

1. CITY HOUSING – ASSET MANAGEMENT PLAN, EXECUTIVE SUMMARY

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The purpose of this report is to present for adoption, by the Council, the first completed Asset Management Plan for the Council's housing portfolio.

This Asset Management Plan is the culmination of an extensive, consultative and co-operative review of what, why, how and for whom the Council operates a social housing portfolio. Key contributors or participants in formulating this Asset Management Plan have been City Housing and Property Asset Management Team staff, Councillors from the Housing Subcommittee (in particular with regard to the review of levels of service) and City Housing tenants, through their responses to an extensive tenants' survey.

As a first Asset Management Plan it has a dual purpose. Firstly it is a valuable reference point to summarise the origins of the Council Housing service, the existing policy base from which it operates, what the portfolio and service comprises, existing stakeholders and their roles, existing levels of service and financial performance to date. Secondly it is a summary of a strategic planning process by which the points mentioned above are challenged, ratified, modified or rejected in light of future projections and changes driven by time, needs and external factors such as central government funding and policy.

One of the pivotal tasks in developing this Asset Management Plan has been the clear identification, documentation and review of existing levels of service. The process, worked through cooperatively with Councillors, challenged why we did certain activities, what our current and desired performance was in relation to the activity, and how the service was prioritised in relation to other levels of service. Also key in developing this process was the understanding of how changes in levels of service impacted on the long term financials and ultimately on the required rental levels needed to sustain the service. This process enables the link between levels of service and the cost of service provided, encouraging accountability and adequacy of funding.

As a result of more clearly defining and ratifying levels of service the Asset and City Housing staff can now proceed with confidence with operational and works programs targeting the achievement of the levels of service in a consistent way across the portfolio.

The plan has in part moved beyond what can be described as a "Basic" Asset Management Plan in that it applies a qualitative, quantitative and sophisticated risk assessment analysis of lifecycle costs and needs extending out over the full life of the assets. This exercise assessed the true cost of consumption (the gradual wearing out of the infrastructure) for studio/bedsit, one, two, three and four bedroom units, which showed that current rental levels did not support the continued provision of housing for tenants in the future, at the existing levels of service without recourse on rates.

This Asset Management Plan supports and is presented in tandem with a separate report specifically addressing the need for a rent increase in order to ensure the Housing Development Fund is self sufficient in perpetuity.

Rental levels have been reviewed but not increased since 1997. The current rentals for studio/bedsit units and one bedroom units are such that the tenants (mainly Elderly Persons Housing (EPH) tenants) are unable to qualify for the accommodation supplement provided by central government via Work and Income New Zealand. Central government influences housing affordability by way of the accommodation supplement. Historically low interest rate loans and grants were offered by central government to local authorities to support their housing portfolios. Given that these have not been available for some time it is now reasonable to obtain access to central government funding through the accommodation supplement via an increase in rentals. A future annual rent review mechanism which uses revised cost of consumption rents, market rents and inflation indexed rents to balance reviews is also proposed. The removal of heavily discounted EPH rentals and the introduction of consistency between EPH, public rentals and trust housing rentals is also proposed, as is the removal of dual occupancy charges.

The motives for these changes are a direct response to the issues highlighted by the Asset Management Plan and are to better align current rental levels with future funding requirements and introduce a consistent rental charging regime.

It is important to recognise that this Asset Management Plan forms the base document from which ongoing improvements can and will be made to the portfolio and operation of the housing service. As such it should not be viewed as an end in itself, but more of a beginning. The Improvement Plan, a copy of which is laid on the table, includes performance measures, monitoring and review timeframes and an outline of the improvement programme.

- Recommendation:**
1. That the City Housing Asset Management Plan be adopted by the Council.
 2. That pre-existing and new levels of service as presented in the Asset Management Plan be adopted.
 3. That future level of service reviews adopt the same decision making process as defined in the Asset Management Plan.
 4. That the Housing Development Fund adequately reflect the need for a sustainable Asset Management Plan to reflect a sustainable housing service in perpetuity.