

Briefing for the Incoming Minister of Housing

Housing New Zealand

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Contents

Foreword	1
Executive Summary.....	2
Government decisions and priorities	3
Social housing in New Zealand	3
Crown objectives for Housing New Zealand	3
Supporting the growth of social and affordable housing	4
Supporting rebuild activity in Canterbury	4
Focus on the Social Housing Reform Programme.....	5
Better Public Services	6
Housing New Zealand’s transformation and strategic direction	7
Transformation Programme.....	7
Strategic direction	8
Asset Management Strategy	9
Auckland state housing activity.....	11
Earthquake-prone buildings.....	13
Canterbury Investment Plan	14
Progress with Social Housing Reform Programme priorities.....	15
Housing those most in need.....	17
Social Allocation System	17
Reviewable tenancies	17
Housing New Zealand’s customer base	18
Demand and Supply Forecasting	20
Responding to abuse of the state housing system	20
Welfare Fraud Collaborative Action Programme.....	20
Operating in a business-like manner.....	21
Efficiency Plan.....	21
Returns to the Crown	21
Funding for Crown programmes.....	22
Financial implications of the Canterbury earthquakes.....	23
Cost of being a social landlord	23
Summary financial information	24
Appendix A: Governance and structure.....	25
Appendix B: Core programmes and initiatives	30
Appendix C: Non-core programmes	34

Foreword

Housing New Zealand aims to be a leader among a community of social housing providers; to provide warm, dry homes to those New Zealanders who are most in need; and to play a significant part in increasing the total amount of affordable and social housing available to New Zealanders.

The Government's decision to focus our resources on housing individuals and families most in need while they need our support is allowing us to concentrate on improving our core business and streamlining our operations.

Over the last 2 years we have implemented a more responsive, service delivery model, supported by updated systems. We can now assist our customers 24/7 on our toll free 0800 number, which allows our tenancy managers to spend more time in the community with our tenants and stakeholders. It's been a significant transformational change that has given us a stronger platform, more tools, and better capability to do our business well. We are now focused on ensuring the changes are embedded into normal service delivery.

Our asset management strategy is designed to improve the portfolio over the next 10 years. We use a forecasting model to ensure we know what sized state homes will be required in what areas into the future. In order to shift more of our portfolio into the areas with high demand we need to redevelop our land and properties. We have introduced a mixed development model that includes state, social and private housing, and is designed to reduce concentrations of state housing, build healthier, mixed communities, and achieve better outcomes for our tenants and residents.

Our redevelopments offer potential to increase the amount of social and affordable housing in the community. In Auckland, for example, our redevelopments are expected to provide 1,572 new homes in the next 18 months. Of these, 459 are expected to be retained for state housing while the remaining 1,113 will be made available for other social, affordable, and general open market housing.

There is still more we can do. As you will see in this briefing, we are contributing to the Canterbury rebuild by getting demonstration projects underway, and contributing ideas for innovation and acceleration. We are working with agencies on the Social Housing Reform Programme and also the Better Public Services programme to deliver better results for New Zealanders.

We aim to make the most of these opportunities and remain committed to our strategy to build a sustainable, self-funding, and efficient state housing provider – while we contribute to increasing the social and affordable housing sectors.

Executive Summary

As New Zealand's largest landlord, Housing New Zealand owns or leases nearly 70,000 rental properties, housing over 200,000 people. This portfolio is worth \$15.1 billion and is the Government's second largest asset. There are also 2,100 families – about 6,000 people – on the waiting list with a serious need for a state home.

Our customers are primarily lower-income households, and Māori and Pacific peoples are significantly over-represented compared to the general population. The most frequent household type is single parents with children. We also have many larger households, and there is a long-term trend toward a need for more smaller properties and larger homes with four or more bedrooms.

Housing New Zealand's core role is to provide safe, warm, and dry rental homes for people in the greatest need for as long as that need exists. However, the current distribution, concentration, and standard of the state housing portfolio means we can't always provide these homes where they are needed. Further, our tenants' needs have changed over the years and much of our stock is old. In order to address this we have an asset management strategy to modernise and reconfigure the portfolio so we have housing in the right places and reduce concentrations in high-density areas. It will take over 10 years to complete this work.

Over the last 4 years the Government has developed the Social Housing Reform Programme. One part of this has been to focus Housing New Zealand on managing state rentals and tenancies. This included moving policy development over to the Department of Building and Housing (now within the Ministry of Business Innovation and Employment); and transferring responsibility for building the social housing sector to the Social Housing Unit. In the last 2 years we have reorganised our frontline services, upgraded our systems, and introduced new technology to better meet the needs of tenants, allow more effective management of the portfolio, and help provide a higher return to the Crown.

Our commitment for the future is that state rentals are part of healthy, sustainable, mixed communities that include state, social, and privately owned housing. To deliver the scale of change required we need to work with others. We are building partnerships with the public, private, and third sectors so they can help us to make optimal use of our land holdings and free up underutilised land for affordable and third sector housing to benefit the whole community.

Housing New Zealand is taking a lead role in the work to recover from the Canterbury earthquakes, with a forecast investment of \$1.1 billion over 10 years through our Canterbury Investment Plan. All state rentals that required urgent health and safety repairs have received these repairs; 212 damaged green zone properties were targeted for accelerated repairs and have been re-tenanted; a redevelopment programme has commenced that will deliver 200 to 350 new houses over the next 2 years; and a 5-year programme is underway that will see repairs to up to 5,000 properties together with a range of foundation design and repair trials.

In addition, planning is underway for a major reconfiguration of the Canterbury portfolio that could also see up to 2,700 sections made available for market-based affordable housing through residential intensification, which will make a significant contribution to housing supply in the region. Housing New Zealand is also looking at a range of further opportunities to scale up, accelerate, and extend its activity in Canterbury to drive recovery and rebuild efforts. This will help the Government to deliver on its vision that Canterbury recovers and progresses as a place to be proud of – an attractive and vibrant place, to live, work, visit, and invest.

The Chief Executive and Chair will keep you regularly informed about Housing New Zealand's performance against its Statement of Intent 2012-15 objectives.

Government decisions and priorities

Social housing in New Zealand

The Government is the main provider of social housing in New Zealand. The state housing portfolio consists of nearly 70,000 properties, and over 90 percent of state rental households are supported by the income-related rent subsidy. The Government also provides the Accommodation Supplement, which is administered by the Ministry of Social Development (MSD) and helps around 320,000 people outside the state housing system with the cost of their housing.

The state housing portfolio is currently valued at \$15.1 billion, making it the Crown's second largest asset. The income-related rent subsidy has a forecast cost of \$626 million in 2012/13, while the Accommodation Supplement will cost around \$1.3 billion.

Social housing is also provided by local government, with around 14,000 units, and by third sector organisations, with around 5,000 units. The Government has supported this provision with funding to build capacity, carry out upgrades, and deliver new social housing, and by renting an additional 1,500 fit-for-purpose properties to community groups for residential services. In 2012/13 the Government set aside \$104.1 million for over 3 years to support third sector provision of social housing through the Social Housing Fund administered by the Social Housing Unit.

Crown objectives for Housing New Zealand

In December 2010 the Government agreed to a major programme of reform to increase investment in social housing, placing an emphasis on growing third-party providers. While Housing New Zealand will continue to be the largest supplier of social housing for the foreseeable future, it is positioning itself to become part of a community of social housing providers. This will help to increase the overall supply of housing, providing more certainty for those who need social housing.

The Government has asked a number of agencies to work together to deliver on its vision for the social housing sector and achieve the overall housing sector outcome of "a market that delivers a range of houses and buildings at prices and standards that are accessible to all New Zealanders". Housing New Zealand's contributions to this outcome are outlined in the previous Minister of Housing's Letter of Expectations (LoE) for 2012 and included in the Statement of Intent 2012-15, as set out in the table below.

Crown objectives for Housing New Zealand

Crown objective	Description
Access to Housing	Assist low-income and/or vulnerable individuals and families, who request state assistance, to make the right housing choices and transition into appropriate housing those existing state rental tenants whose circumstances have improved
Delivery of State Housing	Provide cost-effective state rentals and associated services (as agreed with Ministers) to those most in need, for the duration of their need

The Minister also advised in the 2012 LoE that he expected Housing New Zealand to:

- work with other agencies in the development of initiatives to grow complementary, at-scale, social and affordable housing providers
- maintain its focus on value for money and operating efficiency
- increase the rate of reconfiguration of the state housing portfolio
- identify innovative solutions for delivering redevelopment opportunities
- reconfigure the Canterbury portfolio to better match current and forecast demand.

Supporting the growth of social and affordable housing

As New Zealand's largest and most experienced social housing provider, Housing New Zealand is playing a key role in helping to increase the supply of social and affordable housing.

Housing New Zealand has a range of underutilised land such as quarter acre sections that are now being unlocked, using a mixed-tenure model, for redevelopments that provide a combination of state, social, and market-based affordable housing. As an example, over the next 18 months Housing New Zealand's redevelopments in Auckland are expected to provide 1,572 new homes, of which 459 are expected to be retained for state housing while the remaining 1,113 will be made available for other social, affordable, and general open market housing.

In addition, our Canterbury Investment Plan will deliver up to 350 new houses over the next 2 years, with approximately 150 targeted as affordable housing for the wider Canterbury market. The plan will also see a large scale reconfiguration of the Canterbury portfolio over the next 10 years, with a further 1,300 to 1,400 'beyond repair' state rentals demolished and replaced with around the same number, together with up to 2,700 sites released for market-based affordable housing as a result of residential intensification. Work on the ground will begin in 2014.

[Withheld to protect the confidentiality of advice tendered by officials]

Supporting rebuild activity in Canterbury

Housing New Zealand is taking a lead role in the work to rebuild Canterbury, with a forecast investment of \$1.1 billion over 10 years through our Canterbury Investment Plan (CIP) [refer page 14]. This represents a major repair, reconfiguration, and redevelopment programme that will transform the portfolio into a model for the future that provides mixed, sustainable, and healthy communities.

