Kāinga Ora
Homes and Communities

TAUĀKĪ WHĀINGA MAHI
STATEMENT OF PERFORMANCE EXPECTATIONS 2025/26

Purpose of this document

This Statement of Performance Expectations is a public accountability document required under sections 149C and 149E of the Crown Entities Act 2004.

It outlines what we will deliver in 2025/26 and how we will measure our progress. It also enables our responsible Ministers to participate in setting the 2025/26 performance expectations for Kāinga Ora, informs Parliament of those expectations and provides a base against which our actual performance can be assessed at year end.

The Statement of Performance Expectations is a partner document to our Statement of Intent 2025/26-2028/29, which outlines our strategic intentions for these financial years. Our Statement of Intent can be found at www.kaingaora.govt.nz.

Our Statement of Performance Expectations for 2025/26 has been informed by:

- our organisational strategic approach
- the Kāinga Ora Turnaround plan to get Kāinga Ora back on track | Beehive.govt.nz endorsed by Cabinet on 16 December 2024
- our Ministers' priorities and expectations.

Response to the Kāinga Ora Reset Plan and future directions

In response to the Kāinga Ora Reset Plan endorsed by Cabinet on 16 December 2024, several Reset Plan recommendations that feature in our Statement of Intent and Statement of Performance Expectations involve system changes.

The Kāinga Ora – Homes and Communities Act 2019 and Urban Development Act 2020 set out the key functions of Kāinga Ora and the operating principles we follow when carrying out those functions. We acknowledge that several Reset Plan recommendations and Cabinet decisions require change in our legislation.

The government is also reviewing the social housing system and responsibility for urban development. Legislative changes may occur over time and are essential to ensure the full implementation of the Reset Plan recommendations and government housing policy. Throughout 2025/26, we will continue to provide accurate and transparent organisational performance reporting on key deliverables and Reset Plan recommendations.

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Foreword | Kupu Whakataki

On behalf of the Board and management of Kāinga Ora – Homes and Communities, we are pleased to present the Statement of Performance Expectations for the upcoming financial year 2025/26.

This document serves as our performance commitment to our Ministers and the public and specifies our priorities for the year ahead. This includes addressing the recommendations detailed in the Reset Plan endorsed by Cabinet on 16 December 2024.

We are refocusing on our core mission of providing and managing quality social housing for New Zealanders in need. Our government-endorsed Reset Plan establishes how Kāinga Ora can deliver its core services in a financially sustainable way. Work is progressing to embed internal cost-saving initiatives and right-size the organisation to support our financial performance into the future.

In the coming year, we will continue to provide financially sustainable, warm, dry, and safe homes in New Zealand.

We will improve our long-term financial sustainability while refocusing on our core social housing mission. This means focusing on what matters most to the people and groups we work with, to provide stable and supportive housing for people and whānau in need. We're going back to basics and concentrating our resources on being a responsible landlord who looks after our homes and tenants well.

We will maintain and strengthen our strategic partnerships, working collaboratively with councils, government agencies, local government, Māori and iwi, and community housing providers, to deliver social housing that meets the varying needs of New Zealanders. Our approach seeks to ensure we are responding to the values and needs of our communities while planning for future demand with regard to demographic and typology changes.

Looking ahead

Continue building trust through accountability and by being a reliably high-performing organisation

This year, we will strive for cost-effectiveness across all our operations, optimising our resources to help respond to the demand for social housing while maintaining a sustainable financial model. Our financial sustainability continues to improve as key cost-saving initiatives are embedded.

We will continue to perform our core functions, deliver new housing and renew our older housing stock. By enhancing our processes, refining our organisational structure and fostering a high-performance culture, we aim to deliver measurable outcomes that drive both efficiency and impact.

We remain committed to maintaining the highest standards of transparency and accountability in all our operations. Throughout 2025/26, we will continue to provide organisational performance reporting on key deliverables and Reset Plan recommendations. We will regularly update our Ministers and the public on the progress of our key initiatives and the outcomes we are delivering. By upholding these standards, we will continue to build trust with the public and demonstrate our ongoing dedication to being a responsible social housing landlord.

Refining our tenancy service model to respond to tenants' changing needs

As a social housing landlord, we understand that our tenants have diverse and evolving needs. We are continuing to refine our service model to manage tenants with varying needs. Our targeted tenancy services will be more effective for our tenants and the wider community.

We have updated our approach to managing rent debt, striving to address historical rent arrears. For those tenants who currently hold significant arrears, we are committed to helping them get back on track. Encouraging tenants to develop good payment habits may help them become less dependent on social housing in future.

While most of our tenants contribute positively to their communities, we also recognise that disruptive behaviour occasionally occurs. In such instances, we will continue to intervene proactively and use the appropriate tools under the Residential Tenancies Act 1986 to foster better outcomes for our tenants and the communities we serve.

It is important we strike the right balance between supporting households in difficult circumstances and ensuring our tenants meet their obligations. This remains a priority and we will be closely monitoring the impact of the approaches we are taking.

Improved housing portfolio and build management

Over the next financial year and beyond, we will be increasing the total number of homes to an agreed cap of approximately 78,000. This will involve new builds but also the replacement and upgrading of some of our older homes by renewing, retrofitting, or divesting. We will divest properties that no longer align with our long-term objectives, enabling us to reinvest and enhance the quality and availability of our social housing portfolio. A key focus throughout this process will be driving improved build cost-efficiency.

As we move forward, we are excited about the opportunities ahead. The coming year will see our organisation evolve, focusing on our core social housing mission, while concentrating on our commitment to financial sustainability and operational excellence. By delivering on our priorities, we will remain responsive to the needs of New Zealanders, achieving lasting and positive outcomes for both the public and the wider social housing sector.

Together, we will work towards building a stronger, more resilient future for New Zealanders.

Noho ora mai

Chair
Simon Moutter
30 June 2025

Deputy Chair
Jenn Bestwick
30 June 2025

Who we are | Ko wai mā mātou

Our role | Te wāhi ki a mātou

Kāinga Ora was established as a Crown agent (for the purposes of the Crown Entities Act 2004) on 1 October 2019 under the Kāinga Ora – Homes and Communities Act 2019. Kāinga Ora is a social housing provider and can facilitate urban development, including powers under the Urban Development Act 2020.[1]

We are the largest residential landlord in New Zealand with a total managed stock of more than 77,000 homes. We currently provide housing for over 198,000 tenants and their whānau across the country. We also have almost 4,000 supported housing homes in our portfolio, and a further 970 homes have been leased since 2021 by Te Āhuru Mōwai, the community housing arm of Ngāti Toa in Porirua.

Our role is to be a good landlord who looks after our tenants, a good neighbour who engages well with the community and a fair, rational and common-sense developer who spends money wisely to get the right housing to the people who need it.

To deliver the government's housing priorities, we partner with others, including councils, government agencies, local government, Māori, iwi and hapū, infrastructure providers, private developers and community housing providers.

Our actions are underpinned by our organisational values and our commitment to the Treaty of Waitangi| te Tiriti o Waitangi and its principles. Our relationship with the Treaty of Waitangi is established by legislation and means we recognise and respect the Crown's responsibility to consider and provide for Māori interests.

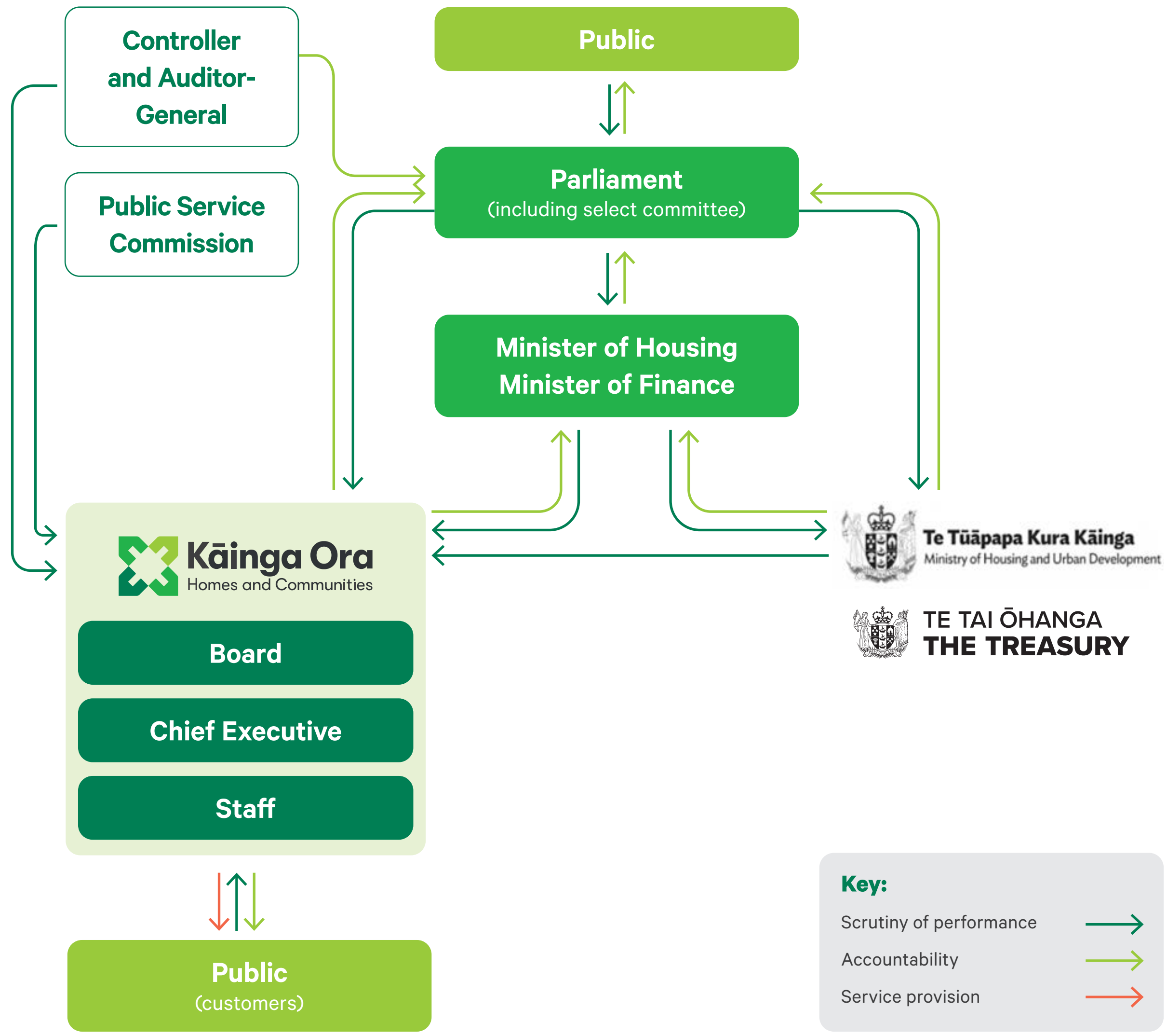
1. The Urban Development Act provides Kāinga Ora with ways of planning and funding complex or challenging urban development through the Specified Development Project process along with powers of land acquisition for the purposes of urban development.

