

report



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

To: The Housing Assistance Reform Feedback Group
From: Social Housing Purchasing Team (MSD)
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Security level: IN CONFIDENCE

MSD's purchasing intentions for social housing (IRRS) places: Information Release

Purpose

- 1 This report sets out the Ministry of Social Development's purchasing framework and provides an outline of what information MSD is intending to release in April 2015 on its purchasing intentions for social housing (IRRS) places.
- 2 The release represents the start of a conversation with the sector about our purchasing intentions. MSD is still learning about and developing its purchasing role. We recognise that we are not going to get the information release right the first time. That is why we are proposing to release it as a discussion document in April. It is our intention to link to existing material and information where it exists, we are not looking to recreate or repackage material that is already out there for providers. It is worth noting that in the beginning, we will be limited by the information/data we have. But it is our intention to build this information base over time.
- 3 We are seeking your feedback on the proposed content and the outline of MSD's Purchasing Intentions for social housing (IRRS) places: Information Release. In particular we are interested in your feedback on.
 - Are we releasing the right type of information to support your operations and investment decisions?
 - Is there any information that isn't included but you would like to see?

Purchasing Framework

- 4 MSD and Housing New Zealand Corporation (HNZC) successfully completed the transfer of housing assessment functions in April 2014. Since then, MSD has been working to manage the register for social housing and to integrate housing within the broader assistance it offers to low income and vulnerable New Zealanders.
- 5 MSD is now the single purchaser of IRRS places for people with serious housing needs. This is part of a transition from a model of a government monopoly focused on owning and providing state houses, to a mixed market with a growing role for Community Housing Providers (CHPs).

- 6 MSD has five broad levers to drive change across the social housing market, described in Table 1. The purchasing intentions release is the primary tool within the information lever. MSD will use it to provide signals to the market about social housing demand and the specifications and price of what MSD will purchase.
- 7 MSD have been transparent with information since the transfer of the purchasing function with the regular publication of the social housing register by region and bedroom requirements. The purchasing intentions release is a step towards better information and greater transparency.

Table 1: Levers for purchasing social housing (IRRS) places

LEVER	DESCRIPTION	RATIONALE
1. INFORMATION	Provision of information about: <ul style="list-style-type: none"> • the register for social housing • supply and demand projections • expected funding. 	Information is easy to provide, low cost and sends a strong signal to the market.
2. CONTRACTING ARRANGEMENTS	Settings in IRRS contracts: e.g. short term or long term, outcomes-based for specific segments. Availability of other funding, e.g. capital grants and the criteria to access these.	The way that social housing is purchased and contracted strongly influences incentives on providers (e.g. to enter the market, to develop properties, and to offer places to MSD's clients).
3. TENANT PLACEMENT PROCESS	How people on the social housing register are allocated to social housing providers and places.	This process influences how good the match is between tenants' need and the place they are offered.
4. POLICY SETTINGS	Fundamental policy settings that govern demand (the needs assessment criteria in the Social Allocation System), and rental subsidies (Accommodation Supplement and the Income Related Rent Subsidy).	Policy settings provide the boundaries within which the purchaser role operates and set incentives for both tenants and housing providers.
5. TOOLS TO SUPPORT INDEPENDENCE	For example, tenancy reviews, financial incentives to encourage independence, and accessing alternative housing options.	Tenants face a number of disincentives to transition out of social housing, which can be shifted through the active use of tools.

- 8 Information on how the other levers are currently used and how they will be used in the future will be contained in the information release. For example, the standard terms of social housing contracts, and how we intend to use them in the future to create change. The table below summarises how MSD will use its purchasing levers differently in the future.

Table 2: Current and future state of levers

LEVER	CURRENT STATE	FUTURE STATE
1. INFORMATION	Social housing register published quarterly with high level information on client characteristics.	An overall purchasing intentions information release with data/information, demand and supply projections, segmentation data, liability valuation, provider performance.
2. CONTRACTING ARRANGEMENTS	All IRRS contracts are short-term (spot) contracts. SHU capital grants available in certain circumstances.	Long term contracts in areas of high demand, short-term contracts in areas where demand is falling. i.e. an active approach to where/how IRRS will be used over time. Outcome-based contracts for specific segments.
3. TENANT PLACEMENT PROCESS	HNZC have automated process to match applicants on the social housing register to vacant properties. CHPs are provided a shortlist of applicants. Purchasing trial underway.	MSD IT system change in mid-2015 will enable more sophisticated placement process. Learning from the trial, a new placement process designed to facilitate a good match.
4. POLICY SETTINGS	MSD needs assessment/purchaser function in place. Existing core policy settings for the demand and subsidy regime in place.	More flexibility on price of social housing (i.e. what IRRS can be spent on) Social allocation system (SAS) needs assessment criteria refreshed. Wider cohort of non-HNZC providers considered (e.g. local government).
5. TOOLS TO SUPPORT INDEPENDENCE	Tenancy reviews started, and initial housing products (e.g. bond, moving fees) in place.	Greater use of tenancy reviews, using segmentation data to help targeting. Wider suite of housing products (e.g. rent-to-buy products). Active procurement in specific segments as needed (e.g. emergency housing, youth)

9 Ministers' have responded positively to both the purchasing framework and have been consulted on an outline of the purchasing intentions release. They have directed us to think about what other real time information could be provided online.

What is in the first purchasing intentions release?

10 The following description of the proposed content of the purchasing intentions release has been put together based on:

- MSD's view of what demand information is available, and required to signal the social housing places needed;
- early discussions with providers; and
- the Community Housing Aotearoa (CHA) Aspirations and Pathways papers which indicate what information CHPs need to grow their participation in the social housing sector.

Outline of the purchasing intentions release

11 It is proposed that the first purchasing intentions release will contain information on:

- the purpose and objectives of the Social Housing Reform Programme (SHRP) and the release itself,
- the vision for the social housing market,
- what MSD intends to purchase,
- how MSD will purchase these places and,
- current and future policy settings.

Purpose and objectives of the information release

12 This section will provide an overview of what MSD aims to achieve with the release and how the information provided will help providers work with MSD to attain these goals.

13 The following provides an example of what will be covered in this section.

The release can support providers in the social housing market and contribute towards a number of government's objective for the social housing reform programme including:

- ensure that people who need housing support can access it and receive social services that meet their needs.
- ensure that social housing is of the right size and configuration, and in the right areas, for those households which need it.
- help social housing tenants to independence, as appropriate.
- encourage and develop a more diverse ownership of social housing, with more innovation and responsiveness to tenants and communities.
- help increase the supply of affordable housing, especially in Auckland.

The primary objective of the release is to signal MSD's intentions to purchase social housing (IRRS) places in the locations and of the type that clients' need.

The vision for the social housing market

14 This section will outline the transformation of the social housing market over the last 1 – 2 years, and what the changes aim to achieve for vulnerable New Zealanders. It will set out

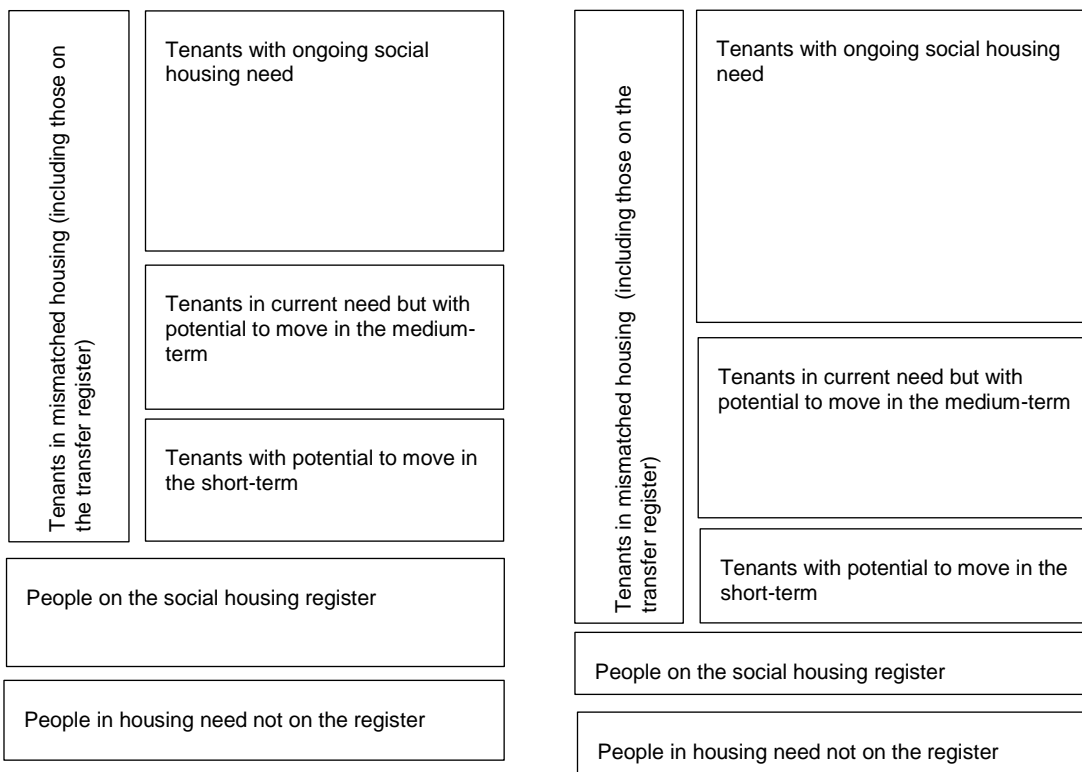
how the social housing market will continue to develop in the short and medium term. The following provides an example of what will be covered in this section.

Over the next 2-3 years MSD aims to move the market to a situation where tenants with the ability to move into independence are supported into the private market thereby alleviating pressure on the register by freeing up social housing places. There are currently a number of initiatives targeted at clients to help them move on from social housing. MSD will also look to purchase more places in areas where there is insufficient turnover of stock to meet demand also reducing the register.

Expected shift in social housing situation over the next two to three years

Current social housing situation

Intended social housing situation in two to three years (general indication only)



MSD’s purchasing intentions for social housing (IRRS) places

15 This section will contain data and information that signals to providers which regions we are interested in purchasing additional places or less places. The table sets out the data MSD is using to inform its analysis of its purchasing intentions.

Data	How it will inform MSD's purchasing intentions
Social Housing Register [already available]	<p>Shows the volume of unmet social housing demand in different areas, and where MSD may need to increase and decrease supply.</p> <p>It also shows the characteristics of those in housing need, which may point to the types of housing MSD may wish to purchase more of or groups of clients that providers may be interested in delivering a service to. This could potentially show the demand for:</p> <ul style="list-style-type: none"> • house sizes, eg numbers of bedrooms • housing types, eg suitability for children • disability modifications. <p>Social housing register numbers as a proportion of occupied stock complements the view of demand provided by the register alone by showing the relative size of unmet demand across different areas or groups as opposed to only the absolute volume of demand.</p>
Social Housing Register numbers over time	<p>May identify trends in demand in certain areas or for certain housing types, and thereby help inform our picture of unmet demand.</p>
Occupied social houses	<p>Segmentation data could also help inform MSD's views about unmet demand by indicating the extent to which different areas are likely to be able to accommodate new tenants quickly by looking at the prevalence of the different segmentation categories in different areas.</p> <p>Overcrowding and underutilisation data will be used to indicate mismatch.</p>
Tenant exits	<p>Tells providers the type and location of stock that regularly becomes available to meet the needs of those on the register and the type and location of stock that isn't becoming available for clients who need them.</p>
Household type forecasts by region	<p>Could help show trends in different regions to supplement our view of current demand.</p> <p>Will also help determine future demand for housing – whether private or social.</p>

16 Alongside the data sources will be a summary of MSD's purchasing intentions at a national level and in particular regions. The purchasing intentions are MSD's view on demand, having analysed the above data sources on what it intends to purchase. Along with data set out above this will be the primary value add of the information release. An example what this will look like is contained in the box below. Attached as Annex I is an example of how we will pull this information to state MSD's purchasing intentions.

_____ has 100 people on the social housing register. Demand is greatest for one and two-bedroom places, but it is likely that the demand for two-bedroom places could be met reasonably efficiently by tenant turnover.

_____ also has a projected annual household growth rate of 1 per cent, above the national average. There is also predicted to be significant growth in the number of families and other multi-person households in _____.

The mean market rent in _____ is \$450, compared to \$386 nationally.

MSD's intentions for _____ are to:

- purchase slightly more one-bedroom places (up to 30)
- maintain current levels of purchasing of larger places.

Overcrowding and Underutilisation

- 17 The release will include measures of overcrowding and underutilisation within the current stock and signal how MSD intends to deal with it.

Minimum Quality Standards

- 18 MSD will signal the standard of quality expected for properties. These standards will be based on the standards in the Residential Tenancies Act and the performance standards of Community Housing Regulatory Authority. MSD are interested in properties that are warm, safe and dry and properties that have modifications for disabilities. The quality of properties will be taken into consideration when making market rent calculations.
- 19 There are also properties that MSD will signal it is not interested in purchasing due to attributes that increase market rent without meeting any of the needs of the clients. For example,
- Double garages
 - Large outdoor decks
 - 2 bathrooms (in a small house)
 - Beautiful views

The Purchasing Trial Matching Tool

- 20 In the social housing purchasing trial the whole register of clients seeking to be housed in the trial location is provided to contracted social housing providers via a secure file sharing portal. This allows providers to sort and select clients that match their properties. It has been proposed that an anonymised version of this tool will be released nationwide with the purchasing intentions release.

How MSD will operate?

- 21 The purpose of this section is to give providers an understanding of how MSD will operate and the implications for providers. It will provide information about how MSD's remaining purchasing levers work now, and plans for changes over the next 12 months.

Contracting Framework

- 22 The current contracting framework with CHPs will be set out in this section so new providers understand what is required of them if they are entering the social housing market. It will also signal potential new types of contracting with an example covered in the box below.

MSD will signal the intention to move to more long-term contracts to reduce uncertainties for social housing providers, and to reduce uncertainty for MSD. We will signal that we are more interested in signing long-term contracts in areas of growing or stable demand than in areas of falling demand.

Contracts will also have a set of Key Performance Indicators (KPIs) which will focus on service quality, volumes, price, and operational performance. It could also include measures of housing quality. Future releases could potentially include information on KPIs and provider performance.

MSD is interested in purchasing long-term contracts in areas where demand is growing or stable and in areas where we see our clients residing long-term.

Tenant Placement

- 23 This section will outline the process for referring and placing tenants in properties. There is a new placement process currently being trialled. This information will help providers

The Current Process

The Ministry assesses each person or household's eligibility for social housing based on their needs. Depending on their needs and options, households may be put on the social housing register and referred to a social housing provider. Providers are responsible for notifying the Ministry when a vacancy becomes available and the Ministry will work with the provider to place a suitable tenant in the household.

The current matching process is different for CHPs and HNZC. This is because MSD and HNZC both access the same IT system. Under the current nationwide process:

- HNZC uses an automated process to match vacant HNZC properties to clients on the social housing register with the highest priority that is the best match by bedroom requirements.
- CHPs are provided with a short list of clients for any vacant properties for which they are seeking IRRS funding.

The Trial Process

MSD is currently trialling new processes for placing tenants in properties in West and South Auckland. The social housing purchasing trial is designed to give providers more visibility over the social housing register and the clients who they wish to occupy their vacancies. In the trial both HNZC and CHPs follow the same process.

The key differences between the current purchasing process and the trial are that the trial:

- creates contestability and a more level playing field between providers, as there will be no automatic matching of clients on the register to HNZC properties within the trial areas
- gives providers access to a wider range of clients they could potentially house and allows multiple offers to be made for the same clients
- provides additional localised market signals about who needs social housing and their household composition and property needs
- gives clients choice where there is more than one reasonable offer to house them
- provides opportunities for a better match between the client and provider and property, although the process may mean that clients wait longer to be housed.

understand how they receive tenants and match them to a property. The following provides an example of what will be covered on tenant placement.

Policy Settings

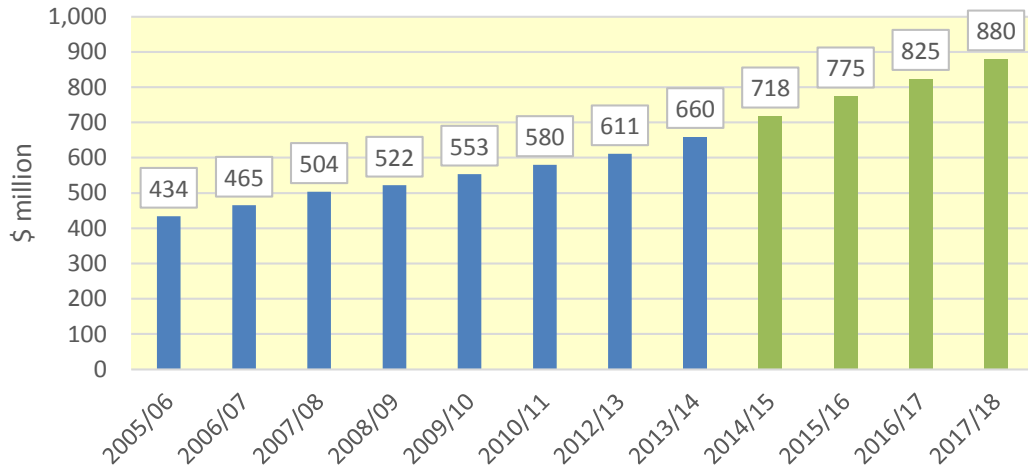
- 24 The purpose of this section is to set out current MSD policy settings and to signal potential future change over the next 12 months. It will help providers understand the context and boundaries of the social housing market and how this is likely to change.

