

The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
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[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
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[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Extension of Temporary Accommodation Assistance: Cost Analysis Template

Section A Descriptive Information

Vote	Social Development
Responsible Minister	Minister for Social Development
Initiative title	Extension of Temporary Accommodation Assistance

Funding Sought (\$m)	2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	TOTAL
Operating	-	0.333 (from Jan-18)	0.332	0.169 (until Dec-19)	-	0.834
Capital	-	-	-	-	-	-

Problem Definition

A description of the problem or opportunity that this proposal seeks to address, and the counterfactual.

The Temporary Accommodation Assistance (Canterbury Earthquake) Programme (the Programme) was set up in response to the Canterbury earthquakes. It supports homeowners with additional costs caused by the need to reside in temporary accommodation while waiting for repairs to their homes to be completed.

The Programme is designed to protect homeowners from the limitations of insurance policies whereby payments for temporary accommodation costs are generally limited to a fixed value (normally providing less than 12 months cover). Homeowners are required to access assistance for temporary accommodation costs from their insurers in the first instance.

As the Canterbury rebuild has progressed over time, it became apparent that the completion of the repair and rebuild programme would take longer than initially anticipated, and demand for Temporary Accommodation Assistance continues to exist. If the Programme is not extended, this could be seen as a double penalty to the group of homeowners who have not had the opportunity to utilise the Programme – not only have they had to live in their damaged home for an extended period of time while awaiting repairs to take place, but they would be unable to access the Programme to help with their additional accommodation costs when those repairs are eventually able to take place.

Initiative Description

A description of what the initiative will provide or produce and how this will address the problem or opportunity.

This initiative will extend Temporary Accommodation Assistance from the current expiry date of 31 December 2017 to 31 December 2019, providing additional support to homeowners in Canterbury whose homes are being repaired or rebuilt.

As the Canterbury rebuild has progressed over time, it became apparent that the completion of the repair and rebuild programme would take longer than initially anticipated. The extension ensures fairness across all affected homeowners as there is still demand for the Programme with some of those affected yet to have the opportunity to utilise the Programme. It will continue to address the gaps left by time limits on insurance policies for temporary accommodation costs by providing financial support to homeowners facing these unprecedented temporary accommodation costs, following the expiry of their temporary housing insurance.

As at September 2016, around 3,300 households have accessed the Programme to date and a total of \$58.961 million has been spent on the programme. Around 200 households are currently in receipt of the programme.

Alternative Options Considered

Alternate options considered were:

- Leaving the programme to expire on 31 December 2017
- Extending the programme for only 1 year to 31 December 2018
- Indefinite extension by removing the expiry date.

The preferred option is to extend for a further two years as assistance through the Programme is still required and it is not expected that all repairs and rebuilds are completed until December 2019. Not extending the programme to December 2019 would be unfair if some of the worse affected homeowners, yet to have had the opportunity to access the Programme, were unable to access financial assistance when they eventually are able to have their homes repaired or rebuilt. As well as the unfairness issue above, it could also result in:

- some homeowners being forced to take on additional debt or move into cheaper accommodation which is either substandard or overcrowded
- part of insurance being used to fund temporary accommodation, with the resultant effect that less money is available for repairs/rebuilds - flowing on to a reduced standard of repair/rebuild.

The option of an indefinite extension accepts that assistance should be available to all, no matter how long their building work is delayed. It also recognises that we are not able to accurately predict when building work resultant from the earthquakes will be completed. However, there is a slight risk that homeowners may continue to access the Programme when it is not really required. Although that risk is already managed by CETAS through case management ensuring that only those still requiring assistance remain eligible.

Other policy changes, such as introducing an income or asset test, would also create unfairness depending on when people access the programme, increase administrative requirements and would be inconsistent with the current Programme where entitlements are determined purely by household size.

Section B Impact Analysis

Impact Analysis

An explanation of who is impacted (winners and losers), what the impacts are (costs and benefits), and when the impacts will be realised and for how long. The impacts should be quantified and monetised if possible.

Who will this initiative benefit:

This initiative would benefit homeowners with insurance policies for temporary accommodation in Canterbury whose homes are being repaired or rebuilt as a result of the Canterbury earthquakes. It supports homeowners with additional accommodation costs caused by the need to reside in temporary accommodation while waiting for building repairs to be completed on their home.

