

The Treasury

Budget 2012 Information Release

Release Document

June 2012

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Treasury Report: Community Group Housing Funding for Budget 2012

Date:	16 November 2011	Report No:	T2011/2419
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Sign the attached letters to Minister Ryall, Minister Bennett and Minister Heatley	Friday, 18 November 2011

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[3]			
Ruth Isaac	Manager, Health and Housing	[3]	

Minister of Finance's Office Actions (if required)

Please ensure the signed letters are delivered to the Minister of Health, the Minister of Social Development and the Minister of Housing.

Enclosure: Yes ([Community Group Housing Funding for Budget 2012 Report \(Treasury:2212801v1\)](#))

Treasury Report: Community Group Housing Funding for Budget 2012

Purpose

1. The Department of Building and Housing (DBH) has written a report seeking Ministers' agreement to include a proposal for funding the \$4.8 million shortfall in Community Group Housing (CGH) in the Budget 2012 Four Year Budget Plan submission for Vote Housing. This report addresses how the shortfall should be funded.

Background Information

2. Housing New Zealand Corporation (HNZC) own a portfolio of 1, 536 houses valued at approximately \$450 million, which they rent to approximately 300 community providers. The providers are contracted to provide services to individuals by other Government agencies. HNZC also lease an additional 56 houses for this purpose. The following table identifies the number of CGH properties occupied by sector:

Sector	Number of Properties
Social Services	268
Health	1,200
Other	69
Vacant	55
Total	1,592

3. DBH has been reviewing Crown programmes undertaken by HNZC for the Crown since 2010, with the view of ensuring that they still align with Government priorities, and are funded transparently.
4. HNZC receive funding for Community Group Housing to subsidise the difference between the market rent for the CGH portfolio and the rent it receives from the community group providers.
5. In Budget 2011, new funding was provided to pay for CGH for 2011/12 only. It was intended that the ongoing cost of CGH would be met by the Votes who purchase the community providers services from 2012/13 onwards, so that they would account for the full cost to the Crown of contracting for those services. DBH had been planning to undertake work on some of the policy and delivery issues with CGH as part of the Crown programmes work. The Minister of Housing agreed to defer this policy work as it was not deemed a priority for DBH's policy resources.
6. HNZC is projecting a shortfall of funding for CGH of \$4.8 million in 2012/13. This is the difference between the forecast market rent of \$7.2 million, and the current appropriated funding of \$2.4 million.

Funding the Shortfall in Budget 2012

7. The level of subsidy per house differs according to when the lease with the community provider was signed. We do not currently have an accurate estimate of the costs of the CGH portfolio per Vote. Identifying the cost per Vote was part of the policy work that was deferred.

8. We recommend that the cost of the \$4.8 million CGH shortfall for 2012/13 be factored into the Budget 2012 Four Year Budget Plans for Votes Social Development, Health and Housing, in proportion to the fractions of the total housing that are occupied by Social Services, and Health, and the fraction of the houses that are vacant. The proportion of houses occupied by 'other' groups will be covered by these three Votes, as they cannot be assigned to the relevant Votes within the required timeframes. The following table sets out the cost per Vote:

Vote	Cost (\$m)
Social Development	0.8
Health	3.8
Housing	0.2
Total	4.8

9. The full cost of the CGH portfolio, and the spread of the costs between Votes, should be reassessed following the completion of the deferred policy work in 2012/13, and readdressed in Budget 2013.
10. The Minister for Social Development and Employment, the Minister of Health and the Minister of Housing have not been consulted regarding the funding of the CGH shortfall. If you agree with the proposal above, we recommend that you sign the attached letters to inform these Ministers of your decision.

Recommended Action

We recommend that you **sign** the attached letters to the Minister of Health, Minister for Social Development and Employment, and Minister of Housing indicating that you expect them to fund the shortfall in Community Group Housing in Budget 2012.

Agree/disagree.

