

Housing Care Activity Plan

Providing quality affordable housing for our elderly

Preface

The Housing Care Activity Management Plan (AMP) covers one of 12 activities addressed in the Invercargill City Council Long Term Plan (LTP). This Activity Management Plan is, therefore, strongly linked to the overall strategic direction for the District. The LTP is the document and process that alerts the Community to the key issues and strategies contained in this document.

The purpose of this AMP is to outline and to summarise in one place, the Council's strategic approach for the delivery of the Housing Care Activity.

The AMP demonstrates responsible management of the function on behalf of ratepayers and stakeholders and assists with the achievement of community outcomes and statutory compliance. It is based on existing levels of service, currently available information, and the existing knowledge / judgement of the Council staff.

The AMP is prepared to ensure that the level of service, both required by law and expected by the community, is provided in a sustainable manner, combining management, financial, and technical practices.

Introduction

Analysis of population statistics identifies that Invercargill's population is growing. Anecdotal information from the housing market and the latest Rating Values indicates robust growth in house prices. Waiting lists for Housing Care and advocacy from social housing groups support the conclusion that Invercargill is growing, and the resulting pressure is impacting on those with lower incomes.

There is a strong case and a strong community acceptance that Council provides the Housing Care Activity. That support has a caveat that the Activity does not have a cost to rates.

Using the same mechanisms identified in the Financial Strategy, for a debt maxima for each activity, Council can begin a strategy to increase Housing Care Units and ensure the Activity is sustainable in perpetuity. The first phase of the strategy is to increase the number of units. At a minimum level of maintaining the current number of units in perpetuity, six replacement units need to be built each year. It is worth noting that no new units have been built since 1990.

This Plan proposes development of a longer term strategy to build eight new units each year to provide sustainability of the service in perpetuity and allow the portfolio to increase, and continue building eight new units per annum while selling our older units. The main obstacle identified in undertaking the plan is the need for rents to rise. There is detailed work to be done to clarify the unknown matters, but these do not impact on the strategy for four years.

1. What we deliver

What the Activity is

The Housing Care Service Activity provides affordable housing for the elderly, disabled and those on low fixed incomes that meet the Council's entry criteria. The Council owns 21 complexes providing 215 units in Invercargill and Bluff.

Activity Overview

Invercargill City Council provides housing for older people because it was a subsidised initiative lead by Central Government from the mid-1950s through to 1992. The form of the assistance was in subsidies and the provision of low-interest loans (3%). The basis of the government support was in a period of significant inward migration, and provision of smaller housing units for pensioners freed up larger family homes to ease housing shortages.

The Invercargill City Council is a significant housing provider in Invercargill and Bluff. The target market for the units is people with limited financial resources and for whom the general housing market presents problems in terms of affordability and manageability.

Table 1

Invercargill City Council Housing Assets

Portfolio Reference	Complex	Address	Number of Units	Decade of Construction
3.01	Aiden Place	132 Princes Street	8	1980
3.02	Anzac Court	9 Tone Street	5	1990
3.04	Aurora Place	15-29 Janet Street	8	1950
3.05	Cairnsmore Flats	160 Leet Street	12	1980
3.06	Clarendon Court	60 Stirrat Street	14	1980
3.07	Elston Lea Village	50 Murphy Street	41	1950
3.08	Jim Brass Place	154 Elles Road	4	1990
3.09	Kelly Court	210 Crinan Street	7	1970
3.10	Kinross Flats	30 Henderson Street	6	1980
3.11	Korimako Court	12 Waverley Street	10	1970
3.12	Laurel Court	2 Maltby Street	8	1970
3.13	Miller Street	13-29 Miller Street	4	1950
3.03	Nevill Place	26 Selwyn Street	16	1970
3.14	Niven Place	104 Earn Street	7	1970
3.15	Otarewa Village	90 Conon Street	22	1990
3.16	Pateke Place	429 Yarrow Street	8	1970
3.17	Powell Court	295 Pomona Street	6	1980
3.18	Stirling Flats	25 Gregory Street	6	1980
3.19	Strathpine Flats	246 Etrick Street	7	1970
3.20	Thorndale	3 Lithgow Street	6	1980

Portfolio Reference	Complex	Address	Number of Units	Decade of Construction
3.21	Willow Park	64 Adamson Crescent	10	1980

Why we are involved in this Activity

The principal objective of the Housing Care Services Activity is to sustainably provide affordable housing to those with limited financial resources.

Sustainability means that the number of units and the condition of units will be maintained at an appropriate standard for the tenants. As the units have a finite life, sustainability implies the following:

- Units will be improved to meet increasing standards for healthy homes,
- Units will be replaced when they reach the end of a viable useful economic life.
- The number of units will vary to meet underlying community need.

Our Vision

Providing quality affordable housing for our elderly.

Community Outcomes

The following table demonstrates how the Housing Care Services Activity contributes to Council's Community Outcomes:

Table 2

Community Outcomes

Community Outcomes	Council's Role in Achieving	How the Activity Contributes
Preserve its Character	The building blocks for a safe, friendly city is provided for all members of the community	Housing Care Services provides affordable good quality accommodation on a sustainable basis to the elderly, disabled and those on low incomes.

2. How we determine what we do

Our Strategic Framework

Activity Management Plans underpin the activities in the Long Term Plan, they record the current and desired Levels of Service and Maintenance, Capital Works Programmes and budgets (if applicable) required to ensure the activity meets the desired Levels of Service.

Adoption of the budgets for these programmes is carried out through the Long Term Plan process. Changes to budgets for programmes may occur during the consultation process and adoption of Long Term Plan budgets.



Activity Management Plan Strategic Framework



Our customers

The principal objective of the Housing Care Services Activity is to sustainably provide affordable housing to those with limited financial resources.

In addition, Council has identified the following external stakeholders:

Table 3

Housing Care Activity Stakeholders

External Stakeholders	Area of Interest	Engagement	Customer Needs and Expectation
Central Government Departments and Organisations/Agencies			
Ministry of Social Development	Welfare of tenants	Liaise by phone or email	Frequent informal contact. Council's Community Development Officer meets with organisations in a formal context and keeps this Activity informed of changes that may impact on the Activity.
Kainga Ora	Market influencer	None	Infrequent informal contact.
Regional Organisations			
Southland Hospital – Rehabilitation and Occupational Therapy Services	Welfare of tenants	Liaise by phone or email	Individual case by case basis.
Age Concern	Welfare of tenants	Liaise by phone or email	Individual case by case basis.
PACT Mental Health Services	Welfare of tenants	Liaise by phone or email	Individual case by case basis.
Local Government Organisations			
Southland District Council	Market influencer	If and when required	Individual case by case basis.
Maori			
Maori Health Social Services	Welfare of tenants	Liaise by phone or email	Individual case by case basis.
Non-Government Organisations			
Salvation Army	Welfare of tenants	Liaise by phone or email	Individual case by case basis.
Presbyterian Support Services	Welfare of tenants	Liaise by phone or email	Individual case by case basis.
Pacific Island Cultural Advisory Board	Welfare of tenants	Liaise by phone or email	Individual case by case basis.

Our levels of service

Housing Care Services **preserves the character** of our city through providing affordable good quality accommodation on a sustainable basis to the elderly, disabled and those on low incomes.

Table 4

Housing Care Measures for Levels of Service

KPI 2021-2031	MEASURE
Available units are occupied	95% occupancy
Maintenance inspections are undertaken	Inspections are undertaken on a six-monthly basis
Requests for service are responded to and a remedial action plan is in place - Urgent	24 hours
Requests for service are responded to and a remedial action plan is in place – Non-Urgent	Five working days

Table 5

Housing Care Baseline Measures and Targets

Baseline	Measure	2021/2022 Target	2022/2023 Target	2023/2024 Target	2024-2031 Target
95%	Units are occupied 95% of the time	95%	95%	95%	95%
24 hours	Requests for service are responded to and remedial action in place: - Urgent	24	24	24	24
Five working days	Requests for service are responded to and remedial action in place: - Non-Urgent	5	5	5	5

Assessing demand – current and future

Housing shortages are becoming evident in many communities, and the greater need for social housing has become an emerging issue in Invercargill. With rising house prices and increased costs for rentals, waiting lists for Council owned properties has risen.

A principal barrier in social housing is the excessive focus on low cost. A higher focus on quality accommodation that is sustainable as an activity, but that has affordability as the major driver will lead to potentially more robustness in the assessment of the size and financial constraints on the service.

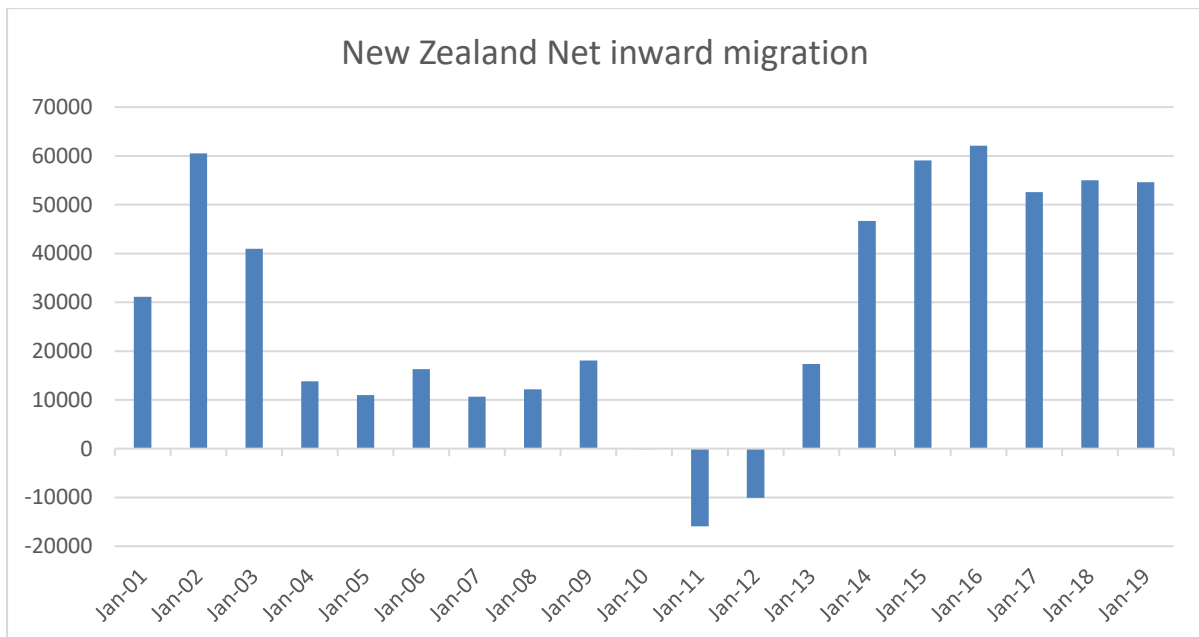
The current financial statements for the Activity show that the Activity is operating at a loss of \$900,000 per annum. That level of loss is unsustainable, given that Council has a provision to "balance its budget" and in the future Council will need to consider how best to balance keeping units low cost versus sustainability.

Projected Growth or decline in demand for the service

The graph below shows the net inward migration information for New Zealand from 2001 to December 2019:

Figure 1.