Payment is only available once insurance for temporary accommodation has expired (which is usually for 12 months) and will therefore address the gaps left by time limits on insurance policies for temporary accommodation costs.

The rate of entitlement is not income or asset tested and is dependent only on family size:

- One person household \$180 per week
- Two person household \$275 per week
- Three or more person household \$330 per week.

This payment provides for increased income to homeowners who would have significantly higher than usual accommodation costs as a result of the earthquakes. This increase in income would ensure that families are not faced with additional

unexpected financial strain as a result of needing to pay two sets of accommodations costs while repairs/rebuild takes place. The payment will be extended from the current expiry date of the programme of 31 December 2017 until December 2019. The exact period of entitlement for individuals is dependent on the timeframes for the repairs/rebuild of their home.

It is estimated that approximately 70 households will access the programme in 2017/18, 20 in 2018/19, and 10 in 2019/20. The average increased income to a household as a result of the programme is \$264 per week.

The extension ensures fairness across all affected homeowners as there is still demand for the Programme with some of those affected yet to have the opportunity to utilise the Programme. If the Programme is not extended, this could be seen as a double penalty to the group of homeowners who have not had the opportunity to utilise the Programme – not only have they had to live in their damaged home for an extended period of time while awaiting repairs to take place, but they would be unable to access the Programme to help with their additional accommodation costs when those repairs are eventually able to take place. As well as the unfairness issue above, it could also result in:

- some homeowners being forced to take on additional debt or move into cheaper accommodation which is either substandard or overcrowded
- part of insurance being used to fund temporary accommodation, with the resultant effect that less money is available for repairs/rebuilds - flowing on to a reduced standard of repair/rebuild.

Around 35% of those currently receiving TAA are current recipients of New Zealand Superannuation, and a further 30% of current recipients are in households with one or more children. Extending TAA would ensure those receiving New Zealand Superannuation (who generally rely on NZ superannuation as their main source of income), and households with children remain in quality temporary housing therefore reducing the potential flow on impacts on health costs for these groups of people in particular.

Providing this assistance would mean that households are not faced with additional stress from the need to pay two sets of accommodation costs and ensures some homeowners, who otherwise may not be able to afford suitable alternate accommodation, can afford to live in quality temporary accommodation.

Health benefits

There is a strong link between housing and health outcomes. Quality temporary accommodation would reduce the need for GP and hospital visits. This is because:

- housing instability leads to high levels of stress that have adverse health consequences, especially for mental health
- affordable and stable housing is linked with improved health outcomes for families and children. Stable, affordable housing is a foundation for well-being.

Costs:

The costs to Government will be incurred between the current expiry date of the programme from 31 December 2017 until 31 December 2019. The total cost of the initiative is:

	2017/18 (from Jan-18)	2018/19	2019/20 (until Dec-19)
Programme expenditure	\$233,000	\$138,000	\$69,000
Administrative Costs (including IT and staff costs)	\$100,000	\$194,000	\$100,000
Total Cost	\$333,000	\$332,000	\$169,000

The main administrative costs are:

- IT related costs of approximately \$120,000 per annum

- Staff related costs of approximately \$60,000 per annum.

Impact Summary Table

All monetised and non-monetised impacts should be listed.

Impact Summary Table

Impacts - Identify and list \$m present value, for monetised impacts	Option/scenario		Assumptions and evidence (quantify if possible, and use ranges where appropriate)	Evidence certainty ¹
	1	2		

Estimated impact on key outcomes

Increased Income	100%		On average, each household receiving TAA will receive \$264 per week additional income to assist with temporary accommodation costs. It is estimated that approximately 100 households will receive assistance if the programme is extended.	High
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Cost of the Initiative

Fiscal operating costs of the initiative	(\$0.730)		The total unit cost of the initiative is \$333,000 in 2017/18, \$332,000 in 2018/19 and \$169,000 in 2019/20.	High
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Government Benefits/(Costs)

Reduced Health sector costs – fewer hospital visits	0.111		<ul style="list-style-type: none"> Housing instability leads to high levels of stress that have adverse health consequences, especially for mental health Affordable and stable housing is linked with improved health outcomes for families and children. Stable, affordable housing is a foundation for well-being. 	Low
Reduced supplementary assistance costs	0.302		Fewer people accessing Accommodation Supplement or Temporary Additional Support due to having insufficient income to support their temporary accommodation costs	Low
				Low
Total Quantified Government Impact	0.413			Low

