

Quarterly Report

For the three months ending 30 September 2022



s 9(2)(a)

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Introduction

We are Kāinga Ora – Homes and Communities. Our vision is: building better, brighter homes, communities and lives – He oranga Kāinga, he oranga hapori, he oranga tāngata.

At Kāinga Ora, we understand that a house means more than a roof over someone’s head. We recognise that Kāinga represents the hopes and dreams of Whānau, an essential foundation for lives, families and thriving communities. That is why we see our success as an organisation reflected not merely in terms of bricks and mortar, but also in the choices, mana, stability, aspirations and rangatiratanga realised within the communities to which we contribute.

The purpose of this report

This report is for the Minister of Housing, and provides an update for the quarter ended 30 September 2022. It reflects the Board’s view on our performance and activity, showing the progress towards delivering the commitments set out in our Statement of Performance Expectations 2022/23 (SPE) and our public housing commitments, and summarises our achievements, challenges, risks and upcoming milestones.

Our outcomes – what we are trying to achieve

<p>Māori aspirations</p>  <p><i>Investment in housing solutions that build capability and support whānau wellbeing</i></p>	<p>Housing access</p>  <p><i>Enabling homes that meet diverse needs and are safe, affordable and healthy to live in</i></p>
<p>Customer wellbeing</p>  <p><i>People in our homes live well, with dignity, stability and the greatest degree of independence possible</i></p>	<p>Thriving communities</p>  <p><i>Inclusive and sustainable communities with access to employment, education, social and cultural opportunities</i></p>
<p>Environmental wellbeing</p>  <p><i>Sustainable and resilient operations, assets and communities</i></p>	<p>System transformation</p>  <p><i>Land use, infrastructure and housing supply is integrated, efficient, effective and responsive to demand</i></p>

Our output classes – how we group our activities, deliver our services and measure our performance

Our activities are grouped into the following output classes:

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| <p>▶ OUTPUT CLASS 1</p> <p>Supporting our customers to live well with dignity, stability and connectedness</p> | <p>▶ OUTPUT CLASS 2</p> <p>Growing, renewing and maintaining our homes</p> |
| <p>▶ OUTPUT CLASS 3</p> <p>Delivering and facilitating urban planning and development</p> | <p>▶ OUTPUT CLASS 4</p> <p>Supporting Crown housing infrastructure and home ownership initiatives for New Zealanders</p> |

Our strategies

Te Rautaki Māori o Kāinga Ora: Kāinga Ora Māori Strategy lays a foundation for the expression and realisation of Māori aspirations for housing. Te Rautaki Māori o Kāinga Ora was designed alongside iwi and rōpū Māori.

The Kāinga Ora Strategy 2030 outlines how we plan to shape the housing and urban development system and deliver on our outcomes. It will sit alongside Te Rautaki Māori o Kāinga Ora using the concept of he waka hourua, the double-hulled waka.

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Overview

Operating context

Supply chain constraints and increasing material, labour and finance costs are continue to create a complex and difficult operating environment. The ongoing effects of COVID-19 on our people, communities, businesses, and partners have tested the assumptions we made about our organisation when it was set up in 2019.

In response we continue to prioritise actions and adapt to the situation we face. We have changed some of our operational processes and added additional support services to meet our customers' needs. Programmes such as our new housing delivery system (Project Velocity), have allowed us and our design and build partners, to make significant time and productivity gains using an integrated approach that emphasises collaboration, tight scheduling and eliminating waste, errors and rework.

In this quarter, we delivered 371 newly built public and supported homes (281 net homes). We have also increased the number of our homes complying with the Healthy Homes Standards, from over 34,000 (52%) as at 30 June 2022, to 41,250 (64%) at the end of the quarter.

Statement of Performance Expectations (SPE) measures overview

At the end of the first quarter, 18 measures are on target and 13 measures are non-targeted. 16 measures are behind target, including the delivery of newly built public and supported homes for the year to date. The forecast delivery range is between 3,200 and 3,700, and as part of managing delivery risks, we are continuing project-level risk assessments. Programme management, particularly for the larger deliveries planned for the last quarter, is addressing constraints such as utilities and water connections, compliance and schedules, and accelerating programmes into earlier months.

While our new home delivery is currently slower than scheduled, our net increase of homes is 281 for the quarter, better than the budgeted 263, and we also expect to achieve the full year target for this. As there is a high concentration of homes to be delivered in May and June 2023, we are prioritising our risk analysis and mitigation actions, so that we have the best possible approach to meeting our targets. Details, including these actions and mitigations, begin on page 17.

Financial overview

A strong foundation for home delivery has been set for the financial year, with \$521 million invested in new housing supply in the September quarter. The September quarter is typically slower than other quarters, but our activity during August and September has given us good momentum and bodes well for providing more homes for our customers over the remainder of the year.

Our year to date Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) is \$80 million (19% of revenue), supported by lower expenses due to a relatively slow start to the demolition programme. By June 2023, we expect EBITDA of just over \$200 million, as rental income continues to grow, accompanied by slower expenditure growth as we focus on mid-to-long term costs through our Financial Sustainability Programme.

Uncertainty around cost pressures and delivery still remains a risk, specifically around capacity constraints and the strength of inflation.

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Significant projects

We are on track to deliver our Public Housing Plans (PHP) commitment of 11,780 net public homes by June 2024.



Six-year housing plan 2018/19 - 2023/24 (net volume)	Commitment 2018/19 - 2023/24	Delivered 2018/19- 2021/22	Delivered Year to date 2022/23	Total Delivered	% Delivered	Remaining deliveries
Public Housing Plan 1: July 2018 to June 2022	4,480	3,582	240	3,822	85%	658
Public Housing transfer: Tenanted	142	142		142	100%	0
Public Housing: Refugee Housing	364	247	11	258	71%	106
Public Housing Plan 2: July 2022 to June 2024	4,800		0	0	0%	4,800
Transitional Housing: PERM 530-650	404	404		404	100%	0
Transitional Housing: Budget 2020	1,400	1,086	25	1,111	79%	289
Community Group Housing	126	5	8	13	10%	113
Corrections Department	64	34	-3	31	48%	33
Net total	11,780	5,500	281	5,781	49%	5,999
Public Housing	9,786	3,971	251	4,222	43%	5,564
Supported Housing	1,994	1,529	30	1,559	78%	435

Gross total delivered	9,361	468	9,829
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- The table above shows the net increase of our contribution to the PHP was 281, on target for the year to date.
- Towards our SPE 2.1 measure of newly built public and supported homes, we delivered 371 in the first quarter, 43 fewer than target. We currently have 5,015 further homes under construction or contracted (2,583 for 2022/23, 2,273 for 2023/24 and 159 for 2024/25). 2,639 homes are in procurement for this year and beyond, with another 9,572 working through planning and feasibility.
- Supply chain and resource shortages continue to affect delivery timing, but our use of Off-Site Manufacturing or prefabricated products has supported the acceleration of home delivery.
- We will likely adjust this table for the next report including how Community Group Housing is reported and also to include the purchase of elder housing village units from Tauranga City Council in November.

More than 41,000 homes now meet Healthy Homes standards, another 11,000 in progress

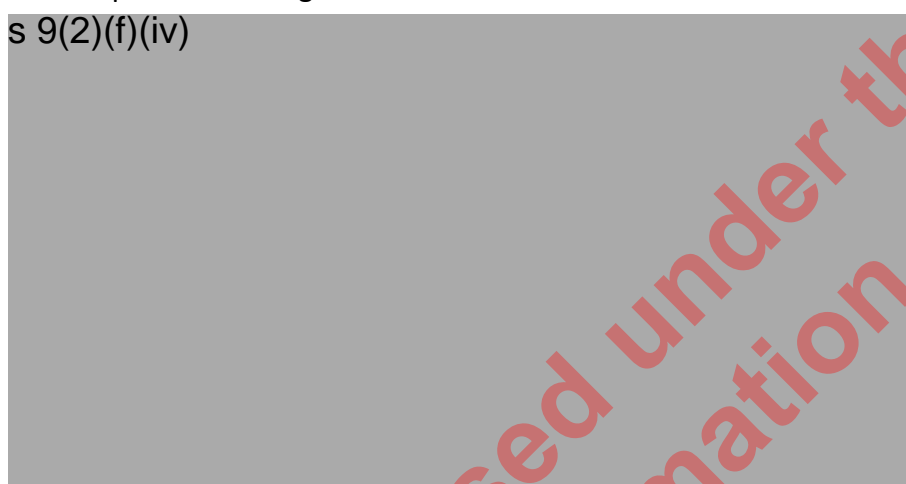
- 64% of our homes (41,250 properties) now meet the Healthy Homes standards. We are behind the year to date target for this SPE measure, with the significant challenges of the past year continuing - including customer anxiety remaining high, interrupted supply chains for critical materials, intense competition for the trades, and price increases.
- We continue with our strategies to minimise these pressures, including lifting scoping capacity in isolated or high volume regions, mobilising trades into regions where shortages exist, working with suppliers to increase stock levels and storage, and making use of exemptions available within the Healthy Homes standards.
- Despite these efforts, compliance remains subject to external pressures, which pose a critical risk to our programme delivery by the deadline.