[Withheld to protect the confidentiality of advice tendered by officials]

Focus on the Social Housing Reform Programme

On 24 October 2012 the Cabinet Social Policy Committee (SOC) agreed to a future social housing market end state that will use a contestable model with a less dominant role for Housing New Zealand

[Withheld to protect the confidentiality of advice tendered by officials]

Within this context, in December 2012 the Ministers of Finance, Housing, and Social Development directed agencies to focus on five immediate priorities under the Social Reform Programme (SHRP):

[Withheld to protect the confidentiality of advice tendered by officials]

- Canterbury Investment Plan (led by Treasury)

[Withheld to protect the confidentiality of advice tendered by officials]

Housing New Zealand is working closely with other agencies as they develop their advice.

[Withheld to protect the confidentiality of advice tendered by officials]

Housing New Zealand supports the Housing Restructuring and Tenancy Matters Amendment Bill being given a high priority on the 2013 legislative programme. The changes sought by the Bill will require tenants to provide full information about their circumstances, which is necessary to effectively review their ongoing housing need. The changes need to be made by December 2013 to allow tenancy reviews to be implemented from 2014 for tenants who have entered state housing since 1 July 2011.

On 23 January 2013 MBIE reported to the Ministers of Finance, Social Development, and Housing about the changes officials have made to the SHRP work programme to ensure that joint Ministerial priorities and expectations are being met. Information about Housing New Zealand's contribution toward progressing Ministerial priorities for SHRP is provided later in this briefing [refer page 15].

Better Public Services

Housing New Zealand supports the following Government's Better Public Service priority result areas:

- Priority 3: Increase infant immunisation rates and reduce the incidence of rheumatic fever
- Priority 4: Reduce the number of assaults on children
- Priority 9: New Zealand businesses have a one-stop online shop for all government advice and support they need to run and grow their business
- Priority 10: New Zealanders can complete their transactions with government easily in a digital environment

Housing New Zealand is a participant in the Ministry of Health-led Rheumatic Fever Reduction Programme Reference Group. Through a joint initiative with several District Health Boards, we have significantly reduced housing-related hospitalisation of children in participating households, by reducing crowding and upgrading insulation and heating. The lessons learned from this initiative have been incorporated into our general upgrade programme to ensure state rentals provide a healthy environment for our tenants. In addition, our Energy Efficiency Retrofit Programme will see all state homes insulated where practical by the end of 2012/13.

Housing New Zealand is also linking up with other agencies to support initiatives for working with vulnerable families. Where Housing New Zealand becomes aware of children at risk, staff will encourage tenants to make contact with the relevant social service agencies or will refer at-risk children to Child, Youth and Family for appropriate action.

Housing New Zealand participates in the Service Design Reference Group facilitated by the Department of Internal Affairs. This involves contributing service design expertise to help develop a one-stop shop for all government advice and support services, and a user-friendly electronic environment for transactions with government.

Housing New Zealand's transformation and strategic direction

Transformation Programme

Housing New Zealand has transformed the way it works in response to a clear direction from Government to focus on its core business of tenancy and asset management, housing only those most in need while they require housing support. We also needed to update outdated systems and build more consistent and responsive services.

We have implemented a new service delivery model, which allows us to be more effective and efficient in the delivery of our core services. We are currently focused on the stabilisation and embedding of the changes we have made, including identifying and addressing any operational issues and monitoring and supporting staff as they get used to new ways of working.

In order to provide a more responsive service to our customers we have expanded the Customer Services Centre (CSC). The CSC is open 24 hours a day, 7 days a week, and our fully trained housing advisors are able to resolve most queries at first point of contact. In addition, key processing functions have been centralised within a number of specialist teams. This is delivering an improved and more consistent service for customers, and is freeing up tenancy managers to spend more time in their neighbourhoods working directly with tenants.

New technology and processes to support the service delivery model were deployed in August 2012 through the Enterprise Transformation Programme, which Housing New Zealand established in 2008/09 to align its business processes and replace its aging core software applications. Housing New Zealand's previous tenant record and asset management systems, for example, were 20 years old, did not support our future direction, and were expensive to modify.

The new technology and systems are forecast to deliver annual savings of \$70 million from June 2015. This will be achieved by allowing staff to work more efficiently and enabling Housing New Zealand to improve its asset utilisation and service delivery by:

- improving the quality of information about the \$15.1 billion state housing portfolio, helping it to better match houses to priority demand and more effectively plan its asset programmes
- automating, eliminating, or centralising cumbersome manual processes, which will improve efficiency and consistency and free up staff time
- giving frontline staff the opportunities and technology they need to become more mobile, allowing them to spend more time with tenants in their community.

Housing New Zealand is currently working through the stabilisation phase for the new technology, and expects to transition to business as usual from July 2013. While several programmes have been established to facilitate vendor upgrades, minor enhancements, and defect fixes, the new technology solutions are stable and no major issues have been encountered since implementation.

Strategic direction

Housing New Zealand's overarching outcomes are that New Zealanders in high need have access to a state rental property for as long as that need exists, and that more state rental properties are of the right type and in the right place to meet demand. Our strategy is to build a sustainable, self-funding, and efficient state housing operating model. This is a long-term challenge which will be delivered over the next 10 or more years.

We are pursuing partnership opportunities to help reconfigure the state housing portfolio, and are working with the Social Housing Unit and other agencies to foster the growth of the third sector. We are also strengthening our partnerships with other agencies such as the Ministry of Social Development (MSD) to improve service delivery and ensure services are joined up.

Housing New Zealand faces a number of challenges in meeting its strategic goals and contributing to the Government's objectives for the sector:

Policy settings

- Housing New Zealand needs to ensure that state homes are tenanted by those most in need, but does not have the mandate or ability to move on current tenants who are able to sustain a private sector tenancy
- Financial assistance is not equally available across the social housing sector as the income-related rent subsidy is more generous than the Accommodation Supplement.

Operating model

- Housing New Zealand needs to maintain a balance between housing those most in need, reconfiguring the portfolio, and delivering an acceptable return to the Crown
- There is a need to work collaboratively across the wider public sector to drive efficiencies, for example through integrated procurement on construction projects

Asset development

- The current distribution and condition of the state housing portfolio does not match demand or the changing needs of Housing New Zealand's customers
- Housing New Zealand needs to invest in demand areas and homes that provide value for money over time
- There is a need to increase the number of properties in high-demand areas whilst also reducing the concentration of state housing in high-density areas
- Responding to the need to repair and redevelop state housing in Canterbury
- Working within regional land use restrictions and transport planning requirements for new developments

Tenancy management

- Housing New Zealand must focus on the housing needs of its tenants as its customer base shifts toward more people with high needs
- We need to ensure that customers continue to receive a consistent and responsive service while it stabilises and embeds its new service delivery model

Housing New Zealand's Statement of Intent 2012-15 provides in-depth information on how it is contributing to the Government's objectives for the housing sector, and provides an updated set of key performance indicators that drive improvement and measure results.

Asset Management Strategy

Housing New Zealand is the country's largest property owner, with nearly 70,000 properties valued at approximately \$15.1 billion. Some decades ago our customers needed three-bedroom homes in cities and provinces. We still own many of those homes today. However, what we need today is a much greater number of small units and apartments and a larger number of homes with four or more bedrooms, mostly in cities. Homes also need modernisation. People's needs change over time and our Asset Management Strategy (AMS) helps us plan and implement these changes, supported by a forecasting model to inform us where and what homes we need into the future.

Housing New Zealand's commitment for the future is that state rentals are part of healthy, sustainable, mixed communities that include state, social, and privately owned housing. We have a role to play in providing more opportunities for social and market-based affordable housing.

The AMS sets out an approach to managing the state housing portfolio over the next 10 years, with the overall objective to deliver a fit-for-purpose portfolio aligned to priority demand that provides improved value and a 'future-proofed' investment for the Crown.

[Withheld to protect the confidentiality of advice tendered by officials]

The AMS will drive better utilisation of land, see the divestment of assets that are underperforming or surplus to demand, and increase the proportion of assets that meet both social and broader performance objectives.

The AMS sets out a rapid rate of change. In order to achieve this, Housing New Zealand will develop more flexible partnership models to leverage its scale more effectively, reduce lifecycle operating and capital costs, reduce funding impacts on the Crown, and improve community outcomes. Housing New Zealand will also work to identify areas where the third sector can add value, and to find ways to stimulate growth in the sector and increase the overall amount of social and affordable housing.

The AMS seeks to ensure that Housing New Zealand's investment in the state housing portfolio makes a significant contribution to the economy, such as capital to build business and create jobs, as well as ideas and innovation through the use of new and innovative building methodologies and products.

To help Housing New Zealand achieve its strategic objectives, the AMS identifies seven key goals, as set out below.

Goal 1: Increase the rate of churn to at least 1 in 50 homes per annum

Assets have a limited lifespan. As they get older, components wear out and require more work to keep them fit-for-purpose and lettable. Housing New Zealand aims to reduce the average age of its assets to 50 years, which will require working towards assets at a rate of 1 in 50 per year. This can be achieved in two ways: either the asset is renovated to reset its effective lifecycle age, or it is replaced with a new asset. The option that delivers the maximum economic benefit over the remaining life of the asset relative to the cost incurred will be favoured.

Goal 2: 10-year funds retention and reinvestment funding envelope

Achieving the goals of the AMS over a 10-year timeframe requires a level of certainty about funding. Accordingly, the AMS is funded from depreciation, insurance proceeds, write-downs, and sales revenue generated by the portfolio.

