Quarterly Report

For the three months ending 31 December 2020

Kāinga Ora
Homes and Communities

Contents

Introduction

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Background

This Quarterly Report is for the period ending 31 December 2020. The Quarterly Report contains the Kāinga Ora Board's advice to Ministers on our activity and reflects the key areas of work which the Board would like to highlight to our shareholding Ministers.

During the latest quarter, the Ministry for Housing and Urban Development (HUD) provided us with noteworthy feedback around the contents of the Quarterly Report and the metrics we report against. The structure of this Quarterly Report reflects this advice and provides a clear illustration of Kāinga Ora's delivery story.

In the future, a deep dive topic will be included in each Quarterly Report to provide detailed information on a topic of interest, relevance and importance. For this Quarterly Report, our topic is the Sustainability Programme.

Performance highlights

Many of our performance results were on track or close to it at the end of December 2020. Some of our measures are still falling short of target because of the COVID-19 Alert Level restrictions earlier in the year and the continuing effects of COVID-19. We do anticipate that most affected measures will show improved performance over the remaining months, assuming there are no further outbreaks or restrictions.

Our latest forecast continues to show a net operating deficit for 2020/21. A short-term operating deficit for this year and the next helps pave the way to achieve our long-term broader outcomes. The deficit currently does not factor in the potential outcomes from a range of funding discussions and presents a conservative view of our direction.

New public and supported housing supply
We made good progress in the December quarter to close the gap faced in the last quarter, with 55% of the full year SPE target now completed. We have delivered 1,320 New Build and Redevelopment homes so far this financial year, with 809 homes delivered in the December quarter alone. Building material and product supply delays associated with COVID-19 has caused delays in our delivery pipeline, with some homes falling out of the current year. We are closely managing this, as well as bringing forward deliveries to offset these delays.

The property market remains competitive and prices are continuing to rise, with the December quarter being the highest growth quarter in 16 years. However, the supply of homes is expected to increase after the holiday period and will bring us more opportunities to source new homes.

Despite these challenges, we are on track to deliver the full year SPE target of 2,400 new homes. Every single remaining home that is scheduled for delivery this year is already in construction. Despite short-term fluctuations, our pipeline shows we are on target to meet our 4-year Public Housing Plan commitment.

Home Delivery	Year to Date Actual (units)	Full Year Forecast (units)	Full Year 2019/20 (units)
Public Housing			
Redevelopments	1,026	1,700	993
New Builds	124	350	236
New Public Homes	1,150	2,050	1,229
Supported Housing			
Redevelopments	2	341	23
New Builds	168	466	132
New Supported Homes	170	807	155
SPE 3.1 Newly built Public and Supported Homes	1,320	2,857	1,384
Public & Supported			
Public Buy Ins	85	345	326
Supported Buy Ins	53	127	130
New Leases	4	12	8
Total Other additions	142	484	464
Demolitions	(272)	(990)	(702)
Sales	(21)	(70)	(71)
Leases Expired or Terminated	(41)	(129)	(89)
Total Disposals	(334)	(1,189)	(862)
Adjustments[1]	(17)	(17)	11
SPE 3.2 Net increase in Public and Supported Homes	1,111	2,135	997

[1] *includes demolitions awaiting write-off.*

Capital Spend

Our capital expenditure for new homes, as shown in the table below, is tracking to forecast. Our year-to-date investment on already-completed and in-progress homes in our Build Programme activities is $788.6 million, and $1,070.6 million across all our activities. Our current projection for the full year is approximately $2.9 billion across all our activities.

Build Programme Spend	Year to Date Actual ($m)	Year to Date Forecast Variance ($m)	Full Year Forecast ($m)
Public Redevelopments	390.3	24.0	920.4
Public New Build	81.1	5.2	207.4
New Supported homes	160.2	(21.4)	524.1
Total New Homes	631.6	7.8	1,651.9
Public Buy Ins	63.8	0.5	178.6
Supported Buy Ins	59.9	(8.6)	140.2
Strategic Land Purchases	19.4	(0.0)	75.0
Capitalised Overhead	13.9	0.0	27.4
Public & Supported Housing total	788.6	(0.3)	2,073.1

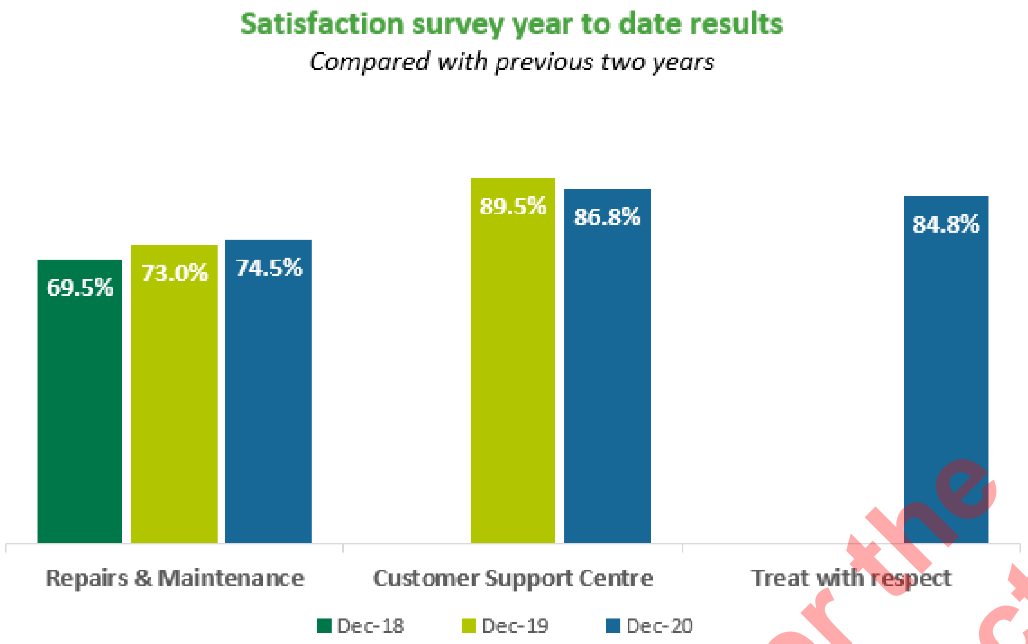
Customer satisfaction survey results are trending upwards.
Satisfaction levels are either remaining steady or improving upon prior years, although note that the movements are not statistically significant, as December year-to-date results have a margin of error of ±3.1%. The margin of error reduces with each subsequent quarterly report.

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

The *Percentage of public housing customers satisfied with repairs and maintenance* SPE measure is at 74%, and remains within 1% of the target. We have made strong progress in the last couple years to increase customer satisfaction in this area, with results improving by more than 5% from the same time two years ago.

The *percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre* measure remains above the 85% target, and has done so since this measure was first added to the quarterly customer survey (July 2019) to capture more accurate results.

Percentage of customers who feel their tenancy manager treats them with respect is a new SPE measure for this financial year, and it remains strong at 84.8% so far this year (target 85%).



Operating result

The year-to-date operating deficit of $38.1m million is tracking to forecast, although the expected increase in expenditure in upcoming months will move the result further into the forecast deficit position.

Year to date, EBITDA is at $209 million (29%) and tracking to forecast, noting there are unders and overs within expense categories. Repairs and maintenance overspend was mainly due to a higher level of activity than expected (exterior painting and responsive repairs). Partially offsetting this is the lower-than-expected asset write-offs, due to a slower rate of demolitions.

Our forecast has been updated to include the initial results of the *Shaping Kāinga Ora* programme. The expected six-month timeframe to set up the new structure means most of the impact is in the out years.

We have engaged PwC to assist us in reviewing our business model and accounting process surrounding our land development activity.

Statement of Income	YTD Actual ($m)	YTD Forecast Variance ($m)	Full Year Forecast ($m)
Rental Revenue	730.9	(1.1)	1,474.3
Other Income	27.4	0.7	63.6
Repairs and Maintenance	204.3	(9.2)	434.1
Other Direct Costs	157.8	3.0	320.4
People costs	102.0	(2.9)	216.8
Other Indirect Expenses	63.7	2.3	146.6
Asset Write offs & (Gain) / Loss on Sale	21.1	7.2	62.7
EBITDA	**209.5**	**(0.0)**	**357.2**
EBITDA %	**28.7%**		**25.9%**
Depreciation and Amortisation (Properties)	157.3	(1.2)	310.9
Depreciation (Infrastructure)	6.6	0.3	14.5
EBIT	**45.6**	**(0.9)**	**31.7**
Interest Expense	81.7	(0.8)	162.7
Interest Income	(14.7)	1.8	(17.3)
Tax	16.7	0.3	5.7
NOSAT	**(38.1)**	**0.5**	**(119.4)**

Maintenance spend

To provide warm, safe, and dry homes for the people we house, maintenance will always be a significant portion of our expenditure. Total maintenance investment is above forecast by $6.8m, largely due to higher than anticipated activity in our exterior painting (more homes were painted) and responsive repairs programmes.

Total Maintenance Spend	Year to Date Actual ($m)	Year to Date Forecast Variance ($m)	Full Year Forecast ($m)
Capex	96.4	2.4	318.5
Opex	204.3	(9.2)	434.1
Total	300.6	(6.8)	752.6

Cash flow, debt, and compliance

Total financial assets as of 31 December 2020 were $1,060 million, down from $1,827 million for the quarter ended 30 September 2020. Of this amount, around half is invested in high-grade liquid securities (securities that provide a return above money in the bank but are easy enough to sell) with the remainder invested in term deposits timed to known future payments out several months.

Debt capital markets remained settled in the December 2020 quarter, similar to the September quarter, as governments and central banks around the world continued to provide strong fiscal and monetary stimulus to support the economic recovery. The Reserve Bank of New Zealand has maintained a commitment to keep the overnight cash rate (OCR) at 0.25 percent until March 2021 and announced a funding-for-lending programme aimed at providing cost-effective funding to banks to ensure retail interest rates remain low. Stronger economic outturns in the quarter have seen markets reduce their assessment of the OCR moving into negative territory.

In November 2020, Kāinga Ora made two key announcements to the market. The first was the release of our first Sustainability Financing Impact Report, which details how money raised through the issuance of Wellbeing Bonds is allocated to expenditure producing positive environmental, social and wellbeing outcomes. This report highlighted progress delivering green buildings (minimum 6 Homestar standard), as well as successful pilots and plans to reduce the amount of construction and demolition waste going to landfill. The second announcement provided guidance to the market on our borrowing plans (issuance of around $1.0 billion in the six months to 30 June 2022), as well as the launch of a new bond issuance tender programme, with $100 million tenders scheduled monthly. Bond tenders help to increase the regularity of debt issuance, improve price transparency, diversify the investor base, and lower the risk and cost of financing.

Kāinga Ora’s first ever bond tender was held in December 2020, with $50 million offered in both our 8-year and 15-year bonds. The tender was four times oversubscribed and pricing obtained at rates below that observed prior to the tender (1.00% for the 8-year bond and 1.72% for the 15-year bond).

Debit Profile	*Year to Date Actual ($m)*	*Year to Date Forecast Variance ($m)*	*Full Year Forecast ($m)*
Crown Debt	1,986	(0)	1,986
Market Debt	4,429	218	6,222
Total Debt	**6,415**	**218**	**8,208**

Statement of Performance Expectations Measures

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This section provides a more detailed look at how Kāinga Ora is tracking against the targets in our current Statement of Perfromance Expectations (SPE). We report performance against financial expectations and 33 SPE measures (noting that three are measured annually), as well as four corporate performance measures (all measured annually).

For the December quarter we are on track, or close to it, in 17 measures, with several of these affected by COVID-19 restrictions. For the full year, if the effects of COVID-19 mean we will miss some targets, we will also report additional information for those measures, showing what we have done, any changes in our approach, and any other relevant information that gives fuller context to the results.

Our measures are split across the following areas.

Sustaining tenancies and supporting communities

We support our customers to sustain their tenancies, be well connected to their communities and move towards independence where possible.

