducing emphasis on affordability and focussing on access challenges may allow clearer understanding of ongoing housing needs, so that these can be addressed to improve flow through the system.

41 In addition, this shift may mean that some people currently eligible for SH are no longer eligible, or have a lower priority (for example, if someone has primarily affordability needs and relatively low other needs, they may no longer be eligible for SH). Under this approach, if someone has significant access needs, the intention would be that they are prioritised higher and may be placed in a social house sooner than under the current system.

s 9(2)(f)(iv)



² HUD affordability and availability data analysis.

s 9(2)(f)(iv)



- 49 MSD analysis looked at at-risk groups in SH, EH, on the Register and in receipt of the AS. It found that characteristics such as benefit type, demographics and risk factors do not neatly correspond to SH demand: while many groups disproportionately access housing assistance, there was no

direct link between benefit type, demographic,³ risk factor, and living in SH or being on the Register.

- 50 This indicates that there are other underlying factors not observed in the data which contribute to a household needing SH, s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED] (See **Annex A** for more detail on the characteristics of people in SH, EH, on the Register and in receipt of the AS.)

- 51 s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

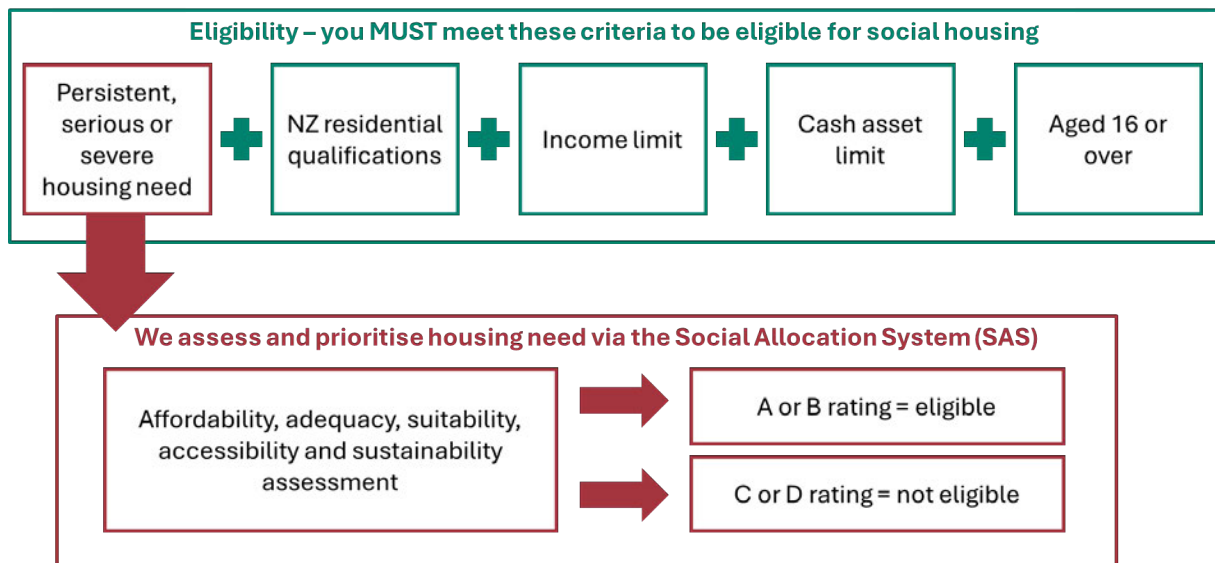
There are opportunities to improve the current SH system to align with the proposed focus on access and get more movement through the system

- 52 Currently, people who are eligible for SH⁴ must meet residency criteria, age limits, income and asset tests, and go through a substantial housing need assessment via SAS.
- 53 SAS is a point-in-time assessment that has two purposes:
- 53.1 To determine who is eligible to be included on the SH register (A & B priority ratings only, C & D ratings are not eligible)⁵
 - 53.2 To determine the priority of a household for placement in a social house, from B8 to A20.

³ A possible exception is single adults, who make up a disproportionate amount of the register. This concurs with the HUD work described above, which found that this group is likely to face particular challenges in both availability and affordability.

⁴ Eligibility for social housing is described in the Ministerial Direction on Eligibility for Social Housing and the Ministerial Direction on Continued Eligibility for Social Housing.

⁵ Note that the eligibility criteria for income and assets can be overridden if housing need is sufficiently severe.



- 54 Regardless of the outcome of the needs assessment, households will only be eligible for the house and subsidy that SH provides. As SAS is not well integrated into MSD's broader income and employment systems, there are challenges in ensuring that people receive the right supports and services needed to address other needs identified through the housing assessment.
- 55 Once people are placed in SH, no further detailed needs assessments are carried out.
- 56 Exit from SH is encouraged through tenancy reviews. However, as outlined in paragraphs 84-85, the current settings mean that tenancy reviews have not been successful in significantly increasing movement out of SH.
- 57 Changes to align the focus of SH on access needs presents an opportunity to improve other elements of the system to better target SH to those with the greatest need and to improve movement out of SH.

Changes to the needs assessment, core eligibility and duration would align with the proposed shift in focus for SH

- 58 In line with your agreement to design a system that better matches housing to need, and our recommended key shift from an affordability focus to an access focus, this paper explores possible changes to three levers: needs assessment, core eligibility, and duration in SH. It recommends:
- 58.1 redesigning the housing needs assessment to more tightly focus on those with access needs
 - 58.2 changes to some core eligibility settings
 - 58.3 exploring fixed-term durations with clear expectations and obligations attached to that duration.
- 59 In considering changes to the needs assessment, we need to consider how:

- 59.1 we will identify housing access needs
 - 59.2 the SH needs assessment will support addressing housing access needs
 - 59.3 we will monitor and update this information over time.
- 60 As an example, how this could work and the possible impacts are described below.
- 60.1 To **identify housing access needs** the needs assessment could be redesigned with questions focused on identifying a housing access need and distinguishing it from an affordability need. This could change the composition of the Register and who is prioritised for SH.
 - 60.2 To use the **SH needs assessment to support addressing housing access needs**, individualised plans could be created, which include a fixed duration in SH, clear expectations and obligations attached to that duration, and access to support services where appropriate. The information collected through the needs assessment could inform what is most appropriate for that household, to ensure the provision of SH and supports is more coordinated and tailored to meet individual household needs.
 - 60.3 To **monitor and update this information over time**, ongoing assessments of need and/or modified tenancy reviews (for those in SH) could be conducted. This would ensure we have a clear view of whether and how a household's housing needs are changing over time.

We recommend changes to our assessment of need for SH to better prioritise households with housing access needs

- 61 If you agree to our proposed shift of focus for SH, we recommend redesigning the housing needs assessment (currently SAS) for a tighter focus on those with access needs.

There are also opportunities to redesign the needs assessment to ensure we are using it effectively, and to align with the proposed shift to focus on access needs

- 62 Our analysis has shown that people's needs change over time, and we expect some may be more amenable to improvement with supports. For example, some life challenges, such as unemployment, may be amenable to improvements with the right supports, compared to a permanent disability which will be less amenable to improvement. The needs assessment system should take this changing nature of need into account.
- 63 A redesign of the housing needs assessment also presents the opportunity to consider how the housing needs assessment could be integrated with the income and employment needs assessments, including as part of MSD's

Services for the Future. This system change will take more time, but it may be possible to take steps towards this as part of the Review.

64 s 9(2)(f)(iv)

65 To make the most of these opportunities, a substantive redesign of the current needs assessment is recommended. If you agree to redesign the needs assessment, we will provide you further advice on options for how the housing needs assessment could be designed.

In addition, SAS has known limitations which could be addressed through this Review

66 Currently, SAS is a time-consuming process that prioritises SH for those with the most complex needs, but there are questions about whether it emphasises the right needs and how these are weighted. For example, the current assessment likely over-weights affordability across multiple SAS criteria. This is because adequacy, suitability and accessibility of housing are driven by the housing options available on the market that are within a household's budget.

67 Additionally, depending on your subsidy decisions, there is a question of whether the housing need assessment should assess affordability at all (for example, in a single subsidy model).

68 Similarly, SAS asks a range of questions that the Ministry of Social Development (MSD) may already hold the information for through separate ICT systems, as the majority of people on the SH register are MSD clients (only five percent of people on the register are not receiving a benefit⁶). This means there are opportunities to improve the assessment process so that it is more efficient and effective.

69 s 9(2)(f)(iv)

⁶ This includes records where a benefit is suspended, registered or expired. If we consider those records as "No benefit" then the proportion is approximately 8%.

s 9(2)(f)(iv)

Implementation of changes to needs assessment

- 70 We estimate a redesign of the needs assessment system would take two years from policy design to implementation. The time it would take to implement this change would be impacted by decisions in the next stage of the level of reform of the current needs assessment (SAS).
- 71 This change would require further policy advice, changes to the relevant Ministerial Directions, updated training for staff, and updating IT systems.

We recommend changes to the core eligibility settings for residency

s 9(2)(f)(iv)

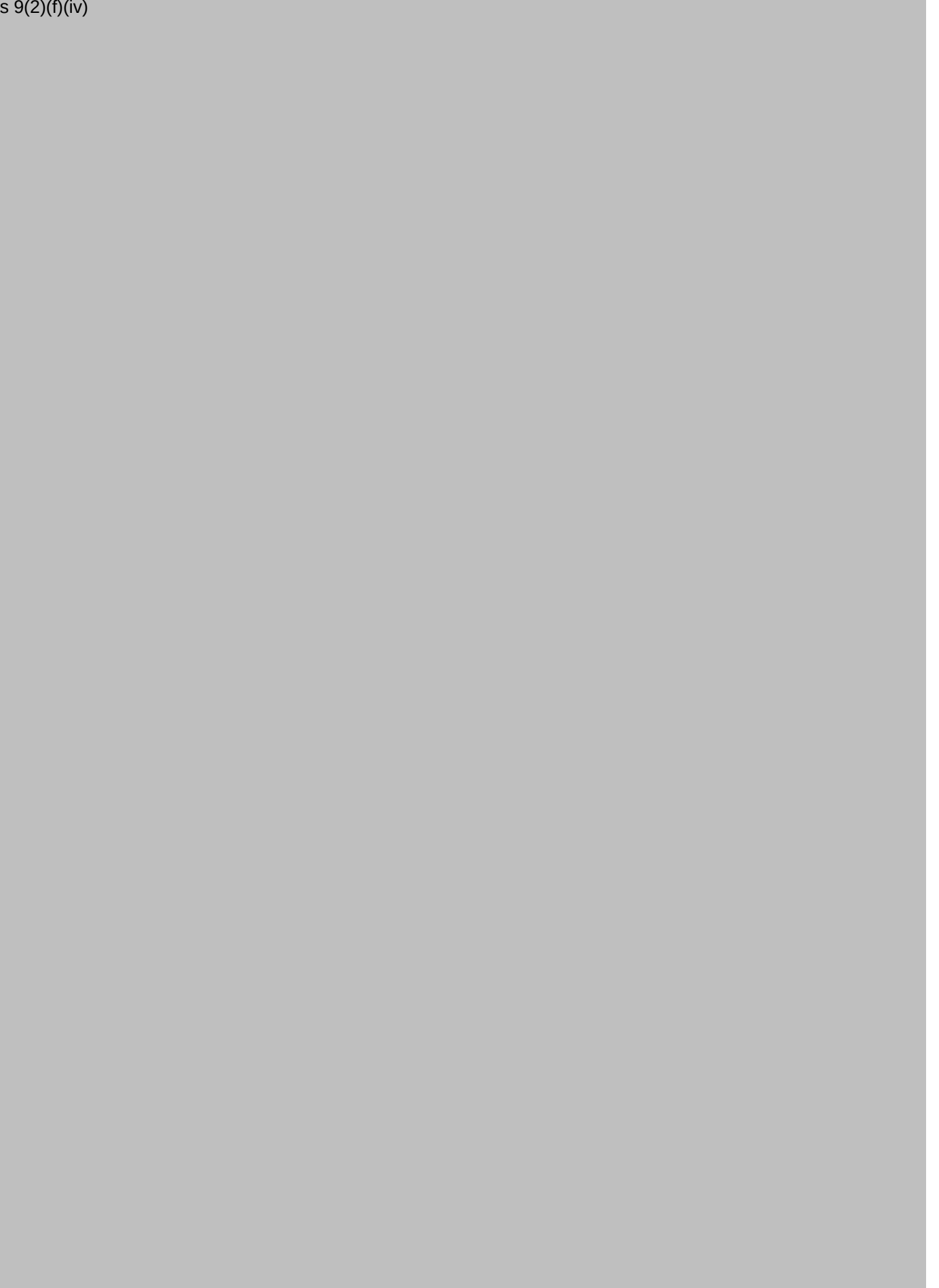
You have previously agreed to changes to the residency criteria for SH, and we will progress these through the Review

- 72 In 2024, changes to the residency criteria to restrict the unintended access to SH for asylum seekers were agreed [REP/24/11/1073 refers]. We will progress these changes for asylum seekers as part of this Review, to reinforce the original policy intent that asylum seekers facing financial hardship can only access the Emergency Benefit and Temporary Additional Support.
- 73 We consider the remaining residency settings remain fit for purpose and no changes are proposed.

s 9(2)(f)(iv)

⁷ s 9(2)(f)(iv)

s 9(2)(f)(iv)



82 s 9(2)(f)(iv)

You have a range of levers to increase movement out of SH

Overall, there is currently a lack of movement through SH, and tenancy reviews settings are ineffective at promoting mobility

- 83 There are currently weak incentives to leave SH due to the high subsidy rate, the greater stability of tenure compared to a private rental, and limited housing typology options in the private market for some lower quartile rental properties.
- 84 The system is not designed to identify 'duration of need' when people enter SH. As we do not actively monitor how peoples' circumstances and needs change during their time in SH, we do not have good information on whether they continue to need SH.⁹
- 85 Exits from SH are encouraged through tenancy reviews. However, under current settings, only a small proportion of SH tenants are eligible for tenancy reviews (less than 1%). That is, only those who have been in SH for 3 years, who are paying market rent and who are not an excluded cohort, are eligible for tenancy reviews under current settings.
- 86 Additionally, tenancy reviews do not successfully address the incentives to stay in SH nor the disincentives to move, including the relative generosity of Income-Related Rent (IRR) and the unaffordability of the private rental market.
- 87 The current approach to tenancy reviews directly compares affordability of SH with private market rentals for a location in determining whether a person has an ongoing housing need. This focus on affordability means that often household's tenancy reviews are not progressed further to understand if their other housing needs still exist.

Despite low incentives to exit and the limited scope of tenancy reviews, some households do exit SH, and not all SH households face availability challenges in the private market

- 88 MSD analysis shows that 40 percent of households in SH exit within five years, with 60 percent remaining longer. MSD will do further analysis as part of the next phase to understand the reasons why some groups leave earlier

⁹ Note that social housing tenants do have a responsibility to inform MSD of any changes in their circumstances that is likely to affect their rate of Income-Related Rent or their overall eligibility: s 115 PACHMA

than others, to inform advice on which groups could be supported to exit SH with the right responsibilities and expectations.

- 89 Additionally, HUD analysis identified that some cohorts in SH would not have availability challenges in the private market. In particular, for small- to medium-sized families, there appeared to be adequate availability of lower quartile rental properties available in the locations they were required. This indicates that some households in this group may be able to be supported into the private market, with the right settings and supports available to address the non-availability related barriers to sustaining a private rental.

On the other hand, SH security of tenure offers clear benefits to some groups, which needs to be weighed up when considering changes to improve outflow

- 90 There will be trade-offs involved in moving people out of social housing – some people may be worse off if they leave. However, if higher needs households are able to benefit from SH as a result, this may create an overall improvement in the effectiveness of the system.
- 91 An example of trade-offs is the reduced security of tenure in SH. For example, recent New Zealand research found that SH tenants¹⁰ have higher subjective wellbeing than private tenants, and similar wellbeing to owner-occupiers, due to the greater security of tenure of SH.
- 92 This study found that the wellbeing outcomes between a public and private renter are not significantly different after 10 years of tenure in the same house, with similar wellbeing outcomes observed at ~20 years of tenure in the same house.¹¹ For comparison, the median private tenancy length in New Zealand is 25 months.¹²
- 93 Housing tenure and stability are also associated with positive or improved outcomes for children across a range of dimensions, including cognitive development, socio-emotional function, mental health, physical health, education outcomes, and social outcomes.¹³
- 94 Despite the reduction of tenure security if fixed-term durations are introduced, SH can still improve access to housing by reducing the effects of discrimination and providing a “friendly landlord”. It would also provide a stable environment for a household to address contributing factors to their housing access need to help them move towards renting in the private market.

¹⁰ This study included both IRRS social housing and council housing.

¹¹ [Housing Tenure and Subjective Wellbeing: The Importance of Public Housing](#)

¹² As at 1 January 2025, based on MBIE Tenancy Bond data.

¹³ MSD internal literature review on housing impacts on children.

- 95 There will therefore be choices about how to balance the benefits of social housing for different groups.

You have choices as to how to achieve greater flow out of SH

- 96 Given the data analysis suggests there may be some groups that could sustainably exit SH, we have considered a range of options to increase mobility. These are not mutually exclusive. They include:

- 96.1 **Introducing fixed-term durations in SH:** Under such an approach, all tenancies could be for a fixed period (for example three years, with a transition period), unless a needs assessment indicates that a household has a permanent need.¹⁴ s 9(2)(f)(iv)

- 96.2 **Focus more on active case management and supports** to support SH tenants to address underlying barriers to sustaining housing in the private rental market, including considering non-financial bridging supports.

- 96.3 **Reconsidering the scope and focus of tenancy review processes:** For example, in line with the proposed shift to focus on access barriers, tenancy reviews could be refocussed to other elements of a housing need, outside of affordability. As part of this refocus, you could also revisit the current cohort exemptions.

- 96.4 **Graduated and transitional subsidies** to support SH households to adjust to private rental market housing. See the accompanying paper *Review of the Social Housing System – Advice on Housing Subsidies* [REP/25/7/579, HUD2025-007655].

- 97 Given limited international and domestic evidence of the effectiveness of fixed-term durations alone, we recommend considering a combination of the above. The rationale for this is set out below, and further advice will be provided by the end of 2025.

Officials consider fixed-term durations could achieve better movement through the system if accompanied by relevant support and responsibilities throughout the SH tenancy

- 98 International evidence on fixed-term durations (detailed in **Annex A**) provides the following lessons if you wish to progress these:

- 98.1 Evidence on fixed-term durations alone suggests that they do not incentivise households to change their behaviour (for example, job

¹⁴ Note that this may require changes to the RTA.

seeking) as they approach the end of their fixed-term duration. Officials consider they may work better if complemented by relevant supports to address people's underlying barriers and by measures to improve the affordability of private market alternatives.

98.2 Where providers have had discretion to implement fixed-term durations (for example, in the United Kingdom), the vast majority have continued to be issued as lifetime tenancies.

98.3 s 9(2)(ba)(i) [REDACTED]
[REDACTED]
[REDACTED]

99 Fixed-term durations for SH were also briefly introduced in NZ in 1979 where all new tenancies were set at six-year leases, where if upon conclusion households had not purchased the property, they were to be given a 12-month notice to vacate. While some SH tenants acquired properties over this period, no households' tenancies came to an end as the policy was repealed before the six-year mark in 1984.¹⁵

100 Given this international evidence and lack of domestic evidence, we recommend only introducing fixed-term tenancies if complemented by:

100.1 upfront planning (for example, individualised housing independence plans) and clear responsibilities of the provider and tenant agreed at the outset.

100.2 support throughout the SH tenancy to respond and address underlying household needs,

100.3 and possible 'bridging' supports to help exits be successful. s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]

101 s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]

102 s 9(2)(g)(i) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] s 9(2)(f)(iv) [REDACTED]

¹⁵ Schrader, B. (2005). We Call It Home: A History of State Housing in New Zealand. Auckland: Reed Publishing (NZ) Ltd.

103 If you wish to explore fixed term durations further, we will investigate the settings applied in other jurisdictions further and look to learn from their experiences, alongside exploring possible combinations of levers to improve mobility out of SH.

104 If you do not wish to progress fixed-term tenancies, we still recommend considering the role of case management, review processes and services to support people in transitioning out of SH.

105 Once we have your agreement to a preferred approach, we will provide further advice by the end of 2025.

Fixed-term durations would advantage some Māori households and negatively impact others

106 The provision of adequate support is essential to ensuring that introducing fixed-term tenure provides some consistency with the Treaty. Introducing fixed-term tenure risks unintended consequences where SH tenants move into worse housing situations at the end of their SH tenure. Māori are likely to be disproportionately impacted due to their overrepresentation as SH tenants. However, moving people through SH may also lead to those on the Register (where Māori are also overrepresented) accessing housing faster.

107 If the introduction of fixed-term tenure is paired with provision of effective supports that work for Māori and enable them to move from SH into a better housing situation (and sustain that housing), this option would provide consistency with the principle of equity.

Implementation of changes to tenancy reviews and duration settings

108 We estimate changes to tenancy reviews and introductions of a fixed-term duration would take two-to-three years to implement.

109 This would require primary legislation changes as well as complex secondary legislation changes. This would be alongside further policy advice, updates to the relevant Ministerial Directions, updated staff training, and updated IT systems.

Implementation, related advice and next steps

Implementation timeframes and costs will depend on your decisions

These options will have costs associated with them

110 All the options discussed in this paper will have associated costs. s 9(2)(f)(iv)

111 s 9(2)(f)(iv)

112

General implementation considerations

113 The implementation timeframes provided in this advice assume some parameters for the future work, if these assumptions are incorrect and as further policy is developed, it may affect the time required to deliver changes. If more than one of the larger options above are progressed, it may take more time to implement the changes.

114 For any of these options we would also need to consider transitional arrangements for current clients both on the Register and in SH. This would include considerations on how to mitigate risks around increases to demand for EH and TH, and impact on homelessness. Any transitional arrangements required may add complexity to the process and require additional resource. Following your decisions on the Review, we will provide further advice on options for transitional arrangements.

115 The choices may also be limited by constraints of other organisations. For example, there are some existing limitations in Kāinga Ora's system. Any changes required to Kāinga Ora or Community Housing Provider systems may take more time and would require investment into the systems changes.

There may also be options to address housing access needs that are more cost-effective outside of SH

116 While there continues to be a need for government provision of SH, there are other levers available that may be able to address some housing access needs or provide some of the benefits that are currently associated with social housing.

117 Programmes such as transitional housing, rapid rehousing, sustaining tenancies, and the emergency housing social outcomes trial support people to access stable housing (private rental and social housing) and to address barriers to support people to maintain tenancies in stable housing. s 9(2)(f)(iv)

118

s 9(2)(f)(iv)

The Housing

Investment Strategy has also anticipated innovative housing solutions as part of its scope, which could include alternative ways to provide access to secure tenure housing.

119 HUD's broader market interventions including Going for Housing Growth may also lessen some barriers to accessing housing on the private market in the longer term.

Consultation with agencies

120 The Treasury and Kāinga Ora have been consulted in the development of this advice.

Next steps

121 Following your decisions, further advice will be provided on how these could be implemented and how choices will work together. See the Cover Report for Social Housing System Eligibility and Subsidy Design Reports for more detail on next steps.

Annexes

Annex A: Summary of data on the benefits of social housing

Authors: Vidhiya Damodaran, Principal Policy Analyst, MSD & Mandy Stratford, Senior Policy Adviser, HUD

Responsible Managers: Julia Bergman, General Manager, MSD & Julia Pearce, Manager, HUD

Annex A: Key data and evidence

- 1 To support this advice, we have analysed a range of existing data and literature, and have conducted new analysis on:
 - 1.1 availability and affordability pressures for all renting households in NZ
 - 1.2 at-risk cohorts in SH, EH, on the Register and in receipt of the AS
 - 1.3 how long households stay in SH.
- 2 This work has supported the conclusions and recommendations in this paper, including that:
 - 2.1 SH in NZ provides a range of benefits to households, communities and government, but given the range of benefits, the Review will need to decide which housing and access benefits to prioritise in decisions around who SH is for
 - 2.2 Housing need is not limited to a particular population group, nor particular benefit type, so restricting eligibility on this basis would not effectively target housing access need
 - 2.3 Despite low incentives to exit and the limited scope of tenancy reviews, some households do exit SH, and not all SH households face availability and/or affordability challenges in the private market
 - 2.4 There is limited international and domestic evidence of the effectiveness of fixed-term durations alone, so we recommend only introducing them as part of a broader set of tools.
- 3 This annex describes our findings in more detail.

Broader impacts of SH on other costs to government

- 4 Recent local studies have shown that SH has significant benefits for health and reductions in 'bed nights'. A 2024 study found a decrease in annual hospitalisation rates (0.50 to 0.29) and the annual rates of mental health outpatient use (5.8 to 3.7) after entering SH.¹⁶
- 5 An Australian study found that each AUD\$1 invested in social and affordable housing would deliver AUD\$2 in benefits; these benefits were chiefly attributed to enhanced labour market productivity, improved health outcomes, and reduced incidence of criminal and anti-social behaviours.¹⁷

¹⁶ [The impact of transitions from emergency housing to public housing in Aotearoa New Zealand](#)

¹⁷ [SGS-Economics-and-Planning_Give-Me-Shelter.pdf](#)

- 6 For people leaving prison, post-release stable housing can reduce the risk of recidivism and conversely, being homeless after release is likely to increase the risk of reoffending.¹⁸ A New Zealand study in 2017 found that people in SH have less Corrections spending, more education spending, and more main benefits spending.¹⁹

¹⁸ [GSH final report final and complete.pdf](#)

¹⁹ [sh-technical-report.pdf](#)

Characteristics of people in SH, EH or on the register

7 All of these cohorts disproportionately access housing assistance and/or are on the Register. However:

7.1 In no case do they make up a majority of people accessing housing assistance and/or on the Register (columns 4 and 6)

7.2 For each characteristic, there are many more people who are only accessing AS and are not on the register or in SH (compare columns 5 and 7).

1	2	3	4	5	6	7
Characteristic	Count	Proportion of the population with this characteristic	Of those in SH, AS, EH or on the register, what proportion have this characteristic	Of those with this characteristic, what proportion are in SH, AS, EH or on the register	Of those in SH, EH or on the register, what proportion have this characteristic	Of those with this characteristic, what proportion are in SH, EH or on the register
Disability as indicated in the 2023 Census – will under count	252,339	6%	11%	26%	12%	9%
Young people leaving state care (OT) (only for age 16 to 25)	13,713	2%	8%	60%	9%	26%
People exiting prison in the past 12 months	7,761	0%	1%	81%	1%	23%
People exiting health facilities (acute care) in the past 12 months	266,874	6%	11%	25%	12%	9%
People in inpatient care for mental health in the past 12 months	10,932	0%	1%	63%	1%	26%
People who accessed community treatment for mental health problems in the past 12 months	152,871	4%	12%	50%	14%	18%
Refugees	13,188	0%	1%	63%	3%	42%
Total population (aged 16+)	4,219,986	100%	100%	14%	100%	5%
Total population (aged 16-25)	586,707	14%	16%	17%	20%	7%

Source: Stats NZ Integrated Data Infrastructure

**Number of SH Register Applications as of August 2025 (excl. transfers)
by active benefit type (incl. suspended, registered and expired
records)**

Benefit	Register applications	Percentage of total applications	Total number of people receiving that benefit	Percent of people on that benefit who are on the register
Emergency Benefit	211	1.1%	5,468	3.9%
Emergency Maintenance Allowance	51	0.3%	855	6.0%
Jobseeker Support Health Condition / Disability	3,705	18.8%	95,672	3.9%
Jobseeker Support Work Ready	3,737	19.0%	121,357	3.1%
NZ Superannuation / Veteran's Pension	2,646	13.5%	951,781	0.3%
No Benefit	886	4.5%		
Non Beneficiary - Child Disability Allowance	52	0.3%		
Non Beneficiary - Disability Allowance	117	0.6%		
Non Beneficiary - Other	473	2.4%		
Sole Parent Support	3,472	17.7%	80,441	4.3%
Supported Living Payment	4,100	20.9%	110,119	3.7%
Unsupported Child Benefit / Orphan's Benefit	26	0.1%		
Youth Payment / Young Parent Payment	183	0.9%	3,248	5.6%

Number of SH Register applications by household type

Household type	31 AUG 2025
2+ adults with child(ren)	1,308
2+ adults	1,201
Single age 24 years or younger	1,051
Single age 25 years +	11,040
Single with child(ren)	5,059

Peoples' need for social housing can change

8 In our previous advice (HUD2025-006685, REP/25/3/200) we have stated that tenants tend to spend a long time in SH:

8.1 On average, a current SH tenant will spend another 16.7 years in SH.

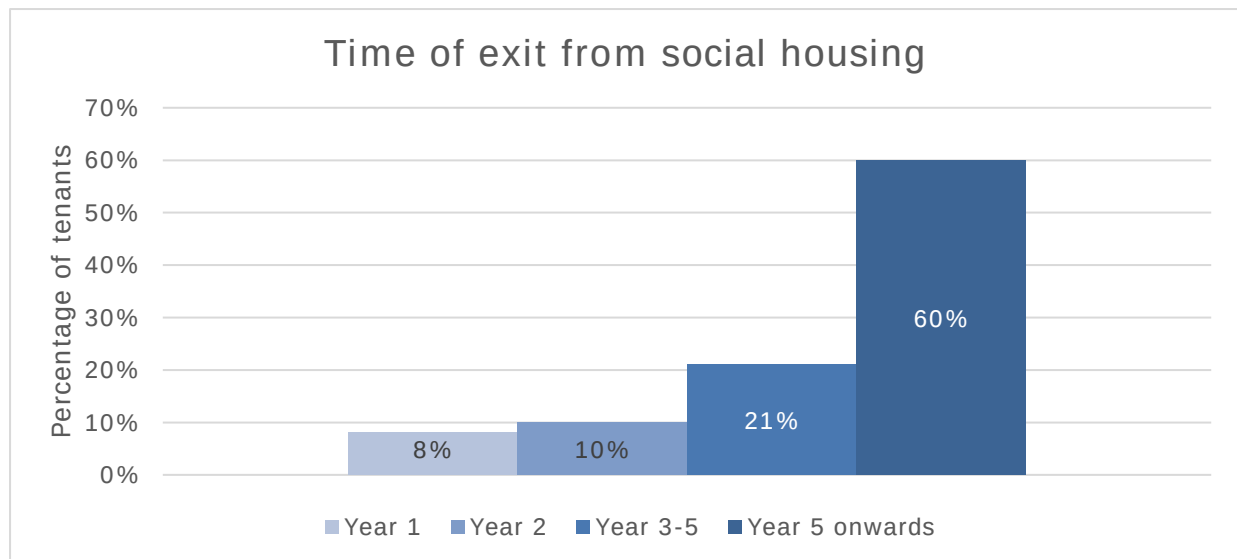
8.2 In the year ending January 2025, the three main reasons for people leaving SH tenancies were: main tenant deceased (22 percent), entering private accommodation and receiving AS or Temporary Accommodation Supplement (TAS) (21 percent) and change in living environment (16 percent).²⁰

9 Our further work has provided more detail on these findings. Although many tenants do remain in SH for many years, there are some who exit much faster:

9.1 About eight percent of households exit SH within the first year.

9.2 A further 10 percent exit in the second year and 21 percent between years three and five.

10 This means about 40 percent of households currently exit within five years, leaving about 60 percent who remain for more than five years.²¹



11 We will interrogate the characteristics of those who exit in the first five years further in future work, to see what this can tell us about who we might support to exit social housing.

²⁰ MSD Social Outcomes Model

²¹ MSD analysis on mix and duration of social housing tenants

International evidence for impacts of fixed-term duration in SH

- 12 When looking at international examples, we have found limited evidence that fixed-term tenancies and tenancy reviews *alone* are effective at helping current SH tenants move towards independence.

United Kingdom

- 13 Housing Associations in England have been able to use fixed-term tenancies since 2012. However, uptake has always been low: of new tenancies in England between April 2023 and March 2024, 78 percent were offered 'lifetime tenancies'.²²
- 14 When fixed-term tenancies have been issued, there is minimal evidence of it meaningfully achieving its policy intent of flow through SH.²³

s 9(2)(ba)(i)

New Zealand

- 17 Fixed-term durations for SH were also briefly introduced in New Zealand in 1979 where all new tenancies were set at six-year leases; however the policy was repealed before the six-year mark in 1984.²⁵

²² [Social housing lettings in England, tenancies: April 2023 to March 2024 - GOV.UK.](#)

²³ [Reference: Final findings: Social Housing fixed-term tenancies\) May 2018.](#)

²⁴ s 9(2)(ba)(i)

²⁵ Schrader, B. (2005). *We Call It Home: A History of State Housing in New Zealand*. Auckland: Reed Publishing (NZ) Ltd.



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Report

Date: 8 September 2025 **Security Level:** Budget: Sensitive

To: Hon Chris Bishop, Minister of Housing
Hon Louise Upston, Minister of Social Development and
Employment

CC Hon Tama Potaka, Associate Minister of Housing

File Reference: REP/25/7/579, HUD2025-007655

Review of the Social Housing System – Advice on Housing Subsidies

Purpose of the report

- 1 This report seeks decisions on the direction for reform of housing subsidies, within the context of the Review of the Social Housing System (RoSH).
- 2 MSD has also provided separate advice to the Minister for Social Development and Employment on mechanisms to reduce reliance on Temporary Additional Support (TAS) by improving the effectiveness of Accommodation Supplement (AS) in covering typical housing costs [REP/25/7/580 refers].

Executive summary

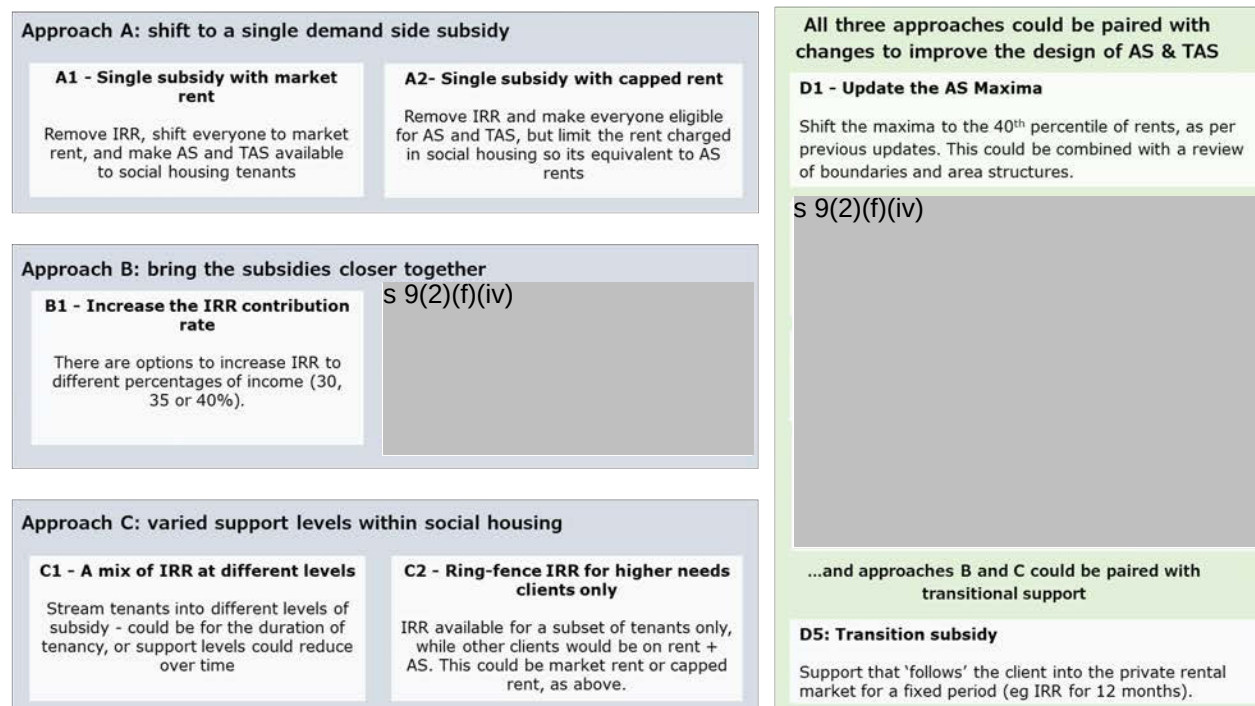
- 3 Social housing (SH) currently combines the provision of housing with extra support through a higher affordability subsidy (Income Related Rent (IRR)). Both forms of support are rationed using the Social Allocation System, which is a general tool for assessing overall housing need, rather than a specific tool for assessing ongoing and unavoidable affordability problems.

- 4 The three housing-related subsidies—IRR, AS, and TAS—also have problems, both individually and in the way they work together as a system. IRR effectively supports residual incomes but comes at a high fiscal cost per place and creates disincentives for work and transitioning to the private rental market. AS costs less per household and has better work incentives than IRRS, but its partial coverage and out-of-date maxima mean that rising housing costs strain household incomes. This has led to reliance on TAS, which has several other problematic features.
- 5 There are many possible combinations for subsidy reform to address these issues. A useful starting point is to consider two key strategic choices:
 - whether to phase out IRR for SH tenants and move toward a system centred on a single demand-side subsidy; and
 - whether to retain AS—or a similar mechanism—as the primary means of supporting housing costs for low-income households.
- 6 On the second point, our view is that a payment with core parameters similar to AS offers the best balance among trade-offs. There are opportunities to improve AS, but most alternatives have fundamental issues with them.
- 7 If you agree with this position, the next decision is whether to move toward a more tenure-neutral support system. We outline three broad approaches:
 - *Approach A - Single subsidy*¹ – This involves removing IRR and introducing a single subsidy for those in private rentals and SH, potentially alongside improvements to AS and TAS.
 - *Approach B – Bring the subsidies closer together* – This retains the dual subsidy system (private vs. SH) but brings support levels closer together by increasing AS/TAS and/or reducing IRR, and considers the consistency of other settings like the treatment of income and assets.
 - *Approach C – Varied support levels within Social Housing (SH)* – This also maintains the dual system but introduces varied levels of support within SH. Options include tiered IRR rates (e.g., 30%, 40%) or reserving IRR for high-needs clients while others shift to ‘rent + AS’.
- 8 We have assessed the distributional impacts of shifting SH tenants to market rents while making them eligible for AS and TAS. This would result in significant losses for tenants (\$184 per week on average), which is the result of both IRR being more generous, and the fact that the underlying market

¹ For simplicity, this paper refers to this option as a ‘single subsidy’ approach, although in practice this option would still likely involve the Government providing supply side-funding to SH providers, and TAS (or a replacement for it) may also continue to be required.

rent in SH is much higher than what AS recipients are paying in the private market. The paper includes options to offset some of these impacts, though they would involve fiscal costs, and sizeable losses would remain. However, this would improve horizontal equity and incentives, and the other benefits of a social house (access to safe and stable housing, tenure stability and a social landlord) would remain available to tenants.

Summary of approaches



Officials' recommendation

- 9 Moving to a single demand-side subsidy aligns with many of RoSH's objectives, including supporting fiscal sustainability, helping to address identified issues with equity and incentives to work and to move towards independence, and clarifying the distinction between government's role in providing housing versus financial support.
- 10 However, moving everyone in SH to market rent subsidised by AS would see negative impacts on current SH tenants who would on average pay higher rents, and have lower after housing cost incomes, than those receiving AS in the private market. Our analysis also suggests higher levels on average of social issues and material hardship for those currently in SH.
- 11 On this basis, we recommend:
 - For SH tenants, increase the IRR to 30% in the short-term. In the medium-long term, either:

- Make no further changes to SH rents and retain IRR at around 30% of tenant income (approach B), or
- Move toward a single subsidy over time with changes to ensure SH tenants pay similar levels of rents to households in the private market (approach A). This would remove IRR and shift everyone to the AS and could be aligned with the changes to AS/TAS above
- a package of changes to reform the subsidies for renters, including improving support provided for private renters through changes to the AS maxima and subsidy rate, changes to AS to improve design and targeting, s 9(2)(f)(iv) This package could help to mitigate some of the distributional impacts of moving towards a single subsidy.

12 Following a decision on your preferred approach to subsidy redesign, officials will undertake further modelling of the distributional impacts, including, where possible, impacts on child poverty, and material hardship.

Recommended actions

It is recommended that you:

- 1 **Note** that officials' advice is that a payment with core parameters similar to AS offers the best balance among known trade-offs
- 2 **Agree** to continue to use the AS as the core payment supporting low-income private renters with housing costs

YES/NO

- 3 **Agree** to increase the IRR contribution rate to 30% in the short-term, subject to further advice on how this could be implemented

YES/NO

- 4 **Agree** to further work on one of the following, as the central 'plank' of subsidy redesign to support RoSH:

4.1 a single demand-side subsidy for SH and private rentals (approach A)

YES/NO

OR

4.2 retaining the existing dual system of payments, but with changes to bring the subsidies closer together (approach B)

YES/NO

OR

4.3 varied subsidy levels for SH tenants (approach C)

YES/NO

- 5 **Agree** to, alongside the above, receive further advice on improvements (including both spending and savings options) to the design of AS and TAS, including:

- 5.1 changes to improve the core functioning of AS to improve financial incentives and horizontal equity by ensuring it covers a greater proportion of housing costs, such as by updating the maxima s 9(2)(f)(iv)



Julia Bergman
**General Manager, MSD Housing,
Employment and Labour Market Policy**

Date 8/9/2025

Julia Pearce

**Manager, HUD, Social Housing and
Other Supports**

Date 8/9/2025

Hon Chris Bishop

Minister of Housing

Date

Hon Louise Upston

**Minister for Social Development and
Employment**

Date

Background

- 13 This paper provides advice on the main demand-side housing subsidies: IRR, AS, and TAS. This advice is provided alongside advice on purpose, eligibility and tenure for social housing (SH).
- 14 In April 2025, you agreed to the scope, objectives, and problem definition for the Review of the SH System. Reform of demand-side housing subsidies is central to achieving the review's goals—particularly more equitable outcomes, improved value for money, and stronger work incentives. The child material hardship objective, which you added more recently, is affected both directly and indirectly by the proposals in this paper.
- 15 The briefing is structured in four parts:
- Part One: Issues with the Main Housing Subsidies
 - Part Two: High Level Choices for Reform and Options
 - Part Three: Implications and Consequential Impacts
 - Part Four: Timing and Phasing
- 16 Three appendices provide a visual summary of options, a table of costs and impacts for the modelled options, as well as supplementary analysis on financial drivers of IRRS, AS, and TAS, as requested.

Part One: Issues with the Main Housing Subsidies

- 17 The three main housing subsidies — IRR, AS, and TAS — each have individual issues, and there are also challenges in how they operate collectively as a system.

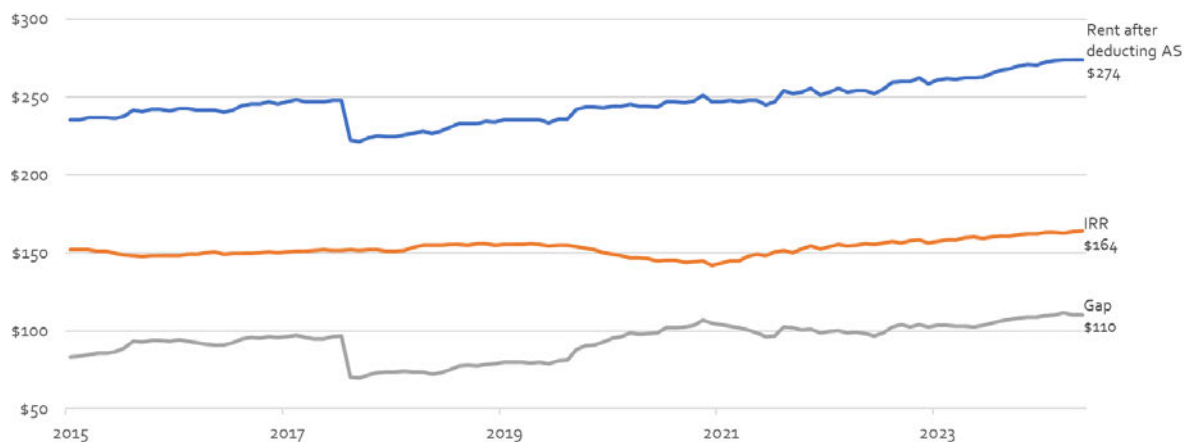
Income Related Rent

IRR was first introduced in 1984, and limited the rent paid by SH tenants at 25% of their household income. It was removed in 1993 when tenants were shifted to market rents and became eligible for AS, then reinstated in 2000. At this time, Income Related Rent Subsidy (IRRS) was introduced, which covers the gap between IRR and market rent. More recently, additional “Operating Supplements” (a supply side subsidy) have been introduced to support Kāinga Ora (KO) and Community Housing Providers (CHPs) to build new supply, calculated as a percentage of market rent up to a capped level.

IRR protects incomes from housing costs, but this is costly and creates other problems.

- 18 IRR is effective at shielding tenants from high and changing housing costs, especially compared to AS and TAS. The graph below compares average IRR to the rent for an AS recipient, once AS has been deducted. In real terms, the gap between the after-subsidy rental costs for clients is wide, and has been widening since the last maxima increase in 2018. On average, ‘after-subsidy’ rent is around \$110 less for those receiving IRR than those receiving AS (this does not include TAS, which is received by around a third of AS recipients).

Figure 1 - after subsidy rental costs - AS vs IRR



- 19 In addition to the inherent equity issues involved with clients in similar situations receiving very different levels of support, there are other problems:
- *The cost of IRR is high and growing* - as of June 2024, the average AS payment was \$117 per week (per family unit), compared to \$410 per week through IRRS (per tenancy). The gap between these support levels continues to grow, and the cost of IRRS is projected to increase (see Appendix One). Total IRRS expenditure is forecast to surpass AS expenditure, despite AS supporting a significantly larger number of people.
 - *Support level differences discourage housing independence* - The disparity in support levels between IRR and AS creates a strong financial incentive to apply for SH and a disincentive for current tenants to transition to private rentals. Nearly all IRR recipients would receive substantially less support under AS. Because IRRS automatically adjusts with market rents, the affordability gap between IRR and AS can widen over time.
 - *IRR disincentivises work* - IRR can act as a poverty trap, discouraging employment. For each additional dollar earned, rent increases by 25 cents up to a threshold (the rate of NZS), and then by 50 cents beyond that. The financial disincentives to work are more severe than for AS recipients, where AS does not abate at all until people are no longer entitled to a main benefit, and then abates at 25 cents for every dollar earned (although the worst incentives are for those who are receiving both AS and TAS).

The linking of SH and IRR is a 'one size fits' all solution

- 20 People can struggle to find private housing for a wide variety of reasons, beyond affordability. Yet SH provides a bundle of support including housing and a higher affordability subsidy. Both forms of support are rationed using the Social Allocation System (SAS), which is a general tool for assessing

overall housing need, rather than a specific tool for assessing ongoing and unavoidable housing affordability problems.

- 21 It is not currently clear when and how often 'affordability' issues identified through SAS are unique and exceptional problems that are over and above those experienced by most beneficiaries and others with the very lowest incomes. It does appear that SAS is indirectly identifying those in greater hardship, but this higher hardship appears to be driven by a range of issues that go together with housing insecurity. Further discussion of this is included in the breakout box on page 6 below, titled "do IRR recipients have higher greater financial needs than AS recipients?"

Accommodation Supplement

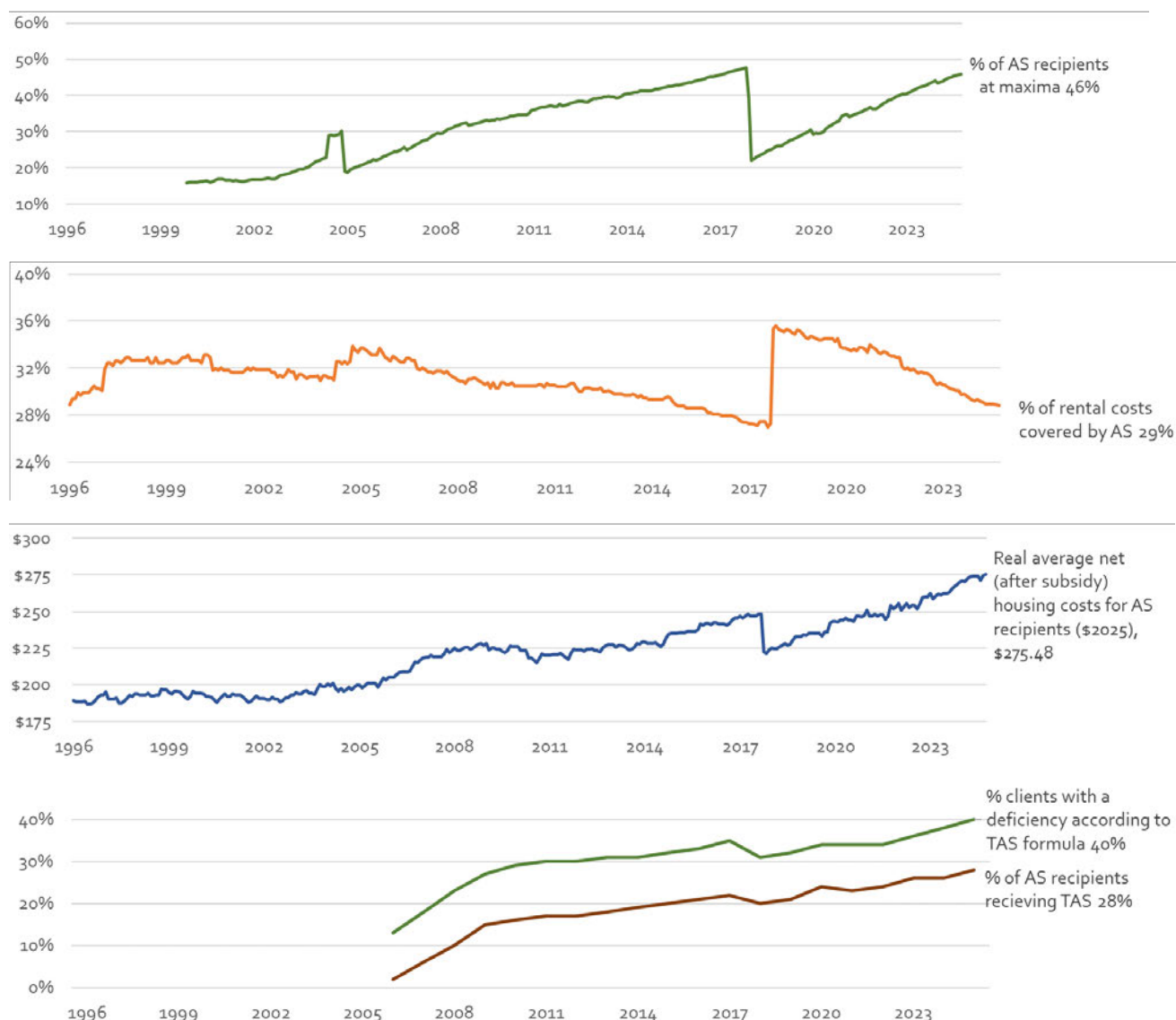
AS was introduced in 1993 and, for a renter, provides up to a 70 percent subsidy of housing costs that exceed 25 percent of the base rate of benefit and Family Tax Credit, up to specified maxima. These 'maxima' are based on geographic location and family size. Maximum rates have not been updated since the Family Package, which were based on the 40th percentile of rents in 2016.