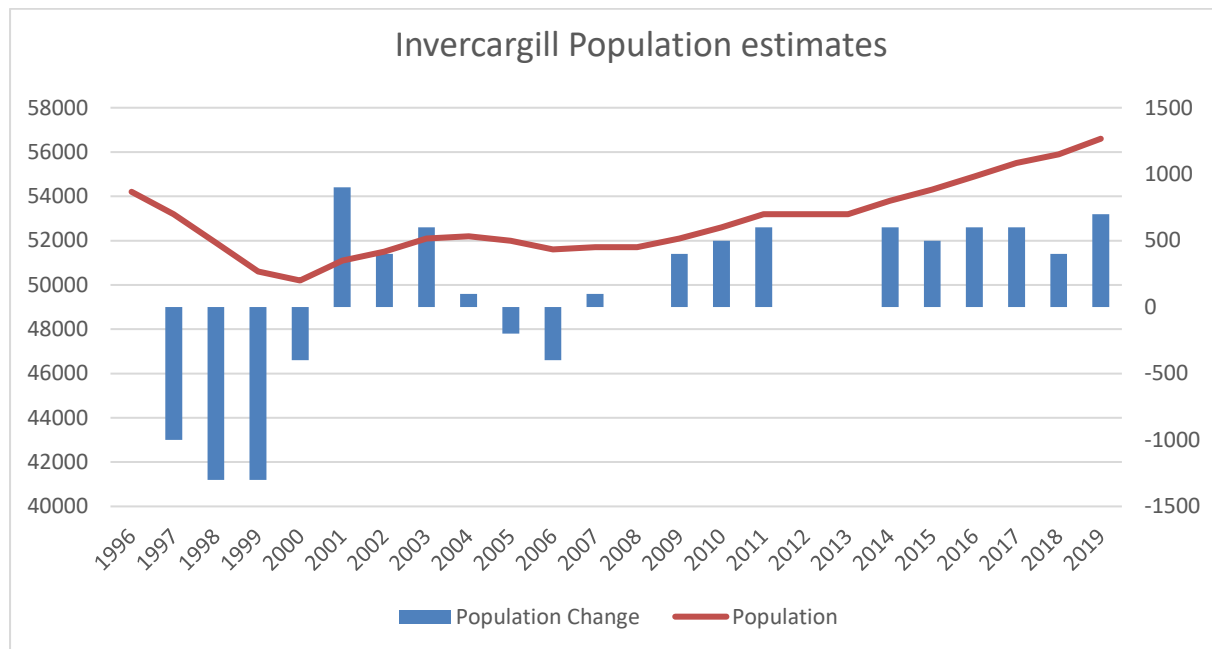
New Zealand Net Inward Migration 2001-2019



There has been strong inward migration. This has impacted on housing needs throughout the country. However, the spread of population has not been even throughout New Zealand. The following graph shows the information on estimated populations for Invercargill from territorial local populations from Statistics NZ.

Figure 2.

Statistics New Zealand Invercargill Population Estimates



The graphs show that both New Zealand and Invercargill populations are growing. Indeed, Invercargill growth has been quite strong, and anecdotal information indicates that the Invercargill property market has seen:

- An increase in property prices.
- Shorter length of time to sell properties
- An increase in rental prices.
- An apparent shortage of rental properties.

Information from the Building Services Department of Invercargill City Council shows 150 new residences have been built for each of the past three years, again supporting the changes in the Invercargill housing profile.

The economic fall-out for Covid-19 creates significant uncertainty about growth and for property markets. However big economic changes that affect the world have for the past three decades had the effect of New Zealand being identified as a safe and a good migration destination, and has seen New Zealanders overseas electing to return to New Zealand, and other nationalities looking move to New Zealand.

There will obviously be a range of factors that are influencing migration to New Zealand and a separate but possibly related set of factors impacting on migration within New Zealand. The two graphs indicate that since 2014 there appears to be some correlation.

In 1996 Invercargill had properties and residences to house 54,000 people, it was not until 2014 that population was reached again. The growth up to 2016 was likely taking up unused capacity within the city, since then the capacity constraint has become apparent. This is not unusual in Provincial New Zealand where significant population reductions occurred in the 1990s through to early 2000s.

This would suggest that unless there are other factors influencing a reduction in strong net inward migration, that Invercargill population will continue to rise and that social housing pressure will continue to build.

Managing expectations

Community surveys show strong support for Council involvement in social housing provision for elderly persons with limited income.

Results from the latest survey undertaken as part of the 2021 LTP preparation includes the following comments on Housing Care:

- ICC has a mandate to continue provision of housing though most felt it should not do this through rates.
- Housing should meet the needs of vulnerable and needy residents, especially the elderly and disabled.
- The quality of housing is important, and some identified the need for ICC to increase the provision of housing.

The report by Research First states:

"Given that respondents felt affordable housing was very important, but half rated ICC's performance in this area as fair or poor, this could be a focus for ICC in the future"

That same report highlighted the following Statistics:

Table 6

Summary of Research First Findings, 2020

Issue	Number of respondents	Percentage of respondents
ICC should continue to provide low cost housing for the elderly/disabled	378	97%
ICC should continue to provide housing without drawing money from Rates	289	74%

In qualitative findings, the report states:

"The housing staff at ICC were viewed as delivering great service. It was felt that ICC's priorities and processes get in the way of great service being delivered to an acceptable level"

Changes in Service Expectations

There is an expectation that units will:

- Have parking.
- Have fixed heating.
- Be more modern.
- Have higher levels of comfort.

Past surveys have shown that ratepayers would like to see the service expanded to meet the likely demand. This may include expanding the current eligibility requirements.

Changes in expectations are only relevant if the Council adopts a strategy of managing the portfolio and developing it in the medium term.

Future demand issues and challenges

Population change and understanding it is a key part in determining future demand for social housing and housing for the elderly is a subset of social housing. The following indicators suggest an increased portfolio of elderly housing would be beneficial to the community:

1. The population has seen a sustained increase for the last six years.
2. The population has risen for 9 of the past 11 years and did not drop in any of those years.
3. Waiting lists for pensioner units are full and growing.
4. Rental prices for properties are rising.
5. There is an apparent shortage of rental properties
6. There is community-based pressure for more social housing.
7. Falling interest rates and rising property prices in other parts of New Zealand is showing an increase in migration out of Auckland to other parts of NZ attracted by more affordable housing.
8. Ageing population.

3. What we're planning

Key issues and challenges

- The major issue for Housing care provision is the question of sustainability.
- The current portfolio is getting old, and there is no plan or strategy for its replacement.
- The quality of the units needs a significant spend on bringing them up to be compliant with legislation that was passed to improve rental accommodation to minimum standards of insulation.
- Despite the level of expectation of living standards changing our units are maintained as they were originally designed.
- As the units continue to age the costs of maintenance and refurbishment will rise.

Fit for purpose Units

One of the significant issues for the Housing Care Activity is the age of the units. We recognise that Invercargill has a wide age range for housing stock in private ownership, but need to challenge whether units built to fit needs and expectations more than 40 years ago are still fit for purpose - and if they are, at what stage they will cease to be fit for purpose and require replacement.

Legislative Requirements

Current issues with the units are around the level of work required to deal with insulation needs as a response to government legislation for rental accommodation standards. This must be indicating to the Council that there is a need to focus on the sustainability of the portfolio. Work undertaken by officers identifies that there is a need to spend approximately \$850,000 to bring the units up to a standard that meets the intent of the government legislation.

Balanced Budget

Section 100 of the Local Government Act requires Council to set its revenues to meet all the expenses of the organisation. While Housing Care is operating at no net rates requirement in the short term, it is running at an accounting loss, of \$900,000 per annum. This means that to meet the balanced budget test rates would need to increase to cover the losses of the operation. Expanding the number of units or increasing spending on the units would increase the deficit and further exacerbate the problem. This comes back to an excessive focus on "low cost."

Low cost

A difficulty with the term low cost is to understand what it means. We have already covered the fact that the flats are operating at a loss. This loss is being met by future ratepayers or by future tenants as the units are not able to be sustainably maintained and replaced. Therefore the costs of the units are significantly higher than the rents being charged. If low cost means low rent then it is implicit that an increased burden will either fall to the ratepayers to support low rents, or the quality of the portfolio will be allowed to deteriorate. It appears that the Council has not explicitly made a decision either way.

The units are not providing funds for their replacement and to be fair to future generations they should. The service is under-funded, but the extent of the under-funding is not as large as the operating deficit. Rents need to rise for the Activity to remain sustainable.

Key operational issues

An issue in relation to replacement of units is what useful life Council is planning for. The oldest units in the portfolio are three complexes built in the 1950s. These units are now nearly 70 years old. The evidence from the budgets that are based on meeting healthy homes standards are that Council needs to invest \$840,000 in getting the units up to standard.

The following table shows how many units would be replaced at different asset lives:

Table 7

Asset Life and Replacement Estimates

Life of asset	Units to replace/year
40 years	5.4
50 years	4.3
60 years	3.6

To replace units Council would either need to displace current tenants for the construction period, which would be unacceptable, or to increase the number of units to allow for an orderly transition.

In allowing for an orderly transition the modelling allows for an increase in the number of units until a threshold of units is available for existing tenants to be able to be moved.

Because of a lack of suitable land, the best scenario is to demolish old units and rebuild on existing complexes.

The portfolio development would go through 3 phases:

1. Expansion – increasing the number of units to allow the portfolio to be better shaped for sustainability.
2. Shaping – getting the portfolio into a balance so that on-going replacement can be maintained without impacting service.
3. Maintaining – maintaining the portfolio for on-going level of service.

The expansion phase would be for 3-4 years and will involve building more units. Given that more units are needed regardless of the best economic life of the buildings establishing that life is not critical to the plan.

The Plan is consistent with the Financial Strategy for Council. It balances the capital work that is required to deliver a set of services and applies the principles to this Activity individually.

This emphasises the quality of the units rather than low cost and also that the portfolio needs to be managed to be at a sustained level of service.

Operation / Maintenance Standards and Specifications

The Residential Tenancies (Healthy Homes Standards) Regulations 2019 come into force from 1 July 2021, with all rental properties having until July 2024 to comply.

To meet these standards the Housing Care flats require the installation of fixed heaters and extractor fans by the end of July 2024, at an estimated cost of \$4,000 per flat or a total of \$860,000 expenditure. As there is insufficient income from the present level of Housing Care rentals to pay for this cost and to keep the service self-funded. Officers recommend that weekly rents be increased by 35% from 1 July 2021. Tenants can individually apply for the Accommodation Supplement (AS) from the Ministry of Social Development (MSD) which will provide a portion of the rent increase and they will be supported by the Housing Support Officer to make these applications.

After July 2024 funds would be used to pay for maintenance and renewal costs.

Implementation of Healthy Homes Standards

1. Ventilation Standard

The Ventilation standard requires extractor fans in kitchens and bathrooms. Some flats have existing extractors in the kitchens or bathrooms but traditionally rely on opening windows for ventilation. The estimated installation cost is \$1,500 per flat for 215 flats. Bathroom extractors can be connected to the lights circuit and have turn-off timers to provide semi-automated operation.

2. Heating Standard

The heating standard requires fixed heating in living rooms which can warm rooms to at least 18°C. The on-line calculation tool when applied to Housing Care flats results in heating outputs of between 2.5 and 4.7 kW per flat. This is above the capacity of the fixed heating or free-standing convection heaters that are currently used and would require installation of **heat pumps**. These units will provide a good level of comfort and the potential for reduced electricity costs for tenants. The estimated installation cost is \$2,500 per flat and all flats would need new installations. There are two ways of achieving this – installation of single domestic sized units in every flat or installation of split units supplying multiple flats in each building.

Operation / Maintenance Options and Alternatives

As stated, there is insufficient income from the present level of Housing Care rentals fund the costs of meeting Residential Tenancies (Healthy Homes Standards) Regulations and to keep the service self-funded. Officers recommend that weekly rents be increased by 35% over two years in equal increments, from 1 July 2021.

Current Trends and Issues

As the Housing Care complexes age, the maintenance and refurbishing costs increase. Tenants' expectations are also increasing.

Council requires this Activity to be self-funding. The expectations of Council and the tenants are in conflict with one another and options have been explored to assist in selecting, with the community, a way forward. Demand on the number of units is projected to increase. The welfare expectation of Central Government is for Council to provide a complete wrap-around service.

Rental income is currently meeting all administration and maintenance costs. However, should occupancy trends change, consideration will need to be given to the future levels of service provided.