Carrying out activities associated with tenancy, including:

- working with the Ministry of Social Development to place eligible applicants from the public housing register into Kāinga Ora homes and sustaining these tenancies, while ensuring these homes continue to meet the changing needs of our customers;
- inducting tenants into their new homes and assisting them to settle in;
- organising community development events and activities;
- linking public housing customers with specialist support services if they require support;
- providing public housing customers with access to information about their homes, rights and communities;
- managing existing tenancies;
- undertaking debt collection activities for overdue rent, property damage, and residual income-related rent arrears;
- setting and reviewing market rents; and
- building relationships between our public housing customers and their communities and partnering with community providers including rōpū Māori.

Measure	Year to Date Result	Year to Date target	Full Year target
Percentage of public housing customers that receive a welcome home visit within the first six weeks of their tenacy starting	49%	85%	85%
Percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre (quarterly survey results)	**86.8%**	85%	85%
Percentage of calls answered in 2 minutes by Customer Support Centre	**79.3%**	80%	80%
Percentage of customers who feel their tenancy manager treats them with respect (quarterly survey results)	**84.8%**	85%	85%
Percentage of public homes that are let (occupied days)	**98.1%**	97.8%	97.8%
Percentage of new customers who sustain their tenancy for 12 months or more	**94.0%**	>92.0%	>92.0%
Percentage of public housing customers that are not in rental arrears	**88.3%**	93%	>93.0%

Revenue and Output Expenses	Actual YTD ($m)	Budget YTD ($m)	Comment
Revenue Crown	517.0	498.9	The revenue and expenses of this output class are in relation to management of the public and supported housing portfolio. It includes all rent revenue and administration and tenant servicing expense for public and Community Group Housing, and revenue and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	241.4	252.3	
Expenses	458.8	450.5	
Net surplus/(deficit)	299.6	300.6	

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

Notes on Sustaining tenancies and supporting communities

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

We deliberately prioritised welfare calls to all our tenants during the first lockdown, and focused on highly vulnerable customers during the second lockdown. We do count these welfare calls to new customers towards this measure, but our focus was on overall tenant welfare during lockdown, so this measure may not make the targeted percentage by year end, although we have improved by 6% since the September quarter.

Percentage of Tenants who are not in rental arrears.

We are not yet meeting the SPE target of having at least 93% of our customers being clear of rental arrears, and as of December it is largely stable at 88.3%, while we also maintain our tenant-centric approach.

This measure started the year behind target at 88.0% (with $8.6m total debt) after the substantial increase in debt during the first lockdown. It started to reduce during the first half of the year, dropping to $7.7m in November. However, the usual seasonal increase over the December holiday period meant that debt increased to $8.2m, with the number of families in debt increasing by 683, to 7,263.

Usually, the debt total remains higher throughout January but reduces in February (after the expensive time of the year passes and as our teams work with customers), and we expect the same to occur this year.

Managing, maintaining, and renewing our homes

Public housing customers have access to warm, dry, and safe homes. We renew our existing portfolio of homes.

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

The activities in this output class include:

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

Measure	Year to Date Result	Year to Date target	Full Year target
Average number of days from a public home becoming vacant to being 'ready to let'	**21.3**	18.0	18 days
Percentage of public housing customers satisfied with repairs and maintenance (quarterly survey results)	**74.5%**	75.0%	75%
Average time taken to respond to urgent health and safety queries (hours)	4.2	4.0	4 hours
Percentage of public housing customer maintenance requests completed within the agreed service level targets	**85.8%**	80.0%	80%
Percentage of actual spend on repairs and maintenance programmes against budget target	**80.1%**	95.0%	95%
Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act	**10.6%**	30.0%	30%
Number of public houses completed as part of the house retrofit programme	124	250	>500
Percentage of public lettable properties that meet or exceed the asset condition scale baseline quality standard	*Annual measure*		93.5%

Revenue and Output Expenses	Actual YTD ($m)	Budget YTD ($m)	Comment
Revenue Crown	0.0	0.0	The expenses in this output class are in relation to maintenance of the public housing portfolio. It includes all administration and maintenance expense for public and Community Group Housing and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	0.0	0.0	
Expenses	229.4	240.2	
Net surplus/(deficit)	(229.4)	(240.2)	

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

Notes on Managing, maintaining, and renewing our homes

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

COVID-19 Alert Level restrictions affected our ability to prepare and tenant vacant homes in the earlier part of the year. We were able to improve in the December quarter, turning around homes half a day faster on average. We expect that January's average days will increase (due to the holiday season), but that February and onwards will show improvements. The Managing and Maintaining Homes section of this report has further detail on this.

Average time taken to respond to urgent health and safety queries (hours)
This measure averaged 4.2 hours for the half-year. This results from bedding in the new Te Mahi Ngātahi maintenance contract and our new maintenance partners and trades who deliver this contract. Establishing the new Te Mahi Ngātahi contract was further complicated by the impact of the COVID-19 lockdowns. We are actively working with our maintenance partners and expect performance to improve over the coming months.

Percentage of actual spend on repairs and maintenance programme against budget target
The start of new maintenance contracts (as noted above) initially slowed spend, as suppliers prepared work programmes. Spend has ramped up and we are now at 80% spend against budget (target 95%), an improvement of 19% since the September quarter.

Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act
For this measure, our target is that 30% of homes will be compliant with the Healthy Homes Guarantee Act by the end of the year. At the end of the December quarter, we have achieved 11% (or 6,855 homes) that have had the required upgrades to meet the standard.
While we expect to continue the momentum gained in the December quarter, there is a chance that we may miss our target for the full year, with an estimated 22% of our portfolio achieving compliance. However, it does remain too early to predict our year-end position with certainty: completion rates are increasing each month; we expect further recovery over the balance of the programme; and the health of our tenants is an area where we cannot afford to miss targets.

We are taking action to mitigate the challenges and to ensure we reach our target. These challenges and our actions are:

- *Access to customer homes.* Unlike other repair work, Healthy Homes is initiated by us rather than by our customers. Achieving the breadth of the Healthy Homes work requires several trades in our customers' homes, and heightened anxiety following COVID-19 has been more persistent than we expected. Our Healthy Homes Education Programme will encourage customer buy-in and will ensure that customers get the maximum benefit from the work we do.
- *Supply of materials.* The steady supply of materials needed to support the programme has been significantly reduced by international supply chain and port issues, and was further affected by the introduction of stricter fumigation policies. To mitigate the risks regarding supply, we are reviewing the scope of works to ensure we give priority to compliance requirements.
- *Contractor capacit*y. To be compliant, we are required to complete documentation (including the Heating Calculator and statements for tenancy agreements). This is proving to be more complex than we anticipated: it requires ongoing training with contractors, additional quality checks, and takes longer to complete. The access to homes and the supply chain issues have also highlighted the importance of scoping the portfolio ahead to time to mitigate these risks.

The level of resourcing required to deliver the programme is being reviewed to ensure we can meet the expected volumes.

- *Trade capacity.* We have identified trade capacity gaps in some regions, affecting our ability to complete work. These differ by region, and our Maintenance Partners are working to identify and address the gaps.

Number of public houses completed as part of the house retrofit programme

We have completed just under 25% of our full year target. We now expect to complete 437 homes for the year, below our full year SPE target. The Renewals Programme Governance Board is providing strategic and operational advice to push the programme to meet the upper end of the targets, and is assisting with options to remove or alleviate some of the constraints. A primary constraint is temporary housing of tenants for the works, which is a challenge that as well as restricting pipeline has repercussions for each town, so it needs to be treated sensitively.

Delivery to the Retrofit programme has focused on the Hutt Valley, where established contractors continue to work to renew our homes. To date 160 units have been delivered in this region and delivery in this financial year for this region is currently scheduled at 289.

A significant amount of procurement has been undertaken over the last 3 months to secure building partners in other regions, and with some contracts now in place, physical works have started to begin in these regions, with their first deliveries scheduled for May and June.

New Public and Supported Housing Supply

We deliver the right volume of quality public and supported housing in the right place and matched to our customer and whānau needs.

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

The activities in this output class include:

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

Measure	Year to Date Result	Year to Date target	Full Year target
Number of newly constructed Kāinga Ora public and supported homes	**1,320**	507	>2,400
Increase in the overall number of Kāinga Ora public and supported homes (net increase)	**1,111**	381	>1,900
Percentage of new public homes (redevelopments) built to a 6 Homestar standard	**91%**	90%	>90%
Percentage of demolition waste diverted from landfill	**-**	*Benchmark to be established*	
Number of new trainees actively enaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme	**42**	50	>100

Revenue and Output Expenses	Actual YTD ($m)	Budget YTD ($m)	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to public housing supply, housing divestment and land development.
Revenue Other	0.0	0.0	
Expenses	63.3	65.7	
Net surplus/(deficit)	(63.3)	(65.7)	

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

Notes on New Public and Supported Housing Supply

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

Our home delivery targets are on track: 1,320 new homes and a 1,111 net increase year to date, compared to an expected 1,277 new homes and 930 net. We expect to successfully meet these targets.

Percentage of demolition waste diverted from landfill.

We will report on this measure next quarter as we are in the process of gaining baseline data to establish a benchmark.

Number of trainees activity engaged and sustained in our construction apprenticeship and cadetship programme.

After a reduced financial first quarter with the Auckland lockdown, we were able to move again to promote our apprenticeship programme to our build partners and subcontractors. We began the set up for Christchurch and Te Tai Tokerau as well as the Greys Avenue build in Auckland, alongside improving our systems and processes to better support our programme. Many Auckland subcontractors were still hesitant to hire and wanted more experienced people than we provide, consequently we did not have as many apprentices and cadets join our programme as expected in the last quarter of the year. We are well set up for the first two quarters of 2021 in connecting and supporting more build partners and subcontractors to provide opportunities for apprentices and cadets. Our challenge may be in the supply of work-ready apprentices and cadets. However, we feel that we will still meet our goal of 100 new apprentices and cadets in our programme by the end of the financial year.

Urban regeneration, development, and general housing supply

We contribute to sustainable, inclusive, and thriving communities through quality urban development and regeneration, through leadership, innovation, and collaboration. We enable affordability and accessibility of housing, leveraging our land and scale.

The activities in this output class include:

- developing master plans for community regeneration, including infrastructure and community amenities;
- initiating, facilitating, or undertaking urban development projects, either directly or in partnership, or on behalf of other agencies;
- developing land to enable or facilitate public, affordable and market housing in areas of high demand;
- selling land or housing assets that are no longer fit for purpose and reinvesting the proceeds in new housing;
- providing leadership and coordination in relation to urban development, including by supporting innovation, capability and scale within the wider urban development and construction sectors;
- leading and promoting great urban design and efficient, integrated, mixed-use urban development;
- understanding, supporting, and enabling the aspirations of communities in relation to urban development; and
- working alongside tangata whenua to deliver outcomes for Māori in urban development.

Measure	Year to Date Result	Year to Date target	Full Year target
Number of new homes enabled through Kāinga Ora urban development activities	**447**	250	>500
*Percentage of affordable homes enabled as a percentage of total homes enabled (excluding TRC)**	***37%***	*40%*	*>40%*
Percentage of affordable homes enabled as a percentage of total homes enabled (including TRC)*	**28%**	40%	>40%
Percentage of enabled homes under construction by third parties within agreed timeframes	**100%**	95%	95%
Percentage of new affordable or general homes enabled to the 6 Homestar standard	**100%**	90%	>90%
Percentage of residents surveyed in current areas of development that are aware of the wider benefits delivered by Kāinga Ora regeneration activities	*Annual measure*		*Baseline to be established*

* *To more clearly show our progress, this table shows results compared to both the original measure (which excluded TRC homes, shown in italics), and the updated measure (which includes TRC homes).*

Revenue and Output Expenses	Actual YTD ($m)	Budget YTD ($m)	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class relate to activities associated with urban development activities and increasing general and affordable housing supply.
Revenue Other	2.3	81.7	
Expenses	35.2	108.3	
Net surplus/(deficit)	(32.9)	(26.6)	

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

Notes on Urban regeneration, development, and general housing supply

Percentage of affordable homes enabled as a percentage of total homes.

The original Kāinga Ora measure for this SPE shows that 37% of enabled homes for the year to date are Affordable, and has a forecast of 45% for the full year.

However, by including our activity with TRC homes, the result has been materially reduced. We are not able to change the target to reflect this impact, and so we are explaining a variance that is not linked to underlying changes in our performance.

