

Elected Members Questions and Answers

Pūroro Rangaranga | Social Cultural and Economic Committee meeting of 4 August 2022

The following questions were received from elected members regarding items on the agenda for the Pūroro Rangaranga | Social Cultural and Economic Committee meeting of 4 August 2022.

Item 3.2 City Housing sustainability: detailed CHP design and transition

- 1. I am concerned that the deed simply focusses on the primary focus of activities being in Wellington. This means that the CHP could simply be running the current housing in Wellington and expand to cheaper places like Levin or Kapiti, please can I have officers' response to this concern?**

In drafting the Trust Deed, there is a balance to be struck between providing a flexible Deed that is future-proofed and enables the CHP to take advantage of future opportunities (including opportunities for growth beyond Wellington) and providing the Council with necessary assurances and oversight about the things that it considers important. We have drafted the Deed to ensure Wellington is a primary focus, but that the CHP is enabled to grow beyond Wellington, if it makes sense to do that and if this what the Trustees decide to do. We have received strong feedback from other CHPs that this kind of flexibility to accommodate growth is important.

As drafted, the Deed requires the Trust to maintain a primary focus on the Wellington region and the Trustees will be required to give effect to this in their governance of the CHP. The CHP will have a major focus on being the tenancy manager of the Council's existing portfolio (in Wellington City) and the CHP will be provided with upfront capital by the Council to enable it to develop new supply in Wellington. The Council will be able to put conditions in the loan agreement with the CHP that ensure that the upfront capital (i.e., \$25m cash and \$10m property) will be used by the CHP for development in Wellington.

More generally on future development, the CHP will need to determine what the nature of the housing need and demand is (in terms of types of property, tenants, and location of property) in order to determine where and how it develops. It is possible (as seen with other CHPs) that there are housing needs beyond Wellington that it would be well placed to meet, and the Trust Deed enables it to do that, subject to decisions of the Trustees. It is important to note too that the CHP will also be reliant on external sources of funding (e.g., from central government) to undertake development – those that provide funding will want to ensure that housing development is undertaken where it is needed. The regulator will also want to see the CHP's strategic and business plan to ensure it is effectively delivering on housing outcomes, including that it is meeting relevant housing needs.

Another reason for keeping the geographical scope broad (i.e., Wellington region, as opposed to Wellington city) is that it is better reflective of the mana whenua partners.

- 2. Please provide the regulatory provisions re a CHP not being controlled by a Council.**

Registration as a CHP requires registration as a Class 1: Social Landlord (CHRA's Performance Standards and Guidelines). Under clause 5 of the the Public and Community Housing Management (Community Housing Provider) Regulations 2014, local authorities and CCOs cannot be registered as Class 1 Social Landlords. The relevant eligibility criteria in the regulations is set out below:

Eligibility criteria

5 Eligibility criteria

The eligibility criteria for registration in *class 1: social landlord* are as follows:

- (a) the applicant must be a community housing provider; and
- (b) the applicant must not be—
 - (i) a local authority; or
 - (ii) a council-controlled organisation; or
 - (iii) a subsidiary of a local authority or council-controlled organisation unless the subsidiary is operating at arm's length from the local authority or council-controlled organisation; and
- (c) the applicant's governing body must, after having reviewed the performance standards, support the application for registration; and
- (d) the authority must be satisfied, on reasonable grounds, that the applicant has the capacity to meet the performance standards.

[https://www.legislation.govt.nz/regulation/public/2014/0116/latest/DLM6013921.html?search=ts act%40bill%40regulation%40deemedreg %e2%80%a2%09Public+and+Community+Housing+Management+\(Community+Housing+Provider\)+Regulations+2014 rese 25 a&p=1](https://www.legislation.govt.nz/regulation/public/2014/0116/latest/DLM6013921.html?search=ts%20act%40bill%40regulation%40deemedreg%20%80%a2%09Public+and+Community+Housing+Management+(Community+Housing+Provider)+Regulations+2014%20rese%2025%20a&p=1)

3. What is the plan for current staff employed by Council in City Housing?

As part of the transition, City Housing staff will be well supported through a comprehensive consultation, change process and plan, which will be guided by the requirements outlined in staff employment agreements. The plan and process will be scoped up in the next couple of months and will be discussed with staff to ensure everyone understands the approach that will be followed.

Staff will have several options to consider throughout this process and will be supported by our People and Culture team. Our assumption is that most staff will express interest in new roles created in the CHP, noting that appointment decisions will be for the Trustees and management of the CHP to make. Staff will also be able to express interest in other suitable redeployment opportunities within Council if they don't transition to the CHP. In the first instance, the CHP's Trustees will appoint the Chief Executive and senior management for the CHP and then that management team will manage the appointment of all other roles.

4. Why is the lease proposed not a defined period? I.e., it's 30-35 years.

The lease agreement will provide a specified end date, rather than a range (it is a range in the paper as the lease period has not yet been confirmed). The lease could potentially include a renewal mechanism (i.e., 30 years + 5-year renewal option for the CHP to renew), although at this stage we anticipate keeping it to a simple initial term only.

5. Why is 2 years for council terminating the lease? Surely, we want to be able to do that very quickly if settings change.

Termination of the lease is a very significant decision because it would fundamentally change the nature and scope of the CHP's operations. It would mean that the CHP's operation would be scaled back to only those properties that it may have built itself and the associated tenancy operations. This means its viability from a financial perspective could be at risk if it no longer had access to the Council's leased properties.