Operation Strategy

Our Housing Support Officer (HSO) maintains Invercargill City Council's tenant base and activates the fortnightly rental deductions through Pathways software.

Tenant applications are received, vetted and placed within appropriate priority listings for consideration when vacancies occur. In some cases, applicants do specify complexes and this may change their priority weighting, and increase waiting times. Our HSO also coordinates requests for service from tenants and carries out unit inspections six monthly and when required.

The Housing Support Officer is a liaison point between tenants / social agencies and next of kin should any interventions be necessary.

Recommended activity programme

In considering the sustainability of the service a high level model has been developed to consider options.

As for other strategic models, the model picks up on the high-level implications of choices:

Rental level: The rental level needed to be able to renew the units and to moderately expand the portfolio by 2 units per annum is an increase of 35% over two years. A lower rental increase could be achieved if a lower standard of external maintenance is sought for lawns and gardens.

Renewal of units: Figure 1 (below) is based on 2 new and 3.4 replacement units being built per annum. 3.4 per annum will mean that the replacement cycle is 63 years which is a limit for maintenance of the services in perpetuity. Two new units will allow for the population and demographic changes indicated in the council Financial Strategy and the population statistics shown above. The total number of units rises quite sharply for the first three years before stabilising at two new units per annum. This allows for decanting existing tenants to allow for demolition and reconstruction of the first new units..

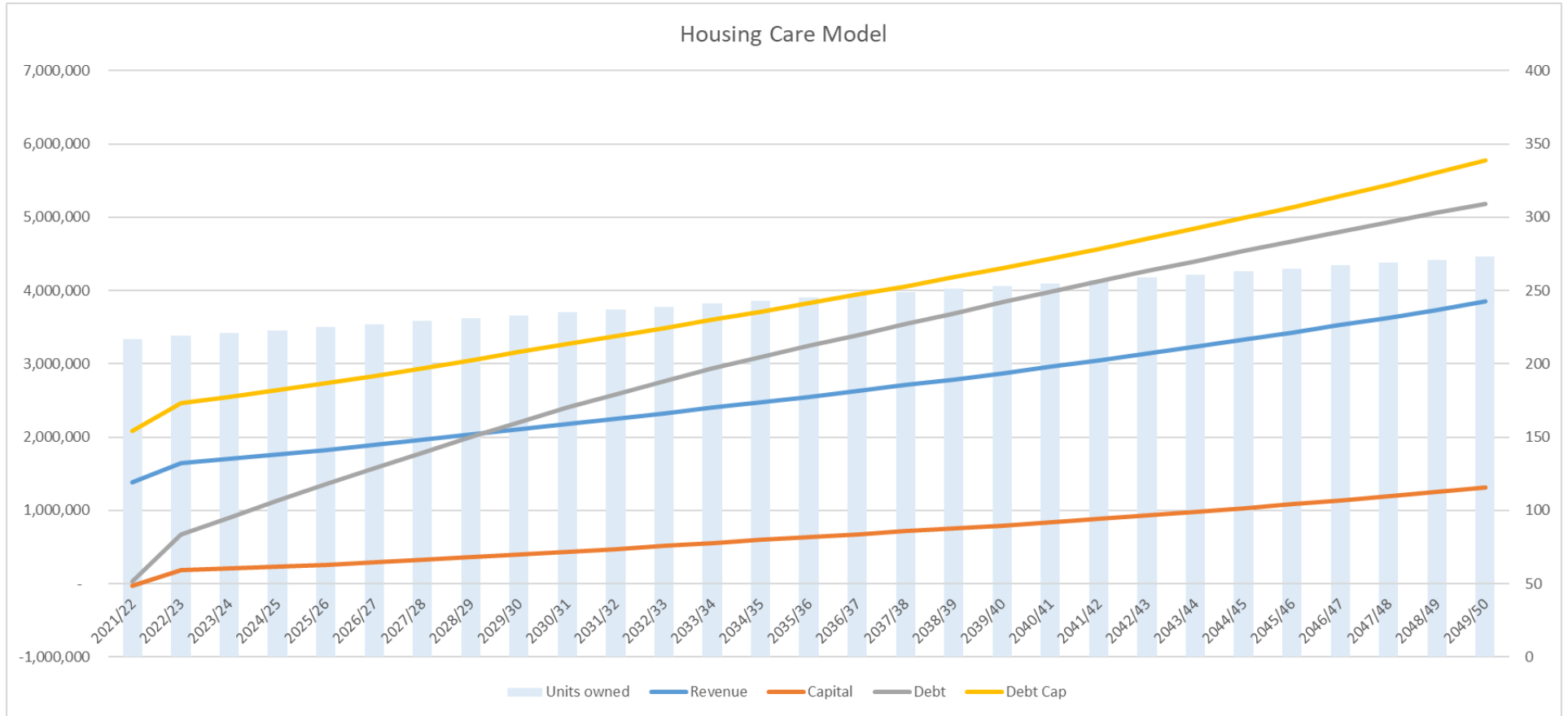
On-going maintenance: scheduled to rise due to the age of the units. This is likely to rise before it will reduce when there are more new units. This AMP modelled new units to have half of the maintenance needed for the older units.

The cost price of new units: this is based on \$135,000 for a 50m² unit. This price has been provided by our Property Department. Smaller units would cost less, and there is likely to be a range of unit configurations, but the higher price has been used to be conservative.

The sale price of existing units: estimated. For the first four years the model shows no sensitivity to a change in this estimate as no units would be sold for the first three years.

Figure 3

Option 2: Implement a two year staged approach to reach the proposed fee increase



The major sensitivity in the model is to the rental charge; which has most community and political sensitivity, and so has been kept artificially low, over many years.

The rent levels to qualify for accommodation supplement through the Ministry of Social Development (MSD) calculate to 25% of the Single or Married Superannuation. When the rent gets above this level, there is the ability to claim the accommodation supplement. The entry criteria for housing units means that most occupants would be eligible for the supplement if the rent they are charged is greater than the minimum. Council practice for rental rates has been to keep them no higher than 40% of Superannuation. The current level is about 22%.

What's changing and why?

This Plan proposes a strategy to build 5.4 new units each year to allow the portfolio to increase and then to continue building two new units per annum while replacing the older ones. The first phase of the strategy is to increase the number of units to provide for relocation of some tenants so that the oldest flats can be demolished and replaced with the first new units.

This will provide a robust strategy for Housing Care with clear objectives. The three fundamental principles of the strategy are:

1. Council will be involved as a social housing provider for elderly and disabled low-income persons.
2. Council involvement in the service will not be at any cost to ratepayers measured by:
 - a. No subsidy of costs.
 - b. Rents will be set to ensure all cash costs are met while retaining balance sheet capacity for more units and replacement of current units.
3. Rents will be established based on a sustainable balance sheet capacity for the service established by:
 - a. An activity debt capacity of 1.5 times revenue.
 - b. All costs for the service except depreciation being fully covered.
 - c. Depreciation will be included in the costs but may be funded at a lower level if 3(a) is true for a 15-year projection of funding needs.

The above principles would allow for the ongoing sustainability and some expansion of the service.

Work done for the LTP based on getting the services to comply with the Healthy Home Standard would lead to an increase of 35% in rental rates. The analysis in this report shows that an increase at that level would also allow for growth in the number of units over time.

The assumptions we've made

There are several areas where the assumptions made for the Long-term Plan particularly effect the Housing Care Services Activity:

- Those aged 65 and older will form 23% of the population in 2031, which is higher than the current aged population in 2020¹. The pattern of aging in the population is a long-term trend which is not expected to be disrupted. The needs of older people are different from those of working age.

¹ NZ Census Area unit forecast

- Changing community need – A recessionary period and increased need for social support in some areas of the community as a result of impact of Covid are expected. This is coming at the same time that the community is asking for tight control of rates increases. Expectations will need to be managed and Councillors supported to make difficult decisions.
- Resilience – Climate change and emergency events will increase with diverse and fluctuating impact on the community and on Council business. There have been learnings from Covid-19 to help support business continuity into the future.

2021-2013 Long Term Plan Assumptions

Population				
	Assumption	Level of certainty	Impact of uncertainty	Council response
Significant Assumption	<p>Population growth At 30 June 2020, the estimated population of Invercargill was approximately 57,100²³.</p> <p>The population growth for Invercargill is around 1%⁴. This rate has been observed during eight of approximately the past twelve years, making it a reasonable assumption for the current plan.</p> <p>Based on a 1% growth assumption, the expected population for 2031 is estimated to be around 62,810.</p> <p>Covid-19 might significantly change the previous growth forecasts for Council. Population growth is expected to be minimal in the short term as a result of Covid-19 limiting the ability of students and migrant workers to</p>	Medium	<p>Council is not planning for a major change in population during the life of the current plan.</p> <p>There are multiple uncertainties related to population growth in Invercargill:</p> <ul style="list-style-type: none"> • While International students currently in New Zealand are able to return to SIT for study, the number of EFTS⁵ to date for 2021 is only 337. This is compared to 775 in 2020. • Riding out recession impacts of Covid-19 Alert Levels 4 and 3 • Proposed Tiwai Aluminium Smelter closure • Mid-range population forecast but noting underlying increase in population that has already surpassed StatsNZ estimates 	<p>The critical infrastructure and resources that Council provides were designed for a city with a population larger than we are now. Council has appropriate infrastructure and resources to service our population without significant financial impact as we have plenty of room to grow.</p> <p>This is in line with the higher forecast of the Southland Regional Development Strategy.</p> <p>Council will continue to monitor change in population growth during the life of the current long term plan to prepare for/respond to any significant changes realised from the multiple uncertainties identified.</p>

² [Subnational population estimates \(TA, SA2\), by age and sex, at 30 June 1996-2020 \(2020 boundaries\) \(stats.govt.nz\)](#)

³ [Stats NZ Overview of data quality ratings, interim coverage and response rates, and data sources for 2018 census](#)

⁴ As above.

⁵ EFTS – Equivalent Full Time Student

	travel, along with continued aging of the population.			
Significant Assumption	Diversity The population will continue to become more diverse. The Maori population will grow from 17% to 19% ⁶ . The Asian population will grow from 6% to 9% ⁷ .	Medium	Interruptions to travel may affect international migration although it is not expected to effect this assumption significantly. Impact of uncertainty is low.	Council continues to explore new ways of engaging and ensures a balanced sample in customer research to ensure it understands changing needs and expectations.
Significant Assumption	Ageing population Those aged 65 and older will form 23% of the population in 2031, which is higher than the current aged population in 2020 ⁸ (estimated at 10,000 of 57,100, or 17.51%) ⁹ .	High	The pattern of aging in the population is a long-term trend which is not expected to be disrupted.	The needs of older people and younger people are different from those in the working age and Council will continue to consider the needs of all users of its services.
Significant Assumption	Households The number of households will increase as the population ages. The size of households will decrease slightly and may vary between 2.35 and 2.25 people over the time of the infrastructure strategy ¹⁰	Medium	The impact of a potential decline in numbers of students and migrant workers on demand for housing is uncertain.	Council's infrastructure has sufficient capacity to accommodate the potential increase in population and/or demand.

⁶ Growth in line with NZ stats estimate of 2% growth in the Southland region (NZ. Stats, population projections)

⁷ Growth in line with NZ stats estimate of 3% growth in the Southland region (NZ. Stats, population projections)

⁸ NZ Census Area unit forecast

⁹ [Subnational population estimates \(TA, subdivision\), by age and sex, at 30 June 2018-20 \(2020 boundaries\)](#)

¹⁰ To calculate the projected average occupancy rates we took past and projected population data from Statistics New Zealand and cross referenced this to past and projected number of households. The average occupancy is the total population divided by the total occupied households.