Goal 3: Better align the location of the housing portfolio with regional demand

Under the AMS, Housing New Zealand will buy and reinvest in areas that will enable a better match of supply with priority demand. This generally means more homes in Auckland and fewer in provincial New Zealand, particularly where values are too high, and in remote, low demand areas.

Goal 4: Improve the match of asset types to applicant demand to 90 percent

Housing needs are changing and Housing New Zealand needs to build the right mix of asset types at the right densities to meet the broad needs of its diverse applicant groups. This means increasing the number of 1-2 bedroom and 4+ bedroom homes, and decreasing the number of 3 bedroom homes across the portfolio.

Goal 5: No community will have more than 15 percent state housing presence

High concentrations of state housing in some areas are associated with social deprivation. By reconfiguring its portfolio, Housing New Zealand will endeavour to reduce concentrations of state housing and create mixed communities, which has been shown to produce better social outcomes. This will involve major redevelopment of underutilised Housing New Zealand, and working in a more innovative way with the private and third sectors.

Goal 6: Increase the number of assets where the Property Quality Index rating aligns to Housing New Zealand's future intentions for the property

The Property Quality Index tool will enable Housing New Zealand to measure the quality of its properties to ensure an appropriate amount is spent on maintenance. Housing New Zealand will invest more on homes that are intended to be held long-term, while properties identified for disposal in the short term will only undergo the work required to ensure they are warm, dry, and safe for tenants, and that the value of the asset is not compromised.

Goal 7: Significantly reduce the cost of building

Housing New Zealand aims to reduce building costs by being innovative, working increasingly at scale, increasing standardisation, applying modular building techniques, and reducing building footprints and land size where appropriate. For example, Housing New Zealand has established a partnership with the Department of Corrections to upgrade and modernise properties at Springhill and Rolleston prisons **[Withheld to enable commercial activities to be carried out without prejudice or disadvantage]**

Auckland state housing activity

In the next two decades, population growth and housing demand are forecast to increase faster in Auckland than in the rest of New Zealand. Housing New Zealand is committed to delivering up to an additional 1,400 state rentals in Auckland by the end of 2015/16.

These homes will be primarily one, two, or four (or more) bedroom units to enable a better match to tenant needs as there is currently an oversupply of three-bedroom properties. Wherever possible, new state homes will be close to planned transport hubs and the infrastructure necessary to ensure that tenants can access schools, support centres, and work opportunities.

As set out in the following table, Housing New Zealand will achieve the additional 1,400 state rentals through a mix of acquisitions of new homes from the market, redeveloping land to add more homes matched with demand, and leasing from private sector landlords while disposing of properties that are not fit for purpose. Actual delivery numbers may vary (within the envelope of achieving the target) depending on market conditions.

Delivery of additional 1,400 state rentals in Auckland by end of 2015/16

Year	Acquisitions	Redevelopments	New leases	Disposals	Net change
2011/12	71	55	14	(204)	(64)
2012/13	139	107	34	(229)	51
2013/14	312	205	303	(617)	203
2014/15	327	304	407	(580)	458
2015/16	397	446	507	(557)	793
Total	1,246	1,117	1,265	(2,187)	1,441



Increasing the supply of social and affordable housing in Auckland

In addition to increasing the supply of state housing, our redevelopment projects will increase the supply of social and affordable homes. This mixed-tenure model is essential to ensure both the financial and commercial viability of the projects and to create sustainable and healthy mixed communities.

Over the next 18 months Housing New Zealand intends to deliver, or have under way, redevelopments that will provide 1,572 homes in Auckland. Of these, 459 are expected to be retained for state housing while the remaining 1,113 will be made available for other social, affordable, and general housing sold by development partners as a means to facilitate the commercial viability of developments

[Withheld to enable commercial activities to be carried out without prejudice or disadvantage]

Earthquake-prone buildings

Housing New Zealand takes the safety of its tenants very seriously, and has been working proactively to minimise the earthquake risk to its portfolio. A total of 772 residential buildings have been identified as meeting the definition of 'potentially earthquake prone'¹, and all of these have undergone an initial evaluation. These evaluations have categorised the buildings into four groups as follows:

- Group 1: Buildings that meet less than 20 percent of the New Build Standard (NBS). These buildings require earthquake strengthening work and tenants to be relocated to another state rental property within 90 days.
- Group 2: Buildings that meet 20-33 percent of the NBS. These buildings require strengthening work within 12 months and/or tenants to be relocated to another state rental property within 12 months.
- Group 3: Buildings that meet 34 -67 percent of the NBS. These buildings require strengthening work within 5 years.
- Group 4: Buildings that meet 67 percent (+) of the NBS. These buildings do not require any remedial work as they meet Housing New Zealand's standard of 67 percent of the NBS.

A building is considered to be 'earthquake prone' if it is categorised within Group 1 or 2, while buildings that fall under Group 3 are categorised as being an 'earthquake risk'. Detailed desktop seismic assessments are being carried out on all residential buildings initially identified as being earthquake prone. The category of each building is being confirmed as these assessments are completed.

If the final outcome for any potentially earthquake prone building is Group 1, Housing New Zealand's policy is to relocate the tenants to alternative state housing within 90 days. To date, Housing New Zealand has confirmed 115 Group 1 buildings nationally and has relocated around 360 affected tenants.

Housing New Zealand has a dedicated Tenant Liaison Team that works with affected tenants throughout the relocation process, and pays all reasonable relocation and reconnection costs. Housing New Zealand is now focused on getting on with repairs to its Group 1 buildings where practical so these buildings can be utilised again as quickly as possible.

Housing New Zealand is also working to confirm which of its potentially earthquake-prone buildings fall within Group 2. Once this process is complete, affected properties will be further assessed to determine the best course of action.

¹ The Building Act 2004 defines potential earthquake prone buildings as any pre-1976 residential building that is two or more stories and contains three or more household units.

Canterbury Investment Plan

There are currently 6,129 state rentals in Canterbury (including 346 leased properties), of which over 95 percent sustained some form of damage as a result of the Canterbury earthquakes. Housing New Zealand acted quickly to relocate tenants where necessary, and carried out urgent health and safety repairs to over 5,000 properties. As at 31 December 2012 there were 545 vacant earthquake damaged state rentals in Christchurch, of which 215 are in the residential red zone. The remaining 330 vacant properties have significant structural damage (eg foundations). Options for the programme going forward will depend on the outcome of negotiations with insurers over our claims totalling \$460 million before deductibles.

Housing New Zealand is taking a lead role in the work to recover from the earthquakes, and has developed a Canterbury Investment Plan (CIP). It is an ambitious, large scale initiative that sets out a forecast investment of \$1.1 billion over 10 years. The CIP aims to be self-funding from insurance proceeds, up-zoned land sales, depreciation, property sales, and private capital. It will deliver multiple housing options for the Canterbury market with a future-proofed portfolio that is well located, structurally and technically sound, of higher value, and matched to forecast future demand.

Stage 1 of the CIP was the accelerated repair of 212 damaged green zone properties. This work was completed on time by 31 October 2012 and all 212 properties have now been re-tenanted.

Stage 2 has commenced and is a redevelopment programme that will deliver up to 350 new houses over the next 2 years. Approximately 150 of these are targeted as a supply of affordable homes for the wider Canterbury market. A key component of Stage 2 is the development of five demonstration sites including state housing, leased housing, and first-home ownership opportunities (a mixed tenure model). We will unlock underutilised land to achieve this.

Stage 3 of the CIP is also underway, and will repair and upgrade up to 5,000 properties over the next 5 years. At the same time, we have established a joint venture with Southern Response; the Engineering Advisory Group at the Ministry of Business, Innovation and Employment; and Arrow International, to conduct a range of foundation design and repair trials on earthquake damaged land that has been zoned TC2 and TC3. It is intended that the outcomes of the trials are widely shared to assist other home owners in Christchurch facing the same re-build challenges.

Stage 4 of the CIP - planning is underway for a major reconfiguration of our Canterbury portfolio, utilising long-term alliances to achieve reconfiguration at scale. Stage 4 will see 1,300 to 1,400 'beyond repair' properties demolished and replaced with around the same number of new properties, together with up to 2,700 sites released for market-based affordable housing as a result of residential intensification. Work on the ground will begin in 2014.

[Withheld to protect the confidentiality of advice tendered by officials]

Progress with Social Housing Reform Programme priorities

As set out earlier in this briefing [refer page 5], joint Ministers have directed agencies to focus on five immediate priorities under SHRP:

[Withheld to protect the confidentiality of advice tendered by officials]

- Canterbury Investment Plan (led by Treasury)

[Withheld to protect the confidentiality of advice tendered by officials]

On 30 May 2012 SOC agreed to establish the Tamaki Redevelopment Company (TRC), with the Crown and Auckland Council as shareholders, to redevelop Tamaki. The Crown shareholders for TRC are the Minister of Finance and the Minister of Housing.

TRC is currently preparing a business case

[Withheld to protect the confidentiality of advice tendered by officials]

Advice to Ministers is due from Treasury by February 2013 on how officials are working with TRC to support the development of its business plan and to ensure that the work done by TRC and officials is complementary.

[Withheld to protect the confidentiality of advice tendered by officials]



[Withheld to protect the confidentiality of advice tendered by officials]

Housing those most in need

As at 31 December 2012 there were around 2,100 priority applicants on the waiting list for a state home (excluding tenants awaiting a transfer). There are also over 4,000 state house tenants living in homes larger than they require, and approximately 3,000 who live in overcrowded conditions. Further, there are over 4,500 current tenants paying market rent who may be able to afford the cost of renting in the private sector.

In addition to reconfiguring the state housing portfolio, Housing New Zealand is managing state housing by:

- allocating state homes through the Social Allocation System to those with the greatest need
- having introduced reviewable tenancies for new tenants, so that state housing assistance is available for the duration of need
- helping tenants to move into more suitable state housing (usually smaller homes so freeing up larger ones for applicants), or into appropriate alternative accommodation if they are ready and able to move on from state housing
- taking action against tenants who abuse the state housing system, freeing up state housing for those most in need.