- Note that the Government has extended the Healthy Homes Standards timeframe for Kāinga Ora and Community Housing Providers from 1 July 2023 to 1 July 2024.
- While we are still aiming for full compliance by 1 July 2023, the extension is helpful because it allows us more time to manage difficult access issues at small proportion of homes, and enables us to work through the continuing high demand for tradespeople and materials.

Large Scale Projects (LSPs) forecast activity to continue increasing, with spikes in November 2022 and June 2023

The LSP programme is working on 14.5 hectares of land which will enable 1,262 homes to be built across Auckland and Porirua. This year 187 homes were completed on our sites, with builders and developers continuing to build 962 more on land we have sold to them.

s 9(2)(f)(iv)



Our capex spend is forecast to increase from October onwards, with spikes in November 2022 and June 2023 as a result of a purchase of lots in Te Kauwhata earlier than originally planned.

s 9(2)(f)(iv)



- The Precinct Business Cases for Porirua and the Auckland LSPs were approved in September.
- Neighbourhood Business Cases (NBCs) for Waikowhai (Roskill Precinct) and Māngere East have also been approved by all levels of internal governance, including the Board. As the Waikowhai NBC has been noted as ‘strategic’ it has gone through Ministerial consultation, with the guidance being to continue with development stages 1 to 4 and later evaluate options for

development stages 5 to 6, in conjunction with an Infrastructure Business Case for options to underground or relocate powerlines owned by Transpower.

- A capital injection of \$210 million was received from the Crown on 12 October (of the total approved \$290 million Tranche one funding).
- The balance of funding for Porirua, Tranche one and Tranche two will be addressed in a single funding agreement. We are aiming to complete this as soon as practicable after we receive the first draft of the funding agreement from the Ministry of Housing and Urban Development (HUD).
- Across the LSPs, 146 new, warm dry homes were completed (excluding Greenfields and Complex) – comprising 15 public and supported, 45 affordable and 86 market homes.
- Civil works were completed on 30,100m² of land remediated to support the development of over 200 homes in the area.
- Freedland Reserve was completed providing a great example of how a local park upgrade can deliver a substantial improvement in local amenity and added resilience to the stormwater infrastructure simultaneously through efficient design and delivery.
- In July, we finalised an agreement with Watercare to fund \$20.1 million of completed and underway neighbourhood works in Mangere, Mt Roskill, Oranga and Northcote. We are also progressing two similar agreements with § 9(2)(f)(iv) for the funding of § 9(2)(f)(a) Shovel Ready projects and six neighbourhood projects. The combined agreements are valued at \$17 million.

39% of \$1 billion Infrastructure Acceleration Fund (IAF) allocated

- The Minister of Housing announced two tranches of completed IAF negotiations for 16 housing developments across New Zealand.
- In the first quarter, \$376.5 million has been allocated (39% of the \$1 billion fund) to support delivery of approximately 20,000 homes over the next 10 to 20 years.
- A further 15 proposals remain in the negotiation and due diligence stages.
- By the end of the financial year we expect at least 80% of the fund to be allocated.

Areas of focus

Customer wellbeing



People in our homes live well, with dignity, stability and the greatest degree of independence possible

Responsive maintenance ramps up, recovering from COVID-19 delays

- As the volume of identified repairs is exceeding the level of work we have contracted our maintenance partners to deliver, we are working on solutions to deliver the increased level of work.
- Our planned maintenance programmes have made a steady start to the year to deliver on our largest programme ever, budgeted at \$192 million.

New approach to mould

- The Mould Project has completed the development of a new draft policy, which is guided by three principles – better understanding the contributing factors of mould in our homes; planning and co-ordinating actions to remediate mould; and making sure our actions have been successful.
- The policy includes a suite of measures to be put in place: cleaning and customer education; fixing damage to building structures; and transfers to new homes.

Fale mo Aiga – The Pacific Housing Strategy 2021-2030

- We have worked with the Ministry of Pacific Peoples, and HUD on the development of the Fale mo Aiga – the Pacific Housing Strategy.
- We expect Fale mo Aiga to be launched officially at the end of November 2022.
- Fale mo Aiga has led to greater collaboration. We are working with Place Based Groups and Pacific community financial capability providers around the country, who are funded via an aspect of this strategy. This work focuses on supporting Pacific people and families living in public housing, who may require additional support to address financial pressures.

Supporting our customers' wellbeing in practice - accessible home enables Josh to support others

When Josh was going through one of the most difficult moments of his life, rather than focusing solely on his own journey, his thoughts turned to how he could help others in the same situation.



When he was 18 years old, Josh (now 25), from Christchurch was paralysed after a rare autoimmune disease called transverse myelitis damaged his spinal cord. After a month in ICU, he spent another five months in Christchurch's Burwood Spinal Unit undergoing rehabilitation – and that's where he realised he could use his own experience to help other spinal patients. "I started volunteering [for the New Zealand Spinal Trust, based at Burwood Hospital] while I was in hospital because I wanted to come back but, in the end, I never left – I left hospital with a job," Josh jokes.

Josh moved into a one-bedroom, wheelchair-friendly Kāinga Ora home three months ago – and he is thriving in his new home.

He says having his own place has given him a greater sense of independence and made his life easier. "I have this space and the freedom to take control of my own life again. To be able to come home to a house that takes all those issues [of accessibility] away from you is somewhat freeing."

"I can get my Sunday coffee and I'm close to Kmart. Everything I need is just five minutes away and I can catch the bus to work just around the corner.

"It's nice to have my own space. More often than not, people can come over for a drink on Friday, or they can just pop by. I can come home and do whatever I want to, and it's great," he says.

Josh now works part time as a peer support worker for the New Zealand Spinal Trust, supporting patients living with a spinal cord impairment.

"It's mostly about translating what the doctors and the rest of the hospital team are talking about," explains Josh. "I also help patients adjust a bit and to learn other tricks that hospital can't teach them, like pushing a supermarket trolley or carrying a coffee cup from the bench to the couch," he says.

But that is not the only role keeping Josh busy – Josh juggles this with not one, but two, other part-time roles advocating for people living with disabilities.

One of these is his role as research assistant for the Burwood Academy Trust. "It's about bringing people with disabilities into research at the beginning and making sure the research is going to make a difference for them," Josh says.

Housing access



Enabling homes that meet diverse needs and are safe, affordable and healthy to live in

New housing delivery system (Project Velocity) demonstrates significant time improvements

- We established Project Velocity to develop a housing delivery system that will speed up all aspects of house construction processes, and be more consistent in our approach with greater control and visibility of the entire housing delivery system. It will incorporate better forecasting, planning and scheduling, designing, construction and customer support. This means less duplication during the procurement and build processes, better upfront stakeholder engagement, increased cost-effectiveness, and more consistent business practices and processes.
- Teams are operating in Christchurch and Auckland, delivering significant improvements in speed and quality, with pre-construction completed notably faster.
- In November we will introduce three new teams to supplement the two already in operation. When operating at full capacity, we expect each MBU to deliver around 400 homes annually.
- The next phase increases scale across different housing types.