As shown in the table below, our success in enabling a large number of TRC homes (which had proportionally fewer Affordable homes) decreased the overall percentage of Affordable homes to **28%**. We expect that we won't meet our original 40% SPE target, with a full year forecast of 34%. This is primarily a timing shift, not a reduction in the overall delivery of Affordable homes from the programmes.

Percentage of affordable homes enabled	Affordable homes	Enabled homes	Percentage affordable
Kāinga Ora progress against target	34	92	37%
Plus: Tamaki progress against target	91	355	26%
Total result	125	447	28%

Although the number of TRC Affordable homes is lower, it is offset by a larger number of TRC State homes: of the 355 enabled TRC homes, 91 are Affordable, 128 are State, and 136 are market homes. This means that of the *total* homes enabled, more than half (57%) are either Affordable or TRC State homes.

As noted, the result is affected by the timing of developments: several developments with lower proportions of Affordable homes will be delivered this year, while several that have a higher percentage are delayed into the next financial year, but the total number of enabled or Affordable homes does not change.

The forecast for the next financial year will reflect the timing differences more clearly, and take into account the inclusion of TRC homes, giving a more holistic view of the delivery of land for market, Affordable and State homes. The SPE measure itself will also be reconsidered in the upcoming year's SPE document, and for clarity we intend to separate our TRC obligations from performance measures on Kāinga Ora-owned land.

Supporting first home ownership for New Zealanders

We contribute to supporting first home ownership through the delivery of affordable home ownership products.

Activities in this output class include the proactive management of financial home ownership products that assist individuals and households to purchase their first home. It includes administering the following programmes on behalf of the Crown and Kāinga Ora-initiated programmes:

- KiwiBuild eligibility criteria on behalf of the Crown;
- First Home Loan and Kāinga Whenua loans (Crown appropriated);
- First Home Grant (Crown appropriated);
- Kāinga Ora Tenant Home Ownership Scheme; and
- Residential Earthquake-Prone Building Financial Assistance Scheme (Crown appropriated)

Measure	Year to Date Result	Year to Date target	Full Year target
Average number of days taken to assess a completed First Home Grant application	**5.7**	5 working days	5 working days
Average number of days taken to assess a completed KiwiBuild eligibility application	**1.5**	5 working days	5 working days
Number of new First Home Grants assessed for eligibility	**22,694**	*Demand driven*	
Number of new KiwiBuild applications assessed for eligibility	**2,301**	*Demand driven*	
Number of homes purchased by New Zealanders with one or more of our home ownership products	**6,298**	8,000	>16,000

Revenue and Output Expenses	Actual YTD ($m)	Budget YTD ($m)	Comment
Revenue Crown	58.7	64.5	The revenue and expenses of this output class are in relation to products that are managed on the Crown's behalf and expenses associated with these first home ownership products.
Revenue Other	0.5	0.0	
Expenses	54.7	60.1	
Net surplus/(deficit)	4.6	4.4	

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

Notes on Supporting first home ownership for New Zealanders

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

This has averaged 5.7 days for the year to date, more than the target of 5 days, and is due to a sustained high volume of applications since the first lockdown lifted, while resources have remained the same. In December, with application volumes falling below 3,700 for the first time since May 2020, the monthly average was down to fewer than 3 days. We expect the average days to fall as application numbers return to more normal levels.

Homes purchased by New Zealanders with one or more of our home ownership products.
The number of homes purchased this year to date is comparable with prior years under the previous measure (which did not include KiwiBuild homes). The new process to include the KiwiBuild homes in this result is being developed, but they are not yet included, and this contributes to the shortfall against the year-to-date target.

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

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

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

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

Measure	Year to Date Result	Year to Date target	Full Year target
Revenue generated from the sale of Hobsonville land	**$0.0 m**	$0.0 m	>$10 million
Percentage of homes delivered that are long-term rental or affordable housing	**21.3%**	20.0%	>20%
Percentage of surveyed residents that are satisfied with overall living experience at Hobsonville Point	*Annual measure*		>75%

Revenue and Output Expenses	Actual YTD ($m)	Budget YTD ($m)	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to management and development services for Crown-controlled land and property.
Revenue Other	1.0	1.0	
Expenses	1.0	1.0	
Net surplus/(deficit)	0.0	0.0	

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

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

Revenue generated from the sale of Hobsonville land.

Our latest forecast indicates a full year revenue from Hobsonville land sales of $3.76m, due to a change in the staging for the sale of this land shifting sales beyond the current year. As a result, it is unlikely that we will meet the target for this year.

Corporate Performance - a reliably high-performing organisation

This covers planning activities and investments to ensure we continue to invest adequately in our organisational capability. We will continue to develop a high-performing workforce that can respond effectively to change and ensure it is supported by reliable and secure systems. We will also focus on maintaining our long-term financial sustainability. These measures are all determined annually, at the end of the financial year.

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

Key Programmes and Areas of Focus

s 9(2)(a)

[redacted]

Māori interests

Kāinga Ora has legislative obligations to support Māori aspirations and protect Māori interests through enduring and meaningful partnerships. As an organisation, we are committed to grounding ourselves in Te Ao Māori and recognising our heritage and obligations through all our operations.

Māori Strategy

Over the quarter the Kāinga Ora Māori Strategy undertook its engagement with iwi, rōpū Māori, Māori housing experts and key government agencies. The intention of these hui was to gather insights under an overarching and unifying strategic vision and implementation plan for Kāinga Ora. As a result of input from the three tira, the online video conferences and the three face to face hui, our Te Kurutao group has been able to formulate a first draft of framework for the Māori Strategy according to the vision, goals, values, and focus areas discussed at the hui. The draft strategy was circulated back to the tira in December 2020. Final feedback sessions are set for late January 2021 with the strategy expected to be finalised in April 2021.

Treaty Settlements

Where requested by Te Arawhiti, Kāinga Ora supports the Crown through the Treaty Settlement process in identifying land to be made available for different Settlements. In the last quarter Kāinga Ora has supported the identification of land for the Settlements of Claims by Ngāti Maniapoto and by Ngāti Ruapani.

Kāinga Ora was also involved in reviewing the Deed of Settlement for Ngāti Maniapoto and attended a cross-agency forum based on Te Tomokanga ki te Matapihi for the Whanganui Land Settlement Negotiation Trust (WLSNT) over the quarter.

Kaupapa Inquiry

Kāinga Ora continues to support the cross-agency response to the Housing Policy and Services Kaupapa Inquiry (Wai 2750) at both the working group level and governance level. During the quarter, the Presiding Judge made the decision to phase the inquiry. The first stage of the inquiry will focus on homelessness. Discovery for the first stage has ended and the Crown will be submitting evidence in late February.

Building Capability

During the quarter, Te Kurutao developed the Mātauranga Māori Programme, a cultural competency and capability programme established by Kāinga Ora. The programme is comprised of a learning approach and a capability framework. Together they detail learning opportunities that will be available to our people and capability levels that individuals and business groups will be able to assess themselves by.

Kāinga Ora funding and financing

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

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

The second stage was intended to comprise of a review of our medium- to long-term funding and financing model. This has been reflected in the Minister's Letter of Expectations, which directs Kāinga Ora to partner with HUD on this work so that decisions can be made by June 2021, with initial advice feeding into Budget 2021.

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

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

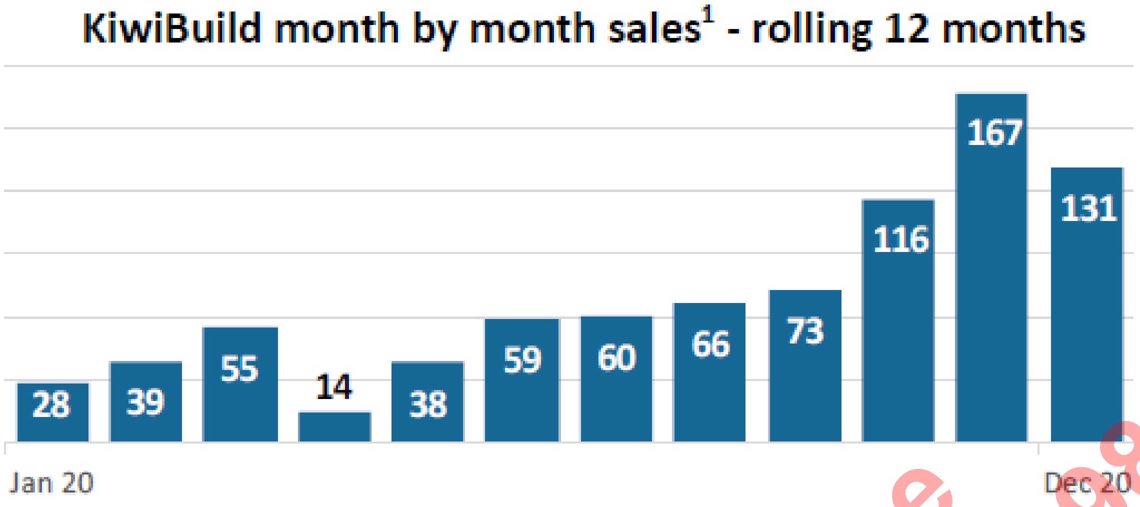
Budget bids for both the operational funding of Kāinga Ora Urban Development Activity and funding existing large scale projects across Auckland and in Porirua are currently being prepared and will be submitted to Treasury at the end of January 2021.

KiwiBuild

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

The December quarter:

- Lifted the total number of KiwiBuild homes sold to eligible purchasers to 1,265 (from 844);
- Completed 143 KiwiBuild homes in partnership with developers, bringing the total number of completed homes up to 788;
- Had a further 855 KiwiBuild homes under construction as at the end of December 2020.

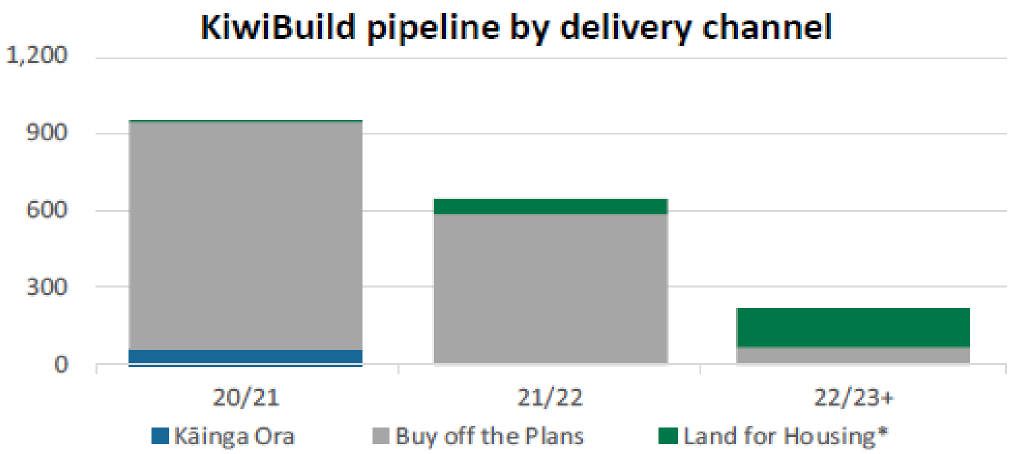


[1] *Note previous months' value may change as a result of further updates received.*

Delivery numbers (sold and completed) over the past quarter:

Month Year	October 2020		November 2020		December 2020		**Total**	
Territorial Authority	Sold	Completed	Sold	Completed	Sold	Completed	**Sold**	**Completed**
Auckland	113	69	163	66	131	4	**407**	**139**
Waikato District		8			7		**7**	**8**
New Plymouth District		4	1				**1**	**4**
Wellington City	3		4				**7**	
Selwyn District					7		**7**	
Waimakariri District	3						**3**	
Queenstown-Lakes District		14	1	6	9		**10**	**20**
Total	**119**	**95**	**169**	**72**	**154**	**4**	**442**	**171**

The pipeline below outlines the approximate number of homes to be delivered for each delivery channel. Approximately 80% of these homes are in Auckland, with the remaining homes across the rest of New Zealand.