Social Allocation System

Housing New Zealand assesses need for state housing through the Social Allocation System (SAS). The Government approved changes to SAS from 1 July 2011 to improve Housing New Zealand's ability to identify applicants whose current accommodation puts them and their family at risk, and to ensure that state homes are allocated to the households in the greatest need.

Since 1 July 2011 Housing New Zealand has had the mandate to only house new applicants with a priority need ('A' and 'B' applicants). Those with a lower priority (previously 'C' and 'D' applicants) are no longer eligible to be placed on the waiting list for state housing. These applicants are instead offered information about their options outside of state housing and the support available to them such as the Accommodation Supplement.

Applicants confirmed on the waiting list before 1 July 2011 with a C or D priority remain eligible for state housing. Housing New Zealand also continues to accept transfer applications from state house tenants with a low priority for housing who live in homes larger than they require and wish to move to more suitable accommodation.

Reviewable tenancies

The Government introduced reviewable tenancies for new state house tenants from 1 July 2011. Housing need for these tenants will be reviewed at least every 3 years using the SAS criteria. This marks a shift from the perception that 'a state home is for life'.

In addition to the 2,100 priority applicants on the waiting list for a state home (excluding tenants awaiting transfer), more than 4,500 state house tenants pay a market rent and may be able to sustain alternative housing such as a private sector rental.

Housing New Zealand will implement reviewable tenancies sensitively, taking account of the needs of the elderly and those with disabilities, vulnerable tenants, and those whose circumstances are unlikely to have changed. Housing New Zealand will design and agree an approach to tenancy reviews in consultation with you and the relevant agencies to ensure a fair and consistent process.

As part of the shift to reviewable tenancies we piloted an Assistance to Housing Independence programme to identify barriers to move on from state housing, and to test interventions that may assist tenants to move on when their circumstances improve. We found that barriers include a lack of knowledge of available options, a lack of confidence or life skills, difficulty finding time to locate the right house at an affordable price, discrimination by landlords, a history of debt, and a lack of savings.

The findings of the programme will help us better understand the likely success of future incentive products and services. We are currently considering how to best incorporate the knowledge gained from the programme into our standard tenancy management operations.

Housing New Zealand’s customer base

Housing New Zealand’s customers are primarily lower-income households, with more than 90 percent paying an income-related rent. This proportion is expected to increase as Housing New Zealand houses more people with high needs.

More than a third of state house tenants identify as Māori, compared with 14.6 percent of the general population (Census 2006). Similarly, over a quarter of tenants identified themselves as Pacific peoples, compared with 6.9 percent of the general population. Customers may identify with more than one ethnicity.

The most frequent household type for state homes is single parents with children, which account for approximately one third of state rental households. Couples and multiple-adult households with children account for around a further 25 percent of households. Meanwhile, around 40 percent of households consist of single adults, couples, or multiple adults without children.

There is a long-term trend toward a need for more smaller homes and an increasing number of larger homes. At 31 December 2012, only 16 percent of priority applicants for state housing in Auckland (including tenants wanting transfers) required a home with three bedrooms, yet they currently account for 43 percent of the Auckland state housing portfolio.

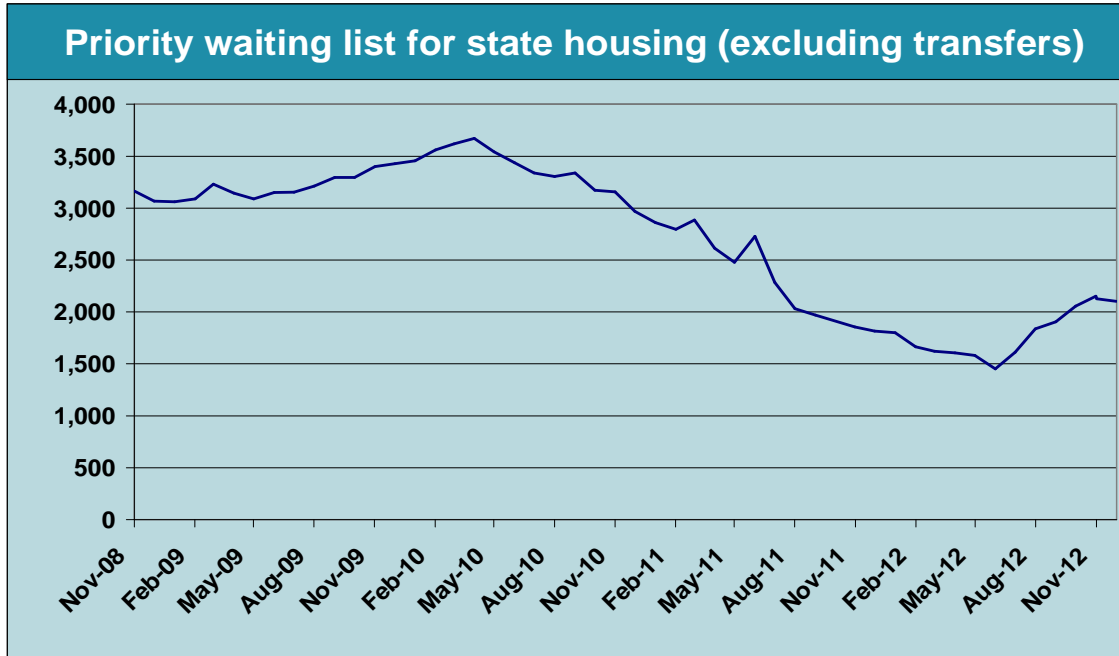
The following table sets out the Auckland portfolio according to number of bedrooms as at 31 December 2012, and compares this with demand from priority applicants (including transfers).

Auckland state housing portfolio according to number of bedrooms versus demand

Bedrooms	Proportion of portfolio	Priority demand
1	10%	33%
2	33%	32%
3	43%	16%
4+	14%	19%

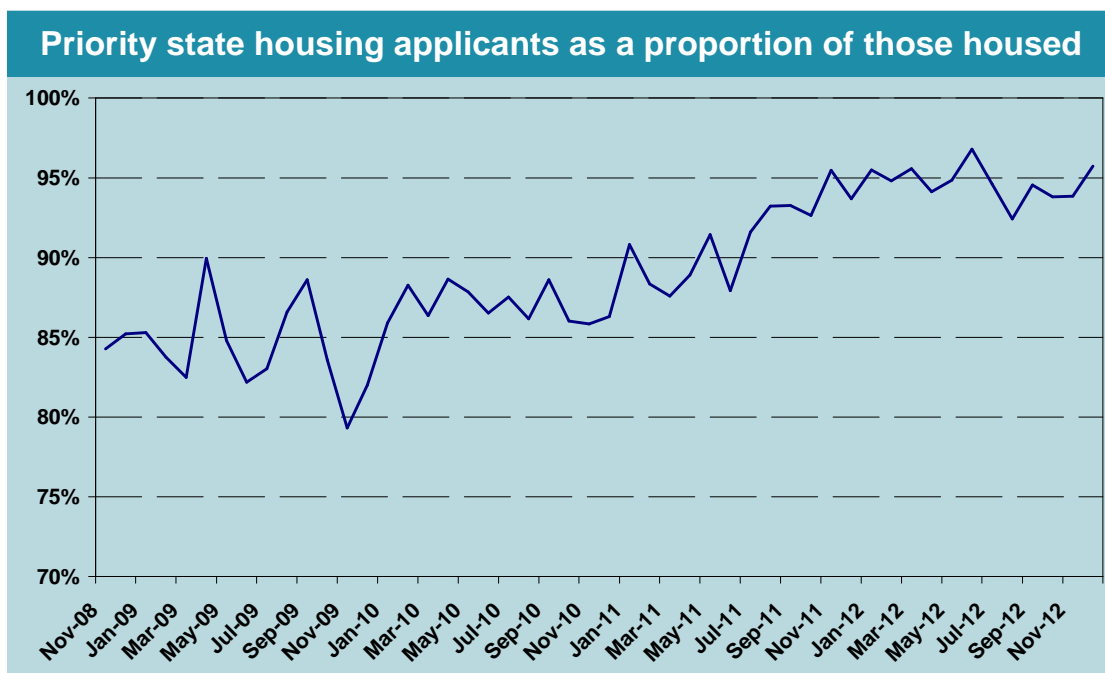
As at 30 November 2008 there were 3,163 applicants (excluding transfers) on the waiting list with a priority ('A' or 'B') housing need. By 31 December 2012 this had fallen to 2,103. The figure below shows the changes in Housing New Zealand's priority waiting list (excluding transfers) between November 2008 and December 2012.

Priority waiting list for state housing (excluding transfers)



The number of priority applicants as a proportion of those housed has been increasing. In 2011/12, 94 percent of households that were housed had an A or B priority, compared to 88 percent in 2010/11 and 85 percent in 2009/10. The following figure shows the increase between November 2008 and December 2012 in the proportion of priority applicants housed.

Priority state housing applicants as a proportion of those housed



Demand and Supply Forecasting

Housing New Zealand needs robust information about future demand for state housing in order to effectively plan its asset management activities and provide housing appropriate to the needs of its tenants. The State Housing Demand Model has been developed over the past 18 months and enables Housing New Zealand to forecast future demand for state housing for up to 20 years. The model improves Housing New Zealand's ability to understand the key drivers of demand, and the impact of economic, demographic, and policy changes on the demand for state housing.

Responding to abuse of the state housing system

Over the last 4 years Housing New Zealand has put more resources into detecting and investigating state housing fraud to ensure that those most in need are being housed.

