

Quarterly Report

For the three months ending September 2020

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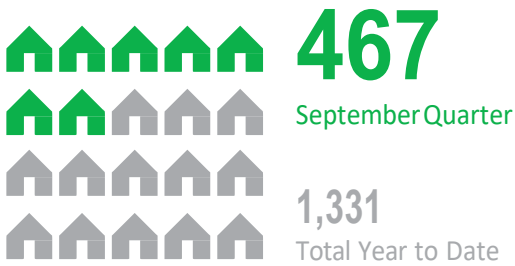
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Highlights

SPE 2.1 New State Homes

Redevelopments and New Builds



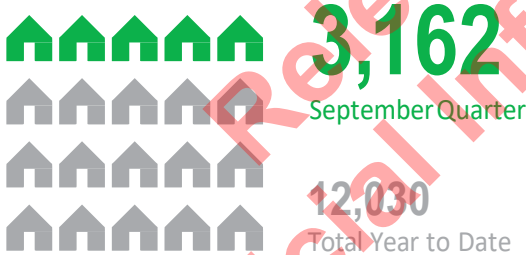
People living in those homes

As at right now

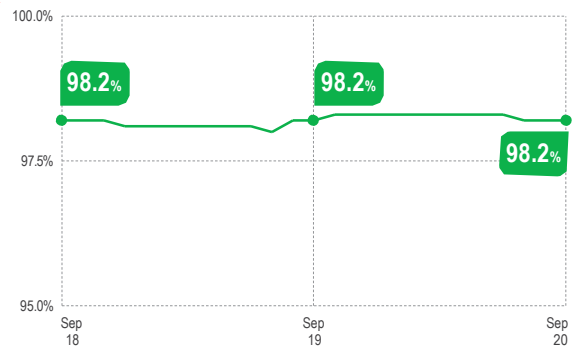


Supported into home ownership

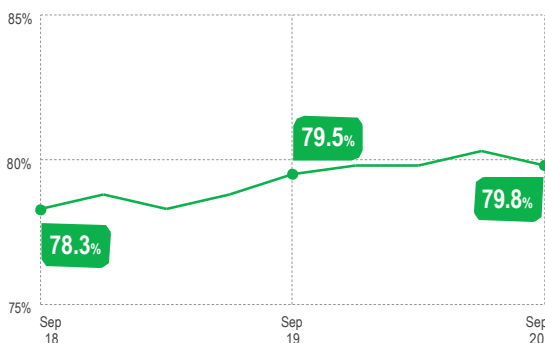
Unique homes purchased using one or more of our home assistance products



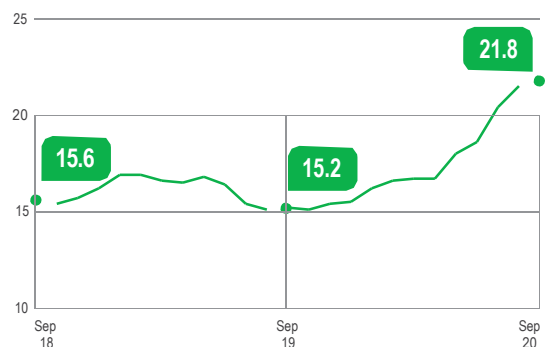
Occupancy rate % (YTD)



Satisfaction with Homes % (YTD)



Vacant to Ready to Let Days (YTD)





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Placing whānau at the centre of what we do



As a public housing landlord Kāinga Ora provides whānau with services in a way that demonstrates respect, integrity and honesty. A few of these services are outlined below.

Customer programme

Our Customer Programme was established to review and redesign how we support our customers to help them live well, with dignity, and stability in connected communities.

Over the quarter we have been testing and revising key concepts designed to improve our services with both our customers and external stakeholders. Our customers have helped us to further shape and refine what our future service response will look like.

The Customer Programme intends to begin consultation internally on its new operating model for public housing customers by first quarter 2021. It is intended that this change occur as a seamless ribbon of change off the back of the Shaping Kāinga Ora programme.

Te Waka Urungi

The COVID-19 resurgence saw the need for Te Waka Urungi to adapt to different ways of working to align with the varying restriction levels across the regions. The Te Waka Urungi service in Auckland focused on provision of support to Tenancy Managers by way of completing welfare calls and brief interventions with whānau.

Significant liaison with other government agencies and support being provided to Pasifika Providers in Auckland continues. The resurgence provided an opportunity to engage in a more co-ordinated manner with providers and to set up more efficient referral and escalation pathways to quickly meet the needs of whānau living in our homes.

Over the last quarter, there has been extensive Te Waka Urungi involvement in cross agency Family Harm initiatives across the regions. From the period of March to September 2020 in the Central North Island region alone, 163 of the 438 Family Harm notifications to the Police were identified as high risk cases and all were living in Kāinga Ora homes. Te Waka Urungi involvement has ensured local offices have visibility of these concerns, our whānau response is appropriate and that agencies are supported in their response. Te Waka Urungi are working to ensure a level of national consistency in this space.

CASE STUDY

Te Waka Urungi recently worked to provide support to a customer who had a history of mistrust with Kāinga Ora. The customer is a 36 year old single mother of European descent with three children aged 18 years, 7 years and 9 years. The 7 year old is autistic and the 9 year old diagnosed with ADHD.

This customer was known to have alcohol and anger issues towards Kāinga Ora staff. As a result Kāinga Ora experienced difficulty obtaining consent from the customer to address maintenance and discuss complaints from their neighbours of alleged illegal activities, gang presence and police attendance at the customer's home. Several other agencies were involved previously but support was withdrawn do to customer non-engagement. The whānau was referred to Te Waka Urungi in November 2019.



CASE STUDY

Te Waka Urungi contact with the whānau was not driven by complaints but by the need to assure the customer Kāinga Ora was by her side. Te Waka Urungi provided support by having regular and consistent fortnightly contact with the customer over the first 12 months which helped build a relationship between Te Waka Urungi and the customer. Over time the customer shared her challenges around keeping herself and her children safe in her current environment and provided some information about her relationship status (undeclared) and an additional two children in the home. Te Waka Urungi encouraged and supported the customer to declare her new partner to MSD without fear of losing her tenancy.

A Business Initiated Transfer was completed and the whānau were relocated to a five-bedroom home in another area and most importantly away from associates. Support was provided to secure new furniture and white ware through MSD and during the COVID-19 lockdown Te Waka Urungi supported the whānau with food parcels and supermarket vouchers. Te Waka Urungi was able to then engage services previously involved with the whānau - Vision West and Community Alcohol and Drug services.

The couple have now completed their Drug and Alcohol counselling and the customer is interested in returning to study and her partner is looking for employment. The children are now very happy and settled in their new home and they are all very house proud whenever Kāinga Ora has visited. The couple are now very selective on whom they invite into the home and there have been no further neighbour complaints.



Accessibility

The focus for the quarter has been on continuing the internal planning, engagement and implementation of the Kāinga Ora Accessibility Policy.

In July 2020, Kāinga Ora attended the Office for Disability Issues' workshop on the Disability Action Plan 2019–2023. The purpose of the workshop was to discuss the Independent Monitoring Mechanisms report, the six-monthly Disability Action Plan report, and was followed by a discussion with the Disabled People's Organisations on key lessons learned from COVID-19. The key lessons included lack of accessibility to essential services, accessible format information, and the impact on mental health and wellbeing. In the current and ongoing COVID-19 environment, we continue to ensure welfare calls and welfare checks with all of our customers take place, and accessible format information is readily available to our most vulnerable customers.

At the end of July 2020 we submitted our first six-monthly progress report on our work programme in the Disability Action Plan 2019 – 2023 to the Office for Disability Issues. The Disabled People's Organisations intend to review and provide feedback on our Disability Action Plan work programme in the next quarter.

In addition, the Independent Monitoring Mechanism published its Shadow Report on 30 June 2020. The report included recommendations for Kāinga Ora, which we anticipate responding to in the next six to twelve months.

In July 2020, as part of our stakeholder engagement approach, we hosted a second Accessibility Symposium. Due to the COVID-19 environment, the event was held virtually in two parts. The objective of the Symposium was to bring

all of our key disability sector stakeholders together and report back against the progress we have made toward implementing the Accessibility Policy across our organisation. There were around 80 separate log-ins to the two sessions with many on behalf of a group of attendees. We estimate that approximately 90 disability sector stakeholders attended both sessions. As a follow-up to the Symposium, we are collating all questions received from disability sector stakeholders along with our responses, for uploading on our Accessibility Symposium website. We anticipate developing a Kāinga Ora Accessibility webpage that can be accessed via our external website.

During this quarter we have also completed supporting documentation to clearly define the 'at least 15 percent' Universal design target. We are working on implementing system changes to enable us to start collecting information on the number of our public housing new builds that meet Universal design standards. Our Portfolio Management team has been looking to enable the collection of asset information about accessibility features in our public housing homes within Kāinga Ora systems.

Providing good quality, warm, dry and healthy rental housing



The impact of a warm, dry and healthy home on a person's wellbeing is significant, and drives our approach to ensure we supply our tenants with good quality rental housing.

Maintenance 2020 / Te Mahi Ngātahi

Te Mahi Ngātahi maintenance contract went live on 1 July 2020. While there are a range of commercial improvements, including reduced contract regions, more customer focussed key performance indicators, enhanced system features, the larger change is the increased customer service

experience. The new experience sees more engagement with customers along the repair journey with regular updates being provided to both customers and Kāinga Ora.

To support the maintenance operation, National Supply Agreements are in place for critical components to aid supply chain management and cost control. These agreements become critical when extensive programmes, such as Healthy Homes, require product volumes not commonly seen in the New Zealand market for short durations.

As with all large scale change programmes, significant effort is being now being applied both within Kāinga Ora and our Maintenance Partners to embed the service offerings.

The overall benefits will be realised progressively over the coming months.

Retrofit programme

The Retrofit Programme continues to expand into more regions and by the end of the year will be operating in over 30 towns across the country. The programme team has been establishing and strengthening relationships with local internal stakeholders to raise awareness of the programme, establish the pipeline, share lessons and receive feedback on the programme's operation. Tenant wellbeing is a key focus of the programme. The Kāinga Ora Tenancy Liaison team work closely with tenants to find temporary housing when necessary that meets their needs during construction, and also supports them through the process.

The programme is building supplier capacity in each town, as well as working closely with local designers and building partners to ensure that each can be successful in the programme. The procurement drive nears its end and as a result design work is underway in many of the towns, with construction to follow and all towns are

planned to be in construction by the beginning of the New Year.

Of the properties that have been designed/completed to date

- Accessible Ready – 20 percent (76)
- Universal Design – 64 percent (248)
- Non Accessible – 16 percent (64).

With construction in only one town, the programme **has completed 63 retrofits this year with over 90 under construction.** As more towns come online, these numbers will continue to grow.

CASE STUDY

A tenant approached ACC to get some bespoke work done on his home to make it accessible. When the asset manager received this request, they checked if this was a home going to be retrofitted before the work was carried out.

The retrofit team were able to advise that there was a home that had just been retrofitted and met accessibility standards very close by which was available. Instead of extra work being carried out on the home – and the extra time and cost that would have involved - the tenant was able to move from their current home and into the retrofitted and accessible home.