Ruth Isaac
Manager, Health and Housing

Hon Bill English
Minister of Finance

Hon Tony Ryall
Minister of Health
Parliament Buildings

Dear Tony

The Housing New Zealand Corporation has identified a \$4.8 million shortfall in funding for the Community Group Housing (CGH) programme that they undertake on behalf of the Crown for 2012/13. This programme involves the leasing of a portfolio of houses to community group providers who are contracted to provide services to individuals by other Government agencies. The following table identifies the number of CGH properties occupied by sector:

Sector	Number of Properties	Responsible Vote
Social Services	268	Social Development
Health	1,200	Health
Other	69	Shared between Social Development, Health and Housing
Vacant	55	Housing
Total	1,592	

In Budget 2011, new funding was provided to pay for CGH in 2011/12. Policy work to address the ongoing funding of the CGH programme was planned for 2011/12. It was intended that the ongoing cost of CGH would be met in full by the Votes that purchase the community providers' services from 2012/13 onwards. This policy work was deferred due to resourcing constraints in the Department of Building and Housing.

I would like the cost of the shortfall for 2012/13 to be shared amongst Votes Social Development, Health, and Housing, in proportion to the fraction of the total housing that is occupied by the different sectors. The cost of the houses occupied by 'other' groups will be shared between the three Votes, as it cannot be assigned to the relevant Votes within the required timeframes.

Please note that this is less than Votes Social Development and Health might have been spending otherwise, as \$2.4 million of funding within Vote Housing has already been appropriated for the purpose of funding CGH, and this cost will continue to be met from Vote Housing in 2012/13.

Please direct officials to incorporate the following cost for 2012/13 into the Budget 2012 Four Year Budget Plan for Vote Health:

<i>Vote</i>	<i>Cost (\$m)</i>
Social Development	0.8
Health	3.8
Housing	0.2
<i>Total</i>	4.8

The full cost of the CGH portfolio, and the spread of the costs between Votes, will be reconsidered following the completion of the deferred policy work in 2012/13, and ongoing arrangements for the funding of CGH will be addressed in Budget 2013.

Yours sincerely

Hon Bill English
Minister of Finance

Hon Paula Bennett
Minister for Social Development and Employment
Parliament Buildings

Dear Paula

The Housing New Zealand Corporation has identified a \$4.8 million shortfall in funding for the Community Group Housing (CGH) programme that they undertake on behalf of the Crown for 2012/13. This programme involves the leasing of a portfolio of houses to community group providers who are contracted to provide services to individuals by other Government agencies. The following table identifies the number of CGH properties occupied by sector:

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Please note that this is less than Votes Social Development and Health might have been spending otherwise, as \$2.4 million of funding within Vote Housing has already been appropriated for the purpose of funding CGH, and this cost will continue to be met from Vote Housing in 2012/13.

Please direct officials to incorporate the following cost for 2012/13 into the Budget 2012 Four Year Budget Plan for Vote Social Development.

<i>Vote</i>	<i>Cost (\$m)</i>
Social Development	0.8
Health	3.8
Housing	0.2
<i>Total</i>	4.8

The full cost of the CGH portfolio, and the spread of the costs between Votes, will be reconsidered following the completion of the deferred policy work in 2012/13, and ongoing arrangements for the funding of CGH will be addressed in Budget 2013.

Yours sincerely

Hon Bill English
Minister of Finance

Hon Phil Heatley
Minister of Housing
Parliament Buildings

Dear Phil

The Housing New Zealand Corporation has identified a \$4.8 million shortfall in funding for the Community Group Housing (CGH) programme that they undertake on behalf of the Crown for 2012/13. This programme involves the leasing of a portfolio of houses to community group providers who are contracted to provide services to individuals by other Government agencies. The following table identifies the number of CGH properties occupied by sector:

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Please note that this is less than Votes Social Development and Health might have been spending otherwise, as \$2.4 million of funding within Vote Housing has already been appropriated for the purpose of funding CGH, and this cost will continue to be met from Vote Housing in 2012/13.

Please direct officials to incorporate the following cost for 2012/13 into the Budget 2012 Four Year Budget Plan for Vote Housing:

<i>Vote</i>	<i>Cost (\$m)</i>
Social Development	0.8
Health	3.8
Housing	0.2
<i>Total</i>	4.8

The full cost of the CGH portfolio, and the spread of the costs between Votes, will be reconsidered following the completion of the deferred policy work in 2012/13, and ongoing arrangements for the funding of CGH will be addressed in Budget 2013.

Yours sincerely

Hon Bill English
Minister of Finance