The AS has a design which minimises landlord capture and preserves incentives, but this comes at the expense of adequacy

- 22 As noted in previous advice, the design of AS includes features to mitigate landlord capture, such as the maximum rate of subsidy, co-payment, and the fact that AS is generally paid to the tenant and provides only a partial subsidy toward actual housing costs. These features provide incentives for recipients to economise on housing costs, but can worsen the real after-housing cost incomes of recipients during periods where the maxima is not adjusted, and housing costs grow faster than incomes.
- 23 The graphs below illustrate how long-term increases in rents, combined with the partial nature of the subsidy and the non-adjustment of the maxima, has meant increasing pressure on after-housing-cost incomes:
- The proportion of AS recipients at the maxima steadily rose from the mid-2000s to the late 2010s, dropped substantially following the 2018 maxima update, and has now returned to near the level it was prior to 2018.
 - Since the mid-1990s, AS has covered on average around a third of housing costs, reaching a low of 27% prior to the 2018 adjustments to the AS maxima, and a high point of 36% immediately after, and now sits at 29%.
 - The average amount of housing costs not covered by AS – and which have to be met from other income sources - has steadily risen in real terms from around \$200 in the late 1990s and early-mid 2000s, to around \$220-240 in the 2010s, and has now reached around \$275.

24 This impact on clients has been mitigated by income support changes, such as increases to benefits and Working for Families in 2016, 2018, and 2020-22, and by increased TAS, as shown below.

Figure 2 – Key AS indicators over time



There are other aspects of AS settings which are not fit for purpose.

25 In addition to this core issue of insufficiency, there are also:

- problematic features with specific aspects of the design of AS, including the way the maxima adjust by family type, and the way income and assets affect eligibility and the level of payments received.
- a misalignment of settings between AS and IRR in some areas, including the asset test and abatement.

- 26 Take-up of AS is generally much lower for eligible working households than beneficiary households, owing to factors such as lack of awareness, and compliance costs associated with applying. The low take-up of AS for non-beneficiaries works to undermine the theoretically positive work incentive design of AS, and can leave people better off on a benefit rather than in work.

Temporary Additional Support

Introduced in 2006, TAS replaced 'Special Benefit' - a more discretionary benefit designed to help people with essential costs when their income and resources were insufficient. TAS was intended to be a formula driven hardship payment for people with unusual regular costs. It is intended to be temporary – it is paid for a maximum of 13 weeks, after which people can reapply to continue to receive support.

- 27 Rising housing costs combined with the operation of the AS formula have meant that the proportion of AS recipients accessing TAS has grown strongly since inception, from around 15% in the late 2000s to 28% now. It primarily now operates as a housing subsidy - 95 percent of TAS expenditure is for housing costs. It is also often not temporary in practice – 83% of current recipients have received it for more than three months, and more than half (54%) have received it for more than a year.
- 28 TAS has a number of other problematic features. The payment:
- has very negative work incentives due to a 100 percent abatement rate, entirely cancelling out any additional earnings until it is fully withdrawn.
 - pulls against the design features of AS that seek to minimise landlord capture, by effectively providing a 100% subsidy of housing costs within a certain range.
 - is very complicated and has very high compliance costs for applicants and MSD, particularly as clients must reapply every 13 weeks.
 - has inconsistent take up, which means some clients are likely getting different support even when in equivalent situations.

Do IRR recipients have greater financial needs than AS recipients?

An important question informing decisions about whether SH should offer a higher level of financial support is the level of ongoing hardship experienced by SH tenants, particularly relative to the AS population.

We measure material hardship in New Zealand with DEP-17, a 17-item deprivation index that measures whether households are going without essential everyday items and services, because they can't afford them. Items include putting up with feeling cold to save on heating costs, lacking suitable clothes or shoes, going without fruit and vegetables, postponing visits to the doctor or dentist, and being in arrears on rates and utilities. Six or more of these deprivations is considered to be material hardship.

Analysis of material hardship shows that, as we would expect given that DEP-17 measures the actual living conditions people experience (not their income), material hardship rates are higher for those in SH (44%) than for AS recipients (26%).

We have used IDI data to understand the role different factors play in driving these higher hardship rates. Differences in income and housing costs play a small role, as do differences in household composition, disability, demographics, and benefit receipt. These factors explain just under half of the difference in material hardship rates. The remainder is due to factors we can't directly observe in the data, such as:

- differences in savings, debt, and assets
- mental and physical health conditions not picked up by disability status
- personal factors like addiction, household dysfunction, and compromised decision-making
- differences in expenditure patterns, and people's ability to manage their income
- differences in levels of support to and from outside the household.

Consistent with this, we also have supporting analysis showing SH tenants have higher rates of hospitalisation, receipt of mental health and addiction services, and interactions with the justice system, etc.

The higher ongoing levels of hardship for SH tenants suggests that the prioritisation of people into SH does assign housing to families who, in general, have higher levels of ongoing material need, in addition to their housing issues. However, there is a larger number of people in private housing who experience material hardship and who do not have access to the greater financial support available through IRR.

The causes of material hardship are diverse. Some people have unavoidable long-term needs, while others have contributed to and continue to contribute to their own hardship. The system does not differentiate in its provision of extra subsidy.

The bundling together of housing and additional financial support is in one sense a response to tenants who have a revealed high level of broader social and material needs. But it is also a blunt tool that introduces inequities and perverse incentives.

Part Two: High Level Choices for Reform and Options

29 There are two key strategic questions:

- whether to remove IRR for those in SH and shift to a single demand-side housing payment.
- whether to continue to use AS, or something similar to it, as the main way of supporting the housing costs of low-income people

A fundamental question is whether to remove IRR and shift to a single housing payment

- 30 There is a clear prima facie case for moving toward a single subsidy. There's no strong rationale for why someone in SH should automatically receive more financial support than someone in the private market. This creates equity issues—people in similar financial circumstances receive different levels of support—and discourages housing independence. With IRRS costs projected to grow, these equity and incentive issues are likely to worsen. Moving to, or toward, a single demand-side subsidy would help address these issues, improve incentives, and clarify the distinction between government's role in providing housing versus financial support.
- 31 To shift everyone in SH to market rent subsidised by AS, however, would see substantial negative impacts on current tenants. This paper includes options to offset some of these impacts, but sizeable losses would still remain. From our previous analysis, we know that this population group are highly vulnerable in several dimensions. Further, many dimensions of need are correlated with, and ameliorated by, a person's financial position. While the rationale for providing higher subsidies to SH tenants may be questionable, there is reasonable correlation between the higher subsidy provided by IRR and revealed social issues.
- 32 The alternative is to keep the current two-system approach and make changes to mitigate the problems created by the two-subsidy model, without removing them altogether. This paper includes options to:
- retain the status quo, but bring the two subsidies 'closer together' (reducing IRR, increasing AS, or both)
 - provide different rent levels for different people, including clients receiving different levels of IRR, or a subset of SH tenants receiving AS instead.
- 33 These different approaches take you in quite different directions. The first effectively decouples the level of subsidy someone receives from the type of housing they live in, and is based around the idea that eligibility for additional financial assistance should be instead based on one's financial circumstances and needs. The second approach continues the current system of bundling

this support together for SH tenants, although bringing the payments closer together could be done as a step toward a single subsidy. The third approach builds more differentials in subsidy levels (and after-housing-cost income) into housing support.

A second key question is whether to continue to use AS (or something similar) as the way of supporting the housing costs of low-income people

- 34 As part of taking a first-principles approach, we reviewed international housing subsidy models. New Zealand's AS shares features with housing allowances in most other OECD countries, which typically use formulas based on rent, income, and household size, and which all apply some sort of limit to the amount of subsidy that can be received. While models vary—e.g., in the proportion of rent covered, eligibility criteria, and whether utilities are included—the core approach of subsidising rental costs in the way NZ does is fairly standard across countries.
- 35 We considered commonly proposed alternative models to the status quo, but found they fall short of RoSH objectives and carry significant drawbacks:
- *incorporate housing payments into main benefits* – This would eliminate AS and housing-related TAS, redistributing funding across main benefit recipients (~\$100–130/week). This would be a much simpler system, but it would be poorly targeted and be prone to landlord capture.² Those with high housing costs would experience increased hardship, or face eviction, and those with low housing costs would see significant gains.
 - *flat rate housing payment with regional and family size variations* – Families would be eligible for a housing payment of a fixed amount based on their family size and geographical area, regardless of their actual weekly housing costs. While this would be more nuanced and targeted than the main benefit approach above, it carries the same problems. It would still mean families were under- or over-compensated for their actual costs, and the payment would face a higher risk of landlord capture due to the removal of the co-payment feature of the AS.
 - *residual income approach* – this would design the housing subsidy to ensure a set proportion or amount of income would be available to meet living costs, after housing was paid for. This approach is attractive in that

² While the evidence suggests quite limited capture of AS by landlords, several of the design features of AS which mitigate against capture would be removed by this option and the two below it. As a result, there would be a higher risk that the payment would be captured by landlords (although if these payments were set at less than the market rent, this might not result in a rise in rents).

it explicitly ensures sufficient AHC incomes, but has poor incentives, would likely be very expensive and would also have high risk of landlord capture.

- *voucher models* – in some respects, the AS can already be considered a voucher system, but there are alternative models. The United States’ ‘Housing Choice’ vouchers see tenants pay 30% of their income toward their housing costs, with local housing authorities covering the rest. Vouchers are allocated by local housing authorities and are rationed: that is, applicants apply and wait their turn for an allocation. While a voucher model has attraction in that it theoretically enables a tenant to shop around for housing, in practice vouchers are strictly rationed, accepted by only certain providers, and the incentives are little better than our own IRR.

- 36 We recommend continuing to support private market tenants through a demand-side subsidy based on actual housing costs. This ensures that the payment is sufficiently targeted and flexible enough to accommodate families with different costs. We also recommend that the subsidy include some kind of co-payment and maxima to guard against landlord capture and ensure families are incentivised to economise on their housing costs. The basic structure of the AS fulfils this, and is generally fit for purpose, s 9(2)(f)(iv) [REDACTED] and some aspects of AS design are undermined by widespread use of TAS.
- 37 The remainder of this advice assumes that you agree with this recommendation and discusses specific options in more detail. The different sets of options, and how they link to the underlying system, are summarised in the table below. All modelled costs in the following section are one-year costs unless otherwise specified.

APPROACH	CHOICES WITHIN APPROACH
A. Single subsidy - IRR removed. A limit is placed on SH market rents, but only to ensure they are comparable to rents in the private market. AS/TAS could be left alone, or s 9(2)(f)(iv) [REDACTED] No role for affordable housing within the SH system.	Options that remove IRR and shift to a tenure-neutral demand side housing payment, which you may wish to combine s 9(2)(f)(iv) [REDACTED]
B. Dual system but bring the subsidies closer together - Tiers of support provided by private, social and affordable housing: • private renters receiving AS + TAS or similar • IRR for SH tenants • affordable housing as a sub-market option for low-income people that is less generous than IRR.	Changes to bring the subsidies closer together by reducing IRR and/or increasing AS/TAS. s 9(2)(f)(iv) [REDACTED]

C. Varied support levels for SH • private renters receiving AS + TAS or similar • within SH, tenants receive different levels of support based on circumstances / duration in SH • affordable housing could be one of the support levels “within” SH or another support option “outside” of SH.	This would be either by paying different levels of IRR (30%, 40%), or by ringfencing IRR for a smaller group of higher needs clients, and shifting other SH tenants to a ‘rent + AS’ model.
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Approach A: shift to a single subsidy

38 The options in this section remove IRR and shift towards a single housing payment. Financial need relating to housing would be addressed by a subsidy regardless of one’s landlord, with housing access issues met through different tenures of SH. This approach is the most conceptually clear and at a theoretical level contributes most toward the objectives of RoSH. It gives strong levers for cost control and should improve incentives.

Single subsidy - replacing IRR with market rent + AS (A1)

- 39 A logical starting point for exploring tenure-neutral support is to remove IRR, shift everyone to market rent, and make AS and TAS available to SH tenants. This would generate significant savings – once fully implemented, it would save \$1.07 billion per year – but this comes at the expense of very negative distributional impacts for SH tenants. Even assuming that all eligible households receive TAS, 83,000 households would lose an average of \$184 per week – clients would be worse off in SH than in the private market, for reasons discussed below.
- 40 We have also modelled combining this change with making the AS closer to being fit-for-purpose by bringing its maximum rates up to date. This reduces the average loss to \$150, sees 159,000 AS recipients gain around \$50 per week, and reduces the savings to \$506m. Further discussion of this option is included in section D.
- 41 Either option would worsen income adequacy and lead to an increase in hardship. Because of these impacts, we do not recommend this option in the absence of significant changes to improve the adequacy of the remaining demand-side subsidy, and some way of limiting the rent charged by SH providers.

OPTION A1: SINGLE SUBSIDY

i) Option without maxima increase

Total cost/savings: \$1,072 million in savings p/a once fully implemented

Average gains/losses: 83,000 SH households lose \$184p/w on average

ii) option with maxima increase

Total cost / savings: \$506m in savings p/a

Average gains/losses: 82,000 SH households lose \$150pw on average, 159,000 AS recipients gain \$50p/w

Single subsidy - capping rent charged by SH providers (A2)

- 42 One of the reasons for the substantial losses with the option above is that the underlying market rents used to calculate IRRS are substantially higher than rents paid by AS recipients. On average IRRS market rent for those in SH is \$180 more than AS private renters for single people, and \$80 per week higher for two- and three-person families. This means that, in the simplest form of the single subsidy model, most SH tenants would be financially worse off in SH than in private housing.
- 43 There are several possible reasons for this: in the private market, AS recipients are highly incentivised to reduce their housing costs, and many AS recipients (particularly single people) share housing to keep costs down, whereas IRR recipients generally have a tenancy for the entire dwelling. Some SH tenants will have a need for their own space, or a larger house due to the nature of their needs, while others will be in homes that have more bedrooms than they strictly require (because of the misalignment between KO's existing housing stock and SH tenant base). Some SH properties will be a new build, be in a higher cost location, or be a higher-spec build, increasing the market rent.³
- 44 Another way that the negative impacts on tenants could be reduced, is by limiting the rent that is charged by SH providers to a level that is more comparable with those receiving AS. We have costed two options: capping the rent at a level people at the AS maxima pay, or capping it based on the median AS for their family type. Losses are significantly reduced, but still substantial (\$70-\$80 per week). These losses are likely to be around the level of the current advantage SH tenants have over those receiving AS.
- 45 While the intention for this option would be for people in equivalent situations to have a comparable after-housing-cost income, the other key benefits of SH remain: SH would still help those struggling to access private housing, they may receive a larger or better house than they would in the private market, and have a more stable tenure and a socially-minded landlord.
- 46 The rent-cap options are exploratory at this stage. If you proceed with this option there is further work required to understand rental levels and develop a suitable basis for setting the rent cap. We would look at options that balance the impact on tenants and other policy considerations, such as

Note:
Government
did not
progress this
option.

³ Kāinga Ora sets market rent for IRRS using a benchmark-based system. Each property is assigned to a benchmark category that reflects its type, size, and location. For existing homes, rent setting involves a two-stage process: first, locality benchmark rents and 16 associated property features are reviewed; second, individual property rents are calculated by adjusting the benchmark rent based on these features.

incentives for tenants to enter and leave SH, and incentives on providers to better utilise stock.

OPTION A2: SINGLE SUBSIDY WITH A RENT CAP (assumes maxima increase)	Note: Government did not progress this option.
i) Set rent cap based on rent level that triggers AS Maxima	
<i>Total cost/savings: \$134m in savings p/a once fully implemented</i>	
<i>Average gains/losses: 74,000 SH households lose \$82 p/w (+159k AS recipients gain \$50p/w)</i>	
ii) Set rent cap based on rent level equivalent to average AS for that family type.	
<i>Total cost/savings: \$62m in savings p/a once fully implemented</i>	
<i>Average gains/losses: 72,000 families lose \$72 p/w (+159k AS recipients gain \$50p/w)</i>	

47 In addition to adjusting the AS maxima and capping rents, s 9(2)(f)(iv)

Other ways of further cushioning the impact would be to i) make the transition to market rents for existing tenants slowly, over multiple years, and/or ii) make the change only for new tenants.

Approach B: bring the subsidies closer together

48 Moving directly to a single subsidy carries large transition and ongoing costs. However, some of the advantages of a single subsidy can be achieved through bringing the level of support in the private market and the level of support in SH closer together, by improving the subsidies for private renters, and/or reducing the level of subsidy for SH tenants. This approach does not have the clarity of vision of Option A, but does bring some of the improvements in incentives, opportunities for cost control and improved adequacy of support in the private market.

Increasing the IRR tenant contribution above 25 % (B1)

49 We have modelled increasing the tenant contribution to 30%, 35%, or 40%, to give a sense of fiscal savings and distributional impacts for clients. For every 5 percentage point increase in IRR, there are savings of \$131 million, and losses for IRR households of \$31 per week on average. Subsequent work could involve comparing levels of after-housing-cost income at these different contribution rates, to assess the relativities between the two levels of support, but it appears IRR of around 35-40% would bring the support levels to around the same level – at which point it may be preferable to simply go down the single subsidy route.

OPTION B1: INCREASING THE IRR TENANT CONTRIBUTION

i) Increasing client contribution rate to 30 %

Total cost/savings: \$131 million in savings p/a once fully implemented

Average gains/losses: 83,000 families lose \$31 p/w

ii) Increasing client contribution rate to 35 %

Total cost/savings: \$262 million in savings p/a once fully implemented

Average gains/losses: 83,000 families lose \$62 p/w

iii) Increasing client contribution rate to 40 %

Total cost/savings: \$363 million in savings p/a once fully implemented.

Average gains/losses: 83,000 families lose \$93 p/w

Aligning specific settings across IRR and AS (B2)

- 50 In addition to any changes you make to IRR, you could also look to make complementary settings to AS and TAS. s 9(2)(f)(iv)

For example, the cash asset test for SH eligibility is currently more permissive than that for AS. This is arguably the wrong way around, given IRR is meant to be targeted at those with more limited resources. More detail on possible AS and TAS changes is provided later in this section.

Approach C: varied support levels within SH

- 51 The third approach offers a fundamentally different direction of travel. Approaches A and B seek simplification and alignment between the subsidies, with a goal of increased clarity of purpose for each subsidy. Approach C on the other hand accepts intermingling of financial and other social outcome goals for the subsidies, and offers different levels of financial support for housing for different cohorts.
- 52 In offering different support levels within SH, we have identified two broad options:
- **a mix of IRR at different levels (C1)** – this would retain IRR for all tenants, but have the percentage people pay set at different levels (eg some pay 30% IRR and some 40% IRR)
 - **ring-fence IRR for higher needs clients only (C2)** – this would retain IRR for a subset of tenants, with others in SH paying rent + AS. This could be market rent or capped rent – the option we have costed below uses the AS median rent cap.
- 53 New tenants could be ‘streamed’ into different levels of subsidy. This could be for the duration of their tenancy, but there are also options to have support levels reduce after a defined period (either gradually, or immediately).

OPTION C1: A MIX OF IRR AT DIFFERENT LEVELS			
20% of people 30% IRR, 80% of people 40% IRR Savings: \$340m p/a Losses: 83k HH lose \$80 pw	40% of people 30% IRR, 60% of people 40% IRR Savings: \$287m p/a Losses: 83k HH lose \$68 pw	60% of people 30% IRR 40% of people 40% IRR Savings: \$235m p/a Losses: 83k HH lose \$56 pw	80% of people 30% IRR 20% of people 40% IRR Savings: \$183m p/a Losses: 83k HH lose \$43 pw
OPTION C2: RING-FENCE IRR FOR HIGHER NEEDS, OTHERS RECEIVE RENT+AS (AS MEDIAN CAP)			
20% on 30% IRR 80% on rent + AS Savings: \$419m p/a (\$10m with AS maxima) Losses: 74k HHs lose \$64 pw	40% on 30% IRR 60% on rent + AS Savings: \$347m p/a (\$81m with AS maxima) Losses: 76k HHs lose \$56 pw	60% on 30% IRR 40% on rent + AS Savings: \$275m p/a (\$154m with AS maxima) Losses: 79 HHs lose \$47 pw	80% on 30% IRR 20% on rent + AS Savings: \$203m p/a (\$225m with AS maxima) Losses: 81 HHs lose \$39 pw

- 54 Different financial support levels could be based on having higher fixed costs (e.g. health and disability issues) or someone's capacity to support themselves in the private market. You could align eligibility with decisions around introducing fixed-term tenancies, as set out in the accompanying advice.
- 55 This option would be inconsistent with the recommended direction in the eligibility paper, which is to more clearly focus the role of SH on access issues. There are also other downsides to this option – it would increase complexity, and likely exacerbate some of the issues with horizontal equity present in the current system.

Options to improve the design of AS & TAS (Option set D)

- 56 The options in this section aim to improve AS and TAS to potentially support Approaches A and B. The case for making these changes is particularly strong if these payments were to become the primary housing subsidies in the single subsidy approach, but these options can be considered even if you retain a separate system of support for those in SH based around the IRR.

Updating the AS maxima (D1)

- 57 The AS maxima exist to control cost and ensure that families are incentivised to choose appropriate, affordable housing. The maxima are intended to be received by a relatively small proportion of AS recipients. Since the AS was last adjusted in 2018, when the proportion of people at the maxima dropped to 22%, the proportion has steadily climbed, and is now nearing its historical high point, at 47% of all AS recipients.
- 58 We have costed a simple uprating of the AS maxima to reflect 2025 rents, based on the 40th percentile of rents (the benchmark used in 2018). This would:

- cost \$429 million per annum, which comprises \$613m in increased AS costs, offset by \$197m in reduced TAS
- see 159,000 families at the maxima gain \$50 per week on average

59 We have included this costing to give an indication of the general scale for the costs and impacts of a maxima update. However, it does not include any changes to geographic boundaries that may be out-of-date (other than those changes recently funded through Budget 2025 for selected locations like Queenstown). s 9(2)(f)(iv)

60 We can also provide you with options for a partial update to the maxima if fiscal circumstances constrain your options.

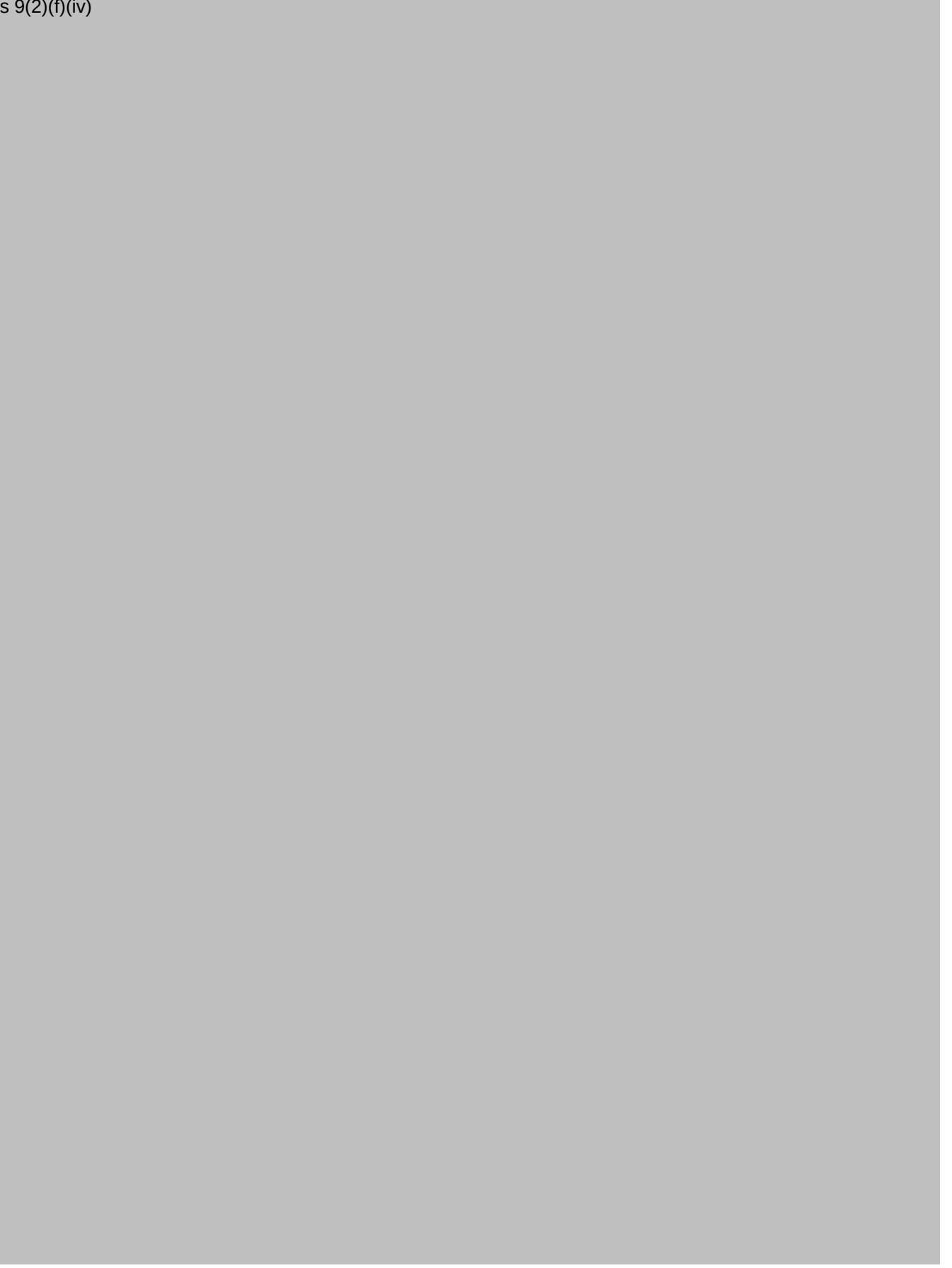
OPTION D1: UPDATE THE AS MAXIMA

Total cost/savings: cost of \$429 million p/a once fully implemented

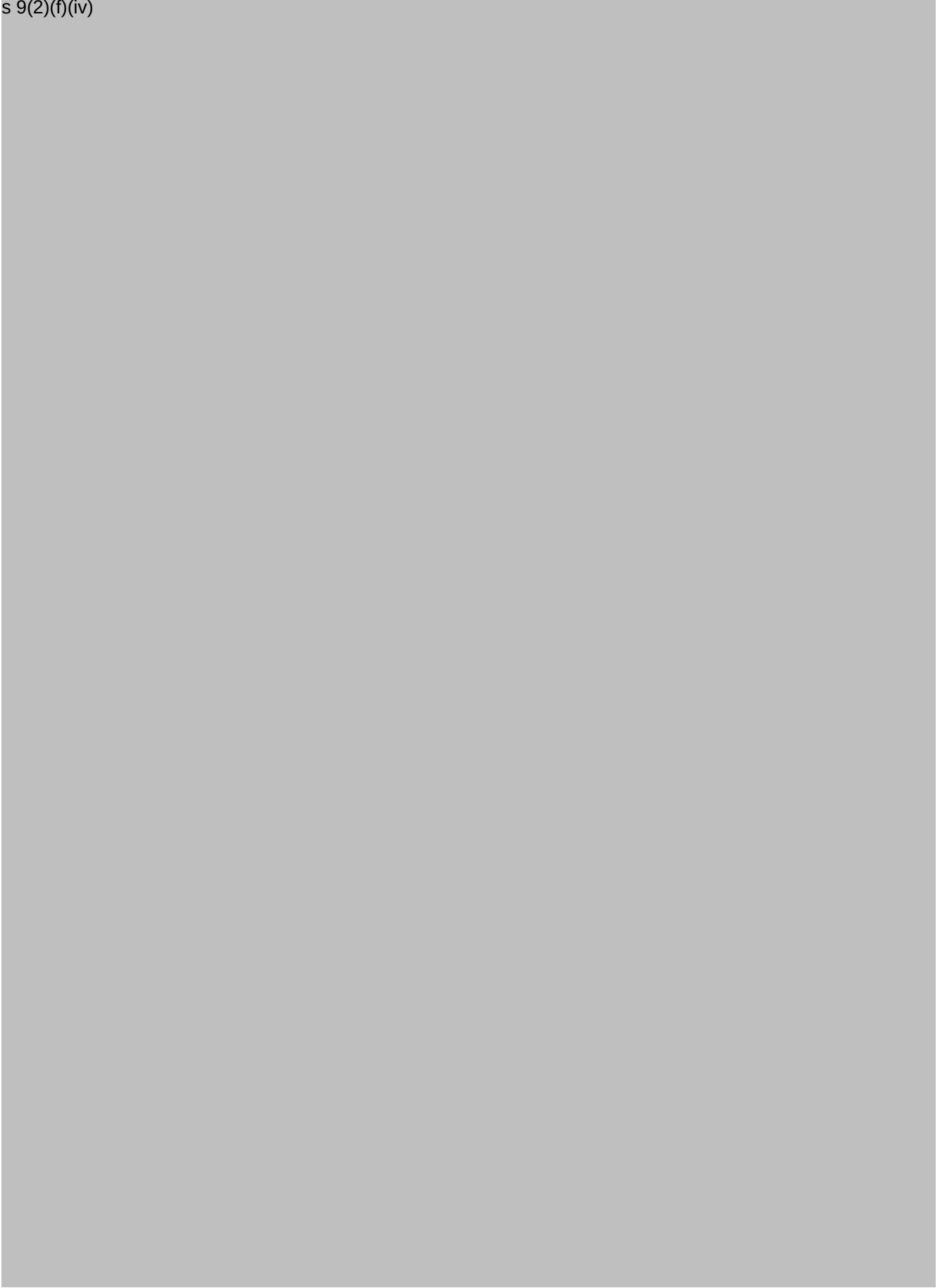
Average gains/losses: 159,000 families gain \$50 p/w

s 9(2)(f)(iv)

s 9(2)(f)(iv)



s 9(2)(f)(iv)



s 9(2)(f)(iv)

Part Three: Implications and Consequential Impacts

Implications for the role of affordable rentals

73 You've expressed interest in making affordable rentals a permanent feature of the SH system, offering a 'lighter touch' alternative to full SH. We recommend aligning their role with your broader subsidy reform approach:

- Under the single subsidy approach, a rent cap would ensure SH rents are comparable to private market rents paid by AS recipients. Affordable rentals wouldn't form a separate tier—they'd effectively serve the same function as the rent cap
- Under the enhanced status quo approach, where IRRS and AS/TAS are more closely aligned, affordable rentals could be a sub-market option for low-income households—less generous than IRR, with rents broadly comparable to what low income people pay in the private market
- The third approach involves a system with varied rent levels, where tenants receive different levels of IRR and/or to see a subset of SH tenants on rent + AS instead. s 9(2)(f)(iv)

Note:
Government
did not
progress this
option.

74 s 9(2)(f)(iv)

Affordable rentals could also support more flexible delivery options for providers such as Māori and iwi, particularly where providers offer a greater level of equity in return. Further advice on this will be provided in November as part of advice on prioritisation and allocation of SH.

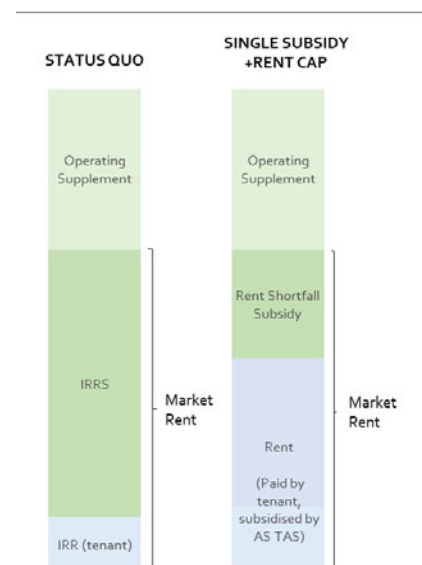
Implications for SH supply / Kāinga Ora financing

Continued role for the government in supporting SH supply

75 Because funding for Kāinga Ora and other SH providers is tied to IRR and IRRS settings, changes to these subsidies will have implications for how providers are funded to deliver SH. However, irrespective of options taken in this paper, providers will be entitled to receive the same funding they do under existing contracts. For new contracts there will also be a continued role for government to ensure providers have access to sufficient funding to meet the costs of SH provision.

76 Key changes from the subsidy options instead relate to how much the tenant contributes and how the government subsidy is delivered. Under a single subsidy option, a larger portion of revenue would come from the tenant to the provider, with government still making up the remainder of costs, particularly under a 'capped rent' approach (see diagram).

77 Where tenants are expected to contribute a higher amount of revenue there may be a greater risk of rent arrears, which would impact on providers' funding certainty - though there may be some options we can explore to partially mitigate this (e.g. benefit redirection).



s 9(2)(f)(iv)

82 s 9(2)(f)(iv)

- 83 Changes to tenant's IRR payments via PACHMA regulations (options 2 and the versions of option 3 that retain IRR for current recipients) wouldn't require contract amendments. These would simply adjust the subsidy HUD pays under existing agreements.

Implications for emergency and transitional housing

- 84 For people living in emergency housing and transitional housing, the contribution towards accommodation costs is generally 25% of the individual's or couple's net weekly income.
- 85 If you proceed with changes that increase IRR, then there is a choice for you about whether to shift transitional and emergency housing to that same percentage. This would keep settings aligned and ensure there is an incentive to 'flow through the system', but there is also an argument for keeping contributions lower to help stabilise those who have recently experienced insecure housing. Raising the EH contribution to 30% saves \$1m per annum, and making the change to TH would save around \$5-6m per annum.
- 86 We can provide further advice if you go down the single subsidy route, as aligning settings here would not be straightforward.

Impact of options on (child) poverty and material hardship

- 87 As noted in advice to you in April, rates of After Housing Cost 50 (AHC50) poverty are the same for IRR recipients in SH and for AS recipients (36%). Whereas material hardship rates are much higher for those in SH than for AS recipients – both for households generally (40% vs 25%) and for those with children (44% and 27%). As above, this is because material hardship reflects a broader range of factors than just AHC income.
- 88 The impact on AHC income poverty and material hardship of the options in this paper will depend on how much support for those in SH is reduced by, and whether support through AS and TAS is increased at the same time. On their own, increases to the rents paid in SH can be expected to increase material hardship rates. Depending on how it was implemented, the impact on material hardship rates from the introduction of a single subsidy model could be substantial.
- 89 We have requested modelling from the Treasury on poverty impacts, but so far we are only able to model the options that increase AS, and not those that change or remove IRR. This means that we only have modelling that shows the

impact of those options that would reduce material hardship rates, and not those that are likely to increase it. The modelling shows:

- Increasing the AS maxima decreases the number of children in AHC50 poverty by around 20,000, and would see 39,000 households with children currently in material hardship⁴ receive \$68 more per week on average.

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

Part Four: Timing and Phasing

Transitional arrangements and options for phasing reform,

90 If you wish to implement the single subsidy approach, you could make the transition to higher rents slowly, over multiple years. This would cushion the impact on existing tenants, though it would also defer some of the fiscal savings and also delay the benefits of greater system coherence.

91 This advice presents the different subsidy options as alternatives to one another, but bringing payments closer together (Approach 2) could be pursued as a standalone reform or as a transitional step toward a single subsidy model (Approach 1).

92 We have costed one option for transitioning more gradually to a higher SH contribution rate, which entails:

- increasing IRR for new tenants from 25% to 30%
- increasing IRR for existing tenants by one percentage point each year for five years, until 30% is reached.

93 An estimate of the savings generated by this change on its own is below. This assumes around 350 households are replaced by new tenancies each month, and the change comes into effect from April 2027.

	2026/27	2027/28	2028/29	2029/30	2030/31
Savings	(\$0.5m)	(\$21.1m)	(\$51.4m)	(\$81.1m)	(\$109.6m)

94 Note that the above savings do not include operational impacts that would need to be costed if the option progresses.

⁴ This analysis shows the impact of these policy reforms on households that were in material hardship at the time of the HES24 survey. The material hardship status of households may have changed between the time of the survey and Tax Year 2026/27, meaning this subset may not represent actual material hardship in the projected year.

Operational considerations and implementation timeframes

95 We have undertaken an initial assessment of the scale and complexity of the options outlined in this paper, and used this to generate indicative implementation timeframes associated with such changes. These initial estimates will be impacted by the number and scale of other changes the Government makes – both as part of RoSH, and also other changes in the welfare system.

- Simpler AS changes such as a maxima update s 9(2)(f)(iv) would take approximately six months to implement, and would ideally be implemented alongside the Annual General Adjustment to minimise operational impacts and costs. s 9(2)(f)(iv)
- The IRR contribution increase likely has an 18-month implementation timeframe, including 12 months for IT requirements. The one percentage point increase in IRR every year would be particularly complex to implement and have ongoing operational impacts for each year of the increase.
- s 9(2)(f)(iv)
- The single subsidy options have highly complex implementation requirements for both MSD and HUD, which means they would likely need to be implemented over multiple years.

96 Based on current priorities and commitments, including implementing Budget 2024 and Budget 2025 initiatives, the earliest MSD could start on the implementation above would be July 2027. However, if work was requested to progress earlier than July 2027 then we could assess what trade-offs would be required.

97 Ultimately, determining possible implementation dates will be dependent on a number of factors, including which options Ministers are interested in progressing, other Ministerial priorities (Budget 2026, s 9(2)(f)(iv) and MSD's Services for the Future transformation programme.

98 The timeframes used in the initial modelling for this paper may not line up with actual implementation timeframes, and so any costs /savings may need to be revised once these are confirmed. Also, the fiscal impacts of the options in this paper do not include any implementation costs, which can be included as part of subsequent advice. More complex changes are likely to carry higher implementation costs.

Next Steps

- 99 The options in this paper are indicative only, and in most cases we would recommend further work be done on them before they are confirmed. You are scheduled to discuss this suite of papers on Monday 15 September. Once we have received your high-level direction on the options in this paper, we can cost combinations of options, provide more detailed advice on specific design issues, and provide more advice on implementation and phasing.

Annex 1: Summary of options

Approach A: shift to a single demand side subsidy

A1 - Single subsidy with market rent

Remove IRR, shift everyone to market rent, and make AS and TAS available to social housing tenants

*\$1.07b savings, 83,000 SH HH lose \$184 pw
\$506m savings w maxima change, 82,000 SH HH lose \$150pw,
159,000 renters gain \$50pw*

A2- Single subsidy with capped rent

Remove IRR and make everyone eligible for AS and TAS, but limit the rent charged in social housing below 'market' levels

*\$62m savings w maxima change, 72,000 SH HH lose \$72pw,
159,000 renters gain \$50pw*

Approach B: bring the subsidies closer together

B1 - Increase the IRR contribution rate

There are options to increase IRR to different percentages of income (30, 35 or 40%)

*30% IRR: \$131m savings, 83,000 HH lose \$31pw
35% IRR: \$262m savings, 83,000 HH lose \$62pw
40% IRR: \$393m savings, 83,000 HH lose \$93pw*

s 9(2)(f)(iv)

Approach C: varied support levels within social housing

C1 - A mix of IRR at different levels

Stream tenants into different levels of subsidy - could be for the duration of tenancy, or support levels could reduce over time

*40% on 30% IRR, 60% on 40% IRR:
\$287m savings, 83,000 HH lose \$68pw*

C2 - Ring-fence IRR for higher needs clients only

IRR available for a subset of tenants only, while other clients would be on rent + AS. This could be market rent or capped rent, as above

*60% on 30% IRR, 40% on rent + AS:
\$275m savings, 79,000 HH lose \$48pw*

All three approaches could be paired with changes to improve the design of AS & TAS

D1 - Update the AS Maxima

Shift the maxima to the 40th percentile of rents, as per previous updates. This could be combined with a review of boundaries and area structures

\$428m cost for 40th percentile, 159,000 families gain \$50 pw

s 9(2)(f)(iv)

...and approaches B and C could be paired with transitional support

D5: Transition subsidy

Support that 'follows' the client into the private rental market for a fixed period (eq IRR for 12 months)

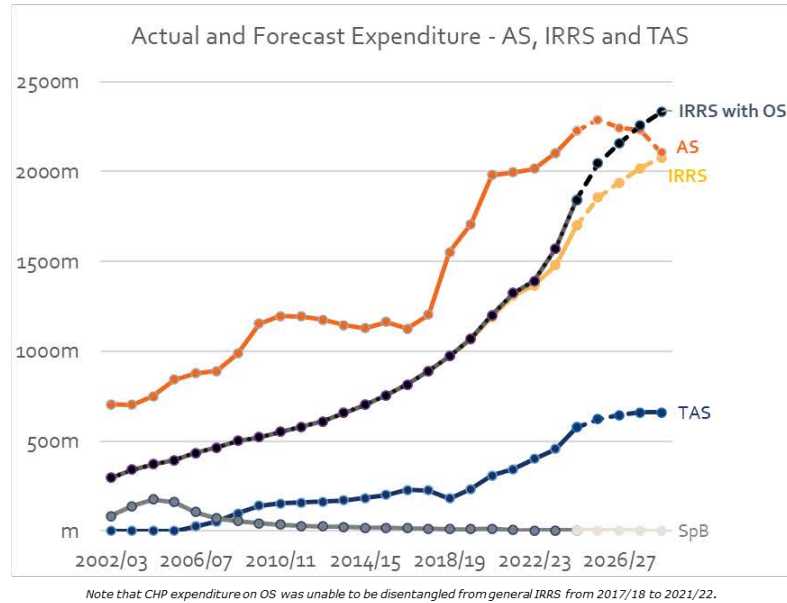
(Cost/impacts TBC)

Annex 2: Costs and impacts of modelled options

	2024/25	2025/26	2026/27	2027/28	2028/29	impacts (households)		AS impacts (families)	
						#	\$	#	\$
A1(i) Replace IRR with AS (no maxima increase)	-	-	(\$6.371m)	(\$607.504m)	(\$1,072.136m)	83,000	-\$184		
A1(ii) Replace IRR with AS (incl maxima increase)	-	\$102.242m	\$403.109m	(\$85.662m)	(\$505.759m)	82,000	-\$150	159,000	\$50
A2(i) Replace IRR with AS + Rent Cap (AS max trigger) + maxima increase	-	\$102.242m	\$405.914m	\$130.269m	(\$134.977m)	74,000	-\$82	159,000	\$50
A2(ii) Replace IRR with AS + Rent Cap (median AS rent) + maxima increase	-	\$102.242m	\$406.476m	\$165.114m	(\$62.263m)	72,000	-\$72	159,000	\$50
B1(i) Increasing client contribution rate to 30%	-	-	(\$0.852m)	(\$79.699m)	(\$131.174m)	83,000	-\$31.08		
B1(ii) Increasing client contribution rate to 35%	-	-	(\$1.700m)	(\$158.998m)	(\$262.446m)	83,000	-\$62.01		
B1(iii) Increasing client contribution rate to 40%	-	-	(\$2.543m)	(\$237.769m)	(\$392.521m)	83,000	-\$92.73		
C1 A Mix of IRR at Different Levels									
40% on 30% IRR, 60% on 40% IRR	-	-	(\$1.867m)	(\$174.541m)	(\$287.982m)	83,000	-\$68.07		
C2 Ring-fence IRR for higher needs clients only									
40% on 30% IRR, 60% on (capped) rent + AS	-	-	(\$1.295m)	(\$153.255m)	(\$275.224m)	79,000	-\$47.45		
D1 - Update AS maxima		\$102.242m	\$408.435m	\$428.703m	\$429.037m			159,000	\$50

s 9(2)(f)(iv)

Annex 2 - Drivers of Changes in Fiscal Cost for IRR, AS and TAS



Social housing and IRRS

The cost of social housing has increased significantly in recent years due to rising market rents, increased social housing places and Kāinga Ora expenditure. The total cost of providing social housing includes the cost to acquire and provide social housing and the rent subsidy to the tenant.

As shown in the graph at left, actual expenditure on Income Related Rent Subsidy (IRRS) and Operating Supplements (OS) has increased from around \$850m in 2016/17 to around \$1.9b in 2024/25, and is forecast to grow to \$2.3bn in 2028/29. While OS is forecast to make up an increasing proportion of expenditure in coming years, IRRS remains by far the biggest contributor to rising costs.

For Kāinga Ora the full fiscal impact of social housing also depends on their expenditure, which has increased relative to the IRRS and OS revenue paid by the Crown. In 2018/19 Housing New Zealand recorded a surplus of \$60m. Kāinga Ora reported a deficit of \$568 million in 2023/24.

For this advice on subsidies, however, we have focused on changes in IRRS, which is the component of expenditure most readily comparable to AS and TAS in subsidising housing costs for tenants. Between June 2016 and June 2025, the number of social housing places increased by a third (32%) from 63,500 to 84,000, whereas total weekly spending on IRRS more than doubled (+120%) from \$15.6m to \$34.3m.

- For Kāinga Ora growth in IRRS cost is driven by changes in market rents, additional places, and improvements in the quality of housing (both from new builds and from redeveloping and retrofitting existing stock).
- For Community Housing Providers the growth in IRRS cost is mostly about growth in places. Increasing number of CHP places have been brought on in lower cost areas outside Auckland, and through existing homes being redirected into IRR social homes, including council housing. CHPs have supplied a high proportion of smaller homes, with 67% of total stock either one or two bedroom homes.

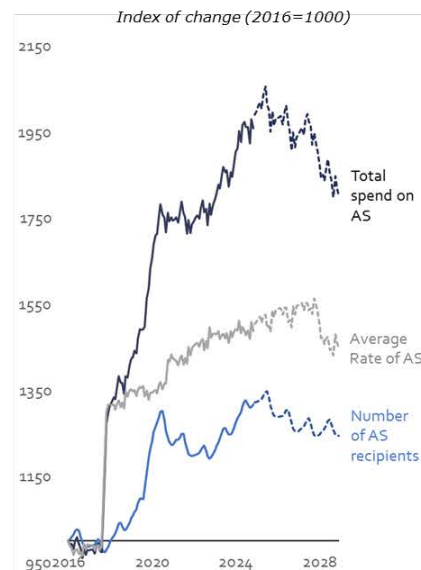
Accommodation Supplement

For AS, the primary drivers of cost are:

- economic conditions, with periods of higher joblessness seeing more AS recipients.
- rising housing costs, which flow through to higher levels of AS for existing recipients
- policy changes, both through changes to AS settings itself, and to other payments which interact with AS

The graph at left shows that:

- AS expenditure has risen substantially since 2016. There was a substantial initial increase in the average rate of AS due to maxima changes in 2018, and then a more modest increase due to rising housing costs.
- More recently, however, the biggest driver of increased AS expenditure is increasing numbers of AS recipients since 2019. These largely reflect trends in benefit receipt - a sharp post-COVID rise and fall, followed by a steady increase as economic conditions deteriorated from 2022 onwards.
- From here, AS expenditure is forecast to fall. The main reason is the expected decline in the number of working age beneficiaries, but policy changes are also to play a role from 2028 onwards (changes to income charging for non-beneficiary clients, and increases to the AS threshold for home-owners.)

