

# Our Statement of Intent

2017 - 2021





## Contents

<b>Statement of responsibility</b>	1
<b>Board Chair's foreword</b>	2
<b>Chief Executive's introduction</b>	4
<b>Who we are and what we do</b>	6
<b>Our operating environment</b>	8
<b>Our strategic framework</b>	14
Social housing	18
Social housing market leader	24
Affordable housing	28
Transitional housing	32
<b>Our priorities</b>	36
<b>A reliably high-performing organisation</b>	38

# Statement of responsibility

Housing New Zealand Group (Housing New Zealand) comprises Housing New Zealand Corporation and its subsidiaries, Housing New Zealand Limited and HLC Limited.

Housing New Zealand Corporation is a Statutory Corporation and Crown entity operating pursuant to the Housing Corporation Act 1974 and Crown Entities Act 2004. Its subsidiaries, Housing New Zealand Limited and HLC Limited, are both limited liability companies and are required to comply with the Companies Act 1993.

The information contained in this 2017-2021 Statement of Intent for Housing New Zealand has been prepared in accordance with the Crown Entities Act 2004.

In signing this statement, as Board Chair, I acknowledge my responsibility for the information contained in it.

Signed:



**Adrienne Young-Cooper**  
Chair

20 June 2017

Countersigned:



**John Duncan**  
Deputy Chair

20 June 2017

## “It’s coming up on 80 years since the first state house was opened at 12 Fife Lane in Miramar, Wellington, in 1937.”

Since then, Housing New Zealand and its forerunner organisations have played a significant role in New Zealand’s history. The first state homes were essential to help meet growing demand for housing, particularly in the post-war era, while the current focus is on providing social housing to ensure vulnerable New Zealanders are supported during their time of need.

Housing New Zealand’s operating environment is continually changing, but one thing that hasn’t changed is our commitment to keeping our customers at the centre of our thinking. Our first and largest role remains providing social housing for those most in need for the duration of their need, as part of a larger system of social housing providers.

As a social landlord, we are dedicated to providing our tenants with quality housing. We’ve introduced a Warm and Dry standard for our homes, which includes thermal quality curtains, a fixed heating source in the living area, mechanical ventilation, and carpet where appropriate. We’ve also created safe outdoor play areas at 14,000 homes where children are living, and we’re replacing around 275,000 smoke alarms with long-life units.

At the same time, Housing New Zealand is a Crown entity whose state housing portfolio is one of the Crown’s largest assets. We have a responsibility to manage our portfolio efficiently and effectively to maximise the economic and social value of our homes. We must also ensure our redevelopments deliver quality and fit-for-purpose homes for our customers in a cost effective way.

Housing New Zealand is taking a fresh new approach to redevelopment through our Auckland Housing Programme, which is allowing us to respond to the high level of social housing demand in New Zealand’s largest city while also helping grow the supply of transitional, affordable and market housing.

We’re scaling-up our redevelopment activity through the programme, making better use of our underutilised land holdings and working with the private sector to deliver 24,300 social, affordable and market homes in Auckland over the next 10 years. This will significantly increase housing supply while reducing upward pressure on house prices.

Over the first four years of the programme through to 2019/20, we’re building 4,300 new and replacement social and transitional homes in Auckland – a net increase of 1,700 – while releasing land to enable 2,380 affordable and market homes.

Building these homes will contribute to Auckland’s strategic vision of urban intensification and a compact city model where growth is supported through building up as well as out. It also provides an opportunity to renew a large portion of our aged housing stock, replacing these properties with modern homes that are warm, dry and healthy for our tenants and their families.

Of course, Housing New Zealand isn’t focused solely on Auckland. We have development projects underway in Wellington, Canterbury and the Waikato, for example, and are expanding our ‘pipeline’ in other parts of New Zealand, in areas where the Ministry of Social Development identifies there is demand.

Housing New Zealand also sees a clear need to show leadership within the social housing market as other providers start to play a greater role within the sector. We are demonstrating this by actively supporting the transfer of Housing New Zealand homes to community providers, looking for opportunities to undertake our developments in a way that supports the growth of other providers, and taking an active role within Government as an informed and trusted voice.

In March 2016, approximately 2,700 of Housing New Zealand's Auckland properties were transferred to the Tāmaki Regeneration Company through the Government's Social Housing Reform Programme. A further large-scale transfer took place in March this year, when around 1,140 of our Tauranga properties were transferred to IHC subsidiary Accessible Properties.

Looking ahead, the Government has announced a possible transfer of around 2,500 Christchurch properties that could take place during early 2018, and may identify other areas or properties for further potential transfers. This programme of stock transfers will create a more diverse sector over time.

The Government has also asked Housing New Zealand to take on new roles. The first of these is to contribute to the affordability and accessibility of housing for all New Zealanders, not just those in social housing. This is a new challenge, but as the country's largest residential landowner and landlord, we are well placed to make a real difference. For example, by freeing up land to enable affordable housing, using our scale to drive down construction costs, and by supporting innovative new approaches toward design and construction.

We will also contribute to this role by continuing to provide home ownership opportunities through the housing affordability products we administer on behalf of the Crown. These include the KiwiSaver HomeStart grant, Welcome Home Loans/Kāinga Whenua, and the sale of surplus properties through the FirstHome initiative and our Tenant Home Ownership Programme.

Housing New Zealand's second new role from the Government is to help increase the supply of emergency and transitional housing. We are already making significant progress in this area by leveraging our asset programmes, working quickly to identify opportunities to acquire suitable properties, and accelerating our development activity.

Across all our roles, we are focused on strengthening and establishing new relationships with community housing providers, community organisations and iwi groups that provide support services to tenants or can help them sustain their tenancies. Our development projects in particular are helping us to grow these relationships in many parts of the country.

This Statement of Intent is a key part of Housing New Zealand's strategic framework, which we have developed to outline how we will contribute toward the outcomes the Government seeks from the social housing sector. We are incredibly fortunate to have a workforce of knowledgeable and dedicated staff, and I have every confidence that together we will achieve the results we need to deliver our key contributions over the next four years.



**Adrienne Young-Cooper**  
Chair

## Housing New Zealand's primary role is to be a social landlord for New Zealanders in need, with over 62,000 homes housing around 180,000 people – almost 4 percent of New Zealand's resident population.

Tenants come to Housing New Zealand with increasingly complex issues that require thoughtful and considered management to ensure they can sustain their tenancies or, where they are able, move to independence. This social landlord role has expanded in recent years, with new responsibilities including the delivery of transitional housing for those with emergency needs, enabling the provision of affordable houses, and leadership in the social housing reform programme.

Housing New Zealand has taken on these additional roles during a period of significant change in the property market, where demand for social and affordable housing has grown across the country, and as the majority of our housing stock reaches the end of their design lives. The net effect is that of a significantly increased work programme, and a requirement for Housing New Zealand to respond with innovative and more efficient ways of working.

We know that we will have to do some things differently, such as develop a better understanding of the profile and needs of the people who live in our houses, and use our size and scale to make savings in construction costs and build more homes more quickly.

We're changing the way we support our tenants to sustain their tenancies and building a deeper understanding of our tenants and their needs. This includes updating and standardising our tenancy management policies and processes. This is helping us better target services to our different tenant groups, deliver our services more effectively, make better decisions about our properties, and identify when tenants need broader social support. We are working with other agencies and providers to ensure our tenants have access to these social services when they need it.

We're also taking a new approach toward asset development to increase housing supply while creating a modern and fit-for-purpose social housing portfolio. This involves developing closer relationships with key building industry partners, and trialling new building methods, to increase standardisation and help drive down construction costs.

To deliver the outcomes we need for our tenants and our homes, we are building a reliably high-performing organisation that is strategy driven, efficient, operationally excellent, and has brilliant and engaged people. One way we will do this is by building a culture of sustainable and continuous improvement where staff throughout the organisation look for opportunities to do things better. It is important for both our tenants and all New Zealanders that we take advantage of these opportunities.

Underpinning everything we do is our commitment to the health, safety and security of our staff and contractors across the diverse range of environments they work in. We are incorporating best practice into our everyday activities, and will continue to invest in robust policies, guidelines and tools for maintaining healthy, safe and secure ways of working.



**Andrew McKenzie**  
Chief Executive

DAVENTRY STREET AND TŌREA PLACE, WATERVIEW



Daventry Street and Tōrea Place, Waterview On a 3,453m<sup>2</sup> site in the central Auckland suburb of Waterview, Housing New Zealand transformed three old 1940s brick veneer duplexes into 17 modern social houses. The site's transformation is typical of the work Housing New Zealand is doing across Auckland to make more efficient use of its land and build more warm, dry and safe homes for people in need.



Not only did this development achieve the New Zealand Green Building Council, 6 Homestar Design rating certification due to its unique features, such as solar-powered street lighting and recycled planter boxes for tenant use, it also won a Merit Award in the Natural Habitats Urban Land Developments Property category at the Property Council Awards 2017.

