

Chair
Cabinet Social Policy Committee

SOCIAL HOUSING REFORM PROGRAMME: REDEVELOPMENT OF SOCIAL HOUSING AND ENGAGEMENT WITH THE COMMUNITY HOUSING SECTOR AND IWI/MĀORI (Paper Three)

Proposal

1. This paper:
 - a. outlines our objectives for transfers and redevelopment of Housing New Zealand Corporation (HNZC) stock;
 - b. discusses the next steps to be taken to carry forward transactions, including national engagement and regional consultation with iwi and hapū; and
 - c. notes that engagement and consultation on transactions will publicly signal the next step of the Social Housing Reform Programme (SHRP).
2. This paper is one of a set of three social housing reform papers being considered by the Social Policy Committee. Collectively, these papers set out the Government's rationale and objectives for assisting more New Zealanders in need into quality social and affordable housing through the SHRP, as well as seeking agreement for immediate actions.
3. The three papers are:
 - a. Social Housing Reform Programme: an overview of the Programme (paper one);
 - b. Social Housing Reform Programme: purchasing social housing places for clients: initial steps and future state (paper two); and
 - c. Social Housing Reform Programme: redevelopment of social housing and engagement with the community housing sector and iwi/Māori (this paper).

Executive Summary

4. The Government aims to further increase the supply of social housing for New Zealanders in need, increase the range of suppliers of social housing and release surplus land to assist with increasing the supply of housing in the market.
5. We propose that the objectives of the SHRP are to:

- a. ensure that people who need housing support can access it and receive social services that meet their needs;
 - b. ensure that social housing is of the right size and configuration, and in the right areas, for those households which need it;
 - c. help social housing tenants to independence, as appropriate;
 - d. encourage and develop a more diverse ownership of social housing, with more innovation and responsiveness to tenants and communities; and
 - e. help increase the supply of affordable housing, especially in Auckland.
6. Decisions made over the last four years have established a pipeline of new social housing supply:
- a. In 2013, HNZC was set a target of building 2,000 new units¹ and is delivering this through its draft Asset Management Strategy (AMS). A revised AMS will reflect the objectives set out in the SHRP and contribute to the right number of social houses, of the right type and in the right location to support New Zealanders in need. This will necessitate the redevelopment of its stock on a scale not seen in recent years.
 - b. Community Housing Providers (CHPs) have a further 890 new housing units in the pipeline, receiving \$139 million in Government subsidies to secure more social and affordable housing (over 200 houses delivered to date). CHPs were able to leverage the Crown's investment into more than \$300 million of new houses by applying capital from other sources.
 - c. Further new supply may come from local government reorganising its operations and partnering with others in the social housing sector.
7. The existing pipeline, with both social and affordable housing having been delivered, demonstrates the potential of CHPs to contribute to social housing. We propose to take this a step further, through larger-scale transactions of HNZC properties and the involvement of CHPs in future social and affordable housing developments.
8. The Government will continue to pay significant housing subsidies for people in need. Over the next few years, we expect to increase the amount we spend on income-related rent subsidy (IRRS) to help more families and individuals with high housing needs.
9. And taxpayers will continue to be by far the largest owners of social housing. But they will not be the only owners, as we believe there are significant advantages for tenants to have access to a more diverse social housing sector.² We are not alone in this: many iwi/Māori and CHPs consulted by officials consider themselves better able to achieve social and affordable housing outcomes for tenants in regions, as well as supporting the work of HNZC in major metropolitan areas.
10. The benefits of greater CHP involvement in the provision of social housing are set out in **paper one**. This paper advances our plan for supporting CHP and iwi/Māori aspirations for providing social housing.

