

SECTION ONE:

CROWN INVESTMENT IN THE COUNCIL'S SOCIAL HOUSING PORTFOLIO

The amendment reflects the Crown's offer to provide the Council with financial assistance of \$220 million over the next 10 to 15 years to upgrade its housing portfolio to provide safe, secure housing to a good standard. This represents a contribution with a net present value of around \$150 million.

In return, the Crown requires the Council to agree to various terms and conditions. The terms and conditions are that the Council:

1. remain in social housing at approximately current levels for at least 30 years
2. ring fence all rental income from social housing for reinvestment in social housing
3. give the Crown first right of refusal should the Council choose to sell any of its housing stock
4. undertake a review of tenancy management, rent setting and tenancy allocation practices and policies, in conjunction with Housing New Zealand Corporation in the next 2 to 3 years
5. in accordance with the work programme that is to be developed, maintain approximately the same number of units currently provided. The Council will have the flexibility to divest and reinvest in social housing provided a similar level of housing need and housing standard is met
6. draw down funding each year to complete the work planned for that year.

If the Council were to breach the terms and conditions within the 30-year timeframe, then the Council would be liable for the following penalty costs:

1. repayment of the nominal value of any funds disbursed
2. repayment of an additional penalty charge equivalent to 90% of the disbursed amount
3. repayment of a portion of the funds disbursed by the Crown if the portfolio is sold incrementally.

Funding will be provided by way of a conditional grant with the penalty clauses as set out above. If the Council meets all the terms and conditions, then it would not be required to repay any principal or any penalty costs.

NOTE 1: PROPOSED HOUSING RELATED AMENDMENTS TO THE LTCCP

Strategy Area 6: Social and Recreation (pages 247 – 305 of volume one)

1. Delete paragraph 3 under section 6.1.1 'Community Housing - What we do' (page 253 of volume one).

Appendix 2

2. Insert new paragraph 3 under section 6.1.1 'Community Housing - What we do' (page 253 of volume one) as follows:

“Over the next three years, we will plan for and begin a significant upgrade of our housing units. This work is the start of a 10 to 15 year upgrade programme funded by the Crown’s investment of \$220 million in our social housing. The upgrade will ensure all our housing is safe, secure and of an appropriate modern standard.

See 'How we will manage our assets' below.”

3. Delete third and fourth paragraph under the heading 'How we will manage our assets' (pages 253 & 254 of volume one)

4. Insert as new paragraph 3 under the heading 'How we will manage our assets' (page 253 of volume one) as follows:

“Over the next three years, the Council will develop an investment plan and programme of works for the upgrade of our housing stock. The upgrade programme will take 10-15 years to complete. We will agree the work programme with the Crown in 2007/08 and it will be the basis of an annual drawdown of funds from the Crown, with the investment programme commencing in 2008/9. We will also review our current maintenance priorities and programmes and co-ordinate these with the upgrade programme of our housing assets.”

5. Delete the table 'who should pay' (page 254 of volume one and page 80 of volume two of the LTCCP) and replace with the following

WHO SHOULD PAY	
User charges	100%
Other revenue	0%
Targeted rate	0%
General rate	0%
Total	100%

6. Delete the financial information on page 255 of volume one and replace with the following:

WHAT IT WILL COST

Operational Spending 2006-07 - 08/09		Expenditure	User Charges and other revenue	Net expenditure/revenue
Project description		(\$000)	(\$000)	(\$000)
C125	Housing Operations and maintenance			
	Total for 2007/08	15,344	(16,553)	(1,209)
	Total for 2008/09	16,889	(33,684)	(16,795)

Appendix 2

Capital Spending 2006/07 - 08/09		Expenditure
Project description		(\$000)
CX370	Housing upgrades	0
CX371	Housing renewals	2,032
Total for 2007/08		2,032
Total for 2008/09		19,915

Note: Subsequent to the development of the proposed amendment a Capital Expenditure reprioritisation process has been completed reducing planned expenditure for 2007/8 from \$2,232,000 to \$2,032,000.

7. Delete the financial information for C125 (page 289 of volume one) and replace with the following and consequentially amend the total as per other changes identified in Section 4:

Net operating expenditure (by strategy area, activity and project for 10 years)

Annual Plan Project	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Proposed 2009/10 \$000	Proposed 2010/11 \$000	Proposed 2011/12 \$000	Proposed 2012/13 \$000	Proposed 2013/14 \$000	Proposed 2014/15 \$000	Proposed 2015/16 \$000
C125 Housing Operations and maintenance	(1,209)	(16,797)	(18,591)	(20,281)	(21,459)	(22,041)	(22,612)	(22,530)	(23,077)
6.1.1 Provider - Community Housing	(1,209)	(16,797)	(18,591)	(20,281)	(21,459)	(22,041)	(22,612)	(22,530)	(23,077)
Total Social and Recreation	49,426	38,104	39,674	38,969	39,583	40,661	41,668	43,795	45,295

8. Delete the financial information for CX370 and CX371 (Page 292 of volume one) and replace with the following and consequentially amend the total as per other changes identified in Section 4:

Capital expenditure (by strategy, activity and project for 10 years)

Annual Plan Project	Forecast 2007/08 \$000	Forecast 2008/09 \$000	Proposed 2009/10 \$000	Proposed 2010/11 \$000	Proposed 2011/12 \$000	Proposed 2012/13 \$000	Proposed 2013/14 \$000	Proposed 2014/15 \$000	Proposed 2015/16 \$000
CX370 Housing upgrades	-	15,754	17,376	18,658	24,427	25,724	26,636	27,315	28,079
CX371 Housing renewals	2,032	4,161	2,702	3,134	2,881	3,049	3,166	3,532	3,802
6.1.1 Provider - Community Housing	2,032	19,915	20,078	21,792	27,308	28,773	29,802	30,847	31,881
Total Social and Recreation	17,429	54,663	36,311	30,643	34,859	35,109	39,042	37,496	38,535

9. Insert new level of service in table 6.1.1 'Community Housing Level of service' (page 294 of volume one) as follows:
- “we will upgrade our housing units to provide safe, secure housing to an appropriate modern standard and in accordance with the investment plan to be developed.”

Appendix 2

NOTE 2: ASSUMPTIONS TO THE HOUSING RELATED AMENDMENTS TO THE LTCCP

1. Programme will be completed evenly (in nominal terms) over 10 years starting in 2008/9 and ending in 2017/18.
2. Ring fencing is of the cash surplus, this being the net operating position +/- the balance of capital expenditure funded by depreciation.
3. The current cost structure for the housing operations project will continue into the ring fenced operations with the following exceptions:
 - reduce rental income during the investment period as tenants are decanted
 - additional OPEX costs incurred for tenant liaison activities.
 - additional OPEX costs for additional premises to house decanted tenants.
 - minor maintenance savings occur during the investment period.
 - rentals increasing as a consequence of the investment which is likely to increase the assessed market rental valuations.
4. The cash surplus available from ring fencing will be used to fund investment into the housing stock.
5. Minor deferrals will occur on the current planned renewals programme as a consequence of the investment.
6. Consequential amendments as a result of updated opening balance sheet projections have been incorporated within the overall housing amendment.