# Introduction

This is our 2017-2021 Statement of Intent. It outlines who we are, what we do, the factors influencing our role and how we will measure our success so that we continue to be a leader in a growing sector that improves the lives of all New Zealanders.

In response to the growing demands in housing, we have set ourselves an ambitious role of being leaders in housing people, acting in a number of roles across the housing sector. This Statement of Intent outlines why our role is changing and how we are responding. Our accompanying 2017/18 Statement of Performance Expectations describes the nature of our day-to-day functions and outputs in greater detail.

This Statement of Intent is a four-year document, covering the financial years 2017/18 to 2020/21. Over this time we will continue to work closely with the Ministry of Social Development to respond to social housing demand as it changes in Auckland and across the rest of New Zealand. Any significant changes in demand may result in a need for our long-term asset planning to be revised and may also require updates to be made to this document.

## Who we are and what we do

Housing New Zealand is a statutory Crown entity responsible for housing people most in need, for the duration of their need. Under the Housing Corporation Act 1974, we are required to do this by providing housing, and services related to housing, in a business-like manner. This requires us to ensure the homes we are providing are in the right places, and of the right size and type, to meet demand.

As the largest residential landlord in New Zealand and the custodian of one of the Crown's largest assets, we manage a property portfolio of approximately 63,000 properties,<sup>1</sup> of which we own around 60,500 with a total approximate value of \$22.7 billion.<sup>2</sup> Approximately 180,000 people live in our homes and our tenants are some of New Zealand's most vulnerable citizens. As a social landlord we go above and beyond what other landlords are required to do in supporting our tenants and linking them with the social support services they need.

### Quick Facts

Housing New Zealand owns approximately

**60,500**

In all, we manage approximately

**63,000**

The value of the owned portion

**\$22.7b**

Approximately

**180,000**

live in our homes

Properties

Portfolio — People

1. The figure included in this document is at 30 April 2017 and is post the transfer of properties in Tauranga to community housing provider Accessible Properties on 1 April 2017.

2. The 30 June 2016 property valuation figure has not accounted for the transfer of stock in Tauranga to Accessible Properties on 1 April 2017. Another portfolio valuation is due to be completed by 30 June 2017.



In addition to our role as a social landlord, we enable the provision of affordable and other housing, particularly in Auckland, and actively contribute to the Social Housing Reform Programme (SHRP). The key settings that drive our business are set out below:

	DESCRIPTION	ORIGIN
POLICY SETTINGS	<p><b>Legislation requires us to act in a business-like manner, and to be an organisation that:</b></p> <ul style="list-style-type: none"> <li>exhibits a sense of social responsibility by having regard to the interests of the community in which we operate</li> <li>exhibits a sense of environmental responsibility by having regard to the environmental implications of our operations</li> <li>operates with good financial oversight and stewardship, and efficiently and effectively manages our assets and liabilities and the Crown's investment.</li> </ul> <p><b>The Minister's expectations for Housing New Zealand for the 2017/18 year include:</b></p> <ul style="list-style-type: none"> <li>growing the net supply of housing, including emergency, social, affordable and market properties, both within Auckland and across the rest of the country</li> <li>positioning ourselves to achieve greater cost reductions in our redevelopment activity</li> <li>considering how we can best support the Government's Social Investment approach in the way we manage our tenants</li> <li>supporting wider Government work on creating and applying transitional pathways for social housing tenants to leave social housing and re-enter the private housing market as and when appropriate</li> <li>continuing to work with the Ministry of Social Development in its role as purchaser to support long-term asset planning and the development of contractual arrangements</li> <li>continuing to support community housing providers, including through the transfers transaction programme.</li> </ul>	<p>Housing Corporation Act 1974</p> <p>2017/18</p> <p>Minister Responsible for Housing New Zealand's Letter of Expectation</p>
	<p><b>The Crown identified the following social objectives for housing and services related to housing by Housing New Zealand:</b></p> <ul style="list-style-type: none"> <li>Provide cost-effective social housing across New Zealand that is of the right size and in the right place, for those most in need, for the duration of their need</li> <li>Align asset and tenancy management decisions with the Ministry of Social Development's contracting framework and purchasing intentions</li> <li>Assist tenants to sustain their tenancy for the time they require social housing and to transition into housing independence, in conjunction with other agencies, when and where appropriate</li> <li>Support the Social Housing Reform Programme by working with Government and the social housing sector to help achieve the social housing reform objectives</li> <li>Provide affordable and other housing in areas of high housing shortages, including undertaking urban development and building social amenities and other facilities necessary to support the communities that will live in the housing</li> </ul>	<p>201718</p> <p>Crown social objectives for Housing</p>
	<p><b>Housing New Zealand to only house new applicants that meet the assessed A and B social allocation criteria.</b></p>	<p>Policy decision made by Cabinet</p>

## Our operating environment

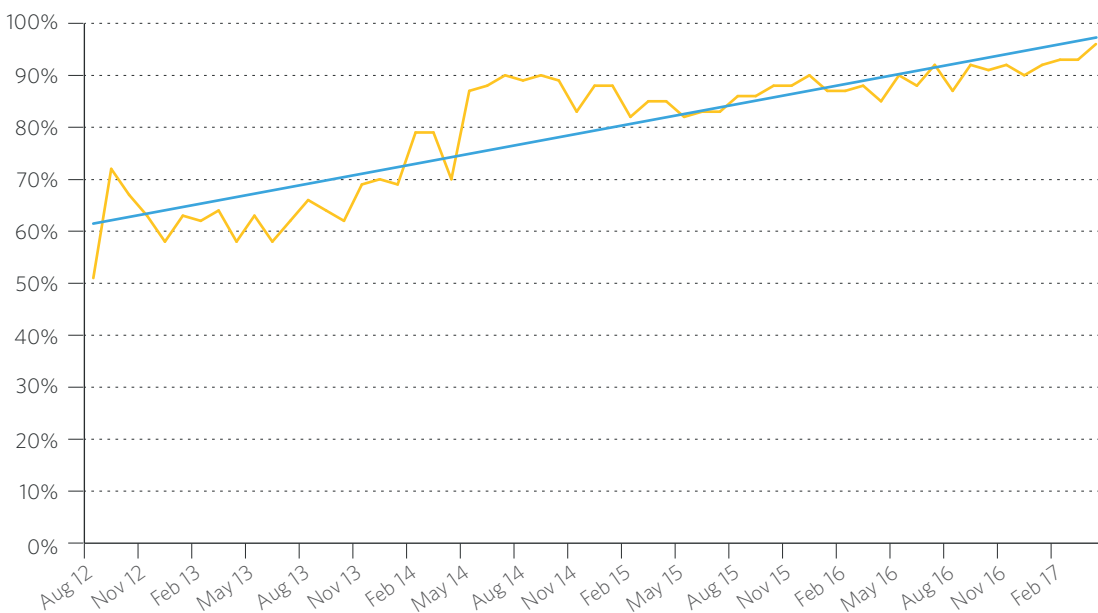
Setting our direction requires us to understand the key factors influencing our operating environment and how these will change the way we will operate into the future.

### Our diverse tenant base

We have a very diverse tenant base – approximately 27 percent of our tenants identify themselves as Pacific peoples, 35 percent as Māori, and 36 percent as European. We also house people seeking refuge from civil war and unrest in their country of origin. Some of our tenants have wide-ranging issues, including drug and alcohol abuse problems, anti-social behaviour, and mental health issues. Around 40 percent of our tenants are over the age of 55. As household composition changes, the types of houses our customers need are continuing to change. The most common household type among our tenants is a single parent with child(ren), with single person households the second most common.

Changes in policy settings for who we house, alongside other societal shifts, have seen the proportion of our tenant base with high and complex needs increase. Our mandate was tightened to housing only priority A and B applicants in 2011, and in July 2014 reviewable tenancies were introduced for social housing tenants. Together, these factors mean that we are housing significantly more applicants classified as priority A. As we continue to focus on housing those with the highest needs we should see more movement in our tenant base as tenants are increasingly supported to move toward independent accommodation. This increased level of churn will also change the dynamics of the people in our homes and in our communities.