KiwiBuild pipeline by delivery channel
1,200
900
600
300
0
20/21
21/22
22/23+
Kāinga Ora
Buy off the Plans
Land for Housing*

Forecast deliveries over FY 20/21 and beyond (total KiwiBuild programme):

Fiscal Year	20/21					21/22					22/23			23/24			24/25		25/26		Total
Territorial Authority	Q1	Q2	Q3	Q4	**Total**	Q1	Q2	Q3	Q4	**Total**	Q1	Q2	**Total**	Q1	Q3	**Total**	Q2	**Total**	Q2	**Total**	
Whangarei District	6				**6**																**6**
Auckland	182	160	146	308	**796**	80	222	62	196	**560**	60	47	**107**	8		**8**					**1471**
Waikato District	25	8		11	**44**																**44**
Rotorua District				8	**8**				27	**27**											**35**
New Plymouth District	39	14			**53**																**53**
Wellington City			28		**28**			64		**64**											**92**
Queenstown-Lakes District		20	1		**21**							9	**9**		46	**46**	46	**46**	4	**4**	**126**
Total	**252**	**202**	**175**	**327**	**956**	**80**	**222**	**126**	**223**	**651**	**60**	**56**	**116**	**8**	**46**	**54**	**46**	**46**	**4**	**4**	**1827**

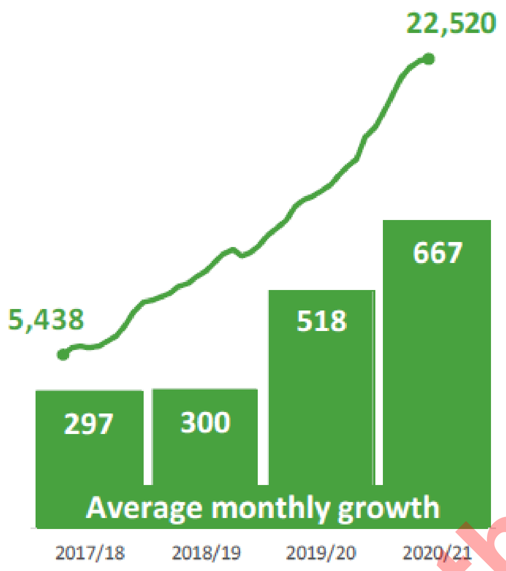
There are no material risks to report for KiwiBuild over the quarter. Some general comments for noting are:

- In line with the general housing market activity, the KiwiBuild programme has experienced a significant increase in sale volumes over the quarter which directly results in the de-risking of the programme from a financial (underwrite) risk perspective
- In addition to the above, the stock of Crown owned homes decreased over the quarter, another key indicator of a decreasing risk profile for the programme
- Ballot applications for KiwiBuild homes are far exceeding the homes made available for sale, sometimes by a factor of 10-20 times oversubscription e.g. the second release of 51 KiwiBuild homes at Ormiston Rise in Flat Bush received in excess of 750 unique applications
- Much of the delivery pipeline for 2021 is already pre-sold, this means that there will be declining number of KiwiBuild homes available for sale in the coming months
- The KiwiBuild Operational Policy has been drafted and is a living document
- The disposal strategy for the Crown owned homes remains in line with that directed by the reset in September 2019. All homes in Wanaka, Te Kauwhata and Canterbury have been released to the open market and can be sold without restriction (no longer KiwiBuild homes). All other Crown owned homes remain KiwiBuild homes and are being marketed to Eligible Buyers

Our customers and sustaining tenancies

Demand

During the quarter, the waitlist of families needing a home grew to 22,520. Although it continues the regular month on month increase, it is the lowest increase seen in over a year. With those needing transfers included, the waitlist total is 26,746.



Customer programme

As noted in the previous section, our customer satisfaction survey SPE results are on or near target.

Sustaining tenancies

We support our customers to sustain their tenancies, be well connected to their communities and move towards independence where possible. Improvements in sustaining new customers has continued, with 94% of new tenants staying for at least a year, an improvement of 1.8% since the start of this financial year.

Te Waka Urungi

The resurgence of COVID-19 saw an increased need for whanau support by way of Te Waka Urungi (TWU) intervention. For the period 1 October to 31 December Te Waka Urungi supported 137 whanau to sustain their tenancies by way of new referrals. Alongside the intensive support provided to whanau, there has also been significant contribution to multi agency initiatives operating in South Auckland and Central North Island. Te Waka Urungi continues to focus on strengthening our partnerships with providers and is exploring potential opportunities to formalise these relationships by way of MOUs.

Retrofit Programme and accessibility

Retrofit Programme

The retrofit programme is a renewal programme of existing properties that aims to improve the wellbeing of our tenants by making our homes warmer, drier, and healthier. The activities include full insulation of the homes (walls, ceiling, and floor insulation), double glazing, improved airtightness, ventilation, and new heating to ensure a healthy indoor living environment. The programme also completes any maintenance work required to the home, to ensure the building will last another 50 years. In some cases, retrofit will also see some structural changes to the homes, providing more open plan living and making the homes more accessible.

The Retrofit Programme has expanded its reach beyond the Hutt Valley in Wellington this quarter and construction is scheduled to begin in the Bay of Plenty, Hawkes Bay and Canterbury in the coming quarter. Additionally, homes in Southland, West Coast, Tasman, Manawatu, and Taranaki have initiated tenant visits and designs, with all regions listed above expected to be in construction by the end of the quarter. Currently, with construction in only one town, the programme has completed 127 retrofits this year with over 80 under construction. As more towns come online, these numbers will continue to grow.

The retrofit pipeline has declined for 2020/21 and sits under the forecasted 500 retrofits, with 437 expected for delivery. The programme team is working closely with contractors to ensure they have the required resources to meet their deliverable requirements and determine whether the 12-week schedule is viable with the consistent delays in delivery.

Universal design standards and accessibility

Part of the scope of retrofit is to improve the amenity of homes to make them more universally accessible for our tenants. Tenant wellbeing remains a key focus of the programme and the programme team recognise that the work does impact people's lives as we ask people to move out of their homes for the duration of the works. To help accommodate this, the wider team go to lengths to support our tenants while we upgrade their house. Speaking with our tenants, showing them what we propose to do, listening to any concerns or feedback they may have and adapting designs to suit where practical as well as assisting with moving are just some of the steps taken to support our tenants.

Managing and maintaining homes

Maintenance 2020 / Te Mahi Ngātahi

Te Mahi Ngātahi maintenance contract has been live for six months, along with the supporting National Supply Agreements. As we progress, the focus is now on embedding the customer experience changes. This is being addressed through targeted performance measures including:

- customers now having a choice on preferred times for general work (89% YTD December)
- customers taking the opportunity to request a delayed start time for urgent health and safety work (5% YTD December)
- general work automatically released to Maintenance Partners resulting in less delays in addressing work (60% YTD December)

The December survey results for the SPE measures of *percentage of public housing customers satisfied overall with repairs and maintenance* services provided nationally remains steady at 74%. Further initiatives are planning over the coming 12 months as we further embed the experience and develop the relationships between Maintenance Partners and ourselves.

Healthy Homes Programme

As previously discussed, 6,855 (11%) of homes across our existing portfolio have received the work needed to confirm them as meeting the Healthy Homes Standard. The increase from 4,077 (6%) in the

September quarter shows a strong increase in delivery momentum, but the ongoing international supply chain challenges and access issues resulting from customers' concerns around COVID continues to affect delivery.

We expect that these challenges will reduce our year-end position, and we face a challenge in meeting our target for the full year, with an estimated 22% of our portfolio achieving compliance against the target of 30%. As noted however, it does remain too early to predict our year-end position with certainty, and we have a series of actions in place to mitigate this.

Reducing vacancy times

The average *vacant to ready to let* days for the year is now slightly better than the previous quarter (20.7 days vs 21.8 days), but it is still above our target of 18 days. During the last quarter, seven vacant homes had a *vacant to ready to let* time of more than 100 days, which skewed the average for the quarter and the year to date. Despite this, from a monthly perspective December's average of 18.6 days was the lowest monthly average since before the COVID-19 pandemic struck. We expect that January's average days will increase (due to the holiday season), but that February and onwards will show improvements.

Homes that have a higher average *vacant to ready to let* time tend to be outside areas that are covered by our Void Programme. The programme was originally started in Auckland, with dedicated Void Specialists who work with Tenancy Managers, Placement Specialists and maintenance contractors (among others) with the express aim of improving the *vacant to ready to let* process. It created a more structured and cohesive approach to short term vacant homes and has since expanded to Wellington. *Shaping Kainga Ora* will further expand this to the Waikato and Bay of Plenty.

Delivery of public and supported housing

Delivery

We are on track for both our SPE targets: 2,400 newly built homes, and a 1,900 net increase in Public and Supported homes. We have delivered 1,320 newly built Public and Supported Homes in the first half of this financial year, representing 55% of the SPE target.

So far this year, we have delivered more than 100 homes every single month, and delivered more than 150 homes in five of the six months. We expect to deliver an additional 1,162 homes in the next half of the year, consisting of 852 Redevelopments and 310 New Builds.

Delays in material and product supply associated with COVID-19 have subsequently caused delays for the delivery of some homes, moving them to the next financial year. We expect this to continue to be an issue, but we are closely managing these homes, and the earlier deliveries of other homes brought forward from the next financial year will offset much of the delay.

Home Delivery		Year to date			Full Year		2021/22
Portfolio	Programme	Actual	Dec forecast	Variance	Dec forecast	Jan forecast	Jan forecast
Public Housing	Redevelopments	1,026	966	60	1,800	1,700	2,000
	New Builds	124	126	(2)	350	350	500
	New Public Homes	1,150	1,092	58	2,150	2,050	2,500
Supported Housing	Redevelopments	2	34	(32)	237	341*	590
	New Builds	168	151	17	443	466*	355
	New Supported Homes	170	185	(15)	680	807	945
SPE 3.1 Newly built Public and Supported Homes		**1,320**	**1,277**	**43**	**2,830**	**2,857**	**3,445**
Public & Supported	Public Buy Ins	85	84	1	345	345	275
	Supported Buy Ins	53	55	(2)	148	127*	4
	New Leases	4	5	(1)	12	12	14
	Total Other additions	142	144	(2)	505	484	293
	Demolitions	(272)	(376)	104	(1,020)	(990)	(1,095)
	Sales	(21)	(21)	-	(70)	(70)	(70)
	Leases Expired or Terminated	(41)	(40)	(1)	(129)	(129)	(168)
	Total Disposals	(334)	(437)	103	(1,219)	(1,189)	(1,333)
	Adjustments	(17)	(54)	37	(54)	(17)	-
SPE 3.2 Net increase in Public and Supported Homes		**1,111**	**930**	**181**	**2,062**	**2,135**	**2,405**

The Public Housing forecast for Redevelopments has been updated, reflecting changes in several homes and their intended use. Two Redevelopment projects (approximately 100 homes) were assessed and transferred from Public homes across to Supported housing. Although the current HUD target for Supported housing includes these transferred homes, the forecast remains higher than pipeline numbers and a shortfall remains a risk.

Public housing intentions and progress

Since 2018/19 we have delivered 2,829 net additional homes against the targets for the *4-Year Public Housing Plan* and the *6-Year Housing Intention*.

We have now delivered over 60% of the 4,634 *4-Year Public Housing Plan* target, and our forecast shows we will successfully exceed the target by the end of 2021/22.

For the *6-Year Housing Intention*, in order to supply a net of 9,644 homes, we will need to deliver over 16,410 homes, as we will be disposing of 6,766 homes during the same time (either because they are unsuitable; surplus to demand; not economically viable; or are of a high value).

Against the 9,644 target, our estimated net for the six years is already 7,953 (made up of previously delivered homes, the pipeline of upcoming projects, and our existing budget provision). We will continue to manage the remainder through the ongoing planning process, as well further formal budget provisions.

