

The Treasury

Budget 2014 Information Release

Release Document

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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: Housing initiatives for Budget 2014

Date:	28 March 2014	Report No:	T2014/530
		File Number:	SH-3-2-18

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note outstanding decisions on housing initiatives in Budget 2014	Budget Ministers' meeting 31 March 2014
Associate Minister of Finance (Hon Steven Joyce)	Note outstanding decisions on housing initiatives in Budget 2014	Budget Ministers' meeting 31 March 2014
Associate Minister of Finance (Hon Dr Jonathan Coleman)	Note outstanding decisions on housing initiatives in Budget 2014	Budget Ministers' meeting 31 March 2014

Contact for Telephone Discussion

Name	Position	Telephone	1st Contact
[7]			
Ruth Isaac	Manager, Housing	04 917 6174 (wk) [3] (mob)	✓

Actions for the Minister's Office Staff

Return the signed report to Treasury.

Enclosure: No

Treasury Report: Housing initiatives for Budget 2014

Executive Summary

2. You are meeting with Budget Ministers on the 31 March 2014 to discuss the outstanding decisions in Budget 2014. In the housing space the biggest question is whether you want to set aside a contingency in 2014/15 to improve the supply of affordable housing in Canterbury. There are a number of other small housing initiatives that require confirmation about funding decisions.

Initiatives with outstanding decisions

4. We think there is a strong case for prioritising funding in 2014/15 for:
- Supply side initiatives to leverage private sector development of affordable housing in Canterbury with operating funding, and
 - The removal of import barriers on residential construction materials with a resulting reduction in tariff revenue.
3. We do not support capital funding for Canterbury housing that puts the Crown in the role of being a developer, owner or investor in housing. We also recommend reviewing the decision to fund an extension in Budget 2014 to the Social Housing Fund from 2015/16. [7]

Table: Initiatives with outstanding decisions

\$m increase/(decrease)	Operating Allowance					Capital	Treasury Recommendation
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears	2014/15	
Canterbury Options							
[7]							
Canterbury Accord and other housing matters contingency:	-	-	-	-	-	100	Do not support Capital contingency will lead to the wrong mix of initiatives
	Note: there are likely to be operating or OBEGAL impacts from any capital housing initiative.						
Building and Construction							
Foregone revenue from the removal of import barriers on residential construction materials (Vote Customs)	-	5.587	5.587	5.587	5.5	-	High priority for housing affordability
Social Housing							
Support for growing the third sector Process to create an independent body to use HNZA stock to grow the third sector.	-	-	-	-	-	-	Support
[7]							
Buffer for the IRRS	-	-	-	-	-	-	Support
Ensuring HNZA is fully funded to deliver Crown products							
Community Group Housing rent shortfall - Social Development contribution	-	-**	-	-	-	-	Support
Community Group Housing rent shortfall – Health contribution	-	-***	-	-	-	-	Support
Administration for KiwiSaver Deposit Subsidy	-	0.478	0.458	0.462	0.466	-	Support

** \$2.773m funded through audited departmental underspends with no impact on operating allowance but with an impact on OBEGAL

*** \$3.027m funded within the Health allocation

Canterbury housing

4. There is a lack of affordable housing in Canterbury which is putting pressure on the rebuild. We think there is a need to support increased supply in 2014/15 to help reduce housing pressures. The Treasury's preferred option is to establish an operating fund to be used once officials have done further work on the best mix of interventions. We do not think a capital allowance or Crown-led development is likely to be the best intervention.
5. The Minister of Housing is negotiating a draft Housing Accord with Christchurch City Council. We understand that he will report back to Cabinet on 7 April
[7]

6.

Reprioritisation Option

7. We expect that the departmental Weathertight Services appropriation in Vote Housing will have excess funds of around \$10 million each year in 2013/14 and 2014/15. **We recommend reprioritising \$1.7 million of this to fund the next phase of work to establish an independent unit** to manage sales of HNZN stock to grow a contestable social housing market. After the social housing reprioritisation there would be \$8.3 million that could be reprioritised in both 2013/14 and 2014/15 to support other funding pressures in Budget 2014.

Upcoming decisions with fiscal implications

8. [7]

Recommended Action

We recommend that you:

Canterbury Housing

- a **Note** there is a significant shortfall of housing in Canterbury and we think there is a case for Crown intervention to support the supply of affordable housing.
- b **Note** that we do not support a capital fund over an operating fund because it will limit the options for intervention, and the best options will likely involve operating funding.