Our governance | Tō mātou whakaruruhau

Our responsible Ministers are the Minister of Housing Hon. Chris Bishop and Minister of Finance Hon. Nicola Willis. Kāinga Ora is monitored by the Ministry of Housing and Urban Development and the Treasury.

We are governed by a Board appointed by the Minister of Housing and the Minister of Finance.

As a Crown agent, Kāinga Ora must give effect to government policy when directed by the Minister of Housing and must comply with directions to support the whole-of-government approach made by the Minister for the Public Service and Minister of Finance.



Accountable: owed to the person who accesses performance and has the authority to decide on rewards and sanctions.

Our strategic framework | Tō mātou anga rautaki

Connecting our strategic objectives and outputs

We have introduced a refreshed strategic framework for 2025 /26 to align with the Cabinet-approved Reset Plan and our Statement of Intent 2026–2029.

Our strategic framework and the Statement of Intent enable us to deliver on our core social housing mission for government so we can achieve our vision for the future: **Building better, brighter homes, communities and lives**. We will drive our work forward, while our performance framework will measure and report our progress and accountability to New Zealanders.

Our strategic framework shows how we measure progress towards achieving our vision and how our objectives and outputs support us in doing so. Our four strategic objectives outline what Kāinga Ora will do to realise our core mission and achieve our vision for the future.

Our four output classes represent the core activities we undertake. Our output measures contained in this Statement of Performance Expectations demonstrate how our annual activities contribute to delivering on our objectives.

Measuring our performance | Te ine i ā mātou whakatutukitanga

Our performance framework helps us measure progress, monitor results, and show how our daily activities contribute to the strategic objectives we aim to achieve.

This section outlines our key areas of work (output classes), how we will measure performance and a breakdown of our expected revenue and planned spending for each area in 2025/26. When read alongside our Statement of Intent, which sets out our medium-term goals, this information provides a clear picture of our progress and commitment to achieving results.

To further strengthen transparency and demonstrate our progress, we will begin publishing a quarterly public scorecard from July 2025 onwards. This will complement our existing reporting by providing accessible updates on key performance areas.

Our selected external performance measures for 2025/26 have been developed in accordance with Public Benefit Entity Financial Reporting Standard (PBE FRS) 48 *Service Performance Reporting*.

Appendix 2 discloses our judgements regarding changes to output class performance measures.

Everitt Road and Ross Place, Otara, Auckland

OUTPUT CLASS 1

Delivering cost-effective tenancy services that meet the needs of our tenants

Our role under this output class

Our core role is to establish and manage social housing tenancies while ensuring tenants meet their responsibilities. We make sure our homes meet tenants' needs and that tenants feel well-supported to manage their tenancy with us and live well in their home.

Link to strategic objectives

Our focus in 2025/26

In the year ahead, we will focus on the fundamentals of being a responsible social housing landlord. This means we will:

- support tenants through challenges while ensuring they meet their responsibilities
- match tenants with the right type of home in the right place
- proactively address disruptive behaviour to create safer, more stable communities
- provide more effective tenancy management services so that tenants get the services they need, when they need them.

How we will assess our performance in 2025/26

Ref	Actual 2023/24	Measure	Our Influence	Standard 2024/25	Forecast 2024/25	Standard 2025/26
1.1	New measure	Tenant satisfaction with Housing Support Manager in relation to: – treating with respect – following up on requests or complaints – responding in a timely manner	Medium	New measure	77%	75–85%
Why this matters: Positive interactions and efficient resolution of issues contribute to a better overall housing experience for tenants. This measure is important to understand the success of our tenancy services.						
1.2	New measure	Percentage of new debtors with a repayment arrangement in place within 21 days of rent overdue	High	≥75%	90.7%	≥85%
Why this matters: This measure indicates we are proactively engaging with tenants as soon as they fall behind in rent to establish a payment arrangement that is both manageable and sustainable to the household. This helps tenants develop positive financial habits, reduces the risk of long-term arrears and supports their journey towards greater housing independence.						
1.3	New measure	Tenant rent debt will be below the target amount by 30 June 2026	High	New measure	New measure	≤$6.0 million
Why this matters: Keeping tenant rent debt below the target amount supports the development of good payment habits, helping tenants build financial independence. This will better prepare them to sustain housing outside of the social system and supports the long-term sustainability of social housing for future tenants.						
1.4	New measure	Tenant satisfaction with Customer Support Centre interactions	Medium	New measure	88%	75%–85%
Why this matters: This measure indicates how well we address tenants' questions, concerns or urgent housing-related enquiries.						
1.5	New measure	Percentage of reported incidents of disruptive behaviour where a decision on appropriate action occurs within 15 working days	High	≥90%	95.7%	≥90%
Why this matters: As a landlord, we actively address disruptive behaviour promptly and consistently under the Residential Tenancies Act. This measure indicates our timeliness of response to reported incidents of disruptive behaviour.						
1.6	New measure	Percentage of successful applications to the Tenancy Tribunal for tenancy termination due to disruptive behaviour	Medium	≥85%	87.9%	≥85%
Why this matters: This measure indicates the quality of our evidence gathering and advocacy when taking cases to the Tenancy Tribunal for tenancy terminations due to disruptive behaviour.						

Revenue and output expenses

Description	Actual 2023/24 $m	Forecast 2024/25 $m	Budget 2025/26 $m	Comment
Revenue Crown	132	156	170	The revenue and expenses of this output class are in relation to management of the social housing portfolio. It includes a proportion of rent revenue and administration and tenant servicing expenses for social housing.
Revenue Other	75	64	67	
Expenses	222	231	235	
Net surplus/(deficit)	**(15)**	**(11)**	**2**	
Capital investment*	5	3	5	

Output class revenue and expense tables may have rounding differences.

* Includes a share of corporate infrastructure capital spend.

Note: Interest costs are spread across all our output classes in the same way corporate overhead costs are allocated.

Revenue for this output class is expected to increase in 2025/26, largely due to the delivery of additional homes and rent price inflation.

In 2024/25, expenses rose as a result of one-off organisational change costs. These changes led to a larger portion of corporate overheads being allocated to this output class.

In addition, Kāinga Ora implemented the new Tenancy Management Framework and Disruptive Behaviour Policy. These initiatives are designed to support better outcomes for tenants by addressing disruptive behaviours and reducing rent arrears.

OUTPUT CLASS 2

Renewing and maintaining our homes

Our role under this output class

Our role is to ensure our social and supported housing tenants have access to warm, dry, and safe homes through good asset stewardship. This includes renewing and replacing our older properties and providing effective maintenance.

Link to strategic objectives

Our focus in 2025/26

In the year ahead, we will focus on our core mission of providing and managing state-owned social housing. This means we will:

- continue delivering new social housing to maintain the housing stock to around 78,000 by 30 June 2026
- renew ageing homes as part of our long-term goal to upgrade nearly 40,000 homes over the next 20–30 years, with 2,075–2,575 renewed homes planned to be delivered in 2025/26
- optimise housing designs and maintenance processes to achieve significant cost savings while ensuring homes remain warm, dry and fit for purpose
- continue to focus on improving the cost-efficiency of maintaining and repairing our homes by streamlining these processes and performing proactive maintenance to reduce the cost over the lifecycle of a property
- work hard to ensure our homes are available to let and can match what our tenants need, avoiding poor outcomes and additional wear and tear on our assets
- focus on sustaining good health outcomes, especially for the tamariki living in our homes, by recognising that tenant housing needs evolve over time.