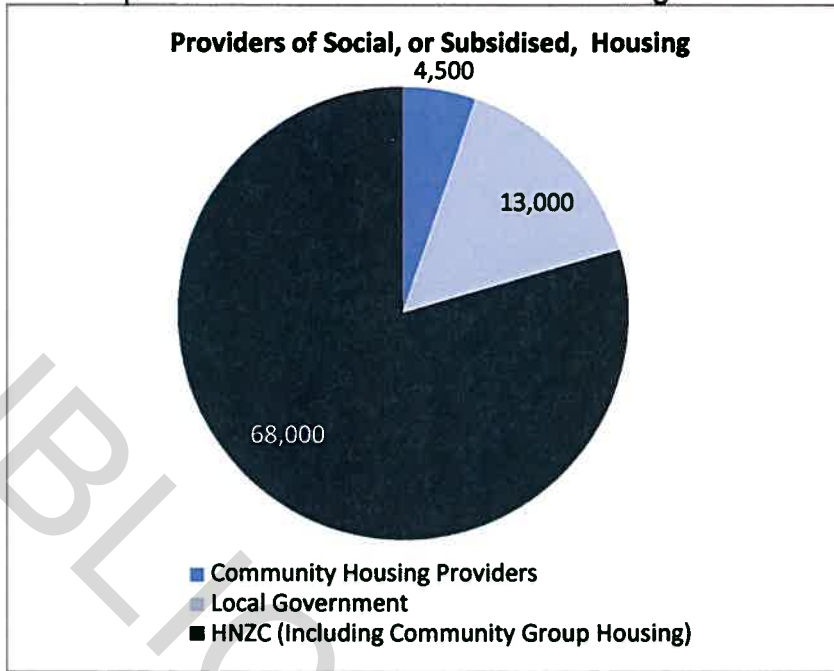
¹ Including 700 as part of the Canterbury earthquake recovery. So far HNZC has built 326 new units and has committed to a further 1,039 by December 2015.

² For a summary of overseas evidence please refer to Pawson, H et al., *Public housing transfers: past, present and prospective*, Ahuri report number 215.

Social housing reform aims to increase high quality social and affordable housing

11. The Government has a goal of increasing the supply of social and affordable housing. In many cases, CHPs can better meet the difficult challenges that some social housing tenants face, through bringing in new approaches, being closer to tenants, being more responsive to the communities they operate in and potentially accessing new sources of funding to reconfigure and build more houses.
12. CHPs are seeking to play a greater role in providing social housing, and overseas evidence supports the value in this approach. We have also seen the success of the NGO sector in New Zealand to deliver better outcomes in other areas of social services (for MSD but also including education and health and disability services).
13. We want to have more CHP-provided houses, and in particular ensure that more are let to highest-needs New Zealanders. Providers of these properties will receive the Government's social housing subsidy (IRRS); meaning tenants only pay an income-related rent.
14. Currently, almost all social housing tenants are in government-owned HNZC houses (typically called 'state houses') and the number of social housing tenancies is more or less fixed. This leaves little room for CHPs to grow in size. Therefore, we are working closely with HNZC, and community and social sector groups, on ways to improve the support for New Zealanders with housing needs.
 - a. CHPs in New Zealand already own houses, but on a relatively small scale in comparison to overall social housing need. In total, they own around 4,500 houses, of which less than 100 are currently being let to social housing tenants who are paying income-related rents.
 - b. The Government has already committed \$139 million of capital grants through the Social Housing Unit to support the development of 890 new properties, including Papakāinga housing on Māori land, affordable housing developments and a smaller number of social housing. Some of the recipients of these grants have subsequently become registered CHPs, who are eligible to receive IRRS.
 - c. The redevelopment of HNZC properties can further add to CHP capability and the delivery of improved social and affordable housing. In particular, to better meet need we need to get more houses that better match the size of households in the right place. CHPs will play a key role in this redevelopment alongside HNZC.

The current provision of social and subsidised housing is set out below:



Note: subsidies may come from central or local government or non-government sources, excluding accommodation supplement which is provided by central government but classed as an affordable housing subsidy. HNZC leases 3,000 of these houses.