Sold and constructed KiwiBuild homes increase quarter on quarter

- 64 KiwiBuild homes were sold during the quarter, compared to 50 in the previous quarter, bringing the total homes sold to eligible purchasers to 2,035.
- We constructed 44 KiwiBuild homes, compared to 14 in the previous quarter, bringing the total completed homes to 1,430.
- In July 2022 changes were announced to the KiwiBuild settings, increasing price caps and expanding buyer eligibility. We received 99 new contacts from developers during the quarter, resulting in 75 leads which could result in the enabling of 2,700 KiwiBuild homes and 4,000 market homes.

Kāinga Ora Land Programme – Strategic Land Acquisition Plan completed

- We offered a conditional contract on the purchase of 28 Adelaide Road, Wellington, close to a hospital, jobs, education, public transport and amenities. Although we are in the early stages of our planning, we estimate this site will provide up to 280 new market, affordable, and public homes. A project brief setting out development parameters for **s 9(2)(f)(iv)** has been prepared. We have started consultation with HUD and Treasury in preparation for engagement with the Minister.

Māori aspirations



Investment in housing solutions that build capability and support whānau wellbeing

Land sales development and information sessions for Māori

- Superlots have been made exclusively available to Māori to assist Iwi through the process of applying to the land sales team for purchase of the superlots.
- We have held information sessions to build capability of Iwi and Māori to understand this process, navigate the land sale and purchase process with confidence, and develop relationships with Kāinga Ora.

Mana Whenua Forum Business Case – Northland

- Our Mana Whenua Business Case focusses on a Mana Whenua Forum to formalise, and foster relationships with Iwi in the Tai Tokerau region. This will enable better working relationships on projects within areas of interest to local Iwi and give context to historical, cultural, environmental and ecological aspirations of Iwi and Māori.

Thriving communities



Inclusive and sustainable communities with access to employment, education, social and cultural opportunities

Advocating for the implementation of the National Policy Statement on Urban Development

- We are working with HUD to develop and share best practice in Implementation Planning Instruments with councils, mana whenua, and other stakeholders. This will enable appropriate intensification, and improves the quality and affordability of housing.
- We are planning integrated urban developments in several neighbourhoods, including Ōtangarei (Whangārei), Enderley-Fairfield (Hamilton), Strathmore (Wellington), and Shirley (Christchurch).

Continuing to build strong community relationships

- An iwi-led reintegration accommodation and support service, Te Whare Whakaruruhau o Raumanuka, opened in Lower Hutt in August. The 26-bed service is one of the first initiatives established and designed for Māori, by Māori following the Tā kai Here Agreement signed in November 2021 by Te Rūnanga o Ngāti Toa Rangatira, Te Rūnanganui o Te Āti Awa and the Department of Corrections.
- We own and maintain the accommodation, and Te Whare Whakaruruhau o Raumanuka operates out of the property, providing 24-hour on-site support for people living there.

Two projects formally selected for assessment as Specified Development projects

- These are the Northern Growth Area in Porirua and the Western Corridor in Tauranga.

- This starts a formal assessment process to determine whether these projects should become Specified Development Projects and determines their objectives, boundaries, and project governance.
- The Chair of the Let's Get Wellington Moving project has requested that we consider it for selection. Although the decision whether to consider a proposal for assessment can be made only by ourselves or the Minister, a request such as this by another party will be given consideration. We will work with Let's Get Wellington Moving to determine whether the proposal is suitable for assessment as a potential Specified Development Project.

Co-location with other agencies: improving outcomes, achieving cost savings

- Members of our Central East region, Ellerslie office team have been co-locating with the Ministry of Social Development and Oranga Tamariki representatives at Ōrākei Marae working with the Ngāti Whātua Ōrākei, Whai Māia entity.
- Whai Māia has a focus on whānau outcomes and manages programmes across health, employment and social services. This co-location reflects existing and similar arrangements at Te Paea and Manurewa marae in Auckland.
- We are also a part of the Te Aranga Alliance, a collection of organisations working on a large scale redevelopment in Porirua. The Alliance is currently based in private serviced offices, and we have now agreed to move to an underutilised space in an existing Kāinga Ora building. This optimisation of office space can achieve savings of \$500,000 per year for the next three or four years.

Engagement sessions provide strong ideas for Pasifika homes project

- We completed the first phase of our engagement in partnership with Counties Manakau Community for the Modernising Pasifika Homes in Māngere project. We held several engagement sessions in August, learning about what is important for our Māngere Pasifika community in designing a modern Pacifica-style home, when homes are smaller and closer together.
- We followed up with culture-specific sessions for Samoan, Tongan, and Cook Island groups, a session for smaller island nations, and a rangatahi session.
- We held a second round of engagement in September, and all of these sessions provided strong ideas for the development of draft principles and designs. The final design principles will be shared back with the community at an exhibition in December.

System transformation



Land use, infrastructure and housing supply is integrated, efficient, effective and responsive to demand

Industry events held across the country

- Social Outcome events were held in Auckland, Wellington, and Christchurch as well as a Bader Ventura Passive House Development event held in Auckland. These contribute to our programme of system transformation.

Construction Partnering Agreement (CPA) build partners all now MATES accredited

- MATES is a programme to build and strengthen communities in the workplace and across the construction industry, working to prevent suicide and providing an environment that encourages positive wellbeing. Our Auckland CPA build partners have all achieved MATES Accredited Status.
- Accreditation recognises that our partners have high levels of mental health training in their workforce and take workers' wellbeing seriously.

New Zealand Building Code Energy Efficiency compliance date extended, we will meet original date

- Following industry consultation, the Ministry of Business, Innovation, and Employment confirmed a six-month extension to the consenting compliance date for new H1 energy efficiency requirements, with a new date of 1 May 2023.
- We will take an industry-leading position to continue working to the original date of 3 November 2022.

Transitional adoption of Homestar Version 5

- The New Zealand Green Building Council (NZGBC) is phasing out Homestar version 4.1 and replacing this with Homestar version 5. The NZGBC has recognised our unique position as New Zealand's largest residential developer and the significance of this change to our work, and has worked closely with us on an interim path, known as the Kāinga Ora Homestar Version 5 Transition Standard.
- All new Kāinga Ora-led public and supported housing projects briefed between January and June 2023 will register with NZGBC under the Kāinga Ora Homestar V5 Transition Standard. Acknowledging the longer design timeframes of some projects, these will be able to register up to the end of December 2023.
- We have committed to deliver our build programme to Homestar version 4.1 within current funding mechanisms. No additional funding has been provided to support this approach. We are preparing to adopt Homestar version 5 when or if the funding settings support the decision.
- We are committed to ensuring that ongoing cost pressures, availability of materials and labour shortages will not impede our delivery programme, and these were key considerations in our Homestar version 5 implementation plan.

- A staged approach will allow us to upskill and will support a smoother, more collaborative transition, as we are conscious that our project teams and industry partners are also experiencing challenges with cost fluctuations, labour shortages, supply chain constraints and changes to the Building Code.

Environmental wellbeing



*Sustainable and resilient operations,
assets and communities*

Detailed modelling of emission reductions begins

- The initial focus will be on construction and building operational emissions. We are building an understanding of the opportunities (such as scale, impact, and implications) for wider emissions reduction across the organisation.

Twenty two more vehicles added to our electric fleet

- The latest tranche of electric vehicles will include replacement of our last petrol internal combustion vehicles.

Ten solar systems installed in solar energy-sharing pilot

- A key part of the renewable energy programme is innovation opportunities to share solar energy between our properties.
- We have signed a memorandum of understanding with Ara Ake to work in partnership on an energy-sharing solution, and we are working with the Electricity Authority to create a 'regulatory sandbox' for this pilot. Ten solar systems were installed in the Wellington region, and contracts for the remaining Wellington trial installations are being finalised, taking the total to 200.

Contract signed with carbon measurement provider

- We have signed a contract with a lifecycle carbon measurement and reporting tool provider (eTool PTY Ltd). This tool will be key in supporting the measurement of carbon emissions in planned developments, and will be customised to help develop processes for integrating carbon measuring and reporting into our new construction projects.
- We have started planning for a lifecycle carbon measurement and reporting pilot project.

Managing and reporting on climate risk

- We have completed the second Kāinga Ora Climate Risk Disclosure for the 2022 Annual Report.
- The climate risk disclosure provides much more detailed scenario analysis on some of our most material climate risks and opportunities, compared to our previous disclosure.
- This has led to flood assessments within several Area Development Strategies, and we have started work on assessing flooding risks and integration into planning and investment decisions.