The CHP may have entered longer-term commercial or development arrangements (e.g., loans with external lenders) that are reliant on the income from the Council's leased portfolio. If there is not a reasonable level of certainty around the leasing arrangements, external parties or lenders may not be willing to enter into these sorts of agreements which would compromise the CHP's ability to deliver new housing supply. The length of term recommended is a judgement about what is reasonable, in part based on OCHT experience as they have now had six years of experience in development.

Again, as with the Trust Deed, there is a balance to be struck here to ensure the CHP is set up to succeed (in this case, to access funding and enter long-term contracts) and take advantage of opportunities, and to provide the necessary certainty for Council.

6. Under support for existing tenants, why isn't ARLS included? Can it be added?

The Affordable Rent Limit Subsidy is included in the proposed rental settings that are transferred across to the CHP. This is referenced in paragraph 124.

7. What are 3 examples of what the tenant support fund could be used for?

The tenant support fund could be used on a range of initiatives to support existing tenants. Examples include providing support with general costs such as electricity, internet, contents insurance, transport assistance, grocery vouchers. Other support could include a further or ongoing rent freeze, or one-off hardship grants.

8. Is the Council confident that bullet point one under para 134 is correct?

If we contribute towards tenants' rent in any form, it will impact on a tenant's MSD entitlements. Other ways to provide support are outlined in question 7. If the fund is used for similar things to those mentioned above, these would not generally impact on benefit entitlements. There could be some exceptions to this – for example if a person was receiving a Disability Allowance to recognise additional electricity costs (such as if they required home dialysis), and the tenant support fund proceeded to cover tenant power costs, the disability allowance would be impacted because the cost no longer exists. The fund will be designed in a way that support provided would not generally impact on benefit entitlements.

9. What well-being or tenant initiatives could be adopted under para 145?

Below are some examples of the types of support and services that CHPs provide. In some cases, CHPs refer their tenants to existing community services and local activities.

- Referrals of wrap-around services, such as health services, budget services, community support agencies (such as Age Concern) and employment services
- Support with day-to-day activities, such as setting up televisions, internet service and arranging social activities, and practical household management
- Budgeting advice and support, such as agreeing to savings and debt repayment goals, accompanied by regular check-ins
- Support and advocacy on behalf of tenants for negotiating and discussing with utilities and other services
- The provision of tenant meals, with the benefit of further social contact with socially isolated tenants
- Welfare inspections, often undertaken as part of regular property inspections.

The CHP could also continue to operate the kinds of services and support City Housing currently runs. This includes tenant-led and community-led initiatives that promote wellbeing and community resilience. There are currently 13 active community gardens and 40 different active groups in the community rooms. Activities include Tai Chi, dance classes, food distributions, sustainability/repair cafe style activities, and can involve neighbours who do not live in City Housing which connects tenants into the local community.

10. Is it really appropriate for further decisions to be made on this in September given the proximity to the local election?

The decisions in September will relate to the more administrative and procedural aspects of the Trust Deed (e.g., conflicts of interest, trustee indemnity, trustee duties). They are more technical decisions and are not expected to be controversial. There are no issues with the Council making these sorts of decisions in September. The decisions that relate to the substantive aspects of the Trust Deed (e.g., purpose, operational scope) are all contained in this August paper.

11. Please can we have the mayoral task force report to help inform these decisions?

Decisions on the release of the Mayor's Taskforce report are being made by the mayor's office.

12. Are there any examples where a member of tenant group or tenant leaders are part of the governance / board trust?

The major CHPs that we are aware of utilise skills-based boards without specific allocated places for a tenant representative. Neither Haumarua Housing (Auckland) or OCHT (Christchurch) have specific reserved places for tenant representatives on their boards.

As set out in the paper, there will be many opportunities for tenants to ensure their voice is heard. This is an area of specific consideration in the Community Housing Regulatory Authority (CHRA) registration process, which requires a CHP to demonstrate that it has policies in place to be transparent and responsive to tenants. This includes requiring specific policies regarding tenant participation/engagement, managing complaints/appeals, and the measurement of tenant satisfaction.

CHPs are also required to have a tenant participation policy to ensure tenants can have input into decisions that affect them – this policy could include a number of possible things (e.g. a tenant advisory group that could provide advice to the Board, tenant community meetings, tenant participation in key projects).

13. What is a way we can make sure tenants' needs are better informing board of trustees?

There are a number of ways in which the CHP will ensure tenants' needs and perspectives are well considered. The CHP is required to have processes in place to enable the tenants to hold the CHP to account for performance and to participate in decisions that affect them. The CHP will be required to have a tenant complaints process, a tenant feedback process, and a tenant participation policy. CHRA will review these policies as part of the registration process and annual monitoring. Examples of what the tenant participation policy may include are in the question above.

All the ways that tenants currently engage with City Housing will be in place in the CHP context as well, to ensure tenants remain well connected to the CHP management and, through them, to the governance. Current mechanisms include tenancy advisers who are a tenant's single point of

contact for all needs, tenancy advisor offices which are 'drop in' points for tenants, a contact centre which handles general queries, management attendance at tenant community events, and a new tenancy management system which will have a tenant portal that will support improved communication and engagement with tenancy advisors.

14. Under what process will council monitor the CHP performance?

15. How will council keep the relationship with the CHP at a high level? Like we are trying to build and maintain with the CCO's?

There will be a number of aspects to the CHP's monitoring framework, including:

- Oversight by the regulator (CHRA), which will include annual monitoring against the performance standards and reporting at any other time that the regulator requests
- As a Council Organisation, the Council will be required to undertake performance monitoring to determine that the CHP is delivering on the objectives that the Council is seeking
- As part of the transition planning, the Council will put in place a new relationship management framework for the CHP, to ensure the CHP and the Council have a good day-to-day working relationship and that the Council can undertake the appropriate monitoring of the CHP. This relationship management approach may have some similarities to that taken with CCOs (e.g., a council relationship liaison role), while recognising the differences that exist between CCOs and the CHP (i.e., that the CHP is not council controlled and must operate at arm's length from the Council).