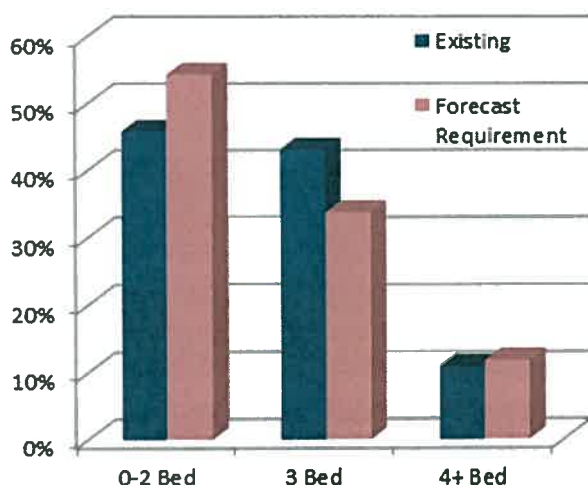
Transfers of HNZC properties to CHPs will retain existing tenants and subsidies

15. To improve and grow the market for New Zealanders most in need, we propose transferring some HNZC houses – with the current tenants and existing subsidies – to CHPs. This will mean the community housing sector receives a larger share of available social housing tenancies, which will allow them to grow their capabilities and leverage related social services to improve tenant outcomes.
16. We intend to start this in areas where demand is stable, where the Ministry of Social Development (MSD) wants to retain social housing supply at or near current levels, and where there are CHPs interested in increasing their ownership of social housing.
17. These areas will be determined after a round of national engagement with CHPs and iwi/hapū, and after analysis of HNZC and MSD data. In some instances, iwi and hapū will have Rights of First Refusal over these properties. These issues are outlined in more detail in paragraphs 40-47 below.
18. If the consultation and data analysis reveals propositions worth pursuing, we will run an open and competitive tender process. Through this process, we would expect the sector to tell us what they can do – what they can offer that makes sense for the taxpayer and will result in better outcomes for tenants and local communities. We are only going to sell houses if these outcomes are an improvement on current ownership and service delivery - tenants will continue to be housed for the duration of their need.
19. As a next step, we intend to put existing HNZC properties into the social housing market. Transactions will only be completed where we can get good value for taxpayers and get better services for social housing tenants. This process will start in 2015.

20. Sales of properties will not reduce the number of social housing places provided through the Government's IRRS. It just means HNZC will be providing fewer of the houses the recipients of the subsidy live in, and CHPs will be providing more. These subsidies are forecast to increase by 3,200 places, to coverage of 65,000 social housing places by 2017/18 (from 2014/15). This means that more subsidised housing will be available to those in need as a result of the SHRP.
21. Almost certainly, the price we receive for these houses will be lower than the book value in the Government's financial accounts. That is because:
- the current book value is based on the potential sale by HNZC of an individual property in the open market, to anyone who wants to buy it, and for any use they want to put it to; whereas
 - we would be selling most of these properties as portfolios of tenanted social housing properties, to a more limited pool of buyers, and with conditions attached to them to protect the social housing status.
- So we expect to get the fair value for the houses as social houses for community providers; which is their true 'social market' value.
22. If this initial process of transfers runs well, and there is continuing interest from the sector, we will look at transferring more properties in the future.