Between 2008/09 and 2011/12 Housing New Zealand has freed up 709 state homes after investigations uncovered that the tenants had provided false or misleading information about their circumstances. In 2011/12 alone, 312 state rentals were freed up, with the majority in Auckland, where demand for state housing remains high.

Housing New Zealand has also introduced a suspensions policy from 30 November 2011 for state house tenants who lose or vacate their house following anti-social behaviour or a serious breach of their tenancy obligations such as fraud. These tenants may be suspended from eligibility for state housing for up to 12 months. In the first year of the new policy, 75 former state housing tenants have been suspended.

Welfare Fraud Collaborative Action Programme

The Welfare Fraud Collaborative Action Plan (WFCAP) is a multi-agency initiative to reduce welfare fraud. By joining forces and sharing information government agencies will be able to uncover fraud offences that otherwise would remain undetected.

[Withheld to protect the confidentiality of advice tendered by officials]

Operating in a business-like manner

The Government has directed Housing New Zealand to maintain its focus on improving value for money, operating efficiency, and cost control, and has asked it to provide a higher rate of return on its \$15.1 billion asset base. Housing New Zealand is also working with Treasury to revise its key performance indicators to ensure they are an appropriate measure of its progress toward achieving the outcomes sought by the Government.

Efficiency Plan

Housing New Zealand has implemented a 3-year Efficiency Plan to help it meet the Government's financial expectations. The plan was implemented in 2011/12 and will continue through to 2013/14. For 2011/12 the Efficiency Plan achieved savings of \$27.6 million, while savings for 2012/13 are forecast to be \$41.5 million. In addition, Transformation Programme benefits are expected to deliver annual savings of \$70 million from June 2015.

Returns to the Crown

Annual distribution to the Crown

Section 40(1) of the Housing Corporation Act requires Housing New Zealand to pay its annual surplus (capital and operating) for each financial year to the Crown, unless the responsible Ministers authorise Housing New Zealand to keep all or any part of it.

Housing New Zealand also returns a social dividend to the Crown as a result of the services it provides to its customers. These services include needs assessments, helping tenants to sustain their tenancies, managing income-related rents, and administering Crown products and programmes.

The following table sets out the annual distribution that Housing New Zealand has paid or is forecast to pay to the Crown since 2006/07. The annual distribution is paid after year end once Housing New Zealand's accounts have been finalised.

Housing New Zealand's annual distribution to the Crown

Dividend Paid						Forecast Dividend		
2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
\$13m	\$2m	\$132m	\$71m	\$68m	\$77m	\$90m	\$88m	\$88m

The forecast distributions for 2012/13 to 2014/15 are based on Housing New Zealand's Statement of Intent 2012-15

[Withheld to protect the confidentiality of advice tendered by officials]

The capital proportion of these total yearly distributions going forward may also be impacted by any significant changes to the timing or delivery of the AMS.

In addition to the annual distribution, Housing New Zealand also pays tax and interest to the Crown on the debt it has with the Debt Management Office.

Financial returns on behalf of the Crown

Housing New Zealand's forecast operating surplus before tax, as set out in the Statement of Intent 2012-2015, is \$186 million. This provides a return of 1.5 percent on the Crown's investment. Housing New Zealand also provides value to the Crown by effectively managing and growing its property portfolio value. In conjunction with the operating profit, this provides an approximate return (or forecast return) on equity of between 3 and 6 percent.

The following table summarises Housing New Zealand's financial returns on behalf of the Crown.

Housing New Zealand's financial returns

Measure	Actual	Forecast		
	2011/12	2012/13	2013/14	2014/15
Net operating surplus before tax	\$202m	\$186m	\$158m	\$191m
Return on equity	1.7%	1.5%	1.3%	1.5%
Overall return (incl. capital growth)	2.5%	4.7%	5.0%	5.8%

Funding for Crown programmes

The appropriations for Vote Housing are administered by MBIE. The Crown uses these appropriations to fund MBIE's activities, and to contract with other providers. Some of this funding is contracted with Housing New Zealand to deliver income-related rents and a number of other programmes on behalf of the Crown.

The following tables detail the funding available to Housing New Zealand to deliver Crown programmes in 2012/13:

Operating funding to deliver Crown programmes

Crown programme	\$m
Purchase of housing and related services for tenants paying income-related rent	626.482
Community Group Housing – Rent Relief	4.127
Community Group Housing – Top up to market rents	7.200
Interest subsidies and administration for legacy mortgages	1.585
KiwiSaver Housing Deposit Subsidy	13.000
KiwiSaver Housing Deposit Subsidy – Administration costs	1.066
Welcome Home Loans (mortgage insurance scheme) including administration costs	4.300
Total Operating Funding	657.760

Capital funding to deliver Crown programmes

Crown programme	\$m
Acquisition of community houses	5.800
KiwiSaver housing deposit subsidy capital requirements	0.027
Total Capital Funding	5.827

The tables exclude funding for the Housing Agency Account (HAA), which is accounted for separately from Housing New Zealand's activities in a formalised agency arrangement with the Crown. The HAA is explained in further detail in Appendix A.

The tables include a number of non-core programmes, such as Welcome Home Loans, the KiwiSaver first-home deposit subsidy, Community Group Housing, and legacy loan portfolios that require ongoing administration. Housing New Zealand has established a Financial Products Unit to manage these programmes until decisions are made about their future delivery.

A further appropriation of \$150.8 million is included in Vote Housing to roll over existing debt securities issued by the Crown (through the Debt Management Office) to Housing New Zealand when they reach maturity. This does not reflect additional capital available for Vote Housing.

Financial implications of the Canterbury earthquakes

The financial implications of the Canterbury earthquakes are closely linked to the outcome of Housing New Zealand's insurance claims. Housing New Zealand has three separate insurance claims for the September 2010, February 2011, and June 2011 Canterbury earthquakes. These claims total \$430 million after deductible expenses of \$10 million for each claim. The actual cash loss to Housing New Zealand will be the \$30 million total policy excess for the three claims, plus land remediation costs and removal of liquefaction, which are not covered by insurance.

Housing New Zealand provided for a write-down of 218 properties in its 30 June 2011 annual accounts, including all of its red zone properties, which will almost certainly need to be demolished. The amount of this write-down was \$46 million. No write-downs were provided for in the 30 June 2012 accounts and none are planned to date for the 30 June 2013 accounts. The full and final impact of write-downs will be known when all properties have been assessed and repaired, which is expected to occur within the next 5 years.

The proceeds from the earthquake claims have yet to be received. Housing New Zealand is currently in discussion with insurers on the level of reimbursement it is entitled to.

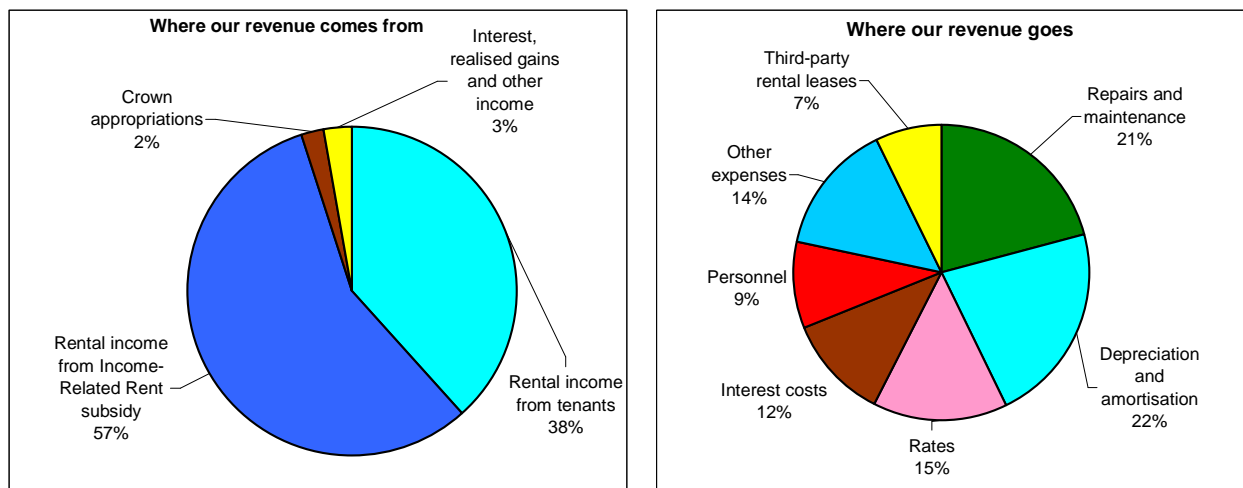
[Withheld to enable negotiations to be carried out without prejudice or disadvantage] Once received, Housing New Zealand intends to use the proceeds to help fund the re-establishment of the state housing portfolio in Canterbury.

Cost of being a social landlord

Housing New Zealand incurs a number of costs in relation to the various additional services it provides as a social landlord. These services include needs assessments, waiting list management, and the administration of the income-related rent subsidy and Crown debt recoveries. In addition, and in accordance with the 2012 LoE, Housing New Zealand does not recharge water rates to its tenants, which are forecast to cost around \$30 million in 2012/13.

Summary financial information

The following diagrams set out Housing New Zealand's forecast revenue and expenditure for 2012/13.



Housing New Zealand's rental income comprises 95 percent of revenues. The income-related rent subsidy ensures it receives a market rent for its state housing portfolio.

Housing New Zealand incurs the normal expenditure associated with being a residential landlord. It also incurs significant other costs, including from frontline tenancy management services, asset management, and maintenance, and from providing the normal support services associated with being a corporate entity (for example, finance, procurement, ICT, organisational development, Board support, and communications).

The following table provides summary information extracted from Housing New Zealand's forecast balance sheet. Further financial information, including details of financial statements and notes, is provided in the Statement of Intent 2012-2015 and Annual Report 2011/12.