Regional highlights

Here are some examples of our work across the country.



Kāinga Ora Builder Partner roadshow convened

In August we convened a Building Contractors' forum in Dunedin, with the aim of increasing the number of local builders on the Kāinga Ora panel and improving local awareness of how to partner with us in our build projects.

The event was well-attended, with builders travelling from across the lower South Island to participate.

The response from attendees was positive, with several requests for further information on how we procure our build partners, as well as the location and number of homes we intend to build in Otago Southland.

We will continue to engage with the commercial builders who attended this forum, to discuss some of our larger projects proposed for Dunedin Central City and 20 homes in Gore.

The success of this Builder Partner Roadshow may prompt a similar event in the Nelson/Marlborough region.

Largest single development in Christchurch

To help meet urgent need for public housing in Christchurch, we purchased land in Sockburn. There is high demand for housing in this area due to its proximity to transport routes, services and amenities.

We have developed an engagement plan to ensure that neighbours and other stakeholders are kept well informed of the intentions for this site. Resource consent is yet to be lodged.

With our focus on customers living well in their homes and communities, we will carefully consider the needs of customers to match them to the most suitable home and community. The development could see 110 new warm and dry homes of different housing types: 60 two-bedroom, 12 three-bedroom, 3 four-bedroom, and 23 one-bedroom homes along with 12 one-bedroom homes with room for a carer.

Community firewood project in Christchurch

Members of our Housing Support and our Engagement Teams from Christchurch recently lent their time and muscle to support a community project in the suburb of Shirley that will be of huge benefit next winter. Our teams identified trees that were being removed for redevelopment, and approached the Shirley Village Project Team to see if these could be put to better use. Teams helped move timber rings to be cut up next year for about 28 cubic metres of firewood, for people in need across that community.

Whangārei drop-in session held for community discussions

In September, forty residents came along to a community drop-in session in Whangārei to discuss upcoming plans for new homes in the area.

We talked about our plans to bring more than 100 new, warm and dry homes to the area over the next few years. Most attendees were supportive of new public homes being built, although some raised concerns about housing density.

The most significant of the projects discussed was Wanaka Street, a 55-home development we will be acquiring from Soho Group that will provide three-level walk up apartments, two level terraced housing of one-to-three bedrooms, alongside a multi-purpose community room, shared green space, a play area and a bike shed.

We will continue with community engagement for each of the developments.

Return of Kāinga Ora public housing to Wairarapa and Tararua

We have acquired four housing sites in the Wairarapa and Tararua region, signalling the return of public housing there after almost two decades.

These homes will make a difference for people in need, with the agreements seeing around 50 much needed public homes created for the region, with many more in the pipeline.

Partnership has been crucial for bringing these opportunities to life, and we have been working closely with local councils, iwi and developers to investigate a range of housing opportunities in the area.

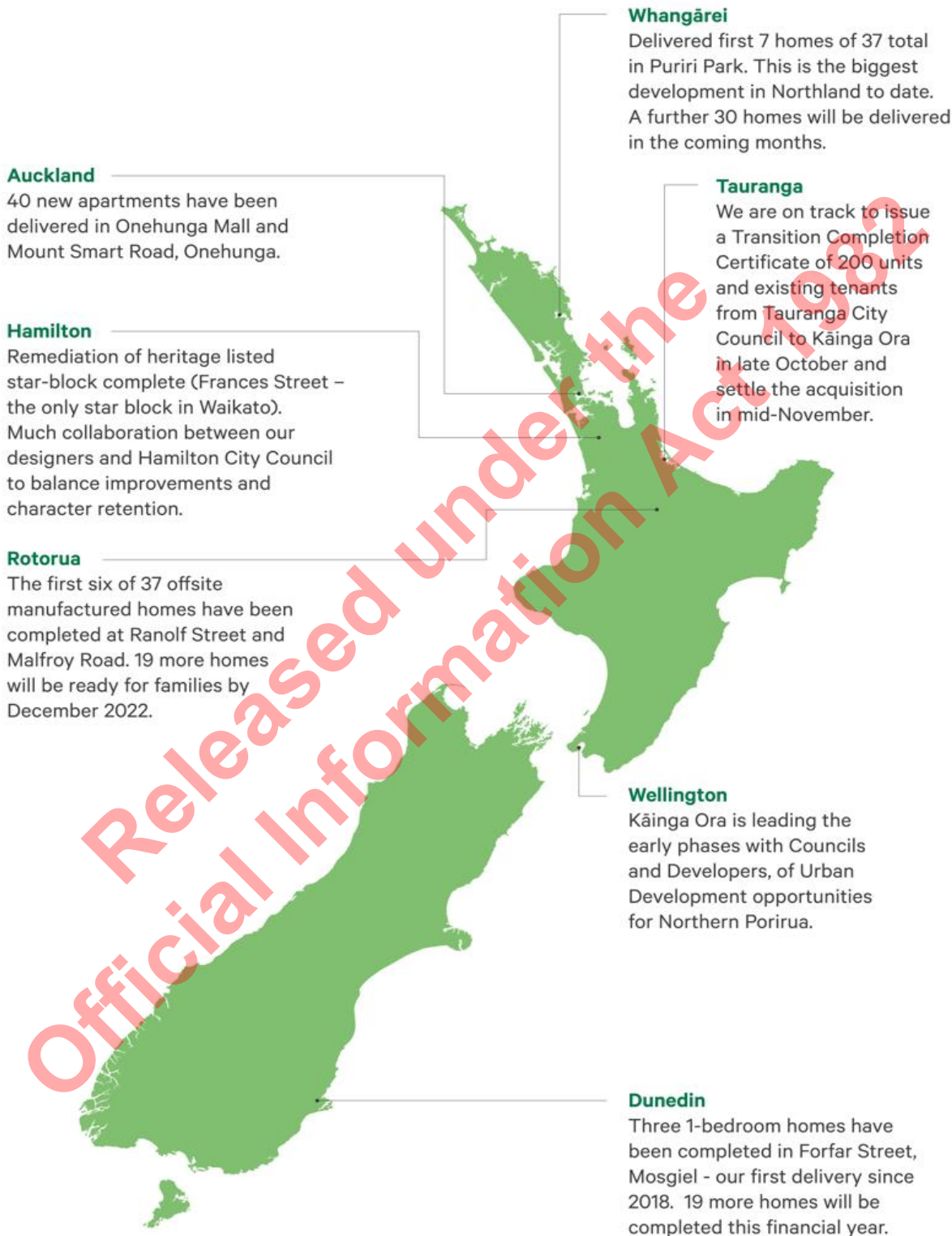
Offsite manufactured housing delivering in Rotorua

Families have moved into the first 6 of 37 three- and four-bedroom homes in Rotorua, the latest delivery of offsite manufactured (OSM) houses for our customers. A further 19 will be completed by the end of the year, and the final 12 homes early next year.

The previously vacant two-hectare site on the corner of Ranolf Street and Malfroy Road in Rotorua was purchased in 2021, and the homes were built offsite in Huntly by our build partner Builtsmart, one of the country's largest suppliers of OSM homes. Each home was trucked down in the early morning, with foundations and decks added afterwards along with fencing and landscaping.

Once the whole development is finished, there will be an internal loop road and allocated off-street parking for each home, a community room and shared green space. The second phase on the corner section of the site is in the planning stage, and we expect this to include a further 20 multi-storey homes.

Our construction delivery highlights



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Statement of Performance Expectations results



The Statement of Performance Expectations (SPE) describes what we will deliver in 2022/23 and how we will measure our progress. It enables our responsible Ministers to participate in setting performance expectations, informs Parliament of those expectations and provides a base against which our actual performance can be assessed at year end. This quarterly report for our responsible Ministers gives an overview of our performance against SPE measures over the previous three months.

The targets and deliverables are determined by our governing legislation, together with the ambitious priorities of the Government and our Ministers for us to play a pivotal role in tackling housing challenges and transforming housing and urban development in New Zealand.

Our measures are presented below, with each SPE measure showing the full year target, our results after the first quarter, and an amber or green indicator of our progress to date.

Green indicators show that we are on target for the year to date.

Amber indicators show that we are behind target to date, but we expect these measures to be achieved by year end.

Red indicators show that we will not achieve a particular measure for the year - there are no measures in this state.