We will also look to involve CHPs in redevelopments of HNZC properties

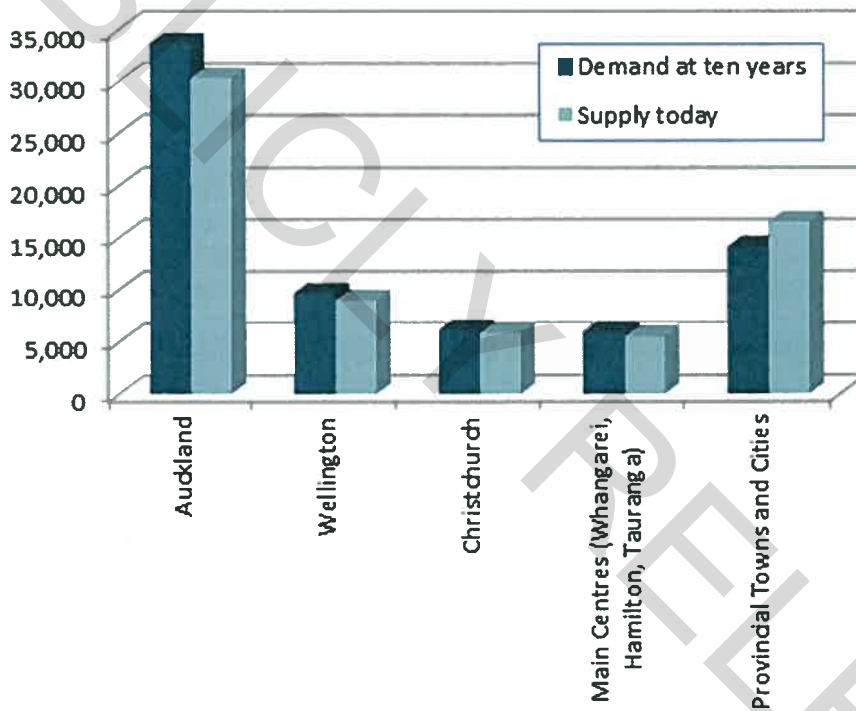
23. Housing New Zealand already plans to build around 1,000 new housing units by the end of 2015, but this needs to increase. Existing houses are often not of the right configuration for tenants, in the wrong location for need, or require renovation.
- Overcrowding - as at 31 October 2014, 5 percent of HNZC houses were overcrowded with these households requiring an additional two or more bedrooms. In South and East Auckland 9 percent are overcrowded.
 - Underutilisation - a further 6.6 percent of current HNZC tenants are living in housing that has a surplus of two or more bedrooms. In the South Island and the Waikato/Bay of Plenty/Taranaki region, 9 percent of our homes are underutilised.
 - HNZC's demand forecasts suggest over the next 10 years HNZC will need to reconfigure its supply of housing to provide proportionally more smaller units and larger family homes. MSD is currently working on revised forecasting that will need to be taken into account in the future (as set out in the chart below).



24. In response, HNZC are currently undertaking a large programme of redevelopment, which includes reconfiguring existing stock, densification in high demand areas (to

increase their stock of housing and release affordable houses into the wider market), and the sale of surplus property in areas of low demand for places. HNZC divestment in provincial towns and cities provides an opportunity for affordable housing use.

25. In the next 10 years HNZC intends to add a large number of new houses to its portfolio. These will be matched by bedroom size and location to demand requirements. Approximately 88 percent of these will be new social houses in the main centres of Auckland, Tauranga, Hamilton, Wellington and Christchurch.
26. The overall impact of HNZC reconfiguring its housing stock through disposals and new builds over the next ten years is anticipated to be a net decrease in number, but increase in value, of social houses in its portfolio. This in part reflects higher house prices in locations of growing demand for social housing (such as Auckland, as shown below).



27. In addition to involvement of CHPs in 'business-as-usual' (BAU) HNZC developments, we would expect to commence one or more larger-scale redevelopment transactions with the sector in 2015. The combined effect of commencing development transactions and smaller transfers, would be a movement in houses HNZC directly provides from around 68,000 to around 60,000 by 2017. At the same time the total stock of social house places will be increasing.
28. In the longer term, we envisage that CHPs could provide a significant proportion of social housing in New Zealand. The Minister for Building and Housing has previously talked about growing the community housing sector to 20 percent of New Zealand's social housing market over the next few years. The final level of CHP provision will depend on how well they meet our objectives of providing good value for taxpayers and better services for social housing tenants.