16. Is the recommended capital enough? What process have we undertaken any financial analysis for modelling to understand what type of support our tenants not on IRRS are going to need? And for how long?

As indicated in the paper, the current rental settings and recent decisions by Council (e.g., ARL and rent freeze) are maintaining relatively affordable rent levels. In addition to transferring the existing rental settings across to the CHP, the paper recommends providing the CHP with a fund (of up to \$10m) to enable it to provide further support to existing tenants. Should it choose to do so in the future, the Council could make further contributions to the tenant fund and/or review the rental settings with the CHP (noting that any costs associated with changes to rental settings would need to be met by the Council).

17. If we raise the debt from the LGFA - what impact will this have on our debt to revenue levels and rates?

All the debt required for the CHP funding (e.g., HUP2 borrowing) is included in the Long-term Plan amendment so is already included in the debt to revenue ratio. If we raise the finance through sustainable funding, it is possible that there will be a benefit of five basis points (0.05%) relative to our current funding, as well as the broader social benefits that could be achieved by raising finance through this source.

18. Have we done any analysis to understand that rather than borrowing for upgrades that we are better to invest in rebuilds?

As part of HUP2 planning, we are actively considering the value of upgrade vs. rebuild on HUP2 properties. We have requested updated seismic assessments and concept refurbishment designs

which will inform this decision making. For each of the HUP2 sites, we have asked the architectural firms to design all options, from straight refurbishment, through to demo and rebuild with increased supply. Once all documentation has been received, the HUP2 programme can then be finalised into a detailed business case, including recommendations for refurbishment vs new build for each site.

19. Are there any other rent systems we could investigate in our rental policy that we've investigated that could replace setting the rates on a market rent model? This model has been very challenging for our tenants

20. What would be the benefits/ risks for council to review its rental policy first and then advise the trust to adopt the updated rental policy?

We have previously considered changes to the rent setting policy; however, it was difficult to find changes to the policy that would improve the settings for tenants, without incurring significant additional costs for Council or requiring some tenants to pay more in order for other tenants to receive a reduction in rent.

As identified in the paper, the current rental settings and recent decisions by the Council (e.g., promotion of ARL and current year's rent freeze) and recent lifts in benefit levels and living wage are maintaining relatively affordable rent levels. On this basis the paper recommends that these settings are transferred across to the CHP and that the CHP and Council are enabled to jointly review the rental policy settings in order to ensure they remain appropriate for both tenants and the Council overtime.

The current rental policy settings have been assumed in the LTP amendment – any changes to rental settings that result in reduced rents will increase the costs for Council (because the Council is funding the operating shortfall created by current rental settings) and have not been factored into LTP budgets.

21. Have we done any work to assess the need of groups for example those on the super who haven't been able to qualify for Rental subsidy support? If not, can we do this? The purpose would be to better advise the CHP sooner so they can allocate the Subsidy with faster understanding of tenants needs. If not, how are you assuming the Trust will come up to speed with tenants needs and how to support them?

The CHP will continue to have tenancy advisers and staff who will work closely with tenants, in the same way that City Housing staff do now, to understand their needs and the best way to offer support. It will also be required to have strong policies for tenant participation to ensure that the tenant voice is heard and that tenants can participate in decisions that affect them.

22. How will council staff from the city housing team being supported through this process?

As part of the transition, City Housing staff will be well supported through a comprehensive consultation and change process and plan, which will be guided by the requirements outlined in staff employment agreements. The plan and process will be scoped up in the next couple of months and will be discussed with staff to ensure everyone understands the approach that will be followed.

Staff will have a number of options for them to consider throughout this process and will be supported by our People and Culture team. Our assumption is that the majority of staff will express interest in new roles created in the CHP, noting that appointment decisions will be for the Trustees

and management of the CHP to make. Staff will also be able to express interest in other suitable redeployment opportunities within Council if they don't transition to the CHP. In the first instance, the CHP's Trustees will appoint the Chief Executive and senior management for the CHP and then that management team will manage the appointment of all other roles.

23. Is the purpose of the trust clear enough that we are wanting to support the trust and monitor the opportunity to be able to build more housing?

Yes, the Trust Deed is clear that the Trust is intended or enabled to provide different kinds of housing (e.g., social, affordable). There are other aspects of the CHP design which also emphasise the focus on building more housing. E.g., the upfront capital that is being provided to the CHP to enable it to build new supply, and the ability of the CHP to retain a portion of its revenue to build up a surplus to use to add to supply.

The purposes of the Trust set out in the Trust Deed are limited to those activities to be undertaken by the Trust and do not provide for monitoring by the Council. However, the Council will have oversight of, and will be able to monitor, the Trust through its council-appointed trustees, and it will have monitoring rights in the lease agreement, loan arrangement and any other contractual arrangements between Council and the Trust. This will allow the Council to monitor the opportunity to be able to build more housing, for example.

24. Have we understood how the 80% of the surplus will impact the CHP to be able to achieve building more housing? Can Council loan to the trust to achieve this?

25. Why are we recommending 80% of operating surplus comes back to council rather than 50% for example? What will the benefits / risks to each party of this be?

The design of the lease mechanism is to ensure that the CHP can always cover its costs and that additional revenue earned under the CHP model (i.e., through the receipt of IRRS) is shared and used appropriately. The proportionate share of surplus between the maintenance fund/Council and the CHP is a trade-off between:

- a) providing the CHP with potential financial resources to invest in new supply and other initiatives and
- b) transferring money into the maintenance fund for investment in the leased properties and WCC's recovery of HUP2 spending.