Economy				
	Assumption	Level of certainty	Impact of uncertainty	Council response
Significant Assumption	COVID-19 The lockdown and potential future impacts of COVID-19 may negatively impact residents' ability to pay rates. This could lead to a short term cashflow impact and increased rates arrears. Rates arrears could increase further.	Medium	To date there has been little impact on our rates receipts and the response to the new rates postponement and remission policy has led to a number of ratepayers contacting Council to go onto a payment plan for their rates.	Council has adopted an additional policy for postponement and remission of rates. This policy allows ratepayers financially impacted by COVID-19, to delay payment of up to 1 year's rates. Council staff will work with affected ratepayers to set up affordable payment plans.
Significant Assumption	Economy A recessionary period is expected for the first five years of the LTP and longer-term structural changes to the economy beyond this time. This will lead to higher unemployment and lower GDP. ¹¹	Medium	The shape of the recession (u or v) is as yet unknown. The relative impact across regions, based on industries impacted most by COVID-19, as well as potential impacts of proposed Tiwai closure and SIT becoming a subsidiary of Te Pūkenga needs to be better understood by Council in order to reduce this uncertainty. Significant errors in this area could have a significant impact on Councils budgets over the forecast period ¹² .	Council will focus on efficiency savings. Investment will only be made in activities which can be serviced. Council will continue to review its work programme and priorities as the level of uncertainty reduces.
Significant Assumption	Community funding Council can expect to see increased funding applications from groups as a result of Covid-19 and its impact on Community	Medium	The immediate impact of Covid-19 has been seen in the local community, with reduced funding available from major community funders including the Community Trust of Southland and	Council acknowledges the potential community expectation that Council will be positioned to distribute grants to fund community wellbeing related

¹¹ BERL Local Government Cost Adjustor Forecasts – Three Scenarios Reference No: #6109

¹²<https://www.infometrics.co.nz/industry-concentrations-and-the-fall-of-think-big/> ; <https://www.infometrics.co.nz/examining-the-nz-industries-hit-hardest-by-the-covid-19-pandemic/> ; BERL Local Government Cost Adjustor Forecasts – Three Scenarios Reference No: #6109

	Trust of Southland and Invercargill Licencing Trust's ability to fund.		Invercargill Licencing Trust and Foundation.	activities.
Significant Assumption	Economic diversification Volatility in the global economy may affect one or more of Invercargill's key export industries. This will drive diversification but will slow growth. There may be a delayed effect through the risk of impacted industries abandoning properties.	Medium	The relative impact needs to be better understood by Council to reduce uncertainty, as significant errors could have a significant impact on Council budgets over the forecast period ¹³ . This may directly impact rates and ability of Council to fund projects.	Council will continue to monitor changes in the global markets.
Activity Report Level	Central Business District Following a period of static activity until 2023 when the City Block development is complete, the CBD will become more vibrant and have increased connectivity. Council will work in collaboration with others to enable strategic activities and initiatives to support the success of the CBD.	High	The city centre is at the centre of Council's vision. As with any major investment of this type there is a level of uncertainty as to the impact of the development on future use patterns within the city. If the development does not succeed in drawing people to the city centre it will have an impact on Council strategy.	Council strategic activities and economic development activities delivered through Great South will align to support the success of the city centre projects Streetscape works will be designed to support connectivity to the city centre. Council will need to plan for the structural change this is anticipated to involve. Council has support for heritage buildings through the Regional Heritage Strategy and associated funds to support businesses managing high costs of older buildings.

¹³ <https://www.infometrics.co.nz/industry-concentrations-and-the-fall-of-think-big/> and <https://www.infometrics.co.nz/examining-the-nz-industries-hit-hardest-by-the-covid-19-pandemic/>

Significant Assumption	Tourism Tourism numbers will slowly increase, returning to 2019 levels by 2031.	Low	The tourism sector is the hardest hit in the economy and is not expected to fully recover out to 2030. This may have an impact on the Airport and other infrastructure needs that may or may not be required in short term as tourist numbers reduce.	Council expects some impact, but tourism is not a major proportion of Invercargill's GDP so the effect is expected to be relatively minor.
Significant Assumption	International education The numbers of International students studying at the Southern Institute of Technology will slowly increase back to 2019 levels by 2031.	Low	Students are an important part of the economy, creating significant demand. The impact on retail, hospitality and housing could be significant.	Council is working with Great South on economic development.

Social and cultural				
	Assumption	Level of certainty	Impact of uncertainty	Council response
Activity Level	Māori culture Māori culture will become more visible in the city.	Medium	Increased awareness of the need to recognise Maori culture and tikanga (methodology), with a particular focus on partnership, participation and protection.	Council will invest more in Maori engagement to ensure strategic projects reflect Maori culture in the city.
Activity Level Significant Assumption	Socio-economic The impact of COVID-19 is yet to be realised, and there may be changes in Invercargill's socio-economic patterns over time. Māori have been disproportionately affected by the economic crisis brought about by the COVID-19 containment measures, and it is expected to continue to play out over the ten year recovery period. ¹⁴	Medium	With GDP softening the long range economic outlook will hinge largely on the ability for the current and successive governments to provide economic stimulus. This may have an impact on Council activities that rely on users discretionary spend for revenue	Council acknowledges the potential community expectation that Council will be positioned to distribute grants to fund community wellbeing related activities.

¹⁴ BERL (July 2020). Economic Scenarios to 2030. The post-COVID-19 scene.

Resilience				
	Assumption	Level of certainty	Impact of uncertainty	Council response
Significant Assumption	Community wellbeing The COVID-19 response measures will have long term impacts on the wellbeing of communities, requiring a long term perspective response.	Medium	The situation is evolving and will continue to be monitored.	Council has tasked Great South, the regional development agency, to focus on resilience and economic diversification. A Community Wellbeing Fund has been established.
Asset/ Activity Plan level	Community resilience The amalgamation of Southern Institute of Technology with Te Pūkenga, and the potential loss of zero fees advantage, will have an uncertain long-term effect on Invercargill's population and economy.	Medium	The effects of COVID-19 on immigration will impact student numbers in the short to medium term. The risk of losing the zero fees advantage could have an impact on our growth strategy.	Council funds Great South to promote the region and continues to monitor and plan for the impact.
Asset/ Activity Plan level	Community resilience Tiwai Point Aluminium Smelter will continue to operate until 31 December 2024.	Medium	A transition plan will be developed to prepare for the eventual closure. It is not yet clear where and how the impact will be felt in the community.	Council is working with the Just Transition team and Great South on economic diversification.
Significant Assumption	Natural disaster No natural disaster is expected to impact the City during the life of the plan.	Medium	The impacts of a disaster will be assessed at the time and an appropriate response prepared. Infrastructure renewals are undertaken using resilient design practices.	Council has a focus on resilience. Council continues to support and invest in Emergency Management Southland.

Environment – Climate Change

Climate change impacts will vary across regions in Southland. The following is a summary of impacts taken from the *Southland climate change impact assessment, August 2018* report.

	Assumption	Level of certainty	Impact of uncertainty	Management response
Significant	<p>Mean annual and extreme temperatures (days where temp. exceeds 25°C) are expected to increase with time: By 2040: mean annual temperature increase of 0.5-1°C with 0-10 more hot days per annum. By 2090: mean annual temperature increase of 0.7-3°C, with 5-55 more hot days per annum.</p>	High	<p>Water - Longer period of drought may result in increased demand, whilst flood events create turbidity and increase the cost to treat for consumption.</p> <p>Flood Banks – increased temperature results in more extreme weather events, with a corresponding increase in height and frequency of storm surges.</p>	A planned pathway for the review of these assumptions and the impacts will minimise large impacts upon activities.
Significant	<p>Annual rainfall is expected to increase: By 2040: +0-10% By 2090: +5-20% Increased frequency of high rainfall days, i.e. increase in intensity of rainfall.</p>	High	<p>Roading - increased frequency and intensity of rainfall may require extra drainage works in the road network that may alter long-term maintenance costs</p> <p>Stormwater – increased frequency and intensity of rainfall events resulting in increased demand on the network.</p> <p>Wastewater - Increased frequency and intensity of rainfall events results in infiltration and inflows that increase volumes to be treated.</p>	A planned pathway for the review of these assumptions and the impacts will minimise large impacts upon activities.
Significant	<p>Mean sea level is expected to rise. By 2040: 0.2-0.3 m By 2090: 0.4-0.9 m</p>	High	<p>Errors in modelling will have significant impact on capital works programme required</p> <p>Stormwater – increased tailwater levels require consideration for outfall</p>	A planned pathway for the review of these assumptions and the impacts will minimise large impacts upon activities.

			design. Flood Banks – Renewals need to consider increased sea level during design life. Sewerage – Clifton outfall may need to be pumped long term.	
Council operations				
	Assumption	Level of certainty	Impact of uncertainty	Council response
Significant Assumption	Council services and structure Council is planning for the current structure to deliver the current set of services, with the exception of water and sewerage.	Medium	If amalgamation does occur, costs to the ratepayer will remain the same, although revenue and financing will be done by a different operator.	Council will proactively engage with neighbouring authorities and central government to ensure that the best result is achieved from any amalgamation.
Asset/Activity Level	Water Reform As a result of the Central Government directed Waters Reform, it is assumed there will be a change in water reticulation and sewerage delivery services within the life of the plan. This will result in a structural change for Council in relation to the ownership of assets and associated debt capacity. The services will continue to be delivered, but these will be provided by another party. This will include increased regulatory requirements as required by the new regulatory	High	The services will continue to be delivered but these will be provided by another party. This will be managed in line with Government best practice, and will remain within the Council financial and 10-year assumptions.	Council will assess proposed reform options when Central Government has provided their final recommendations to Local Government entities. Council will proactively engage with neighbouring authorities and central government to ensure that the best result is achieved from any reforms. Council is incorporating management of this potential outcome through planning for management of debt.

	authority.			
Asset/Activity Level Significant Assumption	Legislative changes There will be changes to legislation that have an impact on how Council will provide services. These changes may affect the Council organizational structure but not change the level of service received by the customer/ratepayer.	High	Changes may affect the Council organizational structure but not change the level of service received by the customer/ratepayer.	Management will continue to engage with Government and plan for changes in services in response to policy and regulation changes as these arise.
Asset/Activity Level	Consents Council will continue to carry out legislation-directed ordinary functions while factoring in an increase to required quality for consent conditions.	Medium	If unexpected consent conditions are imposed there may be unexpected costs to compliance.	Council will work with the Regional Council early to minimise the risk of unexpected consent conditions. The cost of obtaining consents, knowing environmental standards are increasing, will be built into activities.
Asset/Activity Level	The Funding Assistance Rate (as advised from Waka Kotahi NZTA) will reduce by 1% each year until reaching 51% funding assistance in the 2023/2024 and then remain at 51% for the life of the plan.	High	Increase in demand on rate funding for roading activities, including the forecast NZTA portion of the city centre streetscape project.	Continue to engage with NZTA on funding assistance.
Asset/Activity Level Significant	Asset life Assets will remain useful until the end of their average useful life, assuming asset average life	High	Assets may need renewal earlier if this assumption is incorrect and change the renewal profile. Or may allow delayed renewal in other cases.	Review the appropriateness of assets at the time of renewal including, where appropriate, whole of life cycle assessment.