Progress to date

29. The proposals in this paper build on a programme of reform that is already well underway:

- a. Since 01 July 2013, HNZN has successfully completed the redevelopment of 177 properties, built 127 homes and acquired 160 homes, adding a total of 464 new social houses. During the same time, 608 surplus properties have been sold.
- b. The development of the CHP sector is also well underway. Aside from the establishment of an independent IRRS purchaser within MSD and allowing registered CHPs to receive IRRS, the Government has committed \$139 million in Social Housing Unit (SHU) grants for the construction of new affordable housing over the next few years.
- c. Through these SHU grants, 205 houses have already been delivered and another 685 are in the pipeline – 890 houses in total (including the Weymouth example below). These houses contribute to the government's goal of supporting people into appropriate housing by both releasing affordable housing and contributing to the stock of housing available to CHPs. Budget 2014 set aside a further \$10m per annum to continue this fund in 2015/16.
- d. In late 2013 Cabinet agreed to sell the 15.9 hectares of vacant Crown land at Weymouth to Waimahia Inlet Neighbourhood Limited (WINL), a consortium of the Tāmaki Collective and three CHPs. In exchange for a \$29 million SHU grant, WINL agreed to build 282 houses of which 169 would be retained by CHPs for social (IRRS) rental, affordable rental and assisted home ownership products. The remaining 113 will be sold to private buyers at affordable prices.

[withheld under s. 9(2)(f)(iv) - maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

- f. A number of local councils have also signalled their intention to make changes to their social housing portfolios. Around 13,000 social houses (including Christchurch) are managed and funded by local councils. A number of councils have signalled an interest in creating more arms-length structures to enable registration as a CHP and access to IRRS (e.g. Wellington, Christchurch and Dunedin) or exit social housing completely (e.g. Hamilton). As local councils reorganise or redevelop their portfolios, this may create further opportunity for CHP involvement or allow for more effective housing portfolios to be transferred comprised of ex-HNZN and Council stock.

30. The combined impact of these changes is that the CHP sector in New Zealand is beginning to show its potential to support good outcomes in social housing, and affordable housing has been provided for families who would otherwise struggle in the marketplace.

31. The proposals in this paper will progress these reforms by scaling up the degree to which CHPs are involved in providing social housing, and facilitating the supply of affordable housing. The potential for the sector to contribute even more will become apparent as HNZN and other public land is identified as appropriate for intensified housing use and released for redevelopment.

Next steps in the programme

32. Despite its centrality to the market, it is not appropriate to expect HNZN to undertake the role of market developer for social housing. There are challenges for HNZN in reconciling this role with its statutory obligations to be an organisation that operates with good financial oversight and stewardship, endeavours to ensure its long-term financial viability and act as a successful going concern.
33. In May 2014, Cabinet therefore agreed to set up the Establishment Unit (EU) to design an independent entity to act as an 'honest broker' for transfers of HNZN stock to other providers, and to increase the contestability of future capital investments (including some of HNZN's redevelopments).
34. On the basis of advice from the EU, and subject to confirmation of detailed governance arrangements with the State Services Commission, we are recommending that initial transactions of HNZN stock be run out of the Treasury.
35. We intend for initial transfers of HNZN stock to:
 - a. grow the capability and scale of CHPs;
 - b. ensure transaction outcomes are consistent with MSD's housing demand modeling and social welfare objectives;
 - c. support tenant pathways to independence, while minimising disruption to social housing clients and protect the most vulnerable clients;
 - d. create a replicable and scalable process that signals future requirements and enables social housing market participants to provide ongoing innovation;
 - e. reveal the cost of provision for social housing and related services;
 - f. maximise the sales price within the context of the other objectives; and
 - g. identify social housing sector capability requirements to enable the sector to achieve the vision of a sustainable and innovative market.
36. We are proposing an approach that runs the transactions, namely small and medium sized transactions in combination with one or more larger-scale redevelopments, through a competitive process. It will build sector capability and public mandate, while also helping to ensure that we can deliver on our more ambitious commitments for major redevelopments and the purchasing of social housing services. Should the model be successful we will then make commitments to scale it up.
37. Final decisions about the location and shape of transactions will be framed by national engagement and regional consultation (as discussed in paragraphs 40-47 below). Throughout the programme, efforts will need to be made to provide reassurance to, and minimise disruption for, tenants and HNZN staff. Communications with all potentially affected parties will need to dovetail with any announcement on possible locations for transactions.
38. The timing of the commencement of the commercial process for transactions will also depend on regional consultation timeframes and outcomes. (Officials have not yet entered into commercial discussions with any parties for any transaction as a part of the SHRP. Media reports to the contrary are an incorrect interpretation of pre-commercial discussions.)