- c **Support** the establishment of an operating fund in 2014/15 to leverage private sector development, which could include options such as a project management office to co-ordinate demand, pre-sale guarantees, or deferred payment on land.

<i>Agree/disagree</i>	<i>Agree/disagree</i>	<i>Agree/disagree</i>
Hon Bill English	Hon Steven Joyce	Hon Dr Jonathan Coleman
Minister of Finance	Assoc. Minister of Finance	Assoc. Minister of Finance

- d **Note** that if you want to support housing supply in Canterbury then you should also focus on continuing to address regulatory barriers and speeding up HNZC's rebuild.

Removal of barriers on residential construction market materials

- e **Support** the removal of barriers on residential construction market materials which will decrease the forecast revenue from tariffs.

<i>Agree/disagree</i>	<i>Agree/disagree</i>	<i>Agree/disagree</i>
Hon Bill English	Hon Steven Joyce	Hon Dr Jonathan Coleman
Minister of Finance	Assoc. Minister of Finance	Assoc. Minister of Finance

[7]

KiwiSaver First Home Deposit Subsidy

- g **Support** the administration costs for Housing New Zealand Corporation to manage the increased demand for the KiwiSaver First Home Deposit Subsidy.

<i>Agree/disagree</i>	<i>Agree/disagree</i>	<i>Agree/disagree</i>
Hon Bill English	Hon Steven Joyce	Hon Dr Jonathan Coleman
Minister of Finance	Assoc. Minister of Finance	Assoc. Minister of Finance

Buffer for the Income Related Rent Subsidy in 2013/14

- h **Support** the inclusion of a buffer on the 2013/14 appropriation for Income Related Rent Subsidy that the Ministry of Social Development is responsible for in the period from 14 April to 30 June 2014.

<i>Agree/disagree</i>	<i>Agree/disagree</i>	<i>Agree/disagree</i>
Hon Bill English	Hon Steven Joyce	Hon Dr Jonathan Coleman
Minister of Finance	Assoc. Minister of Finance	Assoc. Minister of Finance

Community Group Housing rent shortfall – contribution from Vote Social Development and Vote Health

- i **Note** there is a rent shortfall of \$8.8 million in 2014/15 on the portfolio of Community Group Housing in Housing New Zealand Corporation that is used to deliver mainly health and social development services.

- j **Note** Vote Housing has contributed \$3 million.

- k **Support** the in-principle transfer at the October Baseline Update of \$2.733 million of the audited departmental underspends from Vote Social Development in 2013/14 to offset part of the rent shortfall on the Community Group Housing portfolio in 2014/15 that provides social development services.

<i>Agree/disagree</i>	<i>Agree/disagree</i>	<i>Agree/disagree</i>
Hon Bill English	Hon Steven Joyce	Hon Dr Jonathan Coleman
Minister of Finance	Assoc. Minister of Finance	Assoc. Minister of Finance

- l **Support** \$3.027 million from within the Health allocation of new operating funding to offset part of the rent shortfall on the Community Group Housing portfolio in 2014/15 that provides health services.

<i>Agree/disagree</i>	<i>Agree/disagree</i>	<i>Agree/disagree</i>
Hon Bill English	Hon Steven Joyce	Hon Dr Jonathan Coleman
Minister of Finance	Assoc. Minister of Finance	Assoc. Minister of Finance

Reprioritisation of funding for the next phase of work to establish an independent unit to manage sales of Housing New Zealand Corporation stock

- m **Note** the Minister of Finance and Minister of Housing may be taking a paper to Cabinet to seek agreement to a process that will create an independent body to use Housing New Zealand Corporation stock to support the development of sustainable community housing providers.

- n **Note** that to enable decisions on that Cabinet paper to be taken before the end of 2013/14 funding will need to be set aside through Budget 2014.

- o **Note** the Treasury is putting in resource to this work which reduces the costs sought through reprioritisation.

- p **Support** the reprioritisation of excess funds from the departmental Weathertight Services and Social Housing Unit appropriations in Vote Housing to partly fund the costs of an Establishment Unit in 2013/14 and 2014/15.