How we will assess our performance in 2025/26

Ref	Actual 2023/24	Measure	Our Influence	Standard 2024/25	Forecast 2024/25	Standard 2025/26
2.1	5,738	Number of new and retrofitted Kāinga Ora homes	High	New measure	4,280	2,075–2,575
	4,864	– new builds			3,430	1,600 – 2,050
	874	– retrofits			850	475 – 525
Why this matters: Renewing our homes helps to improve the overall quality and longevity of our housing portfolio. Each renewal enables us to build the right type of home in the right place to meet tenant need and protects the value of social housing for future generations.						
2.2	New measure	Percentage of social homes in service[2] that are let (daily utilisation)	Medium	≥98.0%	98.2%	≥98.0%
Why this matters: This measure shows how many of our available homes are tenanted. As this metric only evaluates homes that are available, the percentage is usually higher than the overall housing availability measure in our Statement of Intent (measure 2.2). A high utilisation rate means we are matching homes to Housing Register needs and moving tenants in quickly, helping more people into housing faster.						
2.3	New measure	Average number of days from a social home becoming vacant to being let again[3]	Medium	New measure	30–31 days	≤27 days
Why this matters: This measure tracks how quickly vacant homes are prepared and tenanted, ensuring efficient use of housing stock. Reducing turnaround times helps more families access stable housing sooner.						
2.4	New measure	Tenant satisfaction with maintenance based on the equally weighted average score of the following tenant survey maintenance measures: – satisfaction with quality – satisfaction with time taken to complete work – satisfaction that contractors treated you and family with respect	Medium	New measure	82.1%	75–85%
Why this matters: This measure ensures maintenance services meet tenant expectations for quality, timeliness and respectful treatment. High satisfaction reflects well-maintained homes and strong tenant-contractor relationships.						

2. Homes in service exclude homes undergoing major repairs/retrofits, in the redevelopment process, being sold, nearing lease expiry, or awaiting demolition.
3. Actual results reporting will include a breakdown of the time taken from when a home becomes vacant to when it is ready to be let (maintenance stage) and from when it is ready to be let to when it is tenanted (placement stage).

Revenue and output expenses

Description	Actual 2023/24 $m	Forecast 2024/25 $m	Budget 2025/26 $m	Comment
Revenue Crown	1,180	1,386	1,512	Revenue includes a large portion of rent revenue for social housing. The expenses are in relation to maintenance and renewal of the social housing and supported housing portfolios. It includes all administration and maintenance expenses for social housing and both revenue and expenses for supported housing.
Revenue other	644	675	696	
Expenses	2,455	2,495	2,467	
Net surplus/(deficit)	**(631)**	**(435)**	**(259)**	
Capital investment*	4,245	2,614	995	

Output class revenue and expense tables may have rounding differences.

*Capital investment is net of asset recycling sales and includes a share of corporate infrastructure capital spend.

Note: Interest costs are spread across all our output classes in the same way corporate overhead costs are allocated.

This output class includes the significant costs involved in maintaining our homes. While maintenance remains a major expense, these costs are expected to reduce over time as we achieve savings through the Asset Management and Maintenance Transformation Programme.

From 2025/26, Kāinga Ora will begin to scale back new construction activity to better align with our funding settings. Our focus will shift towards renewing and maintaining our existing housing portfolio to ensure it continues to meet the needs of our tenants.

Interest costs are increasing due to the refinancing of debt at higher rates. Depreciation costs have also grown, reflecting the continued addition of new homes to our portfolio.

Overall, this output class contributes the most to the total Kāinga Ora deficit each financial year, with interest expense being a key driver. This is offset by higher revenue from an increase in rental homes and elevated rental values resulting from upgrades to existing properties.

OUTPUT CLASS 3

Delivering our large-scale redevelopment projects

Our role under this output class

Our role is to facilitate and deliver urban redevelopment projects, including reshaping social housing neighbourhoods to significantly increase build-ready land. This includes delivering homes where they are needed to ensure an appropriate mix of social and market housing.

As outlined by the Urban Development Act, we will continue to facilitate Specified Development Projects if any opportunities are identified.

Our focus in 2025/26

In the year ahead, we will renew homes on our amalgamated land holdings in Auckland and Porirua through our large-scale redevelopment programme. This means we will continue the transformative work we have been doing in our six large-scale redevelopment projects as these have a large number of social homes in them.

Link to strategic objectives

How we will assess our performance in 2025/26

Ref	Actual 2023/24	Measure	Our Influence	Standard 2024/25	Forecast 2024/25	Standard 2025/26
3.1	18.8 hectares	Hectares of build-ready land redeveloped by Kāinga Ora[4]	High	≥13.4 hectares	15.1 hectares	≥18 hectares
Why this matters: We aim to increase land for housing supply through our urban redevelopment activities. This measure shows the increase in build-ready land by land area, including land for community infrastructure and social amenity.						
3.2	651	Number of new homes that can be constructed on build-ready land that is redeveloped and contracted[5] by Kāinga Ora	High	≥1,435	1,403	≥787
Why this matters: This reflects the number of homes that can be built based on either land sold to the market or ready for construction of social homes. Performance can be significantly influenced by the state of the housing market and economy.						

Revenue and output expenses

Description	Actual 2023/24 $m	Forecast 2024/25 $m	Budget 2025/26 $m	Comment
Revenue Crown	44	98	51	The revenue and expenses of this output class relate to activities associated with urban development to increase the supply of build-ready land.
Revenue other	261	196	263	
Expenses	387	506	490	
Net surplus/(deficit)	**(82)**	**(212)**	**(176)**	
Capital investment*	279	274	229	

Output class revenue and expense tables may have rounding differences.

* Includes a share of corporate infrastructure capital spend.

Note: Interest costs are spread across all our output classes in the same way corporate overhead costs are allocated.

Our large-scale projects (LSPs) support the delivery of urban development projects, including reshaping social housing neighbourhoods to significantly increase build-ready land. LSPs account for the majority of the Kāinga Ora share of the Housing Acceleration Fund. Kāinga Ora realigned the LSP programme to ensure it remains within the new $1.74 billion funding envelope confirmed in the Government's Budget 2025.

4. Performance is assessed per annum.
5. Land contracted refers to build-ready land either sold to the market (under a signed unconditional contract or licence to occupy) or ready for social housing construction.

OUTPUT CLASS 4

Supporting home-ownership initiatives for New Zealanders

Our role under this output class

While a number of our supporting home-ownership products have either ceased due to changes in government priorities or have been transferred to other Crown entities, Kāinga Ora still provides some support to aspiring home owners who would not otherwise be able to purchase their first home. We deliver three Crown products to facilitate home ownership and improve housing affordability.

- First Home Loan underwrite.
- Kāinga Whenua Loan facility.
- First Home Partner – a shared home-ownership scheme. We continue to manage the scheme for those participants who applied before the scheme was fully subscribed.

Link to strategic objectives

Our focus in 2025/26

We will continue to administer home loans on behalf of the Crown to support first-home buyers and manage ongoing partnerships under First Home Partner. This will include annual check-ins to confirm occupancy and support the gradual buy-back of the Crown's share in the property.

How we will assess our performance in 2025/26

Ref	Actual 2023/24	Measure	Our Influence	Standard 2024/25	Forecast 2024/25	Standard 2025/26
4.1	2,730	Number of First Home Loan mortgages underwritten	Low	Demand driven up to a maximum of 3,600	3,343	Demand driven

Why this matters: This measure gauges the effectiveness of our efforts in facilitating home ownership for first-home buyers who can afford to make regular repayments for a home loan but are having trouble saving for a deposit. These insights are valuable for shaping affordable housing policy responses.

Revenue and output expenses

Description	Actual 2023/24 $m	Forecast 2024/25 $m	Budget 2025/26 $m	Comment
Revenue Crown	85	18	6	The revenue and expenses of this output class are in relation to home-ownership products that are managed on the Crown's behalf.
Revenue other	9	8	10	
Expenses	88	19	7	
Net surplus/(deficit)	**6**	**7**	**9**	
Capital investment*	1	–	–	

Output class revenue and expense tables may have rounding differences.

* Includes a share of corporate infrastructure capital spend.

Note: Interest costs are spread across all our output classes in the same way corporate overhead costs are allocated.

Revenue and expenses in this output class are demand-driven to support first-home buyers. The First Home Grant was discontinued in May 2024 and existing pre-approvals wrap up in 2024/25, which represented the majority of revenue and expenses for this output class.

The First Home Loan programme will move to a full cost recovery model from 2025/26, ending the Government's contribution to the mortgage insurance scheme premium as part of the Government's Budget 2025 announcements.

Financial performance information | Mōhiotanga whakatutukitanga ahumoni

Financial sustainability and stewardship remain a key focus for Kāinga Ora.

The financial statements and metrics presented here serve as markers on our longer-term journey. We use metrics consistent with those an external analyst would consider appropriate for assessing financial sustainability, such as those used by credit ratings agencies.

Our financial sustainability and stewardship measures represent our commitment to delivering to financial targets set in the Reset Plan. These measures incorporate our agreed housing delivery targets, expected changes in costs related to transformation activities, and key financial elements such as phasing and debt/interest calculations. Importantly, all financing expectations remain within our approved limits.

