

16 December 2024

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I write in response to your request for information under the Official Information Act 1982 (the Act) dated 18 October 2024, regarding contracts between Kāinga Ora – Homes and Communities and Daum & Co. I have considered your request under the Act, and you will find responses to your requests below.

Kāinga Ora initiated a transformation project in 2020 to improve construction productivity, working closely with the sector to gain important insights across the design, development and build phases. The aim was to make housing supply faster and more cost-effective, in response to rising build costs and construction timeframes.

Daum & Co, a firm with specialist expertise in organisational transformation, was contracted to support this important project and build capability within the team.

Daum & Co partnered with Kāinga Ora to help design, test and implement a new end-to-end housing delivery process. It was a significant and extensive programme of work, involving comprehensive data analysis, workshops, focus groups, pilot programmes and sector insights – including more than 1,000 interviews with Kāinga Ora people, subcontractors and industry experts.

The first outcome of that work was our [Housing Delivery System](#), an operating model designed to increase construction efficiency through reduced waste and increased collaboration.

This innovative and systemised approach sees professionals from multiple disciplines working together in the one room during the design and planning phase. It means architects, planners, engineers, project managers and others can talk through, test and resolve issues in real time.

During the construction phase all the trades and materials suppliers are organised and coordinated to meet agreed timelines, resulting in increased visibility and onsite productivity.

As a result, we are building quality homes for New Zealanders faster and more cost-effectively.

The design phase has been significantly reduced to an average of 48 days, and we are more than halving build times. The cost of construction is also being lowered. Initial cost savings are averaging around 13 percent for homes delivered through the HDS, and we expect to increase this through ongoing system improvements and refinements. The return on this investment means the upfront spend will continue to pay for itself many times over.

Insights and learnings from this work, alongside the specialist services of Daum & Co, have since been applied to other areas of the business – driving further savings and efficiencies. This includes transforming the Kāinga Ora asset management and maintenance system to achieve a targeted

\$240 million in annual savings by the end of 2025/26. Some new ways of working have already been put in place, with \$30 million in savings achieved in 2023/24.

Early work has also started on identifying opportunities to drive down costs and achieve efficiencies for the delivery of urban development projects, working collaboratively with our partners. After conducting baseline research and co-design workshops, Kāinga Ora is now ready to start the first pilot, with a focus on neighbourhood planning. Early design work indicates this initiative could reduce the neighbourhood planning timeframe from three years down to 23 weeks.

As Kāinga Ora has now embedded the system learnings and benefits from Daum & Co's work, the contractual arrangement has concluded. However, the expertise and training they provided has equipped Kāinga Ora with the capability to continue testing and implementing new processes across the organisation. This work is led by a dedicated in-house team which supports key business groups to explore more efficient and cost-effective ways of working, while providing better outcomes for our customers and communities.

I respond to each of your specific questions under the Act below.

- 1. Please provide a breakdown of the total number of contracts past and present with their respective current and anticipated (if still active) final fee values between Kainga Ora and Daum&Co.*

Kāinga Ora has engaged Daum & Co in eight contracts since 30 July 2020, when the first contract was entered into. The total amount paid to Daum & Co across these eight contracts was \$16.9 million.

- 2. Please confirm whether transport and accommodation is included within these contracts and what is the total current and anticipated costs for these particular items for each contract.*

Costs associated with transport and accommodation are not included within these contracts. These were billed separately by Daum & Co. Since 30 July 2020, Kāinga Ora paid Daum & Co \$664,094 for travel, accommodation and other incidental expenses.

- 3. Please provide explanation on how Kainga Ora has complied with the Government Procurement rules for the engagement working for the Urban Development & Delivery Group.*

Out of the eight contracts with Daum & Co, two were entered into as the result of a competitive, open procurement process. This involved releasing a Request for Proposal to the market via the Government Electronic Tender Service.

For the remaining six contracts, Kāinga Ora engaged the services of Daum & Co under Rule 14 of the Government Procurement Rules. Rule 14 specifies certain circumstances where agencies are not required to openly advertise procurement opportunities, which include:

1. the original contract was openly advertised, and;
2. a change of supplier cannot be made for economic or technical reasons, and;
3. a change of supplier would cause significant inconvenience or substantial duplication of costs for the agency.

Given the importance and scale of the project, this approach enabled the organisation to consistently apply learnings, systems and processes from earlier work, and ensure momentum was maintained.

Further information concerning Government Procurement Rules can be found here:

<https://www.procurement.govt.nz/principles-charter-and-rules/government-procurement-rules/>

Nāku iti noa, nā



Caroline McDowall

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