<i>Agree/disagree</i>	<i>Agree/disagree</i>	<i>Agree/disagree</i>
Hon Bill English	Hon Steven Joyce	Hon Dr Jonathan Coleman
Minister of Finance	Assoc. Minister of Finance	Assoc. Minister of Finance

Reprioritisation of Weathertight Services funding

- q **Note** that there is further scope to reprioritise funding to support operating pressures in Budget 2014.

- r **Support** a decrease of \$8.3 million in both 2013/14 and 2014/15 for the departmental fund Weathertight Services which could be used to fund operating pressures in Budget 2014.

<i>Agree/disagree</i>	<i>Agree/disagree</i>	<i>Agree/disagree</i>
Hon Bill English	Hon Steven Joyce	Hon Dr Jonathan Coleman
Minister of Finance	Assoc. Minister of Finance	Assoc. Minister of Finance

[7]

[7]

Ruth Isaac
Manager, Housing

Hon Bill English
Minister of Finance

Hon Steven Joyce
Associate Minister of Finance

Hon Dr Jonathan Coleman
Associate Minister of Finance

Treasury Report: Housing initiatives for Budget 2014

Purpose of Report

1. You are meeting with Budget Ministers on the 31 March 2014 to discuss the outstanding decisions in Budget 2014. This report informs you about the options for Canterbury housing and it seeks your agreement on funding decisions for the remaining housing initiatives.

Significant Housing Initiatives Supported by Budget Ministers

2. Budget Ministers' have agreed bilateral decisions on a number of housing initiatives across Vote Housing and Vote Social Development. This is the package of significant housing initiatives that will go to Cabinet on 14 April on the basis of the current set of bilateral decisions.

Table: Initiatives that Budget Ministers previously agreed

\$m increase/(decrease)	Operating					Capital
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears	2014/15
Social Housing						
Needs assessment transfer	-	16.696	16.782	15.409	15.409	16.4
Reviewable Tenancies	-	0.572	1.106	1.768	1.709	1.81
Housing Support Fund	-	1.0	1.2	2.6	2.6	-
Social Housing Fund	-	-	10.0	10.0	10.0	-
Canterbury						
Canterbury Earthquake Temporary Accommodation Service - MSD hub	-	1.25	1.01	-	-	-
Assessment of Multi Units in Residential Insurance Disputes	-	0.7	0.7	0.7	0.7	-
Other						
Queenstown Lakes Community Housing Trust tax liability	6.0	-	-	-	-	-
Community Group Housing rent shortfall – Vote Housing contribution	-	3	-	-	-	(3)
Total Impact on Operating / Debt	6.0	23.218	30.798	30.477	30.418	15.21

3. If you are willing to reconsider then **we recommend not funding the Social Housing Fund** extension from 2015/16. We expect that future decisions on Housing New Zealand Corporation (HNZC) and the social housing work will include the function of supporting sustainable community housing providers. We don't think this funding will be spent through the Social Housing Unit.

Housing Initiatives with Outstanding Decisions from Budget Ministers

4. There are a number of housing initiatives across multiple areas with outstanding decisions. We think there is a strong case for prioritising funding in 2014/15 for:
 - Supply side initiatives to leverage private sector development of affordable housing in Canterbury, and
 - The removal of import barriers on residential construction materials with a resulting reduction in tariff revenue.

5. We also support fully funding HNZC for the cost of delivering services that are not part of its core business. This includes funding HNZC for a full market rent on the Community Group Housing portfolio and the administration costs to manage the KiwiSaver First Home Deposit Subsidy. These initiatives have a small cost and deferring these until 2015/16 may result in a change in service delivery for these activities unless HNZC is willing to cross-subsidise services that are not part of its core business.
6. The Canterbury initiatives have changed since the Budget Ministers' meeting on 24 March. [7]

[7]

There is now a \$100 million capital contingency bid for Canterbury Accord and other housing matters. This is designed to cover a number of potential initiatives

[7]

- Crown led developments such as [7] a temporary accommodation village.

7. We do not support capital funding as such options are likely to significantly limit the types of interventions available.