**PRIORITY A APPLICANTS AS PERCENTAGE OF NEW TENANTS HOUSED IN HNZ PROPERTIES**

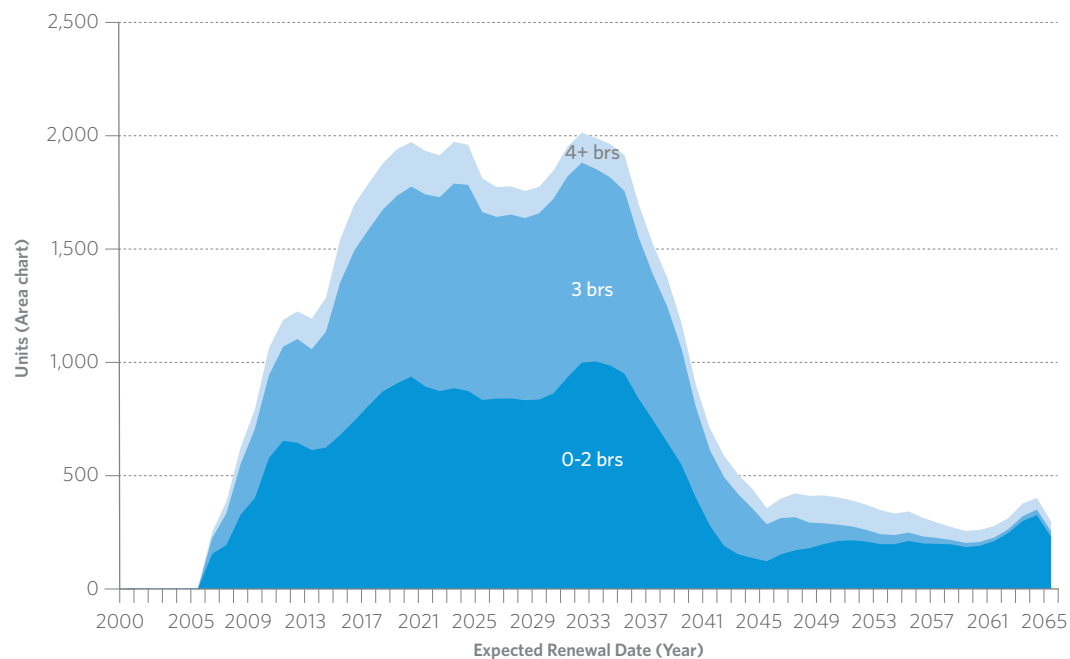


## Our significant asset renewal and realignment challenge

Our organisation is currently facing a significant asset renewal and realignment requirement. The changes to our settings and our tenant base over the years combined with the average age of our portfolio (45 years) have two fundamental implications:

- A significant mismatch between supply and demand:
  - We have an over-supply of the three-bedroom houses that were the focus of Housing New Zealand's early builds programmes (41 percent of our homes have three bedrooms)
- We have an under-supply of the typologies our current tenants need (overall 34 percent of our houses are of the wrong bedroom type for our current tenants)
- Many assets are nearing the end of their economic and/or functional life (approximately 40 percent of our current portfolio was constructed prior to 1966)
  - We need to replace or renew 60 percent of our portfolio within the next 20 years.

## DWELLINGS FORECAST TO REACH THE END OF THEIR LIFE



## Social Housing Reform Programme

The Social Housing Reform Programme continues to be a focus for the Government. The reforms aim to drive more diverse ownership of social housing, engaging providers who can support tenants with additional social services, and redevelop social housing to better match tenants' needs.

Reforms include the ongoing stock transfer programme, involving the transfer of approximately

2,700 properties in Tamaki to the Tāmaki Regeneration Company in April 2016, and around 1,140 properties in Tauranga to Accessible Properties on 1 April 2017. Up to 2,500 properties in Christchurch may also be transferred to community housing providers (CHPs) in the coming year. We have a key role to play to ensure transfers and the wider objectives of the reform are achieved.

**Working as part of the social housing sector**

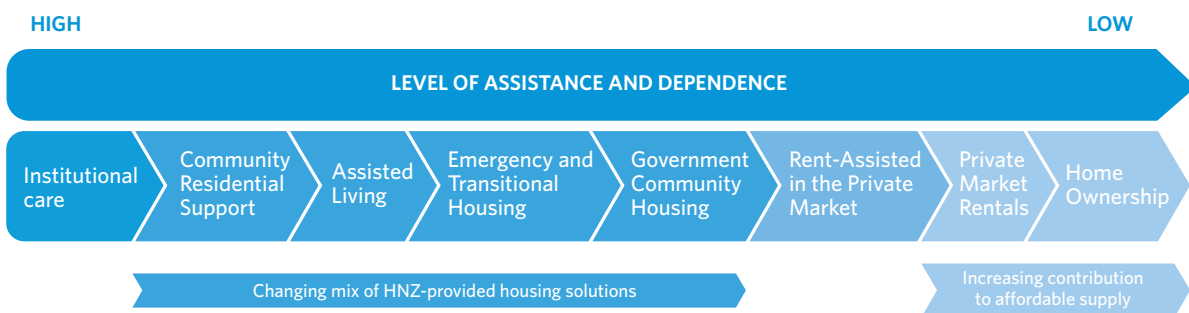
As social housing reforms progress, we need to consider our increasingly complex stakeholder environment. Social housing direction is influenced by the Ministry of Social Development, the Ministry of Business, Innovation and Employment and the Treasury through various roles, and our plans have a reciprocal impact on the success of the programmes of work underway in these agencies. Our role as a Crown entity balancing government direction on the achievement of social objectives with operating in a business-like manner means we play a critical part in advising and supporting policy agencies with practical realities of policy delivery.

Most significant for Housing New Zealand is the social housing policy role undertaken by the Ministry of Social Development, which is responsible for managing the demand for social housing, including forecasting changes to future demand for social housing through the development and publishing of purchasing intentions. Purchasing intentions provide future direction to current and potential social housing providers on the Government’s requirements for social housing (current purchasing intentions cover the period 2016-2019). We also undertake our own demand forecasting over a 10-year horizon to ensure we are making well-informed investment decisions.

The increasing challenges facing the housing sector have meant that Government is addressing a wider span of housing need across the housing continuum. This is focused on boosting the number and diversity of social housing providers by establishing a regulated market of community housing providers. More recently, the Government has also started to establish new and revised roles at opposite ends of the housing continuum in the provision of emergency housing and supporting the increase in the supply of affordable homes.

The diagram below shows an expanded housing continuum reflecting the variety of ways in which people’s housing needs are met, and also reflects the close inter-relationship between housing and service provision for people with high levels of dependence. How we provide solutions to the housing needs of New Zealanders reflects the variety of required housing and service responses. We currently provide housing covering a range of levels of need across this continuum and we will continue to work closely with other social agencies to ensure we are responding to the housing needs of New Zealanders in the best possible way.

**HOUSING CONTINUUM**



### A strengthened focus on social investment

Despite receiving a range of government support, many people are not seeing improvements in their life outcomes. As a consequence, there are now growing expectations on social service agencies, including Housing New Zealand, to improve the way we invest to help those in need. This has changed the way agencies are funded to deliver large programmes of work and has set a clear expectation for greater interaction across government agencies.

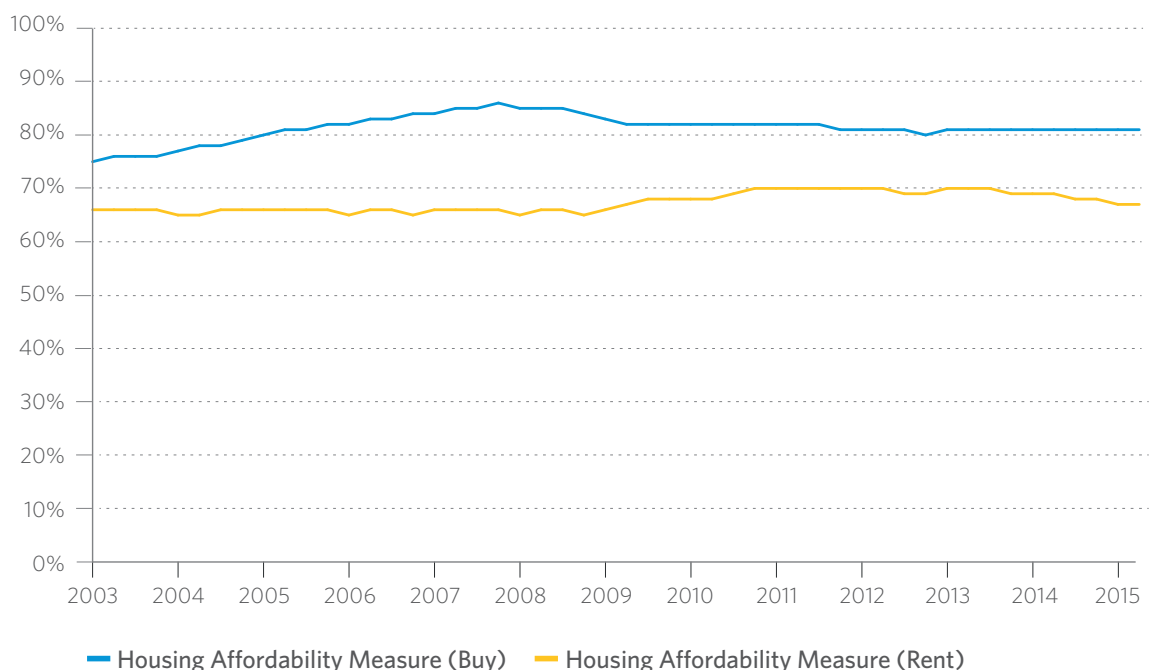
Part of this is broadening the use of social investment in the design of social services. Through better access to and use of information, government can identify triggers that lead to poor social outcomes and intervene at the right time and in the right way to make significant improvements to people's lives. Understanding the effect that the delivery of our services and homes has on individuals and families helps us understand how to perform our role more effectively. We are continuing to adapt the way we work to ensure our role in the social housing system reflects an optimal investment on behalf of the Crown and supports our tenants in the best possible way.

