The Treasury

Budget 2026 Information Release

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[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

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[31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility

[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

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[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

[40] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

[41] 18(d) - information requested is or will soon be publicly available

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MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

The Review of the Social Housing System – Ministers Willis, Bishop, Upston and Potaka meeting

Monday, 13 October 2025

Background and context

- The key aim of the Review of the Social Housing System is to better match government responses to housing need by making significant changes to Social Housing (SH) and the related subsidies.
- The key objectives are: improving equity; value for money and financial incentives (to work and move toward housing independence); supporting people for the duration of their housing need; and optimised investment in housing supply.
- **To better match housing response to need and meet these objectives, Housing Ministers are proposing to progress the following:**
  - refocussing SH on those who face barriers to access private housing, and reducing the emphasis on affordability barriers
  - improving the flow out of SH by investigating duration limits, alongside active and ongoing case management and support services
  - reducing the size of the gap between the AS and IRRS, to strike the right balance between equity, incentives and cost.
- Concurrently, as part of the welfare package, Minister Upston is considering changes to Temporary Additional Support (TAS) entitlements, [33]
- These changes will improve the long-term fiscal sustainability and value for money of the SH system, particularly given key parameters of the existing system are not fully funded (e.g. future movements in market rents for Income-Related Rent Subsidy (IRRS), growth in SH volumes and maximum rates of Accommodation Supplement (AS)).
- We are also reducing the cost of supplying SH and improving the value for money of new investment through the Kāinga Ora Turnaround plan, the Housing Investment Strategy, and changes to improve CHP access to finance.

We recommend focussing SH on barriers to access, and reducing the emphasis on affordability

When we talk about **affordability** needs we mean the gap between a household's income and what they can afford to pay in housing costs.

Affordability is currently dealt with through IRRS and AS/TAS.

When we talk about an **access** need we mean the barriers people face to accessing housing in the private market, including discrimination, availability of the right typology, a lack of social networks and social skills, and other life circumstances.

The extent of the access need for social housing will depend on the availability of housing and a mix of individual circumstances and other issues. For example:

- Even though there are a lack of available one-bedroom rental properties, single adults don't have an access need if they have family, friends or others they can live and share costs with.

- Social housing is a relatively expensive intervention, consisting of the direct provision of a house (which has capital and operating costs) and a relatively generous subsidy. Total IRRS expenditure is forecast to surpass AS expenditure in 2027, despite AS supporting four times as many people.
- In the context of 19,000 households on the Register, there is a need to focus on who benefits most from the provision of a social house.
- Currently, the needs assessment for SH assesses affordability, adequacy, suitability, accessibility and sustainability. In reality, affordability underpins most of these factors, and as result is likely overweighted.
- Refocussing SH on access needs would allow us to allocate social housing to those who more clearly struggle to get housed in the private market and better match the provision of housing to those whose main need is for *housing,* as opposed to those whose needs could be met by a housing subsidy.
- **We propose to redesign the needs assessment for SH to focus questions on those who have barriers to accessing private rental housing.** There will also be opportunities to reduce any overlap with information that MSD already holds for other purposes and consider how to integrate the housing needs assessment into MSD's wider income and employment needs assessments.

We recommend investigating changes to improve the flow out of SH

- There are currently weak incentives to leave SH. The system is not designed to identify 'duration of need' when people enter SH, nor does it monitor how needs change over time in SH. While tenancy reviews exist, less than one percent of current SH tenants are eligible.
- Analysis shows there may be some SH tenants who could, with the right settings and support, rent in the private market:
  - There is more availability for small to medium households renting in the private market (although this varies by location)
  - 29% of households currently in SH would have sufficient income to meet basic expenses paying a lower-quartile rent, although other access needs may still mean they need SH. Officials are planning further analysis to better understand this group and their needs.
  - Under current settings, 40% of households in SH exit within five years. Officials are doing further work to understand the reasons why some groups leave earlier to inform advice on which groups could be supported to exit SH.
- **To improve the flow out of SH, we recommend investigating duration limits alongside active and ongoing case management and support services**
- Based on these decisions, there will likely be two groups entering and remaining in SH:
  - Households who remain in SH over the long-term as their barriers to sustaining private housing are unlikely to be resolved
  - Households who are in SH for the duration of their need, and are supported to exit with the right expectations, incentives and services.
- There will be trade-offs involved in moving people out of SH. For example, the security of tenure associated with SH offers clear benefits to some groups (such as families with young children). However, if higher needs households are able to benefit from SH as a result, this would improve the effectiveness of the system.

