

14 September 2021

Minister of Housing
Associate Minister of Housing (Public Housing)
cc: Vui Mark Gosche, Board Chair

Impact of the COVID-19 Level 4 Lockdown on Kāinga Ora – Homes and Communities

Purpose

This memo provides information on the impact of the recent and ongoing COVID-19 Alert Level 4 lockdowns and the transition to different alert levels across the country. A more fulsome briefing will be provided in the coming months once the impact is better understood.

Background

On 17 August 2021, New Zealand moved to Alert Level 4 at 11.59pm. While most of New Zealand moved to Alert Level 3 on 31 August 2021 and to Alert Level 2 on 7 September 2021, Auckland remains in Alert Level four for now.

Kāinga Ora operations and work programmes are based on five key operating assumptions that have been significantly impacted by COVID-19 – both directly with restrictions within New Zealand, and indirectly by global shifts. They are:

Assumption	Areas of impact	Activity
We work face-to-face, in person, in homes	Community relationships Customer relationships Rehousing customers	Urban development planning Maori engagement Community engagement Maintenance Customer support Home inspections
We have external products and suppliers available to us	Material supply Labour supply and productivity Logistics	Maintenance Construction Land development
Employees can operate at scale nationally	Community relationships Organisation productivity Quality control Procurement	Maintenance Construction Land development
We have access to work sites	Organisation productivity Project/programme supervision Quality control Procurement	Construction Land development Land acquisition
We can use people intensive practices	Labour supply and productivity Organisation productivity Project/programme supervision Quality control	Construction Maintenance

Each week Kāinga Ora typically tenants around 100 homes, responds to 9,500 maintenance jobs on its portfolio of 69,000 properties, and meets with over 2,000 of its customers. Every day there are over 580 open construction sites across New Zealand, with around 3,400 public housing homes currently under construction (including those in the Retrofit programme). We will be working on more than 80 hectares of land that will produce over 2,000 homes.

A large proportion of this activity occurs in Auckland. We have 29,000 of our homes there, and just over two thirds of the homes under construction are in Auckland.

The land development work – primarily the Large Scale Project programme, is predominantly in Auckland. Projects outside Auckland have gradually returned to work from 1 September 2021, applying appropriate distancing and contract tracing measures recommended by the Ministry of Health.

All site-specific safety plans (SSSP) have also been updated with guidance from the Kāinga Ora Health and Safety team and follow the latest Construction Health and Safety New Zealand (CHASNZ) guidance on safety protocols.

Housing Maintenance, Construction and Land Development activity

Alert Level impacts

As we learnt through the last few COVID-19 outbreaks, the alert levels have significant implications on our housing maintenance (including the healthy homes programme), construction and land development activity. More generally, these relate to:

- our inability to rehouse tenants impacting our ability to commence building works
- the efficiency of returning to business operations by the building sector through changes in alert levels
- staff not being able to physically inspect and progress work on sites.
- our inability to have face-to-face contact and site visits for our customer-facing staff and maintenance contractors
- some customers have enduring concerns around COVID-19 transmission, and are understandably reluctant to have contractors in their homes, which can impact maintenance work being undertaken even after alert levels fall.

Supply chain

Kāinga Ora manages a number of national supply agreements for construction and maintenance products, including from building materials, electrical supplies, plumbing products, through products that make a house a home, such as whiteware, floor coverings, and curtains. We also source materials through our build partners and their relationships with local suppliers.

Our suppliers and construction partners had been finding it difficult to access materials before the current lockdown. Restricted global supply chains meant they had comparatively little buffer stock, if any, prior to this current lockdown.

For those resuming construction outside Auckland (albeit with lower construction productivity levels), the closing down of manufacturers and reduced freight and logistics movement out of Auckland has put further pressure on them.

The reopening of some Auckland-based manufacturers of essential products such as plasterboard, gypsum plaster, coated roofing steel and insulation, is helpful, while the lack of activity in Auckland means there is not the same level of total demand at the moment.

There are still some products where there are gaps, and our build and maintenance partners are starting to forecast delays in carrying out works because of them. We may also need to prioritise use of some key products, such as plumbing and sanitary fittings, to ensure we can maintain occupied homes.

Manufacturers will be under considerable pressure to maintain all of their existing supply arrangements as construction activity resumes. We are therefore unlikely to receive preferential treatment from Auckland based manufacturers and suppliers once they are able to fully open to the rest of the country.

Customer Services

Our experience has been that lockdown restrictions have had a significant impact on our customer programme.