Assumption	<p>expectancy assumptions are correct.¹⁵</p> <p>Infrastructure installed in the 1920s are nearing the end of their lives and require renewal within the term of the Infrastructure Strategy.</p>			Increase knowledge of asset conditions to better predict the average use of life if assumptions are lower than expected.
Asset/Activity Level Significant Assumption	<p>Investment Property and Forestry</p> <p>Investment Property and Forestry Assets are valued on a yearly basis. They are expected to increase in line with inflation. This is reflected in our Financial Strategy, and Accounting policies.</p>	High	Variation in valuations have no cash flow implications for Council.	Continue to value Investment Property and Forestry assets on an annual basis.
Asset/Activity Level	<p>Capital programme delivery</p> <p>Implementation of a Project Management Office will increase effectiveness of delivery of the capital programme over the Long-term Plan. 75% of the capital programme will be delivered In Year 1, 80% in Year 2, 85% in Year 3.</p>	High	It may take longer to implement the Project Management Office than expected, including as a result of challenges in attracting qualified personnel. Availability of contractors may have a greater impact than expected. Delay in the programme will result in higher costs as a result of inflation.	Active management of project processes, including engaging consultants as required, active and early engagement with contractors. Management of the programme rather than individual projects will enable contractor availability as well as funding levels to be actively managed. The financial risk of higher levels of delivery than expected across multiple areas will be monitored. Any impact of delayed capital expenditure on renewals on maintenance budgets will be actively managed.

¹⁵ Council will use national standards is asset revaluation.

Financial forecasting				
	Assumption	Level of certainty	Impact of uncertainty	Council response
Significant Assumption	Inflation Operational forecasts and capital work programmes will increase by the accumulated Local Government Cost Index inflation forecast by BERL.	Medium	Cost change factors are based on information developed for Council's by Business and Economic Research Limited (BERL). Significant variations to inflation would have an impact on Council's financial management.	Council will continue on the planned pathway for the Capital Works programme and review operational revenue & expenses each year.
Significant Assumption	Asset revaluation Asset values will increase by the accumulated Local Government Cost Index inflation forecast be BERL on the last valuation value. Revaluation occurs in 2021/22 and every third year therefore.	Medium	Changes in the valuation or life of Council assets may have a significant impact on Council's financial management and capital programme.	Council will continue on the planned pathway for the Capital Works programme and monitor with after each revaluation cycle.
Activity Report Level	Interest rates - Borrowing Expected interest rates on borrowing will be 2.5%.	High	The treasury report from Bancorp projects the ICC Borrowing interest rate are currently at 2.20% in 2020, and is expected to fall and remain under 2% for the next 10 years. Significantly higher interest rates would impact Council's financial position.	2.5% would allow some upside if the situation changed (interest rates increase or credit rating decreases); but Council have potential to go to 2.25% or 2% to lower costs.
Activity Report Level	Interest rates – Cash and Deposits Return on cash and term deposits are forecasted to expect a negative rate at some stage within 2020/2021.	Medium	Term deposit rates currently vary from 0.5% for under 6 months to a flat 1% for longer. Most forecasts still expect a negative rate at some stage within 2020/2021.	An assumption of 0.5% should be comfortable and if rates do increase again in the future, this will put Council in a more positive position.
Activity Report Level	Dividends from ICHL will be \$4.8m + CPI.	Medium	This would have a negative impact on Council's overall revenue and cash position, which would increase the burden on ratepayers.	Council will consider strategic reliance on dividends noting increased levels of economic uncertainty.

<p>Activity Report Level</p>	<p>External Funding It is assumed Council will achieve the level of external funding as estimated.</p>	<p>High</p>	<p>The immediate impact of Covid-19 has been seen in the local community, with reduced funding available from major community funders including the Community Trust of Southland and Invercargill Licencing Trust and Foundation.</p>	<p>Council acknowledges the challenge of obtaining external funding at this time.</p> <p>Should Council not be able to obtain funding as indicated this would impact project scope and in some cases require further consultation.</p>
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Sustainability

The Local Government Act requires Council to take into account the social, economic and cultural interests of people and communities, the need to maintain and enhance the quality of the environment and the reasonably foreseeable needs of future generations by taking a sustainable development approach. Sustainability can be defined as:

Development which meets the needs of the present generation without compromising the future generation from meeting their own needs

(Brundtland Report, 1987).

The Council recognises that sustainability is a journey, not a destination. It is not a point that is reached, but a process of continual improvement, where society adapts and responds to changes over time, in a way that recognises the fundamental relationships of the three elements detailed below.

In relation to the Housing Care activity, sustainability has been described as the on-going ability to deliver the service. The barrier to sustainability is the level of rent the tenants must pay. The proposed increase allows the Activity to become sustainable by enabling the renewal of units over time. An increase also provides greater borrowing capacity for the service. The plan also allows for improved environmental standards through the building of more insulated units for energy efficiency.

If the Activity sees a significant change in the demand for units then more units could be built in later years. If demand drops then a programme of sale of units could be undertaken.

Social and Cultural

The Housing Care Service has positive effects on the community because it provides affordable, warm and comfortable accommodation to those in the community who are unable to provide their own. Housing units are located in various suburbs in Invercargill and Bluff to enable residents to remain active members of the community.

Housing Care properties need to be better maintained. Day to day maintenance of issues and repairs is well done. Regulations have been provided to insure that warm and dry living conditions are provided and this is addressed through the upgrade program within this plan.

The Activity includes the employment of a support officer whose role is to develop a working relationship with residents. This commences when potential future residents are assessed for eligibility for this service. The Housing Support Officer also visits residents in their units from time to time to assess their well-being, and advise residents of other agencies which may be able to provide support based on their needs.

Environmental

The Housing Care Service manages 215 housing units. The service has a contract with a garden service to undertake lawn and landscape maintenance as well as garden rubbish refuse at all complexes.

Health and Safety Risk Identification and Assessment

Table 8

Health and Safety Risk Identification and Assessment

Level of Service Indicator	Caused By	Consequence								Risk		Controls	
		Health and Safety (0.20)	Service Delivery – Customer Impact (0.15)	ICC Financial Impact (0.20)	Financial – Community (0.15)	Corporate Image and Reputation (0.10)	Legal Compliance (0.20)	Weighted Averaged Consequences Score	Likelihood	Risk Severity	Current Practice	Recommended Actions	
Lower occupancy rate than projected	Lack of tenants choosing Council's units	1	1	2	2	4	1	1.65	D	L	Council reviews rentals affordability biennially.	Current practice is adequate.	
Ratepayers required to finance activity	Income generated from tenants being lower than expenditure	1	1	2	2	4	1	1.65	C	L	Council reviews maintenance spending when occupancy is low.	Council make a decision whether levels of service should decrease or if rates funding should subsidise the service going forward.	

Level of Service Indicator	Caused By	Consequence									Controls	
		Health and Safety (0.20)	Service Delivery – Customer Impact (0.15)	ICC Financial Impact (0.20)	Financial – Community (0.15)	Corporate Image and Reputation (0.10)	Legal Compliance (0.20)	Weighted Averaged Consequences Score	Likelihood	Risk Severity	Current Practice	Recommended Actions
Inability to meet demand for units	Higher demand for service, ageing population and Housing New Zealand reducing their housing stock, level of market rents.	1	3	1	1	2	1	1.4	B	M	Assess the tenants on waiting list and prioritise for need.	Maintain current practice and investigate future options for increasing housing stock.
Tenants	Profile, mental health education, life	2	2	2	1	4	1	1.85	C	M	Assess the tenants on waiting list and prioritise for need.	Recommend external support systems.
Health and Safety	Accidents	2	1	2	1	3	1	1.60	C	L	Regularly visit complexes.	Maintain current practice.

Note: risk schedules will be updated following implementation of corporate framework.

Smoking in units

The most rapid deterioration of the interior decoration of Units is caused by tenants who smoke.

There appear to be two options for smokers:

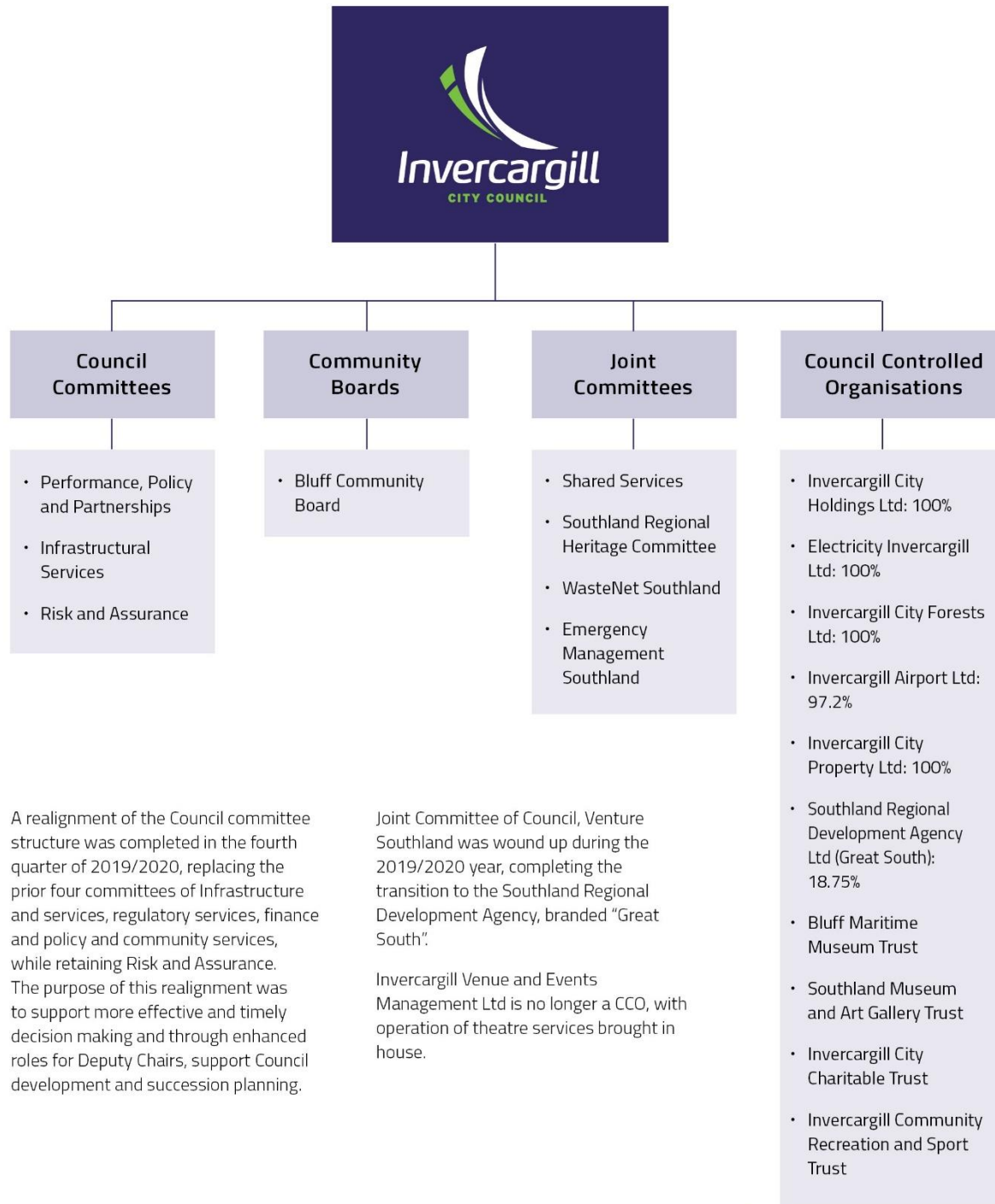
1. Allow smoking in the units but have an additional charge for smokers.

2. Develop and implement a smoke-free policy for the units.

Smoking inside leads to an increase cost for refurbishment when a smoker vacates. As the units are "home" for the residents, it could be argued unreasonable to restrict what a person can do in their home. To mitigate this, an additional charge could be a solution. If the goal is for lower cost, and restricting smoking lowers the cost, then implementing a smoke-free policy would be a viable solution.