We are focussed on strengthening our core tenancy and asset management functions, with a strong emphasis on delivering value for money. We have already seen cost savings through key transformation initiatives, including improvements to our Housing Delivery System, Asset Management and Maintenance Transformation Programme, and workforce management. We are also putting in place longer-term savings and investment plans to help ensure the organisation remains efficient and financially sustainable into the future.

How we will assess our performance in 2025/26

The following table reflects the key financial metrics assessing our financial sustainability position.

Ref:	Actual 2023/24	Measure	Standard 2024/25	Forecast 2024/25	Standard 2025/26
Fin_1.1	$21,668	Net operating costs of managing our housing portfolio per housing unit (excludes depreciation)	$20,283	$18,556	$18,523
	$2,937	– tenancy services	$2,672	$2,951	$3,006
	$18,731	– renewing and maintaining homes	$17,611	$15,605	$15,517
Why this matters: This measure tracks the cost of managing each home, ensuring resources are used efficiently to support tenants and maintain homes.					
Fin_1.2	20%	Earnings before interest, taxes, depreciation and amortisation (EBITDA)[6] as a percentage of total income	28%	34%	37%
Why this matters: This assesses our surpluses from operations. A higher percentage means we have more funds available to maintain and improve our housing services. A higher percentage also means we are better managing our costs to income.					
Fin_1.3	New measure	Build cost per square metre[7]	New measure	New measure	$2,980 excluding GST
Why this matters: Tracking construction costs ensures that each dollar spent is used efficiently and effectively. We aim to achieve greater savings in our construction methods, enabling us to deliver quality homes at a cost that aligns with market standards.					
Fin_1.4	New measure	Meet or exceed the key financial objectives as set out in the Reset Plan. This includes:	New measure		
		– meet or exceed annual operating deficit		Achieve	Achieve
		– at or below total expenses		Achieve	Achieve
		– within debt limit		Achieve	Achieve
Why this matters: This measure reflects Kāinga Ora commitment to responsible financial management and aligns with the key targets in the Reset Plan. Tracking performance against operating deficit, total expenses, and total debt helps ensure we remain financially sustainable while continuing to deliver social housing effectively.					

6. EBITDA is defined as earnings before key expenses – Interest, Tax, Depreciation and Amortisation. For Kāinga Ora amortisation incorporates asset write-offs, impairments, and gains/losses.
7. This measure relates to stand-alone houses only (it excludes apartments). Build cost per square metre is based on construction costs including foundations up, consistent with how this is generally discussed in public forums.

Financial performance

Revenue comes from	Actual 2022/23 $m	Actual 2023/24 $m	Forecast 2024/25 $m	Budget 2025/26 $m
Rental income from tenants	526	572	625	677
Rental income from income-related rent subsidies	1,151	1,281	1,509	1,651
Crown appropriation income	142	160	149	94
Sale of developments	141	230	174	254
Interest, realised gains and other income	112	187	141	99
Total revenue	**2,072**	**2,430**	**2,598**	**2,775**

Where revenue goes to	Actual 2022/23 $m	Actual 2023/24 $m	Forecast 2024/25 $m	Budget 2025/26 $m
Repairs and maintenance	630	623	493	476
Depreciation	433	439	494	541
Personnel	340	372	370	287
Interest expense	344	538	648	749
Rates	231	247	282	315
Cost of land sold	146	206	159	252
Third-party rental leases	73	57	56	54
Grants	63	69	9	–
Insurance	27	35	38	40
Demolitions and write-offs	142	271	121	122
Other expenses	228	223	253	280
Total expenses	**2,657**	**3,080**	**2,923**	**3,116**
Impairment, write-offs and loss on sales	11	72	326	83
Surplus/(loss) before tax	**(596)**	**(722)**	**(651)**	**(424)**

Over the next financial year and beyond, we will see an increase in total income, primarily made up of rental income due to increasing the total number of social homes to an agreed cap of approximately 78,000. This will involve new builds but also the replacement and upgrading of some of our older homes by renewing, retrofitting or divesting. We will divest properties that no longer align with our long-term objectives, enabling us to reinvest and enhance the quality and availability of our social housing portfolio.

There is a significant decrease in maintenance due to savings from the Asset Management and Maintenance Transformation Programme. We are scaling back our construction activity from 2025/26 to align with our funding settings whereby Kāinga Ora will focus on renewing our portfolio. Interest costs are higher due to refinancing of our debt. The increase in depreciation costs is attributable to higher amortisation costs of newer homes added to our portfolio.

Overall, we are on track to meet the Reset Plan commitments for 2025/26 and future years. There will be continued work to finalise further savings and investment from the organisation-wide transformation programme to drive efficiencies.

Capital investment

Capital additions	Actual 2022/23 $m	Actual 2023/24 $m	Forecast 2024/25 $m	Budget 2025/26 $m
Acquire existing	253	85	19	20
Redevelopment and acquire new builds	2,466	3,670	2,224	1,134
Upgrades and improvements	783	738	341	287
Infrastructure	75	23	12	18
Land development additions				
Land development activities*	21	247	152	228
Total	**3,598**	**4,763**	**2,748**	**1,687**
Funded by				
Sale of rental properties and other property, plant and equipment	16	10	40	457
Net borrowing	2,509	4,229	1,669	687
Cash and short-term investments on hand	669	(114)	541	55
Cash from operations	43	164	(43)	209
Net capital contributions (to)/from the Crown – other	9	–	5	5
Land development funding				
Sale of developed land	142	54	248	274
Net capital contributions (to)/from the Crown – land development	210	420	288	–
Total funding	**3,598**	**4,763**	**2,748**	**1,687**

* This represents our LSP land development activity that will result in future land sales.

Forecast financial statements

Forecast financial highlights for 2025/26

Kāinga Ora manages a total housing portfolio of approximately 77,000 homes. The value of our total land and housing portfolio was $46.7 billion on 30 June 2024 and is forecast to grow to $52.7 billion by the end of the 2025/26 financial year. Our forecast net asset position is expected to remain strong at $33.3 billion. The 2025/26 forecast operating deficit after tax is $396 million, in line with the Reset Plan endorsed by Cabinet on 16 December 2024.

In 2025/26, we expect to receive $2,775 million in income comprising:

- $1,651 million in income-related rent subsidies
- $677 million in rental income from tenants
- $254 million in sales of redeveloped land for market and affordable housing enablement
- $94 million in other operational funding for Crown programmes
- $99 million in interest and other income.

In 2025/26, we expect to incur $2,453 million in operating expenses comprising:

- $476 million in repairs and maintenance
- $749 million in interest costs
- $287 million in personnel costs
- $252 million in cost of selling redeveloped land for market and affordable housing enablement
- $315 million in rates
- $54 million in third-party leases
- $40 million in insurance
- $280 million in other expenses, which includes development and acquisition related costs of $89 million.

We also expect to incur $746 million in non-cash operating expenses comprising:

- $541 million in depreciation and amortisation
- $205 million of write-offs and impairments of assets driven by redevelopment activity.

In 2025/26, our net cash flows from core operating activities are expected to be $209 million. Kāinga Ora also expects to spend $1,441 million on rental housing asset purchases and improvements and expects to receive $457 million from the sale of social housing assets and $692 million from financing activities.

Forecast statement of comprehensive revenue and expense

	Group Actuals 2023/24 $m	Group Forecast 2024/25 $m	Group Budget 2025/26 $m
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Rental income from income-related rent subsidies (IRRS)	1,281	1,509	1,651
Rental income from tenants receiving IRRS	515	561	607
Crown appropriation revenue	160	149	94
REVENUE FROM EXCHANGE TRANSACTIONS			
Sale of developments	230	174	254
Rental income from tenants at market rent	57	64	70
Interest revenue	56	28	5
Mortgage Insurance Scheme	8	7	10
Other revenue	123	106	84
Total revenue	**2,430**	**2,598**	**2,775**
EXPENSES			
Repairs and maintenance	623	493	476
Depreciation and amortisation	439	494	541
People costs	372	370	287
Interest expense	538	648	749
Rates	247	282	315
Cost of land sold	206	159	252
Third-party rental leases	57	56	54
Grants	69	9	–
Insurance	35	38	40
Demolitions and write-offs	271	121	122
Other expenses	223	253	280
Total expenses	**3,080**	**2,923**	**3,116**

Forecast statement of comprehensive revenue and expense continued

	Group Actuals 2023/24 $m	Group Forecast 2024/25 $m	Group Budget 2025/26 $m
OTHER GAINS/(LOSSES)			
Loss on asset write-offs	(27)	(186)	(28)
Impairment of property under development	(45)	(125)	(55)
Gain/(loss) on disposal of assets	–	(15)	–
Total other gains/(losses)	**(72)**	**(326)**	**(83)**
Surplus/(deficit) before tax	**(722)**	**(651)**	**(424)**
Current tax (expense)/benefit	55	(21)	(51)
Deferred tax (expense)/benefit	99	96	79
Income tax (expense)/benefit	154	75	28
Net surplus/(deficit) after tax	**(568)**	**(576)**	**(396)**
OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Item that could be reclassified to surplus/(deficit)			
Hedging reserve gains/(losses)	(6)	(25)	–
Income tax on items of other comprehensive revenue and expense	–	–	–
Items that will not be reclassified to surplus/(deficit)			
Revaluation reserve gains/(losses)	(391)	1,221	3,018
Income tax on items of other comprehensive revenue and expense	92	(50)	(38)
Other comprehensive revenue and expense net of tax	**(305)**	**1,146**	**2,980**
Total comprehensive revenue and expense net of tax	**(873)**	**570**	**2,584**