### Housing affordability

Housing affordability issues are continuing to place pressure on individuals and families, as well as on the demand for social housing and government support. This is evidenced by the number of people seeking government support for rental accommodation and social housing. Currently over 60 percent of rental accommodation around the country is supported by government funding and nearly 5,000 individuals and families are waiting for a house on the social housing register. Forty percent of those applicants on the social housing register are seeking a home in Auckland.

Affordability pressures are driving the government to take on a growing role in supporting the supply of affordable housing. Houses in many parts of the country, and in particular in Auckland, have become increasingly unaffordable as house prices have increased at a pace that has exceeded incomes. Home ownership levels have declined, and rental prices have also continued to increase beyond the rate of inflation, making it more difficult for many households to service rental payments. Housing market rental levels compared with the costs of

### SHARE OF FIRST HOME BUYER AND RENTING HOUSEHOLDS BELOW THE 2013 NATIONAL AFFORDABILITY BENCHMARK, NATIONAL-LEVEL DATA (MARCH 2003 TO JUNE 2015)



Source: This graph is based on the Housing Affordability Measure produced by the Ministry of Business, Innovation and Employment. While the data series is experimental and may be revised in the future, it reflects overall trends in affordability issues in New Zealand.

building are also out of balance, particularly when costs of land are considered. The increasing cost to build and own is resulting in rental levels no longer being adequate to incentivise new builds, further exacerbating supply issues, especially in Auckland.

### Better Public Services

As part of its priority to deliver better public services to New Zealanders, the Government is focused on improving the performance of the social housing sector. It is actively investing in new ways of working to drive better outcomes for New Zealanders with housing need. Central to this are the ongoing social housing reforms, and the introduction of Better Public Service (BPS) targets related to social housing.

The Government's focus on achieving targets that make a real difference to the lives of New Zealanders is changing the way agencies work together and with communities to deliver better public services. Ten results have been identified, set across five BPS result areas. A new BPS area focuses on improving access to social housing, with a target of *reducing the median number of days to house 'A' priority applicants from the social housing register by 20 percent by 2021.*

The introduction of a target specifically for social housing signals that this is an area of focus for this government. We will contribute to achieving this target by increasing supply, as well as ensuring homes are quickly made available to those in need and supporting tenants who are able to move out of social housing.

A further result area has been introduced to improve the health of children. A target has been set to *reduce avoidable hospitalisations for preventable conditions in children aged 0-12 by 15 percent by 2019 and 25 percent by 2021.* This will replace the immunisation and rheumatic fever targets. Children make up a large proportion of our households, with 9 percent of household occupants under five years old, and 40 percent under 18 years old. Considering the role housing can take to support health outcomes, we directly contribute to the health of children by keeping our homes healthy and safe.



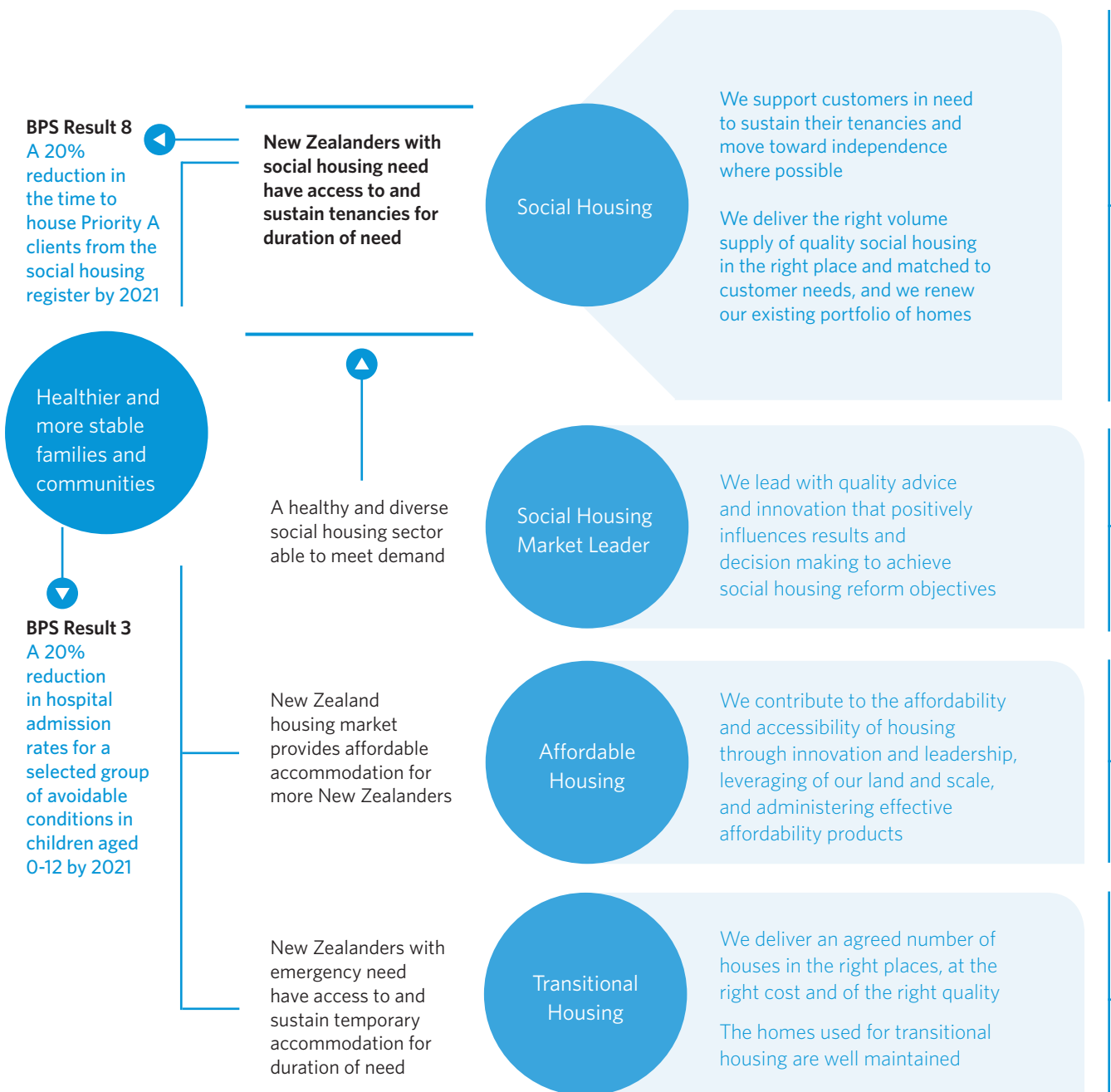
# Our Strategic Framework 2017-2021

Our strategic direction is grounded in a broad strategic framework with four key components:

- The long-term **outcomes** we contribute to
- Our **role** in achieving those outcomes
- The **results** we are aiming for by 2021
- Our 2017-21 **priorities** to achieve our results

## The long-term outcomes we contribute to

## Our role in achieving those outcomes





## The results we are aiming for by 2021

<b>85%</b>	of customers satisfied with our customer services
<b>98%</b>	of homes are let
<b>Measure to be developed</b>	Tenants in need sustaining their tenancies
<b>90%</b>	Alignment of portfolio additions with the Ministry of Social Development purchasing strategy
<b>44 years</b>	Average age of our stock
<b>more than 76%</b>	of our homes meet tenant bedroom requirements
<b>85%</b>	of customers satisfied with their home
<b>95%</b>	of surveyed lettable homes that meet or exceed the baseline standard
<b>15%</b>	reduction in construction programme build costs

**Success monitored through qualitative feedback from other agencies and from the community housing sector**

**Number of affordable or market homes enabled** **2,380** (At least 20% June 2020 affordable)

Other markers of success include having demonstrated market acceptance of higher-density/cheaper housing

**Success monitored through delivery of agreed volume of emergency housing supply**

Other markers of success are effectively working with the Ministry of Social Development and providers in managing emergency housing stock and commercial leases

## Our priorities to achieve our results

**1** Increase the pace and scale of housing supply

**2** Reduce our cost of building and, in turn, influence cost in the sector

**3** Optimise the management of our homes

**4** Increase our understanding of our customers and put their needs at the centre of our decisions

**5** Use our experience to influence the performance of the housing sector

## Long-term outcomes

The work we do contributes to the achievement of outcomes beyond the boundaries of our organisation - by delivering the outcomes described in this Statement of Intent we will contribute to the outcomes New Zealand needs from social housing and the housing sector more generally.

Ultimately, our contributions along the housing continuum are about achieving healthier and more stable families and communities. Housing is one important part within a wider set of public services working toward this overall outcome.