It is difficult to access our customer's homes or find appropriate times to engage with them about more sensitive issues. This means that it is difficult to undertake welcome visits within usual timeframes, re-let vacant properties as expected and undertake maintenance work in a timely manner.

Call volumes for maintenance requests reduce during these periods, despite people being in their homes more. That means we end up with both a significant backlog of work and surging demand when we get to reduced alert levels. Demand for the home ownership products we administer also reduce. Some detail on key areas impacted are outlined below.

Maintenance

Under Alert Level 4, maintenance partners only undertake urgent health and safety work. Below that, Kāinga Ora will look to complete all other responsive repairs work. That work can only occur if it can be completed in a manner that aligns with Ministry of Health guidance on physical distancing and cleansing. It is also subject to customers being comfortable with tradespeople entering their home.

There are two key responsive repair metrics that Kāinga Ora looks to here:

- maintenance requests raised – the customer notifies us, and
- work orders issued – we get a maintenance provider to go to the home to repair it.

Alert Level	maintenance requests raised vs normal	work orders issued vs normal
Alert Level 4	40%	19%
Alert Level 3 outside of Auckland	60%	54%
Alert Level 2 outside of Auckland	67%	72%

During this period, Kāinga Ora has held back 5,454 work orders and is working with maintenance partners to clear this backlog as alert levels and customer willingness allow.

Healthy Homes Programme

The Healthy Homes Delivery Programme has been growing in scale and momentum, to the point where it was exceeding delivery targets during August, completing 777 homes in the first two weeks of the month (against a monthly target of 1,024 homes). All healthy homes activity stopped nationally at Alert Level 4, and while work can resume at Alert Level 3, there are a number of customer and supply chain issues to now work through.

Access to homes will be more difficult, with customers reluctant to let staff or contractors into their homes, and the number of vacant properties reduced significantly as people stay in their home.

We expect our partners to be impacted through:

- Trades and maintenance partner employee anxiety
- Supply and distribution of materials (on and off shore)
- Further pressure on limited trades when work can re-commence

As at 31 August 2021, 15,987 (just over 24 percent) of the Kāinga Ora portfolio was confirmed as meeting Healthy Homes standards.

Planned Programmes

All planned maintenance programme activity stopped nationally at Alert Level 4. The exterior paint programme can resume in Alert Level 3, but it is dependent on customer willingness. Feedback from maintenance partners is that customers are reluctant to have trades onsite until their region is at Alert Level 1.

The roofing programme has come to a national standstill due to lack of supply of products from Auckland. Kāinga Ora expects further delays to this programme while suppliers catch up on logistics.

Health & Safety Inspections

Our contracted health and safety inspections are suspended under Alert Level 4 and 3. For those regions at Alert Level 2, health and safety inspections have resumed, focusing on those inspections put on hold with the move to Alert Level 4.

Relationships

While a lot of our relationship and stakeholder engagement can continue unabated during alert levels we are finding our ability to progress discussions in some areas significantly more challenging. An example being with our iwi partners who have, for good reason, diverted their focus to supporting the vaccination efforts in their communities.

Statement of Performance Expectations (SPE)

The current alert levels are likely to compromise the ability of Kāinga Ora ability to meet a number of its SPE targets this year. We are in the process of working through each of our 61 SPE targets to understand the likely impacts, put in place mitigations and forecast likely end of year positions.

Targets premised on access to customers and homes are at risk, with customer-facing services and management, maintenance and renewal of our homes difficult to perform under current conditions.

From a construction perspective the combination of closed sites and material supply chain disruption means it is likely that deliveries previously scheduled from mid May 2022 will shift into the following year. Construction completion peaks in May and June, more so this year as a big portion of our offsite manufacturing (OSM) home programme (to help mitigate already existing delivery challenges) was forecast for completion in May and June 2022.

Next steps

As with previous lockdowns, Kāinga Ora will continue to work closely with suppliers, manufacturers, and distributors to reduce the risks as far as possible. This includes ongoing intelligence gathering, supplier liaison, and mitigation planning.

At this stage, Kāinga Ora expects to receive updates from its suppliers over the coming weeks as construction activity picks up under Alert Level 2 on sites outside of Auckland.

Kāinga Ora will continue to monitor the supply market and work through possible solutions to both shorter and longer-term supply constraints, such as alternative products, improving forecasts and communication, and increasing stock levels.

Kāinga Ora will provide you with a briefing to discussing a reset of timeframes around its performance measures in October 2021.

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