Healthy Homes

627 homes were completed by the Healthy Homes Programme this quarter. This programme is ramping up as planned following the establishment of the new maintenance contracts at 1 July 2020. The second round of the COVID-19 alert level restrictions across the country has affected the volumes of work expected to be completed. This is due to increased levels of customer anxiety for

works involving multiple trades, as well as global product supply logistical issues particularly relating to heating devices. The Kāinga Ora Contact Service Centre provided additional support during this period.

This quarter we have progressed implementation planning for our leased properties, Community Group Homes and for apartments with Body Corporates and these homes are now getting interventions completed following engagement with external stakeholders and private owners. Planning to progress Healthy Homes interventions in complexes will begin in the next quarter.

Reducing vacancy

A key focus in managing vacancies is being able to provide a safe, warm and dry home, while also aiming to minimise repair timeframes. For the first quarter in FY20/21, the average let to let time was above target of 21.8 days and above the average vacancy time of 18.9 days for the September 2019 quarter. Three primary factors affecting the time to repair were exiting and commencing a new maintenance contract which slowed trade productivity as Maintenance Partners were changed over, the higher volumes of vacancies than normal due to the remainder of tenants now being comfortable to move homes following COVID-19 restrictions being lifted in June, and the return to further restrictions in mid-August limiting workers on vacant sites to ensure safe distancing practices were adhered to.

With the move down the Alert Levels towards the end of this quarter, we expect to see improved repair timeframes as we move into October 2020 and a return to standard vacancy management practices.

Transition to greater housing independence



Financial products

Kāinga Ora aims to support people to transition to greater housing independence. One way we provide this support is through our financial products. Each product has its own eligibility criteria:

First Home Grant: Kāinga Ora assesses applications and provides grants between \$3,000 - \$10,000 to first home buyers or those in a similar financial position. A total of \$24.4 million was provided in First Home Grants during this quarter.

KiwiSaver First Home Withdrawal: KiwiSaver members can access their KiwiSaver to buy a first home. Kāinga Ora assesses applications against a realisable assets test, and provides applicants with a determination letter which allows successful applicants to access their KiwiSaver funds. Kāinga Ora assessed 2,144 applications during this quarter.

First Home Loan: Allows first home buyers or those in a similar financial position access to borrow with only a five percent deposit. Participating lenders submit applications to Kāinga Ora for assessment and Kāinga Ora underwrites the loan. Kāinga Ora underwrote 365 loans during this quarter.

Kāinga Whenua Loan: Provides owners of multiple-owned Māori land to access a KiwiBank loan which Kāinga Ora underwrites to build, buy or re-locate a property to the applicant's Māori land. Kāinga Ora did not receive any applications during this quarter.

Axis Series Homes: The Hobsonville Point housing development required approved building contractors to provide a certain number of homes

at affordable prices for purchase by first home buyers. Applications typically exceed supply for these homes so buyers are selected via a ballot process which Kāinga Ora administers. These properties have a two-year residency obligation, and compliance of this is monitored and managed by Kāinga Ora.

Tenant Home Ownership: Kāinga Ora tenants are able to purchase the property that they live in (under certain circumstances). Kāinga Ora provides a grant of up to \$20,000 to eligible applicants to assist with their deposit. Seven tenants purchased their homes during this quarter.

Progressive Home Ownership: Progressive Home Ownership (PHO) aims to increase home ownership opportunities for people who would not have otherwise been able to buy, with a priority to support:

- a range of places with severe housing affordability
- a range of households that are unable to otherwise buy
- the priority groups (including Māori, Pacific people and families with children).

The PHO Fund will be delivered through three pathways: the provider pathway; the iwi and Māori pathway; and the direct-to-household pathway, for which Kāinga Ora is responsible for establishing and delivering via 'shared ownership'. All three pathways will take a place-based approach and have broad criteria on the types of homes and eligible households.

We are currently consulting extensively with the Community Housing sector and the banking sector as we develop a Shared Ownership Agreement.



Housing and Urban Development

Since the establishment of Kāinga Ora we have been working towards how we can provide housing and urban development in a way that is going to provide people with everything they need.

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Housing and Urban Development projects



Kāinga Ora is committed to increasing its supply of good quality public homes at scale and pace to support the Government's housing plan and priorities. Current expectations are to deliver an additional 9,644 public homes throughout the FY2019-2024.

The housing initiatives include:

- four-year Public Housing Plan in 2018
- refugee resettlement and
- Budget 2020 announcement.

Consistent delivery of housing

	Actual Year 1-2 FY19-FY20	Actual Year 3 FY21	Forecast Total FY19 - FY22	Forecast Total FY19 – FY24	Housing Intention FY19 – FY24
Total Additions	3,530	522	9,102	15,279	16,410
Total SLED*	(1,580)	(141)	(4,121)	(6,979)	(6,766)
Net Housing Supply	1,950	381	4,981	8,300	9,644
4-year PHP - cumulative	44%	52%	111%		
<u>Regional Split:</u>					
Auckland	60%	59%	59%	61%	45%
Rest of New Zealand	40%	41%	41%	39%	55%

Total SLED* - Sales, Lease Expiry and Demolition

To supply net additional **9,644 homes**, Kāinga Ora will build, purchase and lease over **16,410** homes and dispose of around **6,766** homes that are unsuitable, surplus to demand, are not economically viable, or are of a high value, over a six-year period.

The current intention of supplying 9,644 additional homes is provisional on final decisions to be made through the update of the Ministry of Housing and Urban Development's (HUD) Public Housing Plan.

Public housing intentions and progress

As at 30 September 2020, Kāinga Ora has delivered 2,331 net additional homes since FY2019. This is approximately 52 percent of the 4,480 4-Year Public Housing Plan and 25 percent of the 9,644 6-Year Housing Intention.

Our current forecast shows we will meet our current year SPE target and exceed the 4-Year Public Housing Plan by the end of FY2022.

In addition, over a six-year period, we will supply a total of 8,300 additional homes against the provisional housing intention of 9,644. This is made up of a mix of delivered projects, pipeline and budget provision. Approximately 61 percent of the

net increases are in Auckland and the balance is allocated between Wellington, Christchurch and Regional areas. The gap of more than 1,300 homes to 9,644 provisional housing intentions and regional alignment will be managed through the formal budget and planning process.

Refugee housing: is a subset of public housing supply to cater for the refugee quota. Kāinga Ora is expected to supply an additional 364 public homes in the refugee resettlement areas over the FY2021-2023. The plan is to provide an **additional 175** homes in this financial year, and the **remaining 189** homes split over the remaining two financial years. Kāinga Ora is on track to deliver as planned.

Kāinga Ora is focusing **on building modern, warm and dry homes**. Our February 2020 4-Year budget shows the allocation of state home delivery as 89 percent builds, 10 percent buy-in and one percent new leases. Our current programme and build pipeline reflects the strategic alignment to this focus. From 4,052 total homes delivered since FY2019, 78 percent are newly built homes and 22 percent either purchased from existing homes or leased.

We have a strong build pipeline for many years ahead to ensure we can achieve our state home supply commitments. **As at 30 September 2020, we have more than 14,000 homes** at various stages in the build pipeline with deliveries spread over the next six to seven years. This includes 467 homes already delivered, 1,748 homes at planning and 3,832 opportunities at initial planning stage.

Regional focus: We are building more homes in regional centres, regional hubs and high growth towns outside of Auckland as per our strategy in response to the increasing demand reflected in applicants on both the Housing Register and Transfer Register. There are around 3,000 homes in the Rest of NZ build pipeline across various stages of delivery from planning to construction and a

further 1,900 homes are in early phasing for the pipeline.

Grow and progress our pipeline: planning and approval activity occurs throughout the Kāinga Ora delivery process. Quarter One results show slightly lower build activities compared to last quarter due to the immediate impact of COVID-19 disruption, mainly in July and August 2020. Over Quarter One:

- 717 homes obtained business case approval
- 394 homes obtained resource consent
- 246 homes obtained building consent
- 454 homes obtained project brief approval.

Build projects originally scheduled for FY2020 are being monitored closely. Around half of the delayed projects have already been delivered in this quarter. The remaining projects will be delivered by the end of this calendar year.

Kāinga Ora is yet to undertake a full budget process following the COVID-19 pandemic. We will be able to access broader impacts and risks to our programme when this work is completed. However, the current year 1,200 and four-year 4,480 delivery targets are likely to be met. Our provisional planning and investment intentions specify our pace of COVID-19 catch up will not significantly alter our four-year total.

Over the next quarter we will maintain our focus on accessing and addressing the impact of COVID-19. We will need to build the capacity to respond effectively under different alert level restrictions, alongside planning and managing our delivery risk to achieve our build target ahead of schedule.

Delivering quality, on time and on budget

Business cases set out the expected financial and non-financial benefits of an investment once completed. We evaluate completed projects and

their performance against time, scope and cost in their approved business case. The purpose of comparing actuals to the original business case decision is to enable improvement in our cost and time estimation processes. We assess rental income and yield performance as these are indicators of financial performance between business case and actual.

It is critical that we monitor our performance because project performance against business case estimates form a part of the Treasury's Investor Confidence Rating (ICR) assessment. Improvements are being made as we advance our capability and systems to deliver at scale and pace.

As at the end of September 2020, we had delivered 467 newly constructed state homes, 399 of these were redevelopments through 53 separate projects. We have evaluated a total of 28 redevelopment projects with 221 homes for time and scope elements of a project. For budget, rental income and gross yield, we evaluated 16 projects with 165 homes. Projects not evaluated are either projects within combined business case or large scale development projects that have multi-year deliveries. Quality is assessed as 100 percent due to our compliance process against our build standards.

The development and construction lifecycle spans a number of years and our business cases are prepared early in the process. The estimates are subject to a range of schedule impacts and are constrained by rehousing and community considerations. Similarly, these estimates are made prior to the procurement and contracting of the homes. We have older projects delivered in this quarter and this has an impact to the timeframes measure set in the business case. For cost, budget and gross yield measures, these results are a smaller sample size due to information system limitations. In all cases, change requests were

approved to increase the budget through the project lifestyle.

Construction Plan

The Construction Plan was presented to the Kāinga Ora Investment Delivery meeting on 12 October 2020 and agreed at the October 2020 Board meeting. The Construction Plan has been adopted and an implementation plan will be developed.

Kāinga Ora is the key delivery agency for the Government's public housing commitment. We have a significant role to play in delivering more homes and ensuring these homes are part of thriving communities. There is also a legislative expectation that Kāinga Ora will lead and transform the construction sector. Kāinga Ora has established six overarching outcomes which drive all our activity. The work we undertake in the delivery of state housing construction, refurbishment and purchasing is a key contributor to these outcomes.