In achievement of this overall outcome, we have identified four intermediate housing outcomes,

which provide focus for what needs to be achieved over the medium term. These are to ensure that:

- New Zealanders with social housing need have access to, and sustain, tenancies for their duration of need
- New Zealand has a healthy and diverse social housing sector able to meet demand
- the housing market provides affordable accommodation for more New Zealanders
- New Zealanders with emergency need have access to and sustain temporary accommodation for the duration of their need.

### Outcomes in the housing sector

We have aligned our outcome statements with those that other government agencies are working toward across the housing sector.

Ministry of Social Development Intermediate Outcomes (Strategic Intentions 2016-2020):

- More people who need housing support can access it
- More social housing tenants achieve independence, as appropriate
- Appropriate housing is available for those who need it

Ministry of Business, Innovation and Employment Intermediate Outcome (Statement of Intent 2015-2019):

- Well-functioning housing and construction markets that deliver safe, affordable and fit-for-purpose residential and commercial buildings

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## Our role in achieving those outcomes

Our Board has considered the challenges in the sector and the outcomes that need to be achieved, and has identified a wider role for Housing New Zealand as leaders in housing people and influencing outcomes across the housing sector. This role will use our experience, resources, and the scale of our operations to demonstrate best practice in social housing and provide advice and solutions to the emerging challenges facing the housing sector.

### We will provide innovative and informed leadership across four parts of the housing sector:



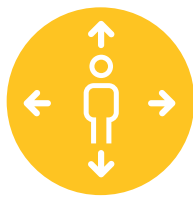
Delivery of **social housing**, including working to sustain tenancies, for those in need, and supporting tenants to move toward independence. This also includes an organisational shift to integrate our understanding of tenant needs into our asset plans.



A **leadership role in the social housing sector**, which involves more outward-facing activity for us, including a greater level of collaboration with others to achieve improved social outcomes.



An ambitious role in **affordable housing** involving greater engagement with the wider housing market in contributing to improved housing affordability. This also involves direct contributions through the supply of land and management of home ownership products.



An emerging role in **transitional housing** which signals a clear future contribution to meeting demand at this end of the housing continuum. At the moment results are focused on the provision of emergency housing as part of the Ministry of Social Development's cross-agency programme of work.

Detail on each of these areas, including our response and our measures of success, is provided in the following pages.

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## Social housing





Our core role continues to be as a social housing landlord, where we are responsible for providing good quality housing and tenancy management services to our tenants for as long as they need it. Our changing customer base and the changing dynamics of the social housing sector are creating challenges in how we deliver on this core role.

Our key contributions in our social housing role are:

- We support customers in need to sustain their tenancies and move toward independence where possible.
- We deliver the right volume of quality social housing in the right place and matched to customer needs, and we renew our existing portfolio of homes.

### How are we responding?

For many vulnerable individuals and families, finding a suitable and stable home is just one of the many problems they face. Their lives can be chaotic and their problems are often complex. The key areas of emphasis for us in this role are increasing our understanding of these varying and complex needs, and forecasting how need and the demographics of our customer base are likely to change into the future. This will also include a redesign of our tenancy management activities, focusing on the opportunity to have differentiated levels of service based on the needs of our different tenant cohorts. Providing access to the right types of support our tenants require will help them to sustain their tenancies and improve their circumstances and part of this will be working out the best way to link with other agencies in the sector who can provide tenants with the services they need beyond what Housing New Zealand is able to offer.

We also need to increase the scale of our asset investments to ensure our stock continues to be renewed and refreshed and is aligned with changing tenant demand. As we do this our focus will be on creating a better mix of housing configurations that meet the needs of not only our current tenants, but our future customers as well. This may see our portfolio of houses grow and shrink across different parts of the country. Investment decisions must have a long-term focus to ensure we are financially sustainable and to protect the legacy of our assets for future generations. Our 2016-2026 Asset Management Strategy outlines \$7 billion of expenditure on our portfolio over the next 10 years to provide for maintenance and capital improvements, replacement, retrofit and redevelopment activities including:

- \$400-450 million per annum for maintenance and capital improvements to ensure we meet our obligations to our tenants
- a renewal rate of 1,800 properties per annum to ensure the lifecycle of 30 percent of our assets is reset over the next decade
- improved intensification of our land, particularly in Auckland through the provisions of the Unitary Plan.

Getting sustained growth in housing in Auckland, our biggest and fastest-growing city, is a priority right across Government. In May 2017 the Government announced plans for the delivery of 34,000 new houses in Auckland over the next 10 years. Our contribution to this plan is significant. Within this timeframe we will work with our subsidiary HLC to deliver a total of 24,300 homes, of which approximately 50 percent will be new social houses. Phase 1 of the programme, which runs to 2020, will see us deliver a net growth in our Auckland portfolio of 1,704 social housing homes.

To achieve the scale required, we must be smart in the way we determine what houses we build and how we build them. We need these homes to use our land better and be delivered at speed. They also need to be safer, warmer and lower-maintenance homes that are able to meet changing customer needs. Instead of single houses on large sections, there is a need for a variety of homes including stand alone houses, duplexes, multi-level, terraced housing and apartments. In order to do all of this successfully we must achieve cost reductions, including reducing the costs of delivering new homes. The scale of our Auckland Housing Programme will allow us to leverage our scale and build experience to support the Government in providing an understanding of the drivers of housing costs to the wider sector.

Outside of Auckland, we also need to continue to ensure we are responding to social housing demand across the rest of the country. We will develop and review our regional asset plans and will work closely with the Ministry of Social Development to ensure our portfolio remains aligned with its purchasing intentions for social housing places.

**We have identified key initiatives that we will undertake to succeed in this role:**

SOCIAL HOUSING INITIATIVES	
INITIATIVE	DESCRIPTION
Build a detailed understanding of our tenant cohorts and their needs	<p>We will develop a deeper understanding of the varying and complex needs of our different tenant groups and place greater emphasis on forecasting how those needs will likely change in the future.</p> <p>We need to further develop our thinking around the costs involved in meeting tenant needs, as well as the different build types that could better suit our tenant base.</p> <p>Through the collection, management and use of customer information to inform decisions, we will ensure a fit-for-purpose response and improve how we can work with stakeholders.</p>
Develop our strategies and investment frameworks	<p>We will transition our understanding and forecasting of tenants and our environment into functional strategies and investment frameworks that focus on longer-term outcomes. This includes developing a Customer Strategy, and contributing to ongoing work under the Asset Management Strategy.</p>
Ensure our service delivery model is fit for purpose	<p>We will review how effectively we deliver services to tenants, consider whether a broader set of services is required, and review options for ensuring tenants have access to those services. We must also consider the broader social service environment as part of our decision making.</p>
Review asset delivery models to support increased scale of development	<p>This involves identifying opportunities to improve the way we deliver houses at scale. Our delivery models must allow us to get the best value for the scale of our operations.</p> <p>We will also review how to achieve greater cost reductions as we increase our experience in large-scale redevelopments. This will include the development of quantitative metrics that can be used to assess cost performance in future years.</p>
Realign and renew stock to meet changing demand and to manage an ageing asset base	<p>Through our Asset Management Strategy we are actively ramping up our renewal and realignment activity to ensure our asset portfolio meets current and future tenant needs. We must monitor and refine this activity as the needs of our tenants and our environment change.</p>
Deliver our build programmes to renew and grow our asset portfolio, particularly in Auckland	<p>We will deliver our Auckland Housing Programme, which will include the delivery of 4,300 new social homes in Auckland (a net increase of 1,704) and the freeing up of land for 2,380 market and affordable houses by 2020. We are also developing plans for the delivery of homes in areas of demand across the rest of New Zealand. We will work with the Ministry of Social Development on funding arrangements to ensure delivery in the rest of New Zealand is financially sustainable.</p>
Establish reviewed contracts with the Ministry of Social Development	<p>Contracting negotiations with the Ministry of Social Development provide an opportunity to optimise our relationship with our purchaser to support effective delivery of services. This includes ensuring there is a sustainable funding model for the delivery of services to tenants.</p>

### Results

Our current markers of success in social housing are shown in the table below. We will need to develop these long-term measures further to reflect how we are defining success in this role. In particular the measure set needs to:

- better reflect the alignment of our housing with current and future tenants' needs beyond location and bedroom configuration
- track the cost of housing provision on a per person basis
- show how we are working to reduce the cost of building and better align build costs with rental levels
- demonstrate how successfully tenants in need are sustaining their tenancies
- show how tenants, where they are able to, are successfully improving their circumstances to allow them to move to independence
- demonstrate that our homes can be operated within tenants' means.

LONG-TERM INDICATORS OF SUCCESS	RESULT 2015/16	TARGET SOI 2014-18	TARGET FOR JUNE 2021
Percentage of customers satisfied with customer services	63%	85%	85%
Percentage of customers satisfied with their homes	68%	Base line to be established	85%
Percentage of homes that are let	96%	98%	98%
Tenants in need sustaining their tenancies	N/A	New measure	New measure to be developed
Alignment of portfolio additions with the Ministry of Social Development's purchasing strategy	N/A	New measure	90%
Average age of our stock	45 years	New measure	44 years
Percentage of surveyed lettable homes that meet or exceed the baseline standard	85%	95% by June 2016	95%
Percentage of homes that meet tenant bedroom requirements*	76%	New measure	More than 76%
Percentage reduction in construction programme build costs	N/A	New measure	15%

\*This measure shows the level of both overcrowding and underutilisation of our homes. Tracking overcrowding is an important metric for showing our contribution to the BPS result on reducing childhood hospitalisations. This measure also represents one of the considerations we face in matching tenants to homes; however, this needs to be balanced against managing occupancy levels and our timeliness in turning around our properties.