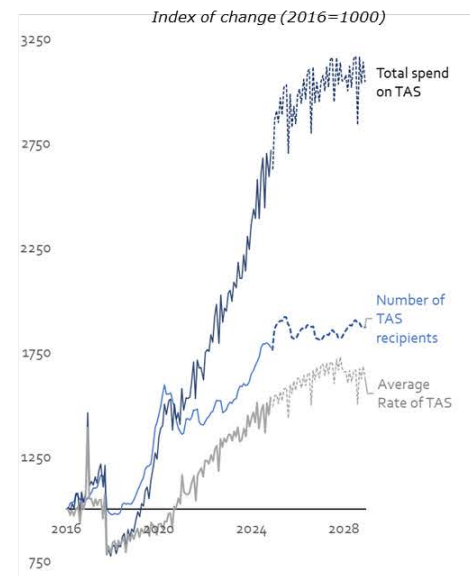


Temporary Additional Support

For TAS, the same three key drivers (employment conditions, housing costs, and policy changes) also apply.

The graph at left shows that:

- TAS expenditure dropped following the AS maxima increases in 2018, which reduced both the number of people receiving TAS and the amount people received.
- From 2019 onwards, the trends in the number of people receiving TAS broadly followed those for AS, which themselves followed trends in benefit receipt.
- From here, TAS expenditure is forecast to flatten off, which is likely a combination of trends pushing in opposite directions:
 - rising housing costs putting upwards pressure on both the rate of TAS and the number of people receiving it, and
 - falling benefit receipt putting downwards pressure on the number of recipients.
- policy changes (mainly income charging) drops the average rate towards the end of the forecast



The Review of the Social Housing System – Cabinet Strategy Committee

Tuesday, 11 November 2025

Housing Ministers are reviewing the Social Housing System

- My Housing Minister colleagues and I have been considering changes to the Social Housing System. These changes sit within the broader work underway across the housing system, including Going for Housing Growth, delivering the Housing Investment Plan, advice for Budget 2026, the s 9(2)(f)(iv), short-term homelessness work, and the Emergency Housing Target.
- In July 2024 Cabinet agreed that one of the key roles for government in housing is to deliver better housing support to those who need it. One of the key ways we do this is through the social housing system.
- The objectives for this Review are:
 - ensuring more equitable outcomes for people including through more timely support that better matches need
 - better value for money and financial incentives (to work and moving people toward housing independence)
 - supporting people for the duration of their housing need
 - optimised investment in housing supply.
- Additionally, the Review will focus on supporting the Government's Child and Youth priority to reduce child material hardship target.

Key elements of the Social Housing System

- SH provides direct access to a house via the Social Allocation System (SAS) while AS/TAS enable people to find housing in the private market.

Income Related Rent (IRR) and Income Related Rent Subsidy (IRRS)

- IRR is the rent paid by social housing tenants and is set at 25 percent of income.
- IRRS is paid to the provider to subsidise the difference between IRR and market rent to equalise the provision of SH to provision in the private rental market.
- There are 83,000 recipients of IRRS.
- As of September 2025, average support provided via the IRRS is \$410 per week (per tenancy).

Accommodation Supplement (AS): provides income support for low-to-middle income households primarily within the private market that are experiencing housing costs above a threshold. It partially subsidises those costs while attempting to retain incentives to economise on housing costs, move toward increased independence through work, and to minimise market distortion.

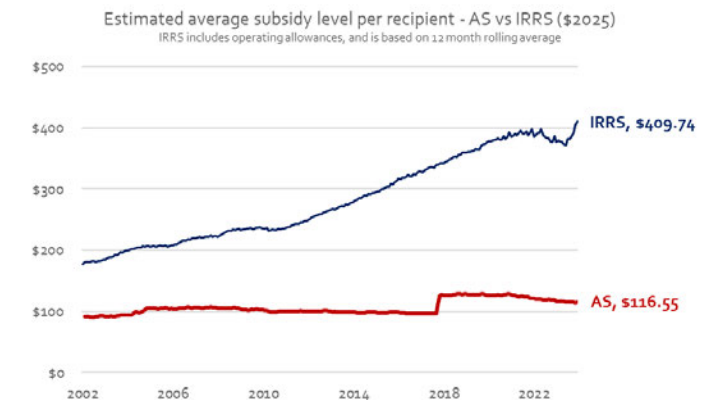
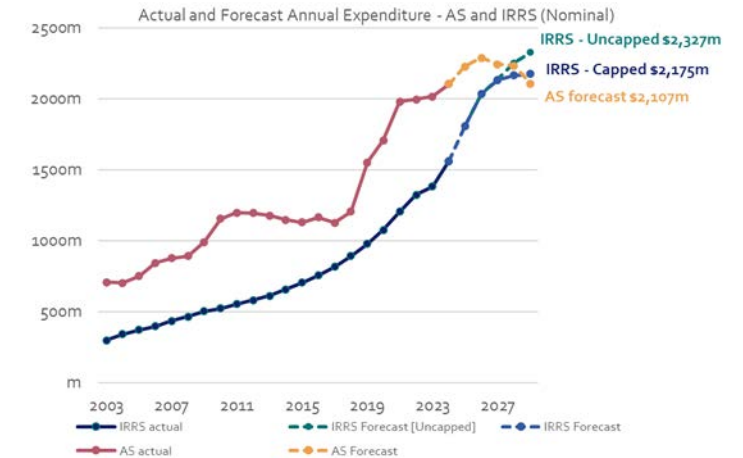
- There are 385,000 recipients of the AS. As of September 2025, the average AS payment was \$114 per week (per family unit).

Temporary Additional Support (TAS): a non-taxable hardship assistance payment paid as a “last resort” to help people with their regular essential living costs that cannot be met from their income and other resources. It is income and cash asset tested and is intended to be temporary paid for a maximum of 13 weeks, after which people can reapply to continue to receive support.

- There are 111,000 recipients of TAS as at September 2025. 95% of TAS expenditure is on housing costs, and it is generally not temporary in practice as housing costs are difficult to economise on.

The Social Housing System has longstanding problems

- We spend more than \$5 billion per annum on housing support, with around \$4.5bn spent on AS, IRRS and TAS alone. Outcomes are poor:
 - We are not using our current social housing stock effectively.** 24,291 households remain on the Register (including the Transfer Register), and the median time people spend on the Register is 165 days.
 - The system is **ineffective at assessing ongoing housing need and supporting people to exit** sustainably. We estimate that people currently in SH will spend on average a further 16.7 years in SH.
 - SH also provides **two policy responses (a house and a subsidy) directed at two different problems** (affordability and access barriers), which don't always coincide.
 - For many people accessing the AS, it does not adequately support people to meet housing costs** as 46% of AS recipients receive the maximum subsidy. Consequently, 27.9% of AS recipients also access Temporary Additional Support (TAS), creating **poor financial incentives to work**.
 - The **cost of this system to government continues to grow as a proportion of spending**.
- These problems with the SH system are exacerbated by the performance of the wider housing market. Going for Housing Growth should help over time by improving access across the market generally and reducing housing costs compared to otherwise, however it will not remove the need for a SH system.
- SH is an expensive intervention due to higher rent subsidy levels and the costs of ownership/long term leasing and increasing supply in certain locations.



What we are proposing

We are proposing to :

1. refocus SH on those who face barriers to access private housing, and reducing the emphasis on affordability barriers, with the Accommodation Supplement being the primary tool to address affordability barriers
2. improve the flow out of SH by investigating duration limits, alongside active and ongoing case management and support services
3. reduce the size of the gap between the AS and IRR, to strike the right balance between equity, incentives and cost (i.e. increasing the IRR from 25% to 30% and/or increasing the AS maxima).

We are also reducing the cost of supplying SH and improving the value for money of new investment through the Kāinga Ora Turnaround plan, the Housing Investment System, and changes to improve CHP access to finance. Alongside Going for Housing Growth and changes already made in the rental market we are considering further changes to improve affordability, ie considering changes to the accommodation supplement.

The table below shows how much better off per week various example families are receiving IRR compared to in the private market.

Table 1: Gap between IRR and AS for different household types

Status quo 25% IRR	Weekly rent paid after subsidy (assuming lower quartile rent, Manurewa)				
	IRR	AS	Difference	AS + TAS	Difference
Single Jobseeker, flatting	90	208	-118	142	-51
Sole parent, 1 child	163	308	-145	228	-66
Supported Living Payment	103	251	-148	157	-54
NZS single	135	251	-116	182	-48

Why we are proposing it

1. **SH is a limited and expensive form of support, and so we must focus it on those who need it the most:** this is why we propose to re-focus SH on those who face barriers to accessing private rental housing.
2. **To improve the fairness of the system:** there are over four times as many people receiving the AS as in SH (and those in SH receive on average \$110 per week more). As demonstrated in the Annex, even with changes to eligibility, there will still be people in high levels of need in the private rental market.
3. **To improve social mobility and financial incentives to work:** the financial incentives to work for someone in SH are worse than on AS, and there is consequently a strong financial incentive to remain in SH and receive TAS.
4. **To stop the escalating cost of SH:** Total IRRS expenditure is forecast to surpass AS expenditure in 2027, despite AS supporting four times as many people.
5. s 9(2)(f)(iv)

What we would expect the system to look like if successful

Future state: we have a social housing system that is fairer, more cost effective, and uses the market more flexibly so that we deliver better outcomes for those who need it most.

If the Review of the Social Housing System is successfully implemented, this is what it would mean for people:

- **Improved equity through rebalancing of the housing subsidies (IRRS, AS and TAS):** we will have a fairer system with rebalanced subsidy settings that also reduces disincentives to leave.
- **SH is focused on those with the greatest access needs through a redesigned needs assessment:** people in SH are those who have poor options in the private rental market. SH will provide long-term secure housing for those who need it and temporary support for those who with the right assistance, can be supported to maintain private accommodation.
- **Increased sustainable mobility out of SH:** people will be supported to greater housing independence, with more responsive pathways out of SH. People who really need SH will be able to access it more quickly.

And here are the system shifts we think you'd ultimately see:

- **Our investment targets those needs that the market cannot meet:** rebalancing SH and AS.
- **The system is agnostic to who owns the house:** this could be private market, Kāinga Ora, or CHPs, leading to reduced long term costs to government.
- **Smarter investment in housing supply:** through the housing investment system and investment plan, funding will be directed to regions and populations in the greatest relative need, informed by data and community insights.
- **Stronger partnerships with providers:** to deliver according to regional and community need and at greater scale and innovation

Next steps

- Getting to the end state, described in the previous slide, will take at least five years due to the significant legislative, operational and system changes required. However there are shorter term actions which will start us in the direction of the desired end state, including starting to bring the two subsidies closer together.
- You'll start to see Cabinet papers with the key decisions coming through in coming months.
- Officials are providing initial advice on the needs assessment redesign, and how to improve mobility out of SH by the end of the year.

The Review of the Social Housing system will connect with broader work underway

- This includes the s 9(2)(f)(iv) [REDACTED], short-term homelessness work, the Emergency Housing Target, delivering the Housing Investment Plan and savings options for Budget 2026.
- Officials are working closely across HUD and MSD to ensure alignment, and understand the impact of proposed changes.

Annex: Characteristics of people on the Register, receiving AS or in social housing

We looked at people with characteristics that we thought might indicate higher need for social housing, and found that all of these groups receive more housing assistance than the general population. However, the majority receive the AS, which indicates that these characteristics alone are not sufficient to determine need for social housing.

Characteristic	Count	Proportion of population with this characteristic	Of those with this characteristic, what proportion are:			
			receiving housing assistance (SH, AS, or on the Register)	in Social Housing	on the Register (some also receive AS)	receiving AS (some are also on the Register)
Disability as indicated in the 2023 Census (under count)	252,000	6%	26%	7%	2%	18%
Young people leaving state care (OT) (aged 16 to 25)	14,000	2%	58%	16%	9%	38%
People exiting prison in the past 12 months	8,000	0%	79%	8%	13%	66%
People exiting health facilities (acute care) in the past 12 months	267,000	6%	25%	6%	2%	17%
People in inpatient care for mental health in the past 12 months	11,000	0%	61%	13%	12%	42%
People who accessed community treatment for mental health problems in the past 12 months	153,000	4%	49%	10%	7%	36%
Refugees	13,000	0%	62%	31%	11%	25%
Sole Parent Support with Child Disability Allowance	9,000	0%	94%	22%	7%	69%
Sole Parent Support without Child Disability Allowance	68,000	2%	88%	16%	7%	68%
Total population (aged 16+)	4,220,000	100%	14%	3%	1%	10%
Total population (aged 16 to 25)	587,000	14%	16%	5%	2%	10%

As at 30 June 2024 except for mental health data which is at 31 March 2024. Housing assistance includes Social Housing (SH), Accommodation Supplement (AS), or people on the Social Housing Register. It excludes Emergency Housing and Transitional Housing (aside from those on the Register). Some people will be on the Register and receiving AS so appear in both columns.

IDI disclaimer:

Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this study are the work of the authors, not Stats NZ or individual data suppliers. These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit <https://www.stats.govt.nz/integrated-data/>. The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

Report



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Date: 5 November 2025 **Security Level:** BUDGET
SENSITIVE

To: Hon Louise Upston, Minister for Social Development and
Employment

File Reference: REP/25/11/867

Budget 2026 – Temporary Additional Support savings options

Purpose of the report

- 1 This report responds to your request at your meeting with officials on 23 October 2025, for additional information on Temporary Additional Support (TAS) and our recommended approach to savings from TAS in Budget 2026. It also canvasses a range of potential options you may consider if you prefer an alternative approach, or additional changes to generate savings outside of Budget 2026.

Key Points

Options to Progress through Budget 2026

- 2 Officials have been developing Welfare Reform options for Budget 2026. You have indicated your preference for changes to TAS to achieve Budget savings.
- 3 s 9(2)(f)(iv)
the maximum rate from 30 percent to 25 percent of main benefit rates.
- 4 This option balances impacts on income adequacy, with 94,000 people losing approximately \$24 per week while realising significant savings (\$127 million per year in outyears) and realigning policies closer to their 2018 settings. We anticipate this change taking 12-18 months for implementation.

5 s 9(2)(f)(iv)

6 s 9(2)(f)(iv)

7 From 1 April 2027 as a part of the Automated Decision Making (ADM) Remediation for TAS, changes will be implemented which will strengthen the reapplication questions and require a staff member to assess the application to make a discretionary decision.

8 s 9(2)(f)(iv)

Additional Information

- 9 We have included information on the questions you asked about other allowable costs, notably expenditure on child support liability and detail on what types of costs are included in the cost categories, in Appendix One.
- 10 We have costed removing child support liability as an allowable cost. This would realise savings of approximately \$6.2 million per year in outyears, with 4,500 people losing \$25.90 per week on average. This change can be progressed in addition to the formula change, in time for Budget 2026, should you indicate your preference to do so.

Recommended actions

It is recommended that you:

- 1 **agree** to the formula change for TAS, reducing s 9(2)(f)(iv) s 9(2)(f)(iv) the maximum rate from 30 percent of main benefit rates to 25 percent, as a proposal for Budget 2026

AGREE / DISAGREE

- 2 **indicate** if you would like to progress work to remove child support liability as an allowable cost, as a part of Budget 2026

YES / NO

- 3 **note** the Automated Decision Making remediation for TAS will go-live on 1 April 2027, which will implement changes to the TAS reapplication to insert a person into the MyMSD process to make an informed discretionary decision on the application

- 4 s 9(2)(f)(iv)

YES / NO

- 5 s 9(2)(f)(iv)

- 6 **indicate** if you wish to receive advice on targeted changes to the AS maxima to be progressed alongside changes to TAS

YES / NO

- 7 **agree** to share this paper with Housing Ministers ahead of your meeting on 25 November 2025

AGREE / DISAGREE



Sam Willis
Policy Manager
Income Support Policy

5 / 11 / 2025

Date

Hon Louise Upston
Minister for Social Development and
Employment

Date

Background

- 11 Officials have been working to develop Welfare Reform options for Budget 2026. You considered our advice on income support options at the officials meeting on 23 October 2025 [REP/25/10/804 refers].
- 12 At the meeting you asked for additional information on Temporary Additional Support (TAS) and our recommended approach to savings in Budget 2026. You also asked for options to move the payment closer to its original policy intent as a temporary payment and what the implications of removing child support as an allowable cost would be.

We recommend generating savings through Budget 2026 by rebalancing the TAS formula

- 13 Our recommended approach for generating savings in TAS through Budget 2026 is through a targeted change to the payment formula. This would s 9(2)(f)(iv) reduce the maximum rate from 30 percent of main benefit rate to a lesser percentage (we recommend 25 percent).
- 14 The policy rationale underpinning this approach is that when benefit increases were made between 2018 and 2023 (specifically the ad hoc, above indexation increases) the TAS formula was not adjusted to account for the large increases in the real value of main benefits (and Family Tax Credit).¹ Because of how this flows through to the TAS formula and the calculation of clients' TAS deficiency, the formula now assumes people's daily living costs have increased by more than inflation, and payments have increased. There is, therefore, a public policy rationale for adjusting the formula to account for the ad hoc increases.
- 15 At the officials meeting on 23 October 2025 you asked for additional information on what the main benefit rates would have been without these ad hoc increases. A table with the rates is included in Appendix Two.
- 16 The formula approach provides you with a range of options you could choose from which provide different weightings of your objectives (i.e. some have larger impacts on income adequacy and more savings, others dampen the impact on income adequacy but with less savings) [REP/25/10/804 refers].

¹ These included increases to the eldest child rate for the Family Tax Credit and increases to main benefits by \$20 per week in 2021 and \$15 per week in 2022.

- 17 We previously indicated our preferred option was to reduce s 9(2)(f)(iv) the maxima to 25 percent of main benefit rate. This has the most consistent policy rationale and reduces the impacts on income adequacy while realising significant savings (\$126.777 million per year in outyears). A table with alternative options is included in Appendix Three.
- 18 You were also interested in what the 'real world' impacts of the change would mean for families. To respond to this, we've included several example scenarios, with a range of family types in Appendix Four.

You may also be able to secure small savings by removing child support liability as an allowable cost

- 19 Child Support liability payments make up a small percentage of costs claimed for TAS (approximately 0.5 percent of TAS allowable costs). In the 12 month period from October 2024-September 2025 this was approximately \$13.1 million dollars of child support liability payments declared as allowable costs.²
- 20 People who are liable to pay Child Support and who are receiving a main benefit generally have their Child Support directly deducted from their benefit payment and paid to Inland Revenue. This helps to ensure the liable parent consistently meets their obligation to pay Child Support. Prior to Child Support Pass-on (CSPO), Child Support liability was not considered an essential expense and contributed to hardship for liable parents.
- 21 As part of CSPO Cabinet agreed to include formula assessed Child Support liability as an allowable cost for TAS and Special Benefit (SpB). This was to recognise that Child Support is an essential cost that a parent must pay and assisting liable parents to meet their obligation to pay Child Support supported the overall intent of the policy change.
- 22 Removing child support as an allowable cost would result in savings of \$6.2 million per year in outyears. Around 4,500 clients would be affected by this change with an average loss of \$25.90 per week. By April of 2027 we expect around 500 clients to no longer qualify for TAS due to the change, as these clients would no longer be calculated to have an income deficiency.

² Note that when a client declares child support liability for TAS they do not always receive a higher TAS rate, or have an increased rate equal to their child support liability costs. This is because some clients on TAS are close to, or are already receiving, the max rate of TAS they are entitled to, prior to factoring in child support costs.

23 Most of these clients are receiving Jobseeker Support (JS). This change would support the case that child support is set at a minimum level by the formula and is a standard cost that is intended to be met from benefit incomes.

24 This change is relatively straightforward to implement and would take 6 months.

s 9(2)(f)(iv)

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25 s 9(2)(f)(iv)

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s 9(2)(f)(iv)

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The Automated Decision Making Remediation for TAS will reduce the number of clients who are regranted TAS at the reapplication

44 Currently, clients can reapply for TAS via MyMSD. It is regranted using Automated Decision Making (ADM) if a client has stated there is no change in their circumstances. The reapplication is treated as a 'renewal' rather than a reassessment and regrant.

45 s 9(2)(h)

46 You previously agreed to the recommended ADM remediation for TAS [REP/24/8/723 refers]. This remediation has several key changes including removing ADM from the process, s 9(2)(h)

47 s 9(2)(h)

48 This change will be implemented on 1 April 2027 and is forecast to save \$41.820 million over five years, from a 1.5 percent reduction in the number of people receiving TAS.⁶

49 We think that the communications and process around this change could begin to reset expectations about the temporary nature of TAS.

50 s 9(2)(f)(iv)

⁶ Note these savings were included as a part of Budget 2025

51 s 9(2)(f)(iv)

52

You could also make changes to the AS maxima alongside any changes to TAS

- 53 As noted previously the AS maxima were last adjusted in 2018, and this update was based on 2016 rent levels [REP/25/7/579 refers]. Since then, the proportion of recipients receiving the maximum rate of AS has increased from 28% to 54%, and in some parts of the country – such as Rotorua, Invercargill, and Whanganui - the figure has risen to 65-70%. These areas also have a higher proportion of clients receiving TAS at 35-40% compared with the national rate of 28%. An overview of areas, including those at the AS maxima, those receiving TAS and their after housing costs – over time, is included as a table in Appendix Five.
- 54 We could explore options for changes to the AS maxima, which would both mitigate some of the impact of the TAS options in this paper and also ease pressure on those experiencing the greatest housing stress. A general AS maxima update would achieve this most effectively, though it would come with significant cost implications (\$428 million per year). If fiscal constraints are a barrier to progressing this proposal, we could instead explore more targeted options, focusing on the geographic areas where the current maxima are most misaligned with local housing costs. Targeted changes would not, however, mitigate the impacts of reducing or limiting TAS for all clients.

Next Steps

- 55 Following your agreement we will continue to progress the TAS formula change option for Budget 2026. Dependent on your preferences indicated in the recommendations we will work to provide additional advice on options for change in TAS.
- 56 We recommend you discuss this paper with the Minister of Finance at your meeting on 12 November 2025 and with Housing Ministers at your meeting on 25 November 2025.

Appendix 1: Costs included in allowable cost categories

The five allowable cost categories are accommodation costs, essential household items, employment-related costs, health and disability costs and Child Support Liability.

MSD has guidance for staff that lists the types of costs allowed within these categories. Some types of costs included in the categories are in secondary legislation, alongside maximum weekly amounts for some types of costs.

You have asked for additional detail on what is included in these categories. To note, the categories for allowable costs are based on the allowable cost description, there are multiple costs amalgamated under these cost categories.

Note that this data includes 106,791 distinct clients, but clients can have more than one cost type and can be counted more than once.

Accommodation Related

Cost	Number of Clients
Rent	92,814
Board	3,717
Home ownership costs (including, but not limited to mortgage repayments, body corp. fees, water rates, essential repairs / maintenance)	47,505
Emergency Housing Contribution	12
Transitional Housing	42
Relocatable cabins, caravans and motor homes	144
Total	144,234

Essential Household Items

Cost	Number of Clients
Beds	519
Dining Suite	114
Fridge/freezer	387
Laundry or laundrette services	222
Lounge Suite	393
Portable heaters	33
Stove	51
Telephone	3,885
Television	453
Vehicle repayment costs	12,705
Washing Machine	378
Dryer	27
Total	19,167

Employment-related Costs

Cost	Number of Clients
Child care - caregiver working	111
Public Transport to work	93
Telephone rental costs	1,224
Motor Vehicle running costs	1,719
Total	3147

Health and Disability

Cost	Number of Clients
Ambulance Fees	267
Alternative Treatment	4,629
Authorised Consumables	2,895
Childcare - Caregiver Incapacitated	21
Clothing	285
Day care for elderly	51
Gardening, Lawns and Outside Window Cleaning	6,396
Gym/Swimming Pool Fees	1,872
Medical Alarms	3,633
Medical Fees	31,941
Power/Gas/Heating - disability	2,013
Pharmaceutical Charges (including Prescription Charges)	12,468
Rental equipment	321
Special Foods	1,929
Counselling	417
Transport-Disability	3840
Transport-Personal Health	10,470
Transport-Counselling	72
Vitamins, Supplements, Herbal Remedies and Minerals	789
Unknown	3
Total	84,312

*For the costs in the health and disability related category, these include costs under Disability Allowance (DA). Clients can have more than one DA related allowable cost as they can receive allowable costs for themselves, their partner or a dependent child

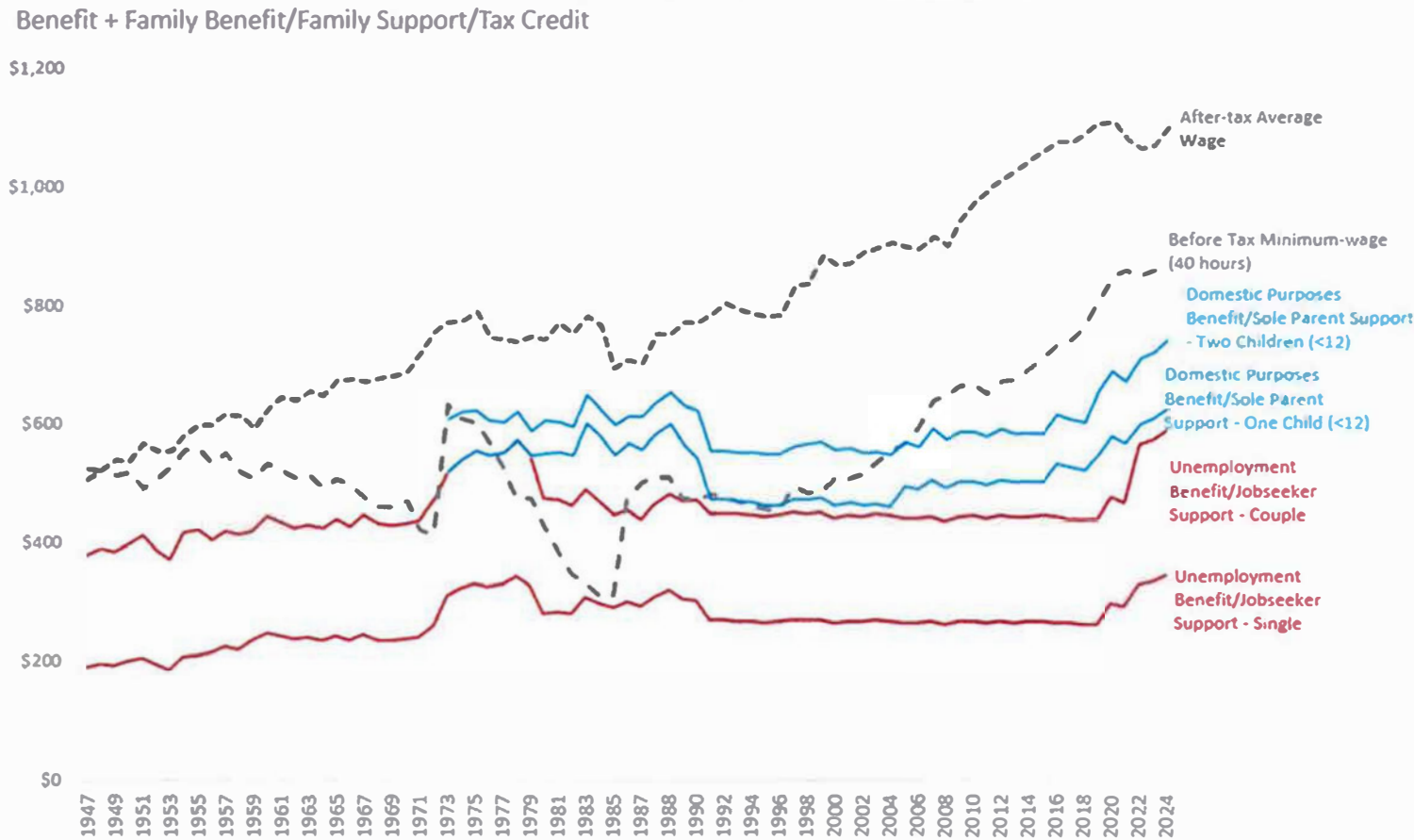
Formula-assessed Child Support costs

Cost	Number of Clients
CS liability - IR (Client)	6,960
CS liability - IR (Partner)	135
CS liability - Manual (Client)	162
CS liability - Manual (Partner)	24
Total	7,281

Appendix 2: Main Benefit Rates Comparison

Rates of main benefits and Family Tax Credit increased over the period of the last two terms of Parliament. The main increases included the 2018 Families Package (increases to Working for Families and AS), the change to wage inflation of main benefits from April 2020 and benefit rate increases in April 2020, July 2021 and April 2022. The chart below shows these increases.

Comparison of core benefits and average wages per week (in 2023 dollars)



Appendix 2 (continued): Main Benefit Rates Comparison

The table below shows what the rates of benefits and FTC would have been without the additional increases to payments, if 2018 policy settings had been maintained. The two right hand columns show what the TAS standard costs and maxima would be as a percentage of current benefit rates if the pre-2018 policy settings were maintained.

	Apr-18	Apr-25	Rates without additional increases	Increase above inflation	s 9(2)(f)(iv)	What TAS maximum would have been without benefit increases
JS - Single 20-24 years old	\$179.44	\$314.72	\$228.04	\$86.68		22%
JS - Single 25 and over	\$215.34	\$361.32	\$273.66	\$87.66		23%
SPS - Sole Parent - 1 child	\$334.05	\$505.80	\$424.52	\$81.28		25%
SPS - Sole Parent - 3 children	\$334.05	\$505.80	\$424.52	\$81.28		25%
JS - Married - no children	\$358.88	\$614.84	\$456.08	\$158.76		22%
JS - Married - 1 child	\$384.50	\$649.22	\$488.63	\$160.59		23%
SLP - Single 18 years and over	\$269.15	\$411.80	\$342.04	\$69.76		25%
SLP - Sole Parent - 1 child	\$379.19	\$564.42	\$481.89	\$82.53		26%
FTC first child	\$92.73	\$144.30	\$138.64	\$5.66		
FTC subsequent children	\$64.44	\$117.56	\$111.92	\$5.64		

Appendix 5: Maxima, TAS receipt, and Housing Costs

Area (>500 clients)	# of Clients	% at max			% TAS			Average housing costs		
	Sept-25	Sept-18	Sept-25 ppt change		Sept-18	Sept-25 ppt change		Sept-18	Sept-25	% change
Foxton	558	35%	65%	31%	17%	37%	19%	\$188	\$324	72%
Putaruru	542	34%	67%	33%	11%	32%	21%	\$195	\$328	68%
Stratford	653	38%	68%	31%	18%	39%	21%	\$194	\$331	71%
Tokoroa	2,407	25%	66%	41%	11%	36%	24%	\$172	\$321	86%
Otaki	578	41%	62%	22%	23%	37%	13%	\$229	\$350	53%
Marton	657	31%	63%	32%	13%	33%	20%	\$188	\$322	72%
Whanganui	4,886	31%	65%	33%	12%	33%	21%	\$181	\$311	72%
Turangi	549	25%	64%	39%	11%	32%	21%	\$180	\$314	74%
Rotorua	7,064	41%	67%	27%	19%	38%	19%	\$225	\$358	59%
Ngongotaha	652	41%	67%	26%	18%	39%	21%	\$220	\$352	60%
Dannevirke	678	30%	62%	31%	16%	31%	14%	\$182	\$304	68%
Invercargill	4,319	37%	66%	29%	17%	34%	17%	\$187	\$308	64%
Gore	557	32%	70%	39%	17%	34%	17%	\$190	\$321	69%
Opotiki	694	27%	60%	33%	13%	31%	18%	\$177	\$305	72%
Carterton	509	37%	69%	33%	23%	37%	14%	\$220	\$354	61%
Kawerau	1,215	23%	59%	36%	12%	28%	17%	\$172	\$300	74%
Gisborne	3,768	27%	54%	27%	17%	31%	14%	\$197	\$325	65%
Levin	2,839	28%	65%	37%	16%	38%	21%	\$204	\$357	75%
Mominsville	598	40%	66%	26%	23%	33%	10%	\$231	\$364	57%
Taumarunui	752	20%	62%	42%	10%	29%	19%	\$164	\$298	82%
Huntly	1,475	36%	59%	23%	24%	35%	12%	\$216	\$331	54%
Waihi	694	41%	65%	24%	25%	38%	13%	\$223	\$343	54%
Thames	644	46%	61%	15%	18%	31%	12%	\$227	\$317	40%
Kaitaia	1,073	29%	63%	34%	17%	38%	21%	\$201	\$335	67%
Palmerston North	6,596	34%	63%	29%	15%	31%	16%	\$215	\$342	59%
Mosgiel	657	38%	60%	23%	16%	26%	10%	\$222	\$340	53%
Masterton	2,316	32%	65%	32%	18%	30%	12%	\$209	\$348	66%
Wairoa	672	18%	58%	40%	9%	25%	17%	\$159	\$290	83%
Te Kuiti	523	31%	60%	30%	11%	25%	14%	\$183	\$297	62%
Feilding	1,437	30%	57%	28%	13%	26%	13%	\$213	\$338	59%
Hawera	1,095	26%	62%	37%	15%	30%	15%	\$196	\$337	72%
Westport	588	37%	60%	23%	21%	31%	10%	\$185	\$284	53%
Dargaville	564	31%	58%	28%	19%	32%	13%	\$207	\$316	53%
Whakatane	1,472	37%	54%	18%	17%	25%	8%	\$210	\$308	47%
Waikanae	664	35%	63%	28%	24%	31%	6%	\$277	\$396	43%
Waitara	1,067	30%	58%	28%	18%	30%	12%	\$202	\$318	57%
Paraparaumu	2,337	40%	66%	26%	27%	37%	10%	\$274	\$386	41%
Dunedin	6,717	33%	54%	21%	16%	25%	9%	\$202	\$297	47%
Upper Hutt	3,232	30%	61%	31%	20%	31%	11%	\$248	\$389	57%
Kerikeri	523	36%	68%	31%	24%	36%	12%	\$275	\$406	47%
Rolleston	1,278	38%	66%	27%	15%	25%	9%	\$298	\$456	53%
Lower Hutt	7,922	23%	56%	33%	17%	27%	10%	\$231	\$367	58%
Kaikohe	779	25%	55%	30%	17%	30%	13%	\$193	\$299	55%
Porirua	3,749	23%	49%	27%	15%	23%	8%	\$232	\$351	51%
Cambridge	1,048	31%	65%	33%	18%	28%	10%	\$267	\$394	47%
Timaru	1,981	31%	59%	28%	16%	26%	10%	\$208	\$319	53%
Napier	5,434	22%	54%	31%	16%	27%	12%	\$229	\$359	57%
Taupo	1,850	25%	60%	36%	15%	28%	12%	\$253	\$381	50%
Katikati	528	29%	62%	33%	17%	28%	12%	\$255	\$396	55%
Oamaru	971	32%	56%	24%	17%	21%	4%	\$203	\$311	53%
Richmond	1,073	38%	62%	24%	17%	24%	7%	\$292	\$392	34%
Greymouth	569	32%	52%	20%	17%	26%	9%	\$203	\$292	44%
Wellington	10,132	37%	58%	21%	19%	24%	6%	\$257	\$338	32%
Matamata	724	22%	57%	35%	15%	29%	14%	\$235	\$382	62%
Te Puke	767	23%	52%	29%	15%	25%	9%	\$241	\$364	51%
Ngaruawahia	1,088	18%	46%	28%	17%	26%	9%	\$224	\$345	54%
Hamilton	17,349	28%	58%	30%	20%	29%	9%	\$249	\$365	47%
New Plymouth	4,495	24%	57%	33%	19%	28%	9%	\$237	\$362	52%
Whangarei	5,923	24%	54%	30%	19%	29%	10%	\$235	\$352	50%
Te Awamutu	1,106	25%	57%	32%	18%	25%	7%	\$243	\$365	50%
Nelson	3,646	37%	60%	23%	19%	27%	8%	\$276	\$372	35%
Kaipoi	842	34%	51%	17%	21%	21%	1%	\$270	\$370	37%
Hastings	5,184	18%	47%	29%	14%	23%	9%	\$219	\$340	55%
Rangiora	1,096	34%	56%	22%	21%	24%	3%	\$273	\$365	34%
Christchurch	26,921	29%	52%	23%	20%	24%	4%	\$247	\$343	39%
Motueka	779	27%	57%	30%	17%	28%	11%	\$254	\$356	40%
Blenheim	1,856	22%	54%	32%	16%	25%	9%	\$240	\$360	50%
Hibiscus Coast	3,817	36%	55%	19%	30%	33%	2%	\$360	\$462	28%
Waiheke West	595	26%	53%	27%	22%	29%	7%	\$315	\$438	39%
Auckland	110,545	23%	45%	21%	23%	27%	4%	\$317	\$422	33%
Tauranga	11,873	15%	47%	31%	18%	27%	9%	\$293	\$429	46%
Ashburton	1,261	20%	43%	22%	18%	20%	2%	\$240	\$335	40%
Pukekohe	2,537	19%	47%	28%	23%	31%	8%	\$310	\$427	38%
Waiuku	990	17%	46%	28%	26%	29%	4%	\$299	\$415	39%
Tuakau	755	14%	42%	28%	23%	31%	8%	\$301	\$408	35%
Grand Total	332,678	27%	63%	26%	20%	28%	8%	\$261	\$378	45%



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA

Report

Date: 28 November 2025 **Security Level:** IN-CONFIDENCE

To: Hon Chris Bishop, Minister of Housing

Hon Louise Upston, Minister for Social Development and
Employment

Cc: Hon Tama Potaka, Associate Minister of Housing

File Reference: HUD2025-008292, REP/25/11/896

Review of the Social Housing System: Inflow and Outflow

Purpose of the report

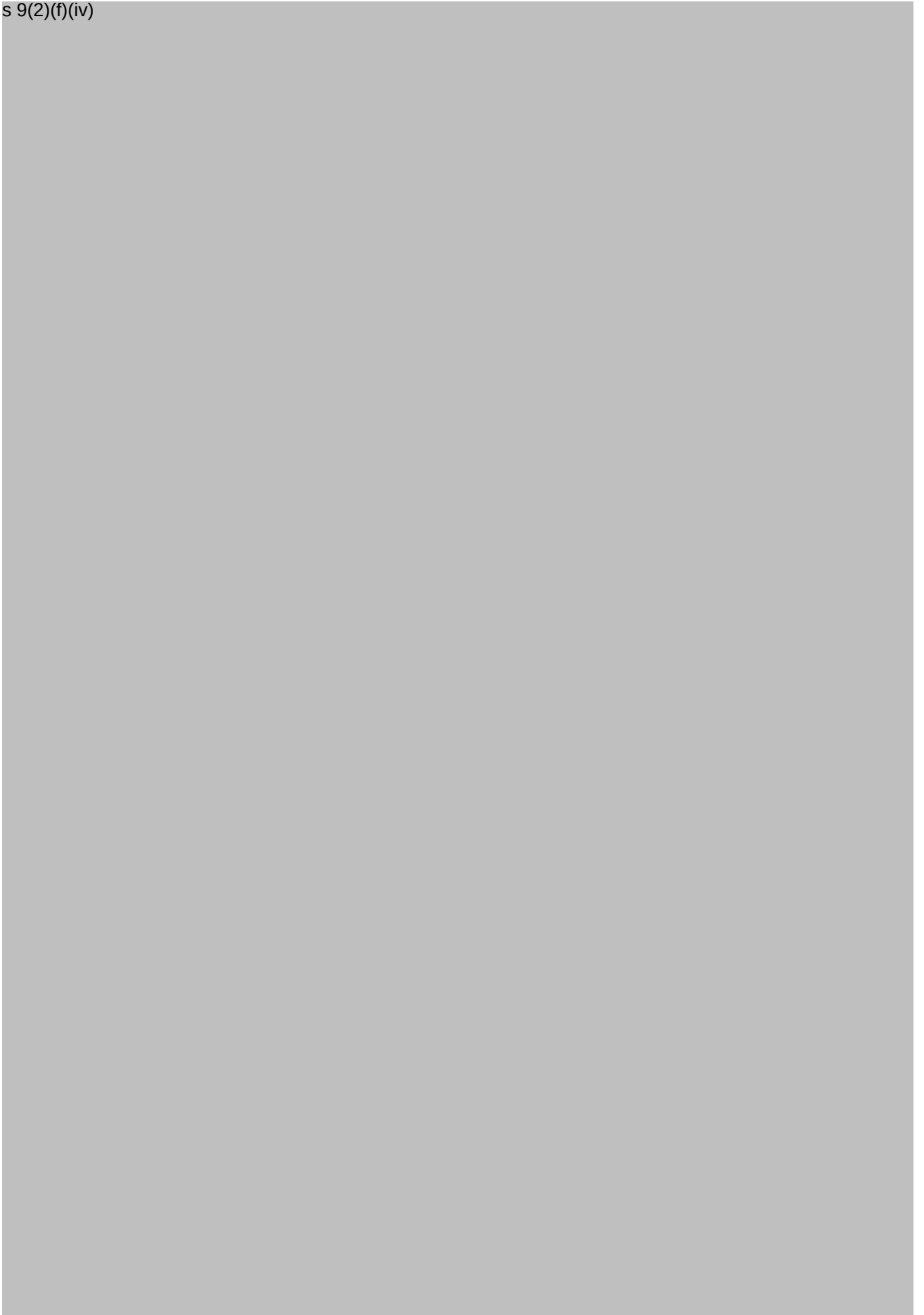
- 1 In line with your previous decisions, this paper provides advice on a package of changes to refocus social housing (SH) towards those who face barriers to accessing private housing (access need) and improve mobility out of SH, which includes:
 - replacing the Social Allocation System (SAS) with a new needs assessment focused on housing access need
 - using duration limits, additional support, a responsibilities framework and ongoing assessment of need to reset expectations of SH.
- 2 This paper also provides advice on the next steps for the Review of the Social Housing System (the Review), including options for engagement in 2026.

Executive summary

- 3 In September 2025, Ministers agreed to three key shifts in the SH System (REP/25/7/573, HUD2025-007656; REP/25/7/579, HUD2025-007655; REP/25/9/679, HUD2025-007371 refers):

- Refocussing SH on those who face barriers to accessing private housing, and reducing the emphasis on affordability barriers (with the Accommodation Supplement (AS) being the primary tool to address affordability barriers)
 - Improving the flow out of SH by investigating duration limits, alongside active and ongoing case management and support services
 - Reducing the size of the gap between the AS and the Income Related Rent Subsidy (IRRS), to strike the right balance between equity, incentives and cost.
- 4 Since then, we have undertaken further analysis on housing access need, Social Allocation System (SAS), duration limits and the types of support households on the SH Register (the Register) and in SH may need. This work has been informed by further data analysis on churn in and out of SH, as well as targeted engagement with frontline staff on current approaches to needs assessments via SAS. We have identified issues with SAS and opportunities to support households currently on the register to move towards independence, improving mobility to the private housing market.
- 5 Based on this work and to give effect to the agreed shifts, we recommend:
- 5.1 **replacing SAS with a new needs assessment focussed on housing access need and barriers.** We recommend creating a new needs assessment to determine eligibility and prioritisation that is simpler, uses information already known to the Ministry of Social Development (MSD) (for those who are existing MSD clients) and gives more weight to housing access need and barriers (factors currently underweighted in SAS).
- 5.2 **in-principle agreement to a package of changes to improve mobility out of SH.** To ensure sustainable mobility out of SH, we recommend a package of changes to create the right balance between expectations, responsibilities and incentives. This includes:
- the introduction of duration limits for SH
 - support (beyond a rent subsidy) to help households address their access barriers
 - regular interactions with tenants to identify changing needs over time
 - a bridging subsidy, and
 - a responsibilities framework to incentivise housing independence.
- 6 Given the nature and significance of these changes, we are only seeking in-principle decisions to the mobility package. This allows time to build the evidence base and undertake engagement to ensure it is fit for purpose.

s 9(2)(f)(iv)



s 9(2)(f)(iv)

- 14 The impact of the new needs assessment and mobility package will also be influenced by the decisions to bring the subsidies closer together and address issues with AS considered through Budget 2026. You have recently received advice on options for targeted increases to the AS maxima [REP/25/11/898 refers].
- 15 The next set of advice on the Review will commence in early 2026. The next steps are contingent on your decisions around engagement. Given the scale of potential reform and likely significant public interest, we recommend public engagement, however, there are options around timing. If you do not want to progress public engagement next year, Officials could progress more targeted engagement to maintain progress and inform key proposals ahead of broader engagement in 2027. Engagement will be particularly important to understand how the proposed changes impact and can play to the strengths of the different operating models across government agencies, and Community Housing Providers (CHPs).

Recommended actions

It is recommended that you:

Enabling SH to focus on housing access need

- 1 **note** our working definition of a housing access need is “unable to obtain or maintain safe and stable housing in the private market or within other households without support, due to barriers beyond affordability (which are household circumstances or market characteristics that restrict housing options)”
- 2 **agree** to replace the Social Allocation System with a new and simpler needs assessment focused on housing access needs

AGREE / DISAGREE
- 3 **agree** in-principle that this new social housing (SH) needs assessment would consider how severe, persistent and amenable to change the identified housing access barriers are and a household’s need to move

AGREE / DISAGREE
- 4 **note** that Officials will provide you with further advice on the needs assessment, including how we propose to define and determine eligibility and prioritisation criteria in April 2026

Improving sustainable mobility out of social housing

- 5 **agree** in-principle to a package of changes that together aims to reset expectations around SH and improve mobility out of SH, including exploring:

- 5.1 duration limits (setting expectations on the length of stay in SH)
- 5.2 support, beyond a subsidy towards rent, focused on helping households move into and sustain a private tenancy; and address housing access barriers
- 5.3 a bridging subsidy that provides additional financial support that gradually decreases over time, for those exiting SH into a private rental
- 5.4 more interactions with SH tenants to regularly assess their needs and how they change over time
- 5.5 using a responsibilities framework to incentivise tenants to take steps to improve their circumstances

AGREE / DISAGREE

- 6 **note** the needs assessment could be designed in a way that enables us to gather information required for decisions on duration, level of interaction with MSD, and identify potential supports

s 9(2)(f)(iv)



10 **note** that engagement with the housing and community sector, including Māori providers, is needed to design an effective support model in-line with recommendation 5.2 above

Next steps for the Review

11 **discuss** with Officials your preferred approach to engagement in 2026

12 **note** that Officials will develop the following further advice for the Review in 2026:

- 12.1 a briefing in February 2026 – seeking ministerial agreement to the Budget 2026 subsidy changes, including distributional impacts and Regulatory Impact Statements
- 12.2 a Cabinet paper in March – seeking cabinet agreement to the Budget 2026 subsidy changes, the key shifts of the Review and an engagement approach
- 12.3 a briefing in April – seeking ministerial agreement to any outstanding decisions on the needs assessment, mobility out of SH package, and minor changes to core eligibility settings required ahead of any engagement
- 12.4 a Cabinet paper in May – seeking cabinet agreement to engagement materials (dependent on your engagement decisions)

13 **agree** to forward this paper to the Minister of Finance.

AGREE / DISAGREE



Julia Bergman
**General Manager, Housing,
Employment and Labour Market
Policy, MSD**
28/11/2025



Julia Pearce
**Manager, Social Housing and
Other Supports, HUD**
28/11/2025

Hon Chris Bishop
Minister of Housing

.../.../...

Hon Louise Upston
**Minister for Social
Development and Employment**

.../.../...

Background

- 16 In June 2025, Cabinet agreed that one of the Government's roles in housing is **Delivering better housing support to those who need it**. That is supporting people into safe and stable housing (whether market or non-market) to improve the welfare of New Zealanders and minimise costs to society.
- 17 At this time, Cabinet noted there was a work programme underway to take a more focused approach to investment in housing, improve housing outcomes and ensure funding is targeted where it has the greatest impact. This includes:
 - the establishment of the Flexible Fund and housing investment system
 - the Review of SH
 - s 9(2)(f)(iv)
- 18 In September 2025, Ministers received advice on the Review (REP/25/7/573, HUD2025-007656; REP/25/7/579, HUD 2025-007655; REP/25/9/679, HUD2025-007371 refers).
- 19 Based on that advice, Ministers agreed to three key shifts in the SH system:
 - refocussing SH on those who face barriers to accessing private housing, and reducing the emphasis on affordability barriers, with the AS being the primary tool to address affordability barriers
 - improving the flow out of SH by investigating duration limits, alongside active and ongoing case management and support services
 - reducing the size of the gap between the AS and IRRS, to strike the right balance between equity, incentives and cost.
- 20 The Minister of Housing also indicated that he would like to explore a needs assessment check-in after people enter SH.
- 21 As advised in September 2025, the package of changes proposed in this paper would be more effective if progressed alongside the decisions to bring the subsidies closer together and address issues with AS considered through Budget 2026. You have recently received advice on options for targeted increases to the AS maxima [REP/25/11/898 refers].

Structure of this paper

- 22 This briefing is structured in five parts which lay out proposed changes to ensure SH prioritises those with housing access barriers, improve sustainable mobility out of SH, and further work required:
 - Section 1: Defining housing access need

- Section 2: Focusing SH eligibility and prioritisation on access need
- Section 3: Issues with SAS and the case for a new needs assessment
- Section 4: Improving sustainable mobility out of SH
- Section 5: Next steps for the Review.

Section 1: Defining housing access need

- 23 We propose the following definition of housing access need to underpin the proposals in this paper – “unable to obtain or maintain safe and stable housing in the private market or within other households without support due to barriers beyond affordability (which are household circumstances or market characteristics that restrict housing options)”.
- 24 We have further developed a framework around housing access need and identified situations and characteristics that include “household factors” and “systemic housing issues”. Further detail is in the table below.