Summary of forecast balance sheet

\$ million	2012/13	2013/14	2014/15
Property, plant and equipment	15,133	15,137	15,258
Other assets	738	800	777
Total Assets	15,871	15,937	16,035
<i>Financed by the following liabilities, and equity from the Crown:</i>			
Debt (from the Debt Management Office)	1,859	1,860	1,861
Deferred tax liability	1,716	1,644	1,562
Other liabilities	307	274	252
Total Liabilities	3,882	3,778	3,675
Equity from revaluations	8,571	8,574	8,564
Other Equity	3,418	3,585	3,796
Total Equity	11,989	12,159	12,360

Appendix A: Governance and structure

The governance framework for Housing New Zealand involves three key parties: Parliament, Ministers, and Housing New Zealand's Board.

Parliament and legislation

The **Housing Corporation Act 1974** established Housing New Zealand as a statutory corporation with its own governing Board. Together with the Crown Entities Act 2004, it governs how Housing New Zealand relates to the Crown and its Ministers.

The **Crown Entities Act 2004** is the principal Act governing the relationship between Housing New Zealand and the Crown. Housing New Zealand is described in Schedule 1 of the Act as a 'Crown Agent'. Crown Agents are the least autonomous category of Crown entities in that they must give effect to Government policies.

The Crown Entities Act provides for Housing New Zealand to produce a Statement of Intent, permits the Minister to give directions to Housing New Zealand, and restricts how it may borrow, invest, and establish subsidiaries. The Act also regulates how Housing New Zealand's Board functions, including the appointment and termination of members, conflicts of interest, quorums for meetings, and Board committees.

The **Housing Restructuring and Tenancy Matters Act 1992**, as amended by the Housing Restructuring (Income-Related Rents) Amendment Act 2000, introduced income-related rents for state house tenants and the Social Allocation System.

The **Housing Act 1955** provides Housing New Zealand with specific powers in relation to land. It allows the Governor-General to take land for housing purposes under the Public Works Act 1981, for the Minister of Lands to set apart any Crown land as state housing land, and for Housing New Zealand to purchase land, dwellings or buildings for state housing purposes. The **Housing Agency Account** was established to monitor Crown-owned land managed by Housing New Zealand on behalf of the Crown.

The **Residential Tenancies Act 1986** governs all residential tenancies in New Zealand, including all state house tenancies. It defines the rights and obligations of landlords (including Housing New Zealand) and tenants, established the **Tenancy Tribunal** to hear disputes between landlords and tenants, and established a fund in which all tenants' bonds are held. The Act is administered by DBH.

Housing New Zealand is also subject to all **other New Zealand legislation**, including the State Sector Act 1988, Public Finance Act 1989, Official Information Act 1982, Privacy Act 1993, Human Rights Act 1993, Resource Management Act 1991, Building Act 2004, Property Law Act 1952, Public Works Act 1981, Employment Relations Act 2000, and Treaty Settlement legislation including – Waikato Raupatu Claims Settlement Act 1995; Ngai Tahu Claims Settlement Act 1998.

Role of the Minister

As Minister of Housing, you are the Vote Minister for Vote Housing, which funds both Housing New Zealand and the Building and Housing Group within the Ministry of Business, Innovation and Employment (MBIE). You are also the Responsible Minister for Housing New Zealand, together with the Minister of Finance.

As the Vote Minister, you are responsible for:

- managing the Crown's interest in Housing New Zealand
- policy advice
- Vote and Budget issues.

The primary relationship between the Government and Housing New Zealand is between Ministers and Housing New Zealand's Board, with the Minister of Housing managing the relationship between the Board and the Government. Housing New Zealand is directly accountable to you for all its activities, except for borrowing, which is the responsibility of the Minister of Finance.

As Responsible Ministers, you and the Minister of Finance are jointly responsible for:

- conveying the Government's expectations to Housing New Zealand
- overseeing the Statement of Intent and agreeing the use of any operating surplus
- appointing and dismissing members of Housing New Zealand's Board and monitoring its performance
- monitoring Housing New Zealand's financial performance.

Role of Housing New Zealand

Housing New Zealand's role is to facilitate housing solutions for those most in need for the duration of that need. Housing New Zealand achieves this by:

- allocating and managing tenancies, including assessing housing need, matching applicants with available houses, administering the income-related rent subsidy, and providing housing for organisations that provide specialised housing support for tenants with multiple or complex needs. This role is limited to accommodation matters only and does not extend to wider social support
- managing assets to provide suitable and affordable homes to those with the greatest housing needs, including acquiring, maintaining, upgrading, and divesting state homes.

Role of Treasury and the Ministry of Business, Innovation and Employment

The Treasury's Crown Ownership Monitoring Unit (COMU) has the lead role as the responsible Minister's agent in monitoring the Crown's ownership and service delivery interests in Housing New Zealand, including all matters related to its financial, service delivery, and operational performance. This monitoring includes ensuring that Housing New Zealand's strategic direction is aligned with the interests of government and fits within the statutory framework; monitoring against the accountability and performance reporting framework and managing the performance cycle; and providing assurance on the capability of Housing New Zealand and advice on the quality of the Board's systems for managing risk.

COMU is also responsible for improving the Crown's management of its balance sheet. Agencies with significant assets are classified as 'capital intensive' and have been required to report annually on their capital intensions over a 10-year period. This is known as capital asset management (CAM) reporting. Housing New Zealand's investment proposals are assessed on a commercial basis, assuming future capital gains and requiring a hurdle investment rate (currently 6.6 percent) to be achieved.

MBIE has the lead role for providing housing policy advice to the Minister of Housing; specifically the policy Housing New Zealand is required to implement, including evaluating and advising on how well Housing New Zealand delivers on its policy objectives.

Role of Housing New Zealand's Board

Housing New Zealand's Board is responsible for the overall governance of Housing New Zealand and for managing it according to its legal mandate. The Board provides leadership and sets Housing New Zealand's strategic direction. It also selects, appoints, and monitors the performance of the Chief Executive.

The Board comprises seven non-executive members. Each appointment is for up to 3 years, with the possibility of further reappointment. The Board Chair usually meets the Minister of Housing monthly in advance of the Board's regular monthly meeting.

The following table shows Housing New Zealand's Board members and their appointment and expiry dates. Treasury, with support from MBIE and Housing New Zealand's Board, is currently leading the appointment process for two Board positions.

Board member	Appointment date	Expiry date
Alan Jackson (Chair)	December 2010	December 2013
Adrienne Young-Cooper (Deputy Chair)	January 2010	January 2013*
Amos Forrester	January 2010	January 2013
Susan Paterson	December 2010	December 2013
Whaimutu Dewes	June 2011	June 2014
Enid Ratahi-Pryor	June 2012	June 2015
Vacant	-	-

* extended until February 2013 pending decisions on Board composition

Role of Housing New Zealand's Chief Executive

Glen Sowry joined Housing New Zealand in January 2013 as Chief Executive, taking over from Dr Lesley McTurk, who was Chief Executive from January 2007 to October 2012. The Chief Executive reports to the Board and is responsible for:

- the efficient and effective day-to-day running of Housing New Zealand
- ensuring the implementation of Housing New Zealand's strategic direction
- developing and maintaining strategic relationships with Chief Executives from other government agencies and other key stakeholders.

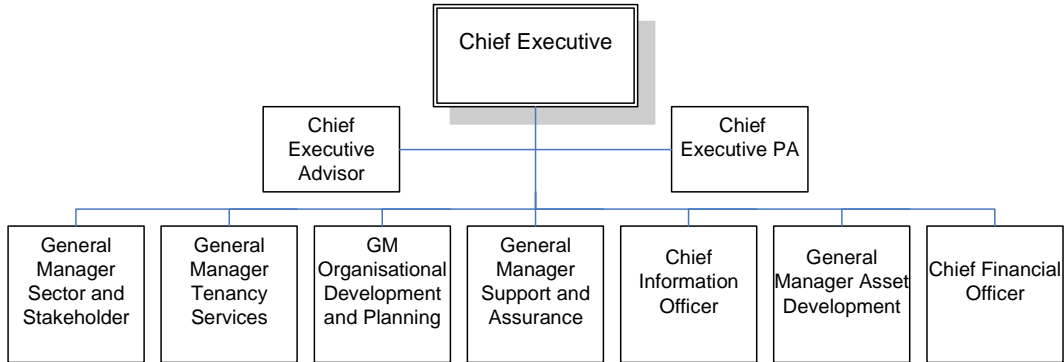
The Chief Executive leads an Executive Team of seven senior managers:

- Kay Read, Tenancy Services
- Sean Bignell, Asset Development
- Scott Scoullar, Chief Financial Officer
- Greg Groufsky, Support and Assurance
- Kathy Clement, Sector and Stakeholder
- Philippa Jones, Organisational Development and Planning
- Shane Hamill, Chief Information Officer

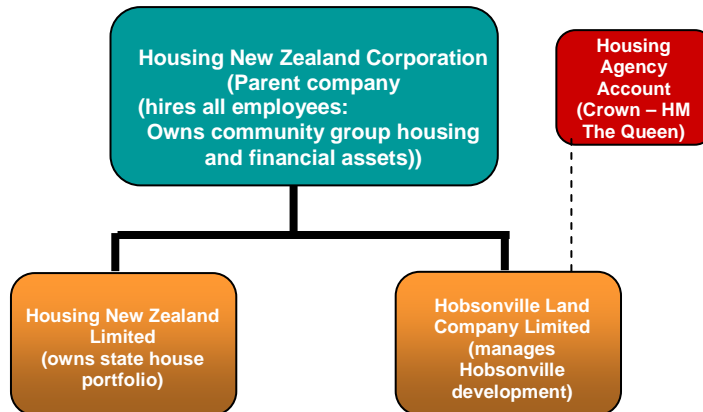
Housing New Zealand’s organisational structure

As at 31 December 2012, Housing New Zealand employed 950 full-time equivalent staff against a cap of 1,136.