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**We will know we are successful when:**

- we have a good understanding of our tenants and make asset and service delivery decisions that are centred around their needs
- our tenants have access to appropriate services, offered both by Housing New Zealand and by other social service agencies, giving them access to the right level of support at the right time
- our homes provide a solid foundation for tenants to improve their circumstances
- our homes are well located, for example within an appropriate proximity to schools, healthcare providers and public transport
- our homes provide social and environmental benefits and tenants can operate them within their means
- we have a financially sustainable model that drives cost reductions in the construction of our houses
- we have delivered growth in our portfolio aligned with demand.

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# Social housing market leader





We have a growing role in ensuring the social housing sector develops to meet the Government's social housing reform objectives. Our scale relative to other social housing providers means we are well positioned to help the community housing sector expand its housing and related services. To support this it is essential that we develop close working relationships with the sector and become an informed and trusted voice in government.

Our key contribution in our social housing market leader role is:

- **We lead with quality advice and innovation that positively influences results and decision making to achieve social housing reform objectives.**

### How are we responding?

We have made significant contributions to the development of the social housing sector by actively supporting the transfer of Housing New Zealand social housing to community housing providers. In April 2016 the first large-scale stock transfer took place, with the ownership and management of approximately 2,700 properties handed over to the Tāmaki Regeneration Company. The Tamaki transfer represented the largest property transaction in recent New Zealand history, and required significant effort from across the organisation to make it successful. More recently, on 1 April 2017 we transferred approximately 1,140 homes and tenancies in Tauranga to community housing provider Accessible Properties. We continue to support the Government with its plans for further transfers and sale to community housing providers across the country.

In addition to the transactions programme, we have continued to support Government on other elements of the social housing reforms. We are a member of the governance group that oversees the Social Housing Reform Programme and have contributed to the review of the programme. We have also

provided input to the Ministry of Social Development on initiatives that it leads, including the ‘sustaining tenancies’ initiative, the refresh of the purchasing intentions, and a range of policy initiatives that affect how we operate.

While the changes the Government has made aim to create a more even playing field between ourselves and community housing providers, we are likely to remain the largest social housing provider for the foreseeable future; and this means we should be playing a big part in ensuring the sector as a whole grows and succeeds. Government has set up the infrastructure for a new model for social housing and we now need to ensure we are able to support it.

Our scale and expertise can be further used to support the Government’s social housing response. We are delivering a significant level of the social housing supply, and we have opportunities to undertake our development work in a way that supports the growth of other providers. We also have an opportunity to think differently about how we work with other agencies and social service providers to improve our response to the needs of social housing tenants.

### We have identified key initiatives that we will undertake to succeed in this role:

SOCIAL HOUSING LEADERSHIP INITIATIVES	
INITIATIVE	DESCRIPTION
Develop relationships with the community housing sector	<p>It is essential to strengthen our relationships with other social housing providers in New Zealand, including participating in industry forums and collaborating with individual community housing providers so we can work most effectively across the sector to deliver outcomes.</p> <p>We will need to be open to new ways of working with the sector to increase housing supply and to support social housing tenants.</p>
Further develop cross-agency collaboration	<p>This involves responding to and helping shape the Government’s policy and direction for social housing. We will take a leading role in understanding and making clear how different agencies contribute to housing supply, support tenants, and enable greater levels of information and data sharing.</p> <p>We will also build closer working relationships with other agencies and social service providers in order to improve the response to the needs of social housing tenants.</p>

## SOCIAL HOUSING LEADERSHIP INITIATIVES

INITIATIVE	DESCRIPTION
Focus on social investment as part of broader government objectives	We will work with the Ministry of Social Development in the application of a social investment framework, applying it to our own decision making and sharing our insights with other agencies and social housing providers.
Develop and demonstrate models for social housing	Identifying sustainable funding, development and service provision models is essential to support the growth of the social housing sector.
Successfully conduct transactions that support the Social Housing Reform Programme	We will manage ongoing stock transfers well by participating effectively in transfer decision making along side the Treasury. Given the transfers of stock already completed (eg, Tamaki and Tauranga), we are now in a good position to offer practical direction to Government to help the success of future transactions. This will include investigating the development of initiatives to support the capacity and capability of community housing providers through small-scale transactions of up to 100 properties. This work will occur outside of the pipeline of transfers currently being worked on within the Transactions Unit.

### Results

Measuring success in this role will primarily involve getting qualitative feedback from other agencies and from the community housing sector. This will also involve some formal measurement of the strength of our relationships with the sector.

### We will know we are successful when:

Success in this role means our scale and expertise are used to influence and contribute to key policy conversations and we are called on by community housing providers in the sector to share knowledge and leverage our expertise. This includes supporting community housing sector growth through the transfer of some of our stock to community housing providers. It requires us to:

- have a good understanding of the market and social housing sector
- be well connected to other providers in the social housing sector
- actively engage in and lead debate about how the sector should be responding to the needs of tenants and their housing requirements
- use the scale of our asset programme to help others in the sector grow
- undertake successful stock transfers that help the community housing sector to grow and enable more tenants to have access to the best services appropriate to their needs.

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## Affordable housing





For the housing continuum to work well, there needs to be a good supply of homes and housing options at the affordable end of the private market. As the largest residential landlord in New Zealand, we have a role to play in supporting the development of the affordable market, and improving housing affordability more generally. This means increasing the supply of land for both affordable and market home development, and delivering an appropriate suite of financial products to help more people access and sustain affordable homes. We must also demonstrate good practice in the construction of our homes and provision of services that positively influences the development of affordable housing.

Our key contribution in our affordable housing role is:

- We contribute to the affordability and accessibility of housing through innovation and leadership, leveraging of our land and scale, and administering effective affordability products.

### How are we responding?

Two comprehensive redevelopments underway in Auckland at McLennan Park (Papakura and Takanini) and Hobsonville Point are representative of what we have already achieved in supporting the delivery of affordable homes. McLennan Park features a range of homes designed to encourage the diversity in home ownership that underpins safe, thriving communities. To create more opportunities for first home buyers in the Auckland market, the McLennan development will include at least 90 affordable homes, available to purchasers who qualify under the government's HomeStart grant. Similarly, Hobsonville Point was master-planned from day one to provide for a diverse range of New Zealanders - 20 percent of the houses built there will be sold as affordable homes via the Axis Series homes scheme.

We deliver a range of Crown products to facilitate home ownership and improve housing affordability. The products support buyers who require assistance in generating a deposit or provide mortgage insurance for purchasers who may not meet bank minimum deposit requirements. During 2016/17 we anticipate that over 15,000 people will be assisted into home ownership through these products. Housing New Zealand also offers its own housing affordability products, including the FirstHome grant, tenant home ownership and the Axis Series homes scheme at

Hobsonville Point. Opportunity exists to develop these product offerings further, including better integrating housing affordability products into new housing developments and delivering new products where market need exists.

We also have an opportunity to consider how to further leverage the scale of our social housing redevelopment programme to contribute to and influence wider sector growth. The Auckland Unitary Plan has unlocked a large amount of developable land in Auckland, with changes to residential zoning meaning around 30,000 new dwellings can be built on our existing land. We have an opportunity to release some of this land to the market for affordable housing development.

Our direct contributions to increasing affordability in housing could take a number of forms, from using our land to enable development at more affordable price points, to influencing construction costs through our own development activity.

Beyond directly supporting affordable housing supply, our size and position in the market also gives us the opportunity to support wider government thinking and policy on housing affordability. As government policy on addressing housing affordability changes, our role in this area may also change.

### We have identified key initiatives that we will undertake to succeed in this role:

AFFORDABLE HOUSING INITIATIVES	
INITIATIVE	DESCRIPTION
Develop strategy and policy position for delivery of affordable housing	We will work with relevant agencies to develop a robust strategy and policy position for our role in affordable housing. It will outline the different responses we could provide in different circumstances, from the direct release of land to the development of demand-side affordability products.
Engage with the wider housing market in thinking and demonstrating advancements in affordable housing	We will build closer working relationships with key building industry players, so we can receive and offer advice and be more innovative in the provision of affordable housing.



## AFFORDABLE HOUSING INITIATIVES

INITIATIVE	DESCRIPTION
Facilitate the development of market and affordable housing through the delivery of our Auckland Housing Programme	This will include freeing up land for 2,380 market and affordable properties in Auckland by 2020.
Review the effectiveness of home ownership products	We will work with the Ministry of Business, Innovation and Employment to review the current suite of affordability products we administer on behalf of the Crown to ensure they are effectively supporting home ownership in different markets across New Zealand. We will also examine how affordability products can be paired with our supply of market or affordable homes.