Table 1 - housing access barriers

Housing access barrier category	Housing access barrier	Situation that may create a housing access barrier
Household factors		
Social functioning	Ability to negotiate, navigate and/or meet expectations of the private market	- Mental health issues - Addiction – substance abuse - Capability – learning difficulties, language, lack of knowledge - Lack independent living skills such as dealing with landlords and understanding tenant’s rights
Financial	Ability to raise income and/or manage and access financial resources	- Debt, credit history, bankruptcy, lack of financial capability, gambling addiction
Systemic housing issues		
Typology	Right supply in right place to meet households’ diverse needs	- Health and disability meaning modified property is required, lack of suitable typology, needs to live in a particular area for a particular reason and there is no suitable housing – for example – near health facilities, support networks (family or services)
Selection bias	Disadvantaged compared to others due to landlord preference, discrimination or government policies	- Ethnicity, criminal history, lack of rental history or references, age (young person), large families, pets, beneficiary, refugee status – impacts felt more in a more constrained rental market

- 25 We propose eligibility for SH is more clearly based on the presence of an access need. That is, someone would be eligible for SH if they meet the age, residency, income and asset thresholds and are unable to obtain or maintain housing in the private market or another household without support.
- 26 Some people may experience housing access barriers but not meet the threshold for an access need for the purposes of SH. A new needs assessment would consider which housing access barriers or combination of access barriers would be treated as an access need for SH eligibility. For example, would all households affected by landlord bias be eligible for SH, or would other solutions be more appropriate.

Section 2: Focusing SH eligibility and prioritisation on housing access need

We propose streamlining the prioritisation process so SH is only considered after all other entitlements and products, and is easier for the applicant to navigate

- 27 In the current system, AS and Housing Support Products can be granted through the main MSD channels but for SH there is a separate assessment, undertaken by a specialist. A screening process can be undertaken when someone wants to apply for SH, but this is not always used, and people can be assessed for SH even if they are unlikely to be eligible.

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

We propose replacing SAS with a new needs assessment which is simpler and focussed on housing access barriers

- 29 This would mean some households currently on the Register, or those who would have previously joined it, may instead receive financial or other support to secure private market housing.
- 30 We propose that any new needs assessment would need to consider the following:
- the impact of housing access barriers on the household (severity)
 - the likely duration of housing access barriers (persistence)
 - whether the housing access barriers can be addressed through the right support and environment (amenability to change)
 - The need to move.
- 31 The proposed changes would improve on the approach taken by SAS by:

- continuing to test current housing need and the need to move (Adequacy and Suitability¹) to establish level of need, and
 - narrowing market disadvantage test (Affordability, Accessibility and Sustainability) and instead testing housing access barriers.
- 32 We will provide further advice in 2026 on how we define and determine the proposed criteria for the new needs assessment, including:
- developing an understanding of the drivers of access need
 - developing an approach to identifying the severity, persistence and amenability to change of housing access barriers
 - making judgements about housing situations where SH is and is not required as a response s 9(2)(f)(iv)
 - ensuring it is fit for purpose for households in SH, particularly Māori who make up the largest cohort of SH tenants.

A shift to housing access need from affordability will fundamentally change how we assess need for SH

- 33 Currently affordability under SAS is measured against the cost of market rentals. This means that almost all households on a benefit would currently receive the same high score for Affordability.
- 34 Shifting the focus to access means that affordability of private rentals will no longer be a direct consideration, and people who may have difficulty meeting rent payments and other expenses, but no or low housing access barriers, may no longer be eligible or deprioritised for SH and would need to rent in the private market.
- 35 Previous advice noted the 29% of households that appear to have sufficient income to pay a lower quartile rent and to meet other expenses². This data highlighted the potential for circumstances to change over time, as many of those households had adult children or were made up of extended families.
- 36 A shift in focus on access means that whether or not the remaining 71% of households could pay a lower quartile rent and meet other household expenses would no longer be considered in assessing need for SH. Rental affordability would be determined through the benefit system and

¹ Adequacy, Suitability, Affordability, Accessibility and Sustainability are the SAS criteria

² based on \$450 per week on equivalised basis. This analysis does not include housing access barriers this cohort may face that may add cost or restrict supply of suitable houses, nor other relevant household circumstances that would impact household's ability to move out of SH.

accommodation assistance through AS and TAS. This could assist those no longer a priority for SH.

There are also other impacts to consider

- 37 As previously advised, increasing IRR is likely to have a negative impact on child poverty. Treasury is currently working through modelling the impacts. However, the Review is intended to ensure SH is better targeted to those with the highest access need and intended to increase incentives to improve SH households' situations. To the extent that these changes improve outcomes over time, they may pull against child poverty rates in the long run.
- 38 There will also be operational management and resource implications, including for Kāinga Ora, to any change that increases the proportion of SH placements and tenants with higher and more complex needs.

Section 3: Issues with SAS and the case for a new needs assessment

We recommend replacing SAS with a new needs assessment

- 39 To support the objectives of the Review, we consider that SAS should be replaced to reduce the influence of affordability as a prioritisation factor, the number of redundant questions, and better test market disadvantage.
- 40 We considered two options to achieve this:
 - tweaks to the existing housing needs assessment process and SAS criteria/questions
 - development of a new needs assessment to replace SAS (new system build).
- 41 Tweaks to SAS are unlikely to create a more efficient system or achieve the Review objectives because:
 - it will not enable the system to focus on a households' inability to access housing in the private housing market
 - it will not provide information needed to establish duration limits, and identify appropriate supports
 - MSD's broader Services for the Future changes present an opportunity to properly integrate the new needs assessment with its wider income and employment functions (as was the intention when SAS was first transferred from Housing NZ Corporation). This will help ensure we can design a new system that is more efficient for both staff and applicants, by using existing information MSD holds.

- 42 We recommend developing a new needs assessment, which also provides an opportunity to respond to concerns raised by Māori about SAS.³
- 43 Specifically, we have identified four key issues with SAS that we aim to address through a new needs assessment:
- **Overweighting affordability:** While affordability issues are nominally assessed and ranked by a household's income relative to lower quartile rent (in the Affordability domain), there are other questions within different domains (such as in Accessibility and Suitability) that lead to 'double counting' affordability as a factor of need.
 - **Inefficiencies and redundancies:** SAS was designed to provide information on why the applicant needs to move (current circumstance) and why they cannot obtain private market housing (market disadvantage). In practice MSD already have access to some of the information covered by SAS, and questions in SAS are not targeted correctly (focusses on current circumstance instead of market disadvantage). Additionally, some information collected via SAS is never used beyond the assessment, and people need to re-tell the same story for other MSD products and to CHPs. Wai 2750 Claimant Counsel raised similar issues, stating information collected is inefficient and results in an assessment that does not reflect actual need.
 - **Poorly testing housing access barriers:** There are insufficient questions testing the presence of different barriers, the severity of these barriers, and likely persistence.
 - **No oversight of how households and needs change over time:** As most questions test a person's current circumstance at a point in time, SAS does not provide meaningful information regarding "ongoing need" throughout a tenancy. This is important to inform if SH is still an appropriate support and what would effectively address the barriers a household has to transitioning to the private market. Even if a household's circumstance improves while they are in SH, the majority of households remain eligible for SH. Similarly, the current system has shortcomings in assessing whether SH remains an appropriate response for those on the Register.

Section 4: Improving sustainable mobility out of SH

- 44 SH builds in recent years have resulted in an increase in the number of new tenancies. However further analysis has shown that if we continue with the

³ Further detail is in the Treaty of Waitangi analysis section.

current settings (and on the assumption of no net new SH) new tenancies in SH will decrease.⁴ Under current exit rates new tenancies are estimated to decrease from over 10,000 per year (to 31 August 2025) to about 4,000 per year initially but then continue decreasing each year to about 2,600 per annum in ten years' time.

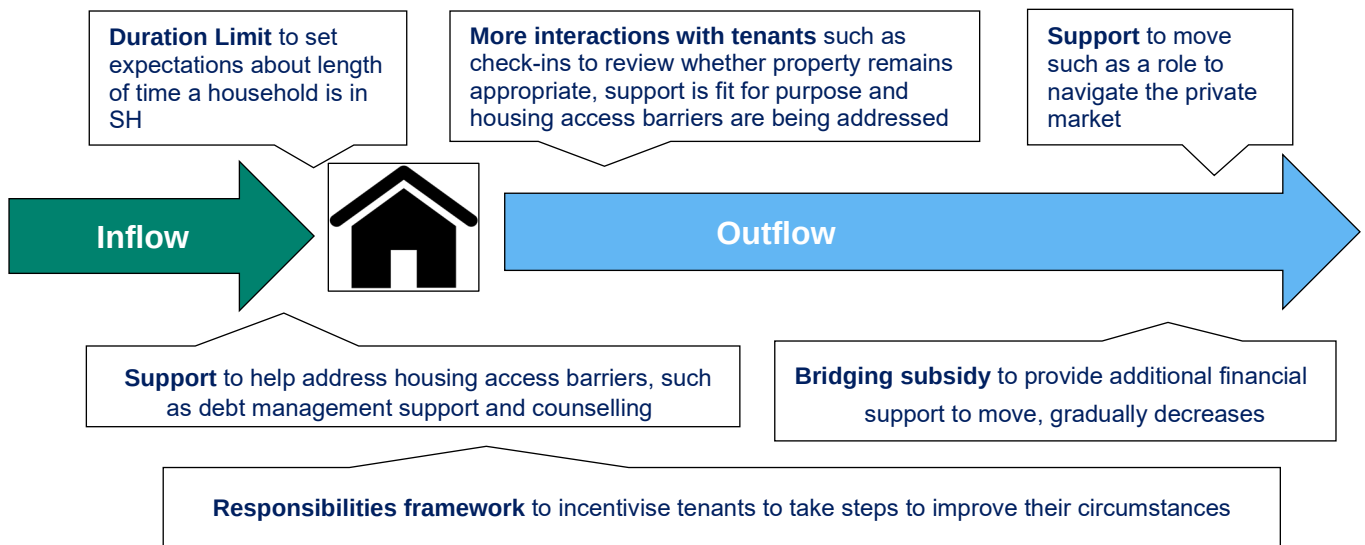
- 45 There are, however, opportunities to improve the number of tenancies by improving mobility through the system. For example, illustrative modelling suggests that an additional 5% increase in SH tenants exiting after 5 years, would free up an additional 6,000 SH vacancies over the next 10 years (a 9% increase in the number of new tenancies). In the context of a limited stock of about 85,000 social houses, this would represent a significant opportunity to get people in need into SH faster.
- 46 However, we will need to take care to ensure that exits are sustainable, for example, of those households that exit SH after five years, 30% return within three years. Further analysis is needed to understand why this is.

We recommend using a package of interventions which work together to improve mobility out of SH in a sustainable manner

- 47 As previously advised, evidence suggests that duration limits and the existing Tenancy Review process alone do not result in mobility out of SH, and have associated risks [REP/25/9/679, HUD2025-007371].
- 48 We therefore propose the following package of changes that together are intended to improve sustainable mobility out of SH and reset SH expectations, discussed in more detail below. **Annex A** compares an illustrative tenant journey in the current state, against what this could look like in the future state.

⁴ Tenancy numbers used in this modelling may differ from publicly reported figures. For modelling purposes, multiple SH tenancies are treated as a single stay if the gap between tenancies is 28 days or less. Additionally, new tenancies exclude transfers.

Figure 1 Package to improve outflow from SH



49 We are not currently able to fully determine how effective these changes will be due to a lack of supporting evidence. If you agree, we will undertake further data analysis on SH churn, as well as engaging with the housing and community sector on what works to support people to housing independence. We propose building in a monitoring and evaluation approach to track progress in meeting objectives.

50 Providing support and increased interactions with tenants are essential parts of this package, and resource will be required to implement these.

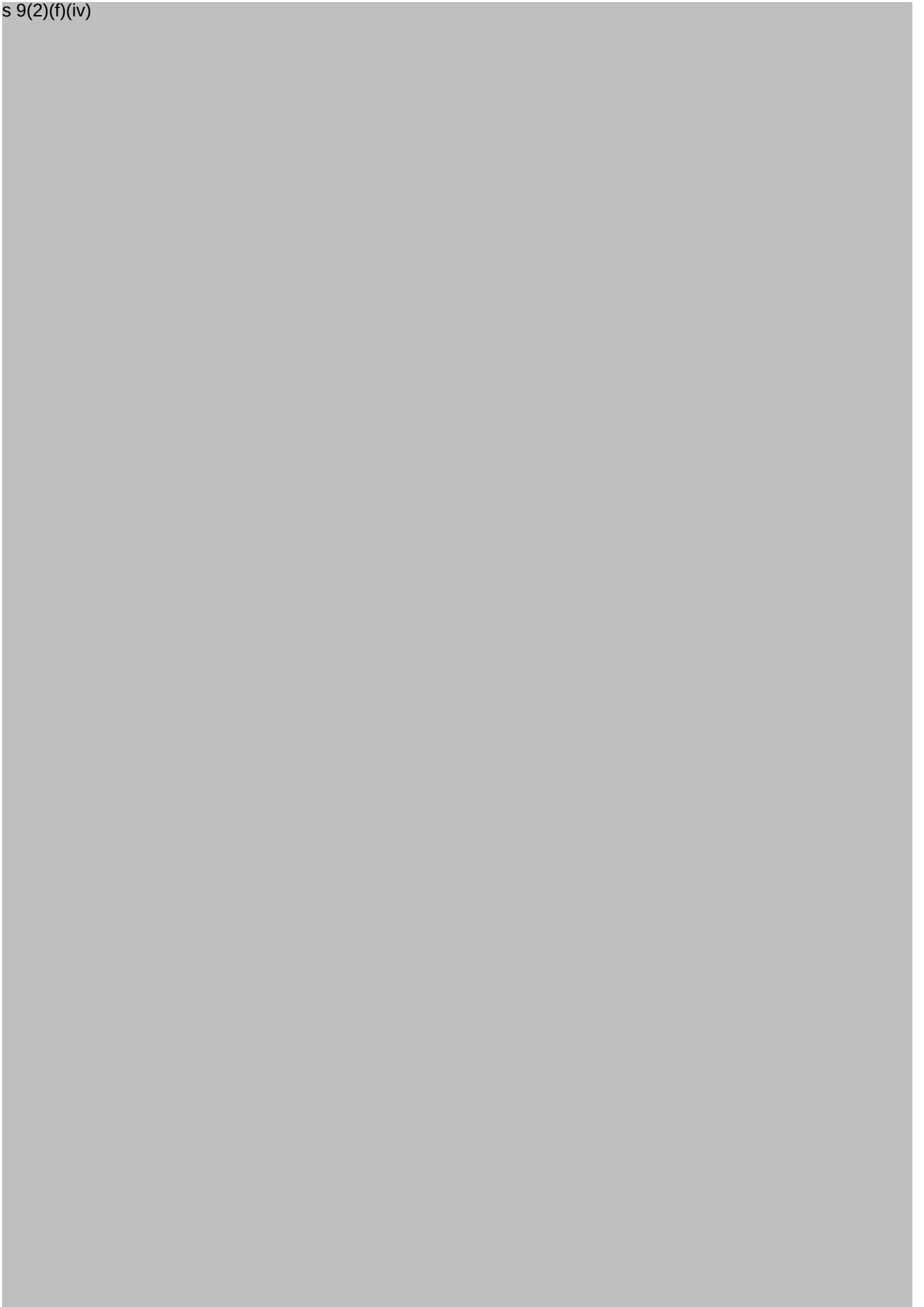
We propose using duration limits to set expectations about the length of time a household remains in SH

51 We propose the purpose of using duration limits is to:

- organise the SH system to support people to sustainably exit SH more quickly
- fundamentally change expectations about what SH is (i.e. we expect people to address their barriers and move out of SH (where possible))
- encourage and incentivise tenants to take steps (such as working alongside identified support services) to resolve their barriers to accessing private market housing (where possible)
- support people for the duration of their need in SH

52 s 9(2)(f)(iv)

s 9(2)(f)(iv)



s 9(2)(f)(iv)

57

58 It may be appropriate for some people to stay in SH for a long time, or for life, where their barriers cannot be addressed. In these cases, SH duration limits may not be appropriate.

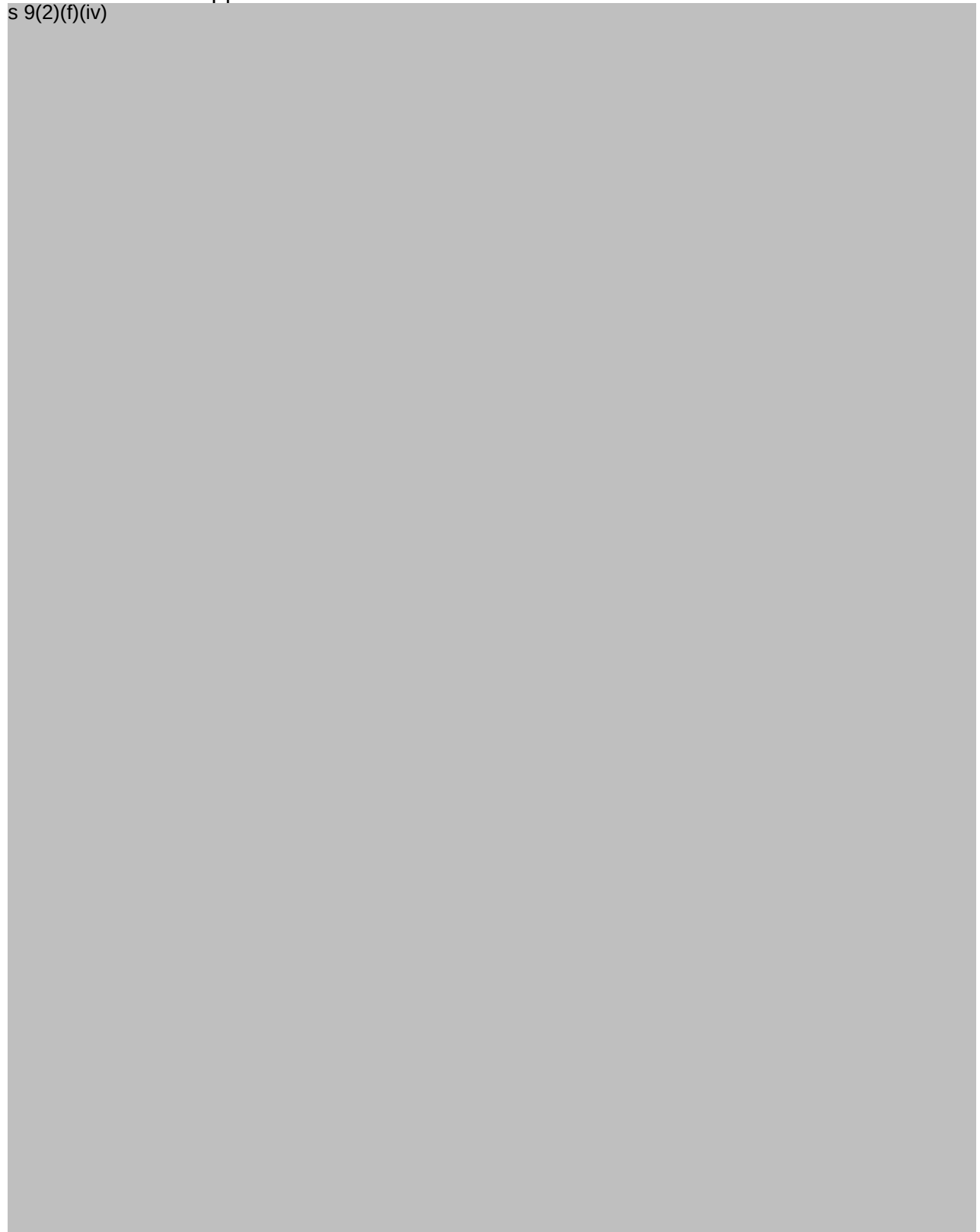
s 9(2)(f)(iv)

Support, beyond the income-related rent subsidy, is needed for some households to improve sustainable mobility out of social housing

62 While we know some households will be able to improve their situation once they are in stable housing, others will continue to face a range of housing access barriers which may prevent them from moving out of SH. We therefore recommend that support, beyond income-related rent, is part of

the package. We are seeking your direction to engage with the housing and community sector to identify where additional support may be needed and how that support should be accessed and delivered.

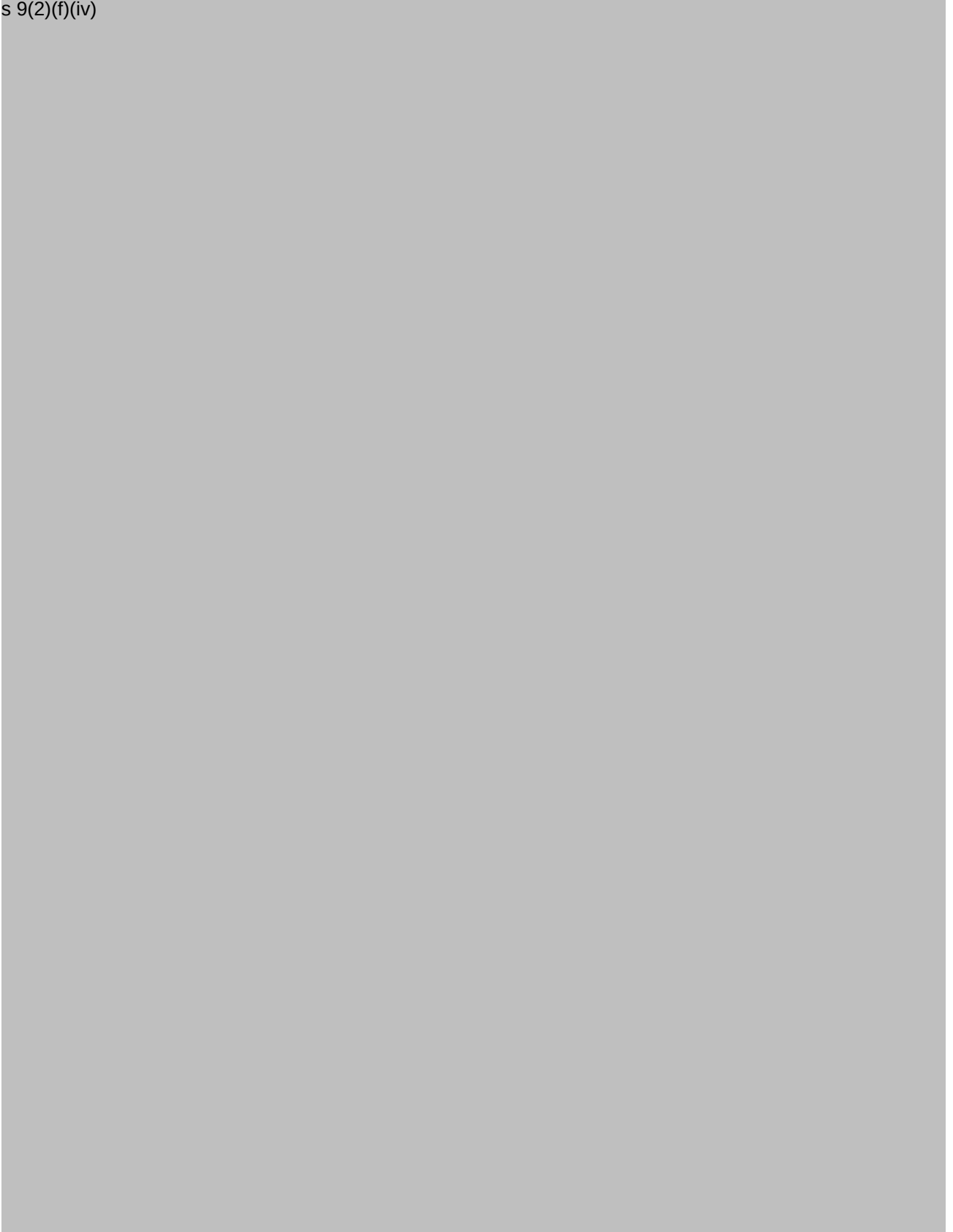
s 9(2)(f)(iv)



65 It will not be fiscally possible nor necessary for everyone on the Register, or in SH, to receive supports, and prioritisation decisions will be required.

Additionally, any prioritisation decisions will need to balance the risk of creating inequity of access to support for those not on the Register, or not in SH. We propose that these decisions are informed by engagement with service providers, iwi/Māori, Ministry of Health, and MSD frontline staff.

s 9(2)(f)(iv)



A bridging subsidy could provide additional financial support for clients after they leave SH and move into the private market

- 71 Clients moving out of SH can already access a range of financial supports through MSD's Housing Support Products (HSPs). HSPs include the Transition to Alternative Housing Grant (TTAH), a one-off and non-recoverable incentive payment of \$3,000 for those who voluntarily leave SH. Between October 2024 and September 2025, 690 clients had received the TTAH.⁷
- 72 You expressed interest in exploring transition support akin to Australia's New South Wales (NSW) Rent Choice Transition Subsidy. This sees a recipient pay 25% of their income (plus 100% of their Commonwealth Rental Assistance) as rent, with the remainder of the rent covered by a subsidy paid from the NSW state government directly to the landlord. After an initial 12 months, the client's subsidy reduces at six-month intervals until they are paying the full rent (at the end of the three-year subsidy period).
- 73 We have engaged with our Australian counterparts regarding the effectiveness of the scheme and reviewed available evaluations of the initiative. Recent evaluations suggested that the subsidy had limited impact as an incentive to leave SH, in part because of the much greater security of tenure that SH offers. The subsidy may have some impact in supporting sustained exits, with around 80% of Rent Choice recipients receiving Commonwealth Rent Assistance (the equivalent of our AS) in the quarter after the three-year subsidy ended.
- 74 Exploring a similar subsidy as an alternative to the lump-sum TTAH could have several benefits. This may be more effective in supporting clients to gradually become accustomed to a higher rent level and transition to housing independence, and could also complement support to address housing access barriers described above. It would, however, likely be complex to implement and administer, and involve both upfront and ongoing costs. Further advice will include options, costs and implementation trade-offs of a bridging subsidy.

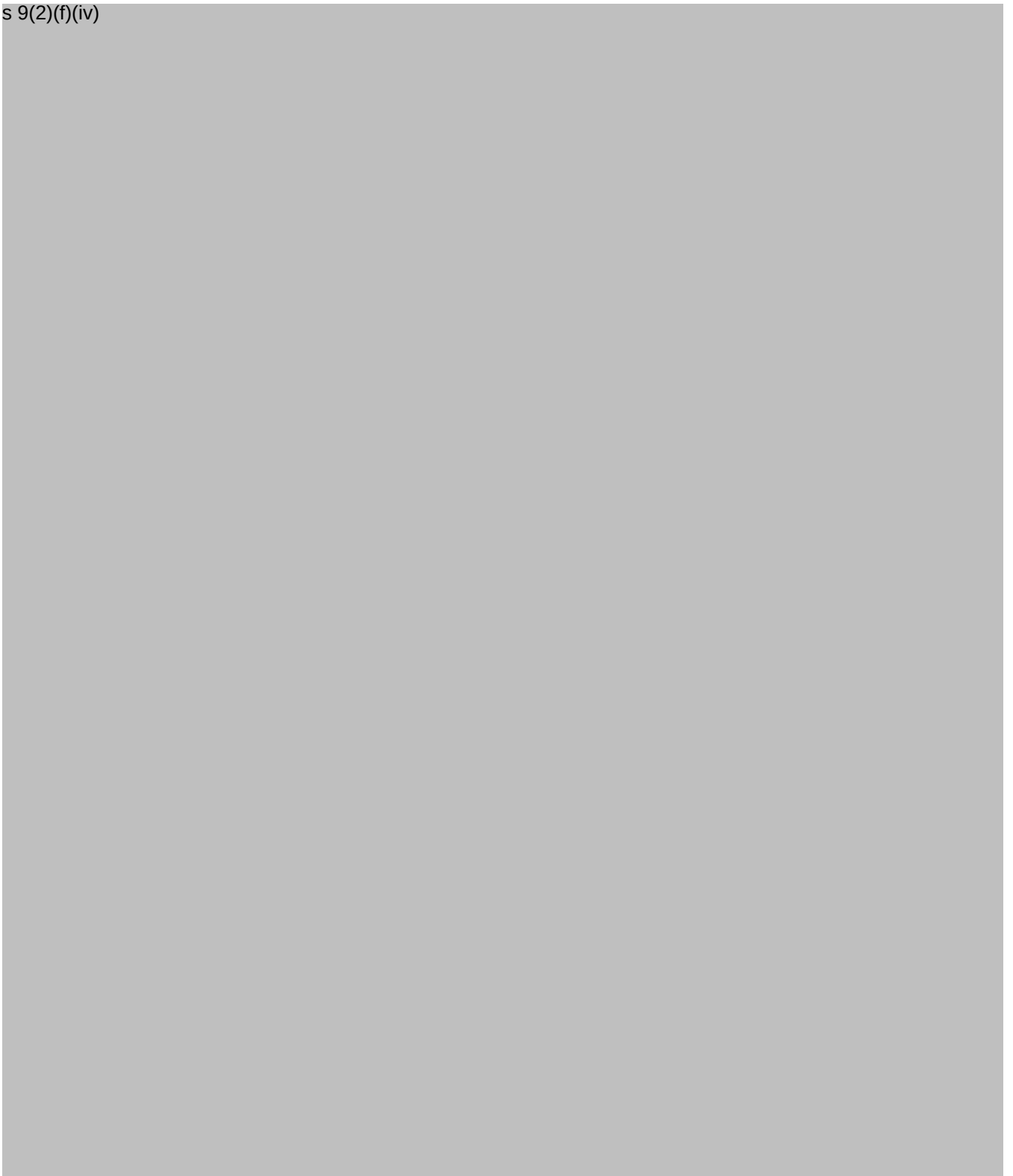
⁷ s 9(2)(f)(iv)



You could consider using a responsibilities framework to incentivise tenants to take steps to improve their circumstances

- 75 Governments often use rights and responsibilities, sometimes paired with consequences for non-compliance, to influence behaviour. In the SH context, this could mean a quid pro quo expectation in return for housing and rent support.

s 9(2)(f)(iv)



s 9(2)(f)(iv)

82

Treaty of Waitangi analysis

83 s 9(2)(h)

84 Therefore, the extent to which changes to the SH system (including the process taken and design details) improve outcomes and provide equitable access will impact the degree of alignment with Treaty obligations.

Changes to SAS and increasing support provides opportunity to improve equity for Māori and therefore strengthen alignment with the Treaty

85 Replacing SAS provides opportunities to respond to the issues raised by stakeholders, including Māori in the Wai 2750 Kaupapa Inquiry that SAS does not account for cultural needs.

86 To ensure these changes to eligibility and prioritisation for SH are effective and increase alignment with the principles of the Treaty, it will be essential to consider Māori perspectives when developing a new needs assessment.

s 9(2)(f)(iv)

s 9(2)(f)(iv)

- 90 If the package designed to increase mobility out of SH is successful, more Māori currently on the Register may be able to access housing and improve outcomes provided the new needs assessment ensures equity of access for Māori.

Section 5: Next steps for the Review

We have set out a proposed work programme for the Review from 2026

- 91 Dependent on your decisions on this advice we propose you will receive:
- a briefing in February 2026– seeking ministerial agreement to the Budget 2026 subsidy changes, including distributional impacts and Regulatory Impact Statements
 - a Cabinet paper in March – seeking Cabinet agreement to the Budget 2026 subsidy changes, the key shifts of the Review and an engagement approach
 - a briefing in April – seeking ministerial agreement to any outstanding decisions on the needs assessment, mobility out of SH package, and minor changes to core eligibility settings required ahead of any engagement
 - a Cabinet paper in May – seeking Cabinet agreement to engagement materials (dependent on your engagement decisions)
- 92 The attached proposed work programme shows a timeline with key milestones out to 2029, with detailed deliverables for 2026 (**Annex C**). We have developed two different work programme views, outlining engagement approaches two and three from the table below.

We recommend you discuss your preferred approach to engagement with Officials

- 93 To date the only engagement we have undertaken on the Review, as agreed by Ministers, were some initial conversations with six stakeholders in May and June 2025.⁸ We also met with some MSD frontline staff and officials from Ireland and NSW governments to understand key aspects of their SH systems, and lessons from recent changes they have made.
- 94 We have identified four approaches you could take to engagement:

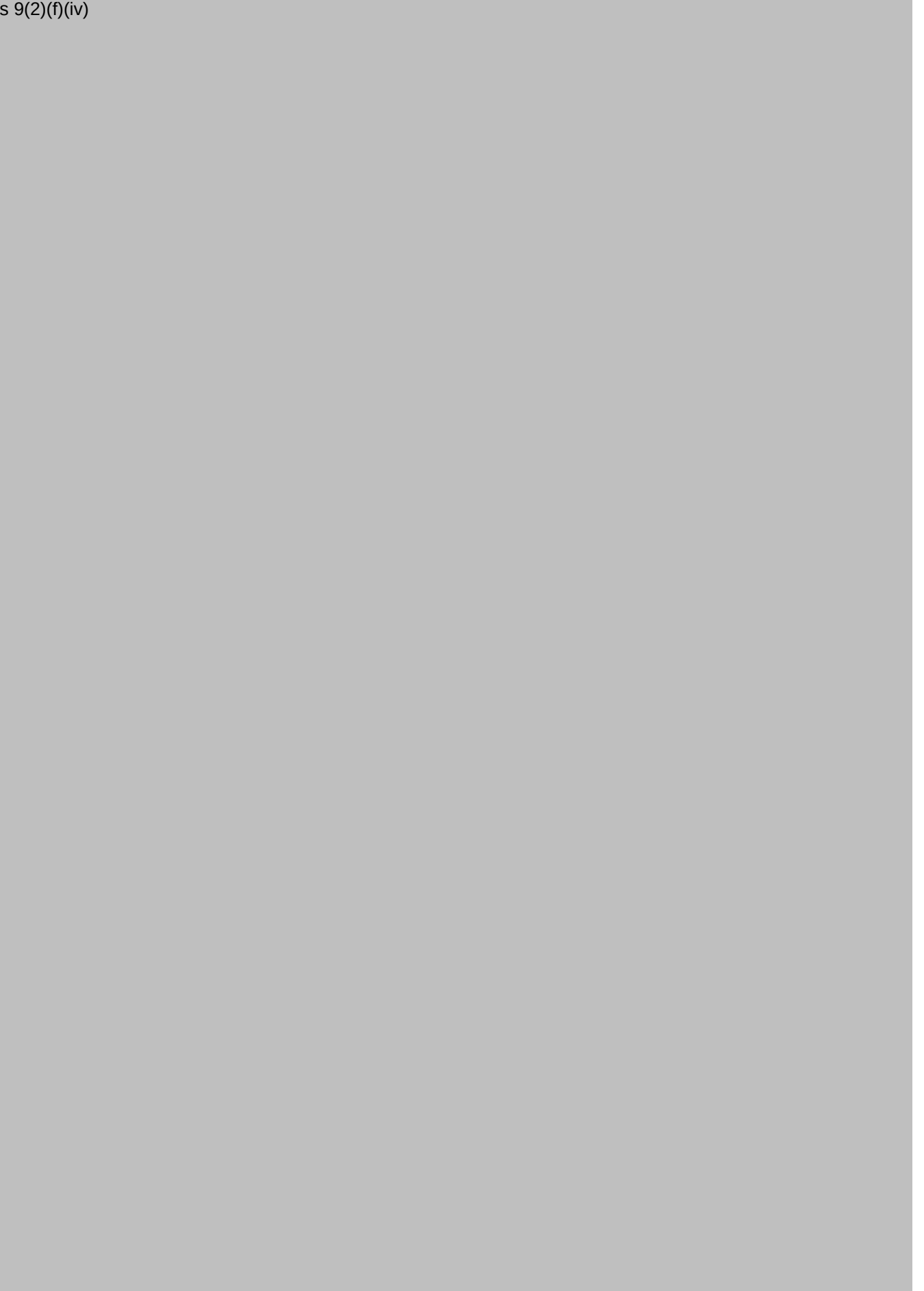
s 9(2)(a)

Note - Ministers made initial decisions to undertake targeted engagement, commencing in August 2026.

s 9(2)(f)(iv)



s 9(2)(f)(iv)



s 9(2)(f)(iv)



Appendix

Annex A: Illustrative social housing journey

Annex B: Responsibilities

Annex C: Proposed work programme

Author: Kuini Vidal, Senior Policy Advisor, HUD, Liam Hanley, Senior Policy Advisor, HUD, Tina Dellow, Co-lead, MSD & Dinarie Abeyesundere, Senior Policy Analyst, MSD.

Responsible manager: Julia Bergman, General Manager, MSD & Julia Pearce, Manager, HUD.

Current State

Social Housing Client Journey

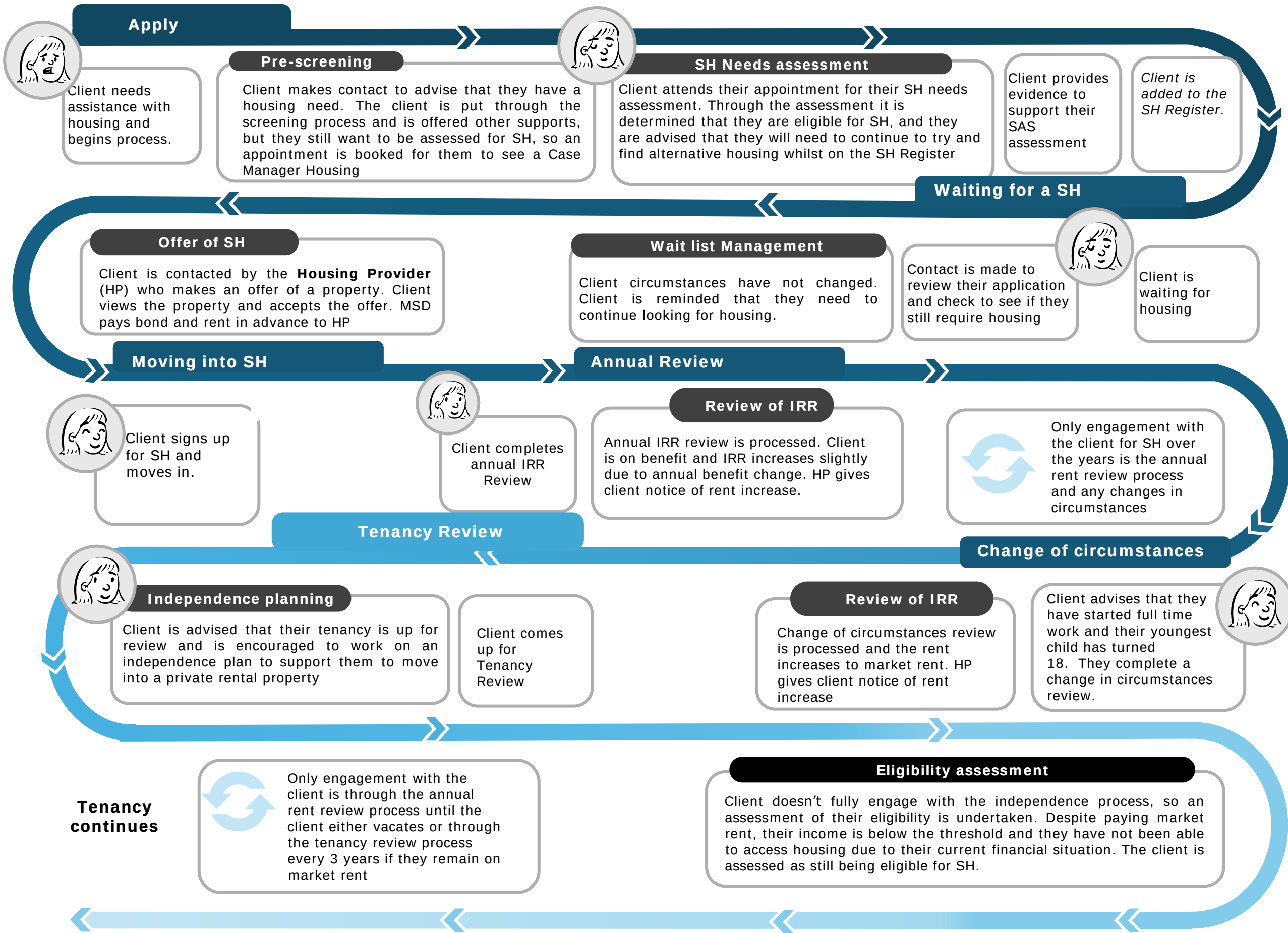
This journey shows how the client interacts with current process for Social Housing

Client is a single mum with two children aged 8 and 11. Client was renting privately and has been working part time while the kids are in school. She recently fell ill and had to stop work . The client was unable to pay the rent and keep on top of her debts, so she has had her tenancy terminated through The Tenancy Tribunal. The client has now moved into her sister's home which is severely overcrowded and does not have the space she needs to recover from her illness so that she can get back on her feet.

Caveats – this journey is an illustration of one client journey to show how the current process works

The **current assessment** process has separate pathways for different products that resolve housing need. Accommodation Supplement and Housing Support Products can be discussed and granted through the main MSD channels, but for Social Housing (SH) there is separate assessment, and this is undertaken by a specialist role.

There is a screening process that can be undertaken when a client wants to apply for Social Housing, but this is not always being undertaken, and a client can always request to have an assessment appointment booked even if they are unlikely to be eligible for social housing.



Future State - Illustrative

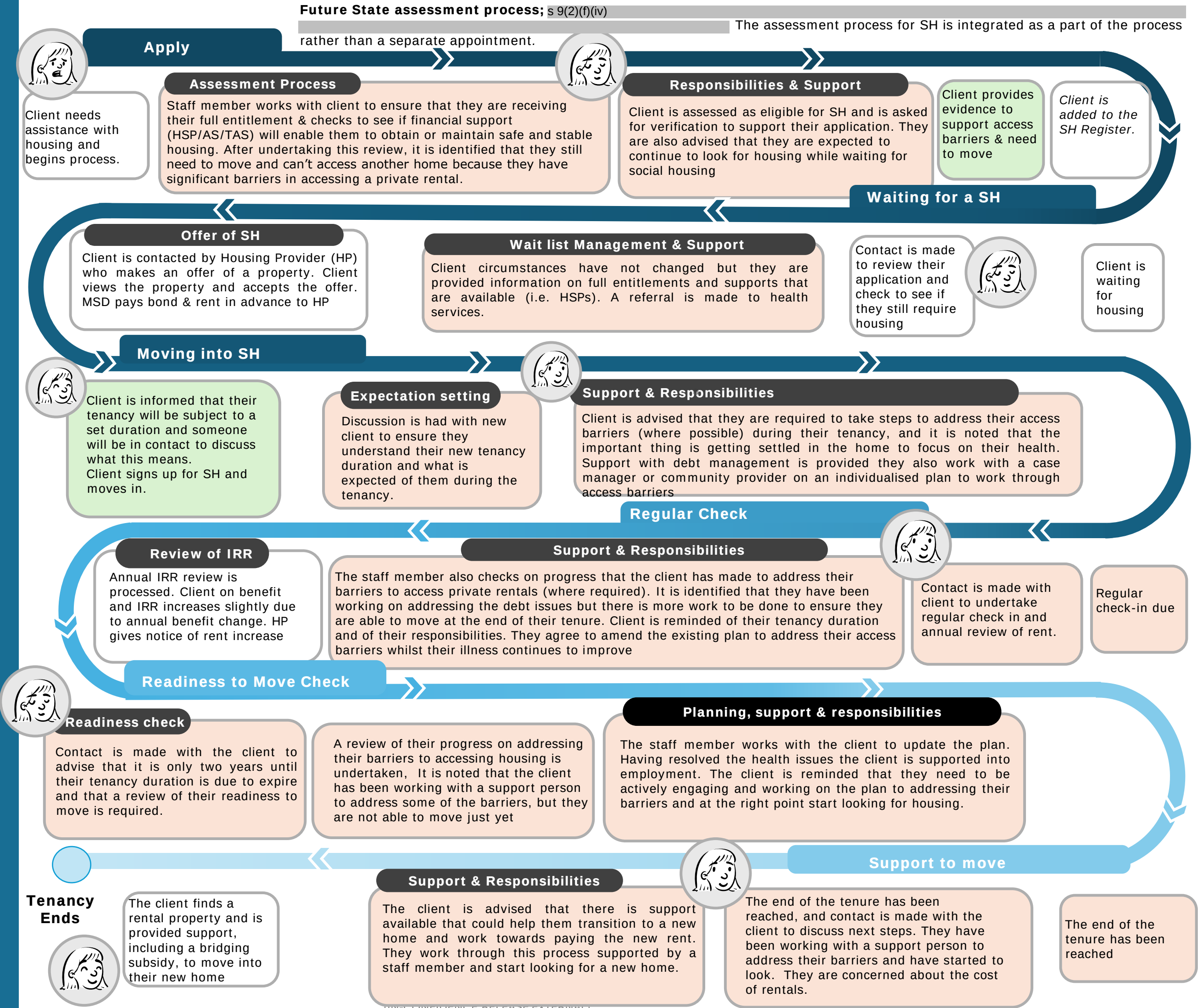
Social Housing Client Journey

This journey shows how clients may interact with the future state of Social Housing throughout their time receiving assistance from MSD.

Client is a single mum with two children aged 8 and 11. Client was renting privately and has been working part time while the kids are in school. She recently fell ill and had to stop work . The client was unable to pay the rent and keep on top of her debts, so she has had her tenancy terminated through The Tenancy Tribunal. The client has now moved into her sister's home which is severely overcrowded and does not have the space she needs to recover from her illness so that she can get back on her feet.

Caveats – this journey is an illustration of one client journey, but the exact pathway will depend on the individual circumstances. Extensive work is still required to determine what the new process will look like.

- Significant change
- Minor change
- No change



s 9(2)(f)(iv)



s 9(2)(f)(iv)



s 9(2)(f)(iv)



Report



MINISTRY OF SOCIAL
DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Date: 25 March 2026 **Security Level:** BUDGET
SENSITIVE

To: Hon Nicola Willis, Minister of Finance
Hon Chris Bishop, Minister of Housing
Hon Louise Upston, Minister for Social Development and
Employment

File Reference: REP/26/3/197

TAS - Budget 2026 formula change initiative and additional savings

Purpose of the report

- 1 This report seeks confirmation of key policy parameters of the Budget 2026 savings initiative '*Temporary Additional Support- Formula Changes*', and whether to recognise additional savings from the Budget 2025 Automated Decision Making (ADM) initiative for TAS.
- 2 It also provides an update on the request from the Minister for Social Development and Employment for potential additional operational enhancements to the TAS reapplication s 9(2)(f)(iv)

Executive summary

There are some key policy parameters for you to confirm

- 3 In November 2025 the Minister of Finance, Minister of Housing, Minister for Social Development and Employment, Minister for Child Poverty Reduction, Minister of Revenue and Associate Minister of Finance agreed to progress the Budget 2026 initiative *Temporary Additional Support – Formula changes*. The initiative reduces expenditure on Temporary Additional Support (TAS) by adjusting the formula calculation to account for the over-indexation increases

to main benefit rates in the 2018-2023 period [REP/25/11/867 refers]. Note that this change will also affect clients receiving Special Benefit (SpB).

- 4 This change will reduce the amount of TAS/SpB that people can get by reducing s 9(2)(f)(iv) the maximum rate for clients on a main benefit, or non-beneficiaries receiving TAS or SpB. Clients on New Zealand Superannuation (NZS) and Veterans Pension (VP) will not be affected by this change. The initiative will also remove formula-assessed child support liability from the list of allowable costs for TAS for all clients receiving TAS.¹
- 5 s 9(2)(f)(iv) with all clients having their entitlement recalculated on 1 April 2027.

There may be additional savings to be realised from the Budget 2025 ADM remediation for TAS

- 6 At the welfare Budget bilateral meeting on 4 March 2026, you discussed the previously reported savings from the Budget 2025 ADM initiative, related to remediation for TAS which was forecast as a 1.5 percent reduction in TAS receipt. The savings from this reduction (less operational costs) were counted against the Budget 2025 allowances.
- 7 We have since investigated the assumptions and consider it would be reasonable to increase this percentage to 4 percent to more accurately reflect our current understanding of how the reapplication process will work, after the remediation goes live.
- 8 Our most reasonable estimation which will see a 4 percent reduction in TAS receipt would increase the savings by \$54.574 million over four years, to a total of \$88.068 million over the forecast period.

- 9 s (9)(2)(g)(i)

We are continuing work around reducing the use of TAS on an ongoing basis

- 10 The Minister for Social Development and Employment previously indicated she wanted to receive advice on potential operational enhancements to the TAS reapplication to increase the signalling that the payment is temporary.

¹ Note that the removal of formula-assessed child support liability as an allowable cost will also apply to clients on New Zealand Superannuation and Veterans Pension

11 We have scoped areas where we will be able to provide communications and improvements to existing processes ahead of the ADM Remediation for TAS, which will go live in April 2027.

12 s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Recommended actions

It is recommended that you:

Recommendations 1 and 2 are for the Minister of Finance, Minister of Housing and Minister for Social Development and Employment

Agree to the key parameters of the Budget 2026 initiative to change the TAS formula

- 1 **agree** that the policy objectives of the Budget 2026 TAS initiative are to:
 - 1.1 rebalance the TAS formula so that clients' entitlements more accurately represent inflation at a given point in time (benefit rates prior to 2018, adjusted by the Consumers Price Index), while realising significant fiscal savings
 - 1.2 ensure that TAS does not cover personal liabilities by removing formula assessed child support liability as an allowable cost

Agree / Disagree

Hon Nicola Willis

Agree / Disagree

Hon Chris Bishop

Agree / Disagree

Hon Louise Upston

- 2 **note** that the advice in this paper is subject to decisions on the overall Budget 2026 package and may change depending on the final initiatives included and the timing of those initiatives, however decisions are required by 8 April 2026 if decisions are to be included in the Budget.