Wider Societal Benefits/(Costs)

Reduced Health sector costs – fewer GP visits	0.083		<ul style="list-style-type: none"> Housing instability leads to high levels of stress that have adverse health consequences, especially for mental health Affordable and stable housing is linked with improved health outcomes for families and children. Stable, affordable housing is a foundation for well-being. 	Low
				Low
				Low
				Low
Total Quantified Wider Societal Impact	0.083			Low
Net Present Value of Total Quantified Societal Impacts	(0.234)	-		Low

¹ Rate your level of confidence in the assumptions and evidence as high (green) if based on significant research and evaluations that is applicable, medium (amber) if based on reasonable evidence and data, or low (red) if there is little relevant evidence. Colour the rating box for each impact.

Section C Conclusions

Conclusions

What is being recommended and why?

The current Programme is due to expire in December 2017. If the Programme is not extended, this could be seen as a double penalty to the group of homeowners who have not had the opportunity to utilise the Programme – not only have they had to live in their damaged home for an extended period of time while awaiting repairs to take place, but they would be unable to access the Programme to help with their additional accommodation costs when those repairs are eventually able to take place.

Overall Ratings

Value for Money	Strategic Alignment
1	5
Rating from 0-5. Consider monetised and unquantified impacts and evidence base.	Rating from 0-5. Consider alignment with government strategic direction and priorities, and cross-government action.
5 High value / return confident, 4 High/medium return likely, 3 medium/break even confident, 2 medium/break even likely, 1 low/break even unclear, 0 no returns / value loss	5 Strong alignment, 4 High alignment, 3 Some alignment, 2 Limited alignment, 1 Low alignment, 0 No alignment

Summary of monetised results

Use ranges for values where appropriate	Discount Rate	
	6% real (default)	3% real (sensitivity)
Net Present Value (NPV) ²	(\$0.234m)	(\$0.229m)
Benefit Cost Ratio (BCR) ³	0.679	0.706
Return on Investment (ROI) – Societal Total ⁴	0.679	0.706
Return on Investment (ROI) – Government ⁵	0.565	0.579

² **Net Present Value (NPV)** - The NPV is the sum of the discounted benefits, less the sum of the discounted costs (relative to the counterfactual). This gives a dollar value representing the marginal impact on the collective living standards of all New Zealanders of the initiative, in today's dollar terms.

³ **Benefit Cost Ratio (BCR)** - The BCR is the ratio of total discounted benefits to the total discounted costs. A proposal with a BCR greater than 1.0 has a positive impact, because the benefits exceed the costs. The BCR is the same as the Return on Investment Societal Total, unless there are negative impacts in addition to the fiscal cost of the initiative. All negative impacts are included in the denominator for the BCR measure.

⁴ **Return on Investment (ROI) - Societal Total** - Calculate the ROI by dividing the discounted net change in wider societal impact, including benefits to government, by the discounted cost of the initiative. This can be interpreted as the impact for New Zealanders per dollar the government spends on the initiative, eg, for every \$1 the government spends on this programme, New Zealanders receive benefits of \$3.

⁵ **Return on Investment (ROI) – Government** – Calculate the ROI by dividing the discounted net change in impact for the government by the discounted cost of the initiative. This measures the discounted net marginal (fiscal) benefits to the government.

Supporting Evidence

ie, the bibliography

Ex-post Impact Evaluation Plan

How will you evaluate (after the programme has been rolled out) what the effect of the programme was, particularly on the impacts listed in Section B?

Data collection and impact evaluation method

The desired impact of the programme is to support homeowners with additional accommodation costs caused by the need to reside in temporary accommodation while waiting for building repairs to be completed on their home.

MSD will continue to ensure recipients of the Programme are contacted at least every three months to ensure that the programme is having the desired impact. More specifically, it will ensure that households:

- remain eligible for assistance
- are doing all they can to progress their repairs/rebuilds
- are referred to appropriate support networks/agencies where appropriate.

MSD will continue to monitor the uptake of the programme regularly to determine whether the expected demand for the programme is being met.

A review of the programme in 2014 recommended no significant changes be made to the Programme, other than an extension to the expiry date.