Table: Initiatives with outstanding decisions

\$m increase/(decrease)	Operating Allowance					Capital	Treasury Recommendation
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears	2014/15	
Canterbury Options							
[7]							
Canterbury Accord and other housing matters contingency:	-	-	-	-	-	100	Do not support Capital contingency will lead to the wrong mix of initiatives
	Note: there are likely to be operating or OBEGAL impacts from any capital housing initiative.						
Building and Construction							
Foregone revenue from the removal of import barriers on residential construction materials (Vote Customs)	-	5.587	5.587	5.587	5.5	-	High priority for housing affordability
Social Housing							
Support for growing the third sector Process to create an independent body to use HNZC stock to grow the third sector.	-	-	-	-	-	-	Support
[7]							
Buffer for the IRRS	-	-	-	-	-	-	Support
Ensuring HNZC is fully funded to deliver Crown products							
Community Group Housing rent shortfall - Social Development contribution	-	-**	-	-	-	-	Support
Community Group Housing rent shortfall – Health contribution	-	-***	-	-	-	-	Support
Administration for KiwiSaver Deposit Subsidy	-	0.478	0.458	0.462	0.466	-	Support
[7]							

** \$2.773m funded through audited departmental underspends with no impact on operating allowance but with an impact on OBEGAL

*** \$3.027m funded within the Health allocation

7. These initiatives are discussed in more detail in the sections below.

Outstanding Budget Decision: Canterbury Housing Options

8. The purpose of this section is to provide options for Budget Ministers to make funding decisions about Canterbury housing in the context of the other work that is going on in Canterbury.

9. Note that the Crown is already involved in housing developments in Canterbury and plans to rebuild a substantial number of houses through HNZC's Canterbury Investment Plan (CIP). [8]

The social housing developments were intended to be mixed tenure and also release 1,300 – 2,400 other houses to the market. The government should focus on how to speed up the rebuild and development planned by HNZC.

10. **We think there is a strong case for government intervention in the housing market in Canterbury during the recovery.** There is a shortage of temporary and affordable housing options and this situation is likely to worsen before it improves with peak demand for rental housing estimated to occur in the 2015 and 2016 calendar years.

11. In the absence of a significant expansion in housing supply, constraints on the labour market and a consequent two year extension of the rebuild programme are forecast. Therefore, **we think the biggest gains will come from acting in the 2014/15.** We recommend establishing an operating fund in 2014/15 to leverage private sector development.

12. Capital expenditure on Crown-led development will deliver a smaller volume of new housing compared to supporting private sector development and it will come with a high cost to the Crown. Note that even if Crown support for housing was facilitated through capital expenditure, there would also be operating expenditure or OBEGAL impacts although these would probably be small.

13. We understand that the Minister of Housing will be taking a paper to Cabinet on 7 April on a draft Housing Accord with Christchurch City Council (the Council) [7]

14. Further regulatory flexibility will also help remove barrier to supply. The Housing Accords process should also be used to discuss development contributions, the extension of areas where less restrictive planning rules are available, the implementation of the LURP and the delivery of the six exemplar projects under the LURP that were intended to deliver 2000 houses.

There is a lack of affordable housing in Canterbury

15. **We expect that there will be a significant shortfall of housing for the next few years which will put pressure on the recovery.** More than 10,000 houses were lost due to the earthquakes and an estimated 17,000 people are currently displaced. [5]

[8]

16. Cash-settled clients have largely been purchasing or renting existing houses, which is putting pressure on the existing housing stock. This pressure is particularly evident in the rental market where the average rent has increased by over 10 percent in the year till February 2014 while the existing temporary housing stock of 124 units is expected to be at almost 100 percent occupancy over 2014.
17. **The real constraint to more houses being built is not clear-cut.** We suspect there is uncertainty about the size of the city in the longer-term and uncertainty about the nature and price of housing demanded. Any operating fund established would require further work from officials to ensure it is allocated to the best interventions.

[13]

Funding through Budget can support greater housing supply in Canterbury

22. While the LURP will support the development of more housing, it is not sufficient to address the pressures in the Canterbury housing market over the next two years. **We think the most effective way to increase housing supply will be through leveraging private development with an operating fund in 2014/15.**

[7]

24. An operating fund could be used to guarantee a certain level of pre-sales, facilitate deferred land payment, or undertake other interventions to overcome particular financial barriers in the private market. Any such fund would be scalable and could be directed to the most effective interventions based on its size.
25. If you do not want to provide operating funding for Canterbury housing then there are some options for capital investment. However, **we do not support capital funding as such options are likely to significantly limit the types of interventions available.** Furthermore, they are likely to have associated operating costs or secondary OBEGAL impacts depending on the particular initiative.