Recommendations 3 to 10 are for the Minister for Social Development and Employment only

- 3 **agree** to amend the formula for TAS and Special Benefit (SpB) by adjusting:

3.1 s 9(2)(f)(iv)

3.2 The maximum rate of payment, from 30 percent of main benefit to 25 percent of main benefit

AGREE / DISAGREE

- 4 **agree** to a dual formula regime for TAS/SpB for main benefit recipients and non-beneficiaries and NZS/VP recipients as per the below:

Group	s 9(2)(f)(iv)	Maximum Rate
Main benefit recipients (as defined in Schedule 2 of the Social Security Act 2018) and non-beneficiaries		25 percent
New Zealand Superannuation and Veteran's Pension recipients		30 percent

AGREE / DISAGREE

- 5 **agree** to remove formula-assessed child support liability from the list of allowable costs for TAS/SpB for all recipients

AGREE / DISAGREE

- 6 **note** that some clients will no longer qualify for TAS due to the removal of formula assessed child support liability as an allowable cost

- 7 **note** that the removal of formula-assessed child support liability as an allowable cost has administrative impacts for both Inland Revenue and MSD including small technical and content changes

- 8 **note** that changes to the Social Security Regulations 2018 will be required to implement these changes

- 9 **agree** that the changes in Recommendations 3 to 5 will take effect on 1 April 2027, with all clients having their entitlement recalculated at this point

AGREE / DISAGREE

- 10 s 9(2)(f)(iv)
 including areas where we will be able to provide communications and improvements to existing processes ahead of the ADM Remediation for TAS

Recommendations 11 and 12 are for the Minister of Finance, Minister of Housing and Minister for Social Development and Employment

Operational savings including forecast savings for Budget 2025 ADM initiative that included TAS remediation

- 11 **note** that the Budget 2025 initiative *Automated Decision-Making (ADM) – Updating ADM Use in MSD Processes* included the ADM Remediation for TAS which was estimated to reduce TAS receipt by 1.5 percent and realise \$33.494 million over four years, these savings (less operational costs) were counted against the Budget 2025 allowances
- 12 **note** that we have updated our previously reported reduction in TAS receipt due to the ADM Remediation for TAS from 1.5 percent to 4 percent resulting in \$54.574 million over four years in additional savings

Recommendation 13 is for the Minister of Finance only

- 13 s 9(2)(f)(iv)

Recommendations 14 and 15 are for the Minister for Social Development and Employment and the Minister of Housing

Advice on fundamental changes to TAS as part of the Review of the Social Housing System

14 s 9(2)(f)(iv)

15 **agree** to share this paper with Hon Tama Potaka, Associate Minister of Housing

AGREE / DISAGREE

Fiona Carter-Giddings
General Manager
Welfare System and Income Support Policy

Date

Hon Nicola Willis
Minister of Finance

Hon Chris Bishop
Minister of Housing

Hon Louise Upston
Minister for Social
Development and
Employment

Date

Date

Date

Context

- 13 As a part of Budget 2026 you have agreed to progress a formula-change initiative for TAS [REP/25/11/867 refers]. This will:
- change the formula calculation for TAS and SpB and reduce the maximum rate of payment for main benefit clients and non-beneficiaries only
 - remove formula-assessed child support liability as an allowable cost for TAS for all recipients.
- 14 Following from your discussion with Welfare Ministers on Wednesday 4 March 2026, we are asking:
- the Minister for Social Development and Employment to confirm your agreement to some of the key policy parameters for the initiative
 - the Minister of Finance to confirm the approach to recognising additional savings for TAS from the Budget 2025 ADM initiative
 - the Minister of Housing and Minister for Social Development and Employment to agree to the approach for future work on TAS.
- 15 To note the advice in this paper is subject to decisions on the overall Budget 2026 package and may change depending on the final initiatives included and the timing of those initiatives.

Key Policy Parameters for Budget 2026

The formula change proposal s 9(2)(f)(iv)

The s 9(2)(f)(iv) maximum rate calculations will be amended and will exclude clients on New Zealand Superannuation and Veteran's Pension

- 16 The policy objective of the proposal is to rebalance the TAS formula so that clients' entitlements more accurately represent inflation at a given point in time (main benefit rates prior to 2018, adjusted by the Consumers Price Index), while realising significant fiscal savings.
- 17 To adjust for the discretionary increases made to main benefit increases over this period the proposal adjusts the percent of main benefits s 9(2)(f)(iv)
- the maximum rate of payment from 30 percent of main benefit rates to 25 percent.
- 18 The formula calculation for TAS for clients on NZS/VP references the NZS/VP rate of payment, which was increased in line with normal policy and did not have the same over indexation increases to benefit rates over the same period. For this reason, NZS/VP clients will retain their current TAS formula calculation.

- 19 This will create a dual formula regime defined in the Social Security Regulations 2018, with one formula set for clients on a main benefit and non-beneficiaries receiving TAS, and one formula for clients on NZS / VP as set out below:

Group	s 9(2)(f)(iv)	Maximum Rate
Main benefit recipients (as defined in Schedule 2 of the Social Security Act 2018) and non-beneficiaries		25 percent
New Zealand Superannuation and Veteran's Pension recipients		30 percent

Formula-assessed child support liability will be removed for all clients

- 20 Formula-assessed child support liability was included as an allowable cost for TAS as a part of the changes made through Child Support Pass-On. This was included to help ensure that liable parents could consistently meet their obligation to pay child support.
- 21 This is divergent with the intent of TAS at its introduction in 2006, in that the payment was not intended to cover personal liabilities (including court fines, student loans etc.).
- 22 This initiative will remove formula assessed child support liability as an allowable cost and reinforce the expectation that child support is a standard cost that is intended to be met from benefit incomes.
- 23 This change will apply to *all* clients, including clients on NZS/VP.
- 24 These will see a reduction in entitlement for some clients, with some clients losing eligibility for the payment, if the change means that a client's deficiency is no longer substantial enough to qualify them for support.
- 25 Early modelling has indicated that at 1 April 2027 there will be approximately 500 clients who will no longer qualify for TAS due to the change, as the clients would no longer be calculated to have an income deficiency.

- 25.1 To note, some of these clients may be classed as refugees or protected peoples, who are limited in accessing other supports from MSD due to eligibility criteria².

Clients will have their TAS entitlement recalculated at 1 April 2027

- 26 The TAS formula changes and the removal of child support liability as an allowable cost will take effect as of 1 April 2027. Clients will have their entitlement recalculated at this date and their subsequent payment will reflect the recalculated rate.
- 27 Clients will be informed of the changes beforehand. Letters will be sent to impacted clients, alongside a broader communications approach to be developed and delivered over the next year.

Cabinet agreement and regulation changes

- 28 Cabinet policy decisions on this initiative will be made via the Budget 2026 Cabinet paper, to reflect the decisions on this paper.
- 29 Given that Regulations will need to be amended before 1 April 2027, we expect to come back to the Minister for Social Development and Employment on the approach and timing of these changes, alongside wider Budget 2026 initiatives.

There may be additional savings to be realised from the ADM Remediation for TAS

- 30 At the welfare Budget bilateral on 4 March 2026, you discussed the previously reported savings from the Budget 2025 initiative *ADM- Updating ADM Use in MSD Processes which* included the ADM Remediation for TAS and was forecast as a 1.5 percent reduction in TAS receipt.
- 31 We have since investigated the assumptions underpinning the 1.5 percent estimate. Based on our current understanding of how the remediation will be implemented, we've determined the 1.5 percent was an overly conservative estimate. We therefore think a 4 percent reduction in TAS receipt could be a reasonable estimate to use in an updated model.
- 32 The previous estimate assumed that the increased rigor at the point of reapplication would result in people being less likely to complete their online reapplication due to the increased time and checks involved. 1.5 percent was

² As of November 2025 there are approximately 1,000 people classed as refugees or protected peoples receiving TAS. These clients may be disproportionately affected by this initiative as their residency status makes them ineligible for most types of support. They may qualify for Emergency Benefit (EB) and TAS but do not qualify for supplementary assistance such as the Accommodation Supplement or Disability Allowance.

set as a conservative estimate on the behavioural impacts we anticipated. We now anticipate a larger effect³.

- 33 As the design of the initiative has evolved from our understanding at the time the policy change was agreed to, we therefore consider there is justification for updating the assumptions we previously used to model the savings.
- 34 To update the assumptions, we looked at a range of outcomes from comparable process and policy changes.⁴ We ultimately utilised evidence from the 2022/2023 Full and Correct Entitlement Pilot which assessed entitlements of over 1,000 clients, reviewing payments they were already receiving and any other payments they may have been entitled to.
- 35 The report indicated that of the clients assessed, 5 percent of clients who were receiving TAS were not eligible.⁵ This indicates that with the increased level of scrutiny for TAS reapplications, we could expect to find a similar percentage of clients no longer eligible for the payment.
- 36 We therefore think it is reasonable to increase the percentage reduction we anticipate seeing to 4 percent. This would increase the savings by \$54.574 million over four years, to a total of \$88.068 million over the forecast period.
- 37 There is, however, a risk that these savings are not realised and this would be reflected in future forecasts. While we explored monitoring the impact of the changes and realising the savings through a later Budget process (which was done for Emergency Housing) we do not think this would work. This is because the impact of the individual initiatives may be difficult to unpick, as there are a number of changes occurring concurrently in April 2027.

38 s (9)(2)(g)(i)

A series of six horizontal grey bars of varying lengths, used to redact text in paragraph 38.

³ The remediation has been designed to remove ADM entirely from the reapplication process and insert a staff member in the assessment of a reapplication. Staff members will review clients costs, client's compliance with the requirements to take necessary steps to obtain financial assistance from all other sources to reduce their costs, and if they have taken reasonable steps to reduce their costs or increase their chargeable income. Some clients will be required to attend in person appointments, or provide supporting evidence, where appropriate.

⁴ Comparators we examined included a range of non-TAS related outcomes and changes, including modelling done for the change from 52 to 26-week reapplications for Jobseeker Support, and outcomes from changes to Food Special Need Grants (SNG's).

⁵ Ministry of Social Development (2023) *Full and Correct Entitlement Report*.

We have scoped additional operational changes that may be possible before the ADM Remediation

- 39 We previously advised that we are continuing work to scope operational options to increase the signalling that the payment is temporary.
- 40 In the lead up to the implementation of ADM TAS we consider there are enhancements we can make to existing processes to improve communication and reiterate the payment is temporary including:
- Regular reminders provided to staff to reiterate that TAS is only a temporary support, and to advise when evidence from clients is required to support their TAS application
 - Where possible, language will be adjusted from 'reapplication' to 'application' and further work done to ensure messaging is clear around TAS being a temporary support. We will scope changes across both external and internal websites and processes.
 - As part of the changes that will be introduced from April 2027, we will contact clients (in specific situations) and / or request additional evidence from them to determine if they are fulfilling the eligibility requirements for TAS, for example to confirm if they have taken reasonable and necessary steps to reduce their costs as agreed in their previous application. Processes for staff will be updated prior to the changes being introduced to ensure the additional steps are being followed
 - As part of our ongoing efforts to enhance our knowledge bases, we have identified an opportunity to consolidate TAS guidance for staff. We will leverage quality checks of TAS-related actions to inform where greater clarity, targeted process change and additional staff reminders are needed

TAS continues to be part of the Review of the Social Housing System work programme, s 9(2)(f)(iv)

- 41 In the long-term, Minister Upston and Minister Bishop have previously agreed to include s 9(2)(f)(iv) TAS in the context of RoSH [REP/25/7/579]. s 9(2)(f)(iv)

- 42 s 9(2)(f)(iv)

Consultation

43 s 9(2)(f)(iv)

Next steps

- 44 Contingent on your agreement, we will reflect your decisions on the policy parameters for TAS in the Budget 2026 Cabinet paper.
- 45 We will work with the Treasury on any adjustments required to reflect the Minister of Finance's direction on recognising additional savings from the ADM Remediation for TAS.

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Budget Sensitive

Offices of the Minister of Housing and the Minister for Social Development and Employment

Cabinet Expenditure and Regulatory Review Committee

Reviewing the social housing system: delivering better housing support to those who need it

Proposal

- 1 This paper seeks Cabinet endorsement for reform of the social housing system based on three key shifts, including changes to housing subsidies being progressed through Budget 2026.

Relation to Government priorities

- 2 The system shifts in this paper support the Government's goal to deliver more efficient, effective, and responsive public services, and the broader housing reform programme (including Going for Housing Growth) and the Government's Child and Youth Strategy priority to reduce child material hardship.

Executive Summary

- 3 We are already taking significant steps through Going for Housing Growth to increase housing supply, generally improve access across the market, and reduce housing costs over time. However, there will always be some people who will require direct support from the Government with housing.
- 4 The Government currently supports over 465,000 households either through direct provision of housing at a highly subsidised rate (social housing) or through assistance with housing costs in the private housing market (Accommodation Supplement (AS)). Cumulatively, we spent over \$5.5 billion last year on this system of subsidies and housing.
- 5 However, the current system has fundamental and longstanding problems that mean it fails the most vulnerable people it is designed to help and is fiscally unsustainable:
 - it is unfair because people in similar circumstances receive very different levels of support,
 - social housing is expensive and our limited stock is not used effectively, and
 - people are stuck in social housing dependency, with no expectations and poor incentives to move toward independence, meaning others in higher need miss out.
- 6 Addressing these problems will not be easy as it will create disruption to the status quo and require tough decisions on who can access social housing and for how long (even existing social housing tenants). However, reforming the system will deliver a fairer, more effective, and more efficient social housing

system over the long-term, while the cost of inaction will be further stagnation of the social housing system.

- 7 We are seeking Cabinet agreement to address the systemic issues through a broad multi-year reform of the social housing system that would:
 - **refocus our limited social housing to those who face severe and persistent barriers to accessing private housing:** we will develop a new needs assessment focused on identifying persistent barriers to accessing private market housing
 - **improve sustainable flows through and out of social housing to housing independence:** we will develop a package of interventions designed to reset the expectations of tenants once they are in a social house. These could include defined tenancy lengths, a responsibilities framework more aligned to the social security system, targeted supports for households, a bridging subsidy, and cost-effective alternatives for people in high housing need
 - **improve equity and reduce financial disincentives to move toward independence:** the system of housing subsidies should not disincentivise recipients from improving their personal circumstances or moving into private market housing, while also making work pay. Budget 2026 changes will start to rebalance the housing subsidies for those in social housing and private market housing.
- 8 Overall, we want to create a social housing system that is fair, represents value for money, supports upward mobility, and where those in most need receive help for the period that they need it. This means not having a one-size-fits-all approach to helping households. We should be more deliberate and targeted when using our existing range of supports. Some households will need targeted support for a short time, while others will need sustained support for a long period or for life.
- 9 We propose to make a meaningful start on addressing the underlying inequities and improving incentives through Budget 2026, by:
 - increasing the minimum Income-related Rent (IRR) contribution for social housing tenants¹ from 25 to 30 percent of income so that such tenants pay rents that are more in line with, but still lower than, what low-income private market households experience. Increases to rent contributions for tenants will be phased in over the twelve months from 1 April 2027 (at the time of a tenant's annual review)
 - reinvesting the savings from the IRR contribution change to increase the maximum rates of the AS for low-income private market households by between ~\$10 and ~\$30 per week.
- 10 At the same time, the Minister for Social Development and Employment proposes to reduce the maximum payments of Temporary Additional Support (TAS). TAS is a hardship payment that has become increasingly relied on to

¹ This change would also apply to Emergency Housing (EH) and Transitional Housing (TH) contribution rates.

cover private sector housing costs, contributing to poor incentives to work. Maximum TAS payments were allowed to increase as benefit rates were raised by the previous Government, which worsened the poor work incentives. The increase to the AS maxima will also reduce reliance on TAS.

- 11 We are also proposing to continue to invest in additional social housing places in Budget 2026 by funding an additional 1800 to 2250 places over two to three years through the Flexible Fund.²
- 12 The review of the social housing system will require legislative change and investment through future Budgets. We propose to announce the direction of system change alongside the policy initiatives in Budget 2026 s 9(2)(f)(iv)

Background

- 13 Our Going for Housing Growth programme and changes to rental policy are focused on increasing the supply of housing over time and therefore access across the market generally. This will reduce housing costs over time and increase housing choice for people. However, there will always be people who will need support with housing, and some will require this support over the long-term. This protects the welfare of New Zealanders, and avoids the significant long-term broader system and social costs of homelessness and housing deprivation.
- 14 We spent over \$5.5 billion on housing support last year, focussed on two main interventions:
 - **Social housing:** the direct provision of a subsidised house and a social landlord through Kāinga Ora and Community Housing Providers (CHPs) for ~87,000 households via the Income-related Rent Subsidy (IRRS). Approximately 86 percent of social housing tenants pay 25 percent of their income toward their social housing rent,³ which averages an annual ongoing cost of \$22,500 per household for IRRS alone.
 - **AS:** a subsidy to help cover some of the costs of private market rental housing, which is accessed by 378,000 low-income households costing an average of \$6,000 per family unit per annum.
- 15 Key elements of the current system (the needs-based approach to targeting social housing and supporting people with the AS) have been in place for more than two decades. Despite being formally removed with the introduction of tenancy reviews, many people still perceive a social house as “a house for life”, with current tenants expected to spend on average a further 16.7 years in social

² These places would be delivered from 2028/2029, following the current Flexible Fund places.

³ Tenants with incomes above a threshold pay 50 percent of their income above that threshold, up to the market rent. As at February 2026, 86 percent of tenants contributed 25 percent of their income to rent, 13 percent paid more than 25 percent but less than market rent, and one percent paid market rent so did not qualify for the IRRS.

housing. This is reinforced by system settings that limit mobility toward housing independence and constrain new vacancies to house those in need.

We have already taken steps to improve the housing and welfare systems

- 16 The 'Kāinga Ora Turnaround Plan' refocuses its core role on delivering social housing, being an effective social housing landlord, maintaining its assets well, and being financially sustainable. The Flexible Fund and housing investment system are also already improving value for money from our new investment. We have also established a lending facility for the Community Housing Funding Agency and a bank loan guarantee scheme to help lower costs for Community Housing Providers to access financing.
- 17 Budget 2026 intends to take decisions on the future of the Flexible Fund, proposing an additional 1800 to 2250 places over two to three years, which will complement the improved social housing utilisation this system review is seeking to deliver. We will ensure our new investment complements the changes we are proposing in this paper.⁴ It is also intended to sustain momentum of social housing delivery and establish a long-term investment pipeline to drive better value for money and provide greater certainty to the community housing sector.
- 18 Housing subsidy changes agreed through previous Budgets created savings by increasing the AS entry threshold for some homeowners, tightening the support targeted to this group (to be implemented on 1 April 2027), and ensuring that housing contributions from all boarders are counted when assessing eligibility for and the rate of AS and IRR (implemented on 2 March 2026).
- 19 We have also significantly reduced the number of households in emergency housing because of measures we put in place. This included a Priority One fast track for social housing that focused on moving families with children out of emergency housing into warm, dry, and safe homes.
- 20 We have emphasised the need for robust data on homelessness. Where it has been needed most, we have increased support for people who are rough sleeping in main centres, including through additional funding for IRRS social housing places for people in the Housing First programme who were living without shelter.

Our current social housing system is unfair, with people in similar circumstances receiving very different levels of support

- 21 Analysis has shown that many people receiving the AS and in social housing are in similar financial circumstances but receive different levels of support. Social housing offers benefits to tenants that don't exist for private market renters who face similar circumstances. These include ongoing security of tenure and limited responsibilities, expectations, opportunities, or incentives to leave or downsize when their household structure changes.

⁴ In addition to new investment, Kāinga Ora is also undertaking a long-term renewal programme of its social housing stock which will improve the efficiency of its assets and, over time, help better match the type of housing to need (e.g. through an increased number of one and two bedroom homes).

- 22 The inequitable gap between the subsidies (IRR and AS) disincentivises independence and leaves many private renters with worse after housing cost incomes. On average, social housing tenants on a main benefit have \$105 per week more (\$109 for families without children and \$60 for families with children) in the hand after their housing costs compared to their equivalents in the private market receiving AS.

Table 1: After subsidy rent⁵ and subsidy received for different household types⁶⁷⁸

Scenario	Social Housing Income-related Rent (IRR)	Private Housing AS only		Private Housing AS and TAS (if eligible)	
		(difference in net rent paid compared to IRR)		(difference in net rent paid compared to IRR)	
Sole parent beneficiary with one child in Rotorua – market rent of \$450	• Subsidy received \$287 • After subsidy rent \$163	• Subsidy received \$105 • After subsidy rent \$345	\$182	• Subsidy received \$222 • After subsidy rent \$228	\$65
Older couple in Auckland, only receiving NZ Super – market rent of \$420	• Subsidy received \$213 • After subsidy rent \$207	• Subsidy received \$149 • After subsidy rent \$271	\$64	• Subsidy received \$149 • After subsidy rent \$271	\$64
Single adult receiving Jobseeker Support in Christchurch – market rent of \$260	• Subsidy received \$170 • After subsidy rent \$90	• Subsidy received \$105 • After subsidy rent \$155	\$65	• Subsidy received \$119 • After subsidy rent \$141	\$51

- 23 Part of the reason for the disparity is that the maximum subsidy amount for people receiving AS was last updated in 2018 based on 2016 market rents, and does not automatically adjust. The Income-related Rent Subsidy, on the other hand, automatically adjusts to increase in line with market rents.
- 24 Nearly a third of AS recipients also need to access TAS as they do not have sufficient income to meet essential costs. TAS is a temporary non-taxable hardship assistance payment aimed at addressing insufficiency of income. While it is not intended to act as a housing subsidy, 95 percent of allowable costs

⁵ For the purposes of comparison, market rent is the same in the scenarios above, but in practice the underlying market rent is often higher in social housing than for the private rentals rented by AS recipients, which means that the level of subsidy for IRR recipients would accordingly be higher

⁶ These scenarios represent households who receive benefit income only.

⁷ This table shows the rent paid by tenants and the housing-related subsidies they receive. It does not show households' total income or their income after housing costs. As a result, households may have materially different levels of disposable income even where rent and subsidies appear similar. For example, in these scenarios, a household receiving New Zealand Super will generally have more income remaining after housing costs than a household receiving Jobseeker Support or a sole parent receiving Sole Parent Support.

⁸ These results are based on the assumption the household is paying lower quartile rent in their Territorial Authority for a home with the number of bedrooms they require to avoid overcrowding. The IRR results are based on the assumption a household would pay 25% of their net income on rent.

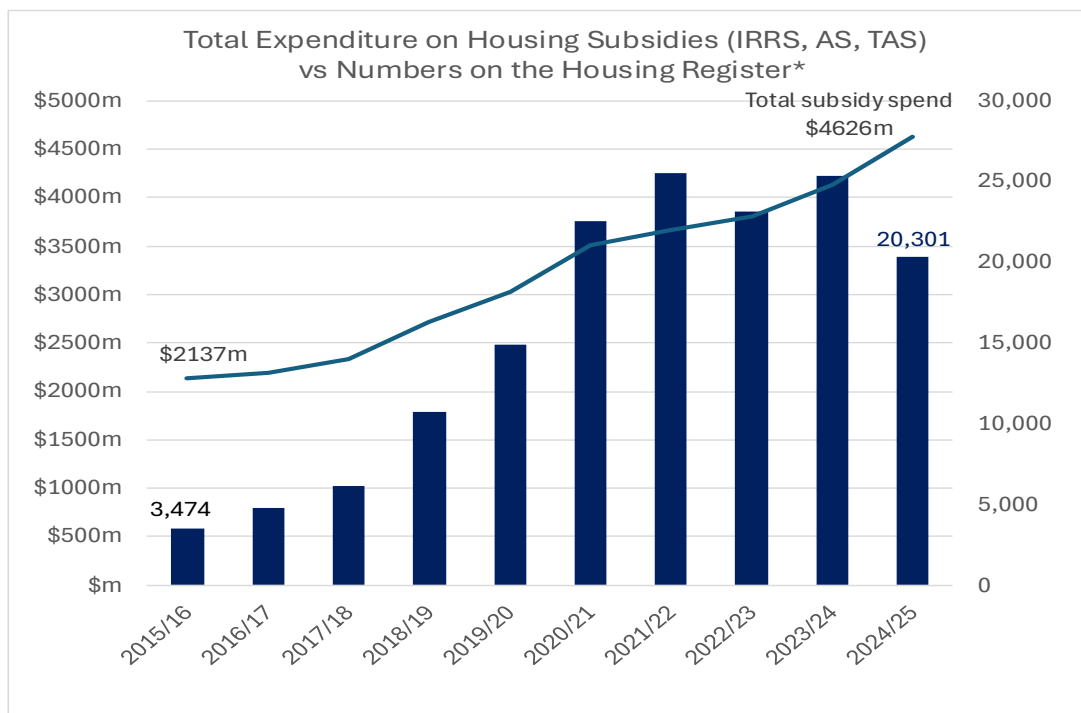
claimed are for accommodation costs. Updating the maximum rates of the AS will go some way to reducing the reliance on TAS.

- 25 The maximum rate of TAS is tied to benefit rates, which have increased greatly over the last decade, therefore also increasing the maximum rate of TAS. While the AS has some settings that incentivise recipients to economise on their housing costs and move towards increased independence through work, TAS has a 100 percent abatement rate that creates significant disincentives to work or economise on housing. Reliance on TAS for meeting housing costs therefore runs counter to government objectives to make work pay.

Social housing is expensive and our limited stock is not used effectively

- 26 The total cost of government funded housing support was over \$5.5 billion⁹ last year, with the cost of IRRS expected to grow with market rents. About \$4.8 billion of this was spent on housing subsidies in the twelve months to November 2025, including \$1.9 billion on IRRS, \$2.3 billion on AS, and \$577 million on TAS. The annual average¹⁰ cost for an existing social house is \$22,500 (IRRS only) and \$45,000 for a new place (includes the Operating Supplement).¹¹

Figure 1: Total housing subsidy expenditure (IRRS (including Operating Supplement), AS, TAS)¹² and number on applicants of the housing register¹³



⁹ In addition to housing subsidies, this includes transitional Housing, Public Housing Services (Housing first, Rapid rehousing etc), MSD housing support products and EH.

¹⁰ The average costs do not include broader operating or capital expenditure.

¹¹ The Operating Supplement is a government funding subsidy paid to Kāinga Ora and registered community housing providers to meet the difference between new build costs and market rents. Kāinga Ora does not receive an operating supplement when renewing properties.

¹² Housing subsidy expenditure is per financial year and includes the Operating Supplement.

¹³ Housing register is as at 31 December for each year and does not include the transfer register.

- 27 Social housing involves providing access to a home (which often means ownership or long-term leasing by KO and CHPs), higher tenancy management¹⁴, and building new homes where the market is unlikely to supply the typology needed. This makes social housing a more expensive intervention, so we need to ensure it is targeted to those that need it most for the period they need it.
- 28 Officials advise that the current social housing assessment system (the Social Allocation System¹⁵ (SAS)) uses a complex mix of questions that significantly overweight immediate affordability challenges which are widely felt and underweights persistent access needs. s 9(2)(g)(i)
- We need to target the places to those who need them most and face genuine barriers to housing beyond affordability. Affordability, when not paired with other access barriers, is best addressed through private market subsidies and fixing the housing market.
- 29 Getting into social housing can take a long time and is not guaranteed, even for those who could benefit most. This is partly the result of SAS, but also because there is not enough of the right type of social housing in the right place. Currently, there are nearly ~20,000 applicants on the social housing register,¹⁶ with people placed into a social house waiting on average 151 days. Of those on the register, over half (53%) need a one-bedroom home.
- 30 This Government doesn't accept that the answer to New Zealand's housing crisis/affordability challenge is simply to build a huge number of social houses at vast expense. We are focused on fixing the wider housing system. Through Going for Housing Growth we will increase supply, improve access and reduce housing costs over time, however some new investment in social housing places will still be required.
- 31 In addition, achieving sustainable flows will be critical to improving the system. Modelling shows that an extra ten percent of social housing tenants exiting after five years could free up an extra 6,000 social housing vacancies over ten years¹⁷. With a limited stock of 87,000 social houses, this represents a significant opportunity to get people in need into social housing faster.

People are stuck in social housing dependency, with disincentives to improve their personal circumstances, meaning others in higher need miss out

- 32 Once most people are allocated a social house they have long-term tenure security and their needs are not re-assessed in most cases. They receive subsidised rent but are not required to do anything to reduce their need for that support. Housing support recipients face disincentives to improving their

¹⁴ Kainga Ora is funded in line with market rents, so its provision of tenancy management is only done on the basis that it can leverage its scale to do so i.e. this isn't provided at an additional cost to the system.

¹⁵ When the housing needs assessment function, including SAS, was transferred from Housing NZ Corporation to MSD, resource was not made available to integrate it with MSD systems.

¹⁶ An additional 5,000 people are on the housing transfer register.

¹⁷ Resulting in up to a nineteen percent increase in the number of new tenancies.

personal circumstances, either through poor incentives to work or earn more income or through increased housing costs for those who move from social housing to private market housing.¹⁸

- 33 The lack of substantive responsibilities for social housing tenants is out of step with subsidies received through the social security system. For example, people receiving Jobseeker Support are obliged to seek work and re-apply for their benefit every 26-weeks. In contrast, social housing tenants do not need to re-apply for support and there is no responsibility to search for private market housing or move toward housing independence.
- 34 As a result, social housing is seen by many as “a house for life” and is not utilised as a stepping stone toward housing independence, which the system settings have reinforced. Data shows that people currently in a social house will spend on average a further 16.7 years of their life in social housing.
- 35 Improving mobility through social housing offers an opportunity to improve people’s housing independence while simultaneously freeing up social housing places for those currently facing housing deprivation. However, to improve mobility, we must reset expectations with new levers in the system.

We propose three key shifts for the future of the social housing system

- 36 To resolve longstanding system issues, we propose a multi-year programme of reform focussed on three key shifts (outlined in the subsequent sections). Giving effect to the proposed shifts will demand hard choices to reset the system, shifting expectations that social housing offers a house for life and is instead a house to support need. To give those in greater need a fair go, social housing tenants who can move toward housing independence will be expected to do so.
- 37 The three key shifts will give effect to our five objectives for the future of the social housing system:
 - ensuring more equitable outcomes including through more timely support that better matches need,
 - supporting people for the duration of their housing need, including to housing independence where appropriate,
 - providing value for money by maximising the impact of government investment,
 - providing incentives for people receiving assistance to work, and
 - supporting optimised investment in housing supply.

¹⁸ Social Housing tenants may still be subject to tenancy reviews, paying rent and meeting other tenancy responsibilities listed under the Residential Tenancies Act 1986.

- 38 Additionally, the system review will focus on supporting the Government's Child and Youth Strategy priority to reduce child material hardship.
- 39 Overall, we want to create a social housing system that is fair, represents value for money, supports upward mobility, and where those in most need receive help for the period that they need it. This means not having a one-size-fits-all approach to helping households. We should be more deliberate and targeted when using our existing range of supports. Some households will need targeted support for a short time, while others will need sustained support for a long period or for life.

Key Shift One: Refocusing social housing on those who face severe and persistent barriers to accessing private housing

- 40 As social housing is a higher cost response, it should go to those who need it the most by focusing on access need. Affordability will remain relevant for social housing assessment but is best dealt with through effective subsidies rather than providing a house. Focusing on access need would create a more equitable social housing system with clear distinctions between the needs of those in social housing and those in similar financial positions in the private housing market.
- 41 Someone has a housing access need if they cannot obtain or maintain private market housing (including within other households) without support due to barriers beyond affordability.
- 42 Access barriers include **typology** barriers (e.g. a lack of supply of suitably sized or accessible housing in the local area), **selection bias** (e.g. repeated rejections of applications for private rentals), **financial barriers** (e.g. a history of rent arrears which makes it difficult to obtain housing, even if financial assistance is provided), and **social functioning** barriers (e.g. an inability to navigate housing-related processes due to mental health issues or addiction).
- 43 To implement this approach, we are considering how a new social housing needs assessment could be designed to focus on the severity and persistence of the above access barriers households face. It would:
- place greater emphasis on factors **over and above widely-felt affordability**¹⁹ issues (the primary focus of the current needs assessment)
 - focus on the **severity of access barriers** i.e. the impact a household's situation has on their ability to obtain and maintain housing, rather than on the presence of particular situations
 - capture the **persistence of access barriers**, which means we would no longer focus on the 'urgency to move' (relying on other government interventions to respond to urgent need) and instead focus on people who have ongoing barriers to obtaining and maintaining housing.

¹⁹ On the basis of affordability only, many working age beneficiaries would be prioritised for social housing.

This will impact who is prioritised for social housing, and there will be trade-offs associated with these changes

- 44 We know that some households are currently prioritised for social housing primarily because they experience affordability issues, or because their current housing situation is urgent. In the new system, these people would only be prioritised if they also had ongoing barriers to obtaining and maintaining private housing (which some of them likely would not).
- 45 Our initial view is that barriers related to social functioning may be a key focus of the new needs assessment because these barriers potentially create a need for all of the interventions social housing provides – a house, social landlord, and relatively secure tenure. People with specific accessibility needs related to disabilities would have high levels of typology barriers because of the limited stock of accessible properties in the private market.
- 46 These changes may have significant impacts on the prioritisation of specific population groups and household types. s 9(2)(f)(iv)
- 47 A focus on households with the most severe and persistent barriers to obtaining and maintaining private market housing will potentially impact the workload associated with managing tenancies for Kāinga Ora and CHPs (and for the Ministry of Social Development (MSD)), and the stock of social housing required. It may also have operating model/policy lever implications for social housing providers. It could create a tension with our aim to improve mobility if the majority of tenants need longer term housing due to persistent barriers. However, it would better utilise social housing and enable more cost-efficient interventions like the AS to support those who primarily need financial support.

Key Shift Two: Improving sustainable flows through and out of social housing to housing independence

- 48 It will not be possible to effect change without improving the flow out of social housing. We are therefore developing a package of interventions to be developed to reset the expectations for social housing tenants, while providing the appropriate mix of support and incentives to move towards housing independence, including:
- setting duration limits to create defined tenancy lengths for people in social housing (with some people being exempt where their need is not time-limited)
 - a responsibilities framework to ensure social housing tenants have, and are aware of, responsibilities to improve their situation and move toward housing independence. We will also ask officials to look at the role of social landlords
 - new or better targeted supports to help households address their barriers to obtaining or maintaining private market housing

- regular interactions with tenants to identify changing needs, ensure ongoing eligibility, and reinforce responsibilities²⁰
- alternative ways to address access barriers for people.

Key Shift Three: Improving equity and the financial incentives toward independence by reducing the gap between the cost of private and social housing

- 49 People receiving housing support should not be disincentivised to improving their circumstances, whether that be getting a job, working more hours, or moving into private housing.
- 50 We are seeking to improve equity between those in social housing and those in private housing by dealing with issues in the design of IRR, AS, and TAS. These issues are long-standing, deep-seated, and systemic. It will take a concerted programme of reform to set the system on a path to sustainability.

51 s 9(2)(f)(iv)



Budget 2026 changes will make a meaningful start on improving equity and incentives in the system of housing subsidies

- 52 Through Budget 2026, we are seeking agreement to lower the financial disincentives to improve personal circumstances and improve equity between those in social housing and those in the private market, many of whom face the same affordability challenges. As a result, we expect these changes will increase the number of social housing vacancies for people with high housing needs in the future. Together, these changes will also generate savings of \$52m per annum.
- 53 Specifically, Budget 2026 initiatives will:
- Increase the minimum IRR contribution for people in social housing (and those in emergency and transitional housing) from 25 percent to 30 percent of their income at the date of their first annual review or change of circumstances (whichever comes first), commencing 1 April 2027 and generating savings of \$97m per annum.
 - Increase the maximum weekly AS amount for people in all areas by between ~\$10 and ~\$30 per week. This change will utilise most of the savings per annum outlined above, reinvesting \$94m per annum.

²⁰ This work will consider the future of tenancy reviews.

- Reduce the maximum rate of TAS to account for unintended increases in line with benefit increases under the previous Government, which is expected to generate savings of \$49m per annum.
- 54 The IRR contribution rate change will result in increased rents for ~87,000 households by an average of \$31 per week. Social housing tenants (and those in emergency and transitional housing) will pay closer to, but still less than, what those in the private market pay. Social housing tenants will still be financially better off in terms of after housing income compared to those supported by AS and TAS. The largest proportionate increases will be targeted to areas where market rents have grown the most since 2016.
 - 55 Reducing the maximum rate of TAS will reduce reliance (by 15 percent by 2029/30) on TAS as a housing payment (with poor incentives to work and to reduce unusually high housing costs due to its 100 percent abatement rate). This change is more likely to effect private market households on a benefit, partly accounting for unintended TAS increases over recent years.
 - 56 We have not been able to undertake TAWA²¹ modelling of child poverty and material hardship impacts of this package in this paper. Based on previous modelling of the constituent components of this package, officials advise that there is unlikely to be a statistically significant impact on income measures of child poverty.
 - 57 There will, however, be both positive and negative impacts on different groups of children experiencing material hardship and income poverty. From the data available we can say that 33,000 families with children will receive an income gain of up to \$25 per week and 19,000 receive a gain of more than \$25 per week.
 - 58 On the other hand, 12,000 families have a loss of up to \$25 per week and 27,000 have a loss of more than \$25 per week. The average losses are slightly more than the average gains, and many or even most children on both sides of this equation will be experiencing material hardship with those receiving TAS and IRR having higher rates than AS recipients.
 - 59 These changes rebalance housing subsidies so that people in social housing pay after-subsidy housing costs that are closer to, but still less than, their equivalents in the private market. While social housing tenants, on average, have higher equivalised after housing cost incomes than their counterparts in private market housing, a higher proportion of social housing tenants experience material hardship.
 - 60 Impacts on families experiencing material hardship are mitigated to a degree by the intended policy benefits of the package, particularly in the medium term. For example, these changes will improve the incentives for recipients to work and exit benefit (particularly through the TAS change) or to move toward housing independence (by rebalancing IRRS and AS).

²¹ Treasury's Tax and Welfare Analysis Model.

- 61 By reducing disincentives for social housing tenants to move into private market housing, these changes should increase the number of new social housing vacancies for people with high housing needs. These changes will improve the financial sustainability of the housing support system.

Stakeholder engagement should inform design of the new system

- 62 To inform the design of changes to give effect to the above shifts, once we have announced the direction for social housing, we will direct officials to engage with a targeted group of stakeholders in the coming months. This phase of engagement will focus on the policy proposals to give effect to the three key shifts.

Implementation

- 63 Further advice on the implementation changes to the social housing system will be provided when agreement is sought to the specific proposals for change, following targeted stakeholder engagement. s 9(2)(f)(iv)
- 64 An overview of the proposed work programme, including report backs to Cabinet, is outlined in Appendix B.

Treaty Implications

- 65 Māori are overrepresented as households in high housing need, including as social housing tenants and on The Register. A well-functioning social housing system where those in need can access support should provide benefits to Māori with high housing need. There is some Treaty risk, primarily relating to the principles of equity and partnership associated with this work, due to the overrepresentation of Māori in need and because we have not yet engaged with external stakeholders on this work. Officials will undertake targeted engagement later this year, including with iwi and Māori, to strengthen our proposals for change.

Note: Limited targeted engagement was undertaken in 2025, including with a Māori stakeholder.

Cost-of-living Implications

- 66 The proposed change to the IRR contribution rate will increase the housing costs for most social housing tenants, bringing their housing costs closer to (but still more favourable than) low-income people in the private market. This is balanced with increases in housing subsidies for those in the private market (through the AS). A reduction in the maximum rate of TAS will reduce the incomes of some people but accounts for increases over recent years.
- 67 The combined package of Budget initiatives outlined in this paper impact 240,000 families. There are 111,000 families who gain income (on average \$14.91 per week), and 129,000 who lose income (on average \$24.04 pw). Gains are a result of the increase to the AS maxima while losses are a result of the IRR contribution rate change or the TAS maxima change.

Financial Implications

- 68 The financial implications of the proposed changes to IRR contribution rates, TAS and the AS maxima will be presented to Cabinet for final decisions in the Budget Cabinet paper in early May 2026. These changes will generate \$52m in fiscal savings per annum.

Legislative Implications

- 69 The proposal to increase the minimum IRR contribution from 25 percent to 30 percent of income will require an amendment to regulation 5 of the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018. The increase to the contribution for people in emergency housing will require an amendment to the Emergency Housing Grants Programme under the Social Security Act 2018.
- 70 Increases to the maximum weekly rates of the AS will require an Order in Council under section 452 of the Social Security Act 2018.
- 71 Reducing the maximum rate of TAS will require an Order in Council under section 428 of the Social Security Act 2018.
- 72 The other proposals to give effect to the three key shifts outlined in this paper are likely to require primary or secondary legislation change. Further advice on the legislative implications will be provided when agreement is sought for these proposals.

Impact Analysis

Regulatory Impact Statement

- 73 A Regulatory Impact Statement (RIS) for the IRR and TAS changes has been completed and are provided alongside this paper.
- 74 The RIS for the change to IRR contributions was reviewed by a panel of representatives from the Ministry of Housing and Urban Development (HUD). It received a 'meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions. The panel did not consider whether this RIS meets consultation requirements as this RIS informs Budget decisions and consultation would breach Budget confidence.
- 75 The RIS for the change to TAS was reviewed by a panel of representatives from MSD and HUD. It received a 'partially meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions. This assessment recognises that there were limitations on the analysis as it relies on evidence of effectiveness of financial incentives to work, which are mixed and largely theoretical and that there has been no specific public consultation on the proposals.

- 76 The proposal to increase the maximum rates for the AS is exempt from the requirement to provide a RIS on the grounds that the economic, social, or environmental impacts are limited and easy to assess.

Climate Implications of Policy Assessment

- 77 There are no CIPA-related implications in this paper.

Population Implications

- 78 The proposals in this paper will enable delivery of better housing support to those who need it. This will improve the impact and effectiveness of government investment through better targeting of housing and support where, when and how it is required. Further work to develop policy proposals to give effect to the three key shifts will consider the population implications in more detail.
- 79 Those who gain income from the Budget 2026 initiatives outlined in this paper are more likely to be a low-income working household in private market housing. Those who lose income are more likely to be in social housing.
- 80 Māori are overrepresented in high housing need including in the social housing system – Māori account for 30 percent of AS recipients, 35 percent of social housing tenants, 40 percent of those on the Register but only 18 percent of the population. Due to the over-representation of Māori in the programmes included in the Budget 26 package of housing subsidy changes, Māori are disproportionately impacted in both families with losses and in families that gain from the package.
- 81 Compared to the total population of families, Māori make up approximately 40 percent of the number of families who are worse off. These families have an average loss of \$23.85 per week compared to average loss for the total population of \$24.04 per week. Māori are also overrepresented in the families that gain from this package, representing 31 percent of those who gain, with an average gain of \$15.53 per week, compared to an average gain of \$14.91 for all families who gain.
- 82 Other population groups overrepresented in social housing or AS receipt include Pacific peoples, refugees, sole parents, people exiting prison, young people leaving state care, and disabled people (including people with health conditions). The diverse needs of these populations, and potential implications of policy proposals being developed, will continue to be considered as part of further work.
- 83 Further work as part of the Review of the Social Housing System will consider the diverse needs of disabled people and how these could be addressed, reflecting action seven of the New Zealand Disability Strategy.

Human Rights

- 84 The focus on providing more targeted social housing to those in greatest need is a positive step in terms of fulfilling the right to housing as articulated in the International Covenant on Economic, Social and Cultural Rights to which New

Zealand is a party. Proposals to give effect to the three key shifts will likely have a disproportionate effect on particular groups (both positive and negative). Due consideration needs to be given to the potential for discriminatory impacts and if so whether they can be justified.

Use of external resources

85 No external resources have been used in the preparation of this paper.

Consultation

86 The following government agencies have assisted in the development of the policy proposals and were consulted on a redacted version of this Cabinet paper due to Budget sensitivity: Department of Corrections, Ministry for Ethnic Communities, Ministry of Health, Ministry of Justice, Kāinga Ora, Ministry for Business, Innovation and Employment, Ministry for Women, Ministry for Regulation, Ministry for Pacific Peoples, Oranga Tamariki, Public Service Commission, Social Investment Agency, Te Puni Kōkiri, and Whaikaha. The Treasury and the Department of the Prime Minister and Cabinet were consulted on the unredacted paper.

Communications

87 We propose to announce the proposals outlined in this paper alongside Budget 2026 via a press release.

Note: This was announced on 21 May - <https://www.beehive.govt.nz/release/delivering-fairer-social-housing>

Proactive Release

88 We propose proactively releasing this Cabinet paper alongside Budget 2026 communications. Redactions will be applied as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Housing and the Minister for Social Development and Employment recommend that the Committee:

- 1 **note** that the social housing system has longstanding problems relating to fairness, utilisation of our social housing stock, value for money, and social housing dependency
- 2 **note** that the scope of this review comprises the government provision of social housing and system of housing subsidies
- 3 **agree** to policy development on three key shifts to inform the direction of the future social housing system:
 - 3.1 refocus social housing on those who face severe and persistent barriers to accessing private housing
 - 3.2 improve sustainable flows through and out of social housing to housing independence

- 3.3 improve equity and reduce financial disincentives to move toward independence
- 4 **agree** that Ministers publicly communicate the aims of the review and key shifts as part of Budget 2026 announcements
- 5 **note** that Ministers will approve the scope, targeting, and nature of stakeholder engagement to be undertaken by MSD and HUD officials, focussed on policy proposals for the future of the social housing system in line with the key shifts outlined in this paper to inform further advice
- 6 
- 7 **note** that changes to the minimum IRR contribution rate (for social housing, emergency housing, and transitional housing), the AS maxima and TAS, including fiscal implications, as outlined in this paper, will be submitted for Cabinet approval in early May 2026 as part of Budget 2026

Authorised for lodgement

Hon Chris Bishop and Hon Louise Upston

Minister of Housing and Minister for Social Development and Employment

Appendices

- A. Slide deck for Cabinet committee discussion
- B. Forward work programme
- C. Regulatory Impact Statement: Changes to Tenant Contributions Through Income Related Rent
- D. Regulatory Impact Statement: Reducing Temporary Additional Support expenditure

Appendix A: Reviewing the social housing system: delivering better housing support to those who need it

In July 2024 Cabinet agreed that one of the key roles for government in housing is to deliver better housing support to those who need it. One of the key ways we do this is through the social housing system.

The objectives for this Review are:

- ensuring more equitable outcomes for people including through more timely support that better matches need
- better value for money and financial incentives (to work and moving people toward housing independence)
- supporting people for the duration of their housing need
- optimised investment in housing supply.

Additionally, the Review will focus on supporting the Government's Child and Youth priority to reduce child material hardship target.

Key elements of the social housing system

Income Related Rent (IRR) and Income Related Rent Subsidy (IRRS)

- IRR is the rent paid by social housing tenants and is set at 25 percent of income (rising to 50 percent above a threshold, and capped at market rent).
- IRRS is paid to the provider to subsidise the difference between IRR and market rent to equalise the provision of SH to provision in the private rental market.
- There are ~87,000 households paying IRR.
- As of September 2025, average support provided via the IRRS is \$410 per week (per tenancy).

Accommodation Supplement (AS): provides income support for low-to-middle income households primarily within the private market that are experiencing housing costs above a threshold. It partially subsidises those costs while attempting to retain incentives to economise on housing costs, move toward increased independence through work, and to minimise market distortion.

- There are 385,000 recipients of the AS. As of September 2025, the average AS payment was \$114 per week (per family unit).

Temporary Additional Support (TAS): a non-taxable hardship assistance payment paid as a “last resort” to help people with their regular essential living costs that cannot be met from their income and other resources. It is income and cash asset tested and is intended to be temporary paid for a maximum of 13 weeks, after which people can reapply to continue to receive support.

- There are 111,000 recipients of TAS as at September 2025. 95% of TAS expenditure is on housing costs, and it is generally not temporary in practice as housing costs are difficult to economise on.

We propose three key shifts to reset the system

To resolve longstanding system issues, we propose a multi-year programme of reform focussed on the three key shifts outlined below. Giving effect to these shifts will demand hard choices to reset the system, shifting expectations that social housing offers a house for life and is instead a house to support need. To give those who need a house a fair go, social housing tenants who can move toward housing independence will be expected to do so.