THE CONSTRUCTION PLAN IS CRITICAL TO THE DELIVERY OF:

- **Quality and affordable homes** - our homes are safe, warm, dry and healthy. They are designed to support a diverse range of needs and choices. Commissioned public housing supply responds to customer needs. People and whānau have access to homes they can afford.
- **Environmental well-being** - We own and deliver environmentally sustainable assets. Our assets and communities are resilient to environmental shocks. Our customers and communities are empowered to live in an environmentally sustainable way.
- **System transformation** - Authentic and strategic partnerships shape the system, including with iwi and Māori organisations, investors, local government and all stakeholders. Innovation is adopted in the housing sector. Capacity and resource in the system are unlocked to enable new housing delivery



THE CONSTRUCTION PLAN SETS OUT THREE MAJOR SHIFTS WE WILL MAKE:

- **A change in our behaviour and values** in particular a significant shift towards greater trust, transparency and genuine partnership.
- **Actively seeking to influence and change the housing and construction industry** – this is a new role for Kāinga Ora and requires us to go beyond getting our own delivery right.
- **Focusing on five priority areas:**
 - Priority 1 – Partnering;
 - Priority 2 – Innovation;
 - Priority 3 – Design + Quality;
 - Priority 4 – Delivery;
 - Priority 5 – Sustainability.



Consentium – Building Consent Authority

The new Kāinga Ora Building Consent Authority Consentium is expected to be up-and-running later this year.

Accreditation was awarded to Consentium on the 27 November 2020, making it one of a handful of non-council organisations to achieve this status through the independent auditor IANZ. The final step is to achieve registration through the Ministry of Building Innovation and Employment. This has been applied for. Once registered, Consentium will work independently of councils and will be focussed on one customer only which is our Construction and Innovation Group.

Consentium will process building consent applications for state homes of up to four levels. This includes new state homes, as well as the retrofit programme and repairs and maintenance that require a building consent. It will operate out of main hubs in Auckland, Christchurch and Wellington, with building inspectors located across the country.

Consentium will help Kāinga Ora deliver more warm and dry homes at pace and at scale. Consentium aims to improve end-to-end

consenting processes, create national efficiencies and enable Kāinga Ora to reduce costs in external consenting and inspection fees.

We will also contribute towards improving the quality of state homes and the speed of delivery through things like engaging earlier with architects and build teams to ensure improved process and compliance from the get go.

The past nine months have been dedicated to meeting the requirements for accreditation. The progress Consentium has made has been helped by our early engagement and fostering good relationships with stakeholders.

Consentium will serve as a centre of excellence which has a unique opportunity to help educate and lift internal consenting performance and that of our suppliers.

Negotiating longer-term contracts based on volume (Commercial Partnering Agreements)

We are in the second year of agreements with our Build Partners involved in the Auckland tranche of the Construction Partnering Agreements (CPA). Auckland is fully allocated with all bar one of the build partners, and we are working to fulfil that commitment.

For our first year of the CPAs in Christchurch, across four build partners, we have allocated all of the commitment and are working to embed this approach with the Development Managers in the region. To support the initiation of the CPAs we held a ministerial launch event attended by all four build partners to showcase the commitment and engagement with the market in the Christchurch region.

Standard Designs for Residential Typology

We are developing a new Standard Residential Typology Suite for the Kāinga Ora public housing programme. This work follows on from a review of

our Standard Plans and MultiProofing, which determined the value and key lessons in the existing Standard House Plans, but also that we need to address the increasingly complex challenges facing our development programme including:

- changes in Government legislation
- new Kāinga Ora standards, principles and requirements
- site-specific response requirements
- scalable modularisation, mass customisation and facilitation, encouragement and enablement of Offsite Manufacture.

The first stage of the New Residential Typology Suite project is a comprehensive information gathering and stakeholder engagement process.

We have identified internal and external stakeholders including design consultants, build partners, suppliers, statutory, industry and professional organisations. Engagement has started in this quarter and will continue in the next before we can start finalising any design proposals.

As part of the wider project initiative, we are advancing a Modular Apartment Project with a review of recent Three-Level Walk Up projects, to evaluate some of the considerations that might inform the wider Residential Typology Suite. This will ensure we address any future concerns arising from Crime Prevention Through Environmental Design, Personal Safety and Security, social and community wellbeing, and stigmatisation. We are also considering scalable modularisation, mass customisation, and regional and site-specific response requirements. An outline of this work is included in the Construction Plan.

In the next quarter we will step up our engagement with stakeholders to refine the brief and to inform

the designs of the modular apartments. We will then develop the go-to-market strategy for a pilot of projects to test the designs and to inform the designs for the Standard Typology Suite. We are identifying the three-level walk up and apartment opportunities which will be suitable for this work, particularly in respect of the pilot Modular Apartment Project.

Reducing building costs and promoting innovation

Use of off-site manufacturing

During this quarter, we have been working with Concision and Auckland Council, and a Memorandum of Understanding (MOU) for off-site manufacturing has now been agreed and a pilot project is underway. The MOU seeks to create a building consent compliance pathway for Auckland Council qualified manufacturing partners that relies on their Quality Assurance system rather than Auckland Council undertaking their own Quality Control.

Building better homes through technology and innovation

This quarter we continue to conduct applied research and development to support the wider business to achieve its performance objectives in the built environment. The research and development outcomes are used to create a base for the dissemination of knowledge and advice to the various functions within the business, particularly our Construction and Innovation Group. Our current research and development projects are focused as follows:

Foundations Initiative

During this quarter the results of the 20 pilot sites were evaluated by the project team. Overall the tool performed very well and demonstrated its value of the tool in identifying high risk sites early

on, fast tracking low risk sites and identifying opportunities for higher density development. Opportunities to improve the tool's performance were identified and adjustments are being made to improve its accuracy. A strategy has been developed on how the tool can be rolled out to the Construction and Innovation Group's delivery teams.

Remix Research and Development Programme

The objective of the Remix programme is to optimise the design for a three-level walk-up typology in situations where the Cross Laminated Timber (CLT) building system is being used as the major structural element. Data and lessons learnt are being regularly fed back to the business as the programme advances.

The second phase of the Remix programme was initiated in October 2018 and comprises of four "Hybrid" projects in the Auckland Housing Programme which are due for completion during 2020. The programme outcomes provide the technical and commercial information required to enable a scale roll-out of a hybrid CLT building system.

During the last quarter, the building envelope on "Hybrid Project 1" (16-20 Busby Street) was closed in. Lessons learned workshops are being held approximately every three weeks, and where possible refinements are being made to the subsequent projects in the Remix programme and to the output reference designs.

During this quarter, an alternate structural design has been commissioned for Project 4 (Woodward) in an effort to simplify the structural complexity of the buildings.

Manufactured Bathrooms and Laundries

In March 2019 Kāinga Ora approved the use of manufactured bathrooms in two pilot projects. During the last quarter, the bathroom installation was completed at the Busby Street site in Blockhouse Bay. The three remaining pilot projects are progressing through final design and procurement processes. The final designs have been issued with a Lifemark 4 Star rating for the Universal Module and a Lifemark 5 Star rating for the Accessible Module. The Quality Assurance team continue to develop manufacturing quality assurance and quality control process for bathrooms. These processes need to be in place as manufactured bathrooms are adopted more widely across the build programme.

Five Systems Programmes

Preparation work commenced this quarter on this project which will document building consent-ready, three-storey walk-up apartments across five construction systems in a format ready for adaption to site specific requirements. The buildings will each be designed to achieve the same level of performance for Kāinga Ora and the same level of service for our customers. They will provide benchmarks for the design and development of other building typologies and projects. This is a step towards providing more consistent outcomes by understanding the technical and commercial performance implications of the design, specifying, and procurement decisions we make.

During this quarter BRANZ completed a Lifecycle Carbon Assessment. The three level walk-ups project is the first at Kāinga Ora to make design and construction decisions to reduce the lifecycle carbon impacts of the typology. A step towards the Kāinga Ora aspiration to achieve carbon neutral new build housing by 2050.

In each structural and construction system their different insulation, airtightness and ventilation performance levels are being evaluated. This life cycle carbon decision making requires whole building lifecycle assessment calculations that assess the carbon impact of building materials, energy use, water consumption, construction and demolition waste, and transport.

Complementary to the lifecycle carbon, whole of life cost and benefit calculations are being conducted to determine the most cost effective design, construction and asset management solution. In addition, the outputs of the carbon, energy and life cycle costing work are to be used for other purposes and shared externally with Ministry of Business, Innovation and Employment (for building code development currently underway), the Construction Sector Accord (as a Beacon project), and with the industry (as a BRANZ case study publication).

KiwiBuild and Affordable Housing

Kāinga Ora continues to partner with private sector developers through the Buying Off the Plans Initiative. We have collaborated with HUD's Land for Housing team and the Kāinga Ora Market Delivery team to support the Government build programme and increase the supply of affordable housing.

Over the September quarter:

- We secured contracts for the delivery of a further 200 KiwiBuild homes
- Lifted the total number of KiwiBuild homes sold to eligible purchasers to 844 (from 589)
- Completed 193 KiwiBuild homes in partnership with developers, bringing the total number of completed homes up to 645

- Had a further 912 KiwiBuild homes under construction as at the end of September 2020.

As at the end of September 2020 the KiwiBuild underwrite has enabled 4,047 homes in total.

Large Scale Projects

Mangere Development

Projects in Mangere West A and Aorere have been included in the recent 'Shovel Ready' announcement. Delivery is underway in the Mangere West neighbourhood to build over 900 homes of which more than 300 will be state houses. Nearly 100 homes have been demolished to date, and 80 new state homes completed. Development Agreements have been signed for 144 market and affordable homes, with handover to developers expected to begin by the end of this year.

Work has commenced in the Aorere neighbourhood and 17 state houses have been removed or demolished to date. The sales process for the first package of over 60 market and affordable homes is in the final stages, with a staged handover expected to start mid-2021.

High level planning work continues in the Mangere East neighbourhood. The draft masterplan is complete, and community consultation has commenced.

Mt Roskill Development

Work is underway in the Ōwairaka and Roskill South neighbourhoods to deliver approximately 1,000 new homes in each of which 275 (Ōwairaka) and 330 (Roskill South) are state houses. There will be a 50/50 split between market and affordable homes for the balance. At the end of September 2020, 48 state houses had been completed in Roskill South, and the first three in Ōwairaka. A

further 146 state houses are underway in Roskill South, and 75 in Ōwairaka. Development Agreements have been signed for 77 market and affordable homes in Roskill South and 177 in Ōwairaka. Construction has begun on 19 houses in Roskill South. The first 16 market houses have gone to market in both neighbourhoods, with 12 being under offer or unconditional.

Planning continues for the Waikowhai neighbourhood. The plan change with Auckland Council has been delayed by five months following collaboration. While this has a short-term impact on the programme, it is expected to have a long term benefit. Planning and consenting is underway for the first stage to deliver approximately 50 state homes and 120 market and affordable homes.

Oranga Development

The first two stages will deliver 200 state houses which will allow for local rehousing of the remaining tenants in preparation for future stages. The first four state homes are complete and a dawn blessing was held to celebrate the milestone and return of soil to the site. The remaining demolition and civil works for the first two stages is mostly complete. A further 36 state homes are underway.

The first package of market and affordable sales to developers is currently underway, with 17 responses received in Phase 1. The design for Stage 3 is complete, and demolition of the first houses is scheduled to begin shortly.

Northcote Development

Construction commenced on a portion of Te Ara Awataha (the Greenway). This project will see the daylighting of an historic stream which carries ecological significance for Mana Whenua along with an outdoor classroom. Linear Park was completed, while construction commenced on Richardson Park, both of which feature rich reserves that form part of the northernmost part of

Te Ara Awataha. The project team has experienced challenges with tenant relocations continuing to provide complications in the sequencing of construction works, and ongoing issues with unsuitable ground conditions such as asbestos findings, causing delays to construction.