	Actual Year 1-2 FY19 - FY20	Actual Year 3 FY21	Forecast Total: 4 Year FY19 - FY22	Forecast Total: 6 Years FY19 - FY24	Housing Intention FY19 - FY24
Total Additions	3,530	1,239	8,722	14,899	16,410
Total SLED*	(1,580)	(360)	(4,088)	(6,946)	(6,766)
Net Housing Supply	1,950	879	4,634	7,953	9,644
4-Year PHP: cumulative	44%	63%	103%		
Regional split: cumulative					
Auckland	60%	59%	57%	60%	45%
Rest of New Zealand	40%	41%	43%	40%	55%

SLED* Sale, Lease Expiry and Demolition

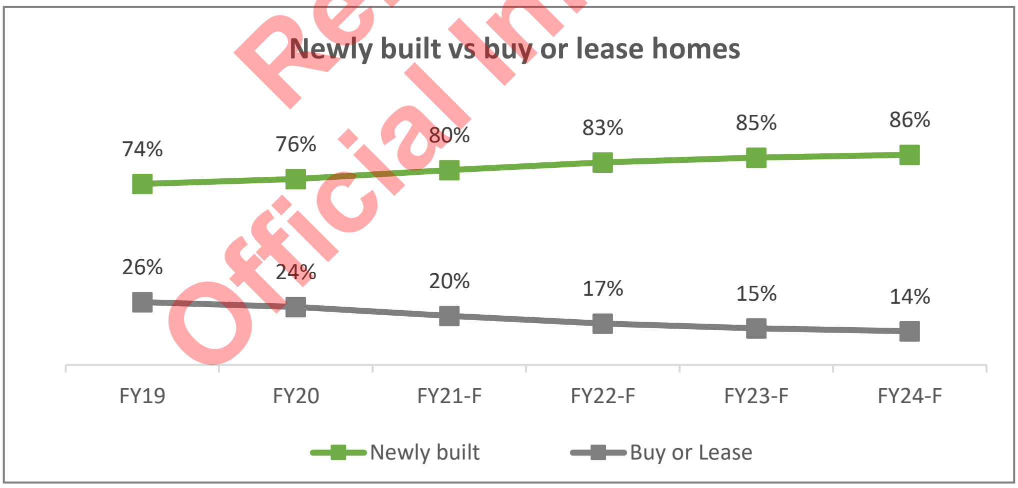
Refugee housing

Refugee housing is a subset of public housing supply to cater for the refugee quota. We are expected to supply an additional 364 public homes in the refugee resettlement areas over FY2021-2023. This plan is to provide an additional 175 homes in this financial year, and the remaining 189 homes split over the remaining two financial years.

We are actively seeking opportunities to support the refugee quota. Purchases of existing properties at refugee resettlement locations will remain as the focus over the coming months, amid the existing challenges to secure property in highly competitive property market conditions.

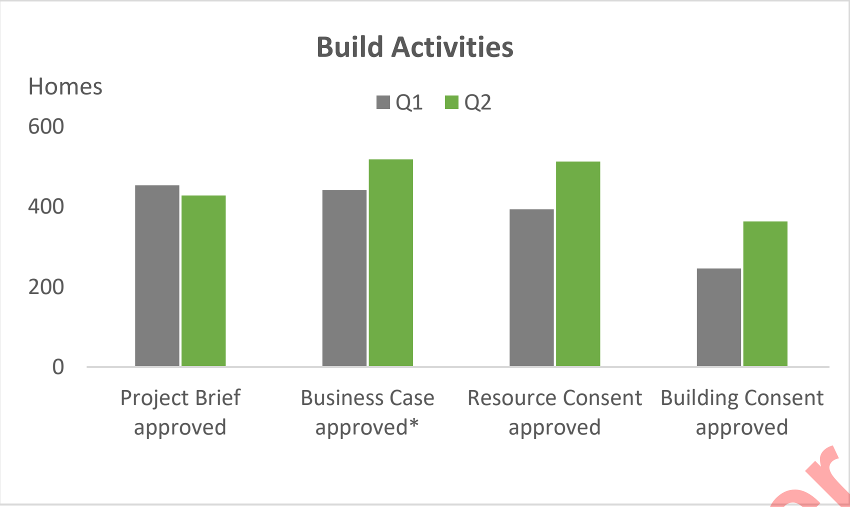
Build pipeline

Despite short-term fluctuations, we are on target to meet our 4-year Public Housing Plan commitment.



We have a strong build pipeline for many years ahead to ensure we can achieve our state home supply commitments. As at 31 December 2020, we have approximately 15,000 homes at various stages in the build pipeline, with deliveries spread over the next six to seven years. This includes 1,150 homes already delivered, 2,559 homes at planning and 3,487 opportunities at initial planning stage.

Planning and approval activity occurs throughout the delivery process. Quarter two (Oct – Dec 2020) showed good progress across our four main build activities compared to Quarter one, indicating strong pipeline growth.



Build projects that were originally scheduled for FY2020 are being monitored closely. Almost all the projects delayed by COVID-19 have already been delivered.

Regional focus

We are building more homes in regional centres, regional hubs, and high growth towns outside of Auckland in response to the increasing demand reflected on both applicants on Housing Register and Transfer Register. There are over 2,800 homes in the Regional build pipeline, across various stages of delivery, and a further 1,900 homes are in early phasing for the pipeline.

Our build pipeline shows we have higher pipeline supply in Auckland (70%) compared to Regional (30%). We are working to balance and prioritised the mix of locations to ensure we deliver at scale across Regional areas, alongside delivery in Auckland.

Delivering quality, on time and on budget

Business cases set out the expected financial and non-financial benefits of an investment once completed. We evaluate completed public housing construction projects and their performance against time, scope, and cost in their approved business case. A summary of these evaluations is shown below.

Scope and cost measures:

- 87% within the scope set by the business case (+1%)
- 54% within the budget set by the business case (-10%)
- 38% within the rental income set by the business case (-17%)
- 57% within the gross yield set by the business case (+2%)

Timeframe measures:

- 22% within three months from business case expected delivery date (-7%)
- 16% within four to six months from business case expected delivery date (+12%)
- 19% within seven to 12 months from business case expected delivery date (-6%)
- 43% > one year from the business case expected delivery date (no change)

The development and construction lifecycle spans several years and our business cases are prepared early in the process. The estimates are subject to a range of schedule impacts and are constrained by rehousing and community considerations. Similarly, these estimates are made prior to the procurement and contracting of the homes. We have older projects delivered in this quarter and this have an impact to the timeframes measure set in the business case – particularly with impacts like Covid-19 considered.

In recent months Kāinga Ora has started to use a project portfolio management tool with built-in schedule functionality for some projects. Over time the adoption of digital tools like this will assist in improving scheduling accuracy and future performance, however, applying and tracking this will take time. It is important to note that in all cases, change requests were approved to increase the budget through the project lifecycle. The extent to which these cost increases are due to Covid-19 impacts or other factors is unable to be quantified due to information limitations.

Our urban development projects are not included in this report, but analysis is underway so that they can be included in future reports.

Responding to homelessness by contributing to increased transitional housing supply

Transitional Housing provides warm, dry, short-term accommodation (generally up to three months, but can be longer) for people and families in urgent need of accommodation because they have nowhere else to stay, or are unable to remain in their usual place of residence. Transitional Housing is always accompanied by wrap-around support services. Customers in transitional housing places contribute 25% of their income towards the cost of the accommodation.

Since 2016, Kāinga Ora has been providing properties to lease to HUD-funded Service Providers.

In February 2020, the Government announced that the PERM programme would supply an additional 1,000 transitional housing places by 31 December 2020 (of which Kāinga Ora will contribute 530-650 places).

During the last quarter, 152 transitional housing places were delivered towards the PERM programme. To date Kāinga Ora has delivered 443 places towards the target of 530-650 places. HUD have indicated that as Kāinga Ora's commitment towards PERM will not be delivered by 31 Dec 2020, Kāinga Ora will continue delivering through to 30 June 2021 until the commitment (530-650) is met. Kāinga Ora has 186 places in the pipeline which are due to deliver by the end of February 2021.

Work is underway to review the state housing pipeline to determine if properties can be utilised for transitional housing without impacting re-development schedules or place-based plans, to ensure that Kāinga Ora's commitment is met.

Budget 2020 additional transitional housing supply
Discussions continue with HUD to finalise the expectation for our contribution to supply a proportion of the 2,000 transitional homes including locations and funding. The pipeline for delivery in the second half of FY20/21 consists of 108 places under contract, and 88 places under investigation or negotiation. We are also reviewing opportunities in the state housing redevelopment pipeline that may be used for transitional housing.

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

During this quarter, the Community Residential Transitional Housing (CRTH) site in Treadwell, Wellington (10 beds) settled. Both Treadwell and Te Puke (15 beds) CRTH sites are expected to be handed over to Corrections in the next quarter. To date Kāinga Ora has delivered 70 beds (within 24 units) since the programme's inception in July 2018.

Building Momentum

In the last quarterly report (end Sept 2020) we advised that the Construction Plan was approved by the Kāinga Ora Board at their October meeting. The plan was successfully launched under its final name *Building Momentum* at the Rebuilding Nations conference in November, alongside the following dissemination activities prior to Christmas end 2020.

- Collaborative meeting with Ministry of Housing and Urban Development and MBIE's Building System Performance (BSP) team
- Internal launch with Construction and Innovation Leadership Team
- Industry workshop at Infrastructure NZ's ReBuilding Nations Symposium
- Kāinga Ora website page
- All-of-organisation online forum

We are now underway with implementing Building Momentum. Key projects for the first half of 2021 include:

- **Elemental Typology Suite**: to enable floor plans and apartment designs to benefit from repeated use of well-designed components.
- **Forward Work Programme**: to ensure better visibility for our build partners over upcoming construction opportunities, typology, and location, enabling the negotiation of longer-term contracts based on volume.

- **Carbon Neutral Housing**: to grow our expertise in securing more sustainable built outcomes for our future housing stock.
- **Offsite Manufacturing Plan**: to future-proof our approach to innovation and create scalable improvements in the ways we delivery housing using prefabrication or offsite manufacturing (OSM).
- **Monitoring construction costs**: to build capability in monitoring construction costs to enable improved oversight, cost reductions and importantly to make informed investment decisions by clearly understanding the full cost benefit and risk for each investment.

The Building Momentum document can be downloaded from the Kāinga Ora website.

Large-scale housing and urban development projects

Projects

Net expenditure for the Urban Development and Delivery geographical areas continue to show a deficit for the current year ($295m), and over the next four years. Revenue recognition does not fall in the same periods as the cost, resulting in the negative net cash forecast in the budget period. The revenue increase between the December and January forecast for 2020/21 is mainly due to additional revenue of $5m from the inclusion of stage 4 for Mangere following budget approval.

Our expenditure expectations for 2020/21 have decreased since the previous forecast by $4m. There is a timing shift in infrastructure costs for Tamaki from 2020/21 to future years. Following a reforecast, combined costs for Roskill, Waikowhai and Tamaki decreased by $13m as details were refined during December. Aorere (Mangere) costs also decreased by $3.5m due to less land being forecast for acquisition. Partially offsetting this is Northcote costs increasing by $10.5m due to processing of GST system adjustments.

From 2021/22 through to 2024/25 there is an increase in net expenditure of $77m. This comes from increased project costs for Oranga and Aorere following a reforecast and inclusion of stage 4 in Mangere increasing net expenditure.

	2021/21			
$m	December Forecast	January Forecast	Variance	2021/22 to 2024/25
Northcote Revenue	21.1	21.1	0.0	79.1
Northcote Cost	22.9	33.4	10.5	38.5
Net Expenditure	(1.8)	(12.3)	(10.5)	40.6
Roskill Revenue	47.9	44.7	(3.2)	449.3
Roskill Cost	167.7	163.7	(4.0)	707.1
Net Expenditure	(119.8)	(119.0)	0.8	(257.9)
Oranga Revenue	0.1	0.1	0.0	72.6
Oranga Cost	27.9	29.9	2.0	159.2
Net Expenditure	(27.8)	(29.8)	(2.0)	(86.5)
Mangere Revenue	12.7	17.7	4.9	165.9
Mangere Cost	65.6	62.1	(3.5)	448.1
Net Expenditure	(52.8)	(44.4)	8.4	(282.2)
Te Kauwhata Revenue	0.0	0.0	0.0	57.5
Te Kauwhata Cost	37.1	36.9	(0.2)	139.5
Net Expenditure	(37.1)	(36.9)	0.2	(82.0)
Tamaki Revenue	37.7	38.4	0.7	567.5
Tamaki Cost	67.1	58.4	(8.7)	757.0
Net Expenditure	(29.4)	(19.9)	9.5	(189.5)
Eastern Porirua Revenue	0.0	0.0	0.0	8.8
Eastern Porirua Cost	32.6	32.6	0.0	378.1
Net Expenditure	(32.6)	(32.6)	0.0	(369.3)
Total Programme Revenue	**119.5**	**122.0**	**2.5**	**1,400.6**
Total Programme Cost	**420.9**	**416.9**	**(4.0)**	**2,627.4**
Net Expenditure	**(301.4)**	**(294.9)**	**6.5**	**(1,226.8)**

Shovel-ready infrastructure projects

Of the Government-approved $188m for "shovel ready" funding for our Large Scale Programmes, $31m is included in the current forecast {both cost and revenue for Owairaka, within the Roskill precinct). The remainder is not yet finalised, and we continue to work with HUD, Watercare and Piritahi on timing, funding, and what the exact project by project spend will be.