Housing New Zealand’s high-level organisational structure is set out in the diagram below.



The Group structure is as follows:



Financial Products Unit

As part of Housing New Zealand’s refocus on its core business of asset management and tenancy management, a number of non-core services delivered on behalf of the Crown have been, or may eventually be, transferred to other agencies.

To support this, Housing New Zealand has established a residual management unit called the Financial Products Unit to temporarily manage non-core services.

Housing Agency Account

The Housing Agency Account (HAA) is used by the Crown to account for land declared surplus by other agencies and redesignated for state housing purposes. This land remains in Crown ownership but is managed by Housing New Zealand.

Currently the HAA contains around 40 residential properties and a number of development sites, the largest of which is Hobsonville. Hobsonville has approximately 20 investment properties and 3 hangars which provide a short-term income stream to the HAA. It also features a newly refurbished café and community centre and generates rental income for the Crown.

Activities that can be undertaken on behalf of the Crown are specified by the Housing Act 1955 and the Housing Agency Account Accountability Agreement between Housing New Zealand and the Minister of Housing.

Housing New Zealand is unable to fund these activities so all funding must be either appropriated or generated from revenues within the account.

Hobsonville Land Company

The Hobsonville Land Company is a wholly-owned subsidiary of Housing New Zealand. It was set up to manage the project planning for an integrated urban development on a large site at the former New Zealand Defence Force airbase site at Hobsonville, Auckland.

Land for the Hobsonville development is owned by the Crown and held in the Housing Agency Account. Management of the Hobsonville development is the responsibility of the Chief Executive of the Hobsonville Land Company, which has its own Board. The Chief Executive is Chris Aiken.

Monitoring and accountability

The following table summarises Housing New Zealand's key accountability documents and reports you will receive on an ongoing basis.

Title	Brief description of content	Timing
Statement of Intent	The Statement of Intent sets the Housing New Zealand's strategic direction for the next 3 years and identifies how outcomes will be achieved and measured on an annual basis. It also outlines Housing New Zealand's contribution to the Crown's objectives.	June 2013
Annual Report	The Annual Report provides you with an account of Housing New Zealand's outcomes and outputs delivery, and financial and non-financial performance.	October 2013
Quarterly reporting	Housing New Zealand's quarterly reporting provides you with a snapshot of performance to date against the work programme outlined in the current Statement of Intent and Output Agreement.	February 2013, May 2013, August 2013, November 2013

Appendix B: Core programmes and initiatives

Social Allocation System

Initiative	The Social Allocation System (SAS) provides the criteria for allocating state housing to those with the greatest housing need. Housing need means households lacking their own housing or living in housing which is inadequate or unsuitable or unaffordable, and who are unable to meet their housing needs without assistance.
Background	In 2010/11 Housing New Zealand reviewed the SAS assessment criteria to focus on providing state housing to those with high needs and to more actively assess tenants, to ensure those in high need are being housed for the duration of need. The Government approved these changes, which took effect on 1 July 2011.
Mechanism	<p>All applicants for state housing are initially pre-assessed by the Customer Service Centre. Those who are likely to be eligible are invited to attend a full needs assessment at a Housing New Zealand office to determine their level of need. Applicants confirmed as at risk (A priority) or who have a serious housing need (B priority) are then placed on the waiting list and matched to suitable available state housing.</p> <p>Applicants who are pre-assessed as likely to have a moderate or low housing need (previously C and D priority) are no longer placed on the waiting list for a state rental. These applicants are instead provided with information about the housing options and assistance available to them.</p> <p>Lower-priority applicants confirmed on the waiting list before 1 July 2011 remain eligible for state housing. Housing New Zealand also continues to accept transfer applications from state house tenants with a low priority who live in homes larger than they require and who wish to move to more suitable accommodation. Of the total number of applicants housed during 2011/12, 94 per cent were priority A or B applicants.</p>

Income-related rents

Initiative	Income-related rents help state house tenants with lower incomes afford their housing.
Background	Part 5 of the Housing Restructuring and Tenancy Matters Act 1992 provides that state house tenants pay rent capped at a percentage of their assessable income up to a certain threshold. Tenants whose assessable income is above that threshold pay progressively more rent until market rent is reached.
Mechanism	<p>State house tenants are eligible to apply for an income-related rent. Low-income tenants pay no more than 25 percent of their income in rent. 'Low income' has been defined as the relevant (that is, single or couple) rate of New Zealand Superannuation for the tenant and their partner.</p> <p>State house tenants whose assessable income is greater than the relevant rate of New Zealand Superannuation must also pay 50 percent of this additional income as rent, until the market rent for the property is reached.</p>
Funding	In 2012/13, \$626 million has been appropriated for the income-related rent subsidy. This funding reimburses Housing New Zealand for the difference between the income-related rent charged to tenants and market rent.
Volume	As at 30 November 2012, 59,250 state house tenants (92 percent) paid an income-related rent, with almost all new tenants qualifying.

Upgrade programmes

Initiatives

Our upgrade programmes include:

- a general upgrade programme with a focus on whole-of-house upgrades
- the Energy Efficiency Retrofit and Heaters programme.

General upgrade programme

Around 50 percent of the state housing portfolio is more than 40 years old. Housing New Zealand's general upgrade programme is focused on ensuring that state housing is fit for purpose and meets Housing New Zealand's Property Quality Standards.

Work carried out under the general upgrade programme includes:

- refurbishing bathrooms and kitchens
- improving car parking, security, and fencing
- interior painting and work to improve living spaces
- some insulation and heating work.

In 2011/12 Housing New Zealand carried out 3,559 general upgrades, at a cost of \$41.9 million. In 2012/13 Housing New Zealand intends to carry out around 2,400 further general upgrades, at a cost of around \$45 million. This cost will be met from Housing New Zealand revenues.

A whole-of-house upgrade approach was initiated in 2012 in order to target resources toward ensuring properties meet defined standards and reduce the need to visit properties on multiple occasions. Housing New Zealand aims to complete 1,000 whole-of-house upgrades by the end of 2012/13.

Energy Efficiency Retrofit and Heaters programme

The Energy Efficiency Retrofit and Heaters programme aims to improve the thermal efficiency of all state houses built before 2000 where practical and accessible. Housing New Zealand is on track to complete the programme by the end of 2012/13.

Between 2001/02 and 2011/12 Housing New Zealand insulated a total of 38,304 properties and carried out 9,144 heater installations under the programme. In 2012/13 Housing New Zealand expects to insulate approximately 7,900 properties and install a further 850 heaters to complete the programme.

In 2011/12 \$3.5 million was appropriated for the programme and Housing New Zealand invested a further \$4.5 million from its own revenues. In 2012/13 the programme is being funded by Housing New Zealand.

Maintenance programme

Initiative	The maintenance programme ensures that the current amenity value of the state housing portfolio is maintained.
Background	Housing New Zealand's maintenance programme includes: <ul style="list-style-type: none">• carrying out urgent health and safety repairs• responding to maintenance requests from tenants, such as plumbing repairs• undertaking planned maintenance work such as exterior painting• property management in relation to leased properties.
Mechanism	<p>Housing New Zealand regularly inspects its properties to check whether maintenance is needed. In addition, tenants can contact the Customer Services Centre at any time to request maintenance to their property. If the health or safety of a tenant is at imminent risk, a contractor will respond within four hours. If there is no imminent risk but the maintenance is of an urgent nature, a contractor will respond by the end of the following working day.</p> <p>If maintenance is required but there are no urgent health and safety concerns, Housing New Zealand will arrange for a contractor to assess the job within 10 working days. Larger maintenance jobs, such as exterior painting, are placed on Housing New Zealand's planned maintenance programme.</p>
Funding	<p>In 2011/12 Housing New Zealand spent a total of \$173.6 million on maintaining the state housing portfolio. In 2012/13 Housing New Zealand anticipates spending around \$183.5 million on maintenance.</p> <p>Housing New Zealand funds its maintenance programme from its own revenues.</p>

Property Quality Standards

Initiative	Our Property Quality Standards help us ensure that state housing is safe, healthy, fit for purpose, and sustainable. A Property Quality Index and monitoring system has been developed to improve the quality and consistency of information about Housing New Zealand's stock.
Background	<p>The condition of Housing New Zealand's portfolio has previously been assessed by the number of component parts that meet predefined quality standards. A number of key components were assessed at each property to identify whether they were either defective or about to become defective within a year of the assessment. In 2011/12, 93 percent of components met the defined standard.</p> <p>Housing New Zealand has now introduced a Property Quality Index which will allow it to assess where each property is at in its lifecycle, make better value investment decisions, and develop and implement appropriate work programmes based on a whole-of-house approach. A baseline assessment of property condition was recorded in August 2012 and new property condition assessments of all Housing New Zealand properties will begin in 2013.</p>
Results	The first 15,000 property assessments will begin in February 2013 and will inform the whole-of-house upgrade programmes for 2013/14 and 2014/15. As properties undergo upgrade work in future, the Property Quality Index will be updated and provide a real-time view of property condition.

Home Lease programme

Initiative	Leasing homes from the private sector allows Housing New Zealand to quickly and easily respond to housing demand.
Background	Under the Home Lease programme, Housing New Zealand leases privately-owned homes in areas where there is priority demand for state housing and it is not viable to buy or build additional properties.
Mechanism	<p>Housing New Zealand prioritises lease properties that offer the least cash-flow and provide the best match to customer needs. Leased properties must also meet Housing New Zealand's property quality standards.</p> <p>Leases are generally for a period of between 5 and 15 years. Housing New Zealand is responsible for managing the tenancy at the property. Depending on the version of the lease agreement, the owner may be responsible for some general maintenance. Housing New Zealand deducts a lease margin from its regular lease payments to cover the average cost of tenancy management, bad debt, and vacancies. This margin is usually 10 percent of the lease payment.</p>
Results	Housing New Zealand plans over the next 10 years to relinquish 1,500 current lease properties that no longer match demand, and secure 2,000 additional lease properties in areas of high demand. This will increase Housing New Zealand's leased stock from 5 percent to around 6 percent of the state housing portfolio.
Funding	In 2012/13 Housing New Zealand has budgeted \$58.8 million in lease payments to private property owners, and anticipates receiving \$61.1 million in rental income from leased properties.