Over 190 houses are complete and a further 120 under construction. More than 75 percent of original dwellings have been demolished to date. Development Agreements are in place with three builder partners to deliver more than 390 market and affordable homes. A further two Term Sheets are signed for an additional 90 market and affordable homes.

The first 102 market and affordable homes are complete and construction has begun on a further 81 market and affordable homes. Of the 174 homes that have been advertised to end users, 160 of these are under offer or have unconditional sales agreements in place.

Porirua Development

Construction of 67 new state homes in Cannons Creek is nearly complete. In Western Porirua, the partnership agreement with Ngāti Toa to manage and upgrade 900 state homes took effect from 1 July 2020. Planning and consenting work is underway on several lots. Construction continues in Castor Crescent, with 10 homes completed in July 2020. Fourteen one-bedroom homes were completed on Champion Street, and a blessing and open home held for Kāinga Ora staff and partners.

Tāmaki Regeneration

Since 2018, Kāinga Ora has been working with Tāmaki Regeneration Company Limited (TRC) as their master developer in Tāmaki. Kāinga Ora are responsible for the neighbourhood master planning and the delivery of all civil works, infrastructure and new homes in Tāmaki. The Tāmaki programme aims to replace 2,800 existing state houses with at

least 10,500 state, affordable, and private market houses over approximately the next 20-25 years.

The existing Catalyst Programme has delivered over 760 new state, affordable and market dwellings with around the same number left to deliver within the next two - three years.

Business Cases for the first two large scale Neighbourhoods have been prepared and if

approved they have the potential to deliver over 3,000 new dwellings over the next 10 to 15 years.

Tāmaki infrastructure projects were included in the 'Shovel Ready' projects approved by Government. Work has started with Watercare and Healthy Waters to get these projects underway quickly.

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Supporting Government Priorities

Kāinga Ora plays a central role in delivering Government's housing priorities

s 9(2)(a)

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Responding to Homelessness

Kāinga Ora has been working closely with HUD and MSD and the cross-agency Deputy Chief Executive Homelessness Governance Group to deliver on the work commissioned through Preventing and Reducing Homelessness Cabinet decisions.

The key delivery focus for Kāinga Ora is on the short term transitional housing supply response to reduce reliance on motels.

Contributing to increasing transitional housing supply

In February 2020, the Government announced that the PERM programme would supply an additional 1,000 transitional housing places by 31 December 2020 (of which Kāinga Ora will contribute 530-650 places). As at 30 June 2020, Kāinga Ora delivered a total of 220 places (within 229 units). During the first six months of FY20/21 our remaining contribution to the December 2020 target will be 310-430 places.

During the last quarter, 71 transitional housing places were delivered towards the PERM programme. To date Kāinga Ora has delivered 291 places, with 199 in the pipeline – this equates to a predicted total of 490 places for delivery by December 2020.

Work is underway to prepare for out-year delivery. During this quarter, land acquisition opportunities have been progressed, and the Mangere Road, Auckland (Ex Kings College) site settled in August. A land site at Titoki Place, Rotorua (yield 12 units) is conditional and due diligence is underway. A further five opportunities are under negotiation in Rotorua and Hastings. Work continues to identify potential redevelopment sites for possible conversion to Transitional Housing.

Budget 2020 additional transitional housing supply

Discussions continue with HUD to confirm the expectation for our contribution to supply a proportion of the 2,000 transitional homes. Kāinga Ora proposal to HUD is to amend the proposed Budget 2020 target to 493 places for FY20/21 and 907 for FY21/22. The pipeline for delivery in the second half of FY20/21 consists of 83 places under contract, and 99 places under investigation or negotiation. We are also reviewing opportunities in the state housing redevelopment pipeline that may be used for transitional housing.

Contributing supply for Corrections Housing and Support Services Programme

Work continues with the Department of Corrections to provide 150 transitional housing beds for people who would otherwise go to, or remain in, prison because they have no suitable accommodation option. People living in these houses are supported by Corrections Service Providers whilst they are reintegrating back into the community.

During this quarter work was completed on the Community Residential Transitional Housing (CRTH) site in Te Puke (15 beds) and we expect to handover the site to the service provider shortly. Two further CRTH new build opportunities in Wellington (total yield 28 beds) are under contract and on track for delivery in February 2021 and February 2022.

Kāinga Ora also purchased property in Christchurch which will be used for the Tai Aroha Expansion

initiative. Tai Aroha is a community-based residential programme for male offenders on home detention and intensive supervision sentence. The programme currently operates in Hamilton and will now be expanded to Christchurch.

This quarter the Housing and Support Services Programme Governance Board endorsed the approach to investigate the potential to build properties on prison land for Corrections use. This approach is being explored due to the issues encountered with community engagement.

Refugee Housing



Kāinga Ora has continued to collaborate with other agencies in supporting refugees through additional housing supply, effective and efficient refugee placements, and by working closely with key agencies at an operational level. The refugee intake for the March quarter remained at the Mangere Refugee Resettlement Centre during the COVID-19 lockdown period. The March 2020 refugee intake was then successfully and safely housed in settlement locations across New Zealand as the country moved to lower Alert levels.

There were no refugee intakes for the July and September 2020 quarters as a result of COVID-19 and restrictions on international travel.

Kāinga Ora Funding and Financing



Kāinga Ora inherited Housing New Zealand's existing commitments, funding and financing model when it was established on 1 October 2019. However, the model does not enable Kāinga Ora to succeed with the Government's broader expectations for it as an Urban Development Authority. In recognition of this, and in particular the need to deliver at scale and pace, Ministers

agreed to consider funding and financing in two initial stages.

The first stage provided initial advice on short-term options to maintain momentum. As recommended by HUD and Kāinga Ora in December 2019, Ministers agreed to increase our private debt facility from \$3.7 billion to \$7.1 billion to enable its forecasted activities through to June 2021.

The second stage was intended to comprise of a review of our medium-long term funding and financing model. This has been reflected in the Minister's Letter of Expectations, which directs Kāinga Ora to partner with HUD on this work so that decisions can be made by June 2020, with initial advice feeding into Budget 2020

A number of the key report back deliverables previously scheduled for June have been brought forward to support the COVID-19 economic stimulus programme. The remaining pieces of work have now been reviewed in light of this priority and it is now proposed that this review will:

- Identify options for operational funding of Kāinga Ora Urban Development Activity by end of November to inform Budget 2021
- Develop options for funding existing large scale projects by the end of November to inform Budget 2021
- Develop policy advice with HUD on approach and process for funding future urban development projects by March 2021
- Develop policy advice on Infrastructure funding and financing issues affecting the delivery of large urban development projects and 'bottom up' investigations to better understand the role and contribution of different infrastructure funding mechanisms and processes.
- Provide a joint HUD and Kāinga Ora view of the Kāinga Ora programme of work (three to five years) with implications for the Borrowing Protocol. Initial advice provided by the end of 2020.



Consider and Provide for Māori Interests

s 9(2)(a)

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Building Capability

The Māori capability team - Te Kurutao provides support throughout the organisation to enable them to effectively meet the needs of Iwi/Rōpū and to assist with the achievement of their housing aspirations. During the quarter, Te Kurutao developed Te Mahere Framework, detailing the work streams required for Kāinga Ora to achieve its legislative obligations. Te Mahere has been the guiding tool used to begin the embedding of the Māori operating principles as well as kick start several critical work streams.

The Mātauranga Māori Programme is a cultural competency and capability programme established by Kāinga Ora, within the Te Mahere Framework, to ensure it has the capability to uphold Te Tiriti o Waitangi and its principles, and to consider and provide for Māori interests. The Mātauranga Māori Programme will involve a learning programme to build the capability of Kāinga Ora to interact with their Māori customers and stakeholders in a mana enhancing way internally and externally. This will provide the organisation with a framework for developing the capabilities and activities that will support measurable success in developing Māori capability

Treaty Settlements

Where requested by Te Arawhiti, Kāinga Ora supports the Crown through the Treaty Settlement process not only in identifying land to be made available for different settlements, but all by participating in cross-agency conversations about how to address social transformation of the groups. During the quarter Kāinga Ora has been involved in preparation for establishing the Collaborative Socio-Economic Forum with Te Korowai o Wainuiārua and discussing a possible partnership agreement focussing on housing solutions.

Kaupapa Inquiry

Kāinga Ora continues to support the cross-agency response to the Housing Policy and Services Kaupapa Inquiry (Wai 2750) at both the working group level and governance level. During the quarter an inquiry hearing was held to hear what the definition of homelessness should be and if there should be a prioritised inquiry into homelessness from both the claimants and Crown. There have not been any directions from the Presiding Judge yet on the kaupapa of that hearing or how the inquiry will move forward in terms of whether it will be phased or not. Due to claimants not having access to funding under a Kaupapa Inquiry the Crown has offered to partner on commissioning research and to be as transparent as possible with Crown evidence.

Te Tihi Whānau Ora

The Housing Alliance with Te Tihi facilitates the establishment of two new contemporary urban papakāinga with ten homes to be available to whānau who currently rent Kāinga Ora houses in Palmerston North. A feature of this trial is that the house land packages will be developed in partnership with Te Tihi Whānau Ora. Kāinga Whānau Ora is midway through its fourth year of growth and through the Budget Bid process, are piloting the transferability of the model to Whanganui. Whilst the initial establishment of Whanganui was impeded by COVID-19, they are now moving forward confirming tonop pathways from Kāinga Ora so they can expedite the offering of Kāinga Whānau Ora as an opportunity to whānau in Whanganui.

Partnering with Iwi and Māori

Over the quarter the Kāinga Ora Board approved the initial approach in developing the Māori

Strategy. The design of the Māori Strategy was developed through a partnership approach with iwi, rūpū Māori, Māori housing experts and Government. The Māori Strategy is envisioned to highlight key issues that affect Māori disproportionately such as homelessness, quality of housing and home ownership. It seeks to address these through the aspirations of partners in a strategic vision, objectives and outcomes that will guide Kāinga Ora and its future work programme for better outcomes for Māori.

In August 2020, Kāinga Ora began engagement with staff, releasing an online internal survey that covered Māori values, engagement, health and wellbeing, Te Tiriti o Waitangi and Mātauranga Māori. The survey data will inform the Māori Strategy, alongside perspectives from external engagement.

Initially Kāinga Ora set out to hold 11 hui across the motu, encompassing the involvement all of our rohe, takiwā and iwi. This approach evolved to accommodate and address the risk of large

gatherings under uncertain COVID-19 Alert Levels. Three cohorts have been identified that will be engaged on the Māori Strategy - Iwi Leaders, Māori Housing Experts and Internal and Inter-Agency. Three online hui will be held with each cohort, with up to three face to face hui with representatives of each of the three cohorts.

Engagement with these cohorts will discuss issues affecting Iwi and Māori from achieving their housing goals and aspirations and how Kāinga Ora can strengthen and build new relationships and partnerships with Iwi and Māori communities. This approach has been consolidated to recognise and priorities the health and wellbeing of our communities and ensure that Kāinga Ora continues to grow towards being an organisation embedded in Te Ao Māori.

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Partnerships

Kāinga Ora aims to work through partnership and collaboration in our roles as a public housing landlord and leading, facilitating and undertaking housing and urban development projects.