Better homes through technology and innovation

Foundations Initiative

The purpose of this tool is to identify high risk sites early, fast track low risk sites and identify opportunities for higher density development. During this quarter we updated the tools based on the outcome of the pilots and conjoint input from the project delivery teams. An implementation plan has been developed to enable the tools to be used more widely by KO including training and dissemination to the project teams.

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

Manufactured Bathrooms and Laundries
The objective of this programme is to test the potential for manufactured bathrooms to be deployed at scale in the Kāinga Ora build programme. Manufactured bathrooms offer a bathroom and laundry solution that is quick and easy to install ensuring minimum downtime and quality results with each module fitted. They are manufactured offsite in factory-controlled conditions for easy installation on site.

The feasibility study is complete and documented and the reference design has been assembled ready for dissemination to our project teams. Lifemark have issued the 4 Star rating for the Universal Module and the 5 Star rating for the Accessible Module. The suppliers who participated in the programme (Concision, Interpod and Hickory) will be asked to submit updated pricing based on the final reference design.

Five Systems Programme
The objective of the 5 Systems programme is to comparatively evaluate the performance of 5 different construction/structural systems in terms of time, cost, quality, health and safety, and carbon. The buildings will each be designed to achieve the passive house level of performance and the data produced by the programme will inform the design and development of other building typologies and projects. This is a step towards understanding the technical and commercial implications of designing, specifying, and procuring high performance buildings.

During this quarter we identified the Kāinga Ora site that will be used for the in-situ testing phase, completed procurement of the professional team, and commenced developed design.

Supporting home ownership for New Zealanders

Progressive Home Ownership
Government has approved a Progressive Home Ownership Scheme, designed to increase home ownership opportunities for aspiring first home buyers. As part of this scheme, Kāinga Ora has been charged with developing and delivering a shared ownership product where the Government, through Kāinga Ora, shares the capital cost of purchasing a home with an eligible household.

Activities undertaken in the last quarter include:

- Development of a draft Shared Ownership Agreement, a legal document that spells out the obligations and rights of the participating household and Kāinga Ora as shared owners

- Development of a draft Product Design and Eligibility Criteria document, which outlines Kāinga Ora's equity contribution as the lower of 25% of the purchase price or $200,000 and requires participating households to contribute a minimum 5% deposit
- Commencement of the customer journey design, which considers the end to end process of shared ownership from application through to graduation
- Engagement with key stakeholders, particularly banks and Community Housing Providers, on all the above

Fundamental to the success of shared ownership is the willingness of banks to lend to participating households. Engagement with banks has been extensive and is ongoing. Subject to obtaining bank support, Kāinga Ora are working towards launching the shared ownership product by mid-2021.

First Home Grant

Kāinga Ora assesses applications and provides grants between $3,000 - $10,000 to first home buyers or those in a similar financial position. A total of $23.0 million was provided in First Home Grants during this quarter.

KiwiSaver First Home Withdrawal

KiwiSaver members can access their KiwiSaver to buy a first home. Kāinga Ora assesses applications against a realisable assets test and provides applicants with a determination letter which allows successful applicants to access their KiwiSaver funds. Kāinga Ora assessed 2,225 applications during this quarter.

First Home Loan

Allows first home buyers or those in a similar financial position access to borrow with only a five percent deposit. Participating lenders submit applications to Kāinga Ora for assessment and Kāinga Ora underwrites the loan. Kāinga Ora underwrote 384 loans during this quarter.

Kāinga Whenua Loan

Provides owners of multiple-owned Māori land to access a KiwiBank loan which Kāinga Ora underwrites to build, buy, or re-locate a property to the applicant's Māori land. Two Kāinga Whenua loans drew down during the quarter, and another two applications were pre-approved.

Axis Series Homes

The Hobsonville Point housing development required approved building contractors to provide a certain number of homes at affordable prices for purchase by first home buyers. Applications typically exceed supply for these homes, so buyers are selected via a ballot process which Kāinga Ora administers. These properties have a two-year residency obligation, and compliance of this is monitored and managed by Kāinga Ora.

Tenant Home Ownership

Kāinga Ora tenants can purchase the property that they live in (under certain circumstances). Kāinga Ora provides a grant of up to $20,000 to eligible applicants to assist with their deposit. Five tenants purchased their homes during this quarter.

Deep Dive -
Sustainability Programme

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Context

The Government recently declared a climate emergency and launched an initiative requiring the public sector to achieve carbon neutrality by 2025. Government agencies will have to measure and reduce their emissions and offset what they can't in order to achieve carbon neutrality. We acknowledge that Kāinga Ora needs to be an exemplar that sets the standard because sustainability is closely linked to the outcomes we are seeking to achieve as an organisation, and we have significant current and anticipated legislative obligations regarding the environment.

Sustainability function

While we have had dedicated sustainability roles for some time, our Sustainability Function business case was approved in December 2020. This includes new leadership roles (Sustainability Director, Sustainability Manager) and additional supporting roles to be recruited early in 2021. The structure of the function sits within the Strategy area, and delivery-focussed sustainability resources are located within relevant business units.

This team will continue to liaise with other government organisations to ensure alignment with changing legislation, budget bids, programmes, shared learnings (e.g. MBIE Building for Climate Change, Interagency mitigation and adaption groups, Climate Change Commission, HUD, EECA, NZTA etc.)

A Sustainability Framework will be developed in early 2021 to provide guidance to business units around areas of focus, measures and targets. This framework will be the structure that links and manages the initiatives of the Sustainability Programme, allowing increased visibility and support for implementation.

Sustainability focus areas

Our Sustainability Programme focus areas and key activities underway are shown below.

Focus areas	Key activities underway
Climate change mitigation - our public housing, infrastructure and operations are net zero emissions	***Emissions measurement and reporting*** • Commitment to report and verify on an annual basis • Next reporting year will be FY 21-22 • Includes preparation of an emissions management and reduction plan ***Carbon neutral housing programme*** • Multiple research and pilot projects completed and underway, testing cost and buildability of low carbon housing solutions • Focus on both 'embodied' carbon in materials, and operational carbon associated with (predominantly) energy use over a home's life span

	• 2021 to see reporting of carbon emissions on a project-by-project basis implemented into project process (e.g. in business cases) • Close interaction with MBIE to understand Building for Climate Change programme and anticipated legislated carbon budgets etc. ***Decentralised Energy*** • Approximately half of the Government's four year $28m "Household and Community Energy Innovation fund" is available to Kāinga Ora to trial renewable energy technology for public housing • The first trial will test photovoltaics on retrofitted and new homes in Wellington region – this project has been initiated ***Performance monitoring programme (previously Smart Homes)*** • Renewed project relating to performance monitoring of Kāinga Ora housing stock to be initiated early in 2021 ***Infrastructure emissions*** • In early 2021 we will be seeking to engage a consultant to assist us in understanding / calculating carbon emissions associated with infrastructure (e.g. roads, water projects etc.) ***Fleet electrification*** • The team are supporting a funding bid to electrify pool vehicles across our Auckland, Wellington and Christchurch offices as well as trialling the electrification of a subset of allocated cars in the Hutt Valley • The team are also supporting a broader piece of work to transition the entire Kāinga Ora fleet to electric in line with the Government mandate by 2025
Efficient resource use - we minimise water consumed in and waste produced by our activities	***Construction and demolition waste*** • New policy direction has been approved whereby Kāinga Ora will aim to relocate houses first, followed by deconstruction, and finally demolition with landfill diversion targets in place • Relocatable housing will be offered to Iwi as a first option • A New Site Clearance Panel with 3 sub categories of house relocation contractors, deconstruction contractors and revised demolition scope of works will be procured in late January 2021 to support delivery of this work nationally • Additional demolition, deconstruction, relocation policy is estimated to be completed by March 2021 ***Potable water demand*** • Water efficiency is being considered in housing delivery via use of the Homestar tool
Sustainable Transport - transport systems and networks serving our homes support	• Sustainable Transport Strategy completed December 2020 • Waikowhai development area to be a pilot to test implementation of the Strategy. Next phase of project review and identification of opportunities from January 2021

low carbon and healthy transport choices	• Potential budget bid from NZTA for e-Bike scheme (March 2021) may propose implementation of scheme for Kāinga Ora developments / tenants (currently being scoped)
Nature enhanced - nature and water systems are protected and enhanced on our land in our communities	***Urban Ngahere*** • Scoping assessment completed by Sustainable Business Network • Next step of implementation is to review of Kāinga Ora policy, and investigate/scope implementation of pilot in Mangere, to commence in early 2021 with Business Case for implementation in December 2021 ***Water quality*** • Delivered on specific sites via storm water management and stream restoration initiatives
Climate change adaptation - our homes, customers, communities and operations are not unduly affected by climate change	**Flood Risk** • NIWA has completed a high level assessment of Kāinga Ora properties to flood risk (both from surface flooding and sea level rise) • A number of data quality issues become evident in undertaking this assessment (e.g. variability of data availability and methodologies between local government, level of risk appetite etc.) **Understanding Climate Risk** • An internal workshop with senior leaders is planned for 2021 relating to climate change risks, to identify relevant risks, understand how we will be implicated and prioritise those for action. The workshops also serve to increase visibility/ transparency to the issues we are likely to face, and to determine next steps
Mana whenua kaitiaki - Māori are recognised as Kaitiaki of Te Taiao and are enabled to exercise their responsibilities in sustaining and protecting the environment	Iwi will be enganed as our sustainability projects and initiatives develop. If any specific initiatives were to be developed in this area, it is likely they would be led from, or at least in partnership with our Te Kurutao business group

