

FrankAdvice

BETTER DECISIONS: GENERATING INSIGHT

Social Investment and Public Housing

Towards broader outcomes

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BETTER DECISIONS: TOGETHER



Social Investment and Public Housing – towards broader outcomes

Background

At present, the government housing ecosystem encompasses the Ministry of Social Development (MSD), Kāinga Ora, and the Ministry of Housing and Urban Development (HUD), as follows.¹

MSD maintains the public housing register of those who are eligible to get a social house.

Kāinga Ora builds, develops, and owns the social housing and places people from the public housing register into a home. It is then the landlord for those tenants.

HUD supports the Minister of Housing with strategic, policy and regulatory advice on the expansion of public housing and transitional housing. It also monitors community housing providers.

1. Kāinga Ora exists to provide housing for those who cannot access the private market either through renting or buying. There are several reasons why that could be the case, including:
 - affordability, due to being on a benefit or low income
 - current housing being unsafe
 - large households with housing needs that are in excess of what can be provided privately
 - special needs of households.

¹ <https://kaingaora.govt.nz/en/NZ/about-us/who-we-are/>



Social investment

One of the key insights behind social investment is that 85% of the population use 50% of the services provided by the government and 15% use the other 50%.²

In many cases, there is an issue around how to get the needed bespoke services for the 15% while keeping the benefits for the 85%. In the case of social housing – the public housing register inherently only applies to the 15% who struggle to get housing privately – the nature of being eligible for social housing is that there will be other needs as well.

These needs could include:

- a solo mother who is attempting to study as well as care for her children
- a refugee family who are trying to learn English, find work, and whose children are struggling with the New Zealand school system
- a low-income family working two jobs, one of whose children is skipping school regularly
- a Tongan widow who doesn't have a car, lives away from her family, and has serious health needs.

We can assume the tenants of Kāinga Ora all have complex needs, and that the needs of these tenants are all distinctly different.

This means that while warm, dry, safe, secure housing is a critical step for improving health and wellbeing – as seen from the list above – it is insufficient to address the key needs for many people.

Applying a social investment lens, the Housing Register could be used as a mechanism to drive broader positive outcomes for the people on the Register. This would mean that all data held by the government on the individual on the Register could be linked. Then with a social return on investment analysis including all the effects beyond the provision of a house, the case for preventive bespoke investment would become starkly clear.

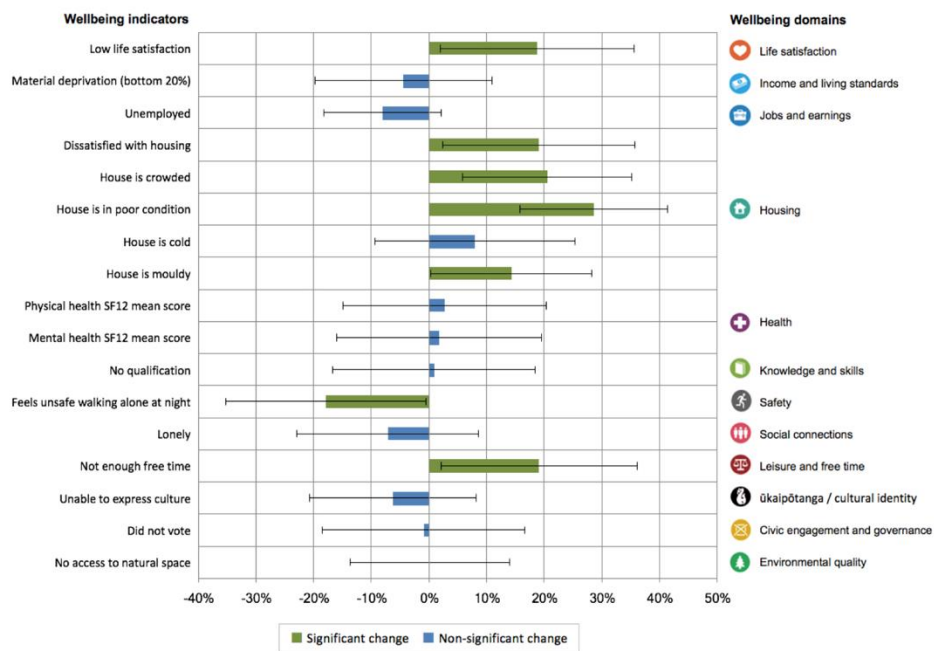
² This is known as the 'Mason curve' after Emily Mason, the official who discovered it.