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Partnering and relationship agreements



The draft Partnership and Engagement framework (PEF) was endorsed by the Board on 30 June 2020. The draft PEF outlines our commitment to the partnering and engaging direction in the Kāinga Ora – Homes and Communities Act and the aspiration for Kāinga Ora to significantly improve its partnering and engaging capabilities. The interim principles in the PEF have been communicated internally and continue to be promoted for application in our current partnering and engagement activities, pending approval of a final PEF in November.

External engagement with targeted Māori and non-Māori sector organisations is also underway and the feedback will inform final recommendations to the Board including potential improvements to the draft PEF. Phase two of this project is the development of tailored methods and approaches for partnering and engaging for each purpose and function and for each group reflecting their needs and preferences. It is expected that phase two, which includes capability building and embedding the principles in our systems and processes, will take approximately one year following adoption of the final PEF.

Partnering and relationship agreements

Work continued this quarter on documenting and building our intended relationship with Waka Kotahi (NZ Transport Agency) and the New Zealand Police.

A multi-party meeting between Kāinga Ora, ACC and the Ministry of Health was held this quarter to consider streamlining the housing modification processes across the three organisations. It has been established that a review of the overarching MOU between Kāinga Ora and the Ministry of

Health will support not only this work but all other engagements between the organisations.

The relationship with Fire and Emergency New Zealand continues to progress with workshops on annual communications planning and housing design being held this quarter.

Regular meetings continue to occur between Kāinga Ora and Oranga Tamariki to discuss ongoing programmes of work.

Ongoing work is occurring with the MSD on the creation of an MOU for an apprenticeship programme that will support Kāinga Ora Tenants.

The partnership with Auckland Council continues to be productive and underpins the Auckland Housing Programme (AHP). However, the local government sector has been significantly affected by COVID-19 and is facing much greater financial pressures. This adds to the pre-existing challenges for Auckland Council in supporting the infrastructure programme that the AHP depends on.

Engagement is underway with the NZ Infrastructure Commission which develops New Zealand's 30 year infrastructure plan.

During this quarter, relationships are continuing at programme and project level with the following partner organisations:

- Department of Corrections
- Commission for Financial Capability
- Ministry of Business Innovation and Employment
- Citizens Advice Bureau and Age Concern NZ
- Interim Climate Change Committee
- Local Government New Zealand (LGNZ)
- Ministry of Pacific Peoples
- Accident Compensation Corporation
- Royal New Zealand College of General Practitioners
- Electricity Retailers Association of New Zealand.

Partnership with the Community Housing Sector



Engagement with Community Housing Aotearoa has occurred, and positive feedback was received about the close working relationship established between themselves and the Kāinga Ora operational teams during COVID -19 Alert Level 4. A follow-up workshop is planned for next quarter to engage with Community Housing Aotearoa and Te Matapihi to discuss the learnings from working in the COVID-19 space from both perspectives and what learnings can be embedded into ongoing practice.

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Performance Updates

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Kāinga Ora Performance Updates



The Kāinga Ora performance results in September were on track or close to it, with some Statement of Performance Expectations (SPE) measures falling short because of the COVID-19 Alert Level restrictions. Where COVID-19 is the key reason, an improved performance over the upcoming months is expected, assuming there are no further changes to Alert Levels.

The latest forecast shows a net operating deficit for 2020/21. However, a short-term operating deficit for this year and the next helps pave the way to achieve long-term broader outcomes.

The deficit does not factor in the potential outcomes from a range of funding discussions and presents a conservative view.

New public and supported housing supply

Although Kāinga Ora started the year in a challenging position due to the delay of homes from the impacts of COVID-19 good progress was made in closing the gap on build numbers.

Kāinga Ora has delivered 511 New Build and Redevelopment Public and Supported Homes this financial year. COVID-19 restrictions in August and September 2020 slowed progress during the quarter. Build partners and suppliers have ramped up their productivity, but the restrictions have exacerbated supplier resource issues and backlogs from the previous lockdown.

The market is becoming more competitive, and it is challenging to acquire New Build and Buy In homes. Builders are working through their own funding issues following COVID-19, which affects the number of New Builds available for contract. Land purchasing in the current market is not as favourable as previous years, and is discouraging builders, which creates fewer opportunities for Kāinga Ora.

The Kāinga Ora forecast for transitional housing has been reduced to 493 adjusted to reflect the changed contribution as noted in the proposal to HUD for Budget 2020 for 2020/21.

Despite these challenges, Kāinga Ora is on track to delivering the full year SPE target of 2,400 new homes, and all remaining homes scheduled for delivery are currently in construction.

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Home Delivery			
	Year to Date Actual (units)	Full Year Forecast (units)	Full Year 2019/20 (units)
Public Housing			
Redevelopments	399	1,800	993
New Builds	68	600	236
New Public Homes	467	2,400	1,229
Supported Housing			
Redevelopments	0	317	23
New Builds	44	418	132
New Supported Homes	44	735	155
SPE 3.1 Newly built Public and Supported Homes	511	3,135	1,384
Public & Supported			
Public Buy Ins	52	275	326
Supported Buy Ins	15	191	130
New Leases	3	12	8
Total Other additions	70	478	464
Demolitions	(84)	(1,020)	(702)
Sales	(8)	(70)	(71)
Leases Expired or Terminated	(13)	(129)	(89)
Total Disposals	(105)	(1,219)	(862)
Adjustments ¹	(14)	(14)	11
SPE 3.2 Net increase in Public and Supported Homes	462	2,380	997

¹ includes demolitions awaiting write-off.

Capital Spend

The Kāinga Ora capital expenditure for new homes is slightly behind expectations, with development slower due to Alert Level restrictions across the country. Construction activity is expected to ramp up in the months ahead, assuming no further COVID-19 Alert Levels.

The Kāinga Ora year to date investment on already-completed and in-progress homes in the Build Programme activities is \$386.7 million, and \$533.4 million across all activities. Current projection for the full year is approximately \$3.6 billion across all our activities.

Build Programme Spend			
	Year to Date Actual (\$m)	Year to Date Forecast Variance (\$m)	Full Year Forecast (\$m)
Public Redevelopments	210.4	12.6	1,030.4
Public New Build	38.5	11.3	368.3
New Supported homes	46.4	10.5	544.9
Total New Homes	295.4	34.5	1,943.6
Public Buy Ins	41.8	(1.3)	214.5
Supported Buy Ins	23.7	0.5	321.3
Strategic Land Purchases	19.4	(0.0)	75.0
Capitalised Overhead	6.4	0.1	27.1
Public & Supported Housing total	386.7	33.7	2,581.5

Although still short of target, customer satisfaction survey first quarter results are trending upwards.

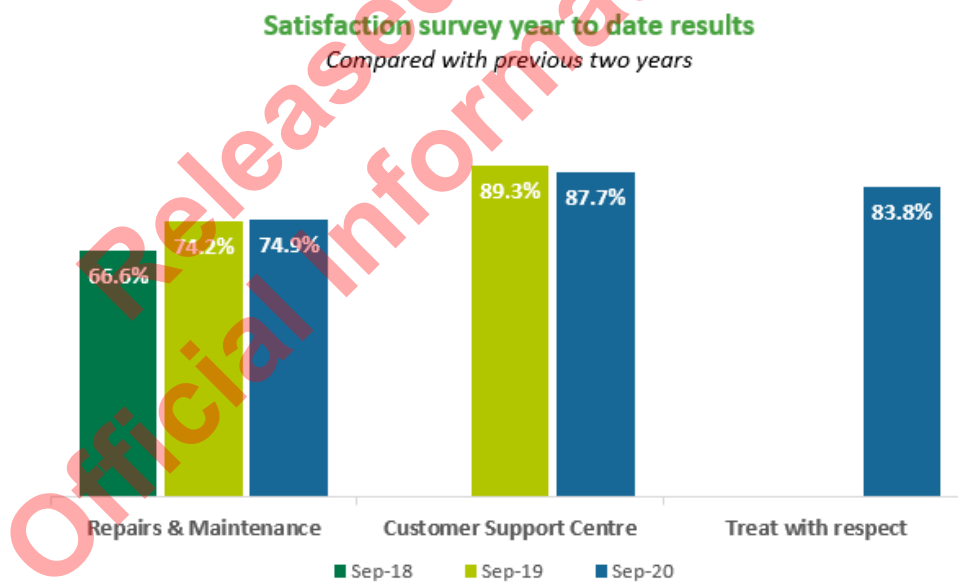
Satisfaction levels are either remaining steady or improving compared to prior years. The movements are not statistically significant, as first quarter results have a margin of error of ±4.4 percent. The margin of error reduces with each subsequent quarterly report.

The September year-to-date survey results for the SPE measures of *percentage of public housing customers satisfied with repairs and maintenance*; *percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre*, and *percentage of customers who feel their tenancy manager treats them with respect* are either improving on previous years or remained steady

(although the movements are not statistically significant as the first quarter survey has a margin of error of ±4.4 percent. This margin decreases over subsequent quarters).

The *Percentage of public housing customers satisfied with repairs and maintenance* SPE measure was met for the first time this quarter (rounded to nearest whole percent). Huge progress has been made in the last couple years to increase customer satisfaction in this area, with results improving by more than eight percent from the same time two years ago.

Percentage of customers who feel their tenancy manager treats them with respect is a new SPE measure for this financial year, and it started strong at 83.8 percent (target 85 percent).



Operating result

The year to date operating surplus of \$5 million is ahead of forecast, noting the increase in expenditure in upcoming months will move the result into the forecast deficit position.

Year to date, Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) is at \$129 million (33 percent). Lower asset write-offs contributed to most of this upside against forecast. This is partially offset by higher repairs and maintenance spend during the quarter, which largely came from exterior painting (an additional 120 homes above forecast).

The Kāinga Ora forecast for the remainder of this financial year and the out-years will continue to be refined. Two aspects, which are likely to have a significant effect, are the accounting and timing changes for land write-downs and incorporating the results of Shaping Kāinga Ora. Alternative accounting treatment for land write-downs that recognise we are contributing to broader Government outcomes are being explored.

Statement of Income

	YTD Actual	YTD Variance	Full Year Forecast
\$m			
Rental Revenue	364.7	0.3	1,459.9
Other Income	12.2	(1.5)	66.8
Repairs and Maintenance	93.5	(4.2)	431.2
Other Direct Costs	71.6	1.8	311.3
People costs	49.9	0.3	214.5
Other Indirect Expenses	31.1	(1.4)	136.4
Asset Write offs & (Gain) / Loss on Sale	1.9	13.9	63.9
EBITDA	129.0	9.1	369.6
EBITDA / Revenue %*	33.0%		26.9%
Depreciation and Amortisation (Properties)	77.9	(0.3)	308.3
Depreciation (Infrastructure)	3.6	(0.7)	14.8
EBIT	47.6	8.1	46.5
Interest Expense	39.0	(1.9)	153.7
Interest Income	(7.6)	2.2	(10.6)
Tax	11.5	1.8	31.1
NOSAT	4.6	10.3	(127.7)

Maintenance spend

To provide warm, safe and dry homes for the people Kāinga Ora houses, maintenance will always be a significant portion of our expenditure. Total maintenance investment is on track, at \$1 million above forecast. The deliberate people-focused approach to maintenance contributed to the minor opex overspend against forecast in responsive repairs. The capex spend is behind forecast largely due to spend ramping up later in the quarter on significant asset renewal programmes such as the Healthy Homes and Heating programme, as well as the successful transition to the new Maintenance 2020 contract in July taking a while to come up to full speed.