Eligibility and duration reforms will change who is in SH and for how long, but without tackling the subsidies there will continue to be strong demand for SH, strong incentives to stay in SH, and equity issues

There are three main reasons to also address issues with subsidies:

1. **To address the inequity between the two subsidies**: there are four times as many people receiving the AS as in SH (receiving on average $110 per week more). As demonstrated in Annex 2, even with changes to eligibility, there will still be people in high levels of need in the private rental market.

2. **To improve financial incentives to work or move out of SH**: the financial incentives to work for someone in SH are worse than on AS, and there is consequently a strong financial incentive to remain in SH.

3. **To reduce reliance on Temporary Additional Support (TAS):** The relatively low and declining (in relative terms) support through AS (which now covers on average 29% of housing costs) creates income adequacy problems and drives high reliance on TAS (which has very poor work incentive characteristics).

- These three issues will worsen over time, because Income-Related Rent (IRR) is automatically adjusted for rent increases, while AS is not.

- Without addressing these issues, there will continue to be strong demand for SH, in order to get the additional financial support.

[33]

We are therefore looking at reducing the gap between the AS and IRRS, to strike a better balance between equity, incentives and cost.

- **Table 1** below gives a sense of the current gap between IRR and AS. Further detail is available in **Annex 1 (slide 8)**.
- We propose to bring the subsidies closer together by increasing IRR to 30% in Budget 2026, with implementation from April 2027, and total savings over the forecast period of $343 million (per annum full year savings of $131 million). Further increasing IRR to 35% (implemented in April 2029) would yield additional savings beyond the forecast period as shown in **Table 2** with impact and quantum in **Table 3**. However, increasing the IRR will negatively impact child poverty; the Treasury are exploring the feasibility of modelling these impacts.

Reinvesting savings in the housing system would best meet the Review's objectives

- Improvements to AS, additional social housing places, investing in case management and supports, and social housing cost pressures are options for reinvestment.
- If savings are returned to the centre, the value of AS will continue to deteriorate relative to inflation, there will be continued demand for TAS, there will be continued IRRS cost pressures, no new SH places post 2027, and the Register will continue to increase due to a lack of new SH.

[33]

Table 1: Gap between IRR and AS for different household types

Status quo 25% IRR	Weekly rent paid after subsidy (assuming lower quartile rent, Manurewa)				
	IRR	AS	Difference	AS + TAS	Difference
Single Jobseeker, flatting	90	208	-118	142	-51
Sole parent, 1 child	163	308	-145	228	-66
Supported Living Payment	103	251	-148	157	-54
NZS single	135	251	-116	182	-48

Table 2: Projected fiscal savings

Fiscal savings $m	2026/27	2027/28	2028/29	2029/30*	2030/31*	2031/32*
Increase IRR to 30% in 2027	0.852	79.7	131.2	131.2	131.2	131.2
Increase IRR to 30% in 2027, then 35% in 2029	0.852	79.7	131.2	220.9	278.4	283.2

Table 3: Impact and quantum of 30% and 35% IRR increases

Impacts of IRR increases	Number impacted	Average impact
Increase IRR to 30%	83,000 households	-$31 per week
Increase IRR to 35%	83,000 households	-$62 per week

Next steps

- Ministers Bishop and Upston are considering taking this work to the 11 November 2025 meeting of the Cabinet Strategy Committee. This would be a chance to introduce Cabinet colleagues to the Review.
- Further advice is due to Ministers on 27 November 2025. This will cover options for changing the allocation and prioritisation system, and case management and supports.
- Depending on your decisions around Budget 2026, we will provide further advice on changes to the housing subsidies.
- The proposals in this work will need to be considered alongside work on welfare reform and Working for Families, so that Ministers have an overall picture of the distributional and other impacts of all the changes to income transfer payments.
- Decisions through Budget 2026 will have implications for future volumes of social housing, including future investment through the flexible fund and managing ongoing cost pressures.