Financials

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Financial Statements

Statement of Financial Performance

	Year to Date Actual $m	Year to Date Forecast $m	Year to Date Variance $m	Full Year Budget[1] $m	Full Year Forecast $m	Full Year Variance $m
INCOME						
Rental Income	730.9	732.0	(1.1)	1,474.5	1,474.3	(0.3)
Crown Appropriation Income	52.9	50.3	2.6	137.1	102.2	(34.9)
Affordable Homes Revenue	2.3	2.3	0.0	129.8	152.3	22.5
HNZC & Housing Agency (HNZ)	12.9	13.5	(0.6)	37.1	31.4	(5.7)
Other Income (excl. interest)	7.3	7.6	(0.3)	2.6	17.9	15.3
Total Income	**806.2**	**805.6**	**0.6**	**1,781.1**	**1,778.0**	**(3.1)**
DIRECT EXPENSES						
Repairs and Maintenance	204.3	195.1	(9.2)	421.6	434.1	(12.5)
Rates	89.0	89.3	0.3	182.5	179.4	3.1
Third-Party Rental Leases	28.2	28.3	0.1	57.7	56.3	1.4
Other Direct Property Costs	29.4	31.6	2.3	51.0	61.8	(10.8)
Bad Debts	2.2	2.4	0.2	4.7	4.6	0.1
Direct Mortgage expenses	(1.1)	(0.1)	1.0	0.5	(0.9)	1.4
Grants	46.7	44.7	(2.0)	90.3	88.6	1.7
Insurance	9.0	9.1	0.1	18.8	18.4	0.4
Affordable Homes Cost of Sales	2.3	2.3	0.0	126.2	152.4	(26.2)
Total Direct Expenses (excl. depreciation, (gain) loss on sale, asset write-offs)	**409.9**	**402.7**	**(7.2)**	**953.3**	**994.7**	**(41.4)**
INDIRECT EXPENSES						
People costs	102.0	99.2	(2.9)	217.6	216.8	0.8
Office Accommodation	5.3	5.4	0.0	13.6	12.1	1.5
Travel	2.5	2.9	0.4	11.3	7.9	3.4
Computer & Communication	9.8	10.6	0.8	27.9	31.3	(3.5)
Professional Fees	3.3	3.4	0.1	7.2	7.2	0.0
Consultants/ Contractors	33.5	34.1	0.6	46.5	67.9	(21.4)
Other Expenses	9.3	9.5	0.3	23.8	20.2	3.5
Total Net Indirect Expenses (excluding interest)	**165.7**	**165.1**	**(0.6)**	**347.8**	**363.5**	**(15.7)**
(Gain) / loss on sale	(0.6)	(0.6)	0.0	0.0	(0.6)	0.6
Asset Write offs	21.7	28.9	7.2	70.1	63.3	6.8
Impact of Asset Write offs & (Gain) / Loss on Sale	**21.1**	**28.3**	**7.2**	**70.1**	**62.7**	**7.4**
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION (EBITDA)	**209.5**	**209.5**	**(0.0)**	**410.0**	**357.2**	**46.5**
Depreciation and Amortisation (Rental Properties)	157.3	156.1	(1.2)	307.3	310.9	(3.7)
Depreciation (Infrastructure)	6.6	6.9	0.3	14.8	14.5	0.3
EARNINGS BEFORE INTEREST, TAX (EBIT)	**45.6**	**46.4**	**(0.9)**	**87.9**	**31.7**	**49.9**
Interest Expense	81.7	80.9	(0.8)	150.9	162.7	(11.8)
Interest Income	(14.7)	(12.9)	1.8	(4.6)	(17.3)	12.7
NET OPERATING SURPLUS BEFORE TAX	**(21.4)**	**(21.6)**	**0.1**	**(58.4)**	**(113.7)**	**49.0**
Income Tax Expense/(Benefit)	16.7	17.0	0.3	26.1	5.7	20.4
NET OPERATING SURPLUS AFTER TAX	**(38.1)**	**(38.6)**	**0.5**	**(84.6)**	**(119.4)**	**28.6**

[1].*Pre COVID-19 Budget.*

Investment and Capital Spend

Cash Flow

$m	Year to Date Actual	Full Year Budget[1]
OPERATING ACTIVITIES		
Rent receipts - Tenants	208	470
Rent receipts - IRR	497	1,001
Other receipts from Crown	68	141
Other receipts	16	139
Payments to suppliers and employees	(639)	(1,281)
Income tax & Interest paid	(131)	(253)
NET OPERATING ACTIVITIES	**19**	**217**
INVESTING ACTIVITIES		
Sale of rental and management assets	34	37
Purchase of Rental Property & Management Assets	(1,015)	(2,928)
Movement in inventory	0	(107)
Change in investments	717	153
Change in other financial assets & liabilities	(8)	0
Mortgage and other lending	0	0
Short-term investment	(3)	0
NET INVESTING ACTIVITIES	**(275)**	**(2,845)**
FINANCING ACTIVITIES		
Capital contributions & Crown Borrowings	0	0
Borrowings received from third parties	82	2,628
Dividends paid	0	0
NET FINANCING ACTIVITIES	**82**	**2,628**
Net cash flows	(174)	0
Opening cash and cash equivalents (as at 1 July 2019)	421	388
CASH AND CASH EQUIVALENTS (as reported in Balance sheet)	**247**	**388**
Short Term Investments (as reported in the Balance Sheet)	594	1,107
Investments - Non-Current	220	0
TOTAL INVESTMENTS	**1,061**	**1,495**
Less - Treasury Reserve Fund Investments	33	35
TOTAL INVESTMENTS AVAILABLE TO BUSINESS	**1,028**	**1,460**

[1] *Pre COVID-19 Budget.*

Balance Sheet

$m	As at 31 Dec 20	Full Year Budget[1]
Capital Contribution	3,560	3,555
Valuation Reserves	19,772	19,168
Retained Earnings	889	588
TOTAL SHAREHOLDER FUNDS	**24,220**	**23,311**
Cash & Cash Equivalents	247	388
Short Term Investments	594	1,107
Properties held for sale	14	0
Other Current Assets	6	0
Tax Receivable	0	176
Prepayments & Accounts Receivable	276	13
TOTAL CURRENT ASSETS	**1,136**	**1,684**
Income in Advance/Accounts Payable	141	247
Financial Liabilities & Provisions	28	37
Loans - Crown	162	252
Market Debt - commercial paper	225	700
Tax Payable & Other Liabilities	20	11
TOTAL CURRENT LIABILITIES	**577**	**1,247**
NET WORKING CAPITAL	**559**	**437**
Intangible Assets	51	25
PP&E - Rental Properties	31,525	33,488
PP&E - Infrastructure Assets	31	91
Properties under development	156	119
Property held awaiting development	57	278
Investments - Non-Current	220	0
Other Non-Current Assets	22	31
NON CURRENT ASSETS	**32,064**	**34,032**
Crown loans	1,824	1,735
Market debt - bonds	4,324	6,894
Deferred Tax Liability	2,160	2,417
Other Non Current Liabilities	96	112
NON CURRENT LIABILITIES	**8,403**	**11,158**
NET ASSETS	**24,220**	**23,311**

[1] *Pre COVID-19 Budget.*

Financing & Debt

New debt allocation over Q2 2020/21

	Quarter 2
	Actual
Net new debt – Q2	**-225**
New debt allocated – Q2	**546**

	Q2 (Oct - Dec) 2020/21				
Category $m	**Actual**	**Forecast**	**Variance**	**Homes (actuals)**	**Homes (Forecast)**
Redevelopments	179.9	203.9	24.0	627	420
New Build Owned Programme	42.5	47.8	5.2	56	91
New Supported Housing	113.8	92.3	(21.4)	126	238
State Home Builds	336.2	344.0	7.8	809	749
Buy in Programme	22.1	22.6	0.5	33	46
Buy-In Transitional Housing	34.4	25.8	(8.6)	34	118
Buy In Community Group Housing	1.7	1.8	0.0	4	-
Strategic Land Purchases	0.0	0.0	0.0		
Other Programmes	7.4	7.4	0.0	1	3
Construction and Innovation Total	**401.9**	**401.6**	**(0.2)**	**881**	**916**
National Retrofit	15.2	19.1	3.9		
Other Maintenance Programmes	6.2	6.1	(0.1)		
Construction and Innovation Maintenance Programmes	*21.4*	*25.2*	*3.8*		
Capitalised Maintenance and PBMC	5.5	6.1	0.5		
Unoccupied Repairs	1.2	1.0	(0.2)		
Healthy Homes	16.3	15.9	(0.4)		
Roof Replacement	8.8	6.7	(2.1)		
Other Programmes	3.3	4.1	0.8		
People and Homes Maintenance Programmes	*35.1*	*33.7*	*(1.4)*		
Property Maintenance Total	56.5	**58.9**	**2.4**		
Infrastructure Assets & Projects Total	7.4	**8.4**	**1.0**		
CAPITAL EXPENDITURE	**465.7**	**468.9**	**3.2**		
Urban Development Land (State and Market)*	61.9	63.2	1.3		
Urban Development Tamaki	8.6	11.8	3.2		
KiwiBuild (Construction & Innovation)	9.6	11.9	2.3		
TOTAL CAPITAL EXPENDITURE	**545.8**	**555.9**	**10.1**		

Forecast new debt allocation over Q3 FY21 and FY21 full year

	Quarter 3 Forecast
Forecast net new debt – Q3	**250**
Forecast debt allocation – Q3	**720**

Category $m	Q3 (Jan - Mar) 2020/21 Forecast	FY 20/21 Forecast	FY 20/21 Budget	FY 20/21 FY Variance	FY20/21 Budgeted homes	FY 20/21 Forecast homes
Redevelopments	231.5	920.4	1,159.9	239.5	1800	1,700
New Build Owned Programme	35.2	207.4	215.4	8.1	350	350
New Supported Housing	134.7	524.1	509.5	(14.6)	766	807
State Home Builds	401.4	1,651.9	1884.8	232.9	2,916	2,857
Buy in Programme	23.1	178.6	215.4	36.8	275	345
Buy-In Transitional Housing	8.3	131.5	273.0	141.5	250	105
Buy In Community Group Housing*	6.9	8.6	6.2	(2.5)	59	22
Strategic Land Purchases	30.3	75.0	75.0	0.0	-	-
Other Programmes	6.8	27.4	78.2	50.8	12	12
Construction and Innovation Total	**476.7**	**2073.1**	**2532.6**	**459.6**	**3,512**	**3,341**
National Retrofit	37.0	120.9	134.6	13.7		
Other Maintenance Programmes	7.4	28.1	28.5	0.4		
Construction and Innovation Maintenance Programmes	*44.5*	149.0	163.1	14.1		
Capitalised Maintenance and PBMC	3.4	31.8	34.0	2.2		
Unoccupied Repairs	2.6	8.9	11.1	2.2		
Healthy Homes Programme	23.7	76.7	95.7	19.0		
Roof Replacement	6.7	28.5	26.8	(1.6)		
Other Programmes	12.7	23.6	31.5	8.0		
People and Homes Maintenance Programmes	*49.1*	169.4	199.2	29.7		
Property Maintenance Total	*93.6*	*318.5*	*362.3*	*43.8*		
Infrastructure Assets & Projects Total	*13.4*	*46.5*	*38.5*	*(8.0)*		
CAPITAL EXPENDITURE	**583.7**	**2,438.0**	**2,933.4**	**495.4**		
Urban Development Land (State and Market)*	98.8	358.5	213.2	(145.3)		
Urban Development Tamaki	25.4	58.4	43.5	(14.9)		
KiwiBuild (Construction & Innovation)	11.8	35.8	16.3	(19.5)		
TOTAL CAPITAL EXPENDITURE	**719.6**	**2,890.7**	**3,206.4**	**315.7**		

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

Large Scale Programme breakdown – Quarter 2 & year to date actual

Category $m	Q2 (Oct-Dec) Actual	Q2 (Oct-Dec) Forecast	Q2 (Oct-Dec) Variance	YTD (Jul-Dec) Actual	YTD (Jul-Dec) Forecast	YTD (Jul-Dec) Variance
Urban Development Land (State and Market)*	61.9	63.2	1.3	122.2	123.5	1.3
Urban Development Tamaki	8.6	11.8	3.2	15.6	18.8	3.2
Urban Development Large Scale Programmes (LSP)						
Mangere Precinct	21.3	23.1	1.8	29.6	31.4	1.8
Northcote	12.8	12.0	(0.8)	17.5	16.7	(0.8)
Oranga	8.7	8.5	(0.2)	12.3	12.2	(0.2)
Roskill Precinct	15.5	15.4	(0.1)	54.9	54.8	(0.1)
Eastern Porirua	3.6	4.2	0.6	7.8	8.4	0.6
Totals	**61.9**	**63.2**	**1.3**	**122.3**	**123.5**	**1.3**