### Results

Measures of success in this role currently focus on how we can directly help increase the supply of affordable housing, but will change as we further examine the contribution that we can make to affordable housing in New Zealand. Measures

related to the administration of Crown home ownership products are tracked on an annual basis and are included in our Statement of Performance Expectations.

LONG-TERM INDICATORS OF SUCCESS	RESULT 2015/16	TARGET 2017/18	TARGET FOR JUNE 2021
Number of new homes enabled on land previously owned by Housing New Zealand for affordable and market housing (at least 20 percent affordable)	N/A	166	2,380

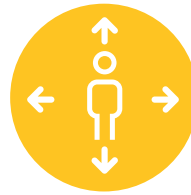
### We will know we are successful when we:

- have demonstrated best practice affordable housing development by investing in good products and design
- offer an effective set of financial products to support first time buyers to access and sustain home ownership
- have helped to reduce the cost of residential building construction
- can demonstrate that the new affordable homes are sustainable and liveable (provide value to occupiers beyond a roof over people's heads)
- have maximised the development capacity of our land holdings to support the supply of homes, particularly in Auckland.

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## Transitional housing





We are supporting the growth of housing supply for households with urgent and emergency housing needs. In the short term this is through working with the Ministry of Social Development in its cross-agency emergency housing response, which increases the number of emergency housing places available across the country.

Our key contributions in our transitional housing role are:

- We deliver an agreed number of houses in the right places, at the right cost and of the right quality.
- The homes used for transitional housing are well maintained.

### How are we responding?

Supporting this segment of the housing continuum is not an entirely new area for us as we have for several years now rented our homes to government-funded community groups for use as emergency, transitional and longer-term housing. The Community Group Housing programme provides houses to community groups that provide residential services for people with high and complex needs. Services are contracted by government agencies including the Ministry of Health, District Health Boards, the Ministry of Social Development, the Ministry for Vulnerable Children, Oranga Tamariki, and the Department of Corrections. Customers include those working with people who experience mental illness, people with intellectual and physical disabilities, residential alcohol and drug services, women seeking refuge, youth at risk and

families needing emergency housing. Around 1,500 of our homes are part of the Community Group Housing programme, with many of these homes used for transitional and emergency housing purposes. We also currently provide rent relief to 641 of these providers through the Community Housing Rent Relief Programme appropriation.

A new area of focus for us is the provision of emergency housing as part of the Ministry of Social Development's cross-agency programme of work. We will also continue to work closely with the Ministry of Social Development to influence and contribute to the long-term requirements of the emergency housing sector, including defining what role we can play in supporting the development of the sector.

### We have identified key initiatives that we will undertake to succeed in this role:

TRANSITIONAL HOUSING INITIATIVES	
INITIATIVE	DESCRIPTION
Develop strategy and policy positions for the delivery of transitional housing	<p>We will develop strategy and policy positions for transitional housing beyond the initial completion of the emergency housing programme.</p> <p>This involves better understanding long-term demand and how transitional housing can fit with wider social housing policy, and supporting the establishment of the Government's longer-term role in emergency housing.</p>
Invest in operational process and policy for the management and supply of emergency housing properties	<p>We must ensure that the transitional housing properties delivered as part of the cross agency programme with the Ministry of Social Development are economically delivered, are maintained well and are fit for purpose.</p>
Maintain ongoing engagement on emergency housing contracting	<p>We will contribute to the contract-setting process for transitional housing alongside the Ministry of Social Development to ensure solutions proposed will work and are achievable.</p> <p>We will clearly define the scope of this work and will focus on meeting success within this.</p>

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## Results

Our measure of success in this role relates to the volume of properties provided as part of the Ministry of Social Development's cross-agency emergency housing programme. This is included within our overall social housing additions target in our Statement of Performance Expectations and is measured on an annual basis. As our long-term role in supporting transitional housing is developed, wider definitions of success may need to be reflected in a set of long-term measures.

## We will know we are successful when we:

- deliver an agreed volume of emergency housing supply, including making use of stock no longer meeting requirements for social housing, where suitable
- work effectively with the Ministry of Social Development and providers to manage emergency housing stock and commercial leases
- actively work with Government to contribute to and influence a longer-term emergency housing plan for Government
- understand the role of emergency housing in the housing continuum, we are clear about the cohort of customers it is designed to serve, and there are clear pathways for those people to transition to other housing.

## Our priorities

To achieve success in each of our roles we have identified five priorities to focus on. These reflect the active and innovative contribution we will make to the achievement of a vibrant housing sector in New Zealand.

### 1. Increase the pace and scale of housing supply

- Delivering our Asset Management Strategy will require a significant amount of work, to realign our housing stock to meet the needs of our current and future tenants, and also refresh our homes as they age and reach the end of their economic/functional life.
- This is primarily focused on our role in social housing, but also encompasses what we need to do to support the growth of supply of housing more generally, particularly in areas like Auckland with significant affordability challenges.

### 2. Reduce our cost of building and, in turn, influence cost in the sector

- In undertaking our asset development activity we need to focus on driving the cost of construction down to ensure the scale of change required to our housing stock is financially viable.
- This priority also supports our contribution to making housing more affordable by demonstrating how to drive cost out of construction, which leads to more affordable housing stock overall.
- It is also an opportunity to support the sector to find the best ways of achieving asset delivery at scale.

### 3. Optimise the management of our homes

- Managing our homes well is a core capability for us as a social housing provider. With over \$22 billion of property, we are one of the largest asset holders in the public sector, and so effectively managing our assets is imperative. Good management of the lifetime costs of our assets is a key driver behind us being financially sustainable and we need to continually improve in this space.
- Demonstrating best practice in managing our homes also creates opportunities for us to be able to show leadership in the sector, helping to boost overall capability in the management of social housing in New Zealand.

### 4. Increase our understanding of our customers and put their needs at the centre of our decisions

- As our customers change we need to keep our business relevant to their needs.
- The growing complexities of our tenants mean we need to think more carefully about the best way to support them to sustain their tenancies and/or reach housing independence.
- An improved understanding of our customers enables us to design coordinated services that improve social outcomes, and be more thoughtful in decisions about the design of our homes.

### 5. Use our experience to influence the performance of the housing sector

- We want to be an active participant in helping to achieve the objectives of social housing reform. We are the largest social housing provider in New Zealand, and will be for the foreseeable future. We have a real opportunity to use our scale and experience to help the sector as a whole to develop successfully.
- This will require us to think honestly about what our strengths are and what strengths other providers/organisations can bring to the table. We need to be focused on influencing the best way for the sector as a whole to work together to achieve the right outcomes for New Zealanders.
- This priority is relevant to all our roles - from social housing to supporting the growth of the affordable housing market.

# A reliably high-performing organisation

To be successful across each of our roles and become a reliably high-performing organisation, we need to ensure our organisation is functioning well. For Housing New Zealand, this means we need to:

- be strategy driven
- have brilliant and engaged people
- be operationally excellent
- be efficient

Underpinning this is an on-going focus on: health, safety and security; our behaviours and attitudes and managing our reputation. Each of these areas is fundamental to the way we operate, and requires a deliberate and ongoing focus. The following sections outline points of focus for our organisation as we work to become a higher-performing organisation.

## Being strategy driven

### Revising our strategy

We have recently undertaken an organisation-wide review of our strategic direction, which has involved our Board of Directors, Executive Team and Senior Leaders. Our Strategic Plan identifies investments required to deliver on each of our changing roles. The Strategic Plan and our revised priorities are outlined in this Statement of Intent.

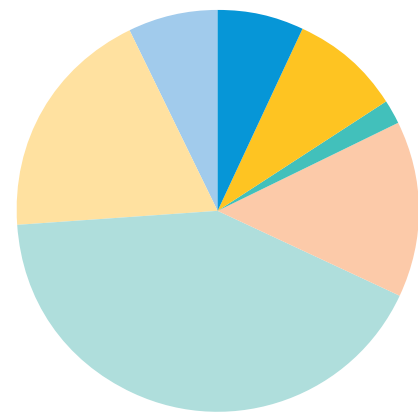
### Asset Management Strategy

A key accompanying document to our Strategic Plan is our Asset Management Strategy. It articulates the strategic decisions the Board has made on where, and how, we will deliver our asset programme over the next 10 years for our tenants. Our Asset Management Strategy ensures that the provision of our state housing portfolio meets tenant service levels and property quality standards. We will continue to monitor and review our Asset Management Strategy to ensure our asset programmes align with the Ministry of Social Development's purchasing intentions. This will include the development of a robust set of asset management plans that align with our strategy. To ensure we deliver our asset strategy in a sustainable manner we also need to regularly review a robust underlying long-term financial strategy that considers the long life of our assets and the dynamics of the wider housing market.