Annex 1: Weekly rent comparisons at different IRR levels

The tables below show that, for example, in the current system a sole parent (paying a relatively low rent in south Auckland) is $145 per week better off in a social house than if they were getting AS, or $66 per week better off than if they got AS and TAS. This financial advantage of being in SH is reduced to only $113/$33 under 30% IRR, [33]

Status quo, 25% IRR	Weekly rent paid after subsidy (assuming lower quartile rent, Manurewa)				
	IRR	AS	Difference	AS + TAS	Difference
Single Jobseeker, flatting	90	208	-118	142	-51
Sole parent, 1 child	163	308	-145	228	-66
Supported Living Payment	103	251	-148	157	-54
NZS single	135	251	-116	182	-48

[33]

With 30% IRR

	Weekly rent paid after subsidy (assuming lower quartile rent, Manurewa)		
	IRR 30%	AS diff	AS + TAS
Single Jobseeker, flatting	108	-100	-33
Sole parent, 1 child	195	-113	-33
Supported Living Payment	124	-127	-33
NZS single	162	-89	-21

Comparing different IRR % across household types

	Weekly rent paid after subsidy (assuming lower quartile rent, Manurewa)	
	IRR 25%	IRR 30%
Single Jobseeker, flatting	90	108 (+18)
Sole parent, 1 child	163	195 (+32)
Supported Living Payment	103	124 (+21)
NZS single	135	162 (+27)

[33]

Note the case studies above are for selected circumstances and are intended to be indicative only. The actual impacts will depend on a range of personal factors. In particular, we have assumed lower quartile rents - a higher rent would generally increase the gap between IRR and AS.

Annex 2: Characteristics of people on the Register, receiving AS or in social housing

We looked at people with characteristics that we thought might indicate higher need for social housing, and found that all of these groups receive more housing assistance than the general population. However, the majority receive the AS, which indicates that these characteristics alone are not sufficient to determine need for social housing.

Characteristic	Count	Proportion of population with this characteristic	Of those with this characteristic, what proportion are:			
			receiving housing assistance (SH, AS, or on the Register)	in Social Housing	on the Register (some also receive AS)	receiving AS (some are also on the Register)
Disability as indicated in the 2023 Census (under count)	252,000	6%	26%	7%	2%	**18%**
Young people leaving state care (OT) (aged 16 to 25)	14,000	2%	58%	16%	9%	**38%**
People exiting prison in the past 12 months	8,000	0%	79%	8%	13%	**66%**
People exiting health facilities (acute care) in the past 12 months	267,000	6%	25%	6%	2%	**17%**
People in inpatient care for mental health in the past 12 months	11,000	0%	61%	13%	12%	**42%**
People who accessed community treatment for mental health problems in the past 12 months	153,000	4%	49%	10%	7%	**36%**
Refugees	13,000	0%	62%	31%	11%	**25%**
Sole Parent Support with Child Disability Allowance	9,000	0%	94%	22%	7%	**69%**
Sole Parent Support without Child Disability Allowance	68,000	2%	88%	16%	7%	**68%**
Total population (aged 16+)	4,220,000	100%	14%	3%	1%	**10%**
Total population (aged 16 to 25)	587,000	14%	16%	5%	2%	**10%**

As at 30 June 2024 except for mental health data which is at 31 March 2024. Housing assistance includes Social Housing (SH), Accommodation Supplement (AS), or people on the Social Housing Register. It excludes Emergency Housing and Transitional Housing (aside from those on the Register). Some people will be on the Register and receiving AS so appear in both columns.

IDI disclaimer:
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