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Forecast statement of financial position

	Group Actuals 2023/24 $m	Group Forecast 2024/25 $m	Group Budget 2025/26 $m
ASSETS			
Cash and cash equivalents	545	404	350
Short-term investments	350	–	–
New Zealand Government Bonds	50	–	–
Receivables and prepayments	439	586	614
Properties held for sale	13	34	34
Property under development	520	734	671
Other assets	32	38	34
Property, plant and equipment	46,688	49,314	52,664
Total assets	**48,637**	**51,110**	**54,367**
LIABILITIES			
Accounts payable and other liabilities	593	547	516
Income tax payable	(32)	(16)	10
Mortgage Insurance Scheme	60	72	91
Interest rate derivatives	23	31	31
Borrowings	16,526	18,184	18,880
Deferred tax liability	1,574	1,536	1,494
Total liabilities	**18,744**	**20,354**	**21,022**
Net assets	**29,893**	**30,756**	**33,345**
EQUITY			
Equity attributable to the Crown	4,201	4,494	4,499
Retained earnings	67	(206)	(296)
Revaluation reserve	25,624	26,485	29,159
Hedging reserve	1	(17)	(17)
Total equity	**29,893**	**30,756**	**33,345**

Forecast statement of changes in equity

	Group Actuals 2023/24 $m	Group Forecast 2024/25 $m	Group Budget 2025/26 $m
Total equity on 1 July	**30,346**	**29,893**	**30,756**
Net surplus/(deficit) for the year after tax	(568)	(576)	(396)
Revaluation of property, plant and equipment			
Revaluation reserve gains/(losses)	(391)	1,221	3,018
Deferred tax on property, plant and equipment revaluations	90	(57)	(38)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Hedging reserve gains/(losses)	(6)	(25)	–
Deferred tax on hedging reserve gains/(losses)	2	7	–
Total comprehensive revenue and expense for the period	**(873)**	**570**	**2,584**
CONTRIBUTIONS FROM AND DISTRIBUTIONS TO THE CROWN			
Net capital contributions (to)/from the Crown	420	293	5
Total changes in equity	**(453)**	**863**	**2,589**
Total equity on 30 June	**29,893**	**30,756**	**33,345**
EQUITY ATTRIBUTABLE TO THE CROWN			
Opening balance	3,781	4,201	4,494
Net capital contributions (to)/from the Crown	420	293	5
Closing equity attributable to the Crown	**4,201**	**4,494**	**4,499**

Forecast statement of changes in equity continued

	Group Actuals 2023/24 $m	Group Forecast 2024/25 $m	Group Budget 2025/26 $m
RETAINED EARNINGS			
Opening retained earnings	403	67	(206)
Net surplus/(deficit) for the year after tax	(568)	(576)	(396)
Net transfers from asset revaluation reserve on disposal of properties	232	303	306
Closing retained earnings	**67**	**(206)**	**(296)**
REVALUATION RESERVE			
Opening revaluation reserve	26,157	25,624	26,485
Asset revaluations on property, plant and equipment	(391)	1,221	3,018
Deferred tax on property, plant and equipment	90	(57)	(38)
Net transfers from asset revaluation reserve on disposal of properties	(232)	(303)	(306)
Closing revaluation reserve	**25,624**	**26,485**	**29,159**
HEDGING RESERVE			
Opening hedging reserve	5	1	(17)
Fair value gains/(losses)	(6)	(25)	–
Deferred tax on derivative fair value movement	2	7	–
Closing hedging reserve	**1**	**(17)**	**(17)**
Total equity on 30 June	**29,893**	**30,756**	**33,345**

Simon Moutter
Chair
30 June 2025

Jenn Bestwick
Deputy Chair
30 June 2025

Forecast cash flow statement

	Group Actuals 2023/24 $m	Group Forecast 2024/25 $m	Group Budget 2025/26 $m
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Rent receipts – income-related rent subsidies	1,291	1,512	1,612
Rent receipts – tenants	481	539	672
Crown appropriation revenue	225	97	65
Interest revenue	56	28	5
Mortgage Insurance Scheme income	8	7	10
Other receipts	162	78	124
Payments to suppliers and employees	(1,551)	(1,625)	(1,513)
Interest paid	(523)	(673)	(741)
Income tax (paid)/refunded	16	(6)	(25)
Net cash flows from/(used in) core operating activities	**165**	**(43)**	**209**
Sales of developments	54	248	274
Land development activities	(247)	(152)	(227)
Subtotal – land development operating cash flows	**(193)**	**96**	**47**
Net cash flows from/(used in) operating activities	**(28)**	**53**	**256**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Sale of rental properties and management assets	10	40	457
Purchase of rental property assets	(4,493)	(2,584)	(1,441)
Purchase of other property, plant and equipment	(23)	(12)	(18)
Purchase of intangible assets	–	–	–
Net short-term investments (made)/realised	390	400	0
Net cash flows from/(used in) investing activities	**(4,116)**	**(2,156)**	**(1,002)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Net capital contributions (to)/from the Crown	420	293	5
DMO note issued	4,232	3,591	687
Market note issued	–	(1,922)	–
Net cash flows from/(used in) financing activities	**4,652**	**1,962**	**692**
Net cash flows	506	(141)	(54)
Opening cash and cash equivalents	39	545	404
Closing cash and cash equivalents	**545**	**404**	**350**

The above statement should be read in conjunction with the accompanying notes to the financial statements.

Statements of underlying assumptions

These statements have been compiled on the basis of current government policy. They comply with PBE FRS 42 *Prospective Financial Statements*. They are presented to fulfil the statutory obligations of Kāinga Ora under the Crown Entities Act 2004.

In this section, Kāinga Ora refers to the Kāinga Ora Group – Kāinga Ora – Homes and Communities and its subsidiaries. The principal subsidiaries of Kāinga Ora are Housing New Zealand Limited, which owns and manages state housing, and Housing New Zealand Build Limited, which builds market and affordable housing.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts.

Opening balances of the statement of financial position are derived from the best assumptions for the closing balances on 30 June 2025.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Judgements and estimates are derived from historical experience and reasonable current assumptions. Actual results may differ from these estimates under different assumptions and conditions, which may materially affect the financial results or the financial positions reported in future periods.

Mansfield Road, Ōwhata, Rotorua

The significant forecasting assumptions used in developing the financial forecasts in the Statement of Performance Expectations are detailed in the table below:

Forecasting assumption	Risk	Financial effect/action taken	Net level of uncertainty
Expected interest rates on investments Interest rates on investments are consistent with the 3-month term deposit rate.	Actual interest rates may differ significantly from those estimated.	Kāinga Ora manages any significant change in interest rates through the term of investment and/or the type of investment.	Low
Expected interest rates on borrowings Interest rates on Crown debt are based on projected borrowing rates from the Crown, depending on the expected maturity of the debt, and taking into account the existing fixed rates locked in on the debt.	Actual interest rates may differ significantly from those estimated.	Kāinga Ora has an interest rate policy that minimises any significant change to interest rates on projected borrowings.	Medium
Revenue from rents A rent growth rate is applied in line with current market expectation.	Market rent is outside the control of Kāinga Ora.	Variance to forecast rent has the largest potential impact on the forecast comprehensive revenue and expense.	Medium
Maintenance expense Maintenance spend is based on expected volumes and run rates for maintenance expenses.	Actual maintenance work completed may be different from that forecast.	Kāinga Ora has significant influence over maintenance programmes and expenditure.	Medium
Personnel expenditure Personnel expenditure includes annual remuneration increases in line with current Budget assumptions.	Actual wage growth may differ from that projected.	Kāinga Ora has some influence over personnel expenditure.	Medium
Price adjustors (cost indices) Larger expense items such as rates and insurance have been inflated for externally driven cost movement expectations.	Actual inflation may differ from that projected.	Kāinga Ora will regularly monitor future financial information and assess its impact on the forecast financial position.	High
The cost of raw materials used in building properties	Actual cost may differ from that projected.	The impact of volatility on the forecast comprehensive revenue and expense and forecast financial position from the cost of raw materials could be significant, especially given current geopolitical risks to supply chains.	High