As the ongoing owner of the properties, the Council will still have costs associated with the portfolio that need to be covered from the surplus share.

The CHP's 20% surplus share plus the \$35m of upfront capital will provide the CHP with an estimated \$50m over 10 years to invest in new supply.

Under the lease payment arrangement, the CHP first covers its costs from the rent received, so there is limited risk to the CHP in changing the surplus sharing arrangement because it always meets its operating costs. The risk to WCC if a greater share is retained by the CHP is that there is insufficient money in the fund to maintain the properties and/or recover HUP2 costs. We need to ensure sufficient funding flows into the fund to ensure properties are well maintained. The 80% is also aligned with OCHT's arrangements.

26. The better of funding paper only recommends \$6.2 million? but says that initial estimates are \$10 mil. What is the clear advice officer advice?

Please see the answer to question 6 under the Better Off Funding section below. The Council is able to determine how much is available for the tenant fund, depending on the decisions it makes about funding other projects. The benefit of a tenant support fund is that the Council can fund it to the level that it chooses and can afford alongside other priorities. If the Council chooses to make additional contributions to the tenant fund with Tranche 2 funding, it can do that as well.

27. please can we understand more about the workings of how officers arrived at \$10 million, so we don't have any unintended consequences?

Please see above answer to question 26.

28. While we understand that the trust is incentivised to gain an income, how do we make sure the purpose and objective settings right to achieve and focus on tenant well-being?

29. Have any other councils/ CHP's have this on their purpose and objectives?

The Trust's purpose and objectives are the things that will guide its decision making and activities. The paper sets out a recommended set of purposes for the Trust that are strongly focused on a range of housing provision (e.g., public and affordable housing) to meet the needs of a range of potential tenants, as well as the provision of other, associated housing services which will enable the CHP to provide other support services that promote tenant wellbeing, should it choose to do that.

In addition to its purposes in the Trust Deed, the CHP will be required to meet regulatory standards, including developing a tenant participation policy that ensures tenants voices are heard and tenants can be involved in decisions that affect them.

Between the regulatory requirements and the CHP's governing documents, it will have a strong focus on tenant wellbeing.

In comparison to other CHPs, as noted above, the Trust's proposed charitable purposes cover a wider class of tenants (i.e., those who qualify for community housing, social housing, public housing and/or affordable housing) and includes a non-exhaustive list of activities that the Trust may undertake for such tenants' benefit.

30. What are the drawbacks of defining such a wide set of purposes for the CHP? e.g., Might the CHP become more focused on other activities rather than the primary aim to provide additional social housing?

31. What are the drawbacks of defining the geographic area as the Wellington region rather than Wellington city for the operation of the CHP? e.g., Might more new homes be built on cheaper land further from the city rather than providing affordable and social housing within the city?

In drafting the Trust Deed, there is a balance to be struck between providing a flexible Deed that is future-proofed and enables the CHP to take advantage of future opportunities (including opportunities for growth) and providing the Council with necessary assurances and oversight about the things that it considers important.

We have drafted the Deed to ensure the CHP has the flexibility to provide a range of different kinds of housing and housing services, should it choose to do so, as well as giving it the flexibility to grow beyond Wellington, if there are good opportunities to do that. These settings just enable the CHP to undertake these activities; they are not required to do all the activities in the non-exhaustive list.

We have received strong feedback from other CHPs that this kind of flexibility to accommodate growth is important. Please refer to question 1 above.

CHP Trustees would still need to develop an appropriate strategic and business plan which needs to be provided to the regulator and the regulator would need to be confident that any activity beyond the core activity of providing social housing did not detract from the CHP's ability to operate effectively as a social housing provider. In the case of support services, the regulator is likely to want to see appropriate organisational separation between the housing and support services to ensure the housing provision is not negatively affected.

As drafted, the Deed requires the Trust to maintain a primary focus on the Wellington region and the Trustees will be required to give effect to this in their governance of the CHP. The CHP will have a major focus on being the tenancy manager of the Council's existing portfolio and the CHP will be provided with upfront capital by the Council to enable it to develop new supply in Wellington. The Council will be able to put conditions in the loan agreement to ensure that the upfront capital (i.e., cash and property) will be used by the CHP for development in Wellington.

More generally on future development, the CHP will need to determine what the nature of the housing need is (in terms of types of property, tenants, and location of property) in order to determine where and how it develops. It is possible (as seen with other CHPs) that there are housing needs beyond Wellington that it would be well placed to meet, and the Trust Deed enables it to do that, subject to decisions of the Trustees. It is important to note too that the CHP will also be reliant on external sources of funding (e.g., from central government) to undertake development – those that provide funding will want to ensure that housing development is undertaken where it is needed. The regulator will also want to see the CHP's strategic and business plan to ensure it is effectively delivering on housing outcomes, including that it is meeting relevant housing needs.

32. Who will approve the skills matrix? Will it be binding and where will it be codified?

33. Are there some skills that are essential for the board and must always be present? How are these identified separately from the wide variety of skills that might be desirable?

The skills requirements will be included in the Trust Deed so they will be codified in the core governing document. Anyone appointing Trustees (e.g., Council, mana whenua, Board appointments panel) will be required to have regard to the necessary skills and ensure it is satisfied that a candidate possesses relevant skills and experience. Appointing parties will need to consider the overall composition of Board member skills when making their appointments – it will not be necessary for every Board member to meet all the skills requirements (enabling flexibility to appoint candidates with particular expertise where there are "skills gaps" on the existing Board). The regulatory requirements set out the general skills that the regulator expects would be present and these largely align with the performance standards that the CHP is monitored against.