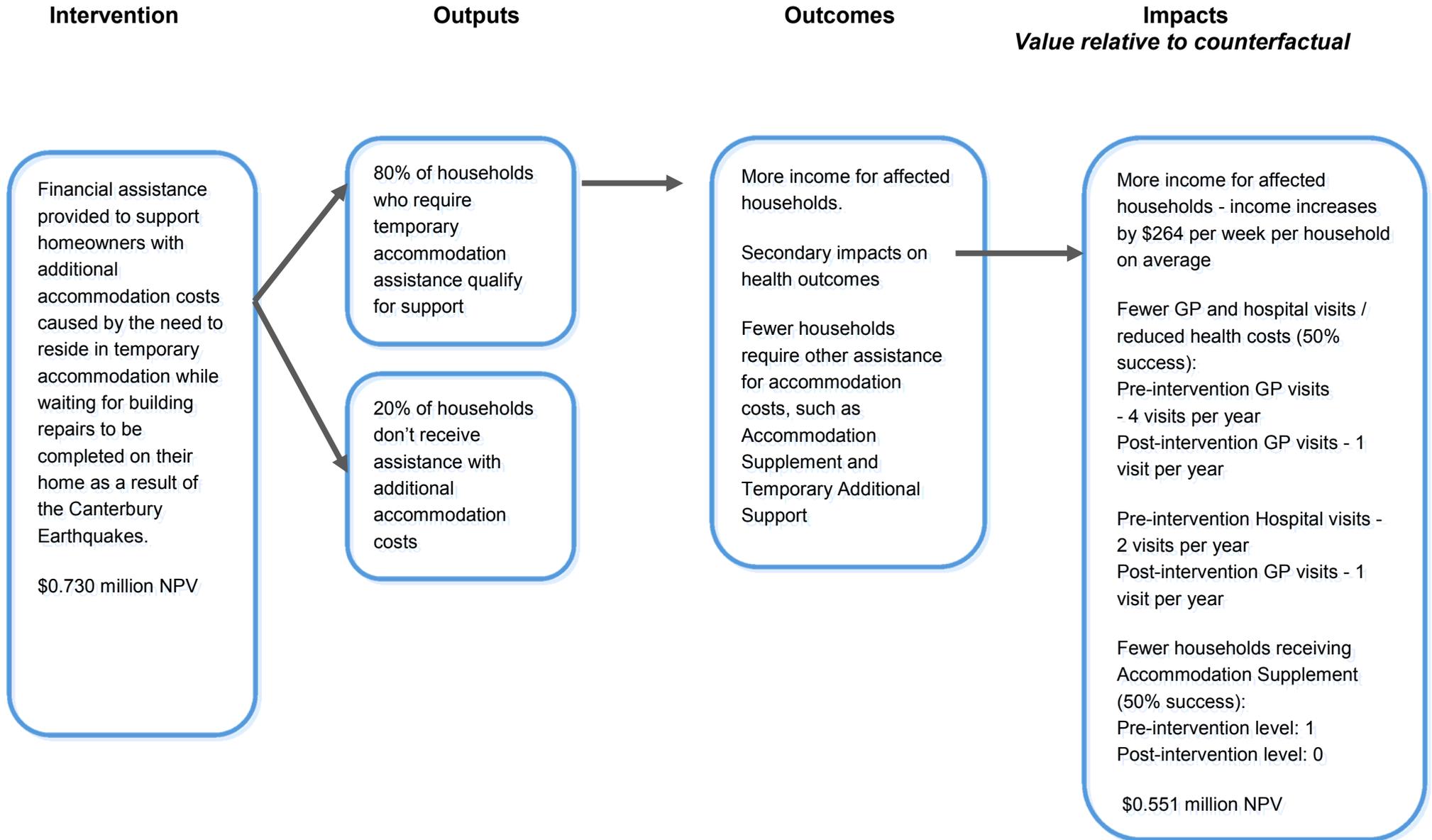
Funding of evaluation

No new funding for evaluation is required.