Forecasting assumption	Risk	Financial effect/action taken	Net level of uncertainty
Asset revaluations Property values change in line with current market expectation.	Property values can be volatile. Revaluation movements may be significantly different from forecast.	The impact of volatility on the forecast comprehensive revenue and expense and forecast financial position could be significant.	Medium
Crown funding for large-scale projects We have included Crown funding for large-scale projects as contributed capital in the forecast financial position, but it is uncertain whether the full amount of the funding will be received.	Crown funding for large-scale projects is uncertain.	If the full amount of the funding is not received, Kāinga Ora will need to borrow additional funds. The impact on the forecast comprehensive revenue and expense and forecast financial position could be significant.	High
Restructure We have estimated the cost of the current organisation restructure.	Cost is uncertain until the outcome of consultation and redeployment process is known.	Estimate of cost may be understated or overstated.	Medium
Financing That Kāinga Ora will stay within its debt ceiling of $22.9 billion as set by joint Ministers.	Cost escalation puts at risk the ability to stay within the debt ceiling.	Kāinga Ora monitors its cash flows to keep within its debt ceiling.	Low
Legal claims Current legal proceedings do not result in a material compensation finding or settlement costs.	Potential damages or settlement costs from legal proceedings is uncertain until the outcome of legal proceedings against Kāinga Ora are completed.	Payment of any potential damages or settlement costs could increase costs. A contingent liability is recognised in accordance with accounting standards. Kāinga Ora monitors its current legal proceedings.	Low
Loss events No occurrence of large loss events (e.g. earthquakes, severe weather).	Potential material damage and business interruption from either a significant one-off event, or in aggregate, result in significant financial loss.	Material Damage and Business Interruption insurance is placed annually with the insurance market.	High

Assumptions

	2024/25 %	2025/26 %
FINANCING INDICES		
Consumers price index (CPI)	2.1	2.2
PRICE ADJUSTORS		
Rent growth	4.0	3.8
Rates	10.3	7.7
Personnel	3.2	0.5
Construction and maintenance	3.0	3.1
TAXATION ADJUSTORS		
Goods and services tax (GST)	15	15
Income tax	28	28
Deductibility of depreciation on housing assets	100	100
PROPERTY REVALUATIONS		
Land	3.5	9.6
Building and improvement	1.3	1.5

Cost allocation policy

All costs are classified into responsibility cost centres. Most costs can be charged directly to output classes on either cost code alone or cost code in combination with cost centre. Remaining costs are charged to output classes by way of an allocation process based on cost drivers and related activity use.

Managing the Crown's investment

Kāinga Ora is forecast to have total assets of $54,367 million at 30 June 2026, funded by liabilities of $21,022 million and equity of $33,345 million.

Value of the Crown's investment

The equity (assets less liabilities) is the value of the Crown's investment in Kāinga Ora. The equity figure in the table below is based on estimates of property revaluation.

Equity as at 30 June 2025 $m	Equity as at 30 June 2026 $m
30,756	33,345

Aside from capital appropriations, the Kāinga Ora capital expenditure programme is funded by cash flows generated from operations and private sector borrowings.

Business diversification

Kāinga Ora will obtain the agreement of responsible Ministers before making any material changes to its business.

Agreements that result in compensation from the Crown

Kāinga Ora may enter into contractual arrangements with the Crown as required from time to time. Such arrangements would include compensation for the difference between market rent and income-related rent. All contractual arrangements will be identified in the Annual Report.

Kāinga Ora and the Crown have agreed that Kāinga Ora will be compensated for any difference between market rents and income-related rents. This is because Kāinga Ora is required to charge qualifying tenants an income-related rent rather than a market rent.

Breathing new life into our older homes, through the Kāinga Ora Retrofit Programme.

Statement of accounting policies

Corporate information

Kāinga Ora – Homes and Communities (Kāinga Ora) is a Crown agency domiciled and operating in New Zealand. The relevant legislation governing the operations of Kāinga Ora and its subsidiaries (the Kāinga Ora Group) is the Crown Entities Act 2004, the Kāinga Ora – Homes and Communities Act 2019 and the Urban Development Act 2020.

Kāinga Ora and its subsidiaries are designated public benefit entities (PBEs), whose primary objective is to provide goods or services for community or social benefit rather than for a financial return to equity holders.

The registered office of Kāinga Ora is Level 5, 7 Waterloo Quay, Wellington.

Summary of significant accounting policies

Basis of preparation

The prospective financial information is prepared based on PBE FRS 42 *Prospective Financial Statements*, reporting under Tier 1 of the PBE standards. The financial statements constitute a projection for the year ending 30 June 2025. As a projection, the financial information is based on one or more hypothetical but realistic assumptions as at the date this information has been prepared. The prospective financial information may vary from actual results. The financial information is forward looking and should be read in conjunction with the assumptions set out on pages 29 to 33. Because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied in forward-looking financial statements.

The financial statements have been prepared on a historical cost basis, except for rental properties, freehold land, derivative financial instruments, actuarially assessed provisions, available-for-sale financial assets and financial assets measured at fair value through other comprehensive revenue.

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest million dollars ($m) unless stated otherwise.

The statement of financial position is presented on a liquidity basis. The activity that Kāinga Ora is doing in its development business are largely financed by market bond issues. Presenting on a liquidity basis provides the users of our financial statements with a faithful representation and more relevant information on the financial statements.

Comparatives

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures have been restated to ensure consistency with the current period unless it is impracticable to do so.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which include the requirement to comply with generally accepted accounting practice in New Zealand.

Basis of the Kāinga Ora Group

The Kāinga Ora financial statements comprise the financial statements of Kāinga Ora – Homes and Communities (the Parent) and its subsidiaries, being Housing New Zealand Limited and Housing New Zealand Build Limited as at 30 June each year.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent using consistent accounting policies. All inter-entity balances and transactions have been eliminated in full.

Rental property land and buildings

Housing for community groups held by Kāinga Ora and state-owned housing held by Housing New Zealand Limited, is recognised at cost upon purchase or completion of construction. Such costs include the cost of repairs and renewals that are eligible for capitalisation according to the recognition principles in PBE IPSAS 17 *Property, Plant and Equipment*. All other repairs and maintenance costs are recognised in the statement of comprehensive revenue and expense.

Subsequent to initial recognition, land and buildings are revalued to fair value at the end of each year and recognised at their revalued amounts. Buildings are depreciated during the year through to the next revaluation.

Any revaluation surplus is recognised in the asset revaluation reserve in other comprehensive revenue and expense, except to the extent that it offsets a previous revaluation deficit for the same asset class that was recognised in the net comprehensive revenue and expense for the year. In such circumstances, the surplus is recognised in the statement of comprehensive revenue and expense for the year.

Any revaluation deficit is recognised in the statement of comprehensive revenue and expense for the year except to the extent that it offsets a previous revaluation surplus for the same asset class that was recognised in the asset revaluation reserve in other comprehensive revenue and expense. In such circumstances, the deficit is offset to the extent of the credit balance existing in the revaluation reserve for that asset class.

Depreciation is calculated on a straight-line basis over the estimated useful life of buildings and their components, including chattels, as follows:

Rental properties	10–60 years

The Kāinga Ora Group applies the following estimates of economic lives to the components of its rental properties:

Buildings	40–60 years
Improvements	25 years
Chattels	10 years

Other property, plant and equipment

Motor vehicles, office equipment, furniture and fittings, computer hardware and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the equipment as follows:

Motor vehicles	5 years
Office equipment	5 years
Furniture and fittings	10 years
Computer hardware	4 years
Leasehold improvements	The shorter of the period of lease or estimated useful life.

Work in progress

Construction work in progress is recognised at cost less impairment losses (if any). On completion, it will be accounted for as rental property or properties held for sale.

Provision for future development costs

Management makes significant judgements when estimating the provision for future development costs. When establishing a provision in relation to each development, management determines whether that development site has been sold. All relevant factors are assessed in ascertaining whether the significant risks and rewards of ownership have transferred to the purchaser when determining whether a sale has occurred.

Management considers development-specific costs and a share of site-wide costs when estimating future development costs. Development-specific costs provide a direct benefit to that development and typically include construction, landscape design and engineering costs. Site-wide costs are incurred on a total site-wide basis that benefit all developments in the site area and typically include site-wide amenity assets, site-wide remediation and coastal walkway costs. An apportionment of site-wide costs is allocated to each individual development based on the proportion of that development's area to the total site area.

Properties held for sale

Properties meeting the criteria for recognition as held for sale as defined in PBE IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are reclassified as properties held for sale. This classification is used where the carrying amount of the property will be recovered through sale or transfer, the property is available for immediate sale in its present condition and a sale or transfer is highly probable.

Property held for sale is recorded at the lower of the carrying amount and fair value less costs to sell. From the time a property is classified as held for sale, depreciation is no longer charged on the properties.

Properties under development

The Kāinga Ora Group subdivides large pieces of land where it does not intend to retain the resulting titles. These properties will not be retained for the long term. As these properties are held to develop for sale in the ordinary course of business, they are classified as inventory.

An asset is considered as property under development when it is available for sale. An asset is considered available for sale when one of the counterparties agrees to the terms of sale proposed by the other counterparty.

Properties under development are recorded at the lower of cost and net realisable value (selling price less costs to complete and sale costs). Any write-downs to net realisable value are recognised as an expense in the statement of comprehensive revenue and expense.

Non-cash-generating plant and equipment and intangible assets

Plant and equipment and intangible assets held at cost have a finite useful life and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

If an item of plant and equipment or intangible asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. The total impairment loss is recognised in the statement of comprehensive revenue and expense.

Financial assets

The Group uses a range of financial products to manage its cash flows, such as Term Deposits, Registered Certificates of Deposit and Hedging derivatives. These assets are measured in accordance with PBE IPSAS 41 *Financial Instruments*. This measurement includes initial and subsequent recognition, derecognition and impairment.

The measurement of these assets depends on the business model for managing them and their contractual cash flow characteristics. Financial assets are reclassified if the business model for managing them has changed, which may result in a different measurement model.