[withheld under s. 9(2)(f)(iv) - maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials and s. 9(2)(i) - enable the Crown to carry out commercial activities without disadvantage or prejudice]

Our intended consultation and engagement on HNZC stock transfers

40. **Please note that this section of the paper (and recommendation 7), reflect a summary of advice from Crown Law, and should be managed appropriately.**

[withheld under s. 9(2)(h) - maintain professional legal privilege]

41. **To ensure potential providers are well informed and have time to consider how they might be involved in transactions we intend to engage with interested parties over the next few months.**

[withheld under s. 9(2)(h) - maintain professional legal privilege]

[withheld under s. 9(2)(h) - maintain professional legal privilege]

44. Therefore, we propose a two-part approach to engagement and consultation:

a. National engagement on HNZC stock transfers

- i. Objective - To ensure that all parties (including iwi and hapū) understand what the Crown is seeking to achieve, what the next steps are (including the likely location of initial transactions and potential timing for transactions) and have time to prepare and provide feedback.
- ii. Participation - Open to all parties (including iwi/hapū, CHPs, tenant and community groups/representatives).
- iii. Format - Four hui (Auckland, Wellington, Christchurch and Dunedin).
- iv. Timing - between February and March 2015, with a report back to Cabinet in March 2015.

b. Regional consultation on HNZC stock transfers

- i. Objective - to ensure that all potentially impacted rights and interests have been identified and appropriately recognised and to provide opportunities for parties to ask questions and provide feedback.
- ii. Participation – this process will be open to all parties:
[withheld under s. 9(2)(h) - maintain professional legal privilege]
- iii. Format – hui with all affected parties, plus potential bilateral meetings with iwi and hapū in areas for potential initial transactions and a process for submissions.
- iv. Timing - between April and May 2015, with a report back at the end of May or early June 2015.

45. Cabinet will be asked to consider and agree options for initial transactions after the regional consultation process has been concluded. The commercial process will only commence once this agreement has been given.

46. As part of our ongoing engagement with Iwi Chairs Forum, we envisage they may propose a 'think tank' of senior officials and iwi officials and technical experts to ensure the transactions occur in a way that appropriately addresses any relevant iwi/hapū rights and interests; especially those of not-yet-settled iwi and hapū.

47. A similar group was assembled to inform the recent Government Share Offer process. If the Forum makes this suggestion we recommend the Crown agree to it as it is a proven mechanism for resolving Crown/iwi issues within tight timeframes. The offer may have already been made at their meeting on 27 November 2014, and the next meeting, on Waitangi Day, may provide a good opportunity for the Crown to reflect on its engagement and the progress of the think tank.