26. The Crown acting as a housing developer, investor and owner is not the appropriate role for government and is not an effective use of Crown funding compared to other possible ways to relieve housing pressures. A Crown led development will not address the barriers to housing supply in the rest of the market, nor deliver housing at a scale that would make a material impact on the supply gap or affordability pressures. Finally, it has a high cost to the Crown per unit.

The Minister of Housing is in the process of negotiating a Housing Accord with the Council

27. Christchurch City Council was recently added to Schedule 1 of the Housing Accords and Special Housing Areas Act 2013 [EGI Min (13) 27/3 refers]. That enables the Minister of Housing the ability to enter into an Accord with the Council to work together to address housing supply and affordability issues.

28. The Minister of Housing will take a paper to Cabinet on 7 April [7]

29. **We think an accord should address regulatory barriers to residential development.** [8]

Progress on the demonstration projects has been slow. High development contribution charges may be impeding take up of the change to allow two houses to be built back on a site without resource consent.

[7]

32. The Council does not require Crown input or funding to establish its housing stock in an arms' length entity that would be eligible to register as a community housing provider and access the Income Related Rent Subsidy. Nor does the Council require the Crown's input if it wants to sell its existing Welles St and Colombo St sites for housing developments. We think there could be benefits for housing supply and the Council in doing both of those things and the Council could consider these options outside of an Accord.

[7]

Outstanding Budget Decision: Removal of barriers for importing residential construction materials

34. EGI reviewed a cabinet paper on reducing import barriers in the residential construction sector on 19 March. The paper put forward an option to (1) introduce a temporary tariff concessions scheme and (2) temporarily suspend the application of anti-dumping

duties on key materials. EGI agreed in principle, subject to approval through the Budget 2014 process, to suspend anti dumping duties. The decision to remove tariffs has been deferred to cabinet for 31 March. We recommend tariffs to be removed on a permanent basis.

35. Treasury supports these policy options and believes there are gains to be made in terms of a reduction in the costs of residential construction. This will flow through into supporting government objectives on increasing housing affordability. The removal of trade barriers will also have longer term benefits in terms of increased productivity, competition and a positive signalling effect on our international partners.
36. Given the Canterbury Rebuild and increased activity in the Auckland housing market, there is a strong case for implementing these policies now.
37. Fiscal implications due to foregone revenue on tariffs and anti-dumping duties (in Vote Customs)

	\$m – increase/(decrease)				
	2013/14	2014/15	2015/16	2016/17	2017/18 & Outyears
Tax Revenue: Customs Duty	-	(5.587)	(5.587)	(5.587)	(5.500)
Total Operating	-	5.587	5.587	5.587	5.500

38. We recommend that you **support** the introduction of a permanent tariff removal on key residential construction materials and the temporary suspension of anti-dumping duties.

Outstanding Budget Decision: Support for growing the third sector

39. The Minister of Finance and the Minister of Housing may be taking a paper to Cabinet in April to seek agreement to a process that will create an independent body to use HNZC stock to support the development of sustainable community housing providers.
40. If Ministers want to move quickly before the end of 2013/14 or take decisions on this before Budget day, then money will need to be set aside through Budget 2014 for this purpose.
41. Treasury would contribute policy and commercial staff from within existing baselines. We propose that the remainder of the 2013/14 expenses will be funded through the excess funds in Weathertight Services and the Social Housing Unit. If Cabinet decides not to proceed with an Establishment Unit the funding transferred from Vote Housing can be returned in a baseline update.
42. We recommend that you **support** a fiscally neutral reprioritisation of funding in 2013/14 and 2014/15 through Budget 2014 to enable Cabinet to make decisions about an Establishment Unit without resulting in unappropriated expenditure.

\$m Operating	2013/14	2014/15
Vote Finance		
Policy Advice - Finance	(0.215)	(0.861)
Vote Housing		
Weathertight Services	(1.742)	(1.717)
Social Housing Unit	-	(0.5)
Vote Finance		
Policy Advice - Finance	1.957	3.078

Outstanding Budget Decision: Buffer for the Income Related Rent Subsidy

45. The responsibility for paying IRRS shifts from the Ministry of Business, Innovation and Employment (MBIE) to MSD on 14 April 2014 which means the current funding has been split across the two agencies in 2013/14. During the 14 April to 30 June 2014 period MSD will largely be responsible for paying IRRS to existing HNZN tenants and it will have limited discretion over the costs in this period.
46. We recommend that you **support** an increase to the IRRS appropriation for MSD in 2013/14 to mitigate against the risk of unappropriated expenditure in the 14 April – 30 June 2014 period. There will be no increase to the sum of total forecast expenditure across MSD and MBIE.
47. This is a technical initiative with no impact on OBEGAL or the operating allowance.
48. We expect there will be underspends in the MBIE appropriation to offset the increased expenditure by MSD in 2013/14. This changes the timing for when the expenses are incurred within 2013/14 and which agency is responsible for incurring those expenses but it does not change the total forecast expenditure for 2013/14.