I. Financial assets at fair value through surplus or deficit (FVSD)

Financial assets are subsequently measured at FVSD if they are held for trading or if the contractual cash flows are not solely payments of principal and interest. Specific financial assets held at FVSD include the following:

- Derivatives – not in hedge relationships: Derivatives are recognised at fair value on initial recognition and subsequent changes in fair value are recognised in surplus or deficit when they are not in an effective hedge relationship.

II. Financial assets at amortised cost

Financial assets subsequently measured at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

Specific financial assets held at amortised cost include the following:

- Cash and cash equivalents.
- Mortgages and housing-related lending: Includes Housing Innovation Fund mortgage advances and other loan products.
- Receivables: Exchange and contractual non-exchange transactions.
- Long-term receivables: Exchange and contractual non-exchange transactions.
- Investments: Investments consist of money market deposits, commercial paper, enhanced registered certificates of deposit, registered certificates of deposit and treasury bills. These debt investments are carried at amortised cost using the effective interest method or fair value through comprehensive deficit depending on the type of investment.

III. Financial assets at fair value through other comprehensive revenue (FVOCRE)

Subsequent measurement at FVOCRE is for financial assets that are held for the purpose of both collecting contractual cash flows and selling assets, and those cash flows are solely related to payments of principal and interest.

Specific financial assets at FVOCRE include the following:

- Derivatives: Effective interest rate swaps in cash flow hedge relationships.
- Registered certificates of deposit and enhanced rate certificates of deposit: Held for trading in the short term and to collect contractual cash flows.
- Corporate Bonds: Fixed term debt securities issued by the Local Government Funding Agency held for trading in the short and long term and to collect contractual cash flows.

Accounts payable and other liabilities

Due to their short-term nature, accounts payable and other liabilities are not discounted. The amounts are unsecured and are usually paid within 5 days of recognition.

Interest-bearing borrowings

All borrowings are initially recognised at the fair value of the consideration received minus transaction costs associated with the borrowing.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method, unless it is part of a hedging relationship (see below note on hedge accounting). Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Mortgage insurance liabilities

Insurance contract liabilities are recognised when entered into and a premium is charged.

Mortgage Insurance Scheme liabilities include the outstanding claims liability and the unearned premium reserve. The outstanding claims liability is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, irrespective of whether a claim has been reported or not, including related claims handling costs.

Derivative financial instruments

The Kāinga Ora Group uses derivative financial instruments such as interest rate swap contracts to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. Changes in fair value are charged to net surplus/(deficit) unless they are in a hedge relationship.

The Group has 2 types of hedges:

- Fair value hedges: When hedging the exposure to changes in the fair value of a recognised asset or liability.
- Cash flow hedges: When hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group assesses whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets the hedge effectiveness requirements.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised.

Leases

The Group enters lease arrangements with respect to rental properties leased from third parties, properties it occupies, motor vehicles and office equipment.

The Group as lessee has exercised its judgement on the appropriate classification of all its leases and determined that they are all operating leases.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Kāinga Ora Group and the revenue can be reliably measured.

(i) Revenue from non-exchange transactions

Revenue from non-exchange transactions is where the Kāinga Ora Group receives value from another party for which it provides either no or below-market consideration. Revenue from non-exchange transactions is recognised when initial control over the resources is gained as a result of a past event, receipt of future economic benefits or service potential from those resources is expected, and the fair value of the assets can be measured reliably.

Revenue generated from non-exchange transactions is represented below:

- Tenant income-related rent and Crown income-related rent subsidies are recognised on a straight-line basis over the term of the tenants' lease.
- Crown operating appropriation and grant revenue are recognised when the right to receive the funds has been established whether in advance of or subsequent to provision of the services relating to the appropriation.

(ii) Revenue from exchange transactions

Revenue from exchange transactions is generated when an exchange of transactions of approximately equal value has occurred between the Kāinga Ora Group and a third party.

The following represent the revenue of the Group from exchange transactions:

- Revenue from the sale of developments is recognised when all of the risks and rewards of ownership pass to the third party.
- Rental revenue from tenants at market rent is recognised on a straight-line basis over the term of the tenants' lease.
- Lease income is recognised on a straight-line basis over the term of the lease.
- Mortgage Insurance Scheme revenue – premium revenue is recognised over the estimated term of the contract according to actuarial assessment of the risk exposure under the contract.
- Interest revenue on financial assets classified as amortised cost of fair value through other comprehensive revenue (FVOCRE) is recognised using the effective interest rate method. Interest revenue is otherwise recognised as the interest accrues.
- Management fee revenue – the Group receives a management fee from the Housing Agency Account for acting as Crown agent to the Account.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority based on the current period's taxable income. Deferred income tax is measured on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes unless the initial recognition exemption (IRE) applies.

Deferred income tax liabilities are amounts of income taxes payable in future periods in respect of taxable temporary differences when the carrying amount for financial reporting purposes exceeds its tax base.

Under PBE IAS 12 *Income Taxes*, the IRE applies, and deferred tax is not required to be recognised if, on acquisition of an asset, the accounting and tax bases differ (provided it is not part of a business combination). As the tax depreciation rate for residential buildings is 0 percent, the tax base of Kāinga Ora Group buildings is nil. Therefore, the tax and accounting bases differ for buildings, and the IRE applies. The IRE applies to the acquisition of buildings and to some additions to buildings post 1 July 2010.

Deferred income tax assets are amounts of income taxes recoverable in future periods in respect of all deductible temporary differences, carry forward of unused tax losses or tax credits. The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Other taxes

The Kāinga Ora Group is mainly an exempt supplier in relation to GST. GST on the majority of inputs cannot be reclaimed. Therefore, it is included in expenditure. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis, and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed gross of the amount of GST recoverable from or payable to the taxation authority.

Contingent assets and contingent liabilities

Suspensory loans and repayable grants

The Kāinga Ora Group has made grants and suspensory loans to third parties with conditions attached for an agreed period. If the conditions are breached, the grant or suspensory loan will be repayable. Where conditions have been breached or are likely to be breached, a contingent asset relating to the possibility of a future inflow of resources will be disclosed but not recognised.

Contingent liability – Commerce Act litigation

Winton Land Limited and its subsidiary Sunfield Developments Limited (Winton) have filed a claim in the High Court alleging that Kāinga Ora has breached section 36 of the Commerce Act 1986 in relation to its urban development functions, causing loss and damage to Winton. Winton seeks damages of $244 million plus interest and costs. Kāinga Ora denies the claim and is defending the claim. An 8-week High Court hearing is set to commence on 1 September 2025.

Matthew Place, Kawaha Point, Rotorua

Significant judgements, assumptions and estimates in applying accounting policies

Judgements

Management has identified the following judgements it has had to make as having the most significant effect on amounts recognised in the financial statements.

(i) Classification of rental properties as property, plant and equipment

The Kāinga Ora Group housing portfolio contains approximately 72,000 residential properties, from which it receives revenue based on a level of rent equivalent to that which the properties could be expected to generate in the open rental market. In most circumstances, a portfolio of rental properties would be classified as investment properties. However, in the case of social homes, the Crown subsidises the balance between the level of market rent and that deemed affordable from the tenant based on the tenant's level of income. Management therefore considers the prime strategic purpose for holding rental properties is for social and supported housing, and as such, according to PBE IPSAS 16 *Investment Property*, they are to be accounted for under PBE IPSAS 17 *Property, Plant and Equipment*.

(ii) Classification of non-financial assets as non-cash-generating assets

For the purposes of assessing impairment indicators and impairment testing, the Kāinga Ora Group classifies its non-financial assets as non-cash-generating assets, including its portfolio of rental properties. Although cash revenue, equivalent to a market rent, is generated from rental properties, the revenue comprises income-related rent received from tenants and subsidies received from the Crown, as the primary objective of providing these assets is social housing rather than to generate a commercial return.

(iii) Classification of assets as held for sale

Management reclassifies assets or any group of assets as held for sale or held for distribution to the owner upon determining that it has become highly probable that the carrying amount of those assets or group of assets will, in their present condition, be recovered through a respective sale or distribution transaction within the next 12 months. For a sale or distribution transaction to be highly probable, the assets or group of assets must be available for immediate sale or distribution and the Kāinga Ora Group must be committed to the impending sale or distribution transaction.

(iv) Classification of revenue as being from exchange or non-exchange transactions

The Kāinga Ora Group receives revenue primarily from rent received from its tenants, Crown operating appropriations and interest received from mortgage advances and short-term investments. In determining whether its various revenues are from exchange transactions or non-exchange transactions, management exercises judgement as to whether the Kāinga Ora Group gives approximately equal value (primarily in the form of cash, goods, services or use of assets) in exchange for the revenue it receives.

As there are no assets or services of approximately equal value provided back to the Crown in exchange for the funding it receives from the Crown, management has determined that revenue from the IRRS and other Crown appropriations is to be classified as being from non-exchange transactions.

(v) Classification of leases as operating or finance leases – Kāinga Ora as lessee

The Kāinga Ora Group enters lease arrangements with respect to rental properties leased from third parties, properties it occupies, motor vehicles and office equipment.

The Kāinga Ora Group has exercised its judgement on the appropriate classification of all its leases and determined that they are all operating leases.