Bottom lines for HNZC stock transfers

48. As set out in **paper one**, in order to guide the development of the SHRP and ensure protection of tenants and those in housing need, we propose committing to a series of objectives and bottom lines.
49. We propose that the objectives of the SHRP are to:
- a. ensure that people who need housing support can access it and receive social services that meet their needs;
 - b. ensure that social housing is of the right size, configuration and quality, and in the right areas, for those households which need it;
 - c. help social housing tenants to independence, as appropriate;
 - d. encourage and develop a more diverse ownership of social housing, with more innovation and responsiveness to tenants and communities; and
 - e. help increase the supply of affordable housing, especially in Auckland.
50. In addition, we propose that the Government makes the following commitments. Over the next few years:
- a. Housing New Zealand and community housing providers will collectively provide more social housing places in New Zealand than there are now – particularly in Auckland and Christchurch;
 - b. HNZC will continue to be by far the biggest owner of social housing in New Zealand and by 2017 we envisage it will provide around 60,000 properties;
 - c. properties will only be sold if this results in better services for tenants and fair and reasonable value for taxpayers;
 - d. tenants in properties that are sold will continue to be housed for the duration of their need; and
 - e. the Government will spend more on IRRS and ensure that HNZC has enough capital to build new social housing and redevelop its existing properties.
51. We will report progress in the SHRP to Cabinet in November 2015.

Consultation for this paper

52. This paper was prepared by the Establishment Unit, a joint unit comprising staff from the Ministry of Innovation, Business and Employment and the Treasury.
53. The Ministry of Social Development, Ministry of Justice (Office of Treaty Settlements), Te Puni Kōkiri and the Ministry of Pacific Island Affairs have been consulted and support this paper. The State Services Commission has provided comments on institutional arrangements. HNZC was consulted on an earlier draft (not including discussion of one or more large-scale redevelopment commencing next year, and excluding legally-privileged material) and provided input on its draft AMS.
54. The Department of the Prime Minister and Cabinet has been informed.

Publicity

55. We note the need to centralise communications on this programme, and the risk of inadvertently providing parties an advantage through the release of information prior to its public announcement.
56. We consider that delegated responsibility for publicity is appropriate to support the SHRP and the role of transactions of HNZC stock within this. It will be required as part of the communications plans and documentation prepared to support each phase of consultation and engagement discussed in this paper.

Institutional arrangements

57. We have requested that Treasury and the Board of HNZC conduct a strategic review of HNZC. The high-level goal of the strategic review is to identify a range of options for the future shape of HNZC for Ministers to consider, given the likely changes to HNZC's draft AMS and other policies for the future delivery of social housing in New Zealand.
58. The options for HNZC's strategic direction will be designed to help the Government achieve its wider objectives, including establishing a competitive social housing market, while enabling HNZC to develop as a high-performing business operating in a contestable market. Institutional arrangements for the SHRP, including for the management of transactions, will be informed by the outcome of the strategic review.
59. Officials are also in discussions with HNZC concerning how the Crown can sell HNZC's assets under current legislation and policy settings. We envisage that legislative change will likely be required in order to facilitate initial transactions, but are awaiting confirmation of advice from officials. Officials are preparing for this eventuality and we will have confirmation of decision-rights and legal positions prior to the commencement of any commercial negotiations in 2015.

Financial Implications

60. The EU's budget was premised upon project completion with its December 2014 report-back. Its existing funding is not sufficient to support the initial transactions as well as the policy function necessary to scope next steps for the transaction programme.
61. Officials have estimated that additional funding of \$5.5 million in 2014/15 is required to fund the transaction function within the Treasury; retain commercial, legal and probity advisors for the initial transactions; and scope subsequent tranches of transactions within a wider programme of social housing reform.