34. Will board appointments be made by a majority or unanimous decision of the appointment panel?

The default position is that board appointments will be made by the Board appointments panel by majority vote, not unanimous decision (unless otherwise specified in the Trust Deed). Further advice to the Council in September will consider the decision-making thresholds for various kinds of Trustee decisions.

35. Who will make the decision to appoint the interim Chair? Will the interim Chair be independent, ie not a council staff member or councillor?

Practically the Council will need to appoint the interim Chair. We will provide recommendations to the Council for the interim chair and will engage the services of external governance experts to support the search for an interim chair for recommendation to the Council. It is likely that the recommendation to the Council will be an individual who is not a staff member or elected member.

Once the remaining Board members are recruited/appointed, the Board will vote on who the ongoing Chair will be. It is important to note that the individual who is the interim chair will stay on as a council-appointed trustee on the Board.

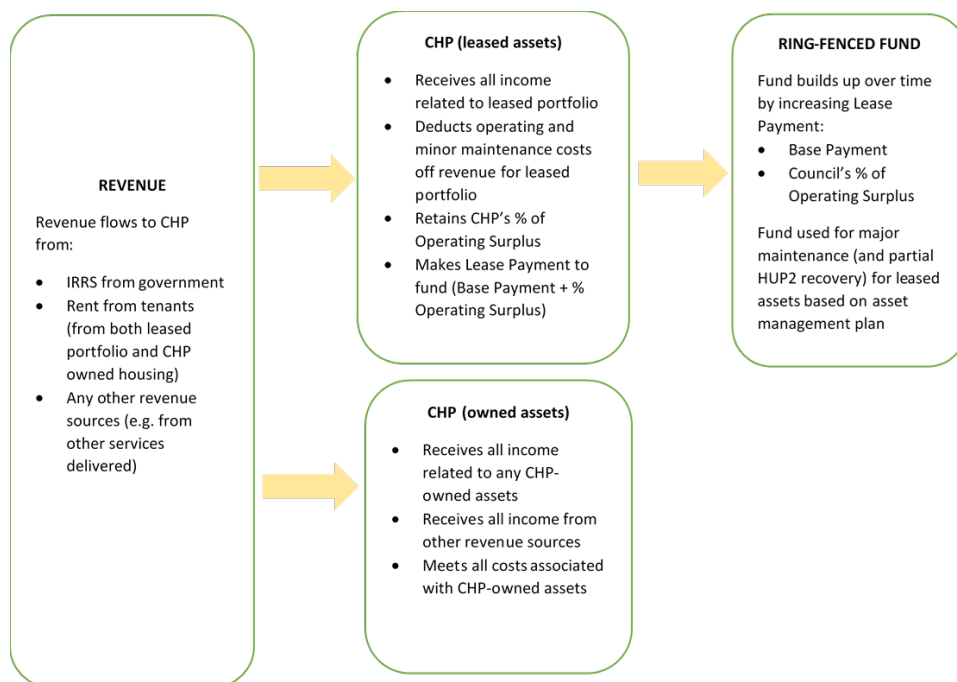
36. Who will be the members of the initial Appointment Panel? The interim Chair, the mana whenua trustee/s, and two independent governance experts appointed by those 2 or 3 people?

The members of the initial panel will be as listed in the paper – this will be the interim Chair, one mana whenua trustee, one “other trustee” who will be appointed by the initial trustees, and two independent experts (appointed by the three existing members of the Board appointments panel). Initially the “one other trustee” could be a council appointed trustee but once there is a majority of independent trustees on the Board following appointment of independent trustees by the Board appointments panel, this “other trustee” must be an independent trustee.

37. Would iwi partners want a right to accept the transfer of assets if Council refused?

If the CHP was wound up, the Trustees could distribute the assets to any party which would continue to use the assets in accordance with the Trust’s purposes as set out in the Deed. This could include iwi partners.

38. Can we please see a new version of Figure 3 that separates out revenue and costs associated with WCC owned assets from revenue and costs associated with CHP owned assets? The current version makes it difficult to see how “the CHP keeps all revenue (and incurs any costs) associated with properties it owns” as set out in the bullet point above Figure 3.



39. How would any charitable donations be treated through the calculation of the Council Lease Payment?

Charitable donations would be considered “other revenue” received by the CHP and so would not be part of the calculation of the lease payment. The lease payment is calculated off the revenue and costs associated with the leased properties only.

40. What protections will be in place to prevent WCC to withdrawing funds from the ring-fence for major maintenance in future, given that there are specific provisions to allow WCC to do exactly that via HUP2 cost recovery (as set out in paras 91 and 92)?

41. At what point would it be financially prudent to withdraw funds from the ring-fence for major maintenance for HUP2 cost recovery?

There are two main ways in which the withdrawals from the fund will be controlled. Firstly, the CHP and Council will need to agree an asset management strategy and budget which will determine the costs of major maintenance that will need to be met out of the fund. The fund must ensure it is always able to meet these ongoing costs of asset ownership (and other relevant costs e.g. insurance).

Secondly, the lease agreement (or some other appropriate document) will set out the principles by which any permitted withdrawal can be made from the fund (e.g. for HUP2 cost recovery). Withdrawals will not be permitted unless all the necessary costs can be met out of the fund and the sustainability of the fund will not be compromised (i.e. any recovery of HUP2 costs will be the last call on the fund). Any decision on withdrawal will also need to consider other potential uses of the funding e.g. investing in new housing supply. Given the significant costs of asset management, it is likely to be sometime before the Council could withdraw funds for cost recovery but this will be considered further as part of ongoing financial modelling work undertaken during the transition.

