

CHA questions about flexible purchasing

Q. Please explain how CHO's and Housing New Zealand agreements are similar and different. Is the intent to create a level playing field?

The current income-related rent subsidy (IRRS) agreements with Community Housing Providers (CHPs) and Housing New Zealand (HNZ) have essentially the same broad terms. The differences in the agreements are minor and primarily reflect the differences between contracting with a non-government organisation rather than a Crown agent. For example the dispute resolution clause reflects the different escalation process between two government agencies.

The new tailored agreements are potentially available to both CHPs and HNZ. Currently the new tailored agreements are being tested through the Auckland Request for Proposal and this is limited to CHP's.

Q. Is this the end of IRRS? Will all rent subsidy be handled through tailored agreements?

No. The current IRRS contracts will continue to be available. IRRS contracts are expected to be the default arrangement. Tailored agreements are primarily intended to be used to support initiatives around the supply of new social housing stock and the transfer of housing stock from HNZ to CHPs. In both of these instances these contract arrangements may be offered as part of the formal Request for Proposal.

The Ministry of Social Development (MSD) would also consider aspects of these types of arrangements where organisations are proposing to provide new social housing stock in-line with MSD's published purchasing intentions document:

<https://www.msd.govt.nz/about-msd-and-our-work/work-programmes/social-housing/purchasing-intentions/social-housing-purchasing-intentions/additional-places-locations.html>

Tailored agreements will only be used where there is agreement between MSD and the social housing provider.

Q. What gives a tenant certainty that the contracting agency (CHO or HNZN) will be able to continue to use the benchmark of 25% of tenant income in all new tailored agreements?

Tailored agreements do not change the relationship between tenants and providers or affect the method of calculating income-related rent for the tenant or the amount of rent that the tenant pays. Tailored agreements are about the relationship between MSD and social housing providers.

Q. Will the 'tailored agreements' allow for up-front subsidy payments that can be used toward building new units?

The Ministerial direction authorises agreements to include a range of different funding options (including phased payments and lump sum payments). Please note that any agreement will be subject to budgetary constraints and achieving value for taxpayers.

Q. How long can contracts be for (we understand 10-25 years is the range, but how does a CHO know what they are eligible for?)

The level of demand for social housing in an area (based on the number of people on the social housing register, and as indicated in MSD's published purchasing intentions) will be one of the primary considerations when agreeing the length of the tailored agreement. MSD will also consider the types of needs of clients in an area when entering long-term contracts.

For the Auckland Request for Proposal for 300 additional social housing places there has been agreement in principle to accept proposals for contract duration of up to 25 years for new building supply. These settings are specifically to address the Auckland housing market, which has its own unique set of demand and supply characteristics. These settings may not be available in other areas or for future initiatives in the same area and their availability will depend on market conditions.

Q. Can the 'tailored agreement' with the CHO include payments for tenancy management, wrap-around service coordination, payment above the median market rent?

Tailored agreements are for social housing and related purposes, such as core housing services of tenancy and property management, not for wider services outside of this scope. Payments for wider social services should be applied for under separate contracts as usual.

Q. If so, then what is the transparent formula or protocol that a CHO can follow to apply the rules?

As stated above, tailored agreements are for social housing and related services. Payment for these services would be an item for negotiation between the parties.

Q. How is inflation addressed through the tailored agreement? Is there an annual adjustment based on changes in market rents? Are there choices for how future year cost increases are dealt with?

There are choices as to how future year contracted rates are set and again, these will be subject to negotiation. They could still be based on market rent but other options could possibly include agreed rates for specified properties that may not be tied explicitly to market rent but a contract rate tied to an index, such as CPI for example.

Q. If there is a shock to the system that changes a cost beyond the inflation-related increases (eg interest rates, earthquake insurance changes, substantial rates rises, etc), how will the tailored agreement address those?

This would be an issue for negotiation between the parties.

Q. Is it planned to have a published set of tailored agreement provisions, which provides certainty and transparency, or is each agreement up for negotiation?

This is an opportunity to structure the agreement in a way that meets the needs of the Crown and the provider, and furthers the interests of current and future tenants. However, as is common practice across government, a suggested draft of standard clauses will usually be included in the procurement documentation. The RFP will also usually give a flavour of what terms and conditions are standard and what terms and conditions are up for negotiation.

Q. If it is planned to have a published set of provisions, what process is being used to develop it.

As stated above, a suggested draft of standard clauses will usually be included in the procurement documentation. The details of each agreement (within the parameters set by Ministerial direction) are then subject to negotiation between the parties.

Q. How can we be of service in establishing the parameters for the “Ministerial Direction” on the purchasing terms?

Officials from MSD briefed HARFG on 25 June 2015 to discuss the proposed Ministerial direction.