Total Maintenance Spend			
	Year to Date Actual (\$m)	Year to Date Forecast Variance (\$m)	Full Year Forecast (\$m)
Capex	39.9	3.3	359.1
Opex	93.5	(4.2)	431.2
Total	133.4	(1.0)	790.2

Cash flow, debt and compliance

Total financial assets as at 30 September 2020 were \$1,827 million, down from \$1,916 million for the quarter ended 30 June 2020. Of this amount, around half is invested in high-grade liquid securities (securities that provide a return above money in the bank but are easy enough to sell) with the remainder invested in term deposits timed to known future payments out several months.

Financial markets were relatively benign in the September 2020 quarter, following a turbulent period earlier in the year, as governments and central banks around the world responded to the COVID-19 crisis with strong fiscal and monetary responses. The New Zealand Reserve Bank has maintained a commitment to keep the overnight cash rate (OCR) at 0.25 percent until March 2021 and announced a funding-for-lending programme aimed at providing cost-effective funding to banks in order to ensure retail interest rates remain low.

These conditions provided a helpful backdrop for a new market debt issuance to ensure liquidity remained strong leading into potential uncertainty around the New Zealand and United States elections. On 2 September 2020, Kāinga Ora (through its Housing New Zealand Limited subsidiary) issued \$500 million of new debt to the market through a syndicated book-build process. The new 15-year issue is the longest of seven nominal bonds on issue by Kāinga Ora, to go with the 20-year inflation-indexed bond issued earlier in the year. The issue was priced at 1.53 percent, which is the lowest interest rate achieved for any of our new bond issues but noteworthy given the long 15-year term. On a relative basis, this interest rate represented a 0.51 percent premium to the closest New Zealand Government Bond which is also low by historical standards. At 31 percent of the total book, interest from offshore investors eclipsed all prior transactions and Kāinga Ora saw two major global investors participate for the first time.

The new 15-year transaction lifted total debt on issue to \$4.65 billion as at 30 September

2020, still within the \$7.1 billion borrowing limit agreed between the Kāinga Ora Board and responsible Ministers. Of this amount, \$4.1 billion were bonds (longer-term debt securities for financing capital expenditure) with \$550 million in bills (short-term securities used for cash management purposes).

Debit Profile	Year to Date		
	Year to Date Actual (\$m)	Forecast Variance (\$m)	Full Year Forecast (\$m)
Crown Debt	1,985	4	1,986
Market Debt	4,650	-	5,850
Total Debt	6,635	4	7,836

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Statement of Performance Expectations Measures

The following sections provide a more detailed look at how Kāinga Ora is tracking against the targets in its SPE.

s 9(2)(a)

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Kāinga Ora reports performance against financial expectations and 33 SPE measures (of which three are measured annually), as well as four corporate performance measures (measured annually). For the September 2020 quarter Kāinga Ora is nearly on track, in 18 measures, with several affected by COVID-19 restrictions. For the full year, if the effects of COVID-19 mean Kāinga Ora will miss some targets, it will also report additional information for those measures, showing what Kāinga Ora has done, any changes in our approach, and any other relevant information that gives fuller context to the results.

Sustaining tenancies and supporting communities

Kāinga Ora supports its customers to sustain their tenancies, be well connected to their communities and move towards independence where possible.

Measure	Year to Date Result	Year to Date target	Full Year target
Percentage of public housing customers that receive a welcome home visit within the first six weeks of their tenancy starting	43%	85%	85%
Percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre (quarterly survey results)	87.7%	85%	85%
Percentage of calls answered in 2 minutes by Customer Support Centre	78.0%	80%	80%
Percentage of customers who feel their tenancy manager treats them with respect (quarterly survey results)	83.8%	85%	85%
Percentage of public homes that are let (occupied days)	98.2%	97.8%	97.8%
Percentage of new customers who sustain their tenancy for 12 months or more	93.5%	>92.0%	>92.0%
Percentage of public housing customers that are not in rental arrears	88.7%	93%	>93.0%

Revenue and Output Expenses	Actual YTD (\$m)	Budget YTD (\$m)	Comment
Revenue Crown	257.4	248.2	The revenue and expenses of this output class are in relation to management of the public and supported housing portfolio. It includes all rent revenue and administration and tenant servicing expense for public and Community Group Housing, and revenue and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	121.6	125.5	
Expenses	226.9	225.7	
Net surplus/(deficit)	152.1	148.0	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document

Percentage of public housing customers that receive a welcome home visit within the first six weeks of their tenancy starting

Kāinga Ora deliberately prioritised welfare calls to all our tenants during the first lockdown and focused on highly vulnerable customers during the second lockdown. Kāinga Ora counts these welfare calls to new customers towards this measure, but the focus was on overall tenant welfare during lockdown, as such this measure may not make the targeted percentage by year end.

Percentage of Tenants who are not in rental arrears

This measure started the year high after the large increase during the first lockdown, and continued to increase in the early part of the quarter, but has started to move back down. Between August and September 2020, rental debt dropped by nearly half a million dollars (to \$8.1 million) and 350 fewer families were in rental debt.

Kāinga Ora is not yet hitting the SPE target of having at least 93 percent of customers being clear of rental arrears, but at 89 percent movement is in the right direction, while maintaining a tenant-centric approach.

Managing, maintaining and renewing our homes

Public housing customers have access to warm, dry and safe homes. Kāinga Ora renews its existing portfolio of homes.

Undertaking maintenance and renewal of all state homes, including Community Group and transitional housing. The output class relates to properties owned by Kāinga Ora, or where Kāinga Ora holds a lease for privately-owned properties or to third-party housing providers.

The activities undertaken in this output class include:

- undertaking planned maintenance programmes and improving amenities
- ensuring repairs and maintenance are undertaken in response to public housing customers' requests
- delivering planned upgrades, retrofits and complex remediation
- responding to Government health and safety objectives
- working with tenants to ensure minimal disruption to their lives while undertaking maintenance and ensuring they are treated with respect.

Measure	Year to Date Result	Year to Date target	Full Year target
Average number of days from a public home becoming vacant to being 'ready to let'	21.8	18.0	18 days
Percentage of public housing customers satisfied with repairs and maintenance (quarterly survey results)	74.9%	75.0%	75%
Average time taken to respond to urgent health and safety queries (hours)	4.3	4.0	4 hours
Percentage of public housing customer maintenance requests completed within the agreed service level targets	87.5%	80.0%	80%
Percentage of actual spend on repairs and maintenance programmes against budget target	61.1%	95.0%	95%
Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act	6.2%	30.0%	30%
Number of public houses completed as part of the house retrofit programme	64	125	>500
Percentage of public lettable properties that meet or exceed the asset condition scale baseline quality standard	<i>Annual measure</i>		93.5%

Revenue and Output Expenses	Actual YTD (\$m)	Budget YTD (\$m)	Comment
Revenue Crown	0.0	0.0	The expenses in this output class are in relation to maintenance of the public housing portfolio. It includes all administration and maintenance expense for public and Community Group Housing and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	0.0	0.0	
Expenses	104.4	125.2	
Net surplus/(deficit)	(104.4)	(125.2)	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document.

Average number of days from a public home becoming vacant to being 'ready to let'

COVID-19 Alert Level restrictions have affected the ability to prepare and tenant vacant homes. With the move to Alert Level 1 for most of the country, vacant homes are turning over faster, which will start to become evident in the next quarter's results, provided there are no further Alert Level increases.

Percentage of actual spend on repairs and maintenance programme against budget target

The start of new maintenance contracts initially slowed spend as suppliers prepared work programmes. Spend has begun to ramp up and the measure is expected to improve in the coming months.

Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act; Number of public houses completed as part of the house retrofit programme

As noted above, work on Kāinga Ora homes is ramping up and these measures are expected to improve over the rest of the year.

New Public and Supported Housing Supply

Kāinga Ora delivers the right volume of quality public and supported housing in the right place and matched to customer and whānau needs.

Under this output class, Kāinga Ora redevelops its current homes, build new homes and purchase properties and land for building homes. We also improve the quality and longevity of our existing homes through our renewal programmes to meet the changing needs of the state housing customer base for homes in the right place and of the right size.

The activities undertaken in this output class include:

- purchasing existing homes, building new homes, leasing privately-owned homes
- purchasing and leasing land for building homes that meet the current and forecast demand for public and supported housing
- delivering public and supported housing developments on greenfield and brownfield sites.

Measure	Year to Date Result	Year to Date target	Full Year target
Number of newly constructed Kāinga Ora public and supported homes	511	507	>2,400
Increase in the overall number of Kāinga Ora public and supported homes (net increase)	462	381	>1,900
Percentage of new public homes (redevelopments) built to a 6 Homestar standard	95%	90%	>90%
Percentage of demolition waste diverted from landfill	-	<i>Benchmark to be established</i>	
Number of new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme	26	25	>100

Revenue and Output Expenses	Actual YTD (\$m)	Budget YTD (\$m)	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to public housing supply, housing investment and land development.
Revenue Other	0.0	0.0	
Expenses	16.3	31.6	
Net surplus/(deficit)	(16.3)	(31.6)	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document

Notes on New Public and Supported Housing Supply

Number of additional newly constructed public and supported homes; Increase the overall number of our managed stock of public and supported housing

Home delivery targets are on track: 511 new homes and a 462 net increase year to date, compared to 507 new homes expected and 381 net increase in homes. The current forecast indicates Kāinga Ora will likely exceed its SPE 3.1 target, with over 3,000 new homes expected this year.

Percentage of demolition waste diverted from landfill

This measure is in the process of establishing the methods to collect results, with the benchmark still to be established.

Urban regeneration, development and general housing supply

Kāinga Ora contributes to sustainable, inclusive and thriving communities through quality urban development and regeneration, through leadership, innovation and collaboration. Kāinga Ora enables affordability and accessibility of housing, leveraging our land and scale.

Measure	Year to Date Result	Year to Date target	Full Year target
Number of new homes enabled through Kāinga Ora urban development activities	300	125	>500
Percentage of affordable homes enabled as a percentage of total homes	34%	40%	>40%
Percentage of enabled homes under construction by third parties within agreed timeframes	100%	95%	95%
Percentage of new affordable or general homes enabled to the 6 Homestar standard	-	90%	>90%
Percentage of residents surveyed in current areas of development that are aware of the wider benefits delivered by Kāinga Ora regeneration activities	Annual measure		Baseline to be established

Revenue and Output Expenses	Actual YTD (\$m)	Budget YTD (\$m)	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class relate to activities associated with urban development activities and increasing general and affordable housing supply.
Revenue Other	0.0	49.1	
Expenses	15.7	63.4	
Net surplus/(deficit)	(15.7)	(14.3)	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document.

Percentage of new affordable or general homes enabled to the 6 Homestar standard

This measure is in the process of establishing the methods to collect the results.

Supporting first home ownership for New Zealanders

Kāinga Ora contributes to supporting first home ownership through the delivery of affordable home ownership products.