42. What are the financial estimates for financial transfers (costs/revenues etc) from WCC to the CHP, from the CHP to the major maintenance fund, and from the major maintenance fund to WCC over the next 20 years? If not currently available, when will this information be available?

The LTP amendment includes current/initial modelling on the flow of revenue and costs to the CHP and the fund, based on core assumptions made and set out in the LTP amendment documentation. As part of the transition, we are undertaken further modelling work and expect this would be available by stage 2 of the transition.

43. Why do officers recommend a review within 2 years? What are the downsides in holding a review that soon after the establishment of the CHP?

The review is relatively narrow in scope – just covering the components of the lease mechanism to be sure they are not creating any unintended consequences for either the CHP or the Council. Towards the end of this period, we will also have more certainty about the government’s long-term funding and any implications for the CHP and the ring-fenced fund. While it is relatively early, we think this is an appropriate timeframe to adopt, given the ongoing work on funding, and as long as the review remains narrow in scope.

44. Has the Affordable Rent Limit Subsidy, as the Council applies it, always included the Accommodation Supplement as a form of income?

- a. How many tenants would be eligible for this subsidy if the Accommodation Supplement wasn’t included as a form of income compared to the status quo?

- b. How many eligible tenants are currently accessing the ARLS?
- c. What is the administrative burden of applying the ARLS? How many FTE's are dedicated to processing and investigating this subsidy? Is it significant?

ARL does not include the Accommodation Supplement as a form of income. ARL is calculated as below. If Net Rent divided by Household Income is greater than 35%, then the value above 35% will be met by ARL, where Net Rent = Current Rent – eligible value of AS.

Total household income	
Wages / Benefit	\$
Family Assistance / Working for Families	\$
Disability allowance	N/A
Temporary Additional Support (TAS)	N/A
Total net income A	\$

Rent less Accommodation Supplement	
Weekly rent	\$
Minus any Accommodation Supplements(s)	- \$
Total net rent B	\$

Rent to Income ratio	
Calculate total B divided by total A	
Must be more than 35% to continue	%

We estimated 348 extra tenancies were eligible to receive ARL and contacted each one of these tenants to advise they may be eligible. Currently 73 tenancies are receiving ARL which is just over 20% of all eligible tenancies. Please note some tenants who are eligible choose not to apply due if the amount they receive is very small and/or they do not want to update MSD to advise they are receiving this subsidy.

We simplified the ARL application which makes it easier for our tenants and staff and now have the whole team of 12 tenancy advisors trained in the process, instead of 3 previously. We are not monitoring how time is spent on administering ARL as these applications just form part of daily duties now. We advise tenants it can take up to two weeks, but most applications are turned around (as long as we have everything needed) much faster than this.

45. Privatisation and ownership of housing - what measures are, or could be, in place to protect public ownership of social housing?

The Council is retaining ownership of the housing assets (and leasing these to the CHP) so the public ownership of social housing assets is retained under this CHP model.

The CHP is being set up as a community housing trust, which will be registered as a charity, and as discussed in previous council papers, one of the advantages of a trust model is that ownership shares cannot be sold/transferred as they could be if the CHP was set up as a limited partnership or company. The Council will hold a number of trustee positions on the trust so will retain representation at the governance level.

46. What are the total administrative costs of setting up the CHP?

The establishment costs of the CHP are expected to be approximately \$2m, spread over the 2022/23 and 2023/24 financial years. These costs have been included in the LTP amendment.

47. Where in the Government's Budget 2022 can we find the provisions for IRRS for new tenants under a CHP? Nobody I know can find the actual provisions for this within the budget including tenants who have contacted Grant Robertson's office

Our understanding, based on advice from HUD, is that the funding for WCC is contained within the broader allocation/appropriation of funding for IRRS funding for public housing.

48. What assurances do you have that new tenant will get IRRS beyond two years? What happens if we take on the most high needs tenants and then are not able to access the subsidy beyond those two years? Is there a contingency plan?

Currently the government has agreed to fund 380 IRRS places, which build up on a turnover basis over a two-year period. The government has also committed to continue to work closely with the Council on longer-term funding arrangements.

This is a very similar funding approach to what has been taken with other CHPs at their establishment. Additionally, all CHPs work closely with the government on their ongoing funding requirements as their place's turnover – other than for development of new housing supply, CHPs do not typically have long-term funding agreements with the government. Rather they work closely with MSD to secure funding as they take tenants off the MSD waitlist and place them in housing.

49. How in depth have your conversations with mana whenua been about their involvement in social housing provision in Wellington? Has there been consideration about whether they might want to directly manage some social housing, e.g., Ngāti Toa and Te Āhuru Mōwai?

We have had initial conversations with mana whenua about their involvement in the CHP – these conversations have been positive and will be ongoing. We have identified that there are a range of partnership opportunities in the CHP's establishment, including in governance, service delivery and/or housing development and mana whenua are interested in exploring these further given our shared interests in improving access to and supply of affordable housing. We will provide a further update to the Council in September once these conversations are further progressed.

50. Can Council retain rent-setting powers?

We are proposing in this paper that the Council determines the rental terms on which the existing tenants will transfer over to the CHP and sets these out in the lease agreement. We are also proposing that any change to those rental terms must be jointly considered and decided by the Council and the CHP. This means the Council would be involved in any changes to rental settings for current tenants (subject to it being willing to meet the costs associated with any changes).

51. If we removed the market rent structure and did a blanket income-related rent structure for all of our existing tenants, how many tenants would be better off? Would this significantly disadvantage a portion of tenants?