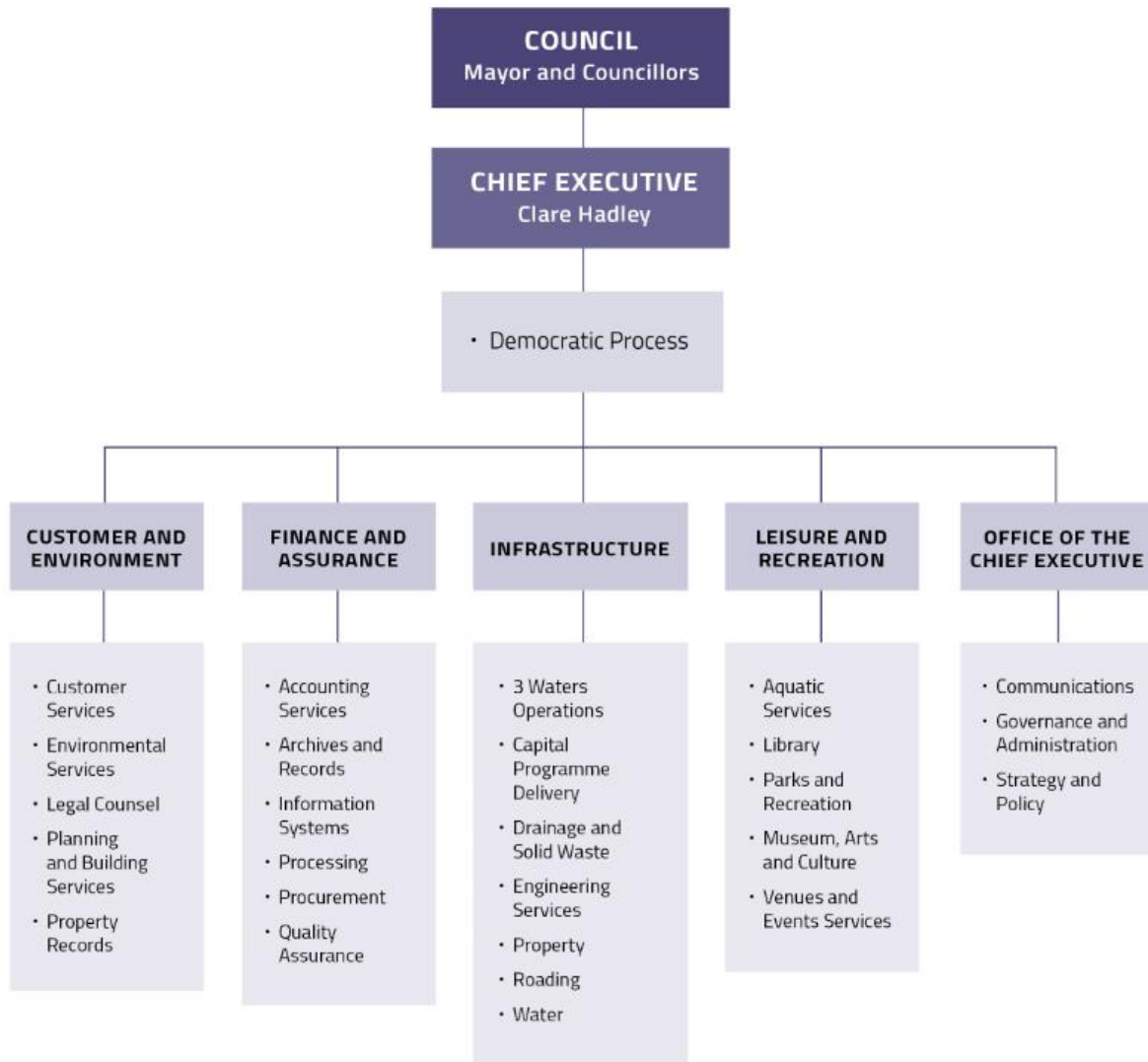
4. How we'll manage what we do

Council Structure



Invercargill introduced

Management Structure



Responsibility and resourcing

The Activity is run in house by one staff member at 32 hours per week who reports to the Property Manager. Staff are responsible for processing applications, receiving rents and coordinating inspections and requests for service. This Activity is expected to be cost-neutral to Council, with all costs required to be met by rental income.

It is important to emphasise the division of responsibility involved in the Housing Care Service Activity between service delivery and asset management.

These can be described as follows:

- The Service Manager manages the policy and strategy of the Activity.
- The Asset Manager provides, maintains and improves the buildings over time and all aspects of day-to-day operation.

The service has recently suffered from a significant gap in delivery as there has been no permanent activity service manager. This has resulted in a lack of governance at either the management or governance level of the organisation. This has recently been corrected following the appointment of a permanent Group Manager of Finance and Assurance.

Asset Overview and Description

For a full asset overview and description, please refer to the Invercargill City Council Building Assets Activity Management Plan.

5. How we'll fund it

This service is funded fully from user charges (rental fees).

Financial analysis of the current state

Revenue

Revenue is stable and there is a programme for rentals to rise on an annual basis. This is important as the costs of the units is rising.

The following table shows rental income on an annual basis for the past five years.

Table 9

Annual Housing Care Activity rental income (2015 – 2020)

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue	1,046,194	1,069,117	1,075,066	1,142,221	1,171,000
Increase		2.2%	0.6%	6.2%	2.5%

Expenditure

In the past, Central Government has promoted the provision of housing for people with limited means by providing financial incentives to councils. Government subsidies and low-interest loans ceased in 1992. It is worth noting that current Council interest rates are significantly lower than the low-interest loans provided by Central Government.

The past goal of Housing Care has been for it to run at no net cost to rates. While the Activity has established a moderate level of investment from cash, it has been subsidised by rates. This subsidy has been implicit rather than an explicit decision and has taken the following forms:

1. The properties were not subject to the full rating that would apply to properties of this type, that amounts to under-rating of \$130,000 per annum)
2. The depreciation, which is included within the Activity, has not been included in the revenue calculations to establish a sustainable funding platform. This creates some conflict with a balanced budget requirement.
3. The units have not been modernised to an appropriate level and a backlog of old units is now required to be remedied to get the properties to a standard required for rented properties and to be accessible for people with disabilities.

Expenses for the past five years are shown in the table below:

Table 10

Annual Housing Care Activity Expenses (2015 – 2020)

Item	2015/16	2016/17	2017/18	2018/19	2019/20
Depreciation	295,564	297,238	1,126,934	1,133,420	945,267
Interest - Net Debt	4,626	-	-	-	
Operations costs	19,438	27,901	25,908	27,914	28,600
Insurance	75,990	73,878	77,015	82,798	90,000
Rates	103,440	103,436	117,197	136,910	142,000
Maintenance - General	334,984	236,893	500,348	358,335	382,905
Internal - Services Charge	213,759	224,893	221,945	239,183	241,200

The expenses show a reasonable pattern of spread and increase over time.

- Depreciation – this is the major reason why the Activity makes a loss. The depreciation charge has risen significantly since 2017. This is the result of the revaluation of the portfolio as part of the on-going cycle of revaluations the Councils are required to do for Annual reporting purposes to ensure that the assets of the entity show at "fair value". As part of this review we have identified the cost for replacement of a unit. If that cost were applied on a Depreciated Replacement basis rather than the current methodology 215 units with a life of 50 years would equate to a depreciation charge of \$580,000 per annum. The depreciation is important because it impacts on Council's balanced budget requirement.
- General maintenance – this is high relative to the revenue earned. A quick review on the internet for property investment calculators suggest a range of 13% - 20% for maintenance costs. The Council percentage is 32%.
- Rates - rates are not set at the full rates for the property. For some reason the rates are only charged for services. This understates the rates cost by about 50% i.e. full rates would be \$270,000. Representing a hidden subsidy of \$130,000. The Activity is being charged full rates for 2020/21.

Overall financial results

The understanding for Housing Care is that it will operate at no cost to rates. Below is the results of operations and capital spending since 2015:

Table 11

Housing Care Operations and Capital Spending (2015 – 2020)

	2016	2016	2018	2019	2020
Surplus/Deficit	(\$29,676)	\$66,410	(\$1,059,385)	(\$898,917)	(\$723,031)
Add back Depreciation	\$295,564	\$297,238	\$1,126,934	\$1,133,420	\$945,267
Funds for capital	\$265,888	\$363,648	\$67,549	\$234,503	\$222,236
Capital spend	\$13,507	\$98,118	\$55,556	\$162,540	\$226,000
Funds unspent	\$252,381	\$265,530	\$11,993	\$71,963	(\$3,764)

The Activity is operating at a loss. However, it is also operating with no cash requirement from rates. However, the asset is being consumed and the Activity is not generating enough cash for the replacement of the units. The reserves built up over a number of years will enable most of the work required for healthy homes to be completed without borrowing. However, at some point the Council will need to think of replacing the units or exiting from the service.

The reducing trend in funds available for Capital is very concerning given the age of the housing stock and the increasing need for more capital spend and more maintenance to keep the current units.

Councils have a requirement to balance the budget, and the deficit for Housing Care means an increase in rates to cover the deficit created by the loss in this Activity.

Table 12*Housing Care Total Expenditure OPEX and CAPEX 10 years*

	2020/21 Annual Plan (\$000)	2020/21 Forecast (\$000)	2021/22 LTP (\$000)	2022/23 LTP (\$000)	2023/24 LTP (\$000)	2024/25 LTP (\$000)	2025/26 LTP (\$000)	2026/27 LTP (\$000)	2027/28 LTP (\$000)	2028/29 LTP (\$000)	2029/30 LTP (\$000)	2030/31 LTP (\$000)
OPERATING												
Rates revenue	-	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants (Capital)	-	-	-	-	-	-	-	-	-	-	-	-
Subsidies and grants (Operational)	-	-	-	-	-	-	-	-	-	-	-	-
Direct charges revenue	-	-	-	-	-	-	-	-	-	-	-	-
Rental revenue	1,183	1,189	1,389	1,558	1,701	1,762	1,826	1,891	1,961	2,032	2,108	2,185
Finance revenue	10	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads recovered	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	1,193	1,189	1,389	1,558	1,701	1,762	1,826	1,891	1,961	2,032	2,108	2,185
Employee expenses	64	-	-	-	-	-	-	-	-	-	-	-
Administration expenses	222	328	328	338	346	354	364	374	382	393	404	414
Grants & subsidies expenses	-	-	-	-	-	-	-	-	-	-	-	-
Operational expenses	15	29	40	41	42	43	45	45	46	48	49	51
Repairs & maintenance expenses	387	389	541	571	601	616	632	648	664	683	701	720
Depreciation and amortisation	945	945	950	1,021	1,042	1,054	1,148	1,161	1,174	1,278	1,291	1,305
Finance expenses	-	-	-	-	-	-	-	-	-	-	-	-
Internal charges and overheads applied	306	100	-	-	-	-	-	-	-	-	-	-
Total expenses	1,939	1,791	1,859	1,971	2,031	2,067	2,189	2,228	2,266	2,402	2,445	2,490
OPERATING SURPLUS / (DEFICIT)	(746)	(602)	(470)	(413)	(330)	(305)	(363)	(337)	(305)	(370)	(337)	(305)
CAPITAL EXPENDITURE												
• to meet additional demand	-	-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service	-	150	780	648	379	389	400	409	420	431	442	454
• to replace existing assets	-	250	476	490	502	515	528	541	555	570	586	601
TOTAL CAPITAL EXPENDITURE		400	1,256	1,138	881	904	928	950	975	1,001	1,028	1,055
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-