[withheld under s. 9(2)(f)(iv) - maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

63. A further funding request will be prepared for Budget 2015.

Recommendations

64. The Minister of Finance and Minister for Social Housing recommend that the Social Policy Committee:

- 1 **note** that Cabinet has agreed a direction for reform of the social housing sector, which creates a fair, effective and efficient social housing market;

- 2 **note** that in May 2014 (CAB Min (14) 17/8), Cabinet set up the Establishment Unit (EU) to explore, consider and understand what is required to develop a fair, efficient and effective social housing market;
- 3 **agree** that the current suite of papers being considered by the Social Policy Committee, and recommendations contained within this paper, meet and supersede the reporting-back requirement of CAB Min (14) 17/8;

Next steps in the programme

- 4 **invite** the Minister of Finance and the Minister for Social Housing to provide a report back to Cabinet in March 2015 on:
 - 4.1. the results of national engagement;
 - 4.2. locations to undertake regional consultation; and
 - 4.3. further detail of the commercial model for transactions;
- 5 **note** that the programme will require ongoing funding and resources to operate beyond 30 June 2015, including to undertake:
 - 5.1. the ongoing programme of transactions;
 - 5.2. market policy advice related to the transaction programme;
 - 5.3. implementation of the outcomes of a strategic review of HNZC; and
 - 5.4. work on development and intensification opportunities in areas of high demand such as Auckland and Christchurch;
- 6 **invite** the Minister of Finance and Minister for Social Housing to submit an initiative for consideration as part of Budget 2015 for any additional funding required to undertake the work in recommendation 5 above;

Approach to iwi/Māori interests

[withheld under s. 9(2)(h) - maintain professional legal privilege]

- 8 **note** that the Treaty and the broader Crown-Māori relationship requires the Crown to act in good faith, with reasonableness and to undertake consultation on matters of interest in any transfer of the properties;

Bottom lines

- 9 **agree**, that over the next few years:

- 9.1. Housing New Zealand and community housing providers will collectively provide more social housing places in New Zealand than there are now – particularly in Auckland and Christchurch
- 9.2. HNZC will continue to be by far the biggest owner of social housing in New Zealand and by 2017 we envisage it will provide around 60,000 properties;
- 9.3. properties will only be sold if this results in better services for tenants and fair and reasonable value for taxpayers;
- 9.4. tenants in properties that are sold will continue to be housed for the duration of their need; and
- 9.5. the Government will spend more on IRRS and ensure that HNZC has enough capital to build new social housing and redevelop its existing properties.
- 10 **invite** the Minister of Finance and Minister for Social Housing to report progress in the Social Housing Reform Programme in November 2015;

Consultation

- 11 **agree** to undertake national engagement and regional consultation prior to the transaction of social housing stock
[withheld under s. 9(2)(h) - maintain professional legal privilege]
- 12 **authorise** the Minister of Finance and the Minister for Social Housing, in consultation with the Attorney General, the Minister for Treaty of Waitangi Negotiations and the Minister for Māori Development, to jointly agree consultation and engagement design for transactions of HNZC stock;
- 13 **note** that the commercial process for transactions will only start in late May to June 2015 after the results of regional consultation have been assessed;

Publicity

- 14 **agree** to delegate to the Minister of Finance and Minister for Social Housing responsibility for communications plans and documentation prepared to support each phase of consultation and engagement;
- 15 **note** that we will be entering into a commercial process, in which probity rules will apply, especially to any provision of information prior to public announcement;

Institutional arrangements

- 16 **agree** that initial transactions are to be administered from within the Treasury, subject to consultation with the State Services Commission on governance arrangements;
- 17 **note** that legislation will likely need to be changed to facilitate transfers of HNZC stock;

Financial implications

- 18 **note** that officials have identified options to offset the \$5.500 million cost through to 30 June 2015 associated with the Social Housing Reform programme within Vote Finance and Vote Housing baselines;

- 19 **authorise** the Minister responsible for HNZC, the Associate Minister of Finance (Hon Steven Joyce) and the Minister for Building and Housing to jointly agree the required changes to baselines to give effect to recommendation 18 above; and
- 20 **agree** an in-principle expense transfer so that any unspent appropriation in 2014/15 for the SHRP can be used next financial year to allow the completion of the transactions underway at 30 June 2015.

Hon Bill English
Minister of Finance

Date:

Hon Paula Bennett
Minister for Social Housing

Date: