

The Treasury

Budget 2022 Information Release

August 2022

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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Out of Scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon

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Treasury Report: Budget 2022 Bilateral: Hon Minister Woods (Housing)

Date:	24 February 2022	Report No:	T2022/353
		File Number:	SH-18-5-3

Action sought

	Action sought	Deadline
Minister of Finance Hon Grant Robertson	Discuss the contents of this report at your meeting with Hon Minister Woods (Housing) on 1 March 2022.	1 March 2022

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Alex Smith	Senior Analyst, Housing and Urban Growth	N/A (wk) [35]	✓
Geraldine Treacher	Manager, Housing and Urban Growth	[35]	N/A (mob)

Minister's Office actions (if required)

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Note any feedback on the quality of the report

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Enclosure: Yes (attached)

Treasury Report: Budget 2022 Bilateral: Minister Woods (Housing)

Executive Summary

This report provides you with advice ahead of your meeting with the Minister of Housing at 4:15pm on Tuesday 1 March 2022 to discuss her Budget 2022 initiatives.

We recommend you use this meeting to focus on the proposed investment in public and transitional housing. In particular, we recommend you focus this discussion on how to maximise the value to money of any new investment, how feasible the current delivery pipeline is, and how risks to delivery can be mitigated.

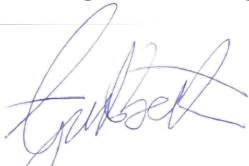
We expect that the Minister of Housing will want to discuss two of her key priority initiatives that have not been included in the draft Budget 2022 package: *Non-recyclable Funding to Deliver Affordable Rentals for Low to Moderate Income Households* [33] million) and *First Home Products Modernisation* (\$148.378 million).

Recommended Action

We recommend that you **discuss** the contents of this report with Hon Minister Woods (Housing) on 1 March 2022.



Geraldine Treacher
Manager, Housing and Urban Growth



28/02/2022

Hon Grant Robertson
Minister of Finance

Treasury Report: Budget 2022 Bilateral: Minister Woods (Housing)

Purpose

1. You are meeting with the Minister of Housing, Hon Dr Megan Woods, at 4:15pm on Tuesday 1 March regarding the initiatives she has submitted for consideration through Budget 2022. This report provides you with advice and talking points to support your discussion.
2. You will also discuss your Finance initiatives with Minister Woods in her capacity as the Associate Minister of Finance. This report does not provide advice for this portion of the discussion.
3. Two annexes are attached to this report:
 - Annex A provides a baseline summary for the Ministry of Housing and Urban Development (HUD).
 - Annex B provides a proposed agenda and talking points for your bilateral discussion with the Minister of Housing.
 - Annex C provides a full list of initiatives submitted in the Housing portfolio, the funding sought, the Treasury Vote team assessment and recommendation, and how this is reflected in the draft Budget 2022 package.

Context for the Housing portfolio

4. Key funding within Vote Housing and Urban Development for 2021/22 includes:
 - just over \$1,382 million for the purchase and provision of public housing and associated support services
 - a total of \$1,069 million for the Housing Acceleration Fund
 - just under \$869 million for the acquisition, construction and provision of land and dwellings
 - a total of \$360 million to provide for expenses incurred as part of the sale of land and dwellings
 - just under \$272 million to deliver transitional housing places and associated support services
 - a total of \$129 million to support construction sector activity, and increase housing supply
 - just over \$122 million for First Home Grants for people who meet the required eligibility criteria, and
 - just under \$122 million to assist with access to home ownership with interest-free loans through the Progressive Home Ownership scheme and associated support services.
5. Significant funding for housing supports is also provided through Vote Social Development. Approximately \$2,498 million in funding for the Accommodation Supplement and Emergency Housing Special Needs Grants (EHSNGs) has been estimated for 2021/22.

6. Budget 2021 saw a significant investment in the Housing portfolio. This investment was focused on enabling new housing supply through the provision of infrastructure, Māori housing, and support for first home buyers. It included:
- \$3,800 million for the Housing Acceleration Fund
 - \$380 million for Whai Kāinga Whai Oranga
 - \$198 million to extend and meet cost pressures in Housing First, Rapid Rehousing, and Sustaining Tenancies, as well as time-limited funding to extend the contracted COVID-19 motel places
 - \$184 million for the Kāinga Ora Land Acquisition Fund
 - \$133 million (over two years) for Kāinga Ora Sustainable Funding
7. At Budget 2021 it was also announced that Kāinga Ora would be allowed to borrow a further \$2,000 million to finance land acquisition and development.

Figure 1: Budget funding sought

	Budget 2021		Budget 2022	
	Sought	Funded	Sought	Recommended (Package)
Operating and capital (\$bn)	4.845	4.696	3.449	2.104

Figure 2: Key initiatives

Budget 2021	Budget 2022
Housing Acceleration Fund (\$3.8b funded)	Public and Transitional Housing – Maintaining and Increasing Public, Transitional and COVID-19 housing supply ([33] recommended)
Whai Kāinga Whai Oranga (\$380m funded)	Supporting the reset and redesign of the emergency housing system (\$355m recommended)
Short-term Housing and Support Services – Extension (\$198m funded)	Contracted Emergency Housing (Rotorua Response) (\$146m recommended)
Kāinga Ora Land Acquisition Fund (\$133m funded)	Homelessness Action Plan (\$75m recommended)

8. We note that HUD is not seeking departmental cost pressure or policy FTE funding through this Budget.
9. No formal baseline review has occurred since HUD was established and no baseline review has been scheduled for the near future.

Strategic priorities

10. The Government has identified tackling the housing crisis as a key priority. The Budget 2022 wellbeing objectives have been updated to reflect this and the importance of access to affordable, safe and stable housing when it comes to achieving meaningful improvements in areas such as child wellbeing and Māori and Pacific incomes and opportunities (CAB-21-MIN-0349 refers).
11. While many factors have contributed to New Zealand's current housing crisis, record low interest rates in the context of unresponsive land markets is a significant driver. Accordingly, many of the key levers that exist to address housing unaffordability are non-fiscal in nature, and as such, the initiatives submitted through this Budget are unlikely to improve housing affordability at a system level.
12. However, this Budget does present the opportunity to invest in improving outcomes for those most affected by the lack of affordable housing, including Māori and Pacific peoples. It also addresses a critical short-to-medium term gap while strategic longer-term work takes place to increase housing supply through measures such as the delivery of the Housing Acceleration Fund and the reform of the resource management system.
13. Careful consideration needs to be given as to how to maximise the value for money of any new investment in public and emergency housing in order to have a tangible impact on the lowest income cohorts most impacted by the housing crisis.

Initiatives submitted for Budget 2022

14. The Minister of Housing has submitted 11 initiatives (nine under Vote Housing and two under Vote Building and Construction). Initiative [33] has been withdrawn on the basis that it was not up to the standard set for Budget 2022 initiatives in terms of priority, value for money and implementation readiness. [33]
15. Several housing-related initiatives have also been submitted under other portfolios. These are: 13732 *Improving MSD's Housing Support Products to Better Support Homeless, Housing Insecure and Low-income New Zealanders (Social Development)*, 13768 *Supporting Clients on the Public Housing Register (Social Development)*, 14293 *Building Homes for Pacific in Porirua (Pacific Peoples)*, 14029 *Delivering Pacific Wellbeing Through Housing (Pacific Peoples)*, [33]
16. In her submission letter, the Minister of Housing ranked her six highest priority initiatives. These are:
 1. (13569) Public and Transitional Housing – Maintaining and Increasing Public, Transitional and COVID-19 Housing Supply ([33] million)
 2. (13570) Contracted Emergency Housing (Rotorua Response) (\$145.688 million)
 3. (13575) Homelessness Action Plan ([33] million)

4. (13577) Home Products Modernisation (\$148.378 million)
 5. (13578) Non-recyclable Funding to Deliver Affordable Rentals for Low to Moderate Income Households ([33] million)
 6. (13695) Temporary Accommodation Service – Meeting Rising Costs to House Displace People Following Civil Defence Emergencies (\$6.950 million)
17. The remaining five initiatives have not been ranked.
 18. Budget 2021 focused on interventions to increase housing supply, including the supply of Māori housing and papakāinga, and measures to support first home buyers. By contrast, the majority of the initiatives in Budget 2022 are targeted at improving outcomes for those at the acute end of the housing crisis: lower-income renters and people in public, transitional, emergency housing or experiencing homelessness.
 19. On their own these initiatives are unlikely to have an impact on housing affordability at a system level, which is why many of these initiatives have not been given higher value for money ratings. However, in the context of continuously rising housing costs, we support targeted interventions for the groups most negatively affected by the housing crisis and, with two exceptions, we broadly support the Minister of Housing’s prioritised list.
 20. The initiatives included in the current draft package reflect our assessments in terms of highest value for money, implementation readiness, alignment, and the likelihood of having a genuine impact on housing outcomes. Of particular priority for this Budget are *Public and Transitional Housing* and *Contacted Emergency Housing (Rotorua Response)* because without new funding it is likely that existing public housing targets will be unable to be met and changes to emergency housing in Rotorua will have to be unwound. This would result in greater uptake of Emergency Housing Special Needs Grants (EHSNGs), which are associated with poor outcomes and poor value for money. We have provided further advice on the *Public and Transitional Housing* initiative in the ‘Constraints and Trade-offs’ section of this report.
 21. The draft package also includes scaled support for an initiative not listed in the Minister’s top six priorities, *14288 Supporting the reset and redesign of the emergency housing system* ([33] million over four years). We have supported time-limited funding for the next two years (\$355 million) because we agree that change is needed to the current Emergency Housing Special Needs Grant (EHSNG) system, which is costly and associated with poor outcomes. Cabinet is expected to take policy decisions on changes to the emergency housing system in March 2022. As substantive and detailed policy decisions are yet to be taken, there is sizable uncertainty around the costings. We have supported contingency funding for the next two years to avoid out of cycle funding requests and allow for greater certainty around the level of future funding needed.
 22. Two of the Minister of Housing’s highest priority initiatives have either not been included in the draft package or have been scaled to a level where changes can be funded from baselines: *Non-recyclable Funding to Deliver Affordable Rentals for Low to Moderate Income Households* ([33] million over four years, time limited) and *First Home Products Modernisation* (\$148.378 million). We expect that the Minister of Housing will want to raise this with you at the meeting.
 23. The *Non-recyclable Funding* initiative is made up of two components:
 - \$221 million for the *Affordable Housing Fund (AHF) (not invited)*. We have not supported this on the basis that existing baseline funding can be used

to undertake a pilot programme with a focus on market affordable places. It is unclear what value supporting community affordable rentals would have over supporting additional public housing places. A smaller quantum of funding would also encourage HUD to support the development of the sector through better value for money measures. Further funding could be sought once the effectiveness of the pilot programme was known.

- [33]

24. *First Home Products Modernisation.* We recommend that you support HUD's scaled option, which can be done within existing baselines. This option will remove house price caps for the First Home Loan and recategorize income caps. HUD has advised this can be done through a fiscally neutral adjustment from the First Home Grant underspend. According to HUD analysis, First Home Loans are more targeted and represent better value for money than the grants.

25. [33]

We understand changes to Kāinga Whenua Loans can also be done within baselines.

26. We recommend that you emphasise the above concerns during your discussion the Minister of Housing and ask what initiatives the Minister would scale down or swap out if she still wishes to fund the above in this Budget.

27. The draft package does not include initiative [33]

28. In addition, we note that Budget 2021 saw a sizeable investment in Māori housing through *Whai Kāinga Whai Oranga* (\$380 million over four years) and a further \$350 million (over four years) ring-fenced from the Housing Acceleration

Fund to support Māori housing infrastructure. The Waitangi Tribunal inquiry into Māori housing (Wai 2750) is expected to lead to a series of recommendations as to how housing outcomes for Māori with different housing needs can be improved. We recommend that decisions on any material investment in Māori housing be delayed to a future Budget so that they can be informed by the findings of Wai 2750 and the implementation and evaluation of *Whai Kāinga Whai Oranga*.

Key other housing-related initiatives

29. There are two demand-focused housing initiatives in Vote Social Development. The initiative 13768 *Supporting clients on the Public Housing Register* (\$11.678m) has not been supported to progress through to the Budget 2022 package. The initiative 13732 *Improving MSD's Housing Support Products to better support homeless, housing insecure, and low-income New Zealanders* was supported at \$42m but may change as the Minister of Social Development is in the process of revising her submitted package in light of bilateral discussions.
30. We note that Pacific peoples have higher rates of homelessness and public housing uptake than other New Zealanders. Two promising Pacific housing initiatives were submitted under Vote Pacific Peoples and have not been included in the draft package. These are initiatives 14293 *Building homes for Pacific in Porirua* (supported by the vote team in contingency) and 14029 *Delivering Pacific Wellbeing Through Housing* (support scaled by the vote team). Should you wish to increase targeted investment in improving Pacific outcomes, you may wish to consider funding these initiatives.
31. Given the extent to which Pacific peoples are overrepresented among those with poor housing outcomes, we recommend you emphasise to the Minister of Housing that you expect to see her officials proactively engaging with the Ministry of Pacific Peoples (MPP) on measures to improve outcomes.

He Ara Waiora

32. HUD's application of the He Ara Waiora framework across its initiatives is generally strong. The initiative on Contracted Emergency Housing (Rotorua Response) is an 'exemplar response', in that HUD agreed to trial the application of all five He Ara Waiora principles (tikanga, manaakitanga, kotahitanga, whanaungatanga, tiakitanga), whereas standard initiatives only apply two. It demonstrates a strong partnership with iwi, Māori providers and other partners in central and local government. It is very useful that the initiative includes provision for a kaupapa Māori evaluation, given that the majority of users of this service are Māori. Exemplar initiatives such as this can inform an increasingly stronger application across Budget 23 and further into the future.

Constraints and trade-offs

33. The most material Housing initiative included in the draft package is *Public and Transitional Housing – Maintaining and Increasing Public, Transitional and COVID-19 Housing Supply* ([33] million over 2021/22 and the forecast period). In terms of public housing, this would provide:
 - cost pressure funding for existing places (71,884 places) as well as pipeline places (places yet to be delivered but committed to in the Public Housing

Plan 2021-24; 7,256 places are in the pipeline to be delivered between 2021/22 and 2025/26)

- i the main driver of these costs is increases in the Income Related Rent Subsidy (IRRS), which is pegged to market rents, increases in the operating supplement due to rising construction costs, and a funding gap from 2025/26 due to the assumptions around the timing of final year delivery used in Budget 2018 and Budget 2020 funding calculations.

34. The initiative also seeks funding to:

- maintain the availability of 4,432 transitional housing places, and ensure the availability of the expected 1,500 additional places
- extend 823 to 950 contracted transitional housing motel places (including support services) through to 2023, and
- extend the 877 existing 'COVID-19 motel places' (including support services and security) through to 2023.

35. Given the sharp growth in the Housing Register and the continued increase in housing costs, we support further funding through Budget 2022. However, we note that careful consideration needs to be given to the following:

- [34]

- **Value for money.** There is also a risk that the value for money of this investment will decrease as market rents and building costs continue to rise. You may want to ask the Minister of Housing what work is underway and planned to manage rental affordability more generally.
- **Delivery risks.** The main cost driver is rising rents (see graph on page 11) and the key delivery risk is that market rents will grow beyond HUD's expectations, increasing the cost per place and reducing the number of places able to be delivered. Rising construction costs and constrained workforce capacity compounded by COVID-19 and border restrictions are important secondary risks. It is likely that Kāinga Ora will be more affected by construction sector constraints than CHPs due to the scale of its projects and their concentration in main urban locations. [33]

- **Trade-offs.** Should you wish to reduce the level of new funding provided to public housing, you could decrease the funding provided for pipeline places (7,256 places are in the pipeline to be delivered between 2021/22 and 2025/26, as of November 2021), as these are yet to be delivered (although some of these places will have already been contracted). [33] million is sought for pipeline cost pressures (although the breakdown between contracted and uncontracted places is unclear). On balance, we do not recommend this on the basis of the high demand for public housing, the level of disruption this would cause the sector, and the potential of reduced border restrictions to reduce some of the construction sector risks. We recommend you ask the Minister of Housing if she remains confident the current pipeline is feasible and what measures are in place to mitigate these risks, noting that the quantum of investment presents opportunity costs for Housing and other priority areas.
- **Whether the proposed exit from COVID-19 motels is likely to be too steep.** Time-limited funding was received through Budget 2021 to extend the COVID-19 places. While this funding would further extend these places, we note that the proposed exit remains relatively quick and there is a risk that additional funding will be needed.
- **Transparency of funding settings.** [33]

Breakdown of new public housing places since June 2017



	Month	Total
New builds	171	7,155
Redirects	45	3,869
Buy-ins	8	1,315
Leases	1	923
Removed or adjusted stock (SLED and	-79	-4,296
Lease from Kāinga Ora to CHP	0	-16

Source: Government Housing Dashboard

[33], [34]

Annex A: Baseline Summary for the Ministry of Housing and Urban Development

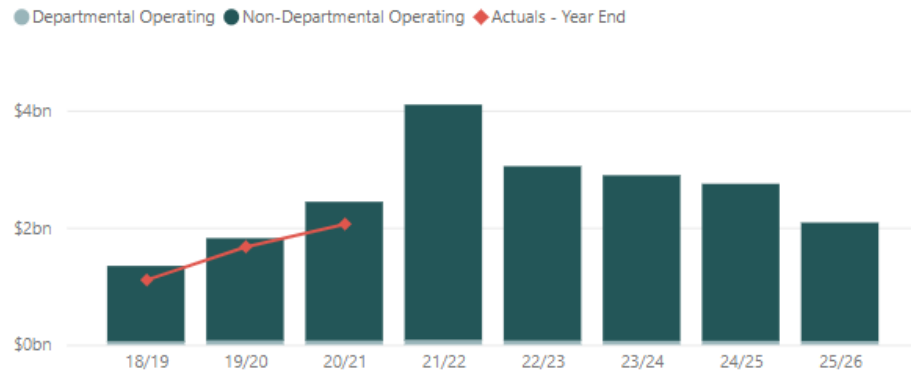
Annex A - Summary Dashboard

Ministry of Housing and Urban Development



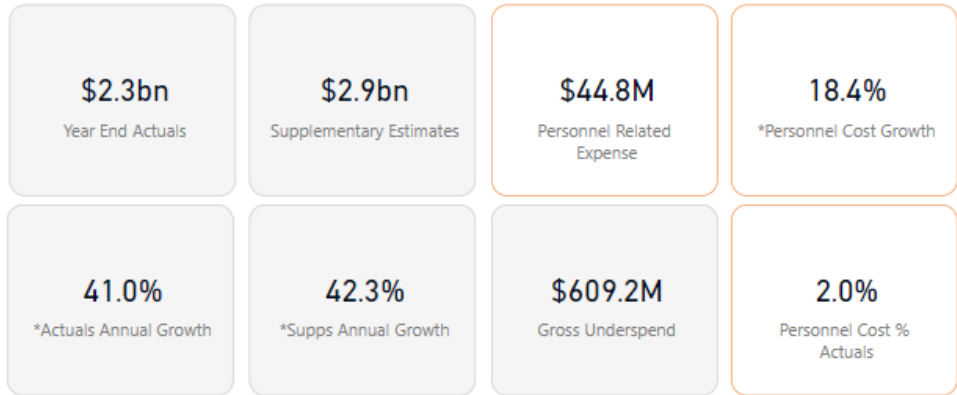
2018/2019 - 2020/2021

Operating Spending & Forecasts (Excluding Borrowing Expense)

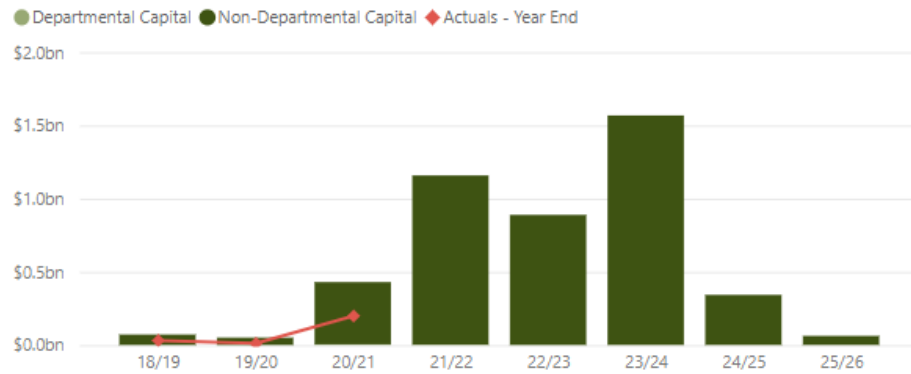


* Compound annual growth rate over the period 2018/2019 - 2020/2021

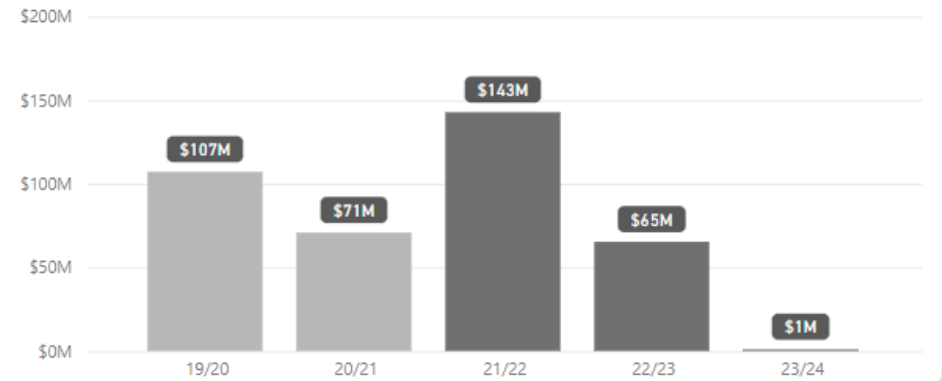
2020/2021 Key Figures



Capital Spending & Forecasts



Confirmed Expense Transfers



Annex B: Proposed Agenda and Talking Points

Agenda: Budget 2022 Bilateral Meeting between Hon Grant Robertson (Minister of Finance) and Hon Dr Megan Woods (Minister of Housing and Associate Minister of Finance) to discuss Housing and Finance portfolio initiatives

Time: 4.15-5.00pm, Tuesday 1 March 2022

Location: Teams Meeting

Attendees:

Housing portfolio initiatives:

Ministry of Housing and Urban Development officials: Andrew Crisp (Chief Executive); Anne Shaw (Deputy Chief Executive, Housing Supply)

Vote team: Geraldine Treacher (Vote Manager); Alex Smith (Vote Analyst)

Finance portfolio initiatives:

Treasury officials: Dr Caralee McLiesh (Secretary and Chief Executive); Struan Little (Deputy Secretary, Budget and Public Services); Glenn McStay (Chief Financial Officer)

Vote Team: Awhi Fleming (Vote Manager); Tim Roper (Vote Analyst)

Agenda:

4.15-4.20pm	Introductions as necessary
4.20-4.40pm	Discuss Housing portfolio initiatives – refer talking points in Annex B of Treasury Report prepared for Minister of Finance
4.40-5.00pm	Discuss Finance portfolio initiatives
5.00pm	Meeting close

Housing-specific talking points

- The initiative *First Home Products Modernisation* and *Non-recyclable Funding to Deliver Affordable Rentals for Low to Moderate Income Households* (the Affordable Housing Fund) have not been included in the draft package. If you still want to prioritise these initiatives, what initiatives would you remove or scale?
- Seeking [33] million over 2021/22 and the forecast period, the public and transitional housing initiative places considerable pressure on the operating allowance and has a significant opportunity cost. How confident are you that the targets set out in the Public Housing Plan 2021-24 will be met? What measures are in place to mitigate delivery risks posed by construction sector capability constraints? If these risks increase in likelihood, what scope is there to scale this initiative?
- If public and transitional housing cost pressures are funded in full this Budget, I expect to see strong reassurance that this investment represents best value for money and is supporting an increased proportion of new build places. If public and transitional housing funding is provided this Budget, [33]
- I note that funding to extend the COVID-19 motel places was received last year and is being sought again. There is a risk that this extension will not be long enough. Are you confident that the proposed exit from these motel places is realistic?
- It is encouraging to see that you have [33] If you do still wish to progress with this initiative for Budget 2023, I expect to see a more realistic bid with proper consideration of value for money and genuine scaling options.
- Is this Budget doing enough to improve housing outcomes for Pacific peoples, noting they are overrepresented in public housing and have higher homelessness rates than other New Zealanders? I'd like to see HUD working closely with MPP on measures to improve Pacific housing outcomes.

General Budget 2022 talking points

- Pressure remains on the operating and capital allowances, meaning there will be a high bar for new spending and it is important that spending is prioritised effectively and is focused on achieving value for money.
- There are also significant public sector capacity and capability constraints – around 40 percent of initiatives are seeking additional FTEs or contractors.
- Without further prioritisation and scaling, it will be challenging to see the public sector deliver such large additional investment on top of the ongoing response to COVID-19, delivering past investments and keeping momentum on the key reform programmes underway.
- New spending is not the only lever for achieving the Government's objectives. You should consider all the levers available to you before requesting new funding, including examining baseline expenditure, ensuring that your agencies are delivering on the significant investments we have already made, and progressing non-spending initiatives such as regulatory reforms.

Annex C: Submitted Initiatives

ID	Title	Description	2021 Osee ave (\$m)	2021 Osee total (\$m)	2021 Cases total (\$m)	2021 Osee ave (\$m)	2021 Osee total (\$m)	2021 Cases total (\$m)	2021 Osee ave (\$m)	2021 Osee total (\$m)	2021 Cases total (\$m)	Treasury comments	Value	Alignment	Delivery
1355	Temporary Accommodation Service (TAS) business unit	This initiative addresses critical cost pressures for MBE's Temporary Accommodation Service (TAS) business unit by funding \$0.50m of capital expenditure in 2022/23 and increases of \$1.50m in operational expenditure (oper) in 2022/23 and expenditure in operational expenditure (oper) in 2023/24 to coordinate temporary accommodation for displaced people after an emergency. Since receiving permanent funding in Budget 2018, demand for TAS has increased significantly. Funding will enable TAS to meet rising operational costs, an essential ICT system update and fully to fulfil under the CDFI Plan.	1.50	6.00	0.95	1.50	6.00	0.95	1.50	6.00	0.95	Support. We agree that the Temporary Accommodation Service (TAS) has been under increasing pressure recently, and that it is likely this trend will continue going forward, particularly as severe weather events become more common. Addressing the cost pressure for this service would deliver value for money from a resilience and community wellbeing perspective. We note that this funding is targeted to meet TAS's ability to manage small events within baseline, but out-of-cycle funding may be required to support the response to medium or large events. We recommend that further work be done to consider if there is scope to transition away from this reactive funding model for medium-large events, and whether more substantial cost pressure funding needs to be sought in future.	4	4	4
1353	Unit Titles Amendment and Education	This initiative will support the implementation of legislative changes in the Unit Titles Act 2010 in relation to governance and education, dispute resolution, and enforcement. This initiative will ensure that unit title owners and body corporates know their rights and responsibilities, each party in the unit title sector is supported by the dispute resolution regime if needed, and the Chief Executive of the Ministry of Business, Innovation, and Employment is able to effectively intervene when it is in the public interest to do so.	3.56	14.23	0.64	3.56	14.23	0.64	3.56	14.23	0.64	Support. We agree that this funding is necessary in order for the full potential of recently agreed changes to the Unit Titles Act to be realised. A well-functioning Unit Titles regulatory system will be of increasing importance as the emphasis on medium-to-high density housing continues to grow. We consider there to be a particularly compelling case for the dispute resolution and compliance/enforcement aspects of this initiative, given the well-known difficulties with enforceability in other comparable areas of the housing sector. We would expect to see strong monitoring of the rollout of this initiative as the legislative changes become embedded, to ensure that these continue to be a clear value for tenants.	4	4	4
1350	Public and Transitional Housing - Maintaining and Increasing Public, Transitional and COVID-19 Housing Supply	Rising costs and increased demand are causing critical cost pressures. This cost pressure bill will ensure we can maintain the current supply of public and transitional housing and continue to deliver new places committed to through the Public Housing Plan 2021-24. It also enables the extension of existing contracted transitional housing motels and COVID-19 motel places, which are being exited at a much slower rate due to the ongoing impacts of COVID-19. Not providing the funding will result in increased levels of homelessness, people living in unsuitable accommodation without support, will impact the government's build programme, and will have significant impact on government's wellbeing strategy and commitment to equal opportunities.	1000									We recommend that the funding in full on the basis that public housing faces genuine cost pressures and that this funding is necessary to deliver on existing public housing targets and curb the continued growth of the Housing Register. We note there is a risk that while overall public housing targets appear to be being met, the total number of net new builds is behind expectations (and this is in part likely due to COVID-19). We recommend that any new funding be conditional on a review of public housing funding settings and an agreed split between new builds and relets. There is a risk that the exit from the COVID-19 motel places is too quick and that future funding will need to be extended these places further.	3	4	3
1378	Non-recyclable funding to deliver affordable rentals for low to moderate income households	This initiative provides non-recyclable funding for the Affordable Housing Fund to more effectively support a range of operators (e.g. councils, Māori CDFIs) to supply affordable new build and redeveloped rentals for low to moderate income households. Non-recyclable grant funding is critical to bridge the gap between what these homes cost to deliver and what households can afford to rent, particularly 'community affordable' rentals for households who cannot afford market rents but would be not in need of, ineligible, or low priority for public housing. Non-recyclable funding will also support rental intermediaries to share some, with developers providing 'market affordable' rentals for those who could afford the rent on a modest home (e.g. walk-ups) if one were available.	59.25	381.00	0	0	0	0	0	0	0	[33] On the build-to-rent component (not included), we recommend existing baseline funding be used to undertake a pilot programme with a focus on undermarket and market affordable places, as it is unclear what value development of community affordable rentals would have over supporting additional public housing places. This would involve the supporting of the sector through the VPM measures.	2	4	3
[33]			[33]									[33]			
1357	First Home Products Modernisation	This initiative will adjust the settings to First Home Grants (the grant) and First Home Loans (the loan) to enable an approximately additional 1000 first home buyers to access the grant and 2500 to access the loan each year. The changes to the grant will align house price caps with lower quartile prices, reduce the house price cap every six months, reduce the minimum KiwiSaver savings requirement, allow rentable homes to qualify as new properties and allow rent to buy schemes to qualify for the new property grant. The main change to the loan is removing the house price cap. The income cap for single buyers with dependents will be increased to \$150,000 for both the grant and the loan. This funding will also increase the loan caps for KiwiSaver Loans from \$200,000 to \$350,000.	37.09	148.38	0	0	0	0	0	0	0	Support scaled (scaled option can be funded within MBI's existing loan limit). We recommend that you support MBI's scaled option, which will remove house price caps for the First Home Loan and restructure loans caps. MBI has advised this can be done through a fairly neutral adjustment from the First Home Grant and underpin. First Home Loans are more targeted and represent better value for money than the Grants. We understand changes to KiwiSaver Loans can also be done within baseline.	4	4	3
[33]			[33]									[33]	[33]		
1370	Contracted Emergency Housing (Baton Response)	This initiative will fund the continued contracting of motels as emergency housing with replacement support costs for around 200 wharua (at any point in time) in Batonia. It will also fund the continued operation of Tu Pakau, the Batonia Housing Unit, and the provision of support services for wharua in non-contracted emergency housing motels. The initiative provides an immediate, place-based response to urgent housing need in Batonia, and complements other proposed Budget initiatives to review the emergency housing system as a whole and to support the implementation of initiatives under the Advance New Zealand Homelessness.	36.42	145.69	0	36.42	145.69	0	36.42	145.69	0	Support.LI Policy decisions have already been taken and the initiative is being implemented. No funding would require the changes to emergency housing to be increased. The risks that there is ongoing work on rethinking the emergency housing system, and depending on the outcome of this work, ongoing funding may need to be revised.	3	4	4
1428	Supporting the reset and redesign of the emergency housing system	This initiative will support a multi-year programme to reset and redesign the emergency housing system to deliver improved housing and wellbeing outcomes. Five components are being implemented and Cabinet decisions expected by the end of March 2022. This could: • enable Māori-led emergency housing delivery and Māori-led alternatives to emergency housing to address the disparities in emergency housing use for Māori who remain housed through Stage One of Wai2750 on Māori Homelessness • implement changes to the emergency housing system to improve the safety and wellbeing of individuals, families and whānau and begin the transition to an ideal system where everyone has a safe and stable place to call home • take a place-based response to urgent housing needs.	151.25	605.00	0	88.75	355.00	0	88.75	355.00	0	We are supportive of the case to redesign the current emergency housing system and move away from Emergency Housing Special Needs Grants, which have not been working as intended. This is provided in consultation with Māori and the emergency housing sector being undertaken by MBI. An decision are yet to be taken, there is a high level of uncertainty around the costs, the split, and the response. We recommend time-limited funding for two years, subject to Cabinet decisions, noting there is a possibility funding will need to be held in a tagged contingency. We note that ongoing will be required if Cabinet agrees to change the approach to emergency housing, but it is too early to say with certainty what the costs of this will be.	3	4	2
1375	Homelessness Action Plan	As part of the 18-month review of the Advance New Zealand Homelessness Action Plan (ANZ) we propose funding for additional actions that will support further implementation of the ANZ and address critical areas of need: 1. Expanding Māori wraparound support for people at risk of, or experiencing, homelessness; 2. Expanding the supply of rangatahi-focused transitional housing places; 3. Designing and delivering a new supported accommodation service for rangatahi with high and complex needs; 4. Expanding place-based initiatives that help rangatahi access and maintain private market tenancies; and 5. Expanding homelessness outreach services.	25.00	100.00	0	18.82	75.27	0	18.82	75.26	0	We agree with the case for investment in initiatives that directly address the needs of rangatahi, particularly in the context of persistently increasing house prices. Our proposed funding is based on the components of the initiative we consider most implementation-ready and most likely to have a meaningful impact on addressing homelessness.	3	4	4
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