Measures with no indicator are either demand driven; monitoring measures with no target; or are measures where the trigger for measuring success occurs later on in the year. If an SPE measure has sub-measures, all of these need to be on target in order for the main measure to also be marked as such. Sub-measures are indicated with a tick if they are on target, or a cross if they are not.

For SPE measures that are behind target by more than approximately 2%, we provide brief commentary on the reasons, as well as the actions or mitigations we are taking.

SPE table legend

- Measure is on target
- Measure is behind target
- Measure won't meet target
- ✓ Sub-measure is on target
- ✗ Sub-measure is behind target

Output Class 1 - Supporting our customers to live well with dignity, stability, and connectedness

2022/23 quarter 1 SPE results		Full year target	YTD result	
1.1	New customers receiving <i>Support to Settle In</i> within first 12 weeks	85%	Available in January report	
1.2	Public housing customers satisfied with Customer Support Centre	85%	84%	●
1.3	Customer Support Centre average speed to answer telephone calls (seconds)	≤3 minutes	6 minutes 36s	●
1.4	Customers feel tenancy manager treats them with respect	85%	84%	●
1.5	New customers sustain tenancy for 12+ months	92%	96%	●
1.6	Customers in rent arrears with a working repayment arrangement	75%	71%	●
1.7	Customers feel tenancy manager takes into account individual circumstances	75%	69%	●
1.8	Customers satisfied that interactions with are culturally appropriate	75%	76%	●
	...and who identify as Māori	75%	78%	✓
	...and who identify as Pacific peoples	75%	71%	✗

Revenue and Output Expenses	Actual YTD (Sep) 2022/23 \$m	Budget YTD(Sep) 2022/23 \$m	Full Year Budget 2022/23 \$m	Comment
Revenue Crown	22.6	18.4	70.8	The revenue and expenses of this output class are in relation to the management of the public housing portfolio. The includes all rent revenue and administrayion and tenant serving expense for public housing.
Revenue Other	7.3	8.4	31.1	
Expenses	29.9	26.9	101.9	
Net surplus/(deficit)	0.0	0.0	0.0	
Capital Programme Expense	1.0	3.1	9.3	Share of infrastructure capex; all public housing capital spend categorised in output class 2.

Comments on SPE measures that are more than 2% behind target

Customer Support Centre average speed to answer telephone calls

At 6 minutes and 36 seconds, we were not on target during this quarter, due to increased secondments and higher than expected winter sick leave for the first two months.

In mitigation we have:

- created a pilot programme that aims to reduce the numbers of customers that need to call back which reduces the number of received calls overall). This pilot noticeably reduced the number of repeat calls, and also showed further areas for us to target process improvement
- continue our work on a more pragmatic approach to secondments in order to improve the time to backfill positions

- brought new trainees up to full competency in September, with people leaders also focussing on succession plans. Another round of recruitment is planned for October, including full mentoring for the new team members to increase the speed of full competency.

These mitigations resulted in a 40% improvement in average speed to answer by the end of the quarter, and we expect this to continue to improve.

Customers in rent arrears with a working repayment arrangement

This measure is behind the 75% target at 71%, but this year there has been an increase in the percentage of working arrangements each month, with September's result the highest in over two years. This reflects the focus and effort of our Place-Based teams and their work to improve awareness, knowledge, and operational practices in establishing sustainable working arrangements.

Customers feel their tenancy manager takes into account individual circumstances

- At 69%, this survey measure remained similar to the previous full financial year result (71%), but is down from the previous September quarter (79%).
- The previous September 2021 results were the highest ever for four of our five survey-based SPE measures: that survey was carried out during COVID-19 lockdowns, and our actions at the time (including proactive calling to customers and well-being check-ins for those who were more vulnerable) likely contributed to the higher results then.

We will carry out further analysis and comparisons on all of our survey-based results to better understand the trends and areas for improvement.

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Output Class 2 - Growing, renewing and maintaining our homes

2022/23 quarter 1 SPE results		Full year target	YTD result	
2.1	Newly constructed homes:	3,400	371	●
	...that are Public homes	3,155	360	×
	...that are Supported homes	245	11	×
2.2	Increase in the overall number of homes (net increase):	2,200	281	●
	...that are Public homes	1,930	251	✓
	...that are Supported homes	270	30	✓
2.3	New homes built to 6 Homestar standard	90%	100%	●
2.4	Newly constructed homes meeting full universal design standards	15%	7%	●
2.5	New homes adopting Offsite Manufacturing solutions (%)	Establish baseline	-	
2.6	Develop housing construction timeline metrics	By Dec 2022	-	
2.7	Homes completed as part of home renewal programmes	700	165	●
2.8	Uncontaminated waste from redevelopment sites diverted from landfill			●
	...in Auckland	80%	89%	✓
	...in the rest of New Zealand	60%	71%	✓
2.9	New trainees in our construction apprenticeship or cadetship programme	100	40	●
2.10	...who identify as Māori or Pacific peoples	50%	55%	●
2.11	Construction partners satisfied or very satisfied with ongoing partnership	65%	72%	●
2.12	Existing homes relocated to make way for new redevelopments	Establish baseline	2	
2.13	Building consents granted by Consentium within 20 working days	98%	99.6%	●
2.14	Public homes that are let (occupied days)	97.5%	96.6%	●
2.15	Days from a public home becoming vacant to being ready to let	≤23	22.2	●
2.16	Public housing customers satisfied with repairs and maintenance	75%	70%	●
2.17	Time taken to respond to urgent health and safety maintenance queries	≤4	2.7	●
2.18	Public housing customer maintenance requests completed within agreed service level	80%	80%	●
2.19	Homes that receive one or more major planned interventions	13%	4%	●
2.20	Homes compliant with the healthy homes standards	100%	64%	●
2.21	Lettable properties that meet the asset condition scale baseline quality standard	93.5%	93.1%	●

Revenue and Output Expenses	Actual YTD (Sep) 2022/23 \$m	Budget YTD(Sep) 2022/23 \$m	Full Year Budget 2022/23 \$m	Comment
Revenue Crown	267.0	268.6	1126.0	The expenses of this output class are in relation to the maintenance of the public housing portfolio. The includes all administration and maintenance expense for public housing and both revenue and expense for supported housing. It includes net interest expense.
Revenue Other	147.7	154.7	628.3	
Expenses	510.1	562.3	2243.9	
Net surplus/(deficit)	(95.4)	(139.1)	(489.5)	
Capital Programme Expense	650.0	1063.4	4183.5	

Comments on SPE measures that are more than 2% behind target

Newly constructed homes

We are behind our first quarter target, with 371 homes delivered. Supply chain and resource shortages in the first six months of the calendar year created delays which were still felt in this quarter. See pages 4 and 5 for discussion of this measure.

Off-site Manufacturing has been supporting the acceleration of our deliveries. The support ranges from completed walls and windows being delivered, to entire homes. We are expecting the first shipment of 102 homes from China in early November.

We have appointed people to support delivery for the larger projects being delivered in the final quarter of the financial year. Apartments and walk up homes types require this additional attention, as paperwork and warrants of fitness can delay project handover.

Our pre-construction processes are continually being improved, with our new housing delivery system increasing our speed in this area significantly.

Public housing customers satisfied with repairs and maintenance

At 70%, this measure is behind target, but remains similar to previous quarters (only 1% lower than the previous September). As noted previously, we will be carrying out further analysis and comparison on all of our survey-based results to better understand the trends and areas for improvement.

Homes compliant with Healthy Homes standards

See page 4 for discussion of this measure.