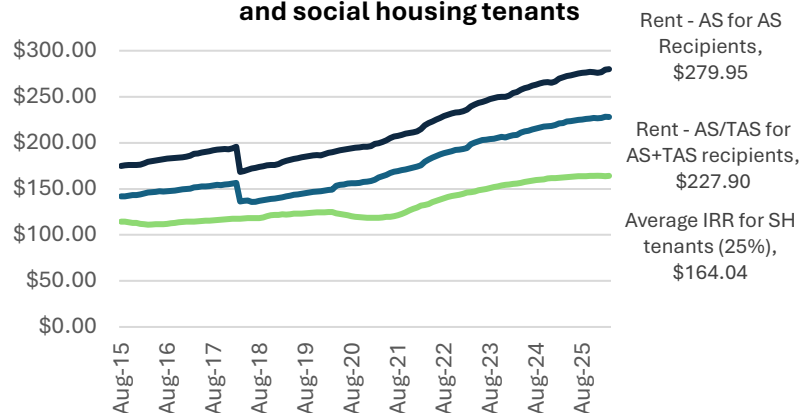
(1) Refocus our limited social housing to those who face severe and persistent barriers to accessing private housing.	(2) Improve sustainable flows through and out of social housing to housing independence.	(3) Improve equity and reduce financial disincentives to move into private housing.
We will develop a new needs assessment that will: - place greater emphasis on factors over and above widely-felt affordability issues (with housing subsidies intended to address affordability) - focus on the severity of access barriers and the impact a household's situation has on their ability to obtain and maintain housing - capture the persistence of access barriers to ensure social housing is prioritised for those with ongoing barriers to obtaining and maintaining housing.	We are exploring a package of interventions to promote sustainable mobility toward housing independence, such as: - defined tenancy lengths - a responsibilities framework more aligned to the social security system - targeted supports for households - a bridging subsidy - cost effective alternatives to secure access to housing for people in high housing need.	- Increase the minimum rent contribution rate for social housing tenants from 25 to 30 percent of income. - Reinvest savings from the above to increase the maximum rates of the Accommodation Supplement for low-income households in private market housing. - Reduce reliance on Temporary Additional Support by reducing the maximum rate, accounting for inadvertent increases.

There are longstanding, fundamental problems in the current system

The current system is unfair because people in similar circumstances receive very different levels of support

- Social housing offers security of tenure, a disproportionately generous rent subsidy, and limited responsibilities, expectations or incentives to leave or downsize as a household's situation changes.
- Many low-income households in the private market have much lower residual incomes after housing costs due to subsidy differences. The AS was last updated to reflect 2016 market rents in 2018. This has created a reliance on TAS for housing costs, creating poor incentives to work or economise on housing costs.

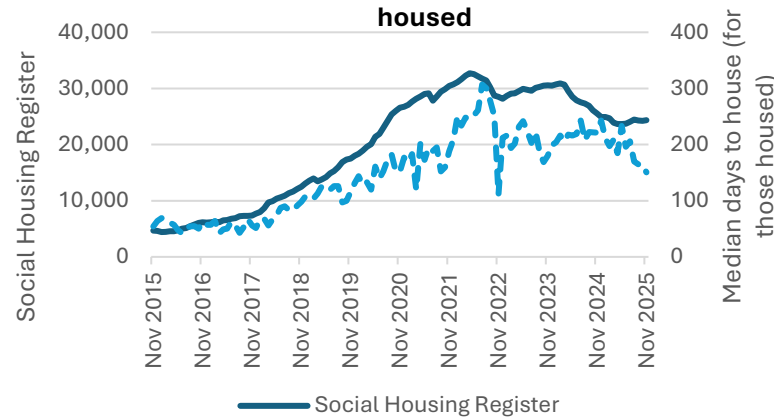
After subsidy housing costs for private market and social housing tenants



Social housing is expensive and our limited stock is not used effectively

- Government currently spends over \$5.5 billion per year on housing supports.
- Despite this spending, there are 20,000 people on the register, waiting on average 151 days to be housed.
- The current social housing assessment uses a complex mix of questions that significantly overweight immediate affordability challenges and underweights persistent access needs.
- Our greatest opportunity to increase the number of new placements for social housing is to improve mobility toward housing independence.

Social housing register and median days to be housed



People are stuck in social housing dependency, with no expectations and poor incentives to move toward independence, meaning others with higher needs miss out

- The current system disincentivises people to move toward housing independence, and many view a social house as a house for life.
- There are limited responsibilities or expectations on social housing tenants to move toward independence. This contrasts with the responsibilities placed upon beneficiaries in the income support system, who are required to re-apply for their benefit every 26 weeks and are obligated to search for (or prepare for) work.
- Social housing tenants are expected to spend a further 16.7 years of their life in social housing

Expected future years in social housing



Budget 26 initiatives will make a start by rebalancing housing subsidies

- These four Budget 2026 initiatives make a start to changing our social housing system by reducing the size of the gap between social housing and private market housing costs for low-income households. This will improve equity and incentives to move toward housing independence.
- s 9(2)(f)(iv)

Increasing the minimum Income-related Rent contribution rate for social housing tenants

- IRR will be set at a minimum rate of 30 percent of income (up from 25 percent) for social housing tenants at the time of their next annual review after 1 April 2027. This will also apply to people in emergency housing or transitional housing after 1 April 2027.
- This will increase rents social housing tenants, bringing their after-housing cost incomes closer to, but still more favourable than, private market households receiving the Accommodation Supplement and Temporary Additional Support.
- Will generate fiscal savings of approximately \$97m per annum, most of which will be reinvested in the Accommodation Supplement.

Investing in additional social housing places through the Flexible Fund

- Investing in an additional 1800-2250 social housing places over two to three years through the flexible fund.

Increasing the maximum rates for all areas of the Accommodation Supplement

- Maximum rates of AS will be increased for all areas for the first time since they were set using 2016 market rents.
- The increase will increase incomes for low-income families by between \$10 and \$30 per week. The greatest increases are targeted to areas where market rates have grown the most since 2016.
- This initiative re-invests \$94m per annum from savings generated by the IRR change.

Reducing the maximum rate of Temporary Additional Support to account for inadvertent increases in recent years

- Reduce the maximum rate of TAS to account for unintended increases in line with benefit increases under the previous Government.
- Will reduce reliance on TAS by 15 percent by 2029/30, improving incentives to work and to reduce unusually high housing costs.
- This will generate savings of \$49m per annum.

Embedding the three key shifts in the system requires significant legislative, operational and system changes

- We will make a start towards the desired end state through the Budget 2026 changes outlined in this advice.
- Officials are planning to undertake targeted stakeholder engagement over July – August to deepen understanding of and strengthen policy proposals. s 9(2)(f)(iv)
- The Review of the Social Housing system is connecting with broader work underway, including s 9(2)(f)(iv) short-term homelessness work, the Emergency Housing Target, and delivering the Housing Investment Plan.
- A full forward work programme is provided as a separate appendix.

Annex: Who receives housing assistance?

Characteristic	Count	Proportion of population with this characteristic	Of those with this characteristic, what proportion are:			
			receiving housing assistance (SH, AS, or on the Register)	in Social Housing	on the Register (some also receive AS)	receiving AS (some are also on the Register)
Disability as indicated in the 2023 Census (under count)	252,000	6%	26%	7%	2%	18%
Young people leaving state care (OT) (aged 16 to 25)	14,000	2%	58%	16%	9%	38%
People exiting prison in the past 12 months	8,000	0%	79%	8%	13%	66%
People exiting health facilities (acute care) in the past 12 months	267,000	6%	25%	6%	2%	17%
People in inpatient care for mental health in the past 12 months	11,000	0%	61%	13%	12%	42%
People who accessed community treatment for mental health problems in the past 12 months	153,000	4%	49%	10%	7%	36%
Refugees	13,000	0%	62%	31%	11%	25%
Sole Parent Support with Child Disability Allowance	9,000	0%	94%	22%	7%	69%
Sole Parent Support without Child Disability Allowance	68,000	2%	88%	16%	7%	68%
Total population (aged 16+)	4,220,000	100%	14%	3%	1%	10%
Total population (aged 16 to 25)	587,000	14%	16%	5%	2%	10%

As at 30 June 2024 except for mental health data which is at 31 March 2024. Housing assistance includes Social Housing (SH), Accommodation Supplement (AS), or people on the Social Housing Register. It excludes Emergency Housing and Transitional Housing (aside from those on the Register). Some people will be on the Register and receiving AS so appear in both columns.

IDI disclaimer:

Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. The results presented in this study are the work of the authors, not Stats NZ or individual data suppliers. These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit <https://www.stats.govt.nz/integrated-data/>. The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

Appendix B: RoSH work programme 2026 onwards

s 9(2)(f)(iv)

Note: A timeline was provided in the announcement slides:
<https://www.beehive.govt.nz/sites/default/files/2026-05/Review%20of%20Social%20Housing%20Slides.pdf>

s 9(2)(f)(iv)



Cabinet advice:

28 Apr 2026: **Cabinet paper on direction of RoSH and key shifts**

s 9(2)(f)(iv)

Implementation of RoSH changes:

- Subsidies (AS, IRRS and TAS)
- Eligibility settings
- Mobility package
- Needs assessment

28 May 2026: **Budget 2026 announcements** (IRR and AS changes)

June-August 2026: Phase one of targeted engagement with stakeholders, focussed on new needs assessment, mobility package, eligibility settings.

May 2026 - Jan 2027: development of framework for assessing needs, package of mobility interventions, eligibility settings, and improvements to subsidies

1 April 2027: **increase AS Maxima** [B26]

1 April 2027: **increase IRR contribution rate from 25% to 30%** [B26]

1 April 2027: **reduce maximum rate of TAS** [B26]

s 9(2)(f)(iv)

s 9(2)(f)(iv)

This timeline is indicative only. The timing of implementation is dependent on the scale and mix of initiatives progressed (including other priorities) and is subject to funding and further decision-making.



Regulatory Impact Statement: Review of social housing – Changes to Tenant Contributions Through Income Related Rent

Decision sought	Analysis to inform Cabinet decisions on legislative changes to address issues with the housing subsidy for social housing tenants.
Agency responsible	Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (supported by MSD).
Proposing Ministers	Hon Chris Bishop, Minister of Housing and Urban Development, Hon Louise Upston, Minister for Social Development and Employment.
Date finalised	16 April 2026

The proposed changes to social housing tenant contributions through Income Related Rent (IRR), subject to this assessment, aim to focus government investment to improve housing outcomes and enable investment to be targeted to where it will have the greatest impact. The Government has an important role in supporting peoples access to safe and stable housing where that need is unlikely to be met by the market, recognising that there will always be a group of people who will be unable to access and/or afford housing in the private market.

Proposals are aimed at supporting the Government objective to deliver better housing support for those who need it as part of the review of social housing system (the Review). The proposed changes in this analysis are one of a package of housing-related Budget 26 changes being considered which include increases to the Accommodation Supplement maxima and Temporary Additional Support – Formula Changes. The proposal is to deploy all of the fiscal savings from this initiative to increases in the Accommodation Supplement – significantly altering the distributional impacts and enhancing the policy objective.

Summary: Problem definition and options

What is the policy problem?

The two main housing subsidies – Income Related Rent and Accommodation Supplement - each have issues, and there are also challenges in how they operate collectively as a system.

Differences between current AS and IRR settings are creating inequities between households in similar situations receiving very different levels of support. In real terms, the gap between the after-subsidy rental costs for households on different subsidies is wide and has been widening since 2018. On average, 'after-subsidy' rent is around \$110 less for those paying IRR than those receiving AS. There are many households in the private market experiencing similar financial stress as those in social housing. The gap between after-housing costs income also works to disincentivise employment and acts as a barrier to transitioning to the private market.

What is the policy objective?

The objectives of this change are to:

- a. ensure more equitable outcomes including through more timely support that better matches need,
- b. support people for the duration of housing need, including to housing independence where appropriate,
- c. provide value for money by maximising the impact of the government's investment,
- d. provide incentives for people receiving assistance to work,
- e. support optimised investment in housing supply.

The IRR change is an important first step for the Review in delivering one of the three key shifts by improving equity through rebalancing of the housing subsidies. The other key shifts of the review are:

- **Social Housing is focused on those with the greatest access needs through a redesigned needs assessment:** people in social housing are those who have the poorest options in accessing the private rental market.
- **Increased sustainable mobility out of social housing:** people will be supported to greater housing independence, with more responsive pathways out of social housing. People who really need social housing will be able to access it more quickly.

What policy options have been considered, including any alternatives to regulation?

In September 2025 Ministers considered a range of approaches before narrowing the scope to the options presented to Cabinet and assessed in this paper, based on feasibility and alignment with the agreed objectives (REP/25/7/579, HUD2025-007655 refers).

Ministers decided to consider options that would bring the subsidies closer together – retaining the dual subsidy system but bringing support levels closer together by increasing AS and/or reducing IRR ^{s 9(2)(f)(iv)} (agreed approach).

Income related rent is set by mechanisms established in the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulation 2018. Non-regulatory options have therefore not been considered as non-regulatory pathway to bring subsidies closer together would add further complexity to the housing and welfare systems.

The following options are considered in this analysis:

- Option 1: Status quo/do nothing
- Option 2: Increase IRR from 25% to 30% from 1 April 2027 (**Ministers & Officials preferred option**)
- Option 3: Increase IRR from 25% to 30%, with subsequent increase to 35%
- Option 4: Move to 30% from April 2027 for new tenants, and for existing tenants, phasing the increase by 1% per annum.

What consultation has been undertaken?

HUD and MSD have jointly developed the options considered in this paper. The following agencies were consulted on development of these options:

- Kāinga Ora – homes and communities
- Te Puni Kōkiri
- Department of Prime Minister and Cabinet
- The Treasury

Affected parties were not consulted on this proposal as this proposal was subject to Budget secrecy.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS? Yes.

Summary: Ministers preferred option in the Cabinet paper

Costs (Core information)

There will be delivery costs for the regulators (MSD and HUD) associated with implementing the change of \$5.2m in operating and \$1.5m in capital expenditure.

There will be an increase in ongoing costs (rent) for the regulated group (social housing tenants) as the proportion of income paid towards this cost will increase from 25% to 30%. The expected impact of this change equates to 87,000 families living in social housing paying additional IRR of \$31 per week on average (~\$1,612 per annum per household). There may also be social impacts for some tenants related to the increase in rent such as material hardship, financial stress, and housing instability for those on the lowest incomes.

Benefits (Core information)

The likely benefits of the preferred option (option 2) are:

- improve equity through rebalancing of the housing subsidies (IRRS and AS),
- create a fairer system with balanced subsidy settings that reduces incentives to enter social housing and disincentives to leave, and
- deliver a fiscally neutral system change with cost-savings to the Crown.

Option 2: Changing IRR from 25% to 30% will generate savings for the Crown from the reduction of housing subsidy paid to housing providers for tenants paying IRR (IRRS, explained further in context section below). These savings are estimated to be \$131 million per annum once fully implemented, with \$369m total savings over the forecast period (\$363.7m Net Funding).

Both changes from Budget 2025, s 9(2)(f)(iv)

Balance of benefits and costs (Core information)

On balance, raising IRR to 30% is the preferred option because it best meets the objectives of this change while minimising increases in material hardship for social housing tenants. Social housing tenants (and those in emergency and transitional

housing) will pay closer to what those in the private market pay, but will still be better off in terms of after housing costs income compared to those supported by AS and TAS.

Implementation

Cabinet will need to approve an amendment to Regulation 5 of the Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018 to increase the minimum income-related rent from 25 percent to 30 percent of income. As Orders in Council, both changes will need to be published in the New Zealand Gazette at least 28 days prior to coming into force.

Implementation will occur from 1 April 2027 and will be on a rolling basis over 12 months (upon annual review). This is the earliest date that the change could feasibly be implemented, as changing a tenants IRR must be done manually (cannot be automated or completed in bulk).

The implementation date will put pressure on MSD to prioritise and assess if trade-offs are required (based on current priorities and commitments, including implementing Budget 2024 and Budget 2025 initiatives).

Limitations and Constraints on Analysis

Limited consultation has been undertaken given the sensitivity of this change. Options considered in this advice were constrained by decisions that were made by Ministers in September 2025. Ministers agreed that the impacts on household material hardship should be considered, balancing fiscal costs of offsetting impacts with the benefits of improving horizontal equity and incentives

The analysis in this advice does not consider the impacts of current economic stressors and global events, as the IRR change will not impact households until post April 2027.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager signature:

Julia Pearce,
Manager Social Housing and Other Supports

16 April 2026



Quality Assurance Statement

Reviewing Agency: Ministry of Housing and Urban Development

QA rating: Meets

Panel Comment: The RIA Panel at Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development has reviewed *Changes to Tenant Contributions Through Income Related Rent* and note that it meets RIS requirements.

The panel did not consider whether this RIS meets consultation requirements as this RIS informs Budget decisions and consultation would breach Budget confidence. [REDACTED]
s 9(2)(g)(i)

This proposal materially affects after-housing cost incomes for a large group of tenants, and the effects should be proactively monitored.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. In June 2025, Cabinet agreed that one part of the Government's role in housing was Role 2: Delivering better housing support to those who need it – supporting people into safe and stable housing (whether market or non-market) to improve the welfare of New Zealanders and minimise wider costs to society.
2. The Review of the social housing system is part of a broader programme of work to take a more focused approach to investment in housing to improve housing outcomes and support those who need it most. This programme of work includes:
 - a. Establishment of the Flexible Fund and housing investment system to focus on driving better outcomes for New Zealanders in housing need and enable funding to be better targeted to deliver the right houses in the right place, for the right people.
 - b. s 9(2)(f)(iv) [REDACTED]
3. This work programme and Ministers other priorities (including refocusing Kāinga Ora and growing the role of community housing providers) will go some way to improving the cost of delivering social housing and outcomes from investment. However, reform of housing subsidies is central to achieving the Review's goals – particularly more equitable outcomes for households in similar situations, increasing mobility to exit social housing and stronger work incentives.
4. The proposed changes in this analysis are one of a package of housing-related Budget 26 changes being considered which include increases to the Accommodation Supplement maxima and Temporary Additional Support – Formula Changes.

There are two main housing subsidies – IRR and AS – each have individual issues, and there are also challenges in how they operate collectively as a system.

5. **Income related rent (IRR)** was first introduced in 1984, and limited the rent paid by social housing tenants at 25% of their household income. Households who meet the eligibility criteria can apply for the social housing register to be allocated a house and receive IRR. It was removed in 1993 when tenants were shifted to market rents and became eligible for AS, then reinstated in 2000. At this time, Income Related Rent

Subsidy (IRRS) was introduced, which is paid to housing providers to cover the gap between IRR and market rent.¹

6. The **accommodation supplement (AS)** was introduced in 1993 and, for a renter, provides up to a 70 percent subsidy of housing costs that exceed 25 percent of the base rate of benefit and Family Tax Credit, up to specified maxima. These 'maxima' are based on geographic location and family size. Maximum rates have not been updated since the Family Package (2018), which were based on the 40th percentile of rents in 2016.
7. In **addition** to the two main housing subsidies, there is **Temporary Additional Support (TAS)**. It primarily now operates as a housing subsidy - 95 percent of TAS expenditure is for housing costs. Rising housing costs combined with the operation of the AS formula have meant that the proportion of AS recipients accessing TAS has grown strongly since inception, from around 15% in the late 2000s to 28% now. It is also often not temporary in practice with more than half (54%) having received it for more than a year².
8. The status quo, if left to continue, will not deliver better housing support targeted to those who need it most.
 - a. government are not using our current social housing stock effectively and 24,000 households remain on the register.
 - b. The cost of this system to government continues to grow as a proportion of spending (the government spends more than \$5 billion per annum on housing support, with around \$4.5bn spent in AS, IRR and TAS).
 - c. The system is ineffective at assessing ongoing housing need and supporting people to exit sustainably. It is estimated that people currently in social housing on average will spend a further 16.7 years in social housing.
9. Higher ongoing levels of hardship for SH tenants³ suggests that the prioritisation of people into SH does assign housing to families who, in general, have higher levels of ongoing material need, in addition to their housing issues.
10. Research has found that Rates of After Housing Cost 50 (AHC50) poverty are the same for IRR recipients in SH and for AS recipients (36%). It appears IRR of around 35-40% would bring the support levels to around the same level and completely reduce the inequity between IRR and AS, but would likely result in many social housing tenants experiencing increased material hardship.
11. These problems within the social housing system are exacerbated by the performance of the wider housing market. Going for Housing Growth should help over time by improving access across the market generally and reducing housing costs compared to otherwise, however it will not remove the need for a social housing system.

¹ More recently, additional "Operating Supplements" (a supply side subsidy) have been introduced to support Kāinga Ora – Homes and Communities (Kāinga Ora) and Community Housing Providers (CHPs) to build new supply, calculated as a percentage of market rent up to a capped level.

² TAS was intended to be a formula driven hardship payment for people with unusual regular costs. It is intended to be temporary – it is paid for a maximum of 13 weeks, after which people can reapply to continue to receive support. 83% of current recipients have received it for more than three months, and 54% have received it for more than a year.

³ We measure material hardship in New Zealand with DEP-17, a 17-item deprivation index that measures whether households are going without essential everyday items and services, because they can't afford them. Six or more of these deprivations is material hardship. Analysis of material hardship shows that, as we would expect given that DEP-17 measures the actual living conditions people experience (not their income), material hardship rates are higher for those in SH (44%) than for AS recipients (26%).

Social housing as a housing support is designed to support some of the most vulnerable households in New Zealand

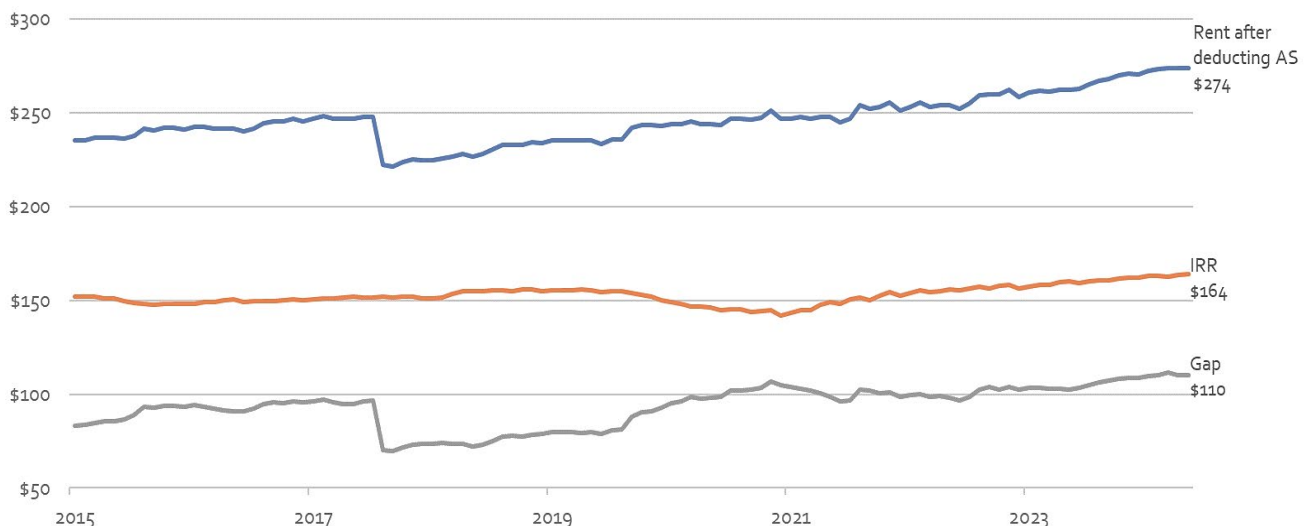
12. Some population groups are overrepresented in social housing (based on proportion of the population) including Māori and Pacific households, sole-parents, and individuals receiving the supported living payment and Superannuants. As a result, the systemic issues and inequity issues disproportionately impact these households.
13. The impact of socio-economic disadvantage experienced by children has been shown to have lifelong impacts that can increase housing vulnerabilities later in life. Inequities between subsidies will have a large impact on children both in social housing, and whose household might be receiving the AS. It is estimated that 40% of children in New Zealand are growing up in rental properties (Growing Up in New Zealand, University of Auckland).

What is the policy problem or opportunity?

Current IRR settings are creating inequities between households in similar situations and disincentives to individuals

14. Income related rent (IRR) protects household income from housing costs, but this is costly and can create disincentives. In real terms, the gap between the after-subsidy housing costs for households in similar financial situations is wide, and has been widening since the last AS maxima increase in 2018. The graph below compares average IRR to the rent for an AS recipient, once AS has been deducted. On average, after-subsidy rent is around \$110 less for those receiving IRR than those receiving AS. Officials note that the underlying market rent in social housing is, on average, much higher than what AS recipients are paying in the private market.

Figure 1 - after subsidy rental costs - AS vs IRR



15. In addition to the equity issues involved with households in similar financial situations receiving very different levels of support, there are other problems:
 - a. **Differences between support discourage housing independence** - The disparity in support levels between IRR and AS creates a strong financial incentive to apply for social housing and a disincentive for current tenants to transition to private rentals. Nearly all IRR recipients would receive

substantially less financial support under AS. Because IRR adjusts with market rents more regularly, the affordability gap for households on IRR and receiving AS can widen over time.

- b. **Income related rent disincentivises work** - IRR can act as a poverty trap, discouraging employment. The financial disincentives to work are more severe than for AS recipients. For each additional dollar earned, income related rent increases by 25 cents up to a threshold (the rate of NZ Super), and then by 50 cents beyond that. AS does not abate at all, until people are no longer entitled to a main benefit and then abates at 25 cents for every dollar earned (although the worst incentives are for those who are receiving both AS and TAS).

What objectives are sought in relation to the policy problem?

- 16. Through the reset of investment in housing and urban development, Cabinet has set the direction for investment in the housing system to focus on increasing flexibility to meet needs in place, improving affordability and better targeting access to housing and support where it is needed most.
- 17. Ministers have agreed the following objectives for the Review, which are also sought in relation to the proposed IRR change:
 - a. ensure more equitable outcomes including through more timely support that better matches need,
 - b. support people for the duration of housing need, including to housing independence where appropriate,
 - c. provide value for money by maximising the impact of the government's investment,
 - d. provide incentives for people receiving assistance to work,
 - e. support optimised investment in housing supply.

- 18. A related Government focus is to support the child poverty reduction targets.

What consultation has been undertaken? Note - some targeted engagements were undertaken in 2025 with a selected group of stakeholders

- 19. To date, the only engagement that has been undertaken on this proposal, as agreed by Hon Bishop, Minister of Housing and Hon Upston, Minister for Social Development and Employment, was targeted agency consultation with The Treasury, Kāinga Ora – Homes and Communities, Department of Prime Minister and Cabinet, Te Puni Kōkiri.
- 20. Impacted groups were not consulted on this proposal due to the budget sensitive nature of the change. s 9(2)(g)(i)

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

- 21. The criteria used to compare options is outlined in paragraph 16 with the additional consideration of implementation costs and complexity.

What scope will options be considered within?

- 22. There are many possible combinations for subsidy reform that were considered to address the issues identified. Options that were considered impractical or that did not meet the objectives of the Review were ruled out through advice provided in September

2025 to the Minister of Housing and the Minister for Social Development and Employment [REP/25/7/579, HUD2025-007655 refers].

23. The September 2025 advice considered whether to move toward a more tenure-neutral support system, with one of three broad approaches (single subsidy, bring subsidies closer together, varied support levels).
24. The distributional impacts of shifting social housing tenants to market rent while making them eligible for AS and TAS were assessed. At current AS rates, this would result in significant rent increases for tenants (\$184 per week on average), which is the result of IRR being both more generous than AS, and the fact that the underlying market rent in social housing is much higher than what AS recipients are paying in the private market.
25. Ministers agreed that the impacts on household material hardship should be considered, balancing fiscal costs of offsetting impacts with the benefits of improving horizontal equity and incentives. It appears IRR of around 35-40% would bring the support levels to around the same level and completely reduce the inequity between IRR and AS, but would likely result in many social housing tenants experiencing increased material hardship and financial stress.
26. A further consideration for Ministers, and a constraint on the options progressed, was whether options generated enough savings to fund a fiscally neutral system change, or whether additional funding would be required, or choices made on further tightening eligibility.
27. Taken together the housing-related proposals (that change settings for Income Related Rent, Accommodation Supplement, Temporary Additional Support) support the proposed objective of the Review of the Social Housing System by closing the gap between the subsidies.
28. Separate advice has been provided to the Ministers of Housing and for Social Development and Employment on changes to AS and TAS subsidy settings, including a separate RIS for TAS changes.
29. The table below describes the options and the reasons they were not progressed.

Option	Description	Reason it was ruled out
Single subsidy with market rent	Remove IRR, shift everyone to market rent, and make AS and TAS available to social housing tenants. AS could be left alone or various reforms could be made to improve adequacy.	At current AS levels 87,000 social housing households lose \$184 p/w impacting material hardship. Improving adequacy of AS to match IRR not fiscally neutral.
Single subsidy with capped rent	Remove IRR and make everyone eligible for AS and TAS, but limit the rent charged in social housing below 'market' levels	\$62m savings with AS maxima change, unlikely to deliver fiscally neutral system change. Exploratory, suitable basis for cap needed.

A mix of IRR at different levels	Stream tenants into different levels of subsidy – could be for the duration of tenancy, or support levels could reduce over time	Administratively complex, inconsistent with focus on equity, fairness and access needs
Ring-fence IRR for higher needs clients only	IRR available for a subset of tenants only, while other households would be on rent + AS. This could be market rent or capped rent, as above.	Administratively complex and costly, inconsistent with focus on equity and access needs ⁴

30. The scope of options to bring subsidies closer together are limited by the mechanisms that can be used to set subsidised rents for social housing tenants. These are set out in PaCHMA and related secondary legislation. Therefore, non-regulatory options have not been considered.

What options are being considered?

31. The following options are considered in this analysis:

- a. Option 1: Status quo/do nothing.
- b. Option 2: Increase IRR from 25% to 30% from 1 April 2027 (Ministers & Officials preferred option)
- c. Option 3: Increase IRR from 25% to 30%, with subsequent increase to 35%
- d. Option 4: Move to 30% from April 2027 for new tenants, and for existing tenants, phasing the increase by 1% per annum.

Option One – Status Quo

32. This option would keep housing subsidies kept at current levels with the problems outlined above persisting.

Option Two – Increase income related rent from 25% to 30% (preferred)

33. This option would increase IRR for most social housing tenants from 25% to 30% effective from 1 April 2027 (**preferred option**)⁵.

34. Ministers have confirmed that this change will also apply to emergency housing and transitional housing, increasing the housing contribution required by households in these services (see more below).

35. This option increases the minimum IRR contribution rate to 30%. This option would:

- a. Improve equity through rebalancing of the housing subsidies (IRRS, AS and TAS).

⁴ An access need is an inability to access or sustain suitable housing in the private rental market, or within other households.

⁵ Note some tenants already pay more than 25% if they are over the income threshold, in which case 30% (or other relevant increase) will be substituted for 25% in the calculation formula.

- b. Create a fairer system with balanced subsidy settings that reduces incentives to enter social housing and disincentives to leave.
- c. Deliver a fiscally neutral system change.

36. This is officials preferred option because it strikes the best balance between improving incentives to work and move on from social housing, generating cost savings, and minimising increases in material hardship for social housing tenants. Social housing tenants (and those in emergency and transitional housing) will pay closer to what those in the private market pay, but will still be better off in terms of after housing costs income compared to those supported by AS and TAS.

Option two: Savings, costs, impacts

	2026/27	2027/28	2028/29	2029/30	2030/31
Savings	(\$0.91m)	(\$83.8m)	(\$139.1m)	(\$143.2m)	(\$147.5m)
Costs	(\$1.9m)	(\$1.5m)	(\$0.4m)	(\$0.4m)	(\$0.4m)
Impacts	87,000 families lose \$31 p/w, ~\$1,612 per annum.				

Option Three – Option two plus subsequent increase to 35%

37. This option would increase income related rent for most social housing tenants from 25% to 30% effective from 1 April 2027. A subsequent move to 35% in 2029.
38. This option would involve an initial increase to 30% effective 1 April 2027, as per our preferred option, and a subsequent increase to 35% effective 1 April 2029.
39. This additional increase would further increase incentives and achieve more equity of support between social housing and private market tenants, and generate additional savings, but would worsen distributional impacts and could increase material hardship. This could have flow-on impacts for costs elsewhere in the system (e.g. TAS, health).
40. We do not recommend progressing this option for the following reasons:
- a. The impact on after housing cost income for social housing tenants increasing material hardship.
 - b. the cumulative impacts of other changes to the system being considered (such as AS/TAS settings, and s 9(2)(f)(iv)) are still being assessed.
 - c. The Review will further progress reforms to the social housing system including alternatives to social housing.

Option three: Savings, costs, impacts

	2026/27	2027/28	2028/29	2029/30	2030/31
Savings	(\$0.91m)	(\$84.2m)	(\$140m)	(\$235m)	(\$300m)
Costs	(\$2.75m)	(\$1.7m)	(\$1.9m)	(\$1.7m)	(\$0.3m)
Impacts	87,000 families lose \$62 p/w, ~\$3,224 per annum.				

Option Four – Move to 30% from April 2027 for new tenants, phased increase for existing tenants at 1% each year for five years

41. This option would:

- a. increase IRR for new social housing tenants from 25% to 30% effective 1 April 2027, and
- b. increase IRR for existing social housing tenants by one percentage point each year for five years, until 30% is reached effective 1 April 2031.

42. This would cushion the impact of the increase on existing social housing tenants and give them additional time to adjust to the reduced after-housing cost income. However, it would reduce and/or delay the potential savings to government and other benefits of the IRR change.

43. It would also be more administratively complex and would add to delivery costs (thus reducing the overall savings delivered by the initiative – although this could be partially offset by the benefits associated with giving tenants a more gradual adjustment period). There would also be inequity of support between newer and existing tenants for the transition period (as new tenants would be at 30% while existing tenants are still on a lower rate). This option is therefore not recommended.

44. An estimate of the savings generated by this change on its own is below. This assumes, based on current patterns of flow through social housing, around 350 households are replaced by new tenancies each month, and the change comes into effect from 1 April 2027.

Option four: Savings, costs, impacts

	2026/27	2027/28	2028/29	2029/30	2030/31
Savings	(\$0.16m)	(\$15.1m)	(\$42.8m)	(\$73.6m)	(\$106m)
Costs	(\$2.5m)	(\$2.7m)	(\$1.9m)	(\$2.1m)	(\$1.9m)
Impacts	New tenants would receive \$31 less per week with every 5%-point increase. Impacted tenants lose \$31 p/w, ~\$1,612 per annum.				

Increases to the client contribution toward Transitional Housing (TH) and Emergency Housing (EH) are being considered

45. Increases to the TH and EH contribution from 25 to 30% of income are being considered as part of the core welfare Budget package. Increasing the EH and TH contribution rate to 30% will align with the increase in IRR for social housing tenants. However, EH and TH increases may pose a risk to financial resilience for households who are without stable housing and experiencing severe housing deprivation.

46. Officials anticipate the increase in the TH household contribution rate will save \$8m per annum once fully implemented based on current volumes, typology and regional distribution of TH properties.

47. The change to the EH client contribution is expected to increase Crown revenue by around \$900,000 per annum. This is subject to change dependent on the number of clients emergency housing.

How do the options compare to the status quo/counterfactual?

The following options comparison table uses a weighted criteria, with equity double weighted, the remaining criteria weighted equally.

Criterion title	Option One – Status Quo	Option Two – Increase IRR from 25% to 30%	Option Three – option two plus subsequent move to 35%	Option Four – Phased increase for existing tenants at 1%
Equity (weighted highest)	0	+ Improves equity between IRR and AS by bringing subsidies closer together (resulting gap \$79)	++ Improves equity between IRR and AS by almost completely removing gap between the two (resulting gap \$48).	-- Inequitable support between new and existing social housing tenants in initial five years
Support for duration of need	0	- Reduces barriers to exiting social housing for some, minimises increases in material hardship (average loss \$31 per week), some social housing households will experience financial stress	- May worsen distributional impacts and material hardship, increasing need for support (average loss \$62 per week after subsequent increase)	+ Cushions existing households from increase initially, targeted to need overtime
Value for money	0	+ Savings allow for fiscally neutral system change, better target housing investment	++ Would generate additional savings compared to other options	- Delayed costs and benefits for five years, more costly to deliver.
Incentivise mobility/employment	0	++ Reduces barriers to employment and improving income (IRR closer to market rent)	+ Improves mobility/employment incentives (may be impacted by hardship)	+ Improvement of mobility/employment incentives would vary
Support optimised investment in housing	0	+ Supports better targeted investment, increases value for money of investment	-- Will increase material hardship and housing instability leading to flow on effects in the system	- Delayed costs and benefits for five years, more costly to deliver
Difficulty of implementation	0	+ Relatively easy to implement upon annual review	- Some added complexity resulting from multiple rent increases (RTA requirements and adjustments to PaCHMA)	-- More administratively complex and would add delivery cost, multiple increases in short period causes issues under RTA and PaCHMA.

Overall assessment	0	5 + Most balanced option – improves equity between IRR and AS, improves incentives (IRR closer to market rent), generates savings, minimises increases in material hardship	1+ Improves on status quo (increases equity between IRR and AS) but worsen distributional impacts and severely increase material hardship for social housing households	4 - Inequitable between new and existing tenants, administratively complex, wouldn't achieve value for money
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What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

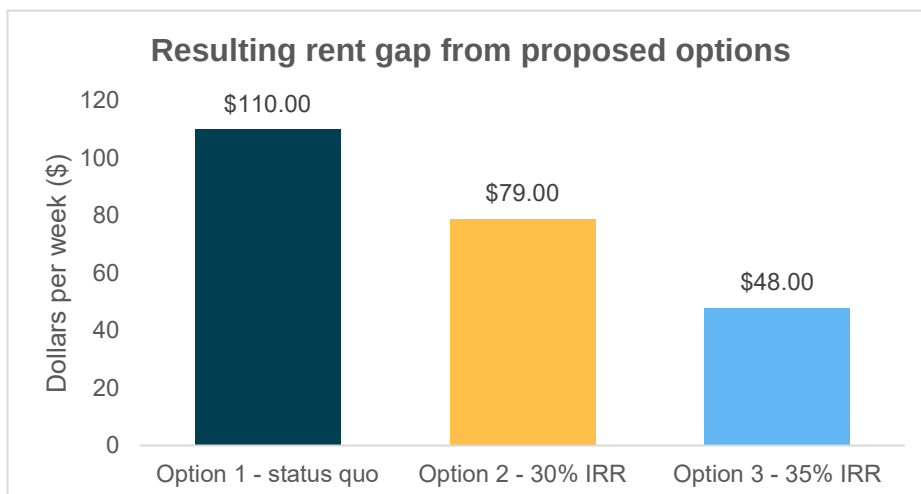
48. Increasing income related rent for most social housing tenants from 25% to 30% effective from 1 April 2027 (Option 2) is the preferred option as it is most likely to address the current inequity between subsidies and meet the objectives. Social housing tenants (and those in emergency and transitional housing) will pay closer to what those in the private market pay, but will still be better off in terms of after housing costs income compared to those supported by AS and TAS.
49. The expected outcomes of option 2 are:
- a. improved equity through rebalancing of the housing subsidies (IRR and AS).
 - b. a fairer system with balanced subsidy settings that reduces incentives to enter social housing and disincentives to leave.
 - c. a fiscally neutral system change.
50. This is the preferred option because it strikes the best balance between improving incentives to work and move on from social housing, generating cost savings, and minimises increases in material hardship for social housing tenants.

Option two would better manage the potential negative impacts from a decrease in after housing costs income while delivering cost savings

51. The preferred option is to increase IRR from 25% to 30%, and a further increase is not recommended at this time. This is to manage the potential impacts on after housing cost income, financial stress and material hardship.
52. The impact on AHC poverty and material hardship of the options in this paper will depend on how much support for those in social housing is reduced by. On their own, increases to the rents paid in social housing can be expected to increase material hardship rates, which may increase the need for other supports from government (such as TAS).
53. An increase to 30% IRR is expected to be less impactful on social housing tenants while generating significant savings for the Crown. For every five percentage points increase in IRR, there are savings of \$131 million, and costs for IRR households of \$31 per week on average. The impacts of losing \$62 - \$93 per week (35%- 40% IRR increase respectively) on after housing costs income are greater than the recommended option.

Improve equity between IRR and AS, improving incentives to work and increasing mobility through social housing

54. There are many people in private housing who experience material hardship, are in similar financial stress to households in social housing, and who do not have access to the greater financial support available through IRR. The causes of material hardship and housing access need are diverse.
55. Changing IRR to 30% will mean social housing tenants (and those in emergency and transitional housing) will pay closer to what those in the private market pay, but will still be better off in terms of after housing costs income compared to those supported by AS and TAS.



Note the impact of option 4 on the rent gap would be similar to a combination of option 2 initially and then option 3 after five years. This illustrative modelling assumes market rent stays flat at \$274 per week which is not realistic.

56. Additional to this inequity in support for households, the gap between IRRS and AS is regularly highlighted as one of the main barriers to mobility out of social housing for some households. It acts as a disincentive to seek employment and/or increase income, due to the significant reduction in after housing costs income once social housing tenants transition to receiving AS and paying market rent. This disincentive doesn't have the same impact on households on a fixed income.

57. Achieving this outcome would support the following objectives of the Review:

- a. Equity – ensures more equitable outcomes including through more timely support that matches need
- b. Support for duration of need – supports people for the duration of housing need, including to housing independence where appropriate.
- c. Value for money – provides value for money by maximising the impact of the government's investment
- d. Incentivises mobility/employment – provides incentives for people receiving assistance to work to move towards independence by increasing their income.

Distributional Impacts of the Intervention

58. MSD has modelled increasing the tenant contribution to 30%, 35% or 40%, to give a sense of fiscal savings and distributional impacts for clients. For every five percentage points increase in IRR, there are net savings of \$131 million, and losses for IRR households of \$31 per week on average.

59. It appears IRR of around 35-40% would bring the support levels to around the same level. However, increases to the rents paid in social housing can be expected to increase material hardship rates.

60. Population groups that are overrepresented in social housing will be disproportionately impacted by all the options considered in this analysis. This includes Māori as individuals and whanau, sole parents and seniors. This change is likely to impact child poverty rates, measured through low income (before and after housing costs) and material hardship (lack of essentials).

61. The Treasury has completed indicative modelling of the costings and distributional impacts of changing IRR from 25% to 30% (option two), in isolation of other changes, using Treasury's micro-simulation model of the tax and welfare system – TAWA.

62. Based on TAWA modelling in Tax Year 2029/2030:

Note - due to the Accommodation Supplement increase (refer para 64) the overall increase of children in after housing-costs poverty is statistically insignificant.

- a. Implementing option two is estimated to create fiscal savings of around \$143m (+/- 4) and decrease the AHC incomes of around 87,000 families by an average of about \$31 per week.
 - i. Around 62,000 (65%) of these families earn less than \$40,000 per year and are estimated to pay additional IRR of about \$26 per week on average.
 - ii. Around 40,000 (42%) of these families are Māori and are estimated to pay additional IRR of about \$30 per week on average.
- b. This option (option two) is estimated to increase the number of children in after housing-costs poverty (fixed AHC50) by around 4,000 ($\pm$ 3,000).
- c. This option is estimated to increase the number of adults in after housing-costs poverty (fixed AHC50) by around 10,000 ($\pm$ 5,000).

FAMILY MATERIAL HARDSHIP STATUS ⁶	FAMILIES IMPACTED					
	Families			Average loss (per week)		
IN MATERIAL HARDSHIP	33k	$\pm$	4k	-\$31	$\pm$	\$2
NOT IN MATERIAL HARDSHIP	53k	$\pm$	5k	-\$29	$\pm$	\$2
MATERIAL HARDSHIP NON-RESPONSE	8k	$\pm$	3k	-\$27	$\pm$	\$4
ALL	95k	$\pm$	3k	-\$30	$\pm$	\$1

63. The Treasury considers these results to have medium reliability and medium risk. All calculations carried out using Treasury's micro-simulation model of the tax and welfare system (TAWA) should be considered as estimations.⁷

64. The above are the impacts of the option 2 in isolation, but ministers propose to deploy the savings generated to increase the Accommodation Supplement maxima by between \$10 and \$30 per week. When combined with that proposal and the proposal to reduce the TAS maximum rates, overall there are 33,000 families with children that will receive an income gain of up to \$25 per week and 19,000 receive a gain of more than \$25 per week. On the other hand, 12,000 families have a loss of up to \$25 per week and 27,000

⁶ The material hardship status of families and households may have changed between the time of the survey (2023/24) and Tax Year 2029/30, meaning these subsets may not represent actual material hardship status in the projected year. Further, the material hardship status of families and households may change in response to policy changes, which is not modelled here.

⁷ Estimates are for the 2029/2030 tax year using HES 2023/24 augmented using IDI data, inflated and population adjusted with HYEFU 2025 inflation estimates. Results are sensitive to data and EFU inflation estimates, and TAWA routinely updates its data and EFU inflation estimates. This can result in differences when comparing analysis requests.

have a loss of more than \$25 per week. For adults 111,000 families gain on average \$14.91 per week, while 129,000 lose \$24.04 per week.

65. Officials have not been able to undertake TAWA modelling of the child poverty and material hardship impacts of the package in this paper, due to time constraints and other demands on TAWA. However, based on previous modelling of the IRR and AS changes, officials advise that in contrast to Option 2 alone, there is expected to be no statistically significant impact on income measures of child poverty.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

66. Yes.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups (identify)	Comment <i>nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option compared to taking no action			
Regulated groups	Reduced after housing cost income for social housing tenants Potential rent arrears and non-monetised social costs (impacts on material hardship of lowest earning households; may increase housing insecurity for some)	From 25% of income to 30% (impact of \$31 per week on average for 87,000 households, ~\$1,612 per annum) Medium impact on low earning households (65% of affected families earn less than \$40,000 per year, impact of \$26 per week)	High certainty
Regulators	Operational costs to government to implement the change.	Low impact \$5.8m in operating expenditure \$1.5m in capital expenditure (2025/26 - 2029/30)	Medium certainty
Others (e.g., wider govt, consumers, etc.) <i>For fiscal costs, both increased costs and loss of revenue could be relevant</i>	Potential for rent arrears to impact Kāinga Ora and CHPs s 9(2)(g)(i)	Low – medium impact. Providers are required to manage rent arrears. Level of impact will depend on level of rent arrears,	Low certainty

		and the market rent cap will remain.	
Total monetised costs		\$6.7m – Crown ~\$1,612 per annum – Impacted households	
Non-monetised costs		Medium	
Additional benefits of the preferred option compared to taking no action			
Regulated groups (social housing tenants, current and future)	Improved equity between IRR and AS. Reduced barriers to private tenancy and employment, freeing up social homes for others in housing need.	Low – sustained impact determined by provision of mobility supports and changes in other parts of the welfare system aligning to improve incentives.	Low certainty
Regulators (MSD and HUD)	Reduced spend on IRRS that could be reinvested elsewhere in the housing system or returned to the Crown.	Estimated total net savings of \$369m over the forecast period (2025/26 - 29/30)	High certainty
Others (private market tenants, wider govt.)	Increased fairness in the housing support system	Medium – brings subsidies closer together while minimising impacts on material hardship	High certainty
Total monetised benefits		\$369m (\$363.7m Net Funding)	
Non-monetised benefits		Medium	

Section 3: Delivering an option

How will the proposal be implemented?

Income Related Rent contribution Increase

67. Cabinet will need to approve an amendment to Regulation 5 Public and Community Housing Management (Prescribed Elements of Calculation Mechanism) Regulations 2018 to increase the minimum income-related rent from 25 percent to 30 percent of income.
68. As Orders in Council, the change will need to be published in the New Zealand Gazette at least 28 days prior to coming into force and tabled in the House.
69. Implementation will occur from 1 April 2027 and will be on a rolling basis over 12 months. This is the earliest date that the change could feasibly be implemented.

70. The change for each client will be made at their annual review date or change in circumstances, whichever occurs first, starting 1 April 2027. It will therefore take 12 months for all clients to transition on to the new rate. This is the basis on which original cost estimates for the Budget Bid were made.
71. We explored whether it was possible to make the change for all clients at the same time but found implementation of this option to be unfeasible, with resource costs too high for a fiscally neutral system change. This is mainly because changing a tenants IRR must be done manually (cannot be automated or completed in bulk).

Transitional Housing rent contribution Increase

72. The rent subsidy paid by HUD to TH providers will be adjusted to reflect the TH contribution increase via changes to TH contracts at their renewal dates, starting from 1 April 2027.
73. Updates to rent subsidy calculations in TH contracts to 2026 benefit levels will begin around the same time as Budget 26 announcements for TH rent contribution increases. The update to the calculation will decrease the subsidy HUD pays to providers (which may require providers to adjust their operating models) but makes no change to household rent contribution (25% of income).
74. At renewal post 1 April 2027, HUD will also update the calculation to reflect the increase in TH household rent contribution to 30% income.

Emergency housing client contribution increase

75. The 30 percent contribution rate will be applied to all emergency housing grant applications made from 1 April 2027. For clients with active emergency housing grants on 1 April 2027, the 25 percent contribution rate will continue to apply until the end of the four-week grant period. If a person reapplies, the new contribution rate will apply to their new emergency housing grant.
76. To increase the emergency housing client contribution, the Associate Minister of Housing will need to approve an amendment to the Emergency Housing Grants Programme under section 101 of the Social Security Act 2018. The change will need to be published in the New Zealand Gazette at least 28 days prior to coming into force.

How will the proposal be monitored, evaluated, and reviewed?

77. Te Tūāpapa Kura Kāinga (HUD) regularly publish data and reports to help inform, guide and support decision-making processes in the housing and urban development sector and beyond.
78. MSD publishes Monthly Housing Reporting which has a monthly overview of Emergency Housing and the Social Housing Register.
79. Child Poverty in New Zealand is measured by Stats NZ as required by the Child Poverty Reduction Act 2018, focusing on three main pillars: low income (before and after housing costs), material hardship (lack of essentials), and persistent poverty. Progress is tracked against ten-year and three-year targets. Government also reports annually on Child Poverty Related Indicators (such as housing affordability and potentially avoidable hospitalisations).
80. The impacts of this proposal will be captured in the Household Income and Living Survey (HILS) from Statistics New Zealand, data from which is used to understand how children in New Zealand live, their homes and housing, and wellbeing.