Figure 5

Housing Care Operating Revenue – 10 Years

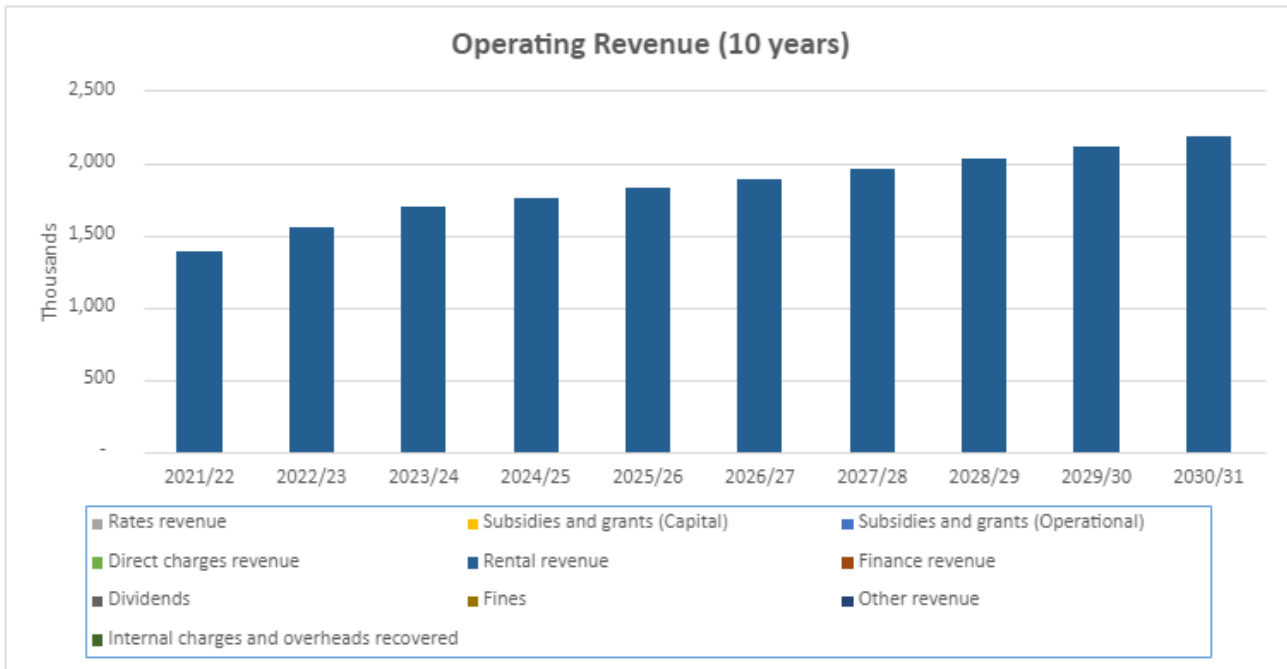


Figure 6

Housing Care Operating Expenditure – 10 Years

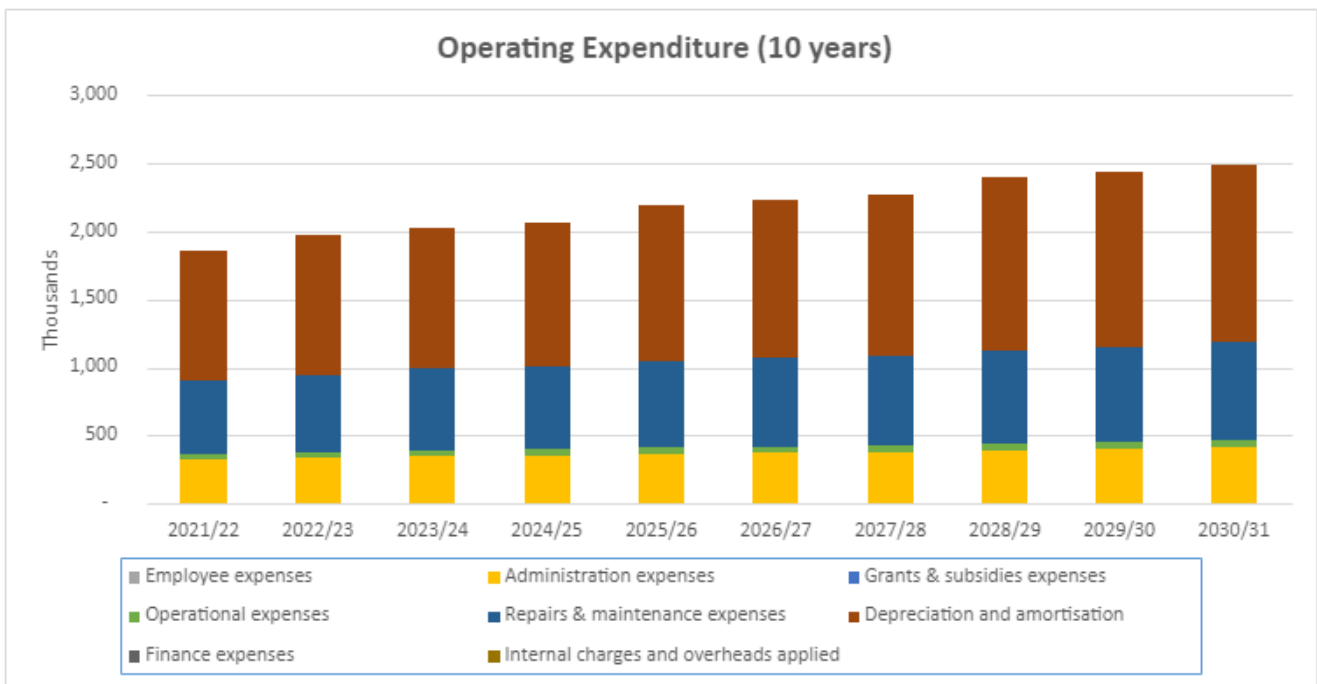


Figure 7

Housing Care Capital Expenditure – 10 Years

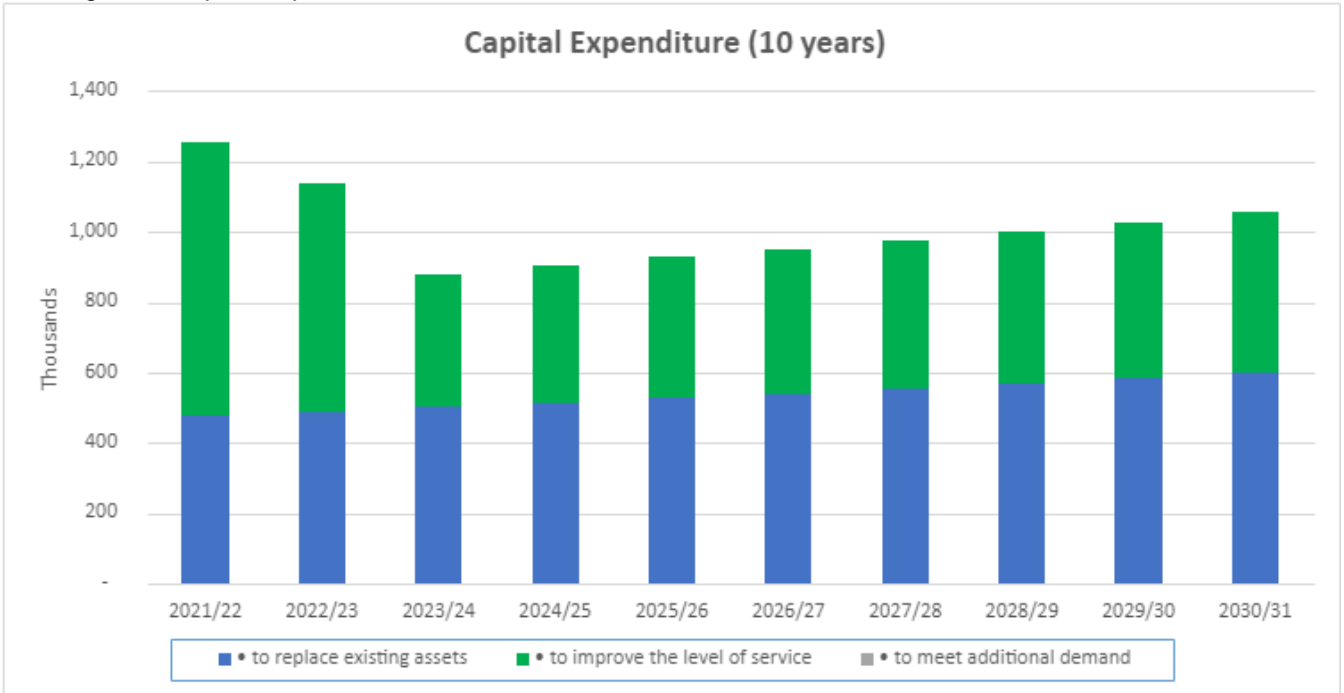


Table 13*Housing Care Total Expenditure OPEX and CAPEX 30 years*

	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	2047-2051
	LTP	LTP	LTP	LTP	LTP	LTP
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<u>OPERATING</u>						
Rates revenue	-	-	-	-	-	-
Subsidies and grants (Capital)	-	-	-	-	-	-
Subsidies and grants (Operational)	-	-	-	-	-	-
Direct charges revenue	-	-	-	-	-	-
Rental revenue	8,236	10,177	12,016	14,038	16,363	19,035
Finance revenue	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Fines	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Internal charges	-	-	-	-	-	-
Total revenue	8,236	10,177	12,016	14,038	16,363	19,035
Employee expenses	-	-	-	-	-	-
Administration expenses	1,730	1,967	2,212	2,467	2,747	3,066
Grants & subsidies expenses	-	-	-	-	-	-
Operational expenses	211	239	267	301	336	376
Repairs & maintenance expenses	2,961	3,416	3,841	4,283	4,775	5,326
Depreciation and amortisation	5,215	6,209	7,461	8,683	10,075	11,824
Finance expenses	-	-	-	-	-	-
Internal charges	-	-	-	-	-	-
Total expenses	10,117	11,831	13,781	15,734	17,933	20,592
OPERATING SURPLUS / (DEFICIT)	(1,881)	(1,654)	(1,765)	(1,696)	(1,570)	(1,557)
<u>CAPITAL EXPENDITURE</u>						
• to meet additional demand	-	-	-	-	-	-
• to improve the level of service	2,596	2,156	2,426	2,707	3,016	3,363
• to replace existing assets	2,511	2,853	3,209	3,578	3,988	4,448
TOTAL CAPITAL EXPENDITURE	5,107	5,009	5,635	6,285	7,004	7,811
Gross proceeds from sale of assets	-	-	-	-	-	-