## Having brilliant and engaged people

One of our key strengths is our diverse, passionate and motivated staff. The diversity of our staff gives us a great variety of talent, skills, creativity, ideas, and experience in our business. Forty percent of our staff have worked for the organisation for over five years, which provides us with a deep understanding about our tenants and the business of social housing.

### HNZ WORKFORCE ETHNICITIES



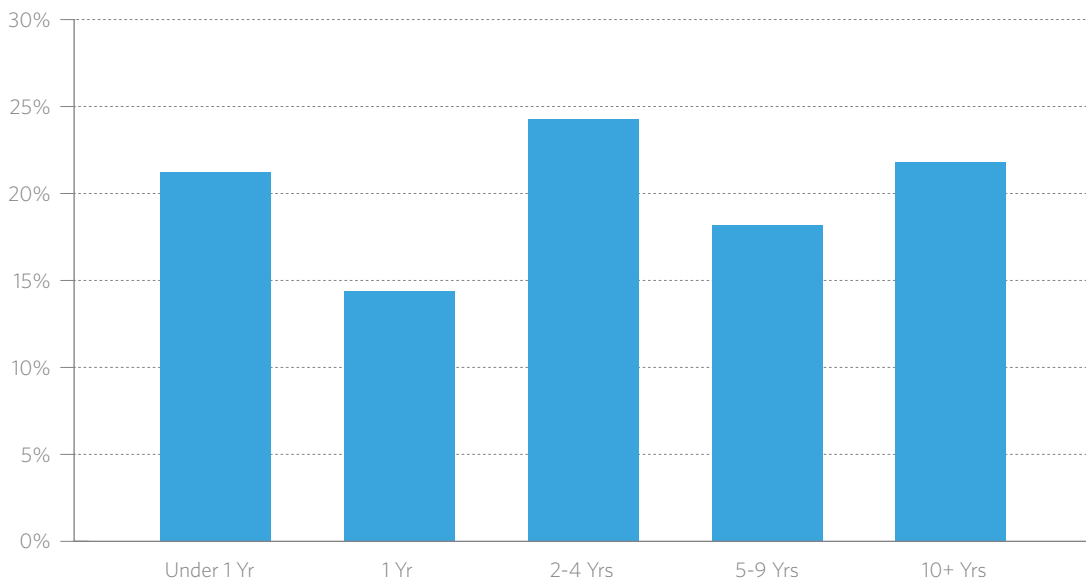
Asian	7%
European	9%
Middle Eastern, Latin, American, African	2%
Māori	14%
NZ European Pākehā	42%
Pacific Peoples	19%
Unknown	7%

### Values and culture

The way we operate as an organisation is shaped by our behaviours and attitudes. Our organisational values are *kotahitanga* (one team), *integrity* and *excellence*. We will conduct a review of these values against our revised strategic direction and confirm

their continued relevance. We want to generate a culture of learning that enables the right accountabilities and practices, and connects every person working in or for our organisation to our strategic direction.

### HNZ EMPLOYEE LENGTH OF SERVICE



### People capability

Having capable and committed people is foundational for our success. We will continue to invest in the capability of our people by creating clear career development pathways and by understanding our future capacity and capability requirements across the business. We will ensure that we have strong and purposeful leadership practices and that individual performance and development plans are aligned with our priorities. We will also strengthen our recruitment by clearly communicating to our external audiences what our core values are.

### Health, safety and security

We are committed to providing a safe and secure work environment for all our staff. Our teams operate across many different environments – in tenants' homes, in community spaces, on building sites, and in offices – so health, safety and security best practice needs to be woven into our everyday routines and activities. Each situation presents a different level or type of risk, and our staff and contractors need to be well equipped to assess safety and security, and make good judgement calls. As an organisation we will continue to invest in:

- robust policies and guidelines on how to interpret, administer and comply with legal requirements
- the ability of our leaders to promote and engage with their teams on health, safety and security
- tools for employees, contractors and tenants to maintain healthy, safe and secure practices on our work sites and properties.



## Operational excellence

### Focus on continuous improvement

Operational excellence involves developing quality processes and leadership practices and maintaining these at an appropriate level through continuous improvement. We will create pathways for staff involvement in improving our ways of working and develop a methodology that allows for controlled and prioritised effort on improving our business. This work is closely tied to defining our values and investing in our leadership.

### Asset and investment management

A particular focus for us will be on further improving our asset and investment management practices. While our recent Investor Confidence Rating

assessment found that we had appropriate strengths in how we manage our assets and make, and deliver on, asset investment decisions, we can improve. We will manage information about our assets better and will translate this into more sophisticated plans about how we manage our homes over the longer term.

### Capital management - assets

Housing New Zealand's forecast capital expenditure for the first year of the Statement of Intent is \$913 million (comprising rental property additions and upgrades, and management of infrastructure assets). The total capital expenditure over the four years of the Statement of Intent is \$3,285 million.

The following table highlights spending and funding assumptions over the four budget years.

RENTAL INFRASTRUCTURE CAPITAL ADDITIONS	2017/18 \$M	2018/19 \$M	2019/20 \$M	2020/21 \$M
Buy-ins	145.4	130.0	139.0	155.2
Redevelopment and new builds	601.6	698.3	563.2	403.2
Upgrades and improvements	158.0	107.7	93.8	56.6
Infrastructure	7.6	8.3	8.3	8.3
<b>Total</b>	<b>912.6</b>	<b>944.3</b>	<b>804.3</b>	<b>623.3</b>
<b>Funded by</b>				
Sales	319.0	162.0	530.0	292.8
Appropriations	5.8	5.8	5.8	5.8
Borrowing	184.0	540.0	-3.0	39.0
Cash from operations	403.8	236.5	271.5	285.7
<b>Total funding</b>	<b>912.6</b>	<b>944.3</b>	<b>804.3</b>	<b>623.3</b>

### Risk management

Housing New Zealand has committed to being a place where effective risk management is a day-to-day part of all business activities. We have established 'three lines of defence' to effectively manage risks at all levels of our business.

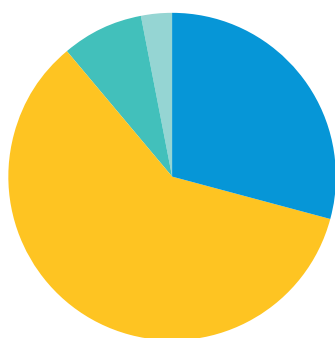
1. Putting controls in place to manage day-to-day business and to give assurance that risks are being managed at the front-line
2. Overseeing support functions that set direction and policy and monitor activities undertaken at the front line
3. Setting up independent functions that provide assurance to the Chief Executive and the Board that risk is being appropriately managed in the first and second lines

**Being efficient**

**Financial management**

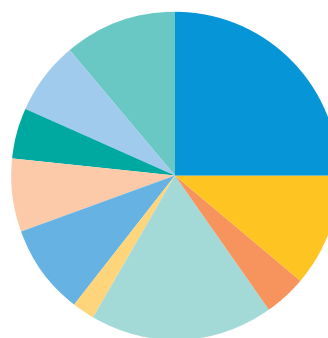
We manage approximately \$22.7 billion worth of assets and collect close to \$1.2 billion in revenue from rents and rental subsidies each year. Because of the scale of this investment, it is important that we make sound financial decisions to ensure the Government has the greatest impact for the investment it has made.

**WHERE HOUSING NEW ZEALAND REVENUE COMES FROM**



- Rental income from tenants 29%
- Rental income from income-related rent subsidy 59%
- Crown appropriation income 8%
- Interest-realised gains and other income 4%

**WHERE HOUSING NEW ZEALAND REVENUE GOES**



- Repairs and maintenance 25%
- Rates 11%
- Third-party rental leases 4%
- Depreciation - rental properties 19%
- Depreciation and amortisation - infrastructure assets 2%
- Personnel 9%
- Interest costs 7%
- Impairment, write-offs and loss on sales 5%
- Grants 7%
- Other expenses 11%

**Leveraging our scale**

Given the magnitude of planned investment in our asset portfolio over the next 10 years, we have significant opportunities to increasingly leverage the scale of our spend to achieve efficiencies. This will involve reviewing the way we approach developments to identify areas for innovation as well as focusing on our large contracts to ensure they are delivering value for money. We will also be investing in our procurement and contract management capabilities to make sure we continue to get the right outcomes from our contractual relationships.

## Results

LONG-TERM INDICATORS OF SUCCESS	RESULT 2015/16	TARGET 2017/18	TARGET FOR JUNE 2021
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) as a percentage of total income	39%	33%	35%
Interest costs to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)*	4.82	4.12	3.35
Total Recordable Injury Frequency Rate	6.7**	Reduce by 25% by June 2018 (2014/15 base year)	1.0
Annual employee engagement***	4.06	Increase by 2% year on year	In the top quartile in the NZ public sector

\*Includes capitalised maintenance.

\*\*The measurement methodology used to calculate our Total Recordable Injury Frequency Rate has changed; the equivalent 2015/16 result was 1.34.

\*\*\*We are reviewing our approach to monitoring employee engagement and therefore this measure may change during the life of this Statement of Intent.