Debt breakdown

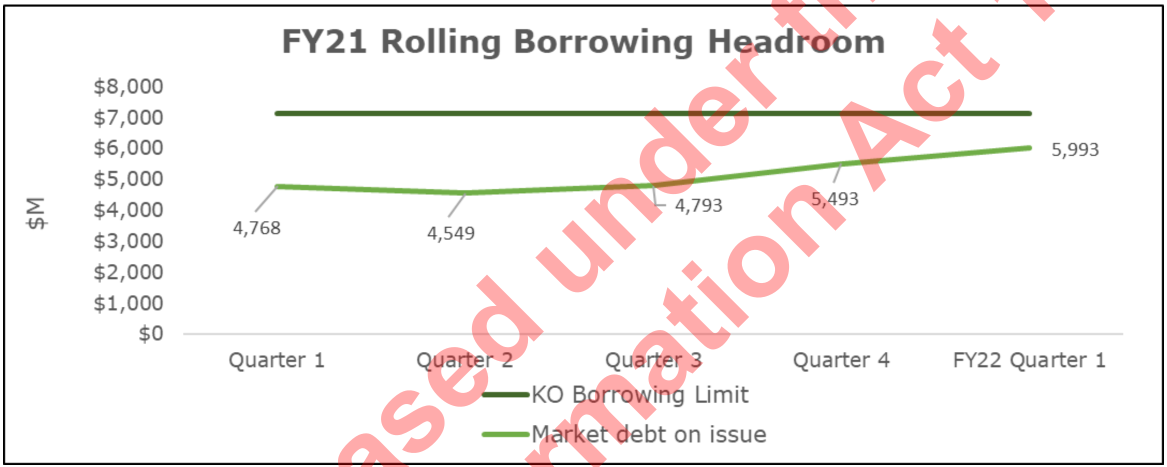
Quarter 2 debt

	Crown ($m)	Market ($m)	Totals ($m)
Opening - Bills on issue		$550	$550
Opening - Bonds on issue	$1,993	$4,218	$6,211
	$1,993	**$4,768**	**$6,761**
Net new bills	$0	-$325	-$325
Net new bonds	$0	$100	$100
Movement in discount/premium bonds		$6	
Closing bills on issue		$225	$225
Closing bonds on issue*	$1,993	$4,324	$6,317
Closing Debt on issue at 31/12/2020	**$1,993**	**$4,549**	**$6,542**

**Market bonds on issue includes $120m of premium/discount bonds (Q1: $114m)*

Quarter 2 cash flow ($m)	
Q2 Opening Cash	$384
Q2 net cash flows	-$137
Q2 closing cash	$247
Short term investments	$594
Non-current Investments	$220
Total Cash and Investments available at 31/12/20	**$1,060**

Note: The prior submission's short term investment figure included $200m of non-current investments – this has been split out in this iteration.



FY21 Debt balances	Actual Market debt on issue $M	Forecast market debt on issue $M	Headroom vs $7.1b
30-Jun-20	$4,453		$2,647
Q1	$4,768	*$4,719*	$2,332
Q2	**$4,549**	***$4,568***	**$2,551**
Q3		*$4,793*	$2,307
Q4		*$5,493*	$1,607
FY22 Q1		*$5,993*	$1,108

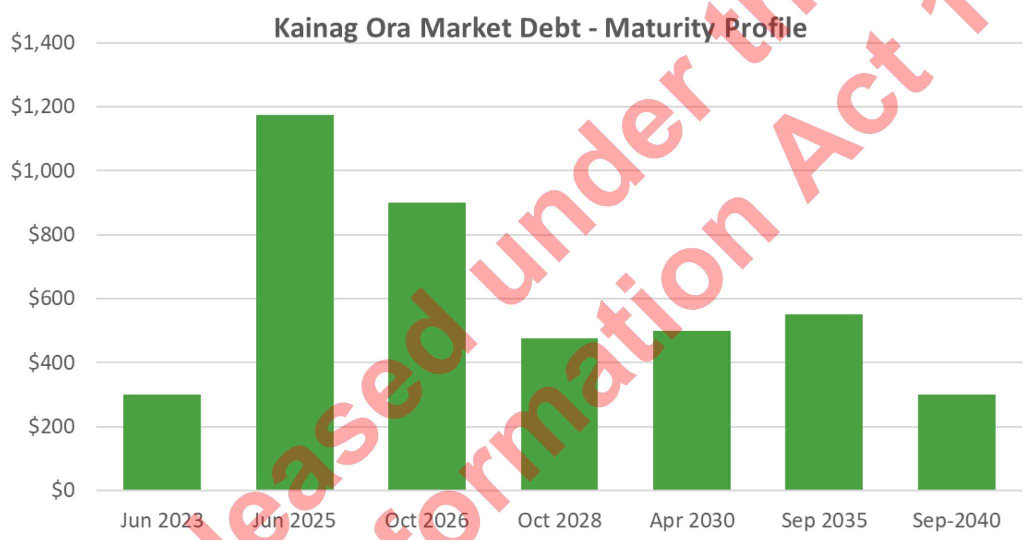
Note: forecast debt on issue is based on modelled outturns. Actual outturns may vary based on market conditions and portfolio requirements.

Additional Debt information

This iteration provides additional information, where readily available, to provide assurance on balance sheet risk, financing risk and long-term financial sustainability as requested by HUD. Future iterations of this report will continue to build on information provided in further detail.

Report balance sheet impact indicators including EBITDA to total income, debt to IBITDA ratio, interest coverage ratio; debt to equity ratio; debt to asset ratio against Board approved tolerance level

	FY21	FY22	FY23	FY24
SPE measure - EBITDA / Revenue %	28.01%	27.20%	27.49%	29.73%
SPE measure - Debt / EBITDA ratio	15.51	20.60	24.11	25.11
SPE measure - EBITDA / Interest ratio	1.78	2.53	2.11	1.87



Report all current debt issuance showing maturity profile (and maturity in next 12 mon within policy), volume, rate, investor distribution (local vs. offshore); and duration within KO interest risk management policy, liquid asset cover within liquidity risk policy.

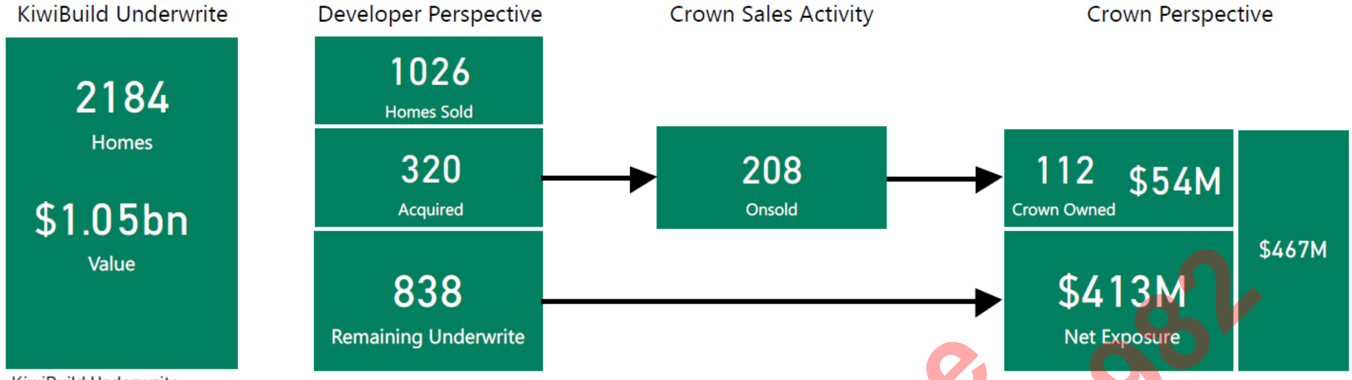
Year	Deal Value
Jun 2023	300
Jun 2025	1,175
Oct 2026	900
Oct 2028	475
Apr 2030	500
Sep 2035	550
Sep 2040	300

Debt maturity profile

Issue Date	Maturity Date	Volume	Coupon Rate
12/06/2018	12/06/2023	250,000,000	2.970
12/06/2018	12/06/2025	250,000,000	3.360
18/10/2018	18/10/2028	250,000,000	3.420
18/10/2018	12/06/2023	50,000,000	2.530
5/04/2019	5/10/2026	500,000,000	2.247
16/09/2019	12/06/2025	425,000,000	1.398
16/09/2019	18/10/2028	175,000,000	1.771
8/11/2019	5/10/2026	400,000,000	1.676
24/04/2020	12/06/2025	500,000,000	1.289
24/04/2020	24/04/2030	500,000,000	2.183
1/05/2020	20/09/2040	303,630,000	2.414
10/09/2020	10/09/2035	500,000,000	1.534
7/12/2020	10/09/2035	50,000,000	1.534
7/12/2020	18/10/2028	50,000,000	1.771

Existing Bonds on issue			Total (syndication)	Total (tender)	Total (all up)	
12 Jun 2018	12 Jun 2023	$250,000,000	$300,000,000		$300,000,000	*=2023s*
18 Oct 2018	12 Jun 2023	$50,000,000				
12 Jun 2018	12 Jun 2025	$250,000,000	$1,175,000,000		$1,175,000,000	*=2025s*
16 Sep 2019	12 Jun 2025	$425,000,000				
24 Apr 2020	12/06/2025	$500,000,000				
05 Apr 2019	05 Oct 2026	$500,000,000	$900,000,000		$900,000,000	*=2026s*
08 Nov 2019	05 Oct 2026	$400,000,000				
18 Oct 2018	18 Oct 2028	$250,000,000	$425,000,000	$50,000,000	$475,000,000	*=2028s*
16 Sep 2019	18 Oct 2028	$175,000,000				
24 Apr 2020	24 Apr 1930	$500,000,000	$500,000,000		$500,000,000	*=2030s*
10 Sep 2020	10 Sep 1935	$500,000,000	$500,000,000	$50,000,000	$550,000,000	*=2035s*
01 May 2020	20 Sep 2040	$303,630,000	$303,630,000		$303,630,000	*=2040s*
		$4,103,630,000	**$4,103,630,000**	**$100,000,000**	**$4,203,630,000**	

Summary of the KiwiBuild underwrite from the Crown's perspective and updated estimate of the Crown's portfolio risk exposure as per the table developed with The Treasury



KiwiBuild Underwrite

2184 Homes	$1,052,995,642 Value

Developer Perspective

1026 Less underwritten homes sold	$494,413,296 Value
320 Less Sold to Crown	$145,838,220 Value
838 Remaining Underwrite	$412,744,128 Value

Crown Sales Activity

320 Acquired	$145,838,220 Value
112 Unsold	$54,030,212 Value
208 On-Sold	$91,808,008 Value
	$671,490.70 Profit on Crown Sales

Delivery Year	19/20		20/21		21/22		22/23		23/24		24/25		25/26		**Total**	
Territorial Authority	Homes	Value	Homes	Value	Homes	Value	Homes	Value	Homes	Value	Homes	Value	Homes	Value	**Homes**	**Value**
Auckland			159	$82.43M	394	$201.73M	91	$43.99M	8	$4.16M					**652**	**$332.31M**
Waikato District			11	$4.59M											**11**	**$4.59M**
Rotorua District			8	$2.81M	27	$10.44M									**35**	**$13.25M**
Wellington City			1	$0.40M	30	$12.19M									**31**	**$12.59M**
Queenstown-Lakes District	1	$0.56M	3	$1.70M			9	$3.72M	46	$20.49M	46	$21.89M	4	$1.65M	**109**	**$50.00M**
Total	**1**	**$0.56M**	**182**	**$91.93M**	**451**	**$224.36M**	**100**	**$47.71M**	**54**	**$24.65M**	**46**	**$21.89M**	**4**	**$1.65M**	**838**	**$412.74M**

Treasury table (31 December 2020)

Kiwibuild Underwrite	Number	Value	Crown Sales Activity	Stock (Units)	Value
Contracted	2,184	$1.05 bn	Total acquired by the Crown	320	$145.8 m
			Total onsold by the Crown	208	$92.4 m
Developer Perspective	**Number**	**Value**	Remaining Stock	112	$54.0 m
Homes Sold	1026		Profit on Crown Sales		$0.6 m
Sold to Crown	320	$145.8 m	Less holding and selling cost		-$3.0 m
Remaining Underwrite	838	$412.7 m	Total non recycled funds		-$2.4 m

Crown Portfolio Risk Exposure

Total remaining underwrite			Expected inventory at Yr end		Downside inventory at Yr end	
delivery year	Stock (Units)	value	Stock (Units)	value	Stock (Units)	value
20/21	183	$92.5 m	55	$26.7 m	151	$74.1 m
21/22	451	$224.4 m	51	$25.1 m	292	$144.8 m
22/23	100	$47.7 m	33	$16.4 m	296	$146.4 m
23/24	54	$24.6 m	17	$8.3 m	239	$117.4 m
24/25	46	$21.9 m	10	$4.8 m	191	$93.2 m
25/26	4	$1.7 m	5	$2.3 m	141	$68.7 m
Total	838	$412.7 m				

Programme definitions

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