81. These will all be useful tools for tracking the successful implementation of the IRR change and how it is impacting tenants (new and existing).
82. Costs and savings resulting from this proposal will be monitored through internal fiscal reporting and reporting for major spending (information about major Budget spending decisions).



Regulatory Impact Statement: Reducing Temporary Additional Support expenditure

Decision sought	Analysis produced for the purpose of informing Budget 2026 decisions to policy changes that reduce expenditure on Temporary Additional Support.
Agency responsible	Ministry of Social Development
Proposing Ministers	Minister for Social Development and Employment
Date finalised	11 April 2026

The regulatory proposal is to change Temporary Additional Support (TAS) in the following ways:

- reducing the upper limit (maximum rate) that can be paid to recipients from 30% of main benefit rate to 25% of main benefit rate. This will apply to any TAS and Special Benefit¹ recipients receiving a main benefit and non-beneficiaries receiving TAS excluding those clients receiving New Zealand Superannuation / Veterans Pension (NZS/VP).
- removing formula assessed child support liability as an allowable cost. This change will apply to all TAS recipients, including NZS/VP.

This is one proposal in a package of housing changes for Budget 2026 which also includes:

- increasing the minimum Income Related Rent contribution for people in social housing (and those in emergency and transitional housing) from 25 percent to 30 percent of their income at the date of their annual review or change of circumstances (whichever comes first), commencing 1 April 2027.
- increasing the maximum weekly Accommodation Supplement amount for people in all areas by between \$10 and \$30 per week.

Summary: Problem definition and options

What is the policy problem?

The Government is concerned about the long-term fiscal sustainability of the welfare system tied to an increasing number of people on benefit, especially where this is long-term receipt.

TAS is non-taxable extra help payment paid for a maximum of 13 weeks, after which clients may reapply for support. It is paid as a last resort to help clients with their regular essential living costs that cannot be met from their chargeable income and other resources.

The number of TAS recipients has increased from 97,137 in September 2018 to 113,706 at the end of February 2026 (this is inclusive of 348 clients receiving Special Benefit). Expenditure on TAS of \$227.510 million in 2017/2018 is forecast to rise to \$601.625 million in 2025/2026.

¹ With regard to reducing the maximum rate the change applies to TAS and Special Benefit, though for the purpose of the analysis in the Regulatory Impact Statement it refers only to TAS.

Expenditure has increased due to the rise in uptake as well as with increases to main benefit rates due to the use of main benefit rates in the calculation for TAS.

The issue we have identified is that due to large discretionary increases in main benefit rates and the FTC from between 2018-2023 the TAS formula now assumes people's daily living costs have increased by more than inflation². This has:

- artificially inflated standard costs and the maximum rate of payment, so they have increased substantially, over and above inflation
- resulted in higher TAS entitlements and increased total expenditure.

Formula Assessed Child Support Liability as an allowable cost for TAS

Formula-assessed child support liability was included as an allowable cost for TAS in 2022. At the time, its inclusion was determined to meet the criteria for allowable costs as a "regular, essential and unavoidable" cost and was intended to ensure that liable parents consistently met their obligation to pay child support.

This approach has been identified as out of step with the intent of TAS to not cover personal liabilities.

What is the policy objective?

The policy objectives include:

- rebalancing the TAS formula so that client entitlements more accurately represent benefit rates prior to 2018, adjusted by CPI while reducing expenditure.
- ensuring that allowable costs for TAS do not include personal liabilities. We anticipate clients will have a reduction in entitlement because of the change, and this will result in savings which will be an indication that the change has been successful.

We will know if that outcome has been achieved via reduced expenditure on TAS/Special Benefit.

What policy options have been considered, including any alternatives to regulation?

Non-regulatory options were not available, as the TAS formula is legislated for in the Social Security Regulations 2018.

The options to change how main benefits are used in the TAS formula that were considered include:

- Option One (Status Quo) – Maintain standard costs at 70 percent of main benefit rate plus FTC, maximum rate of payment at 30 percent of main benefit rate
- s 9(2)(f)(iv)
- Option Three – Change maximum rate to 25 percent (**Minister's preferred option**)
- s 9(2)(f)(iv)

The options related to allowable costs for TAS include:

- Option One (Status Quo) – Maintain formula-assessed child support liability as an allowable cost
- Option Two – Remove formula-assessed child support liability as an allowable cost (**Minister's preferred option**).

² The rate of benefit for a single adult aged 25 or over on the Jobseeker benefit, for instance, rose by around \$85 per week over and above inflation this including an increase to main benefit rates by \$20 per week on 1 July 2021. There was also an increase of \$15 per adult for beneficiaries with a dependent child on 1 April 2022 and an increase to FTC of \$5 per week on 1 April 2022.

Recommended combination of options

Maintaining the status quo would not achieve the stated objectives. Overall officials recommend either:

- **‘Formula Change: Option Three’ with ‘Allowable Costs: Option Two’ (Preferred option).** This would have less of an impact on income adequacy while realising fiscal savings in comparison to the alternate option.
- s 9(2)(f)(iv)

The Minister for Social Development and Employment’s preferred options as indicated above balanced the Budget 2026 objectives and addressed the identified formula issue while mitigating the impact on income adequacy, in particular in light of the cost-of-living pressures due to fuel prices.

What consultation has been undertaken?

No engagement or consultation was undertaken on the proposal, this includes with iwi or Māori. This is due to time constraints and Budget sensitivity.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

s 9(2)(f)(iv)

Summary: Minister’s preferred option in the Cabinet paper: *Reduce maximum rate of payment from 30 percent of main benefit to 25 percent. Remove formula assessed child support liability as an allowable cost.*

Costs (Core information)

Implementation Cost: The cost of implementing the preferred option is \$4.935 million over the forecast period. This includes \$4.456 million in the 2026/27 fiscal year, and \$0.479 million in the 2027/28 fiscal year. This includes the cost for additional FTE and IT costs. It also includes \$200,000 in personnel and IT costs for Inland Revenue for changes required to implement the change to allowable costs.

Impact on Income Adequacy: This option will reduce TAS entitlement for most TAS recipients, with 51,000 families estimated to have an average loss of \$21.03 per week.

The approach to the formula change means that while correcting to account for a limited period of over indexation of benefit rates (2018 - 2023), there is a permanent reduction in the maximum rate, which will over time see a gradual tightening of entitlement for clients.

This will have a disproportionate impact on some groups who are overrepresented in the benefit system, notably Māori, Pasifika, women and disabled people. Māori make up approximately 40 percent of TAS recipients. s 9(2)(f)(iv)

Of the clients impacted by this proposal, 16,000 are families with children. There are high rates of material hardship for families with children on a main benefit relative to other groups. Reducing clients’ TAS could see an increase to the number of children in After Housing Costs (AHC) poverty. Due to the relationship between ACH50 poverty and material hardship we may also see an increase to the number of children living in material hardship.³

³ [MSD Child Poverty Report, 2024](#)

Cumulative Impacts: The impacts of this proposal will depend on peoples' broader circumstances, and do not occur in isolation from other potential changes across government. Changes from Budget 2025 (e.g. to change AS for some homeowners and to adjust boundaries), and the Budget 2026 proposal to increase the AS maxima will interact with this proposal. Increases to AS payments will decrease TAS payments.

Benefits (Core information)

Fiscal Sustainability and Cost-Savings: The preferred option is forecast to result in cost savings of \$213.287 million over the forecast period.

Improving Incentives to Work: The preferred option could have positive impacts on extensive work incentives by increasing the gap between benefit and work. Clients may be incentivised to take up work to account for the loss of income.

Balance of benefits and costs (Core information)

Overall, the proposal:

- realises cost savings and could improve incentives to work, while negatively impacting on income adequacy for clients
- contributes to the intentions of the wider Budget 2026 housing package, which is intended to make the system fairer and support long-term housing objectives.

Based on the stated objectives, our assessment is that the benefits (cost savings) with the potential to improve incentives to work outweigh the costs (reducing income adequacy) in both of the recommended options. Given current cost-of-living pressures due to fuel, the Minister's preferred option strikes a balance between the benefits (cost savings) and the costs (income adequacy) and works less against the RoSH objective of reducing the gap between the cost of private housing and social housing.

Implementation

MSD is responsible for the implementation of the proposal, and there is a small impact for Inland Revenue, with costs to be fully funded through Budget 2026. There is limited impact of implementation on the services and delivery that both agencies provide.

Implementation is planned for 1 April 2027. Clients will be notified of the changes ahead of implementation through MSD's regular letter notifications and communications. They will have their entitlement re-calculated from implementation date. Implementation risk is low to medium, there is a risk to timely implementation dependent on timing of final decisions.

Limitations and Constraints on Analysis

The range of options assessed was limited by the objectives of Budget 2026, and by what could be scoped in time for and progressed as a part of Budget 2026.

The preferred option was assessed based on evidence including:

- distributional impacts produced using HYEPU 2025 where there is reasonable certainty and,
- evidence on the effectiveness of financial incentives to work, which are mixed and largely theoretical.

No consultation or stakeholder engagement has been done due to timeframes and Budget sensitivity, this includes with iwi or Māori. s 9(2)(f)(iv)

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:

Samuel Willis

Policy Manager, Income Support



Quality Assurance Statement	
Reviewing Agency: A panel of officials from the Ministry of Social Development and Ministry of Housing and Urban Development	QA rating: partially meets
Panel Comment: The panel reviewed the attached RIS and concluded that the RIS partially meets the quality assurance criteria. The panel considers that the assessment is generally clear, complete and convincing. However, as noted as a limitation in the RIS, the analysis relies on evidence of the effectiveness of financial incentives to work, which are mixed and largely theoretical. Additionally, there has been no consultation with the public on the proposals, which means the 'consultation' criterion has not been met.	

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

1. The Government is concerned about the long-term fiscal sustainability of the welfare system tied to an increasing number of people on benefit, especially where this is long-term receipt.
2. At the end of December 2025, 410,236 people were receiving a main benefit, up from 284,316 in September 2018. Recipients of supplementary payments such as Temporary Additional Support (TAS) have also increased from 97,137 in September 2018 to 113,706 at the end of February 2026 (this is inclusive of 348 clients receiving Special Benefit).

Current State – Temporary Additional Support formula calculation

3. Temporary Additional Support (TAS) is a third-tier hardship assistance payment granted to make up for the shortfall in a client's income required to meet their essential, ongoing costs. It is granted for a period of 13 weeks, after which clients must reapply to continue to receive support. It is rules-based and non-discretionary and relies on a payment formula to calculate each client's entitlement.
4. TAS was introduced in 2006 to replace Special Benefit. Special Benefit was introduced in 1981 and intended to provide discretionary assistance to help eligible clients meet their ongoing essential costs. When it was first introduced, it was only taken up by a small number of recipients making it feasible for grants to be discretionary.
5. As uptake increased, there was a need for a more consistent approach to decision making. As part of the 2004 Reform of Social Assistance, Working for Families Package it was proposed that Special Benefit be replaced by a new rules-based benefit. TAS replaced Special Benefit from 1 April 2006.
6. The payment rate for TAS is non-discretionary. However, there is discretion exercised in the assessment of eligibility, notably the requirement for applicants to have taken necessary steps to obtain other financial assistance and take reasonable steps to reduce their costs or increase their chargeable income.

7. The payment formula for TAS is defined in the Social Security Regulations 2018. The payment formula calculates the 'entitlement' as the difference between disposable income and the proportion of a client's costs expected to be covered from their net main benefit payment (or analogous benefit for non-beneficiaries).
8. The payment formula also considers client's allowable costs, which are regular and ongoing expenses that MSD considers unavoidable, and that inputs into the calculation of client's disposable income. A list of allowable costs is provided for in legislation – some examples include accommodation costs, essential household items (such as beds and dining suites) and disability costs.
9. The TAS formula includes a calculation for both:
 - **Standard costs**, which are the proportion of main benefits that MSD considers should be sufficient for a client to cover their everyday needs and are calculated as 70 percent of main benefit plus family tax credit (FTC) rates (where relevant). Standard costs are then used in the formula calculation to determine if a family has an income deficiency (i.e. their expenses, or allowable costs, exceed their standard costs).
 - **The maximum rate of payment**, that is calculated as 30 percent of main benefit rates.
10. Clients' TAS payment is the lower of their TAS deficiency or the TAS maximum rate. The TAS maximum rate is calculated as 30 percent of main benefit rates. Because of the link to main benefits and FTC which are indexed, standard costs, and the maximum rate of payment for TAS reflect increases to inflation.⁴
11. Main benefit rates are indexed to the Consumers Price Index (CPI) on 1 April through the Annual General Adjustment. There have also been two large discretionary increases to benefit rates in recent history, notably one by \$20 per week in 2021 and \$15 per week in 2022 (for beneficiaries with children). There was also a \$5 increase to the eldest child rate for the Family Tax Credit (FTC) in 2021. Both the benefit rate and FTC increases were over and above the indexation mechanism in place for these payments at the time (wages for benefit and CPI for FTC).

Current State – Trends in TAS take up and expenditure

12. Uptake of and expenditure on TAS has increased over time. Expenditure has increased from \$227.510 million in 2017/2018 to \$528.499 million in 2024/2025.
13. Long-term drivers of uptake and expenditure across all forms of third tier assistance, including TAS include:
 - **wider economic factors** such as the cost of living

⁴ The Consumers Price Index (CPI) is a measure of inflation for New Zealand households. Since 1 April 2024 main benefits have been adjusted annually by CPI.

Main benefits have been legislatively required to be indexed to CPI since 2010. In 2020 main benefits began being indexed to wage growth (as a part of Budget 2019). They were reverted back to CPI on 1 April 2024).

FTC is indexed when the cumulative effect of the upwards movement in the CPI reaches 5 percent

- **the level of MSD assistance available:** TAS is most commonly used for housing costs. Longer term drivers of increased TAS expenditure are therefore directly impacted by the adequacy of other MSD assistance, particularly the Accommodation Supplement (AS) which provides assistance towards clients' accommodation costs
 - **trends in main benefit receipt:** increases in main benefit numbers have historically driven uptake of third tier assistance. That is, expenditure on third tier assistance rises in line with increases in main benefit recipients. This is expected, as third tier assistance covers additional costs that cannot be met elsewhere.
14. The use of TAS on an ongoing basis (longer than the intended 13 weeks) is closely tied to its use as a housing 'top up'. Of the clients receiving TAS, 95 percent of allowable costs are for accommodation, meaning it is the main ongoing expense that clients cannot meet from their chargeable income and therefore claim TAS for.
 15. Long-term increases in rents, and the inadequacy of the AS has meant increasing pressure on after-housing cost income and an increasing proportion of AS recipients receiving TAS. While the AS incentivises recipients to economise on housing costs and move toward increased independence through work, TAS's 100 percent abatement rate has negative impacts on incentives to work (i.e. to take up additional hours of work) and to economise on housing.
 16. Long-term reliance on TAS is therefore closely linked to its overuse as a housing subsidy as housing costs cannot be easily reduced by clients and don't regularly change, and therefore tend to 'outlast' the 13-week grant period of TAS. Therefore, clients access repeat grants.
 17. Rising expenditure on TAS is also due to the use of main benefit rates to calculate standard costs and the maximum rate of TAS. Currently, standard costs are calculated as 70 percent of main benefit rates, and the maximum rate is calculated as 30 percent of main benefit rates.
 18. Main benefit rates are indexed to the Consumers Price Index (CPI) annually on 1 April and therefore, as per the formula calculation, clients' TAS entitlements will rise yearly in line with inflation.
 19. Without intervention, TAS entitlements will continue to rise in line with CPI yearly, reflecting the over indexation main benefit rates from 2018-2023, continuing to over-inflate client's entitlements.

Current State – Child Support Liability as an Allowable Cost trends and formula

20. Liable parents with child support arranged through a formula assessment, who are on a main benefit or pension, are required to have their child support directly deducted from their benefit payment and paid to Inland Revenue (ensuring they consistently meet their obligation to pay child support).
21. Formula assessed child support liability was included as an allowable cost for TAS in 2023 as a part of the Child Support Pass-On changes.
22. The inclusion was made based on formula assessed child support meeting an interpretation of the intention of TAS to cover costs that are "regular, essential and unavoidable" as well as ensuring that the requirement to pay child support did not cause undue hardship for liable parents. This was contrary to the direction that TAS allowable

costs would not cover personal liabilities (such as court fines, child support or student loans) when TAS was introduced to replace Special Benefit in 2006.

23. At the end of December 2025 there were approximately 7,959 clients claiming child support liability as an allowable cost for TAS. This is forecast to remain fairly consistent until the implementation of the policy change in April 2027.

What is the policy problem or opportunity?

Over time, the TAS formula has become unbalanced, and expenditure has increased

24. With increases in main benefit rates, MSD would anticipate a reduction in TAS. This assumes that as real incomes increase, reliance on third tier assistance decreases, so that as client's main benefits became more adequate to cover their everyday costs, we would see associated reductions in reliance on TAS.

25. However, from the period of 2018 to 2023 expenditure on TAS has risen, signalling that our assumption regarding reduced reliance is incorrect.

26. When main benefit rates were significantly increased (over CPI) from 2018-2022, the calculation of client's standard costs and the maximum rate rose proportionally. The increases were not accounted for in the TAS formula so now the calculation assumes that clients' everyday living costs have risen by more than inflation. At the time of the increases, the TAS flow-ons were not identified and therefore not adjusted for.

27. As a result, clients' TAS entitlements have increased, and expenditure has risen.

The Government is concerned about the long-term fiscal sustainability of the welfare system

28. There is an opportunity, through this proposal, to rebalance the TAS formula and account for the over-indexation discretionary increases in main benefit rates that have been reflected in the calculation of clients' TAS entitlement since 2018.

29. This rebalancing can be achieved by reducing the proportion of main benefit rates we use to calculate the maximum rate of payment from 30 percent to 25 percent.

30. This would work towards correcting for the payments clients were receiving in the 2018-2023 period that were calculated over inflation and achieve significant fiscal savings in line with the governments overall fiscal management strategy.

31. While there is a rationale for adjusting both the percentage used to calculate standard costs and the maximum rate, the increase to the maximum rate is the most significant issue over the period. This is because increasing the maximum rate, at the same time as increasing main benefits, was misaligned with the logic of the tiered approach to income support. That is, as first tier assistance payments were made more generous, we would anticipate a reduction in third tier assistance payments, not an increase to the maximum rate of payment.

32. The rate of benefit for a single adult aged 25 or over on the Jobseeker benefit, for instance, rose by around \$85 per week over and above inflation over the period. This led to an increase in the maximum rates of TAS and therefore increased TAS entitlements, despite the significant additional income was made available to recipients via increases to main benefits.

33. Note that the maximum rate calculation for TAS for clients on New Zealand Superannuation / Veterans Pension (NZS/VP) references the NZS/VP rate of payment, which did not have the same discretionary increases as main benefit rates over the

2018-2023 period. For this reason, NZS/VP will retain their current TAS formula calculation.

There is also an opportunity to reset expectations around the intent of the payment by removing formula-assessed child support as an allowable cost

34. Alongside the formula change, we have an opportunity to further adjust the allowable costs considered in the TAS formula. Removing formula-assessed child support as an allowable cost will reset the expectation that TAS is not intended to be used to cover personal liabilities.
35. It will also go further to realise savings and improve the fiscal sustainability of the welfare system.

What objectives are sought in relation to the policy problem?

36. The policy proposal aims to rebalance the TAS formula to bring the formula calculation for the maximum rate back to its intended proportion and realign TAS with its policy intent. The wider objectives sought in relation to the policy problem are related to the objectives for Budget 2026 that Ministers have discussed. This includes a focus on improving pathways to independence through paid work in line with the Government's fiscal strategy and realising significant fiscal savings.
37. The change to allowable costs is intended to improve the consistency in the approach to not including personal liabilities as allowable costs for TAS.
38. These objectives require trade-offs as since clients will have reductions in entitlements because of the change, there is a negative impact on income adequacy.
39. There are also trade-offs with the objectives of the Review of Social Housing (RoSH), which is aiming to deliver three key shifts, including improving equity by rebalancing the housing subsidies. As TAS is primarily used for accommodation costs, decreasing the amount of TAS clients are entitled to could undermine the objectives of RoSH, working against the objective to reduce the gap between the cost of private housing and social housing thereby reducing the incentives for clients to move out of social housing and into the private market. This may be offset in part by the increases to the AS also being progressed through this Budget.

What consultation has been undertaken?

40. No consultation has been undertaken in relation to these proposals; this includes with iwi or Māori due to time constraints and Budget sensitivity.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

41. For the purposes of this Regulatory Impact Statement, changes to the TAS formula were considered against the following criteria, related to the objectives detailed in Section 1:
- **Fiscal Savings:** Options were considered in their ability to generate significant savings over the forecast period.
 - **Impact on Income Adequacy:** Options generating savings were weighed against their impact on income adequacy for low-income individuals and families. This was assessed as a dollar value impact on entitlement per week. This criteria was

weighted more heavily in light of increased cost-of-living pressures due to the increase in fuel prices. As TAS is a form of third tier of assistance available for people with the most need, with the lowest residual incomes and high ongoing costs, a reduction in assistance will increase financial pressure on families, particularly where people cannot move into work to increase their income.

- **Improving Financial Incentives to Work:** Ministers were interested in options that improved financial incentives to work, by increasing the gap between main benefits and work. For the purpose of the options analysis, it is assumed that reducing clients' entitlements will therefore incentivise them to take up paid employment. However, it is important to note that financial incentives are just one factor in decisions to enter work or increase hours. For many people, other factors such as mental and physical health, job quality and accommodations, preferences to care for children, the availability of suitable jobs and childcare, are also important factors in decisions about whether to be in paid work, and how much paid work to do.⁵ Additionally, TAS has a 100 percent abatement regime, meaning that for every dollar earned, a client's TAS entitlement decreases by the same amount. The initiative may improve incentives to work at the intensive margin (how a client might gain from working an additional hour) and increase extensive work incentives by increasing the gap between income from benefit and income from work.
- **Feasibility, including implementation timeframes and interactions with other proposals:** The option set was limited to initiatives that could be developed in time for consideration for Budget 2026.
- **Alignment with the policy intent of the payment:** TAS is intended to be used for a temporary period (as reflected by the 13-week grant period) while clients look to decrease their expenses or increase their income. We have therefore explored options which could incentivise people into employment and limit the use of TAS on an ongoing basis.

What scope will options be considered within?

- Options were limited to those within the objectives for Budget 2026, notably finding fiscal savings and a focus on improving pathways to independence through paid work and in line with the Government's fiscal strategy.
- The scope was further limited by the constrained time frame for implementation. All options were developed to be considered through Budget 2026, with savings realised over the forecast period. This limited the option set to those that could be implemented within 1 year of Budget 2026, so larger scale reform was not available.
- Changes to the TAS formula for New Zealand Superannuation / Veteran's Pension clients were considered out of scope as clients on NZS/VP did not have the same over-indexation discretionary increases to their rates over the same period as occurred for main benefits.
- Non-regulatory options were not possible, as the TAS formula and allowable costs are set out in the Social Security Regulations 2018.

⁵ MSD (2018) "[Working Paper: Financial incentives to work – the gap between benefit and in-work incomes 2003-2022.](#)" Wellington, New Zealand.

What options are being considered?

Options for the TAS formula

Option One – Status Quo – Maintain standard costs at 70 percent of main benefit rate plus FTC, maximum rate of payment at 30 percent of main benefit rate

46. This option would maintain standard costs at 70 percent of main benefit plus FTC and leave the maximum rate of payment at 30 percent of main benefit rates. It would also maintain child support as an allowable cost.

s 9(2)(f)(iv)

Option Three – Change maximum rate to 25 percent

48. This option would maintain the standard costs at 70 percent of main benefit plus FTC, while reducing the maximum rate of payment from 30 percent of main benefit rates to 25 percent of main benefit rates. This option applies to main benefit recipients and non-beneficiaries receiving TAS.

s 9(2)(f)(iv)

Options for Allowable Costs

Option One – Status Quo- Maintain formula-assessed child support liability as an allowable cost

50. This option would maintain formula-assessed child support liability as an allowable cost for TAS.

Option Two – Remove Child Support Liability as an Allowable Cost

51. This option would remove formula-assessed child support liability as an allowable cost for TAS. This option applies to main benefit recipients and non-beneficiaries receiving TAS **and** recipients of NZS/VP.

- **Fiscal Savings:** Savings were forecast at \$21.788 million over the forecast period. Note that combining the formula change and the removal of child support liability affects the overall savings of the initiative.
- **Income Adequacy:** This option is estimated to impact approximately 5,000 families by an average loss of \$25.09 per week.
- **Work Incentives:** Increasing the gap between benefit and work could incentivise people into work to increase their income, as their benefit payments decrease.
- **Feasibility of Implementation:** Implementation is possible in the timeframe and requires work with Inland Revenue.
- **Alignment with Policy Intent:** This option brings TAS into better alignment with its intent to not cover personal liabilities.

Recommended Options

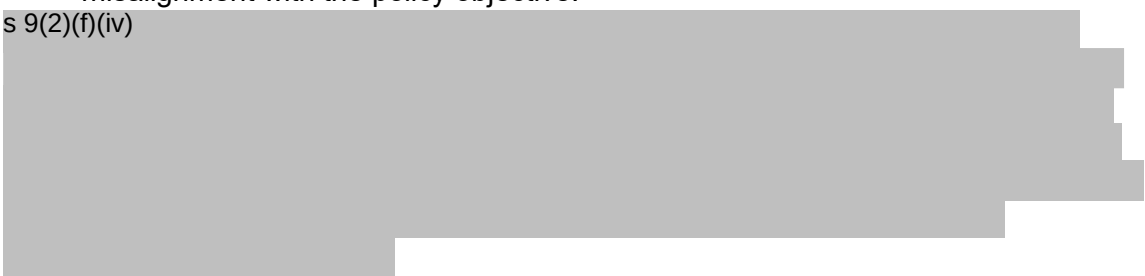
52. Each option has trade-offs which are canvassed in the options table below and following discussion. Options to progress depend on how Ministers choose to weigh their objectives.

53. Officials recommend the combination of either:

54. **‘Formula Change: Option Three’ with ‘Allowable Costs: Option Two’ (Preferred option).** This option reduces the maximum rate of payment from 30 to 25 percent of main benefit rates for clients on a main benefit or non-beneficiaries receiving TAS. This maintains the current calculation for standard costs at 70 percent of main benefit plus FTC. It also removes child support liability as an allowable cost for TAS, which applies to all clients (including NZS/VP). The impact against objectives of this combination is outlined below.

- **Fiscal Savings:** \$53.322 million per year over the forecast period.
- **Income Adequacy:** Impacts income adequacy for 51,000 people by an average loss of \$21.03 per week.
- **Work Incentives:** Increases the gap between income from a benefit and income received from work.
- **Feasibility of Implementation:** Will require policy design, legislative change and operational and IT changes.
- **Alignment with Policy Intent:** Not adjusting standard costs creates a small misalignment with the policy objective.

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



How do the options compare to the status quo/counterfactual?

Options for the TAS formula				
	Option One – Status Quo	s 9(2)(f)(iv)	Option Three – Change maximum rate to 25 percent	s 9(2)(f)(iv)
Fiscal Savings	0		+ Not costed standalone (see paragraph 53).	
Income Adequacy	0		- Not costed standalone (see paragraph 53).	
Financial Incentives to Work	0		+ Increases in the gap between income from a benefit and income received from work.	
Feasibility	0		- Will require policy design, legislative change and operational and IT changes.	
Alignment with Policy intent	0		+ Brings the maximum rate to 25 percent of main benefit rates. Not adjusting standard costs creates a small misalignment with the policy objective.	

		s 9(2)(f)(iv)		s 9(2)(f)(iv)
Overall assessment	0		+	

Allowable cost options		
	Option One – [<i>Status Quo / Counterfactual</i>]	Option Two – Remove Formula Assessed Child Support Liability as an Allowable Cost
Fiscal Savings (prioritised)	0	+ <i>This option sees fiscal savings of approximately \$5.5 million per year over the forecast period (approximately \$22 million over the forecast period) (standalone).</i>
Income Adequacy	0	- <i>5,000 families will be impacted by an average loss of \$25.09 per week (standalone). Some clients may lose eligibility to TAS due to this change.</i>
Financial Incentives to Work	0	+ <i>This option would increase the gap between benefit and work and could incentivise clients into work.</i>
Feasibility	0	- <i>Will require policy design, legislative, operational and IT change for MSD. Will require IT change by Inland Revenue.</i>

Alignment with Policy intent	0	+ <i>Brings TAS into alignment with the intent to not cover personal liabilities.</i>
Overall assessment	0	+

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

56. As stated in paragraph 51, there are two combinations, which will address the problem and meet the policy objectives, dependent on the weighting of the objectives and with consideration of the cost-of-living pressures, due to fuel prices, currently facing New Zealand.
57. **Preferred option: 'Formula Change: Option Three' with 'Allowable Costs: Option Two'** aligns less closely with the policy rationale by ^{s 9(2)(f)(iv)} adjusting the maximum rate of payment. However, it is officials preferred option as it mitigates the impact on income adequacy, as well as works less against the objectives of reducing the gap between the cost of private housing and social housing.
58. If Ministers wanted to prioritise mitigating the impact on income adequacy while realising significant savings, progressing ^{s 9(2)(f)(iv)} of the formula change is an approach they could take. Adjusting the maximum rate ^{s 9(2)(f)(iv)} would be officials' recommended approach, as increases to the maximum rate, at the same time as main benefit increases, is not aligned with the logic of the tiered approach to income support. That is, as first tier assistance payments were made more generous, we would anticipate a reduction in third tier assistance payments, not an increase to the maximum rate of payment. This option has the least significant impacts on income adequacy for the least amount of people, with 51,000 people affected by an average loss of \$21.03 per week.
59. ^{s 9(2)(f)(iv)}
60. Both the preferred and the alternate combinations of options could increase extensive incentives to work, as the gap between income from benefit and income from paid employment would widen. However, the behavioural impacts of the loss of income are uncertain as we are not able to model these impacts. To note, not all those losing income will be in a position to respond to the increased financial incentive to work by taking up paid employment (e.g. due to the presence of significant labour market barriers).
61. The change to allowable costs also aligns with the objectives, realises small savings and aligns with broader welfare system settings (i.e. that TAS should not be used to cover personal liabilities).
62. To choose the recommended options, we considered the broader objectives of the welfare system, which are improving or maintaining incentives to work, improving income adequacy and maintaining a sustainable cost to government, in line with the Government's fiscal strategy as well as the objectives of RoSH and continuity with the Budget housing package. We also considered the policy intent of TAS, and ways to move the payment closer towards its intended use as a temporary payment reducing its use as a housing subsidy.

63. The options have trade-offs for Ministers to consider dependent on which objectives they choose to weight more heavily.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

64. Yes, s 9(2)(f)(iv)

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Low-income people / beneficiaries	Ongoing, medium to long term	Increased poverty / material hardship	High
MSD and Inland Revenue	One-off, short term	Implementation costs of \$4.935 million	High
MSD	Ongoing, short to medium term	Increased uptake of one-off hardship assistance (not costed in analysis)	Medium
Others (eg, wider govt, consumers, etc.) <i>For fiscal costs, both increased costs and loss of revenue could be relevant</i>	Ongoing, long term	Flow ons from increases to poverty / material hardship through the third sector or onto other government organisations (not costed in analysis)	Low
Total monetised costs		\$4.935 million	High
Non-monetised costs		Increased material hardship / flow-ons to the third sector and other government organisations	Medium-Low
Additional benefits of the preferred option compared to taking no action			
MSD / Government	Ongoing, medium to long term	Cost-Savings of \$218.222 million over four years	High
Low-income people / beneficiaries	Ongoing, medium to long term	Improved incentives to work (assuming there is suitable work available in the labour market)	Low
Total monetised benefits		(\$218.222 million)	High

Non-monetised benefits		Improved incentives to work	Low
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Section 3: Delivering an option

How will the proposal be implemented?

65. For this initiative MSD will seek policy decisions from Cabinet as a part of the Budget process. The secondary legislation (the Social Security Regulations 2018) will be amended.
66. This will be followed by the development of operational policy to reflect the policy changes and the legislation, and the development of staff guidance and any training required. There will also be IT and system changes needed to implement the changes. The changes will be communicated to clients ahead of implementation via MSD's regular notification process, sending letters to clients and a communications campaign.
67. Removing formula assessed child support as an allowable cost for TAS will require some changes to systems and processes between MSD and Inland Revenue and small technical and content changes for Inland Revenue.
68. There are one-off costs to implement the changes of \$4.935 million. This includes the cost of IT/system changes, project team costs to implement the change, and some additional staff costs to manage the change on 1 April 2027.
69. Forecasts were based on a 1 April 2027 implementation, aligned with the Annual General Adjustment. Clients will have their TAS entitlement recalculated based on the new formula and allowable costs from this date; no transitional arrangements will apply.

How will the proposal be monitored, evaluated, and reviewed?

70. In the short term, we will monitor the impact of the Budget housing package on clients including changes to total incomes (annual), and changes in trends for other welfare assistance e.g. hardship assistance (quarterly).
71. We will develop a plan to carry out an evaluation in the medium term to look at and understand outcomes across the welfare savings package (e.g. the impact on hardship assistance take-up or broader outcomes in the Integrated Data Infrastructure), using quasi-experimental methods if appropriate. This will be in addition to monitoring the financial savings from these initiatives.



Briefing

Draft Cabinet Paper - Reviewing the Social Housing system: Delivering better housing support to those who need it			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
To Minister	Hon Louise Upston	Portfolio	Minister for Social Development and Employment
CC Minister	Hon Tama Potaka	Portfolio	Associate Minister of Housing
Date	18/03/2026	Priority	High
Tracking number	HUD2026-009386 REP/26/3/190		

Action sought	
Action sought	Provide feedback on the attached draft Cabinet paper
Deadline	26/03/2026

Contact for discussion			
Name	Position	Telephone	First contact
Julia Pearce	Manager, Social housing and other supports (HUD)	s 9(2)(a)	✓
Jono Arrell	Principal Policy Analyst, Housing Policy (MSD)		✓

Recommended actions	
It is recommended that you:	
1. Provide feedback on the attached draft Cabinet paper <i>Reviewing the social housing system: delivering better housing support to those who need it before 26 March 2026</i>	Agree / Disagree

Hon Chris Bishop

Minister of Housing

..... / /



Julia Pearce

Manager, Social Housing and Other Supports, HUD

18 / 03 / 2026

Hon Louise Upston

Minister for Social Development and Employment

..... / /

p.p.



Hayley Hamilton

General Manager, Housing, Employment and Labour Market Policy, MSD

18 / 03 / 2026

Purpose

1. This report seeks your feedback on the attached draft Cabinet paper on the Review of the Social Housing System (RoSH), to be submitted to Cabinet in April 2026.

Background

2. On 2 March 2026, Housing Ministers met to discuss decisions, progress, and direction for RoSH. Ministers agreed to take a paper to Cabinet in April 2026, setting out a clear and compelling case for change within the social housing system to receive Cabinet endorsement for key shifts RoSH is pursuing.
3. The attached draft Cabinet paper notes the proposed policy changes to income-related rent (IRR) and the accommodation supplement (AS) with decisions on these being formalised through the upcoming Budget 2026 cabinet paper.

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

Timeline for Cabinet

5. The table below sets out the suggested timeline for Cabinet and Budget processes. We understand that your Offices are working through the potential timelines and interactions with Ministerial leave and we will adjust as necessary.

Milestone	Date
Draft Cabinet paper to Ministers	Wednesday 18 March
Budget bilateral (housing)	Monday 23 March
Revised draft to Ministers for approval for Ministerial consultation	Thursday 26 March
Agency and Ministerial consultation	Monday 30 March to Friday 10 April
Final Cabinet paper to Ministers	Wednesday 15 April
Lodge for Cabinet	Thursday 16 April
Cabinet	Monday 20 April or Tuesday 28 April
Budget Cabinet Paper	Tuesday 28 April
Budget 2026 Announcements	Thursday 28 May

6. To align with Budget processes, we understand that Offices are currently considering the option of the Cabinet paper going straight to Cabinet on either the Monday 20 April 2026 or Tuesday 28 April 2026. However, another option would be for the paper to go to the Cabinet Social Outcomes Committee on Wednesday, 22 April 2026 ahead of Cabinet on 28 April 2026 (the same day as the Budget Cabinet paper).
7. Ministers will be discussing Budget priorities with the Minister of Finance at the Budget bilateral meeting on 23 March. This will inform the Budget Cabinet paper.

We will report to you on targeted engagement from June 2026

8. You have indicated you are open to officials undertaking engagement in the second half of 2026 to inform policy development. We last undertook some very targeted engagement in 2025 with named individuals.¹
9. Consultation with different sectors connected to the social housing system will help us to develop the policy proposals, by enabling us to:
 - a. socialise changes and test reception with key stakeholders,
 - b. improve our understanding of system challenges, opportunities, and priorities,
 - c. gain insights to support the development of detailed operationalizable policy.
10. We will provide you with more details and seek your agreement to the proposed engagement in the May 2026 advice (including stakeholders to engage with and proposals to test with stakeholders).

Next steps

11. Following your feedback, an updated Cabinet paper will be circulated for agency and Ministerial consultation.
12. Financial decisions on housing subsidies will be made through Budget 2026 processes. Housing Ministers are discussing Budget priorities with the Minister of Finance on Monday 23 March 2026.
13. Further substantive policy advice on the RoSH work programme will be provided to you in May 2026, including seeking your feedback on engagement timings and stakeholders.

¹ s 9(2)(a)

Annex A:

[DRAFT] Reviewing our Social Housing system: delivering better housing support to those who need it



**MINISTRY OF SOCIAL
DEVELOPMENT**
TE MANATŪ WHAKAHIATO ORA



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Report

Date: 2 April 2026 **Security Level:** Budget Sensitive

To: Hon Chris Bishop, Minister of Housing
Hon Louise Upston, Minister for Social Development and
Employment
Hon Tama Potaka, Associate Minister of Housing

File Reference: REP/26/4/251; HUD2026-009554

Draft Cabinet paper for consultation: Reviewing the Social Housing system

Purpose of the report

- 1 This paper provides you with an updated draft Cabinet paper for Ministerial consultation. The attached draft Cabinet paper seeks agreement to the three key shifts for the Review of the Social Housing system (RoSH) and outlines proposed changes to the system of housing subsidies being sought through Budget 2026.

Recommended actions

It is recommended that you:

- 1 **note** the attached draft Cabinet paper has been updated following Welfare Minister Budget bilateral discussion on 31 March 2026, but includes placeholders for costings and modelling still being completed
- 2 **agree** to undertake Ministerial consultation concurrent with agency consultation from Tuesday 7 April to Monday 13 April 2026

Agree / Disagree

- 3 **note** advice on the cumulative impacts of the Budget 2026 proposals outlined in the attached Cabinet paper will be provided to you on 14 April 2026, using updated modelling



Alex McKenzie
Manager, Housing Policy
Ministry of Social Development

2 April 2026

Date



Julia Pearce
Manager, Social Housing and Other
Supports Policy
Ministry of Housing and Urban
Development

2 April 2026

Date

Hon Chris Bishop
Minister of Housing

Date

Hon Louise Upston
Minister for Social Development and
Employment

Date

Hon Tama Potaka
Associate Minister of Housing

Date

Background

- 2 A draft Cabinet paper was provided to your Offices on 18 March 2026. You have subsequently provided feedback on the Cabinet paper and discussed Budget 2026 proposals with the Minister of Finance.

The draft Cabinet paper includes several updates, reflecting Ministers feedback and Budget 2026 proposals

- 3 Welfare Ministers discussed Budget 2026 proposals with the Minister of Finance on Tuesday 31 March 2026. Ministers agreed to proceed with:
 - 3.1 an increase to the Income-related Rent Contribution rate from 25 percent to 30 percent (for people in social housing, transitional housing and emergency housing)
 - 3.2 increases to the Accommodation Supplement (AS) across all areas (including areas one and two, in addition to areas three and four, as previously proposed)
 - 3.3 decreasing the maximum rate of Temporary Additional Support (TAS) from 30 to 25 percent of main benefit rates.
- 4 This package is now included in the attached draft Cabinet paper, which includes placeholders for costing and modelling to understand the cumulative impact of the proposals. Advice on the cumulative impacts of the Budget 2026 proposals outlined in this paper will be provided to your Offices on 14 April 2026.
- 5 Modelling of the child poverty impacts is unlikely to be possible in the available timeframes. However, based on previous modelling of the individual components, there is unlikely to be any measurable change in child poverty for the revised package.

Next steps

- 6 Your Offices will share the attached draft Cabinet paper with other Ministerial Offices on Tuesday 7 April for their feedback by Monday 13 April. MSD and HUD officials will undertake agency consultation concurrently with Ministerial consultation.
- 7 A final draft Cabinet paper will be provided to your Office on Wednesday 14 April for any further feedback and lodgement with the Cabinet Office on Thursday 16 April.
- 8 The paper will be considered by Cabinet's Expenditure and Regulatory Review Committee (EXP) on Tuesday 21 April, and by Cabinet on Tuesday 28 April (alongside the broader Budget Cabinet paper).

Appendix

9 Draft Cabinet paper: Reviewing the social housing system.

File ref: REP/26/4/251; HUD2026-009554

Authors: Jono Arrell, Principal Policy Analyst, Ministry of Social Development;
Jemima de Lacey, Principal Policy Analyst, Ministry of Housing and Urban
Development

Responsible managers: Alex McKenzie, Policy Manager, Ministry of Social
Development; Julia Pearce, Policy Manager, Ministry of Housing and Urban
Development



Briefing

Final Draft Cabinet Paper - Reviewing the Social Housing system			
To Minister	Hon Chris Bishop	Portfolio	Minister of Housing
	Hon Louise Upston	Portfolio	Minister for Social Development and Employment
CC Minister	Hon Tama Potaka	Portfolio	Associate Minister of Housing
Date	14/04/2026	Priority	High
Tracking number	HUD2026-009595 / REP/26/4/265		

Action sought	
Action sought	Agree to the final draft Cabinet paper ahead of lodgement by 16 April 2026
Deadline	16/04/2026

Contact for discussion			
Name	Position	Telephone	First contact
Julia Pearce	Manager, Social Housing and Other Supports, HUD	s 9(2)(a)	✓
Hayley Hamilton	General Manager, Housing, Employment & Labour Market Policy, MSD		
Jemima de Lacey	Principal Policy Adviser, HUD		
Jono Arrell	Principal Policy Analyst, MSD		✓

Other agencies consulted
Department of Corrections, Department of the Prime Minister and Cabinet, Ministry for Ethnic Communities, Ministry of Health, Ministry of Justice, Kāinga Ora, Ministry for Business, Innovation and Employment, Ministry for Women, Ministry for Regulation, Ministry for Pacific Peoples, Oranga Tamariki, Public Service Commission, Social Investment Agency, Te Puni Kōkiri, The Treasury, Whaikaha.



Recommended actions

It is recommended that you:

- | | |
|--|------------------|
| 1. Note the feedback received and inputted during agency consultation | Noted |
| 2. Agree to lodge the attached Cabinet paper on 16 April 2026 | Agree Disagree |

Hon Chris Bishop
Minister of Housing

..... / /

Julia Pearce
**Manager, Social Housing and Other
Supports, HUD**

14 / 4 / 2026

Hon Louise Upston
**Minister for Social Development and
Employment**

..... / /

Hayley Hamilton
**General Manager, Housing,
Employment and Labour Market Policy,
MSD**

14 / 4 / 2026



Purpose

1. This report updates you on feedback received during agency consultation on the draft Cabinet paper on the Review of Social Housing (RoSH) and seeks your agreement to finalising the Cabinet paper, ahead of lodging by 16 April 2026.

Background

2. On 18 March 2026 we provided you the first draft of the attached Cabinet paper.
3. The attached paper now reflects feedback received from you, as well as from agency consultation which occurred from 7 to 13 April 2026.

We received minor feedback from agency consultation

4. The feedback focused on wording changes, clarifications and population implications.
5. In the population impacts section of the Cabinet paper, we've reflected that some population groups are overrepresented in housing need and are likely to be disproportionately affected by any system change. These groups include Māori, Pacific peoples, refugees, sole parents, people exiting prison, young people leaving state care, and disabled people, including people with health conditions.
6. We will consider the potential impacts of these population groups further as we develop more detailed policy proposals for further advice. This includes giving effect to Action Seven of the New Zealand Disability Strategy (review the social housing system, including considering the diverse needs of disabled people and how these could be addressed).

Note: This overrepresentation in the register also means that these groups are more likely to receive a social house.

We have also made changes to reflect your feedback

7. These changes include:
 - a. reordering the narrative to focus on the key system shifts you are proposing
 - b. included updated analysis on the costs and distributional impacts of the Budget 2026 changes
 - c. clarified figures including that \$5.5 billion was spent on housing last year (December 2025 figures)
 - d. added more detail on examples of access barriers at paragraph 39. Further advice on this will be provided in the May policy advice
 - e. updated Table 1 in the Cabinet paper (page 5) from the after housing cost income table to one showing how much rent tenants pay in different scenarios, and how much subsidy they receive.



We have attached a slide deck to the Cabinet paper at Appendix A

8. Appendix A of the Cabinet paper is the slide deck that Minister Bishop requested. You could choose to lodge this with the Cabinet paper or hand out copies to your colleagues on the day.
9. We will provide you with an aide-memoire, including talking points and questions and answers, on Thursday 16 April to support your discussion at Cabinet committee.

Next steps

10. The table below sets out the final steps in getting this Cabinet paper to Cabinet, which we have worked with your offices to develop. The paper will be considered by the Expenditure and Regulatory Review Committee rather than the Social Outcomes Committee due to Ministerial availability. We understand that your offices are working to make sure other relevant Ministers are invited.

Milestone	Date
Lodge for Cabinet committee	10:00am, Thursday, 16 April
Expenditure and Regulatory Review Committee	12:30pm, Tuesday, 21 April
Cabinet	12:00pm, Tuesday, 28 April
Budget Cabinet paper	Early May
Budget 2026 Announcements	Thursday, 28 May



**MINISTRY OF SOCIAL
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Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Aide-mémoire

Cabinet paper

Date: Thursday 23 April 2026 **Security level:** Budget Sensitive

For: Hon Chris Bishop, Minister of Housing
Hon Louise Upston, Minister for Social Development and
Employment
Hon Tama Potaka, Associate Minister of Housing

File Reference: REP/26/4/292 | HUD2026-009633

Reviewing the Social Housing system: delivering better housing support to those who need it

Cabinet Committee	Social Outcomes Committee
Date of meeting	10:30am, Wednesday 29 April 2026
Minister	Hon Chris Bishop, Minister of Housing Hon Louise Upston, Minister for Social Development and Employment Hon Tama Potaka, Associate Minister of Housing
Proposal	You are seeking Cabinet agreement to policy development based on three key shifts for the social housing system.
Talking points	We spent over \$5.5 billion last year on our social housing system, but it faces fundamental and long-standing issues that will get worse without action: the system is unfair because people in similar circumstances receive very different levels of support,

-
- as well as being very expensive our limited social housing stock is not used effectively, and
 - people are stuck in social housing dependency, with no expectations and poor incentives to move toward independence, meaning others in higher need miss out.

We are proposing a multi-year work programme to address systematic issues in the social housing system focussed on three key shifts that aim to:

- prioritise our social housing for households facing severe and persistent access barriers, beyond general affordability issues
- deliver a package of interventions to promote sustainable mobility through the social housing system towards housing independence
- bring the subsidies closer together improving equity and reduce financial disincentives to move toward independence.

If we can achieve these three key shifts, we will create a social housing system that is fair, represents value for money, supports upward mobility, and where those in most need receive help for the period that they need it.

We are seeking Cabinet agreement to this work now so that we can make a clear plan for the long-term system change and start the changes being agreed through Budget 2026 now.

We will make a meaningful start addressing underlying inequities and improving incentives through Budget 2026 by bringing subsidies for low-income households in social housing and private market housing closer together. These changes will reduce disincentives for people to improve their personal circumstances, either to get a job, work more hours, or move to private market housing.

Together, these initiatives will generate savings of around \$52m per year and will come into effect from 1 April 2027:

1. Increase the minimum Income-related Rent contribution rate for social housing tenants, and people in emergency and transitional housing, from 25 to 30 percent of their income.

-
2. Increase all maximum rates of the Accommodation Supplement for low-income households by between \$10-30 per week.
 3. Reduce reliance on Temporary Additional Support payment by reducing the maximum rate of subsidy to account for recent increases.

We are also proposing to continue to invest in additional social housing places in Budget 2026 by funding an additional 1800 to 2250 places over two to three years through the Flexible Fund.

We intend to announce the Review of the Social Housing system, including the three key shifts and Budget initiatives, alongside Budget 2026.

Officials will undertake targeted engagement to develop policy proposals between June and August 2027 to give effect to the three key shifts outlined in this paper. Cabinet decisions on these policy proposals will be sought in early 2027.

Note: Consultation is occurring from September to October 2026

-
- Appendixes**
- A: Questions and answers
 - B: Budget 2026 initiatives
 - C: Budget 2026 distributional impacts
-

Author: Jono Arrell, Principal Policy Analyst, Ministry of Social Development; and Jemima de Lacey, Principal Policy Advisor, Ministry of Housing and Urban Development

Responsible manager: Hayley Hamilton, General Manager, Ministry of Social Development; and Julia Pearce, Policy Manager, Ministry of Housing and Urban Development

Appendix A: Questions and Answers

When will change happen?