Output Class 3 - Delivering and facilitating urban planning and development

2022/23 quarter 1 SPE results		Full year target	YTD result	
3.1	New homes that will be built on land enabled through urban development activity	1,700	17	●
3.2	Affordable homes enabled as a percentage of total market and affordable homes enabled	40%	0%	●
3.3	Market and affordable enabled homes under construction by third parties within agreed timeframe	95%	0%	●
3.4	Deliverables met in large-scale projects monitoring framework	80%	Available in Quarter 2	
3.5	Newly constructed homes with delivery managed on behalf of TRC	324	40	●
3.6	New market, affordable and TRC public homes enabled to 6 Homestar standard	90%	0%	●
3.7	Jobs created and retained through the life of shovel-ready projects	Tracking progress	76	
3.8	Urban Development Strategy implementation plan adopted	By October 2022	-	
3.9	Strategic land acquisition plan adopted	By October 2022	-	
3.10	Projects formally considered for selection as a specified development project	3	2	●

Revenue and Output Expenses	Actual YTD (Sep) 2022/23 \$m	Budget YTD (Sep) 2022/23 \$m	Full Year Budget 2022/23 \$m	Comment
Revenue Crown	8.6	12.7	53.3	The revenue and expenses of this output class relate to activities associated with urban development activities and increasing general and affordable housing supply.
Revenue Other	19.4	77.3	284.7	
Expenses	37.7	96.9	416.9	
Net surplus/(deficit)	(9.7)	(6.8)	(78.9)	
Capital Programme Expense	59.4	221.8	986.9	

Comments on SPE measures that are more than 2% behind target

New homes that will be built on land enabled through urban development activity

The full year forecast for new homes that will be built on land enabled through urban development activity (SPE 3.1) has dropped to 1,447 (253 below target). This is primarily due to multiple development agreement negotiations stalling between us and the build partner. We will restart these negotiations following some work on balancing selling at the right price while simultaneously enabling homes. The stalled negotiations (and the results of the negotiations when completed) also affect the other enabled homes measures:

- Affordable homes enabled as a percentage of total market and affordable homes enabled (SPE 3.2)
- Market and affordable enabled homes under construction by third parties within agreed timeframe (SPE 3.3)

- Newly constructed homes with delivery managed on behalf of TRC (SPE 3.5)
- New market, affordable and TRC public homes enabled to 6 Homestar standard (SPE 3.6).

Projects have been delayed due to supply chain constraints and labour shortage. Our current forecast is 317 homes, short of the 324 target. We continue to actively work to address these issues.

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Output Class 4 - Supporting Crown housing infrastructure and home ownership initiatives for New Zealanders

2022/23 quarter 1 SPE results		Full year target	YTD result
4.1	First Home Grant, KiwiBuild, and First Home Partner applications assessed	<i>Demand driven</i>	8,137
4.2	Days to assess completed First Home Grant, KiwiBuild, and First Home Partner applications	≤5	1.9 ●
4.3	Applicants gaining full pre-approval for First Home Partner who are:		
	...Māori	<i>Monitor</i>	12%
	...Pacific Peoples		6%
	...families with children		49%
4.4	First Home Loan mortgages underwritten	<i>Demand driven up to 3,600</i>	384
4.5	Homes purchased by New Zealanders with one or more of our home ownership products	<i>Demand driven</i>	2,258
4.6	...and purchaser identifies as Māori	<i>Monitor</i>	10%
	...and purchaser identifies as Pacific Peoples		5%
4.7	Completed underwritten KiwiBuild homes acquired by the Crown	≤25%	20% ●
4.8	IAF funding agreements entered into	80%	39% ●

Revenue and Output Expenses	Actual YTD (Sep) 2022/23 \$m	Budget YTD(Sep) 2022/23	Full Year Budget 2022/23 \$m	Comment
Revenue Crown	21.3	27.9	120.3	The revenue and expenses of this output class are in relation to products that are managed on the Crown's behalf and expenses associated with these home ownership products.
Revenue Other	0.3	0.5	1.7	
Expenses	21.0	29.0	114.2	
Net surplus/(deficit)	0.6	(0.6)	7.8	
Capital Programme Expense	0.1	0.4	1.2	

Our organisational performance

Organisational performance measures reflect our key organisational health and capability areas on people and governance, Māori interests and obligations, and the environment.

People and governance

Improvement in diversity data

Improvements to the diversity data we collect and hold for our people went live in July. Updates allow the self-identification of gender identity and ethnicity (with the option to report up to three ethnicities) and allows our people to share their Iwi and hapū affiliations and disability status.

The response to this request has been strong, and the newly collected information has created a more detailed picture of our diversity, helping us identify opportunities within the Diversity, Equity and Inclusion areas.

SPE Org 1.1 - Percentage of invited People Leaders who completed Waka Tangata leadership programme by June 2023

Target: 70 – 90%

The Waka Tangata Leadership Programme is designed to give our leaders a shared understanding of what good leadership looks like, along with practical tools they can use day-to-day. The goal is for leaders to create the right environment to achieve success for their team, the organisation, and the communities we serve. We expect to put all our people leaders through this training.

In the fourth round of training which began in July, 104 leaders were invited to attend. To date, we have held 2 of the 12 sessions, and are on track to meet our target.

We have also carried out significant background work to improve the learner experience, such as more logistical support for attendees and greater promotion of the programme.

Due to COVID, we had to move to an online delivery for this programme but we are going to offer a face-to-face option next year.

SPE Org 1.2 - Ministerial correspondence, parliamentary questions and Official Information Act requests delivered to meet the agreed deadline

Target: 95%

During the quarter we processed 63 Ministerial requests, 215 Written Parliamentary Questions, and 7 Ministerial Official Information Act requests. All but one of the Ministerial Official Information Act requests were delivered to the agreed deadlines, resulting in 99.6% timeliness.

Māori interests and obligations

Māori Partnerships

We are working to identify how we secure direct sourcing of Iwi, Māori into opportunities.

Internal engagement regarding what an information session might look like that can be shared with Māori to support their journey through the procurement process is in the works. This will support Māori to deliver services or become a partner (building and delivery).

s 9(2)(f)(iv) and their build partner s 9(2)(f)(iv) have signalled their desire to lead out all re-development projects of existing Kāinga Ora homes inside their area of interest (area which they have settled). We have an opportunity to explore how we can map this out to make it happen and enable more iwi to lead out housing development projects in their areas of interest.

We will identify how we might be able to remove some of the key barriers that Iwi, Māori face when attempting to become a partner with Kāinga Ora and settle on a process that works for Māori and other potential suppliers.

Urban Marae housing programme

The Urban Marae Housing Programme supports marae to lead out their own housing aspirations by becoming a community housing provider, giving them access to resources and support to service the housing needs within their respective communities, for their whanau and hapū.

Te Matapihi is the contracted organisation to carry out the programme working with four marae to support them in registering as a Māori Community Housing Providers for their respective communities, hapū, and whanau.

The Urban Marae Housing Programme will allow funding and investment into Māori through Marae, supporting their aspirations to become a housing provider that would allow them access to state housing and partnerships with Kāinga Ora including nuanced development opportunities that supports their housing aspirations.

Environmental

Waste management

The Construction Waste Minimisation Plan has been adopted since the regional 60% landfill diversion SPE target came into effect in July. We have held training sessions for our panel members and teams to outline our deconstruction scope of work, definitions, and methods, and to explore potential end markets for materials.

Low carbon urban neighbourhoods

A feasibility report for the Wesley West Low Carbon Neighbourhood has been completed. The report shows that the draft Masterplan and yield option for Wesley West contains is ambitious, aiming to reduce emissions by 20% compared to 'BAU brownfields' and 53% compared to 'BAU greenfield' alternative development options.

A report is being drafted to share with wider organisation, along with partner agencies and ministries. The report summarises the findings and provides further information on what steps need to be taken to make low carbon neighbourhoods a reality in New Zealand.

The next steps are to review the Wesley West Business Case to ensure it reflects sustainability priorities, and to continue working with others to determine indicative costs for the actions included in the Budget 23 bid.

Internal environment monitoring

We have completed the recruitment and installation for the Winter Comfort and Retrofit projects. Data is coming in from nearly 150 homes, and we are starting to see how homes are performing. Analysis of this winter data will help us focus on what we can do to improve the health and wellbeing of our customers living in poorly performing homes.

The next phase of installations is in planning and will be part of our focus on summertime overheating.

Financial sustainability and stewardship

The Financial Sustainability Programme aims to slow cost growth without slowing progress. The programme includes initiatives to both improve the effectiveness and efficiency of the organisation and to lift the financial knowledge of the organisation to ensure that effectiveness and efficiency can be sustained.