Completion dates, publication, and dissemination of findings to key stakeholders

N/A

Appendix 1 One-page Intervention Logic



Outputs Summary

Proposal details				Summary metrics			
Respondent name	Extension of Temporary Accommodation Assistance			Return on Investment, Societal Total (50y)	0.679	Net economic benefit per cohort member (50y)	-\$ 2,345
Intervention details	This funding will extend Temporary Accommodation Assistance from the current expiry date of 31 December 2017 to 31 December 2019, providing additional support to homeowners in Canterbury whose homes are being repaired or rebuilt.			Return on Investment, Government only (50y)	0.565	Initiative NPV costs per cohort member (50y)	\$ 7,299
Start year	2017	Total population over 50 Years	100				
Period for analysis	50 Years	Discount rate	6%				

Net benefit summary								
Category	5-Year NPV \$m	10-Year NPV \$m	50-Year NPV \$m	Unit: 2017 (\$m)				
				2017	2018	2019	2020	2021
Total marginal impact	0.379	0.471	0.435	-	0.250	0.091	0.061	0.028
Total cost of initiative	(0.730)	(0.730)	(0.730)	-	(0.333)	(0.332)	(0.169)	-
Net economic benefits	(0.351)	(0.259)	(0.294)	-	(0)	(0)	(0)	0

Cost summary					
Cost category	50-Year NPV \$m	Unit: 2017 (\$m)			
		2017	2018	2019	2020
Fiscal cost of initiative					
Operating expenses	(0.730)	-	(0.333)	(0.332)	(0.169)
Capital expenses	-	-	-	-	-
Total fiscal cost of initiative	(0.730)	-	(0.333)	(0.332)	(0.169)

Impact summary										
Evidence Quality	5-Year NPV \$m	10-Year NPV \$m	50-Year NPV \$m	Unit: 2017 (\$m)						
				2017	2018	2019	2020			
Impact 1	Low	GP visit (20 minutes) - Privately funded	0.034	0.073	0.083	-	0.006	0.010	0.012	0.012
Impact 2	Low	Outpatient hospital visit	0.044	0.096	0.111	-	0.008	0.014	0.016	0.016
Impact 3	Low	Accommodation supplement - Married couple - Maximum - Area 2 (North and South Island eg Wellington)	0.302	0.302	0.302	-	0.236	0.067	0.034	-
Impact 4	-	-	-	-	-	-	-	-	-	-
Impact 5	-	-	-	-	-	-	-	-	-	-
Impact 6	-	-	-	-	-	-	-	-	-	-
Impact 7	-	-	-	-	-	-	-	-	-	-
Impact 8	-	-	-	-	-	-	-	-	-	-
Impact 9	-	-	-	-	-	-	-	-	-	-
Impact 10	-	-	-	-	-	-	-	-	-	-
Impact 11	-	-	-	-	-	-	-	-	-	-
Impact 12	-	-	-	-	-	-	-	-	-	-
Impact 13	-	-	-	-	-	-	-	-	-	-
Impact 14	-	-	-	-	-	-	-	-	-	-
Impact 15	-	-	-	-	-	-	-	-	-	-
Impact 16	-	-	-	-	-	-	-	-	-	-
Impact 17	-	-	-	-	-	-	-	-	-	-
Impact 18	-	-	-	-	-	-	-	-	-	-
Impact 19	-	-	-	-	-	-	-	-	-	-
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Impact 22	-	-	-	-	-	-	-	-	-	-
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Impact 24	-	-	-	-	-	-	-	-	-	-

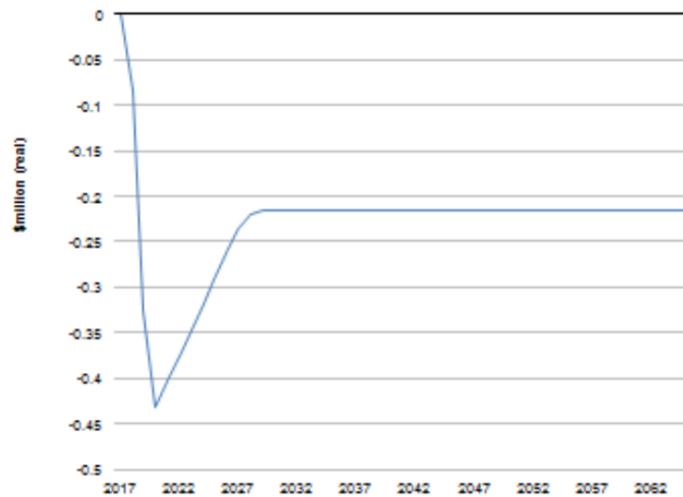
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Charts

Cumulative net benefit



Marginal impact of intervention