Funding framework (cap)

- 25 This section will explain the current IRRS funding framework and provide information on forecast IRRS expenditure and the cap.

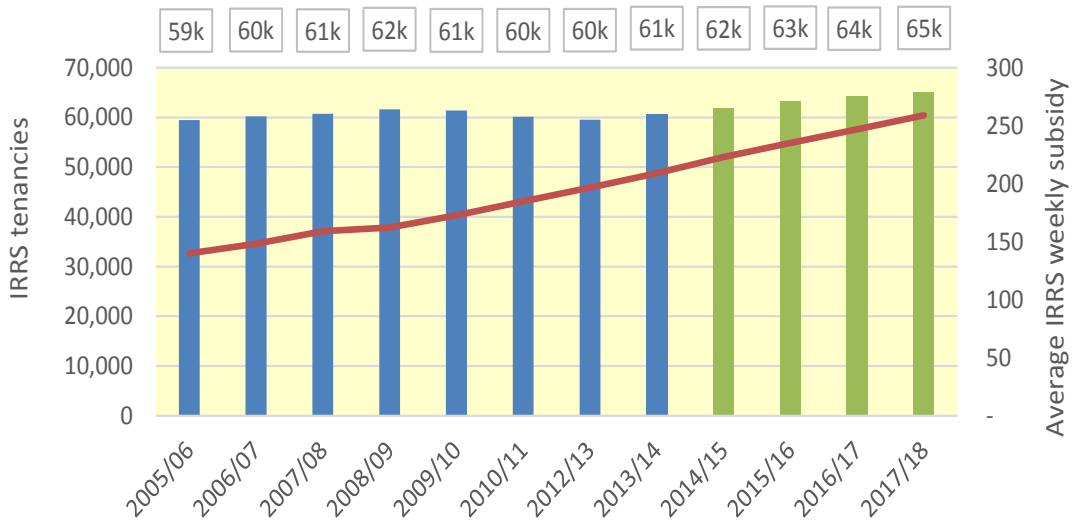
Total IRRS spending was \$660m in 2013/14, and is forecast to increase by \$220m by 2017/18

IRRS spending over time (years to June)



The number of IRRS tenancies is forecast to increase from 61k now to 65k by June 2018

IRRS tenancies and average weekly subsidy over time (years to June)



IRRS Settings (introducing flexibility)

26 The section will outline plans to increase flexibility of IRRS.

Registration of Interest

27 The RoI in Auckland concluded on the 5th of February and has provided MSD with information on the conditions and requirements to make it viable for community housing providers to supply additional social housing.

28 There may be additional information about different contractual arrangements that are made possible following the RoI. These could include guaranteed tenancies and different payments to reflect improved client outcomes.

29 The main conclusions from the RoI will be discussed here along with potential policy changes in the pipeline as a result of the RoI.

Planned review of needs assessment

30 This section will contain an outline of the current needs assessment model and highlight potential changes in the foreseeable future.

Tools to support independence

31 This section will outline what tools MSD have to help support clients' transition out of social housing. The following initiatives will be covered:

- availability of housing support products (HSPs)
- working with beneficiaries in work-focussed case management on the social housing register
- conditional grant letters
- tenancy reviews
- supported accommodation for young people on the social housing register
- provide information about support available to move from high demand to lower demand areas

32 These initiatives will target clients on the register and currently in social housing and thereby reduce the demand for social housing. MSD has taken this into consideration and with the purchasing intentions MSD is aiming to purchase only in places where these initiatives are insufficient to help meet demand.

33 As part of the information released there will be a description of the types of clients MSD aims to target as part of these initiatives.

Process for the release of data

34 MSD will release its purchasing intentions on an annual basis.

35 There will be some data that is updated on a more regular basis, for example, the social housing register information is published quarterly. MSD is currently looking into other data sources that could be updated regularly.

36 There will be links to other parts of the social housing reform programme as data and information becomes available from other agencies. For example, any information about the transactions, including the location and number to be sold.

37 MSD also intend to create a more sophisticated view of demand in future releases.