Figure 8

Housing Care Operating Revenue – 30 Years

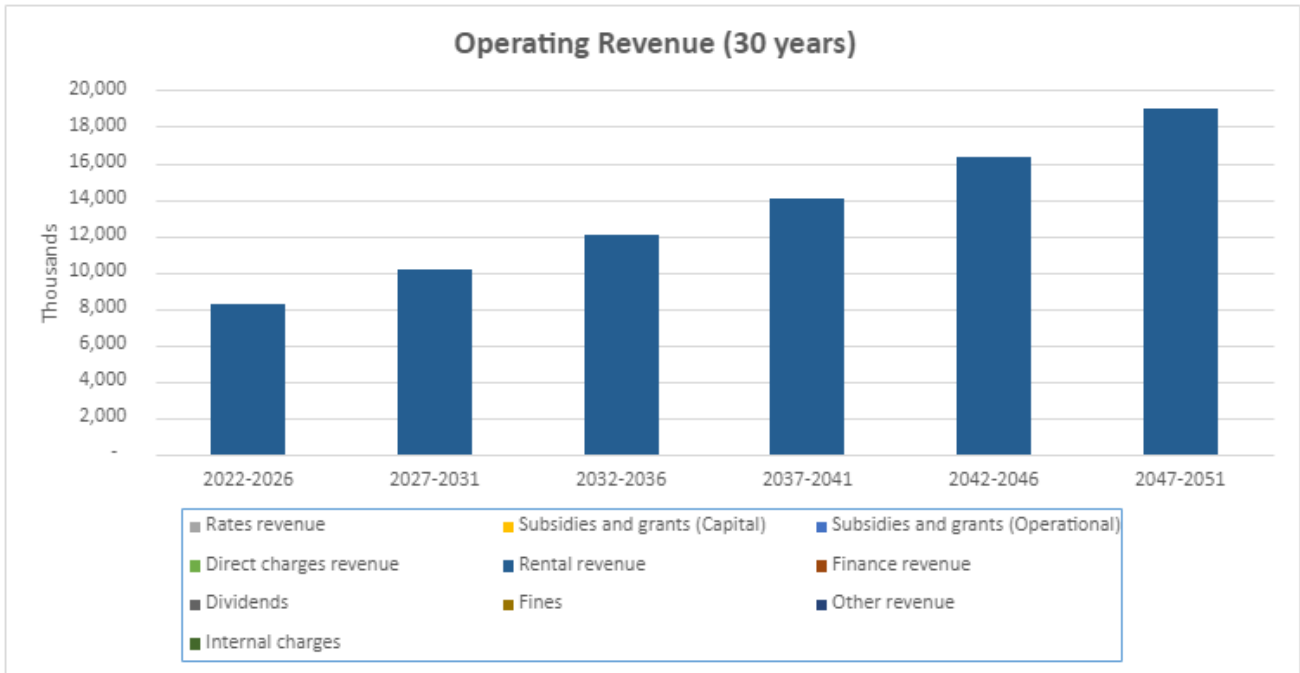


Figure 9

Housing Care Operating Expenditure – 30 Years

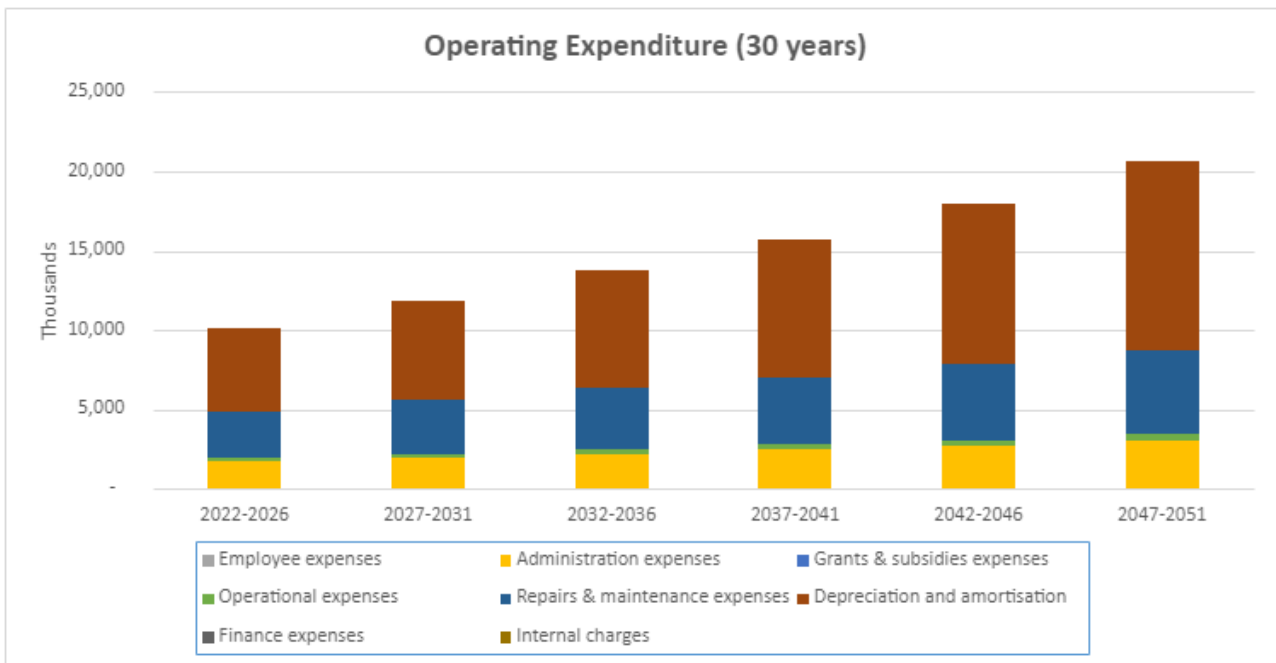


Figure 10

Housing Care Capital Expenditure – 30 Years

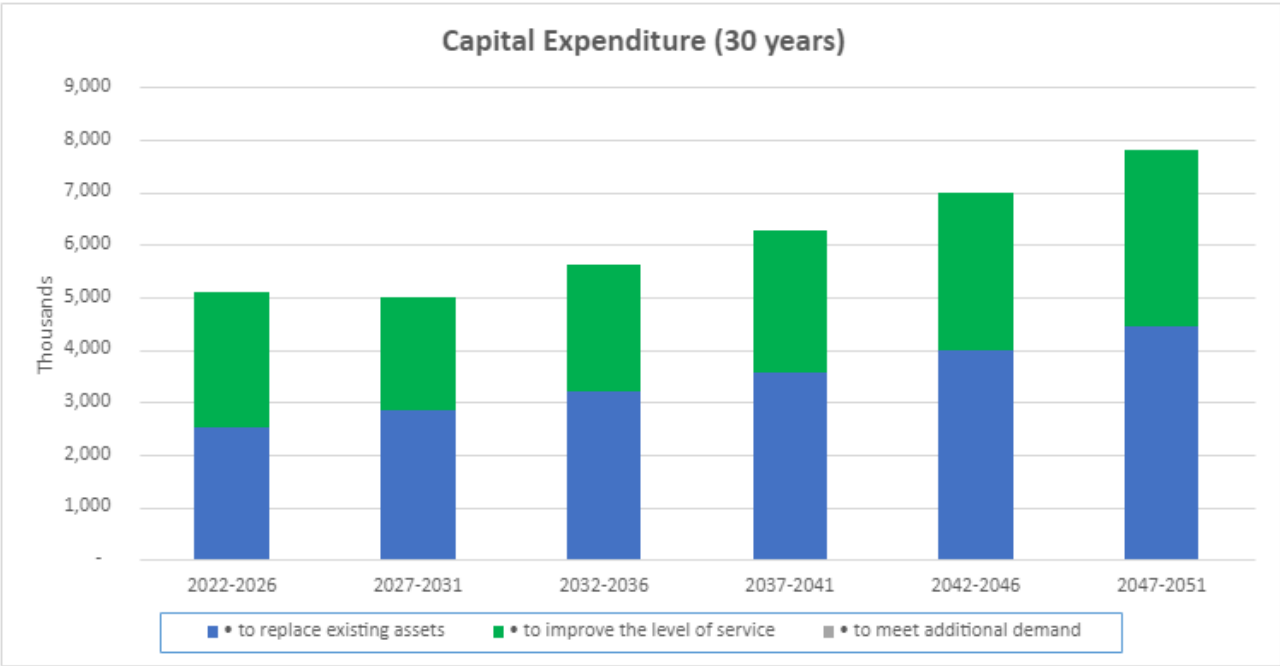


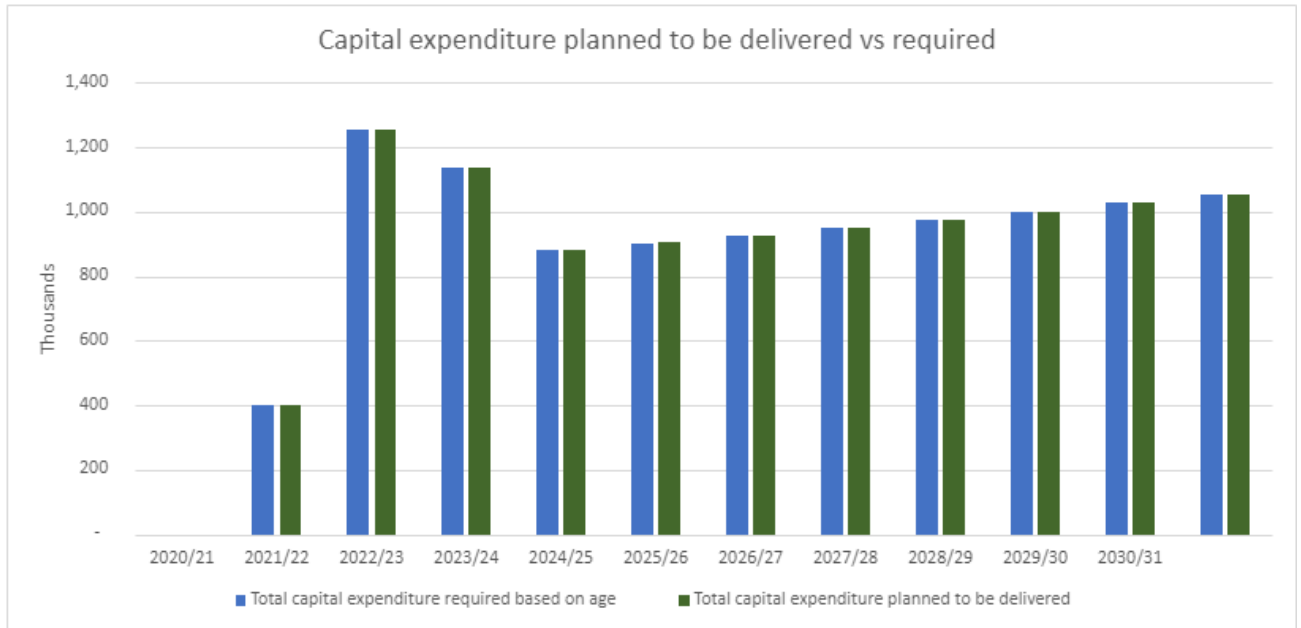
Table 14

Housing Care Total Capital Expenditure Planned Delivery vs Required

	2020/21 Annual Plan (\$000)	2020/21 Forecast (\$000)	2021/22 LTP (\$000)	2022/23 LTP (\$000)	2023/24 LTP (\$000)	2024/25 LTP (\$000)	2025/26 LTP (\$000)	2026/27 LTP (\$000)	2027/28 LTP (\$000)	2028/29 LTP (\$000)	2029/30 LTP (\$000)	2030/31 LTP (\$000)
<u>Capital expenditure required based on age</u>												
• to meet additional demand		-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service		150	780	648	380	389	399	409	420	431	443	454
• to replace existing assets		250	476	490	502	515	528	541	555	570	586	601
Total capital expenditure required based on age		400	1,256	1,138	882	904	927	950	975	1,002	1,029	1,055
<u>Capital expenditure planned to be delivered</u>												
• to meet additional demand		-	-	-	-	-	-	-	-	-	-	-
• to improve the level of service		150	780	648	379	389	400	409	420	431	442	454
• to replace existing assets		250	476	490	502	515	528	541	555	570	586	601
Total capital expenditure planned to be delivered		400	1,256	1,138	881	904	928	950	975	1,001	1,028	1,055

Figure 13

Housing Care Total Capital Expenditure Planned Delivery vs Required



This graph shows that the capex funding requested for renewal of existing assets will be fully funded in the Long Term Plan

6. How we'll know we're delivering

How we'll manage improvements

Council operates on a four-weekly cycle with meetings for the two committees of Infrastructural Services Committee and Performance, Policy and Partnership Committee that look into each department at Council and are provided with extensive monitoring and reporting of levels of services for activities and assets that come out of that department, alongside monthly financial accounts for each department. The Committee will question these reports with Managers present to answer any questions that arise from the reports.

The information for these reports is entered into various software systems. This monitors the performance both fiscal, and service based against targets and budgets from Council's Long-term Plan. Targets can be key performance indicators, internally driven targets or provided from a Ministry that oversees that area, i.e. Department of Internal Affairs. At a full Council meeting these reports are then received.

Frequency of Review

Every financial year Council prepares an Annual Report that is the key document in ensuring the expenditure for the year was efficient and is pertinent in ensuring accountability to the community and ratepayers.

The Annual Report does not just show the current financial status, but also shows the levels of service for all Council activities and assets measured against the yearly targets set in the Long-Term Plan. These are measured and reported quarterly in the Council meetings. The Annual Report is a holistic overview of their performance.