Full social and fiscal return on investment

As seen in the two studies from the Social (Investment) Wellbeing Agency on social housing, there are broader outcomes than just the provision of a house.³

Figure 2. Change in wellbeing before and after placement in social housing: all outcomes



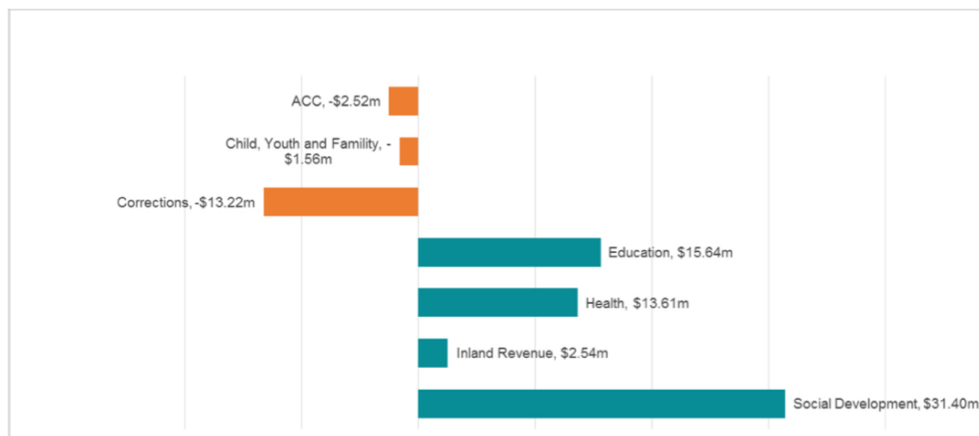
Note: The dimensions shown in the graph are largely based on those included in the OECD Framework for measuring well-being and progress (OECD, 2011).

³ <https://swa.govt.nz/assets/Document-Library/Measuring-the-wellbeing-impacts-of-public-policy-social-housing.pdf>



The first report, *Social Housing Test Case 2017*, set out the fiscal impacts beyond the provision of a house.⁴ These included reduced spending on Corrections, but increased spending on Health, Education and Welfare.

Figure 10: Total cost difference by agency over the 6 year follow up period



⁴ <https://swa.govt.nz/assets/Uploads/sh-technical-report.pdf>



The second report assessed the wellbeing effects of social housing.⁵ As well as the benefit of improved housing, it also included increased life satisfaction, and more free time. However, it also showed a decrease in the sense of personal safety.

This means that while there is an appropriated cost for the provision of social housing, its impacts are much wider than the housing portfolio, spilling over into health, education and general wellbeing.

That is:

Total cost of social housing – TCSH =

IRRS (actual) – AS (notional) + / - additional costs of state being landlord (AC)

Where **AC** = Rent paid by tenant less actual costs of being landlord (R&M, Rates, insurance) less notional costs (i.e. capital charge) +/- valuation loss/gain

⁵ <https://swa.govt.nz/assets/Document-Library/Measuring-the-wellbeing-impacts-of-public-policy-social-housing.pdf>



Effects of social housing

The effects of social housing include both the fiscal and social wellbeing impacts of the social housing spending for the individuals involved:

- Improved housing - **IH**
- Lower Corrections spend + benefits of not interfacing with the criminal justice system⁶ - **A**
- Fiscal saving from ACC +/- impact of less interaction with ACC⁷ - **B**
- Lower Oranga Tamariki spend + effects of less interaction with Oranga Tamariki⁸ - **C**
- Additional cost of education +/- benefits of additional education⁹ - **D**
- Additional costs of welfare +/- benefits of additional welfare¹⁰ - **E**
- Additional costs of health +/- benefits of additional health spending¹¹ - **F**
- Benefits of higher life satisfaction¹² - **G**
- Changes in personal safety¹³ - **H**
- All other benefits / effects - **§**.