Tenant Home Ownership programme

Initiative	The Tenant Home Ownership programme offers state rental tenants the opportunity to buy the home they live in.
Background	The Tenant Home Ownership programme is a government initiative that was launched in September 2009. It encourages tenants into home ownership, and helps fund Housing New Zealand to buy or lease more houses in high-demand areas.
Mechanism	<p>State house tenants who wish to purchase their home can apply to Housing New Zealand. If the tenant's home is not available for sale, they may be offered an alternative vacant state house in their area.</p> <p>Around 40,000 state houses are potentially for sale to tenants. However, not many tenants are in a position to buy and the programme was always expected to be small.</p> <p>The purchase price is set according to an independent valuation. The tenant may, if eligible, access a Welcome Home Loan and/or KiwiSaver home ownership assistance to help them purchase their home.</p>
Results	As at 30 November 2012, 96 state houses had been sold to tenants since the programme began, raising around \$22.4 million for Housing New Zealand to reinvest in areas of high need.
Funding	Housing New Zealand meets the cost of administering the programme.

Appendix C: Non-core programmes

Hobsonville development

Initiative	The Hobsonville development contributes to the supply of urban land for a growing Auckland and will increase the supply of social and affordable housing.
Background	<p>The Hobsonville site includes approximately 147 hectares of Crown-owned land adjacent to Waitemata Harbour in north-west Auckland. This land was formerly an air force base and was declared surplus in 2000/01.</p> <p>In October 2011 the Ministers of Finance and Housing approved a high-level divestment strategy, which is commercially sensitive. This comprises:</p> <ul style="list-style-type: none">• [Withheld to enable commercial activities to be carried out without prejudice or disadvantage] the sale of small-scale land and house packages to enhance value and increase market interest in the development• the disposal of larger lots of land [Withheld to enable commercial activities to be carried out without prejudice or disadvantage] to enable the private sector to develop entire precincts. <p>A detailed divestment strategy to further the Crown's state housing objectives in Hobsonville is now being implemented by the Hobsonville Land Company Limited.</p>
Mechanism	<p>The Hobsonville Land Company was formed as a wholly-owned subsidiary of Housing New Zealand to manage the Hobsonville development.</p> <p>It has been partnering with the private sector to provide essential infrastructure and deliver new housing at the site. There is potential for the new Social Housing Unit to work with the Hobsonville Land Company to involve third sector providers in the provision of affordable housing as the site's precincts are developed.</p>
Results	<p>The Hobsonville Land Company is developing the Buckley precinct of Hobsonville Point in partnership with AVJennings. Stages 1 and 2 of the Buckley precinct, comprising approximately 200 homes, have been completed and fully sold.</p> <p>Stages 3 and 4 subdivision works at the Buckley precinct are underway, with house building to commence later in 2013. It is anticipated that the Buckley precinct will be completed by the end of 2015, enabling the delivery of 660 homes. Planning for the remainder of the Hobsonville Point development is underway.</p> <p>The Hobsonville Point primary and secondary schools are due to open in February 2013 and 2014, respectively.</p>
Funding	In 2012/13, \$1.4 million in operating funding and \$10.0 million in capital funding has been appropriated for the Hobsonville development.
Issues	<p>The Crown land at Hobsonville is held for 'state housing purposes' under the Housing Act 1955, which is a public work for the purposes of the Public Works Act 1981.</p> <p>[Withheld to maintain legal professional privilege]</p> <p>The Crown has Treaty Settlement obligations at Hobsonville, with in-principle agreements signed with Ngāti Whātua o Kaipara and Te Kawerau ā Maki, respectively. The agreement with Ngāti Whātua o Kaipara gives it a right of first refusal over Crown land within the Hobsonville area, but exempts the disposal of land for 'state housing purposes'. [Withheld to enable negotiations to be carried out without prejudice or disadvantage]</p>

Community Group Housing

Initiative	The Community Group Housing programme provides housing to community groups and iwi that provide residential services for people with special housing needs.
Background	Service providers find it difficult to rent properties that meet the special needs of their clients due to lack of specialised housing in the private sector together with the high cost of modifying housing.
Mechanism	<p>To be eligible for a Community Group Housing property, a provider must ordinarily be contracted by a government agency to provide specialist residential services.</p> <p>Housing New Zealand will find a suitable property for the provider, and arrange and fund modifications where required. Housing New Zealand also offers a rental subsidy to eligible providers to help them with the rent charged.</p>
Results	<p>The Community Group Housing portfolio consists of 1,591 properties and is valued at around \$450 million.</p> <p>Most of these properties are being used for people with mental illness (48 percent) and people with disabilities (32 percent). The remaining properties are mainly provided for women and children seeking refuge, youth at risk, alcohol and drug rehabilitation programmes, and emergency and transitional housing.</p>
Funding	<p>In 2012/13, \$5.8 million has been appropriated for Housing New Zealand to acquire new Community Group Housing properties. This will fund the purchase of between 8 and 12 additional properties.</p> <p>In 2011/12, \$4.15 million was appropriated for rent relief to providers. In 2012/13, \$4.13 million has been appropriated for rent relief.</p> <p>A further \$7.2 million has been appropriated in 2012/13 to address the shortfall between the rents received from providers (including the rent relief subsidy) and the market rent for the portfolio.</p>
Issues	<p>The \$7.2 million of additional funding has been appropriated to address the shortfall for 2012/13 only. The shortfall for future years is expected to be considered as part of Budget 2013.</p> <p>There is a lack of transparency in the funding arrangements for community groups across government, creating issues for both the Crown and the groups concerned. Resolving this issue is important if the community group housing sector is to grow alongside the wider third sector provision of social housing.</p>

Welcome Home Loan

Initiative	Welcome Home Loans help first-home buyers on modest incomes to access home loans with little or no deposit.
Mechanism	With a Welcome Home Loan, no deposit is needed for a loan under \$200,000. For loans over \$200,000, a 15 percent deposit on the portion of the loan over \$200,000 is required. Housing New Zealand provides mortgage insurance to participating lenders so they can make these loans. The income and loan caps are regularly reviewed to ensure they reflect market conditions.
Results	In 2011/12 a total of 1,358 Welcome Home Loans were settled, which translates into access to home finance of nearly \$277 million for around 2,100 New Zealanders.
Funding	<p>In 2012/13, \$4.3 million has been appropriated for the Welcome Home Loan, including administration costs, and it is expected that over 800 Welcome Home Loans will be settled.</p> <p>Due to the reduced level of funding compared to 2011/12, Housing New Zealand has introduced an apportionment model whereby participating lenders are allocated a maximum number of Welcome Home Loans that will be insured for them in a year. The lender apportionment has been made proportional to their past use of the scheme.</p>

Kāinga Whenua

Initiative	Kāinga Whenua loans enable Māori to access loans for housing on multiple-owned Māori land.
Background	Kāinga Whenua is a government initiative launched in February 2010 as a targeted product within the Welcome Home Loan programme. It was designed to give Māori the opportunity to access finance to build on multiple-owned Māori land. In late 2012 the Government extended the eligibility criteria for Kainga Whenua, included making loans available to Maori Trusts, increasing income caps for individual borrowers, and allowing current and previous home-owners to apply. The changes became effective on 1 December 2012 for individuals and take effect on 1 June 2013 for trusts.
Mechanism	With a Kāinga Whenua loan, Kiwibank can lend 100 percent of house building costs or the purchase price of a house on multiple-owned Māori land, up to \$200,000. Housing New Zealand provides mortgage insurance to Kiwibank so it can make Kāinga Whenua loans. This is set at 3 percent of the loan value, of which 1 percent is paid by the borrower and 2 percent by Housing New Zealand.
Results	Demand for Kāinga Whenua has been relatively modest. As at 30 December 2012 six Kāinga Whenua loans had been settled and a further seven had been pre-approved, of which five have now expired.
Funding	Kāinga Whenua is funded through the Welcome Home Loan appropriation.

KiwiSaver home ownership features

Initiative The KiwiSaver home ownership features assist first-home buyers with the deposit on their first home.

Background KiwiSaver is primarily a retirement savings initiative, but also has two features to help its members buy a home or land to build a house on: the KiwiSaver first-home deposit subsidy and the KiwiSaver first-home withdrawal. Both KiwiSaver features can be used together.

The deposit subsidy is administered by Housing New Zealand, while the first-home withdrawal is administered by individual KiwiSaver providers.

Mechanism The deposit subsidy is a tax-free grant available after 3 years of contributing to KiwiSaver. The subsidy is \$1,000 for each year of contributions, up to a maximum of \$5,000. Two or more KiwiSaver members can combine their subsidies to put toward buying a house together.

The savings withdrawal allows KiwiSaver members, after 3 years of membership, to withdraw their savings (excluding any government contributions) to put toward buying a home.

The eligibility criteria for the subsidy and the savings withdrawal are regularly reviewed to ensure they reflect market conditions.

Results In 2011/12, 2,820 KiwiSaver members received the deposit subsidy. Approximately 3,000 members will access the subsidy in 2012/13.

Funding The following table sets out the appropriated funding for the KiwiSaver first-home deposit subsidy for 2012/13 and outyears.

Appropriation (\$m)	2012/13	2013/14	2014/15
Grants	13.000	13.000	13.000
Administration	1.066	1.089	1.089
Capital injection	0.027	0.027	0.027
Total	14.093	14.116	14.116