Measure	Year to Date Result	Year to Date target	Full Year target
Average number of days taken to assess a completed First Home Grant application	5.3	5 working days	5 working days
Average number of days taken to assess a completed KiwiBuild eligibility application	1.7	5 working days	5 working days
Number of new First Home Grants assessed for eligibility	12,703	Demand driven	
Number of new KiwiBuild applications assessed for eligibility	709	Demand driven	
Number of homes purchased by New Zealanders with one or more of our home ownership products	3,161	4,000	>16,000

Revenue and Output Expenses	Actual YTD (\$m)	Budget YTD (\$m)	Comment
Revenue Crown	28.9	31.5	The revenue and expenses of this output class are in relation to products that are managed on the Crown's behalf and expenses associated with these first home ownership products.
Revenue Other	0.3	0.4	
Expenses	28.7	30.1	
Net surplus/(deficit)	0.5	1.7	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document.

Average number of days taken to assess a completed First Home Grant application

This has averaged 5.3 days for the year to date, over the target of 5 days, and is due to a continued high volume of applications since the first lockdown lifted, while resources have remained the same. Kāinga Ora expects the average days to fall as application numbers return to more normal levels.

Homes purchased by New Zealanders with one or more of our home ownership products

The number of homes purchased this year to date is comparable with prior years under the previous measure (which did not include KiwiBuild homes). The new process to include the KiwiBuild homes in this result is being developed, but they are not yet included, and this causes the shortfall against the year to date target.

Transactions relating to Crown-owned land (Housing Agency Account)

Most activity within this output class relates to the services provided by Kāinga Ora for the management and development of Hobsonville Point (under control of the Housing Agency Account). The project is a large-scale, integrated urban development project in northwest Auckland on land formerly used by the New Zealand Defence Force.

Kāinga Ora is responsible for facilitating housing development at Hobsonville Point, with at least 20 percent of the housing constructed over the next 10 years to be sold as affordable housing.

It also includes activity where Kāinga Ora is required to buy or sell properties as part of the KiwiBuild Buying off the Plans initiative. The transaction and financial recognition will be processed within the Housing Agency Account, not within the Kāinga Ora Group.

Measure	Year to Date Result	Year to Date target	Full Year target
Revenue generated from the sale of Hobsonville land	\$0.0m	\$0.0m	>\$10 million
Percentage of homes delivered that are long-term rental or affordable housing as a percentage of total homes delivered	35.6%	20.0%	>20%
Percentage of surveyed residents that are satisfied with overall living experience at Hobsonville Point	Annual measure		>75%

Revenue and Output Expenses	Actual YTD (\$m)	Budget YTD (\$m)	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to management and development services for Crown-controlled land and property.
Revenue Other	0.5	0.5	
Expenses	0.5	0.5	
Net surplus/(deficit)	0.0	0.0	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document.

Corporate Performance - A reliably high-performing organisation

This covers planning activities and investments to ensure Kāinga Ora continues to invest adequately in our organisational capability. Kāinga Ora will continue to develop a high-performing workforce that can respond effectively to change and ensure it is supported by reliable and secure systems. Kāinga Ora will also focus on

maintaining our long-term financial sustainability. These measures are all determined annually, at the end of the financial year.

Measure	Year to Date Result	Year to Date target	Full Year target
Net operating costs of managing our housing portfolio per housing unit (excludes depreciation, includes capitalised maintenance)	<i>Annual measure</i>		\$14,382
Earnings Before Interest, taxes, Depreciation and Amortisation (EBITDA) as a percentage of total income	<i>Annual measure</i>		29%
Total debt to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) ratio	<i>Annual measure</i>		17.4
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to interest costs	<i>Annual measure</i>		3.59

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Statement of Financial Performance

	Year to Date Actual \$m	Year to Date Forecast \$m	Year to Date Variance \$m	Full Year Budget ¹ \$m	Full Year Forecast \$m	Full Year Variance \$m
INCOME						
Rental Income	364.7	364.4	0.3	1,474.5	1,459.9	(14.6)
Crown Appropriation Income	26.8	25.0	1.8	137.1	103.6	(33.5)
Affordable Homes Revenue	0.0	18.6	(18.6)	129.8	189.6	59.7
Lease Income	6.5	7.9	(1.4)	37.1	34.3	(2.8)
Other Income (excl. interest)	3.1	3.3	(0.2)	2.6	19.0	16.5
Total Income	401.0	419.1	(18.1)	1,781.1	1,806.4	25.3
DIRECT EXPENSES						
Repairs and Maintenance	93.5	89.3	(4.2)	421.6	431.2	(9.5)
Rates	44.7	44.6	(0.0)	182.5	181.6	1.0
Third-Party Rental Leases	14.1	14.3	0.1	57.7	56.6	1.1
Other Direct Property Costs	7.5	8.6	1.1	51.0	50.0	1.0
Bad Debts	0.8	1.4	0.5	4.7	4.5	0.2
Direct Mortgage expenses	(0.1)	(0.1)	0.0	0.5	0.3	0.2
Grants	24.2	22.5	(1.7)	90.3	90.3	0.0
Insurance	4.5	4.6	0.1	18.8	18.6	0.2
Affordable Homes Cost of Sales	0.0	18.6	18.6	126.2	189.1	(62.9)
Total Direct Expenses (excl. depreciation, (gain) loss on sale, asset write-offs)	189.2	203.7	14.5	953.3	1,022.0	(68.8)
INDIRECT EXPENSES						
People costs	49.9	50.1	0.3	217.6	214.5	3.1
Office Accommodation	3.1	3.2	0.1	13.6	13.3	0.3
Travel	1.0	1.8	0.8	11.3	9.4	1.9
Computer & Communication	5.2	5.0	(0.2)	27.9	27.7	0.2
Professional Fees	1.5	1.4	(0.0)	7.2	6.6	0.6
Consultants/Contractors	13.7	13.3	(0.4)	46.5	54.8	(8.4)
Other Expenses	6.7	5.0	(1.6)	23.8	24.5	(0.7)
Total Net Indirect Expenses (excluding interest)	80.9	79.8	(1.1)	347.8	350.9	(3.1)
(Gain) / loss on sale	(1.3)	(1.3)	(0.0)	0.0	(1.3)	1.3
Asset Write offs	3.2	17.1	13.9	70.1	65.2	4.9
Impact of Asset Write offs & (Gain) / Loss on Sale	1.9	15.7	13.9	70.1	63.9	6.2
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION (EBITDA)	129.0	119.9	9.1	410.0	369.6	(40.4)
Depreciation and Amortisation (Rental Properties)	77.9	77.5	(0.3)	307.3	308.3	(1.0)
Depreciation (Infrastructure)	3.6	2.9	(0.7)	14.8	14.8	0.1
EARNINGS BEFORE INTEREST, TAX (EBIT)	47.5	39.4	8.1	87.9	46.5	(41.4)
Interest Expense	39.0	37.1	(1.9)	150.9	153.7	(2.8)
Interest Income	(7.6)	(5.3)	2.2	(4.6)	(10.6)	6.0
NET OPERATING SURPLUS BEFORE TAX	16.1	7.6	8.5	(58.4)	(96.6)	(38.2)
Income Tax Expense/(Benefit)	11.5	13.3	1.8	26.1	31.1	(4.9)
NET OPERATING SURPLUS AFTER TAX	4.6	(5.6)	10.3	(84.6)	(127.7)	(43.1)

¹ Pre COVID-19 Budget.

Cash Flow

\$m	Year to Date Actual	Full Year Budget ¹
OPERATING ACTIVITIES		
Rent receipts - Tenants	109	470
Rent receipts - IRR	258	1,001
Other receipts from Crown	33	141
Other receipts	7	139
Payments to suppliers and employees	(265)	(1,281)
Income tax & Interest paid	(50)	(253)
NET OPERATING ACTIVITIES	92	217
INVESTING ACTIVITIES		
Sale of rental and management assets	25	37
Purchase of Rental Property & Management Assets	(509)	(2,928)
Movement in inventory	0	(107)
Change in investments	53	153
Change in other financial assets & liabilities	(4)	0
Mortgage and other lending	0	0
Short-term investment	(8)	0
NET INVESTING ACTIVITIES	(443)	(2,845)
FINANCING ACTIVITIES		
Capital contributions & Crown Borrowings	0	0
Borrowings received from third parties	314	2,628
Dividends paid	0	0
NET FINANCING ACTIVITIES	314	2,628
Net cash flows	(37)	0
Opening cash and cash equivalents (as at 1 July 2019)	421	388
CASH AND CASH EQUIVALENTS (as reported in Balance sheet)	384	388
Short Term Investments (as reported in the Balance Sheet)	1,243	1,107
Investments - Non-Current	200	0
TOTAL INVESTMENTS	1,827	1,495
Less - Treasury Reserve Fund Investments	31	35
TOTAL INVESTMENTS AVAILABLE TO BUSINESS	1,796	1,460

¹ Pre COVID-19 Budget.

Balance Sheet

\$m	As at 30 Sep 20	Full Year Budget ¹
Capital Contribution	3,560	3,555
Valuation Reserves	19,782	19,168
Retained Earnings	720	588
TOTAL SHAREHOLDER FUNDS	24,061	23,311
Cash & Cash Equivalents	384	388
Short Term Investments	1,243	1,107
Properties held for sale	14	0
Other Current Assets	10	0
Tax Receivable	4	176
Prepayments & Accounts Receivable	87	13
TOTAL CURRENT ASSETS	1,742	1,684
Income in Advance/Accounts Payable	205	247
Financial Liabilities & Provisions	34	37
Loans - Crown	162	252
Market Debt - commercial paper	550	700
Tax Payable & Other Liabilities	18	11
TOTAL CURRENT LIABILITIES	970	1,247
NET WORKING CAPITAL	772	437
Intangible Assets	49	25
PP&E - Rental Properties	31,117	33,488
PP&E - Infrastructure Assets	29	91
Properties under development	135	119
Property held awaiting development	57	278
Investments - Non-Current	200	0
Other Non-Current Assets	25	31
NON CURRENT ASSETS	31,614	34,032
Crown loans	1,824	1,735
Market debt - bonds	4,218	6,894
Deferred Tax Liability	2,173	2,417
Other Non Current Liabilities	109	112
NON CURRENT LIABILITIES	8,324	11,158
NET ASSETS	24,061	23,311

¹ Pre COVID-19 Budget.