Outstanding Budget Decision: Administration of the KiwiSaver First Home Deposit Subsidy

49. Housing New Zealand Corporation (HNZN) has been asked to administer the KiwiSaver First Home Deposit Subsidy. The demand for this Crown product has approximately doubled since 2011/12 and HNZN requires additional staff to manage the increased demand.

\$m Operating	2013/14	2014/15	2015/16	2016/17	2017/18
KiwiSaver Home Deposit Admin	-	0.478	0.458	0.462	0.466

50. HNZN currently receives \$1.1 million per year to administer the scheme and it received a small top up last year. The additional administration costs will be used for the staff costs required to manage the higher demand.
51. We recommend that you **support** this initiative with an ongoing funding increase to enable HNZN to be fully funded to deliver this Crown product and manage the demand for the KiwiSaver First Home Deposit Subsidy.

Outstanding Budget Decision: Community Group Housing rent shortfall

52. There is an \$8.8 million rent shortfall in 2014/15 on the portfolio of around 1500 Community Group Housing (CGH) properties that HNZN leases to predominately health and social development services.
53. The intention is for the Votes who purchase the community providers' services to meet the full costs of the CGH rent so that they account for the full cost to the Crown of contracting those services. Vote Housing and Vote Health have included budget initiatives for part of the rent shortfall in 2014/15 ahead of longer term work being finalised.

Split of CGH costs	\$m
Vote Housing	
Reprioritise CGH capital to operating	3.0
Vote Health	
New funding from Budget 2014 Health allocation	3.027
Vote Social Development	
Audited departmental underspends from 2013/14	2.773
Total	8.8

54. Note that \$3 million is being reprioritised from the capital funding for Community Group Housing in Vote Housing to fund the rent shortfall. This reprioritisation is unlikely to affect service delivery as we anticipate significant underspends in this area.
55. We **recommend** that you support the bid to use \$3.027 million from within the Health allocation in 2014/15 to provide funding for CGH providers.
56. We **recommend** that \$2.733 million of audited departmental underspends from Vote Social Development are transferred to Vote Housing through the October Baseline Update to provide funding for the 2014/15 CGH providers.
57. The use of audited departmental underspends has no impact on the operating allowance. However the transfer of underspends from 2013/14 into 2014/15 will impact OBEGAL in 2014/15.

[7]

[7]

Reprioritisation Option: Excess funds in Weathertight Services

62. We expect that the departmental Vote Housing appropriation for Weathertight Services will have excess funds in the 2013/14 to 2015/16 period that could be reprioritised through Budget to reduce funding pressures. The appropriation was established on the basis of a high level of forecast demand that has not eventuated and despite the baseline being reduced at Budget 2013 there are excess funds.

[7]

A
prudent option is to reprioritise funding in 2013/14 and 2014/15 at a reduced level compared to the forecast underspends.

\$m Operating	2013/14	2014/15	2015/16
Excess funds in Weathertight Services	13.0	12.0	5.0
Prudent amount available for reprioritisation to help manage costs from future legal risks	10.0	10.0	-

65. We **recommend** that you reprioritise up to \$10 million in 2013/14 and 2014/15 from Weathertight Services to manage operating pressures in Budget 2014.
66. We **recommend** that you use some of that \$10 million in 2013/14 and 2014/15 to fund the costs of the Establishment Unit for social housing work. This requires \$1.7 million in 2013/14 and \$1.2 million in 2014/15.
67. Reprioritising \$10 million in 2013/14 and 2014/15 would result in the following baseline:

\$m	2013/14	2014/15	2015/16	2016/17	2017/18
Weathertight Services after reprioritisation	17.332	16.954	21.754	17.002	17.002

36. In 2012/13 expenses of \$12.3 million were incurred for the departmental Weathertight Services. Up till 28 February 2014 the expenses for 2013/14 are \$6.7 million.