The number of tenants that would be better off and worse off would depend on the level at which the income-related rent was set. Any significant change to the rental policy settings would likely involve significant cost that the Council would need to meet (given the Council is funding the operating shortfall from the existing rental policies through the transition period) and this is not included in the LTP amendment the Council recently adopted.

52. Can we retain ownership over some of our portfolio in order to house people who won't be prioritised under the MDS/IRRS criteria?

As indicated in question 45, the Council retains ownership of the portfolio under the CHP's establishment – the portfolio is being leased to the CHP to enable it to run the housing service.

The Council has already taken the decision on the LTP amendment to transfer the operation of the full housing service to the CHP – it did not include any social housing activity being delivered by the Council. This decision has gone through a full community consultation process and full audit assessment, and we would strongly advise against making any changes given the decision has been taken. Retaining a portion of the service within Council would create significant inefficiencies as we would need to duplicate tenancy management services. Any part of the service remaining within council would also remain financially unsustainable and the Council would need to resolve how this deficit would be funded.

It is important to note that the trust deed enables the CHP to provide a range of different kinds of housing for a range of different tenants – this means it can provide social housing for tenants off the government's housing register and also affordable housing for other types of tenants who may not meet the MSD/IRRS criteria. The CHP is not required to fill all its housing with public housing/MSD tenants. Rather it determines what the housing needs are in the community and then can provide housing accordingly.

53. Can we do a rent freeze until existing tenants get access to IRRS?

There is no indication from the government that existing tenants will get access to IRRS. This has been an issue the Council has advocated to central government on for several years and there is no indication that the government's position on this will change.

Freezing rent until the existing tenants receive IRRS would add significant cost and make the transition to a sustainable CHP more difficult than it will already be. The Council has already agreed to freeze rent until September 2023 which will provide further rent relief for tenants for the next year.

Item 3.3 Better Off Funding application

1. What projects were considered but not included in the recommendations?

A long list of projects/initiatives were considered including the funding of budget overruns for Wellington Water, scale up/acceleration of electric vehicle fleet replacements, Central Library building strengthening, Town Hall strengthening, acceleration of healthy homes upgrade, and putting some money towards cycleways or pocket parks.

The majority of the projects considered were an acceleration or bringing forward of LTP spending from years 3/4.

2. Is it really appropriate to apply at this stage given the money is still available after the local election?

Tranche 1 of the Better Off Funding is available to apply for up until 30 September 2022 (with a period of 6 weeks required ahead of that date for the application and negotiation process). Any funding not applied for before this cut-off date will be held over until July 2024 where it would be folded into Tranche 2.

3. Has the Council applied to the Affordable Housing fund for Johnsonville wastewater upgrade?

The Affordable Housing Fund is still at an early stage with Expressions of Interest closing 24 August and Requests for Proposals closing in January 2023 (for projects selected through the EOI stage) with funding decisions later in 2023. WCC's Housing Development team intends to submit an application for Johnsonville.

4. Can we have more understanding of the funding for community engagement on Climate change?

	Description	Value	Comments	LTP Budget FY23/FY24	Ideal budget FY23/FY24	Difference
Climate Action Campaign	Climate action education This project is part of the regional emissions reduction work and we are looking at how we coordinate across the region to reinforce messaging.	Creates the link between "there's a climate emergency and I feel anxious about that" to "I know the system is being shifted, and I have more options to take climate action"	Mentioned in the NERP but not funded, cost estimate for a national campaign would be \$30m-\$40m per year.	\$800,000	\$3,000,000	\$2,200,000
Community-led adaptation planning	Facilitating community-led processes to develop neighborhood scale dynamic adaptive pathways (as per workshop with Councillors 9/8/22) Costs cover facilitation and the technical feasibility, ecological impacts, economic costs, and social/cultural impacts of potential pathway elements.	Scaling up our planned level of activity would enable us to run engagements with more communities in a shorter timeframe	Makara Beach cost \$250k Owhiro Bay cost \$10k The South Dunedin Futures project costs are \$1.4m for that one location over the same time period.	\$100,000	\$1,000,000	\$900,000
City activation - forums and events	To facilitate information sharing, problem solving, and climate action urgently and at scale across the City, in partnership with universities, NFPs, mana whenua, SMEs and large businesses/ organisations	Stimulates more climate action from large emitting sectors/ organisations to help the City meet it's 2030 reduction target	Deliverable is a co-designed City Climate Action Plan to shift the systems within which our residents are able to act	\$700,000	n/a	
Community-led climate action forums	To work through place-placed reduction actions designed by communities for themselves.	Creates ownership of the required lifestyle shifts, and bespoke solutions unique to the circumstances of specific groups/neighbourhoods	Costs are for delivering facilitated planning sessions in local neighbourhoods or with specific groups	\$120,000	\$800,000	\$680,000
Behaviour change to support the Bike Network Plan	Funds FTE and initiatives that supports people to shift their behaviour to new street layouts	Achieves greater levels of mode shift towards more sustainable forms of transport than investment in infrastructure alone	We have funding for BAU behaviour change (\$1m over two years). The SSBC for LGWM TDM is ~\$6m.	\$1,000,000	\$2,000,000	\$1,000,000
			Totals	\$2,720,000	\$6,800,000	\$4,780,000
				Total potential funding request		\$4,780,000
				Proposed Better Off funding request		\$3,000,000
Climate action community engagement funded seperately to Te Atakura						
The Bloomberg Global Mayor's Challenge USD\$1million prize	This prize money is for a three-year period commencing 1 July 2022 to design and build a tool that leverages our Digital City Model to communicate the complexities of climate impacts and adaptation planning to Wellingtonians in an accessible way.	Enables audiences to more easily understand the impacts of climate change and the complexity of potential responses. Connects mātauranga Māori, city planning, climate science and community values with Council decision-making processes.	This funding is tied to the digital twin and must be used for climate adaptation under the conditions of the challenge award.	USD\$1m	N/A	

5. How was this budgeted for in the LTP full allocation for Te Atakura?

See above in question 4.