Debt protocol reporting - FY21 Quarters 1 and 2

New Debt Allocation Over Q1 FY21				
Quarter 1				
<i>Actual</i>				
Net new debt – Q1	314			
New debt allocated – Q1	522			
<i>Category \$M</i>	<i>Q1 (Jul - Sep) 2020/21</i>	<i>Forecast</i>	<i>Variance</i>	<i>Units (actuals)</i>
	<i>Actual</i>			
Redevelopments	210.4	223.0	12.6	339
New Build Owned Programme	38.5	49.8	11.3	68
New Supported Housing	46.4	57.0	10.5	44
State Homes Builds	295.4	329.9	34.5	511
Buy in Programme	41.8	40.4	(1.3)	52
Buy-In Transitional Housing	22.0	22.7	0.7	13
Buy In Community Group Housing	1.7	1.5	(0.2)	2
Strategic Land Purchases	19.4	19.4	(0.0)	
Other Programmes	6.4	6.6	0.1	3
Construction and Innovation Total	386.7	420.4	33.7	581
National Retrofit	13.4	15.7	2.3	
Other Maintenance Programmes	6.7	7.6	0.9	
Construction and Innovation Maintenance Programmes	20.1	23.3	3.2	
Capitalised Maintenance and PBMC	8.0	8.1	0.2	
Unoccupied Repairs	2.6	2.5	(0.1)	
Healthy Homes	3.5	2.2	(1.2)	
Roof Replacement	3.3	3.9	0.6	
Other Programmes	2.4	3.0	0.7	
People and Homes Maintenance Programmes	19.8	19.9	0.1	
Property Maintenance Total	39.9	43.2	3.3	
Infrastructure Assets & Projects Total	15.4	15.6	0.2	
CAPITAL EXPENDITURE	442.0	479.2	37.2	

Urban Development Land (State and Market)*	60.3	72.6	12.4
Urban Development Tamaki	7.0	8.5	1.4
KiwiBuild (Construction & Innovation)	13.0	14.9	1.9
TOTAL CAPITAL EXPENDITURE	522.4	575.2	52.9

Forecast new debt allocation Q2 FY21 and FY21 full year						
Quarter 2						
Forecast						
Forecast net new debt – Q2	-200					
Forecast debt allocated – Q2	900					
Category \$M	Q2 (Oct - Dec) 2020/21 Forecast	FY 20/21 Forecast	FY 20/21 Budget	FY 20/21 FY Variance	FY 20/21 Budgeted Units	FY 20/21 Forecast Units
Redevelopments	230.5	1,030.4	1,159.9	129.5	1800	1800
New Build Owned Programme	45.5	368.3	215.4	(152.9)	350	600
New Supported Housing	180.0	544.9	509.5	(35.3)	766	735
State Homes Builds	456.0	1943.6	1884.8	(58.8)	2,916	3,135
Buy In Programme	43.8	214.5	215.4	0.9	275	275
Buy In Transitional Housing	110.5	319.6	273.0	(46.6)	250	187
Buy In Community Group Housing*	2.4	75.0	6.2	(68.8)	59	4
Strategic Land Purchases	6.4	1.7	75.0	73.3		
Other Programmes	7.1	27.1	78.2	51.1	12	12
Construction and Innovation Total	626.2	2581.5	2532.6	(48.9)	3,512	3,613
National Retrofit	31.0	157.2	134.6	(22.6)	500	627
Other Maintenance Programmes	8.7	28.2	28.5	0.3		
Construction and Innovation Maintenance Programmes	39.7	185.4	163.1	(22.3)		

Forecast new debt allocation Q2 FY21 and FY21 full year continued

Capitalised Maintenance and PBMC	8.5	33.9	34.0	0.1
Unoccupied Repairs	2.8	10.1	11.1	1.1
Healthy Homes Programme	22.5	75.9	95.7	19.8
Roof Replacement	7.7	27.2	26.8	(0.4)
Other Programmes	6.3	26.6	31.5	4.9
<i>People and Homes Maintenance Programmes</i>	<i>47.9</i>	<i>173.7</i>	<i>199.2</i>	<i>25.5</i>
Property Maintenance Total	87.6	359.1	362.3	3.2
Infrastructure Assets & Projects Total	5.7	38.1	38.5	0.4
CAPITAL EXPENDITURE	719.4	2,978.7	2,933.4	(45.3)
Urban Development Land (State and Market)*	154.3	489.6	213.2	(276.4)
Urban Development Tamaki	16.1	61.9	43.5	(18.4)
KiwiBuild (Construction & Innovation)	10.3	35.7	16.3	(19.4)
TOTAL CAPITAL EXPENDITURE	900.2	3,566.0	3,206.4	(359.6)

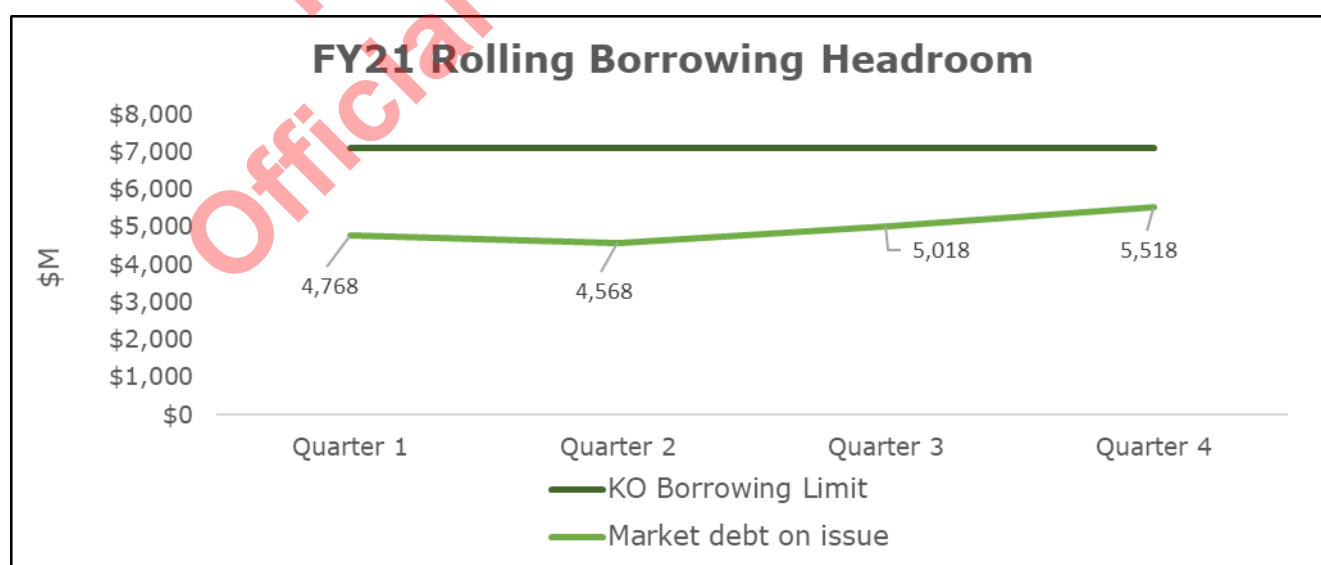
*Note: We now report & forecast Community Group Housing units by Buy-Ins and New Housing, which creates a variance to the 2020/21 budget (as not an easy or accurate way to restate).

Large Scale Programme Breakdown – Quarter 1 Actuals

Category \$M	Q1 (July - September) 2020/21			Full Year 2020/21
	Actual	Forecast	Variance	Forecast
Urban Development Land (State and Market)**	60.3	72.6	12.4	445.4
Urban Development Tamaki	7.0	8.5	1.4	61.9
Urban Development Large Scale Programme's (LSP)				
Mangere Precinct (incl PH TOC)	8.3	9.1	0.8	
Northcote	4.6	13.6	8.9	
Oranga	3.7	5.5	1.9	
Roskill Precinct (incl PG TOC)	39.4	39.7	0.3	
Eastern Porirua	4.2	4.7	0.5	
	60.3	72.6	12.4	445.4

Note: Detailed Large Scale Programme forecasts for the full year are in the process of being reviewed and re-approved. These will be provided at a later stage when complete, and will be included in next quarters report.

Debt Breakdown	Quarter 1 Debt		
	\$M	\$M	\$M
	Crown	Market	Totals
Opening – Bills on issue		\$735	\$735
Opening – Bonds on issue	\$1,992	\$3,719	\$5,711
	\$1,992	\$4,454	\$6,446
Net new bills	\$0	-\$185	-\$185
Net new bonds	\$0	\$499	\$500
Closing bills on issue		\$550	\$550
Closing bonds on issue*	\$1,992	\$4,218	\$6,210
Closing Debt on issue at 30/09/2020	\$1,992	\$4,768	\$6,760
*Market bonds on issue includes \$114m of premium/discount bonds			
Quarter 1 Cash Flow			
	\$M		
Q1 Opening Cash	\$421		
Q1 net cash flows	-\$37		
Q1 closing cash	\$384		
Short term investments	\$1,443		
Total Cash and Investments Available at 30/09/20	\$1,827		



Debt Breakdown

<i>FY21 Debt Balances</i>	<i>Actual Market Debt on issue \$M</i>	<i>Forecast market debt on issue \$M</i>	<i>Headroom vs \$7.1b</i>
30/06/2020	\$4,454		\$2,646
Q1	\$4,768	\$4,719	\$2,332
Q2		\$4,568	\$2,532
Q3		\$5,018	\$2,082
Q4		\$5,518	\$1,582

Note: forecast debt on issue is based on modelled outturns. Actual outturns may vary based on market conditions and portfolio requirements.

Programme Definitions

Categories	Definitions
Redevelopments	Development and construction of public housing (IRRS) on land owned by Kāinga Ora (including land purchased for that purpose)
New Build Owned Programme	Acquisition of newly built homes for use as public housing (IRRS)
Buy in Programme	Acquisition of existing homes for use as public housing (IRRS)
Transitional Housing	Construction or acquisition of transitional homes (Phase 1 = under the loan agreement between HNZ and MSD, Phase 2 = under the Permanently Ending Reliance on Motels initiative)
Strategic Land Purchases	Made up of a combination of small scale tactical purchases to improve the scope and outcomes of existing developments, and strategic purchases to provide for future potential for large scale developments with mixed outcomes such as State and Market. Excludes land purchases related to Transitional Housing redevelopments.
Community Group Housing	Construction or acquisition of homes for use as Community Group Housing, appropriation funded
Other Programmes	Largely capitalised overheads to both Construction & Urban Development Group programmes.
National Retrofit	Renew aging state homes to provide the functionality and thermal performance necessary for modern public housing.
Other Maintenance Programmes	This is largely the complex remediation programme, which is to renew aging state complexes to provide the functionality and thermal performance necessary for modern public housing.
Capitalised Maintenance and PBMC	Combined total of the capitalisable portion of responsive repairs, and performance based maintenance contract fees.
Unoccupied Repairs	To upgrade and complete life cycle maintenance to properties between tenancies.
Healthy Homes Programme	Programme works to ensure all KO housing stock is at least to the required Healthy Homes Guarantee Bill standards, although work is conducted to WHO standards (whole of house heating).
Roof Replacement	Budgeted programme largely for the life cycle replacement of roofs within KO housing stock.
Other Programmes	Various minor maintenance programme's with a portion of capitalisable costs
Property Maintenance Total	
Infrastructure Assets & Projects Total	Majority of budget & spend from upcoming business improvement initiatives as identified by the Strategy process, including projects on tenancy management approach, and supporting innovative sourcing and contracting of the build programme.
Urban Development Land (State and Market)	Urban renewal / regeneration and land development costs on superlot sites to enable building of a mix of market, affordable and public housing. Opportunities are identified and run as individual large scale programmes.
Urban Development Tamaki	Land development programme to enable market, affordable and public housing in Tamaki to support the Tamaki Regeneration Company.
KiwiBuild (Construction & Innovation)	The KiwiBuild product is now being delivered with a focus on the right home at the right place at the right price, rather than to meet a specified target. The C&I Group are largely completing KiwiBuild homes that were already in their pipeline until a future work programme is determined.