(vi) Classification of assets as property under development

Management reclassifies assets from property, plant and equipment to properties under development when there is a change in use evidenced by the commencement of development with a view to sell. Assets are transferred to properties under development when the purpose for which the property is held changes, which in this case is to sell at market or affordable pricing. This transfer occurs at the time a term sheet is completed with a developer evidencing the intention to sell the assets.

Key assumptions applied and other sources of estimation uncertainty

(i) Fair value of rental properties

The Kāinga Ora Group revalues rental properties annually. Fair value is determined by reference to market-based evidence from independent valuers Quotable Value New Zealand. Market-based evidence provides an indication of value by comparing the asset with identical or comparable traits for which price information is available. Market evidence is compared either on a direct comparison or on the summation approach after adjustments for material differences such as size, location, quality and condition.

In performing the valuation, the entire portfolio has not been individually inspected due to its size. A market indexation approach has been adopted for the remaining uninspected properties within the portfolio due to the homogeneous nature of the portfolio. Properties are valued based inherently on their highest and best use.

(ii) Fair value of derivative financial instruments and investments

The value of the Kāinga Ora Group's interest rate derivatives is adjusted to their fair values on a daily basis using current market interest rates (bank bill mid-rate, swap pricing curve).

(iii) Mortgage guarantee provision

The mortgage guarantee provision is an actuarially assessed amount likely to be payable under that guarantee. The value of the provision depends on various factors, some of which are the value of the loans expected to default, the number of active mortgages and the average loan balance.

(iv) Impairment of properties under development

All inventory items are valued at the lower of cost or net realisable value determined principally by the expected sale price less the carrying amount and the expected cost to put the property into a state that is ready for sale. The expected cost to put the property into a state that is ready for sale is calculated based on costs to completion including headworks, selling costs, demolition costs and future development costs amongst others.

(v) Impairment of non-financial assets

As at each balance date, all assets are assessed for impairment by evaluating conditions specific to the Kāinga Ora Group and to the particular asset that may lead to impairment. These include technological, economic and political factors and future expectations, as the primary objective is to provide services for community or social benefit rather than financial return. If an impairment trigger exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Appropriations – output tables

The following tables set out the appropriated funding Kāinga Ora expects to receive from the Crown in 2025/26. This funding is shown by appropriation and programme and is aligned with Kāinga Ora output classes.

Output table: Crown appropriations by Kāinga Ora output class

		Kāinga Ora output classes			
		Output class 1	**Output class 2**	**Output class 3**	**Output class 4**
Appropriation name and programme	**$m**	**Delivering cost- effective tenancy services that meet the needs of our tenants**	**Renewing and maintaining our homes**	**Delivering our large-scale land development projects**	**Supporting home-ownership initiatives for New Zealanders**
KĀINGA ORA HOME OWNERSHIP AND ADMINISTRATION					
Mortgage Insurance Scheme (First Home Loan)	1.850				1.850
KiwiSaver Withdraw – Administration	0.184				0.184
Community Owned Rural Rental Housing Loans (CORRL)	0.045				0.045
Legacy Loan portfolios	0.100				0.100
Total Kāinga Ora home ownership and administration	**2.179**	**0.000**	**0.000**	**0.000**	**2.179**
KĀINGA ORA – HOMES AND COMMUNITIES					
Te Kurutao	1.684	0.466	1.031	0.178	0.009
Core Urban Development	3.198			3.198	
Sustainability Initiatives	3.102	0.859	1.898	0.327	0.017
KiwiBuild	0.897				0.897
First Home Partner	1.495				1.495
Infrastructure Acceleration Fund – Administration	1.522				1.522
Total Kāinga Ora – Homes and Communities	**11.899**	**1.325**	**2.929**	**3.703**	**3.941**
Kāinga Ora Land Programme (MYA)	6.243			6.243	
Operating the Buying off the Plans Programme (MYA)	0.792			0.792	
Grand total	**21.113**	**1.325**	**2.929**	**10.738**	**6.121**

Output table: Multi-category appropriations (MCA) 2025/26

		Kāinga Ora output classes			
		Output class 1	Output class 2	Output class 3	Output class 4
Appropriation name and programme	**$m**	**Delivering cost-effective tenancy services that meet the needs of our tenants**	**Renewing and maintaining our homes**	**Delivering our large-scale land development projects**	**Supporting home-ownership initiatives for New Zealanders**
COMMUNITY GROUP HOUSING MCA					
Community Group Housing Market Rent Top-Up	22.182		22.182		
Community Housing Rent Relief	4.100		4.100		
Acquisition and Improvement of Community Group Housing Properties	5.800		5.800		
Market Rent Top-Up is exempt from Crown performance reporting as the information is unlikely to be informative					
PUBLIC HOUSING MCA					
Services for People in Need of or at risk of Needing Public Housing	3.733	3.546			0.187
Purchase of Public Housing Provision (Public Housing (MCA))	1,647.175	164.717	1,482.457		
This contains both Kāinga Ora IRRS and regional incentive appropriations					
HOUSING ACCELERATION FUND MCA					
Investment in Infrastructure to Advance Development-Ready Land (Large Scale Project)	40.832			40.832	
Investment in Infrastructure to Advance Development-Ready Land (IAF)	195.992			195.992	
Total multi-category appropriations	**1,919.813**	**168.264**	**1,514.539**	**236.824**	**0.187**

Output table: Capital appropriations (MCA) 2025/26

		Kāinga Ora output classes			
		Output class 1	Output class 2	Output class 3	Output class 4
Appropriation name and programme	**$m**	**Delivering cost-effective tenancy services that meet the needs of our tenants**	**Renewing and maintaining our homes**	**Delivering our large-scale land development projects**	**Supporting home-ownership initiatives for New Zealanders**
Refinancing of Crown loans to Kāinga Ora – Homes and Communities	284.717		284.717		
Kāinga Ora – Homes and Communities Crown Lending Facility[8]	1,152.000		1,152.000		
Progressive Home Ownership Fund (MYA)	0.263				0.263
Total capital appropriations	**1,436.980**	**0.000**	**1,436.717**	**0.000**	**0.263**

8. The Crown Lending Facility appropriation aligns with Budget 2025 and provides authority to borrow up to the specified amount. However, it does not necessarily mean that it will be fully utilised.

Appendix 1 – Kāinga Ora performance framework

Our strategic objectives

1. We will adapt to the changing needs of our tenants by refining our tenancy service model

- **1.1** Percentage of tenants satisfied with our services
- **1.2** Percentage of tenants satisfied with their home

2. We will enhance the condition and utilisation of our homes

- **2.1** Proportion of housing stock that meets standards
- **2.2** Percentage of homes available to let

3. We will respond to tenant needs by actively reconfiguring and renewing our homes

- **3.1** Average age of housing stock
- **3.2** Maintain our home portfolio size
- **3.3** Number of Kāinga Ora homes exposed to flood hazards
- **3.4** Carbon emissions resulting from the Kāinga Ora housing portfolio (tCO_2eq per home)

4. We will be a reliably high-performing organisation

- **4.1** Total debt / EBITDA
- **4.2** EBITDA / interest

SOI measures

Our outputs and activities

OUTPUT CLASS 1
Delivering cost-effective tenancy services that meet the needs of our tenants

- **1.1** Tenant satisfaction with Housing Support Manager in relation to:
  - treating with respect
  - following up on requests or complaints
  - responding in a timely manner
- **1.2** Percentage of new debtors with a repayment arrangement in place within 21 days of rent overdue
- **1.3** Tenant rent debt will be below the target amount by 30 June 2026
- **1.4** Tenant satisfaction with Customer Support Centre interactions
- **1.5** Percentage of reported incidents of disruptive behaviour where a decision on appropriate action occurs within 15 working days
- **1.6** Percentage of successful applications to the Tenancy Tribunal for tenancy termination due to disruptive behaviour

OUTPUT CLASS 2
Renewing and maintaining our homes

- **2.1** Number of renewed Kāinga Ora homes
  - new builds
  - retrofits
- **2.2** Percentage of social homes in service that are let (daily utilisation)
- **2.3** Average number of days from a social home becoming vacant to being let again
- **2.4** Tenant satisfaction with maintenance based on the equally weighted average score of the following tenant survey maintenance measures:
  - satisfaction with quality
  - satisfaction with time taken to complete work
  - satisfaction that contractors treated you and family with respect

OUTPUT CLASS 3
Delivering our large-scale redevelopment projects

- **3.1** Hectares of build-ready land redeveloped by Kāinga Ora
- **3.1** Number of new homes that can be constructed on build-ready land that is redeveloped and contracted by Kāinga Ora

OUTPUT CLASS 4
Supporting home-ownership initiatives for New Zealanders

- **4.1** Number of First Home Loan mortgages underwritten

Financial measures

FIN_1.1 Net operating costs of managing our housing portfolio per home (excludes depreciation)

- tenancy services
- renewing and maintaining homes

FIN_1.2 Adjusted EBITDA as a percentage of total income

FIN_1.3 Build cost per square metre

FIN_1.4 Meet or exceed the key financial objectives as set out in the Reset Plan, including operating deficit, total expenses, and total debt

SPE measures

kaingaora.govt.nz

Kāinga Ora
Homes and Communities

Te Kāwanatanga o Aotearoa
New Zealand Government