⁶ Unlike some of the other impacts, a reduction in interactions with Corrections is unequivocally a benefit for the household and society as a whole.

⁷ Whether or not this is a net benefit depends on whether there is a reduced need for ACC's services or simply reduced access to services.

⁸ Same as Corrections. Overall net benefit.

⁹ Much like Corrections in reverse, an increased access/spending on education gives an unequivocal benefit for the household and society.

¹⁰ This additional cost could be either because this is inherently a group that accesses the welfare system because of need in which case there is no additional benefit or because this group now has stable housing, they have better capacity to engage with WINZ and get the benefits they are entitled to but weren't previously receiving. In this case there is a benefit to their nutrition and at a minimum stress levels and ability to cope.

¹¹ Same as discussion for welfare.

¹² Unequivocally positive

¹³ While this is unequivocally a detriment for the individual, household and society; it could be a function of social housing being in areas of deprivation, high gang activity and low level of wrap around services for the tenants.



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As mentioned previously, the nature of government accounting is that the total cost of social housing (**TCSH**) is effectively attributed only to the provision of (improved) housing services to social housing tenants - **IH**.

The reality, however, is that there are many additional benefits / effects - **A** through **§** above. This means that the other benefits are effectively subsidised by **TCSH**.

TCSH => IH + A+B+C+D+E+F+G+H+§

TCSH => IH + non-housing effects (NHE)

Another way of looking at the relationship between all the effects is that, in the same way **TCSH** is reduced by any valuation gain, it can also be said to be reduced by the non-housing effects.

This means that the actual fiscal and social cost of improved housing services - **IH** - is **TCSH - NHE** rather than simply **TCSH**.



Trusted navigators

Another possibility for ensuring positive outcomes for social housing tenants could be some form of trusted navigator service. All too often the people on the Housing Register have multiple interfaces with the government – including the police, social workers, truancy officers – often with little of it having any positive effect.

This can be contrasted with Whānau Ora, who are the New Zealand exemplar of trusted navigators.¹⁴ Culturally competent, Whānau Ora is grounded in Te Ao Māori and Pasifika cultural context, with its own governance and higher levels of transparency than mainstream programmes.

Most importantly, Whānau Ora is respectful of the integrity and resilience of the people it serves. It works on guidance and trust, not coercion and entitlement. It sees the people it serves first and foremost as people, not problems, and seeks to provide the assistance they need, rather than the service funded by the provider.

OUR COMMISSIONING FOR OUTCOMES APPROACH ▼

We invest in social outcomes for whānau by identifying specific needs and issues within communities.

We work with our providers, co-creating long term solutions, taking a more preventative approach to existing and emerging concerns.

We stimulate innovation by moving away from over-specified services and working collectively with all our Whānau Ora providers, whānau, and communities to explore ideas and activities that lead to successful outcomes. Ultimately, recipients are best placed to say how the service is working and what could be done better – thus allowing us to grow and move forward together.

To ensure the full potential of a social investment approach for people on the Housing Register / Kāinga Ora tenants, an equivalent model to Whānau Ora – with trusted navigators ensuring bespoke assistance to unlock the potential of those in receipt of

¹⁴ https://whanauora.nz/assets/resources/WOCA_Annual%20Report_2022-23.pdf



the investment – is critical. The impact would be a multiplier on the existing non-housing effects (NHE).

The previous example showed that the impacts of government spending on housing was broader than just the provision of (improved) housing. If we then bring in the impact of Whānau Ora type trusted navigators (TN), there would be no additional change to the housing services provided (IH), but we should see an increased impact on the NHE. Let's call that impact #.

The interface can then be represented as:

$$\text{TCSH} + \text{TN} \Rightarrow \text{IH} + \#(\text{NHE})$$

To the extent (#-1) NHE > TN, then there are net fiscal and/or social benefits from the additional spending.

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