6. Why are officers not recommending the full \$10 million to Council tenants?

Advice received from the DIA relating to the application for Tranche 1 outlined a strategy of selecting a small number of eligible projects for the application process. This provides Council with the opportunity to spread the funding and provide flexibility within the application process to ensure all funding can be allocated and spent in an administratively efficient manner. This also allows for flexibility in the event that the DIA rejects one/some of the projects should they not meet the

criteria to their satisfaction. Should there be a desire to add more of the funding to the tenant fund, this could be provided from Tranche 2 of the funding in 2024 or if one of the other projects was not selected.

A decision for the Tranche 2 funding will be made in 2024 as this funding is not yet available.

7. How did we spend the allocation of the \$1 million we won for the Bloomberg challenge?

The Bloomberg Global Mayor's Challenge USD\$1million prize money is for a three-year period commencing 1 July 2022 to design and build a tool that leverages our Digital City Model to communicate the complexities of climate impacts and adaptation planning in an accessible way. Due to its accessible and interactive nature it will enable audiences to more easily understand the impacts of climate change and the complexity of potential responses. It will connect mātauranga Māori, city planning, climate science and community values with Council decision-making processes. It will allow communities to co-create community climate adaptation actions by exchanging information and ideas with the Council. This will allow for critical and coordinated adaptation decisions to be made in line with community priorities. The agreement on how to spend this money is still being completed, however, it must be spent on the digital twin already developed and be used for climate adaptation under the conditions of the challenge award.

8. Regarding the \$3 million proposed for "Climate action focused community engagement" can we please have more information about each of the four projects identified in para 45 and a funding breakdown for each? When were they scheduled to be delivered and when will they be delivered if Better Off funding is received?

See above the answer to question 4.

All four initiatives are already being delivered. For three of the four, this funding application would scale up the level of activity to achieve greater impact. For community-led adaptation planning, this would pull forward work from future years into the next two years. Note that this funding is for FY23 (this financial year) and FY24 (next financial year).

9. Para 46(c) identifies several investments that the behaviour change projects are designed to leverage. Which of these investments are scheduled to be completed prior to the behaviour change project? What are the advantages to delivering behaviour change efforts prior to this infrastructure being in place?

Behaviour change initiatives to create mode shift to lower carbon transport options need to be planned in advance of infrastructure delivery, and delivered just before, during and after the infrastructure is put into place. We have already started delivering the Bike Network Plan with the risk that we lose opportunities to leverage the shift in the system into changes in individual behaviour.

In terms of the overall value of this kind of activity to reduce emissions:

- Research released in March this year from Leeds University has identified six shifts that individuals could make that could account for **a quarter of the emissions reductions required** to keep global heating down to 1.5C. In other words, being very clear with citizens on what shifts they can make in their lifestyles is a powerful lever.

<https://www.theguardian.com/environment/2022/mar/07/six-key-lifestyle-changes-can-help-avert-the-climate-crisis-study-finds>

- The latest IPCC report strongly recommends work by governments on behaviour change, saying that the effort needs to move from developing technical solutions (which we've done a good job of, there are now lots of potential solutions) to the work of getting people to change their behaviour and make different choices (ie take up the solutions). As summarised in this ING article <https://think.ing.com/articles/ipcc-report-calls-for-urgent-behavioural-change-and-carbon-removal-technologies>

Behavioural change has the potential to reduce global emissions by 40-70% by 2050.

- Changes in lifestyle must happen at the systemic level across all aspects of society. That includes, but is not limited to, increased recycling, reduced air travel, lower meat consumption, and turning down thermostats, among other day to day changes.
- **Demand-side solutions need to be backed by motivation and capacity**, and social equity will enhance both. Motivation to behavioural change needs to be considered under the specific contexts of socioeconomics, awareness, perceived risk, etc. Impartial governance, fair treatment across genders, and income equity will strengthen an economy's capacity to mitigate climate change.

10. Can we get more information about the work involved and a cost breakdown of this proposal into projects or streams of work? The email we received from our Chief Infrastructure Officer identifies “the next stages of our investigation will include field trial pilots, the development of detailed requirements to inform future procurement decisions, and development of a business case.” For example, what would be involved in field trial pilots and what are they estimated to cost, etc?

Below is a consolidated view of costs based on individual workstreams/projects for the Better Off Funding bid. The total programme cost is approximately \$4m.

Workstream 1: Enabling workstream - defining data models, system requirements, policy & process change. This includes changes to council functions to get the most from a federated asset register.

Cost: \$510k

Workstream 2: Technology Development - building the core technology through which asset data will be federated and shared with the sector

Cost: \$1.1m (plus \$144k annually)

Sub-project: Supporting internal change for WCC - this includes access and training, aligning technology and systems, behaviour change support, internal legal and SME overheads

Cost: \$740k

Sub-project: Supporting technology and change roll-out to sector - this includes resourcing a team to support the wider industry with training and change management. This assumes that the programme is resourced to on-board all sector participants and their network/asset data.

Cost: \$900k

Sub-project: Technology enhancements - this allows enhancement to core technology to provide improved systems integration (with corridor management), better notifications and integration of contextual geospatial data.

Cost: \$750k

Total programme cost (all of the above): \$4m

The cost of the pilot has been factored into this year's budget and is outside of this funding request - we are still in the process of negotiating the contract for this, so it is commercially sensitive.