To date, we have:

- Identified approximately \$35 million of savings for 2022/23 across our rent funded, appropriation funded and capital funded activity. A significant portion of the savings come through travel, people costs, and contractor and consultant costs.
- Put in place sessions between the Chief Executive and each of his direct reports to support business groups in achieving goals and enhancing performance - through a structured approach in linking our vision to key activities and the use of leading indicators to monitor performance.
- Provided planning guidance for 2023/24, including contextual information on our financial position, and an updated process for challenging the need for additional Full Time Equivalents and contractors.
- Completed a registration of interest and request for proposal process to select a vendor to support us in a diagnostic review of our end-to-end asset management and maintenance system.
- Implemented Project Velocity to improve efficiency in constructing public homes.
- Engaged with the Government's Budget 2023 process to manage cost pressures agreed with the Minister.

Our financial performance



Over \$500 million invested in new housing supply in the September quarter

A strong foundation for home delivery has been set for the financial year, with \$521 million invested in new housing supply in the quarter. Just over half of the spend was focussed on redevelopments, with acquisitions (mainly new housing) accounting for much of the remainder. Capital spend on our maintenance programmes is in line with our expectations (\$126 million) while urban development (\$59 million) rounded out a total capex spend of \$711 million for the quarter.

The September quarter typically has less spend than other quarters, but our activity in August and September provided momentum and bodes well for providing more homes for our customers over coming months.

Capital Expenditure				
m\$	Year to Date Actual	Full Year Budget	Full Year Forecast	Full Year Variance
Redevelopments	266	2,388	1,883	505
Acquire New Programme	120	500	665	(165)
New Supported Housing	15	165	170	(6)
Home builds	402	3,053	2,719	334
Acquire Existing Programme	70	305	315	(10)
Strategic Land Purchases	25	160	153	7
Other Programmes	24	58	79	(21)
Other home additions	119	524	547	(23)
Total housing supply spend	521	3,577	3,266	311
National Retrofit	38	191	194	(3)
Other Maintenance Programmes	88	383	382	1
Maintenance Programmes	126	574	576	(1)
Infrastructure assets & projects Total	5	49	35	14
Urban Development Land (State and Market)*	48	551	421	130
Urban Development Tamaki	9	224	67	157
Land Purchase Fund (\$2b over 10 years)	-	204	96	108
KiwiBuild (Construction & Innovation)	2	2	3	(1)
Urban development	59	981	586	395
TOTAL CAPITAL EXPENDITURE	711	5,181	4,462	719

Rental growth remains strong, while weaker-than-expected demolitions limits expenses

Rental income growth for the September quarter (\$415 million) was in line with expectations, up 5% on the same time last year, despite delays in the delivery of homes compared to the previous year. Income from the sale of affordable homes was lower due to delays, but the associated lower costs meant there was a net zero effect on EBITDA (a key measure of financial performance).

Two of the three key contributors to operating expenditure – repairs and maintenance, and rates – were largely as expected in the quarter. People costs – the other key category – was higher than expected compared to when the budget was finalised last financial year, owing to remuneration increases from the 2022 review, consistent with the Public Service Commission guidance and offset by an increased focus on limiting headcount.

Year to date EBITDA of \$80 million (19% of revenue) was ahead of expectations due to a relatively slow start to the year's demolition programme (resulting in lower asset write off costs). We expect EBITDA of just over \$200 million by June 2023, recovering in future years as rental income continues to grow strongly (reflecting the significant investment in our homes), and accompanied by slower expenditure growth.

We remain focussed on reducing mid-to-long-term costs through the Financial Sustainability programme, and over the coming months we will look to optimise the processes for maintenance (in the same way as for construction through Project Velocity).

Uncertainty around cost pressure and delivery remain key risks

As with all sectors of the economy, uncertainty remains around the strength of inflation, with forward-looking indicators mixed of late. Our ability to lock-in supply agreements for new housing and maintenance help to mitigate this risk, however.

Capacity constraints are also a risk, but recent business confidence indicators have shown an easing in skills shortages from record-high levels, suggesting we may be past the peak.

Measure	Target	Q1 Results
Net operating cost of managing our housing portfolio per housing unit (excludes depreciation)	\$ 18,063	\$ 18,126
Adjusted earnings before interest, taxes, depreciation, and amortisation (EBITDA) as a percentage of total income*	18%	18%
Total debt to non-sales adjusted EBITDA ratio**	33.3	33.2
Non-sales adjusted EBITDA to interest costs**	1.1	1.1

*For the purposes of this calculation, adjusted EBITDA excludes asset write-offs.

**Non-sales adjusted EBITDA excludes asset write-offs and affordable products contribution.

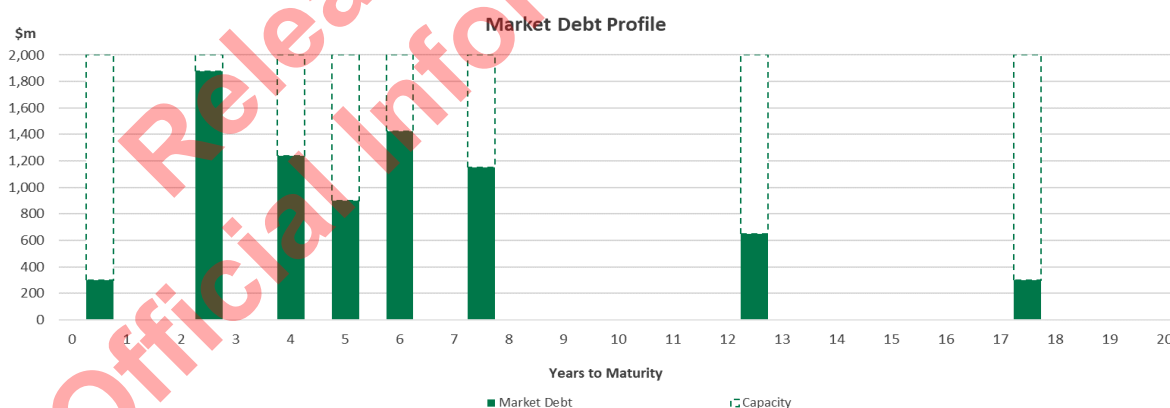
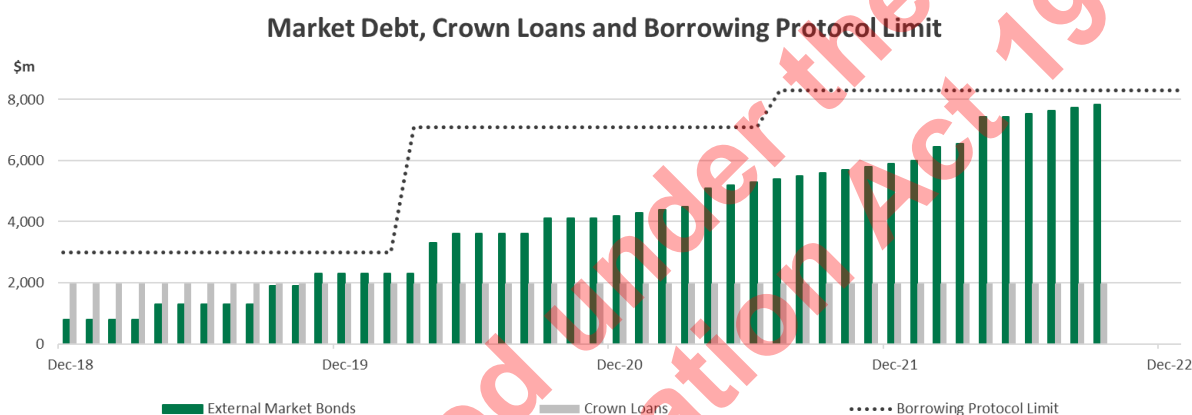
These metrics have been updated to align with S&P Global Ratings' guidance for stand-alone credit profile rating (treatment of asset impairments and asset renewal programmes updated).

