

The Treasury

Budget 2013 Information Release

Release Document

July 2013

www.treasury.govt.nz/publications/informationreleases/budget/2013

Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [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
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [12] Not in scope
- [13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue
- [14] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [4] appearing where information has been withheld in a release document refers to section 9(2)(b)(ii).

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 2013

Date:	27 March 2013	Report No:	T2013/779
--------------	---------------	-------------------	-----------

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Sign the attached letter to the Minister of Social Development	Wednesday 27 March

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[7]			✓
Nicholas Green	Team Leader, Health & Housing	04 917 6006 (wk)	[3]

Actions for the Minister's Office Staff (if required)

<p>Return the signed report to Treasury.</p> <p>Send the signed letter to the Minister for Social Development</p>

Enclosure: Yes (attached)

Treasury Report: Community Group Housing Funding for Budget 2013

Purpose of Report

1. Housing New Zealand Corporation (HNZC) has identified a \$6.407 million shortfall in funding for the Community Group Housing (CGH) programme that they undertake on behalf of the Crown for 2013/14. Health and Housing have agreed to meet most of this shortfall. This report seeks your agreement to ask the Minister of Social Development to meet the remaining \$1.214 million in expenses.

Background Information

2. HNZC own a portfolio of 1,505 houses valued at approximately \$450 million, which they rent to approximately 300 community providers. The providers are contracted by other Government agencies to provide services to individuals.
3. 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.
4. 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. The then Minister of Housing agreed to defer this work as it was not deemed a priority for the former DBH's policy resources. In Budget 2012 there was an interim solution to split the cost of the unfunded shortfall between Votes Social Development, Health and Housing. MBIE has initiated a review that will clarify the ongoing funding arrangement in time for Budget 2014.
5. HNZC is projecting a shortfall of funding for CGH of \$6.407 million in 2013/14. This is based on the difference between the projected rent shortfall of \$8.807 million in 2013/14 and the current appropriated funding.

Funding the Shortfall in Budget 2013

6. The rent paid for each house differs from the market rent and depends on when the lease with the community provider was signed. The following table identifies the percentage of foregone rental income that comes from CGH properties managed by each sector:

Sector	Percentage of Income Foregone	Responsible Vote
Social Services	18.96%	Social Development
Health	72.72%	Health
Other	8.33%	Housing

7. We recommend that the cost of the unfunded \$6.407 million CGH shortfall for 2013/14 be met through Budget 2013 for Votes Social Development, Health and Housing, in proportion to the foregone rental income that is attributed to the houses occupied by each sector.

Vote	Cost (\$m)
Social Development	1.214
Health	4.659
Housing	0.534
Total	6.407

8. Votes Health and Housing have already agreed to the funding arrangement proposed above for Budget 2013, and our expectation is that this will be funded through either reprioritisation or from the Health allocation.
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 2013/14, and readdressed in Budget 2014.
10. Treasury has raised the issue of the CGH shortfall with MSD. However, the Minister for Social Development has not been consulted regarding the funding of the CGH shortfall. If you agree with the proposal above, we recommend that you sign the attached letter to inform the Minister for Social Development and Employment of your decision.

Recommended Action

We recommend that you **sign** the attached letter to the Minister for Social Development requesting that Vote Social Development fund \$1.214 million of the shortfall in Community Group Housing from reprioritisation in Budget 2013.

Agree/disagree

Nicholas Green
Team Leader, Health and Housing

Hon Bill English
Minister of Finance



Office of Hon Bill English

Deputy Prime Minister
Minister of Finance
MP for Clutha-Southland

03 APR 2013

Hon Paula Bennett
Minister for Social Development
Parliament Buildings
WELLINGTON

Dear Minister

Housing New Zealand Corporation has identified a \$6.407 million shortfall in funding for the Community Group Housing (CGH) programme that they undertake on behalf of the Crown for 2013/14. This programme involves the leasing of a portfolio of houses to community group providers who are contracted by other Government agencies to provide services to individuals. The following table identifies the percentage of foregone rental income that comes from CGH properties managed by each sector:

Sector	Percentage of Income Foregone	Responsible Vote
Social Services	18.96%	Social Development
Health	72.72%	Health
Other	8.33%	Housing

I would like the cost of the shortfall for 2013/14 to be shared amongst Votes Social Development, Health, and Housing, broadly in proportion to the foregone rental income that is attributed to the houses occupied by each sector. This reflects the arrangement reached at Budget 2012, where costs were similarly shared between the three agencies and where Cabinet agreed that the "incidence of costs across the sectors" for CGH would be finalised following additional policy work [CABMin(12) 13/3 (16) refers]. Vote Health has agreed to include \$4.659 million in Budget 2013 and the cost of the houses occupied by 'other' groups will be covered by Vote Housing.

Please note that this is less than Votes Social Development and Health might have been spending otherwise, as funding within Vote Housing has already been appropriated in previous Budgets for CGH, and this cost will continue to be met from Vote Housing in 2013/14.

Please direct officials to incorporate the following cost for 2013/14 into Budget 2013 as reprioritisation from within Vote Social Development.

Vote	Cost (\$m)
Social Development	1.214
Health	4.659
Housing	0.534
Total	6.407

The full cost of the CGH portfolio, and the final spread of the costs between Votes, will be reconsidered following the completion of policy work by the Ministry of Business, Innovation and Employment (alongside the Ministries of Social Development and Health), and ongoing arrangements for the funding of CGH will be addressed in Budget 2014.

Yours sincerely

Signed Hon Bill English

Hon Bill English
Minister of Finance