Changes to housing subsidies through Budget 2026 will come into effect from 1 April 2027. Changes to social housing tenants' rent contributions will come into effect following their first annual review after 1 April 2027.

Broader work to give effect to the three key shifts will be a multi-year programme of work, likely requiring legislative change and future Budget investment. s 9(2)(f)(iv)

What will be the impact of Budget 2026 changes?

Budget 2026 changes to IRR, AS and TAS will affect around 240,000 families. About 111,000 families will gain from AS increases (averaging \$14.91 per week), while 129,000 will lose income due to IRR and TAS changes (averaging \$24.04 per week).

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

IRR changes will lower after-housing incomes for around 87,000 social housing households by \$31 per week on average, reducing disincentives to move into the private market. AS maxima increases will lift the maximum amount of support available for low-income private renters by \$10–\$30 per week, while TAS changes will reduce reliance on TAS by around 15 percent, improving work and income incentives.

What are the child poverty impacts of Budget 2026 changes?

We have not been able to undertake modelling of the child poverty and material hardship impacts of the package in this paper. Based on modelling of similar packages considered, officials advise that there is unlikely to be a statistically significant impact on income measures of child poverty.

There will, however, be both positive and negative impacts on different groups of children experiencing material hardship and income poverty. While the average income losses are larger than the average income gains, these changes help to improve equity and incentives for households to improve their circumstances, move toward independence, and will help to free up space in social housing for those in most need.

Who will be affected by the key shifts?

Increasing movement into housing independence is expected to create more vacancies, improving access for people with higher needs.

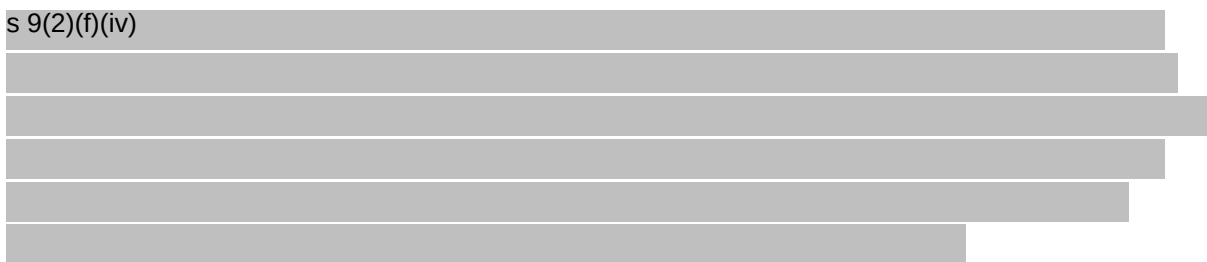
A stronger focus on access need means households whose primary issue is affordability are more likely to be supported through the accommodation supplement in the private market, while those facing severe and persistent access barriers will be prioritised for social housing.

Further analysis is underway, but some groups are likely to be more affected by these changes, including Māori, Pacific peoples, disabled people, sole parents, refugees, and people leaving prison or state care.

What is the fiscal cost of the Budget 2026 changes?

The proposed shift to IRRS and AS is intended to be broadly fiscally neutral. IRRS savings of \$92m per year on average will be reinvested in increases to the AS maxima for all areas. Together with the TAS change, this will generate savings of \$52m per annum.

s 9(2)(f)(iv)



How will Māori be affected by the Budget 2026 changes?

Māori are overrepresented in high housing need including in the social housing system – Māori account for 30 percent of AS recipients, 35 percent of social housing tenants, 40 percent of those on the Register but only 18 percent of the population. Due to the over-representation of Māori in the programmes included in the Budget 26 package of housing subsidy changes, Māori are disproportionately impacted in both families with losses and in families that gain from the package.

Compared to the total population of families, Māori make up approximately 40 percent of the number of families who are worse off. These families have an average loss of \$23.85 per week compared to average loss for the total population of \$24.04 per week. Māori are also overrepresented in the families that gain from this package, representing 31 percent of those who gain, with an average gain of \$15.53 per week, compared to an average gain of \$14.91 for all families who gain.

How does this link with broader reforms in the housing system?

We are taking significant steps to increase private market housing supply and reduce housing costs over time through the Going for Housing Growth programme. However, many people still struggle to meet housing costs or face barriers to accessing private market housing due to either market or household characteristics. This cohort requires direct support from the government to meet their housing needs.

RoSH will also influence and collaborate with work programmes connected to the Flexible Fund and to Affordable Rentals.

How does this relate to other parts of the welfare system?

Other parts of the welfare system, like income support, come with a set of responsibilities that correspond to the provision of support. For Jobseekers, this includes an obligation to seek work and a need to re-apply for their benefit every 26-weeks. The proposed shifts in this paper seek to bring the social housing system in line with the rest of the welfare system, using defined tenancy lengths, ongoing needs assessments, and a responsibilities framework. s 9(2)(f)(iv)

The Budget 2026 changes will also help to make work pay and support pathways to independence.

What might these changes mean for people with disabilities?

By refocusing social housing on those who face severe and persistent barriers to accessing private housing, we expect to retain a focus on people with disabilities.

In the proposed new system, people would only be prioritised if they also have ongoing barriers to obtaining and maintaining private housing. We know that people with specific accessibility needs related to disabilities have high levels of typology barriers because of the limited stock of accessible properties in the private market.

s 9(2)(g)(i)

s 9(2)(g)(i)

[Redacted text block containing multiple lines of information]

Appendix B: Budget 2026 initiatives

Figure 1: Net fiscal impact of housing-related initiatives

Initiative	Description	Annual average fiscal impact (\$m)
Increase to Income-related Rent Contribution: Social housing	Increases the minimum rent contribution rate for all social housing tenants, and people in emergency housing or transitional housing, from 25 percent of their income to 30 percent of their income.	(92)
Increase to Income-related Rent Contribution: Transitional Housing		(5)
Increase to Income-related Rent Contribution: Emergency Housing		(0.7)
Increase the Accommodation Supplement maxima	Increases to the AS maximum rates for all four geographic areas by between \$10 and \$30 per week.	94
Reducing reliance on Temporary Additional Support	Reduces the maximum rates of Temporary Additional Support and removes child support as an allowable cost. Fiscal savings include consequential savings from AS and IRRS.	(49)
Total average annual fiscal impact		(52)

Appendix C: Budget 2026 distributional impacts

Figure 2: Distributional impacts of Budget 2026 initiatives by social housing status

Social Housing status	Families with gains		Families with losses	
	Number of families	Average weekly impact	Number of families	Average weekly impact
In social housing	400	\$11.89	84,000	-\$31.02
Not in social housing	111,000	\$14.92	45,000	-\$10.82
Total	111,000	\$14.91	129,000	-\$24.04

Figure 3: Breakdown of gain and loss by family type by amount per week

	Families with losses			Families with no change	Families with gains	
	-\$50+ per week	\$25 - \$50 per week	\$0 - \$25 per week		\$0 - \$25 per week	\$25-50 per week
Family type						
Single no children	900	23,000	54,000	612,000	51,000	
Sole Parent	200	22,000	11,000	55,000	26,000	13,000
Couple, no children	1000	14,000	2,000	385,000	9,000	
Couple, with children	300	7,000	1,000	18,000	7,000	6,000
Benefit type						
Beneficiary	700	30,000	64,000	267,000	46,000	11,000
Non-beneficiary ¹	100	500	3,000	32,000	31,000	8,000
No benefit ²	2,000	9,000	1,000	52,000		
Superannuation	30	19,000	500	718,000	15,000	
Children						
With children	500	26,000	12,000	73,000	33,000	19,000
Without children	2,000	32,000	56,000	997,000	59,000	

¹ Non-beneficiaries are not receiving a main benefit but could be receiving supplementary assistance or extra help from MSD (for example, Accommodation Supplement or Temporary Additional Support).

² For the purposes of this analysis, no benefit includes clients only paying Income Related Rent and not receiving any other payment from MSD.



Report

Date: 14 April 2026 **Security Level:** SENSITIVE

To: Hon Chris Bishop, Minister of Housing
Hon Louise Upston, Minister for Social Development and
Employment; Minister for Child Poverty Reduction
Hon Tama Potaka, Associate Minister of Housing

File Reference: HUD2026-009593; REP/26/4/253

Distributional analysis to support the Budget 2026 Housing package

Purpose of the report

- 1 To support Ministers ahead of final Cabinet decisions for Budget 2026, this report:
 - seeks to confirm decisions on the housing initiatives for the Budget 2026 housing package
 - provides analysis of the combined distributional impacts for the three housing initiatives
 - provides additional information requested by the Associate Minister of Housing at the 31 March multilateral meeting.

Executive summary

- 2 At the Budget multilateral meeting on 31 March 2026, ministers agreed to a Budget 2026 package of housing-related income support initiatives to:
 - improve pathways to housing independence by narrowing the income gap between social housing tenant and private market renters
 - improve financial incentives to work

- reduce reliance on Temporary Additional Support (TAS).
- 3 Ministers agreed to pursue these objectives through three mutually reinforcing changes:
- increasing the amount that people in social, transitional and emergency housing pay toward their rent to 30% of their income (and increasing the contribution that people in emergency housing and transitional housing pay to 30% of their income), bringing this closer to (but usually still more favourable than) the levels paid by low-income private renters
 - redeploying these savings to increase all maximum rates of the Accommodation Supplement (AS) – lifting the incomes of private renters and improving equity and incentives
 - reducing the maximum rate of TAS to 25% to reflect the above inflation increases in main benefit rates that occurred over the previous two terms of parliament, reducing reliance on this payment helping to make work pay. There is also a proposal to remove Child Support as an allowable cost from TAS to ensure TAS does not cover personal liabilities.
- 4 Ministers have received advice previously on each of these proposals [REP/26/3/197; REP/25/7/580; REP/25/7/573; REP25/11/898], but there are key differences in the TAS and AS options that are being progressed.
- 5 The combined package impacts 240,000 families. There are 111,000 families who gain income (on average \$14.91 per week), and 129,000 who lose income (on average \$24.04 per week). Some key points to note below:
- 84,000 families with losses are in social housing and these families have an average loss of \$31.02 per week. This reduction reflects the current advantage social housing tenants have compared to renters in the private market.
 - 31,000 working families gain up to \$25 per week, while 8,000 gain more than \$25 per week. The average income gain for working families is \$16.71 per week.
 - Large number of main beneficiary families (approximately 94,000) lose as a result of the housing initiative package. This is due to the impacts of the Income Related Rent (IRR) and TAS initiatives.
 - A small number of families (approximately 300) lose over \$50 per week due to the removal of Child Support as an allowable cost from TAS.
 - Compared to their proportion of the New Zealand population, Māori are over-represented in families with losses and in families that gain from the package. The average loss for Māori families is \$23.85 per week and the average gain for Māori families is \$15.53 per week.

BUDGET SENSITIVE

- For families with losses, Pacific Peoples have the highest weekly loss of \$30.75 per week. This is due to a large proportion of Pacific Peoples in social housing and larger family sizes, which means they are more likely to be impacted by the TAS maxima change.
- 6 Taken together the full impact of the housing initiatives is an average savings of \$52 million per year, or \$209 million over the forecast period. The net fiscal impact of the package is shown in Table 1.
- The changes to IRR would save an average of \$92 million per year, while increasing the contribution for Transitional Housing would save an average of \$5 million per year, and for emergency housing \$0.7 million per year. Combined these changes result in \$97 million in savings per year.
 - The targeted increase to AS maxima would cost an average of \$94 million per year, which includes around \$35 million per year in savings to TAS as increases to AS will decrease TAS entitlements.
 - The changes to reduce the TAS maximum rate and remove Child Support as an allowable cost would save an average of \$49 million per year.

Table 1. Net fiscal impact of housing-related initiatives

	Fiscal year				Four year total \$m	Annual average \$m
	2026/27 \$m	2027/28 \$m	2028/29 \$m	2029/30 \$m		
Income Related Rent: Increase the tenant contribution for Social, Emergency and Transitional Housing to 30%	0.545	(89.101)	(147.282)	(151.677)	(387.515)	(97)
Accommodation Supplement: maxima increase net of consequential reduction in TAS	27.982	114.533	113.084	118.748	374.347	94
Temporary Additional Support: reduce maximum rates and remove child support as an allowable cost. Includes consequential savings from AS and IRRS	(10.397)	(59.312)	(60.998)	(64.850)	(195.557)	(49)
Total	18.130	(33.880)	(95.196)	(97.779)	(208.725)	(52)

* All figures are net of operational costs where applicable.

Recommended actions

It is recommended that you:

- 1 **note** that this paper provides distributional and fiscal information for initiatives for the housing-related income support changes for Budget 2026
- 2 **note** that the initiatives in this paper are consistent with what was discussed at the Budget multilateral on 31 March
- 3 **agree** to the following housing-related income support changes for Budget 2026 initiatives which will be implemented on 1 April 2027:

Initiative	Annual average (\$m)	Total over forecast period (\$m)
Increase tenant contribution for social housing (IRR) to 30%	(92)	(367)
Increase contribution for Transitional Housing to 30%	(5)	(22)
Increase contribution for Emergency Housing to 30%	(0.7)	(3)
Increase the Accommodation Supplement maxima by between \$10 and \$30 per week	94	374
Temporary Additional Support – Maxima change and removal of child support as an allowable cost	(49)	(196)
Total	(52)	(209)

AGREE / DISAGREE

- 4 **note** Final Cabinet policy decisions on these proposals will be made when Budget 2026 decisions are taken.

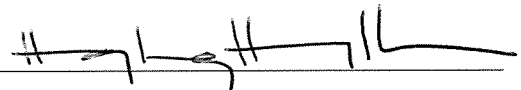


Jeremy Steele

General Manager, Housing
Supports and Supply, Ministry of
Housing and Urban Development

14/04/2026

Date



Hayley Hamilton

General Manager, Housing,
Employment and Labour Market
Policy, Ministry of Social
Development

14/04/26

Date

Hon Chris Bishop

Minister of Housing

Date

Hon Louise Upston

Minister for Social
Development and
Employment; Minister
for Child Poverty
Reduction

Date

Hon Tama Potaka

Associate Minister
of Housing

Date

Confirmed components of the package

- 7 Ministers discussed a package of changes to housing-related income support subsidies as part of Budget 2026. Collectively these initiatives begin to transform this system in line with the Review of the Social Housing System objectives of improving equity, pathways to independence and making work pay.
- 8 At the Budget multilateral meeting on 31 March 2026, ministers agreed that this package would involve three mutually reinforcing changes:
 - 8.1 increasing the amount that people in social, transitional and emergency housing pay toward their rent to 30% of their income (and increasing the contribution that people in emergency housing and transitional housing pay to 30% of their income), bringing this closer to the levels paid by low-income private renters
 - 8.2 redeploying the savings achieved by 8.1 into an increase in all of the AS maximum rates – lifting the incomes of private renters and improving equity and incentives
 - 8.3 reducing the maximum rate of TAS to 25% to reflect the large above-inflation increases in benefit rates that occurred over the last two term of parliament, reducing reliance on this payment helping to make work pay. There is also a proposal to remove Child Support as an allowable cost from TAS to ensure TAS does not cover personal liabilities.
- 9 The implementation of the IRR changes will be phased over 14 months. The IRR will be reassessed at the tenant's annual review or change in circumstances, whichever comes first. MSD then advises the housing provider of the new rate of IRR and the provider is required to give the tenant 60 days' notice of any rent increase
- 10 The AS and TAS proposals differ from those that have been the subject of previous advice, but are consistent with the draft Reviewing the Social Housing system Cabinet paper you received on 2 April 2026 [REP/26/4/251]. Further detail on the AS and TAS changes is provided below.

Accommodation Supplement (AS)

- 11 At the 31 March meeting, Ministers agreed to reinvest the savings from the increase to IRR, into increases in the maximum rates of AS. The proposal is to increase all maximum rates by between \$10 and \$30 per week, based on what would be required to increase maxima by 20% of what a full update for rent growth since the last maxima increase would require.
- 12 The confirmed costs of the maxima change on its own is \$94m annually, when averaged over four years, which is close to the savings generated by

the IRR increase (\$92m annually, averaged over four years). The proposed increases for each AS Area and family type are set out in Table 2 below. All AS areas would rise by at least \$10 per week, with increases of \$10 for a 1 person family, \$15-20 for a 2 person family, and \$20-30 for a 3+ person family. The increases are scaled so that there are larger proportionate increases in locations where rent growth has been highest since the last maxima adjustment. To note, this update does not reallocate locations between AS Areas, where rents may have significantly increased.

Table 2. Changes to AS maxima by household size and AS area

Household size	AS area	Status quo	New rate	Increase
1 person	1	\$165	\$175	\$10
	2	\$105	\$115	\$10
	3	\$80	\$90	\$10
	4	\$70	\$80	\$10
2 people	1	\$235	\$250	\$15
	2	\$155	\$175	\$20
	3	\$105	\$125	\$20
	4	\$80	\$100	\$20
3+ people	1	\$305	\$325	\$20
	2	\$220	\$245	\$25
	3	\$160	\$190	\$30
	4	\$120	\$145	\$25

- 13 When considered alongside the TAS proposal the group of people that benefit from the AS change will depend on individual circumstances. The group of recipients most likely to directly gain from the package are people currently receiving AS at the maxima but who are not also receiving TAS (most likely non-beneficiary AS recipients). Receipt of TAS will reduce the gains from the AS initiative in two ways:

- due to the way the TAS formula works, any increase in AS will result in a direct reduction in TAS due to its 100% abatement from additional income
- for people who are at the TAS maxima and the AS maxima, the increase to AS will mean they gain but they will lose more from the reduction in the TAS maxima.

- 14 The proposal reduces TAS use by \$35m annually, when averaged over four years.

Temporary Additional Support (TAS)

- 15 TAS is a hardship payment, intended as a last resort to help people with their regular ongoing essential living costs that cannot be met from their income

and other resources. It is intended to be temporary, and is paid for 13 weeks, after which people may reapply for support.

- 16 TAS has a complex formula which compares a person's income from all available sources to their essential costs, and pays a portion of any resulting income deficiency, up to a maximum.
- 17 The number of TAS recipients increased from 97,137 in September 2018 to 113,706 at the end of February 2026. Expenditure rose from \$227.510 million in 2017/2018 to \$601.625 million in 2025/2026. The use of TAS on an ongoing basis (longer than the intended 13 weeks) is largely driven by increases in housing costs and exacerbated by the non-adjustment of the AS. This has meant increasing numbers of people are eligible for TAS, due to their housing costs and these costs cannot readily be reduced within a 13-week period. More recently, increases to main benefit rates which were not completely reflected in the TAS formula and the new category of allowable costs for child support arrears, have exacerbated reliance on TAS.

Proposal to reduce the maximum payment rates of TAS

- 18 Like AS, TAS is subject to a maximum rate to control costs and avoid situations where excessive costs are subsidised by the government. The maximum rate is 30% of the applicable rate of main benefit.
- 19 Over the previous two parliamentary terms main benefit rates have had discretionary increases and have been increased by significantly more than inflation. The rate of benefit for a single adult aged 25 or over on the Jobseeker benefit, for instance, rose by around \$85 per week over and above inflation. Due to the link between the TAS maxima and the main benefit rate, this has led to an increase in the maximum rates of TAS, and therefore increased TAS entitlements. This is despite the significant additional income that was made available to recipients via increases to main benefits. It is worth noting that some of the additional expenditure on TAS is the result of the non-update of the AS maxima during the same period. The proposal in this paper is to account for how those benefit rate increases flowed through into the TAS formula, by reducing the maxima from 30% of the main benefit rate, to 25% for main benefit recipients only.
- 20 The maxima change will not apply to those receiving New Zealand Superannuation/Veteran's Pension as they did not get the same discretionary increases over that time.
- 21 This proposal will reduce the degree of reliance on TAS, particularly for those with higher housing costs. It will also improve financial incentives to work as it increases the gap between benefit and work, and reduces the income range of which TAS' dollar-for-dollar abatement occurs. In the absence of other changes, it does however widen the gap between private renters receiving

the TAS maximum rate and those in social housing, working against the objectives of the Review of the Social Housing.

Proposal to remove Child Support liability as an allowable cost

- 22 There are around 8,000 people receiving TAS to help pay their unpaid Child Support liability. This is a recently added allowable cost category that was introduced into the TAS formula alongside the decision to pass-on Child Support payments to beneficiaries. This provision is contrary to the general policy intent that TAS (and government support more generally) is not available to cover personal liabilities (such as court fines, child support or student loans). Formula-assessed Child Support liability will be removed as an allowable cost for TAS.

How the TAS Formula works

- 23 We have provided a worked example in Table 3 below to show the functioning of the formula, and how both the AS and TAS proposals interact with the calculation of TAS.
- 24 The example shows the situation a sole parent with one child (aged two) in Auckland would be in if they were receiving the maximum rate of TAS. The family receives Best Start Tax Credit, to be consistent with the example families used in previous advice.

Table 3. Worked example of proposed TAS changes

	Weekly income (outgoings)		
	Status quo	Proposed changes	Change
Sole Parent Support benefit	\$532.00	\$532.00	-
Family Tax Credit	\$152.00	\$152.00	-
Accommodation Supplement	\$235.00	\$250.00	+\$15.00
Temporary Additional Support	\$160.00	\$133.00	-\$27.00
Best Start Tax Credit	\$78.00	\$78.00	-
Total weekly income	\$1,156.00	\$1,145.00	-\$11.00

- 25 In this example, the sole parent is receiving both the maximum rate of AS and the maximum rate of TAS. The increase in AS maxima in Auckland means that the family's income increases by \$15 per week. That extra \$15 of income from AS is then recognised as additional income in the TAS formula, and the maximum rate of TAS is reduced due to the TAS policy change by \$11, resulting in an overall reduction of TAS by \$27 per week.

- 26 Assuming that the person has only rent as an allowable cost (other common costs include disability related costs) they will have an overall reduction in their income by \$11 per week.
- 27 Appendix 1 shows how TAS entitlement is calculated for the example in Table 3, step by step.

Impacts on the key policy objectives

- 28 This package has three main objectives:
- improving pathways to greater independence from social housing by narrowing the income gap between social and private market renters, consistent with the Review of the Social Housing system objectives
 - improving financial incentives to work
 - reducing reliance on TAS.
- 29 There will be many different individual circumstances, and a wide range of possible outcomes from the combined package.
- 30 Table 4 below sets out the impacts of the package against scenario families used in previous reports [HUD2026-009151 & REP/26/2/077; HUD2026-009424 & REP/26/3/166]. It sets out 1 April 2027 total weekly incomes after housing costs comparing the status quo to the housing initiatives package.
- 31 The example families below are designed to be reasonably 'typical'. The sole parent is assumed to live in South Auckland, the single beneficiary lives in provincial New Zealand, and the couple lives in Christchurch. Rents are based on average rents paid by AS recipients, with the exception of scenarios 1a(i) and 2a(ii) which have higher rents (ie above the median) to illustrate the impact of the proposed change to the TAS maximum rate. Employment earnings are based on the 2025 minimum wage for the sole parent and single person and \$30 per hour for the couple family.

Table 4. Impacts across scenario families as at 1 April 2027¹

	Total weekly income after housing costs				
	Status quo	Combined package (IRR, AS and TAS)	IRR impact	AS impact	TAS impact
1a: Sole Parent with 1 child, benefit, private rental in South Auckland (\$620 pw), AS Area 1	\$444	\$444 No change		+\$15	-\$15
1a(i): Sole parent with 1 child, benefit, AS Area 1, higher rent that triggers TAS changes (\$720pw)	\$436	\$425 (-\$12, -2.7%)		+\$15	-\$27
1b: Sole parent with 1 child, benefit, social housing	\$591	\$557 (-\$34, -5.8%)	-\$34		No TAS entitlement
1c: Sole parent with 1 child, in work (25 hours at minimum wage), private rental in South Auckland, AS Area 1	\$643	\$658 (+\$15, +2.3%)		+\$15	No TAS entitlement
2a: Single person, on benefit, private rental (\$320 pw) in AS Area 3	\$231	\$231 No change		+\$10	-\$10
2a(i): Single person, on benefit, higher private rental (\$400 pw) in AS Area 3	\$174	\$165 (-\$9, -5.2%)		+\$10	-\$19
2b: Single person, working (40 hours at minimum wage), private rental in AS Area 3	\$490	\$500 (+\$10, +2.0%)		+\$10	No TAS entitlement
3a: Couple, 4 children, on benefit, private rental in Christchurch, AS Area 2	\$810	\$829 (+\$19, +2.4%)		+\$25	-\$6 TAS reduces to zero
3b: Couple, 4 children, on benefit, social housing	\$1,076	\$1,034 (-\$42, -3.9%)	-\$42		No TAS entitlement
3c: Couple, 4 children, working (1 partner works 40 hours at \$30 per hour), private rental, in Christchurch, AS Area 2	\$1,093	\$1,118 (+\$25, +2.3%)		+\$25	No TAS entitlement

32 Table 5 below illustrates the impacts of the package on the key objectives for three example families. In each case the differential in outcomes between social housing and private market renters is narrowed (for example by \$22 per week in the sole parent example) and the return from exiting the benefit for paid employment is increased (\$27 per week in the same example).

¹ These comparisons use MSD's Effective Marginal Tax Rate (EMTR) model to illustrate impacts on common household types. The scenarios are modelled as at 1 April 2027. Results have been rounded to the nearest dollar

Table 5. Difference between social housing and private rental and difference between benefit and work incomes

	Difference between social housing and private rental (AHC income)		Difference in income between benefit and work (AHC income)	
	Status Quo	Package	Status Quo	Package
1: Sole parent with 1 child aged 2 years, benefit, AS Area 1, rent = \$720 per week	\$154	\$132 (+\$22) ²	\$107	\$133 (+\$27)
2: Single person, on benefit, AS Area 3, rent = \$400 per week	\$111	\$101 (+\$10)	\$236	\$255 (+\$19)
3: Couple, 4 children, on benefit, private rental in Christchurch, AS Area 2, rent = \$700 per week	\$266	\$205 (+\$61)	\$283	\$289 (+\$6)

33 Qualitatively, there are different possible impacts depending on individual circumstances.

- Low-income working households receiving AS will benefit from the AS maxima increases, and are unlikely to see offsetting reductions in TAS as this group has generally low receipt. For work incentives, there are improvements in moving from benefit to work.
- People at the AS maxima but not receiving TAS, will see the benefit of the AS maxima increase without any offset. Those receiving TAS will see any increase in AS maxima offset by a corresponding reduction in TAS, while for those at the TAS maxima the increase in AS is likely to be smaller than the reduction in TAS due to the reduction in the TAS maxima. The TAS maxima changes further impact people who are already in hardship.

34 The combination of the changes to TAS and AS maxima will reduce reliance on TAS by reducing expenditure by 15% (or \$107m) by the 2029/30 year, which is the third stated objective of this package of changes.

² For this table, a difference is represented as a positive number as the gap between status quo and the package has narrowed

Distributional Impacts

35 This section sets out the combined impacts on weekly income from the housing initiatives package.

- Income Related Rent changes are designed to address inequities and poor incentives between subsidies. The change negatively impacts those in social housing including people receiving a main benefit but this loss in income is in proportion to the relative income advantage they currently have compared to those in AS in the private market. To note, this group will include some people impacted by the 2025 AS boarder initiative.
- Changes to the TAS maxima are designed undo the significant increases seen in these maxima as a result of relatively large above-inflation increases in benefit rates. Due to its role as an income deficiency hardship payment, this change impacts people already in hardship.
- Changes to AS are to support RoSH objectives - to improve incentives for housing independence and to narrow the gap between the two housing subsidies. For TAS recipients with high housing costs, increases to the AS maxima provides some mitigation to the impact of the TAS maxima.

36 We have used MSD's models to estimate the combined impacts of the package as at 1 April 2027, when all the changes begin to come into effect.

37 For the purposes of the modelling, we have defined people who gain or lose income support from a package by comparing their income support on 1 April 2027 to what they would have been receiving if there were no changes to policy. The impacts are cumulative for the combination of all three changes to payments. Note impacts for this report have been developed using MSD's MicroSim (MSim) model, which differ from previous advice which used Treasury's Tax and Welfare Analysis (TAWA) model.^{3,4}

Distributional impacts by weekly gain or loss

38 Table 6 below sets out the number of families with gains and losses, broken down by family type, benefit type and for families with and without children.

³ TAWA provides analysis of clients over the whole year, while MSD provides the analysis at the point the Policy change is introduced. This means that the numbers of families winning or losing will be lower in MSD results, and the average gain/loss would generally be higher.

⁴ Due to capacity constraints, it was not possible to use TAWA modelling for this report.

It also includes the number of families receiving support from MSD⁵, that will experience no change in income as a result of the package. The 'no change' group includes families that do not receive the maximum rates of AS or TAS, or in social housing who do not pay an IRR.⁶ It also includes people who receive an increase from the AS maxima, but experience a corresponding drop in their rate of TAS.

Table 6. Breakdown of gain and loss by family type by amount per week

	Families with losses			Families with no change	Families with gains	
	-\$50+ per week	\$25 - \$50 per week	\$0 - \$25 per week		\$0 - \$25 per week	\$25-50 per week
Family type						
Single no children	900	23,000	54,000	612,000	51,000	
Sole Parent	200	22,000	11,000	55,000	26,000	13,000
Couple, no children	1000	14,000	2,000	385,000	9,000	
Couple, with children	300	7,000	1,000	18,000	7,000	6,000
Benefit type						
Beneficiary	700	30,000	64,000	267,000	46,000	11,000
Non-beneficiary ⁷	100	500	3,000	32,000	31,000	8,000
No benefit ⁸	2,000	9,000	1,000	52,000		
Superannuation	30	19,000	500	718,000	15,000	
Children						
With children	500	26,000	12,000	73,000	33,000	19,000
Without children	2,000	32,000	56,000	997,000	59,000	

39 Some key points to note from the table above:

- For sole parent families – slightly more families gain from the package than those that lose, however there are approximately 22,000 sole parent families with losses between \$25 and \$50 per week.
- For beneficiary families – more families lose than gain, reflecting the higher take up of TAS and residence in social housing in this group. The majority of beneficiary families that lose, will have a reduction of income of between \$0 and \$25 per week.

⁵ Includes main benefit recipients, New Zealand Superannuation/ Veteran's Pension recipients, AS recipients, TAS recipients and people living in social housing

⁶ Social housing tenants paying market rent.

⁷ Non-beneficiaries are not receiving a main benefit but could be receiving supplementary assistance or extra help from MSD (for example, Accommodation Supplement or Temporary Additional Support).

⁸ For the purposes of this analysis, no benefit includes clients only paying Income Related Rent and not receiving any other payment from MSD.

- For families with children – slightly more gain from the package than lose. The majority of families with children that gain from the housing initiatives package gain between \$0 – \$25 per week. The majority of families with children that lose from the package lose between \$25 - \$50 per week.
- There are approximately 19,500 New Zealand Superannuation / Veteran's Pension recipients that lose up to \$50 per week.
- Across the approximately 2,500 families with losses of more than \$50 per week, the majority (approximately 2,200 families) are losing between \$51 - \$52 per week as a result of the IRR change. The remaining 300 families in this group are impacted by the change to remove child support as an allowable cost for TAS and these losses are more significant, over \$100 per week or more.

Distributional impacts by geographic location

40 Table 7 sets out the number of families with gains and losses, broken down by MSD region. There are small differences between regions.

Table 7. Breakdown of gain or loss for families by MSD region

MSD Region ⁹	Families with gains		Families with losses	
	Number of families	Average weekly impact	Number of families	Average weekly impact
Northland	6,000	\$15.11	5,000	-\$20.46
Auckland	31,000	\$13.92	54,000	-\$26.28
Waikato	11,000	\$15.67	10,000	-\$21.66
Bay of Plenty	11,000	\$15.05	9,000	-\$20.13
East Coast	6,000	\$15.14	7,000	-\$24.34
Taranaki	6,000	\$15.57	4,000	-\$19.39
Central	7,000	\$16.30	5,000	-\$20.56
Wellington	9,000	\$14.37	13,000	-\$24.55
Nelson	4,000	\$15.14	3,000	-\$22.47
Canterbury	11,000	\$15.52	13,000	-\$24.28
Southern	7,000	\$15.37	5,000	-\$21.75

⁹ Work and Income has 11 geographical regions: Northland; Auckland; Waikato; Bay of Plenty; East Coast; Taranaki, (Taranaki, King Country and Whanganui); Central; Wellington; Nelson, (Nelson, Marlborough and West Coast); Canterbury; and Southern. "Other regions" refers to people managed by national units, for example, contact centres and processing centres.

Other ¹⁰	2,000	\$14.45	700	-\$25.47
Total	111,000	\$14.91	129,000	-\$24.04

Distributional impacts by benefit type

41 Table 8 sets out the number of families with gains and losses, broken down by benefit type. There are large number of families who receive a main benefit with losses from the package of changes. This reflects the high proportion of social housing tenants and TAS recipients receiving a main benefit. Families with New Zealand Superannuation/Veteran's Pension recipients and the "no benefit" group have the highest average losses from the package. This reflects the impact of the IRR initiative and the higher incomes of these groups compared to main benefit recipients.

Table 8. Breakdown of gain or loss for families by benefit type

Benefit type	Families with gains		Families with losses	
	Number of families	Average weekly impact	Number of families	Average weekly impact
Main benefit recipients				
Jobseeker Support - Health Condition or Disability	12,000	\$11.03	25,000	-\$17.47
Jobseeker Support - Work Ready	12,000	\$11.69	19,000	-\$19.16
Sole Parent Support	21,000	\$20.12	23,000	-\$26.18
Supported Living Payment	10,000	\$12.61	26,000	-\$21.84
Youth Payment / Young Parent Payment	200	\$15.27	200	-\$27.92
Emergency Benefit	500	\$12.76	800	-\$22.12
Emergency Maintenance Allowance	200	\$18.26	200	-\$25.57
New Zealand Superannuation or Veteran's pension recipients				
New Zealand Superannuation / Veteran's Pension	16,000	\$10.60	20,000	-\$30.77
Non-beneficiaries				
Non-beneficiaries ¹¹	39,000	\$16.71	3,000	-\$15.33
No benefit ¹²	-	-	12,000	-\$37.41

¹⁰ Other refers to people managed by national units, for example, contact centres and processing centres.

¹¹ Non-beneficiaries are not receiving a main benefit but could be receiving supplementary assistance or extra help from MSD (for example, Accommodation Supplement or Temporary Additional Support).

¹² For the purposes of this analysis, no benefit includes clients only paying Income Related Rent and not receiving any other payment from MSD.

Total	111,000	\$14.91	129,000	-\$24.04
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Distributional impact by social housing status

42 Table 9 presents the families that gain and lose from the package based on whether they are in social housing. Note under this table, a person in social housing could be either a tenant or the primary tenant, so overall numbers do not match the number of social housing places.

Table 9. Families with gain or loss by social housing status

Social Housing status	Families with gains		Families with losses	
	Number of families	Average weekly impact	Number of families	Average weekly impact
In social housing	400	\$11.89	84,000	-\$31.02
Not in social housing	111,000	\$14.92	45,000	-\$10.82
Total	111,000	\$14.91	129,000	-\$24.04

43 As expected, the vast majority of families with losses because of this package are in social housing and nearly all families with gains are not in social housing. The approximately 400 families in social housing with gains are likely to be boarders receiving the AS.

Advice on impacts for Māori

44 Due to the over-representation of Māori in recipients of subsidies included in the housing package, Māori are disproportionately impacted in both families with losses from the housing package and in families that gain from the housing package. Compared to the total population of families, Māori make up approximately 40% of the number of families who are worse off (but make up 20% of the national population). These families have an average loss of \$23.85 per week compared to average loss for the total population of \$24.04 per week. The impacts are shown in Table 10.

Table 10. Impact on Māori families from the package

	Families with gains		Families with losses	
	Number of families	Average weekly impact	Number of families	Average weekly impact
Māori families	34,000	\$15.53	51,000	-\$23.85
Total	111,000	\$14.91	129,000	-\$24.04

45 Māori are slightly overrepresented in the families that gain from the housing package. Māori families represent approximately 31% of the families that gain from this package. These families have an average gain of \$15.53 per week, compared to an average gain of \$14.91 for all families with gains.

- 46 The IRR initiative in particular has a greater impact on Māori families. On the other hand, some initiatives such as the intention to improve social housing mobility can potentially improve outcomes for Māori by improving access to social housing for those with the greatest access needs. Similarly, increases to the AS maxima can provide better pathways to independence.

Distributional impacts by ethnicity

- 47 Table 11 below sets out the impacts by ethnicity, for MSD clients with recorded ethnicity. Pacific Peoples have the highest weekly loss when compared with other ethnic groups. This is due to the high proportion of Pacific Peoples in social housing and also reflects higher impacts due to the change to the TAS maxima.

Table 11. Families with gains and losses by ethnicity

Ethnicity	Families with gains		Families with losses	
	Number of families	Average weekly impact	Number of families	Average weekly impact
European	61,000	\$14.65	52,000	-\$20.62
Māori	34,000	\$15.53	51,000	-\$23.85
Pacific Peoples	11,000	\$15.79	26,000	-\$30.75
Asian	10,000	\$15.25	8,000	-\$25.21
Middle Eastern, Latin American, African	2,000	\$15.58	4,000	-\$28.79
Other	4,000	\$14.39	5,000	-\$25.15
Total	111,000	\$14.91	129,000	-\$24.04

Advice on child poverty impacts as package

- 48 We have not been able to undertake TAWA modelling of the child poverty and material hardship impacts of the package in this paper, due to time constraints and other demands on TAWA. Modelling of the final package will be available for the Budget Child Poverty Report.
- 49 Based on previous modelling of the constituent components of this package, officials advise that in contrast to the packages previously considered, there is unlikely to be a statistically significant impact on income measures of child poverty.
- 50 There will, however, be both positive and negative impacts on different groups of children experiencing material hardship and income poverty. From the data available we can say that 33,000 families with children will receive an income gain of up to \$25 per week and 19,000 receive a gain of more than \$25 per week. On the other hand, 12,000 families have a loss of up to \$25 per week and 27,000 have a loss of more than \$25 per week. The

average losses are slightly more than the average gains, and many or even most children on both sides of this equation will be experiencing material hardship with those receiving TAS and IRR having higher rates than AS recipients.¹³

- 51 Impacts on families experiencing material hardship are mitigated to a degree by the intended policy benefits of the package – particularly improving the incentives for housing independence created by the IRR initiative and improving the incentives to exit benefit into work by the TAS initiative.

s 9(2)(f)(iv)



Next steps

- 54 Final Cabinet policy decisions on these proposals will be made when Budget 2026 decisions are taken. Information on distributional impacts provided in this report can be used to prepare supporting material for any Budget-related announcements.

Appendix

- 55 Appendix 1: Calculation of TAS entitlement.
- 56 Appendix 2: Additional information requested by the Associate Minister of Housing

¹³ Based on 2023 published MSD data, material hardship rates for children living in social housing are approximately 45-50%, compared to 33% of AS renters.

Appendix 1: Calculation of TAS entitlement

Formula step			Notes
Step 1: Calculate person's disposable income	Weekly income	\$996.00 ¹⁴ (includes main benefit, AS, Family Tax Credit and Best Start Tax Credit)	Available income after tax from all sources.
	Minus allowable costs	\$720.00 rent	Only certain essential costs are allowed.
		\$685.87	Allowable accommodation costs are reduced by a flat amount of \$34.13
	Equals Disposable income	\$310.13	What you've got left to cover the basics.
Step 2: Calculate the person's income deficiency	Standard costs (set at 70% of main benefit plus family tax credit)	\$479.00	This is a proxy for everyday expenses (groceries, power, telecommunications, etc).
	Minus: Disposable income	(\$310.13)	From the calculation in Step 1.
	Equals: Assessed income deficiency	\$169.90	How much your expenses exceed your income by.
Step 3: Apply the TAS maximum	TAS payments are capped at this amount	\$160.00	Currently set at 30% of main benefit. The proposal is to reduce this amount to \$133 per week.
Final TAS entitlement		\$160.00	

¹⁴ Income based on 1 April 2027 amounts

Appendix 2 – Additional information requested by the Associate Minister of Housing

The following provides additional information requested by the Associate Minister of Housing following the 31 March Ministers meeting. Note the data in the tables below reflects current point in time data (ie February 2026) which differs from the data used in the body of the report which presents forecast recipients as at 1 April 2027.

Number of beneficiaries of the IRR, AS and TAS

As at month end, February 2026, there were:

- 381,990 people receiving the Accommodation Supplement
- 113,361 people receiving the Temporary Additional Support
- 84,792 social housing tenants paying Income Related Rent
 - o 14,850 in CHP housing (18 percent)
 - o 69,942 in KO housing (82 percent)
- 1,044 social housing tenants paying market rent
 - o 141 in CHP housing (14 percent)
 - o 903 in KO housing (86 percent)

Breakdown of IRRS recipients staying in Kāinga Ora properties or CHPs

Table 1: Breakdown of social housing tenants by provider type and rent type

	February 2026		
	Community Housing Providers	Kāinga Ora Public Housing	Total
Households paying market rent	141	903	1,044
Households paying Income Related Rent	14,850	69,942	84,792
	14,991	70,845	85,833

Breakdown of IRR, AS and TAS recipients by...

... household composition

Table 2: Social housing tenants as at month end February 2026, by type of provider, rent type, and household composition.

Household Composition	February 2026				Total
	Community Housing Providers		Kāinga Ora Public Housing		
	IRRS	Market Rent	IRRS	Market Rent	
2+ adults with child(ren)	987	30	6,858	297	8,169
2+ adults	966	27	5,778	204	6,972
Single age 24 years or younger	327	3	708	3	1,038
Single age 25 years +	9,279	66	34,641	249	44,232
Single with child(ren)	3,291	18	21,963	150	25,425
Total	14,850	141	69,942	903	85,833

Table 3: AS recipients as at month end February 2026, by household composition.

Household Composition	Total as at end of February 2026
Married with children	23,682
Married without children	21,813
Single with children	91,311
Single without children	245,181
Total	381,990

Table 4: TAS recipients as at month end February 2026, by household composition.

Household Composition	Total as at end of February 2026
Married with children	3,390
Married without children	5,664
Single with children	28,257
Single without children	76,047
Total	113,361

... by region

Table 5: Regional breakdown of social housing tenants as at month end February 2026, by type of provider and rent type (IRRS or market rent)

Housing Region	February 2026				Total
	Community Housing Providers		Kāinga Ora Public Housing		
	IRRS	Market Rent	IRRS	Market Rent	
Auckland	7,335	75	31,956	411	39,780
Bay of Plenty	1,791	15	2,262	27	4,095
Canterbury	1,941	15	8,148	96	10,200
Central	174	3	2,520	27	2,721
East Coast	219	3	4,527	75	4,824
Northland	423	6	2,343	33	2,799
Southern	150	0	1,995	18	2,163
Taranaki	39	0	1,329	12	1,380
Unknown/Other	24	0	75	3	96
Waikato	465	3	5,406	51	5,922
Wellington	2,094	27	7,587	135	9,843
West Coast Tasman	198	3	1,797	15	2,013
Total	14,850	141	69,942	903	85,833

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Table 6: AS recipients as at month end February 2026, by region.

MSD Region	Total as at end of February 2026
Northland	19,050
Auckland Metro	130,290
Waikato	32,859
Taranaki	19,284
Bay of Plenty	37,104
East Coast	18,732
Central	20,343
Wellington	28,188
Nelson	12,858
Canterbury	35,817
Southern	20,604
Other	6,858
Total	381,990

Table 7: TAS recipients as at month end February 2026, by region.

MSD Region	Total as at end of February 2026
Northland	6,450
Auckland Metro	38,733
Waikato	10,323
Taranaki	6,096
Bay of Plenty	11,913
East Coast	5,409
Central	6,852
Wellington	8,229
Nelson	3,633
Canterbury	9,201
Southern	5,898
Other	621
Total	113,361

... by ethnicity

Table 8: Social housing tenants as at month end February 2026, by type of provider, rent type (IRRS or market rent), and ethnicity.

Ethnicity	February 2026				Total
	Community Housing Providers		Kāinga Ora Public Housing		
	IRRS	Market Rent	IRRS	Market Rent	
Māori	5,955	42	27,933	303	34,236
European	5,301	30	21,954	165	27,450
Pacific Peoples	3,108	57	18,114	408	21,687
Asian	906	9	3,588	36	4,533
Middle Eastern, Latin American, and African	387	3	2,505	18	2,913
Other	498	9	2,565	21	3,093
Unknown	582	6	2,004	30	2,625
Total	14,850	141	69,942	903	85,833

Table 9: AS recipients as at month end February 2026, by ethnicity

Ethnicity	Total as at end of February 2026
Māori	122,238
European	190,104
Pacific Peoples	41,796
Asian	30,102
Middle Eastern, Latin American, and African	5,259
Other	13,671
Unknown	28,119
Total	381,990

Table 10: TAS recipients as at month end February 2026, by ethnicity

Ethnicity	Total as at end of February 2026
Māori	40,611
European	59,718
Pacific Peoples	11,196

Asian	6,675
Middle Eastern, Latin American, and African	1,842
Other	3,759
Unknown	5,769
Total	113,361

Number of people who receive TAS and who also receive IRRS, AS and/or stay in CHPs

Close to 99% (111,897) of all TAS recipients were also receiving the AS. This represents 29% of all AS recipients.

Only 0.5% (528) social housing tenants paying IRR were receiving also TAS. Of these tenants, 90 were in CHP housing and 441 were in KO housing.

Table 11: Temporary Additional Support recipients in Social Housing paying Income Related Rent Subsidy as at end of February 2026, by ethnicity

Ethnicity	February 2026		Total
	Community Housing Providers	Kāinga Ora Public Housing	
Māori	42	192	234
European	36	168	201
Pacific Peoples	15	93	111
Asian	3	21	24
Middle Eastern, Latin American, and African	3	15	18
Other	3	18	18
Unknown	3	6	12
Total	90	441	528

Table 12: Temporary Additional Support recipients in Social Housing paying Income Related Rent Subsidy as at end of February 2026, by MSD region

MSD Region	February 2026		Total
	Community Housing Providers	Kāinga Ora Public Housing	
Northland	3	15	21
Auckland Metro	45	183	231
Waikato	3	42	42
Taranaki	0	21	21
Bay of Plenty	12	15	27
East Coast	0	27	27

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Central	3	9	12
Wellington	9	57	63
Nelson	3	15	18
Canterbury	9	30	36
Southern	0	21	24
Other	3	6	9
Total	90	441	528

Table 13: Temporary Additional Support recipients receiving Accommodation Supplement as at end of February 2026, by ethnicity

Ethnicity	Total as at end of February 2026
Māori	40,254
European	59,220
Pacific Peoples	11,007
Asian	6,522
Middle Eastern, Latin American, and African	1,788
Other	3,720
Unknown	5,451
Total	111,897

Table 14: Temporary Additional Support recipients receiving Accommodation Supplement as at end of February 2026, by MSD region

MSD Region	Total as at end of February 2026
Northland	6,411
Auckland Metro	37,992
Waikato	10,221
Taranaki	6,051
Bay of Plenty	11,838
East Coast	5,352
Central	6,810
Wellington	8,133
Nelson	3,600
Canterbury	9,126
Southern	5,847
Other	513
Total	111,897

Do landlords adjust prices if AS goes up? Based on previous times AS was changed, how do we know it will benefit AS recipients?

The design of AS includes features to mitigate landlord capture - such as the maximum rate of subsidy, co-payment, and the fact that AS is generally paid to the tenant and provides only a partial subsidy toward actual housing costs.

Two studies published by Motu Economic and Public Policy Research found limited landlord capture when examining the impact of different changes to the maximum weekly payment across AS boundaries:

- A 2018 study - *Do housing allowances increase rents? Evidence from a discrete policy change* examined the impact of the establishment of a AS boundary in 2005 and found that in the second year after the reform the subsidy was on average \$6.81 per week higher on the inside of the boundary, while rents were \$2.44 higher. This suggested about one-third of the increase in AS was absorbed by rent increases, with almost two thirds of the increase benefiting recipients in the form of higher after-housing costs incomes. The study notes that observed rent increases may have been due to increased expenditure on better quality housing rather than increased rental returns for landlords.¹⁵
- A 2020 study - *The impact of the 2018 Families Package Accommodation Supplement area changes on housing outcomes* found that rent increases were negligible, after accounting for observed and unobserved factors. After two years an estimated 90 percent of the extra increase in accommodation assistance was captured by Accommodation Supplement recipients as an extra increase in after-rent income. The study finds that the reform led to very little increase in rents among individuals who remained in the same dwelling, but higher rents among new tenancies in those areas where the relative maxima increased.¹⁶

¹⁵ Hyslop, D. R., & Rea, D. (2018). Do housing allowances increase rents? Evidence from a discrete policy change (Motu Working Paper No. 18-10). Motu Economic and Public Policy Research.

https://motu-www.motu.org.nz/wpapers/18_10.pdf

¹⁶ Hyslop, D. R., & Maré, D. C. (2022). The impact of the 2018 Families Package Accommodation Supplement area changes on housing outcomes (Motu Working Paper No. 22-01). Motu Economic and Public Policy Research.

https://motu-www.motu.org.nz/wpapers/22_01.pdf