Statement of Financial Performance		Year to Date	Full Year	Full Year	Full Year
		Actual	Budget	Forecast	Variance
m\$					
INCOME					
Rental Income	415	1,716	1,711	(5)	
Crown Appropriation Income	31	154	153	(1)	
Affordable Homes Revenue	19	307	283	(24)	
Lease Income	19	60	56	(3)	
Other Income (excl. interest)	1	22	16	(6)	
Total Income	485	2,259	2,220	(40)	
DIRECT EXPENSES					
Repairs and Maintenance	141	580	578	2	
Rates	54	214	219	(4)	
Third-Party Rental Leases	15	52	53	(1)	
Other Direct Property Costs	14	58	76	(17)	
Bad Debts	2	5	6	(1)	
Grants	15	81	76	5	
Insurance	5	29	28	1	
Affordable Homes Cost of Sales	20	307	284	23	
Total Direct Expenses (excl. depreciation, (gain) loss on sale, asset write-offs)	267	1,328	1,320	8	
INDIRECT EXPENSES					
People costs	91	332	342	(10)	
Consultants/ Contractors	14	99	85	14	
Computer & Communication	12	32	38	(6)	
Office Accommodation	4	17	20	(3)	
Travel	2	14	10	4	
Professional Fees	2	11	11	0	
Other Expenses	1	21	21	1	
Total Net Indirect Expenses (excluding interest)	127	526	526	1	
Asset Write offs	11	166	171	(5)	
Impact of Asset Write offs & (Gain) / Loss on Sale	11	166	171	(5)	
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION (EBITDA)					
	80	239	203	(37)	
Depreciation and Amortisation (Rental Properties)	99	469	392	77	
Depreciation (Infrastructure)	7	20	19	1	
EARNINGS BEFORE INTEREST, TAX (EBIT)					
	(26)	(249)	(208)	41	
Interest Expense	73	369	365	5	
Interest Income	(10)	(58)	(45)	(12)	
NET OPERATING SURPLUS BEFORE TAX					
	(89)	(561)	(528)	33	
Income Tax Expense/(Benefit)	(18)	(86)	(83)	(3)	
NET OPERATING SURPLUS AFTER TAX					
	(71)	(474)	(444)	30	

Debt summary

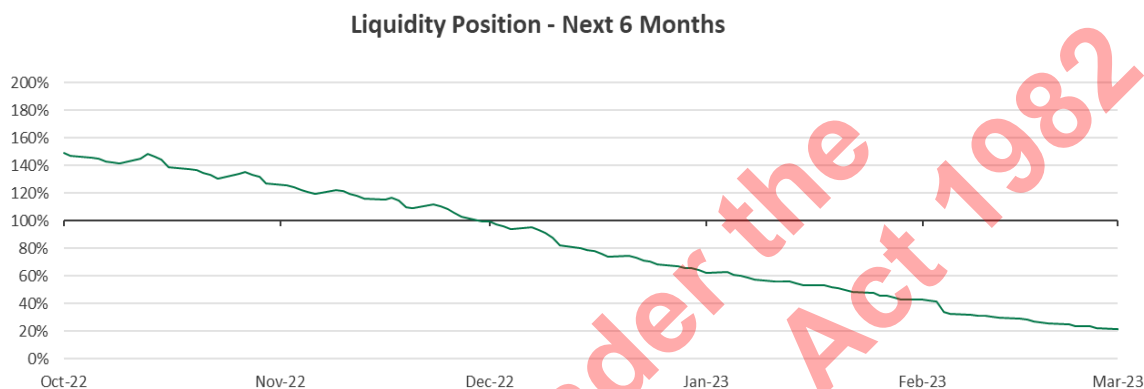
We are managing our external debt levels in accordance with the Government-approved Borrowing Protocol Limit (Limit) of \$8.3 billion. This limit only applies to external debt, which is comprises bills and bonds issued by Kāinga Ora. As at 30 September 2022, total external debt was \$7.990 billion, leaving a residual headroom of \$0.31 billion. For the financial year, we expect to require an additional \$2.75 billion in financing to continue building warm, dry homes across New Zealand.

Debt Instrument	30/06/2022 (\$m)	Movement	30/09/2022 (\$m)
Crown Loans	1,986	-	1,986
Bills	170	20	150
Bonds	7,540	300	7,840



Liquidity position

At the end of September 2022, we had \$1.1 billion of pre-financing available. Pre-financing manages forecast capital expenditure, with liquidity coverage being 144%. This fully covers the commitments for the next four months, with an additional headroom for one to two months beyond. At the forecast rate of capital expenditure, the liquidity ratio will be above the 100% policy minimum until early December (coverage ahead for the next two months).



Total Investments Table (\$m)				
Term Deposit	Registered Certificate of Deposit	Bonds	Commercial Paper	Cash
345	460	235	0	85

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Appendix

The topics included in the Letter of Expectations are shown below, as well as the section(s) where they are included in this report.

Letter of Expectations	Relevant Quarterly Report 1 section
Board to provide stewardship of the balance sheet and financial leveraging of Kāinga Ora to ensure its long-term financial sustainability and continued ability to deliver core functions and operations.	Areas of focus Financial Performance Financial Sustainability and Stewardship
Board must ensure financial resources are deployed efficiently and that the intent of Government guidance on the prudent and responsible expenditure of public money has been followed.	Financial Sustainability and Stewardship Financial Performance
Improve and embed an enduring culture of understanding of how Kāinga Ora is part of the broader public service and what that means for managerial oversight and staff employed within the organisation.	Financial Sustainability and Stewardship Financial Performance
Kāinga Ora needs to be focused on, and clear about, its core activities and functions as a public housing landlord, provider of new public and transitional housing, and enabler of much needed urban development.	Areas of focus Regional highlights
Continue to deliver on Kāinga Ora's objective and contribute to sustainable, inclusive, and thriving communities by: <ul style="list-style-type: none"> Having the right capabilities in place, taking all reasonable steps to respond to tenant and community needs, supported by sound operational policies, procedures, and processes. 	Areas of focus Regional highlights Our Organisation Performance: Environmental Māori Interests and Obligations
Procedures and processes on sustaining tenancies are effective in supporting the quiet enjoyment of tenants and their neighbours affected by anti-social and problematic behaviour.	SPE measure

<p>Kāinga Ora is required to meet its build commitments, including in the regions.</p>	<p>Regional highlights</p> <p>Our construction delivery highlights</p>
<p>Kāinga Ora actively using partnerships, effectively using its land, and using technical innovations such as Off-Site-Manufacturing (OSM)</p>	<p>Regional highlights</p>
<p>Increase the capacity and capability of domestic OSM supply.</p>	<p>Areas of focus</p>
<p>Kāinga Ora is expected to consider whether a project could be delivered in partnership, on behalf of others, or on its own account.</p>	<p>Areas of focus</p> <p>Our Organisational Performance</p>
<p>The Board to demonstrate the following in its approach to urban development:</p> <ul style="list-style-type: none"> • Supports system transformation and system capability: how well Kāinga Ora enables and complements, rather than competes with, the private market and development community will be a critical success factor to achieving high quality urban development outcomes. 	<p>Ongoing</p>
<p>Integrates and coordinates cross-agency work programmes: including sharing insights, increasing linkages and interdependencies with other Government programmes (such as Auckland Light Rail and Three Waters Reform), and providing opportunities to optimise outcomes across agencies.</p>	<p>Areas of focus</p>
<p>Kāinga Ora Urban Development Strategy needs to include practical pathways to enable more housing delivery (in particular more affordable housing options), progress Māori aspirations, guide the Kāinga Ora Land Programme, and mitigate and adapt to climate change.</p>	<p>Areas of focus</p> <p>Our Organisational Performance</p>
<p>Kāinga Ora has an important role to play in partnering with Māori, protecting Māori interests, and carrying out early and meaningful engagement.</p>	<p>Our Organisational Performance</p>

Work collaboratively with the MAIHI partnerships programme in urban development.	
Identify practical opportunities to support Māori-led housing solutions and Māori capacity and capability building through urban development projects.	Our Organisational Performance
Development of concrete measures and indicators to track long-term outcomes for Māori, including the nature and impact of partnership and engagement with Māori or iwi in relation to urban and housing outcomes.	Our Organisational Performance
The Board's oversight and decision-making is effective and proactive to achieve the HAF objectives and to increase the pace, scale, diversity, and affordability of new housing supply, including housing for low to moderate income households.	Ongoing
Work with HUD on performance metrics for urban development activities, the quality and effectiveness of partnerships and engagement, innovation and productivity in construction, customer wellbeing, environmental sustainability, and supporting Māori interests and aspirations.	Ongoing
Reporting should provide lead and lag indicators against delivery expectations and schedules, as well as identify cost, benefit, and delivery risks.	Areas of focus Financial Sustainability and Stewardship Our Organisational Performance
Maintain a 'no-surprises' relationship with Minister Woods' officials and office.	Ongoing