Quarterly Report

For the three months ending 31 March 2023

9(2)(a)

Contents

Introduction

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

Kāinga Ora has two core roles:

- being a world-class public housing landlord
- partnering with the development community, Māori, local and central government and others on urban development projects of all sizes.

Our outcomes – what we are trying to achieve

Māori aspirations
Investment in housing solutions that build capability and support whānau wellbeing

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

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

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

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

Environmental wellbeing
Sustainable and resilient operations, assets and communities

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

To achieve our outcomes we group our business activities into the following output classes (or activity groups):

▸ OUTPUT CLASS 1
Supporting our customers to live well with dignity, stability and connectedness

▸ OUTPUT CLASS 2
Growing, renewing and maintaining our homes

▸ OUTPUT CLASS 3
Delivering and facilitating urban planning and development

▸ OUTPUT CLASS 4
Supporting Crown housing infrastructure and home ownership initiatives for New Zealanders

Our strategies

Te Rautaki Māori o Kāinga Ora: Kāinga Ora Māori Strategy lays a foundation for the expression and realisation of Māori aspirations for housing and the Kāinga Ora Strategy 2030 outlines how we plan to shape the housing and urban development system and deliver on our outcomes. They are he waka hourua, the two strategies sit side by side and are equal.

The purpose of this report

This report is for the Minister of Housing, and provides an update for the quarter ended 31 March 2023. It reflects the Board’s view on our performance and activity, showing the progress towards delivering the commitments set out in our Statement of Performance Expectations 2022/23 (SPE) and our public housing commitments, and summarises our achievements, challenges, risks and upcoming milestones.

Overview

Our operating context

Floods and cyclone had significant effects on some customers - we moved swiftly to respond

This quarter was challenging, for both the organisation and New Zealand as a whole. The floods in Auckland and Cyclone Gabrielle in Tairāwhiti and Hawke's Bay affected our customers in those regions significantly. Many were evacuated and some have been unable to return to their homes. As at the end of April, 656 of our homes in Auckland and Northland are known to have been affected by flooding, with 296 households that need to be moved from their homes. A further 341 homes in Hawke's Bay and the Tairāwhiti area suffered minor damage. Eighteen homes suffered more substantial damage, but no customers required permanent rehousing. We responded swiftly to:

- ensure that all customers were safe and they knew where they could get help
- establish emergency response teams across the affected regions alongside other central and local government agencies, and rehouse customers displaced by the flooding quickly and efficiently
- deliver food parcels to customers most affected
- focus on follow-up customer contact and welfare checks, identifying damage to properties and enabling maintenance to occur, once cleared by the relevant agencies.

Weather events affect our housing supply programmes

The floods and cyclone also affected the delivery of our public and supported housing supply programme. Many construction sites in Auckland were flooded and took time to get back to full capacity. Prior to the weather events, we were on track to deliver on our public and supported housing growth SPE targets. However, the effect of the weather events means that delivery of approximately 800-850 homes across our housing delivery programmes will be delayed by four to eight weeks. We continue to work with our build partners to see if any projects can be brought forward into this financial year. Our new Housing Delivery System (HDS – formerly Project Velocity); the use of Offsite Manufacturing; and working with our construction partners to review timeframes and resource scheduling will help offset these delays.

Financial effects of the floods and cyclone

Our estimate of the costs of the Auckland floods and Cyclone Gabrielle is $40-60 million, but our insurance means that the financial effect for us will be in the region of $21.5 million, comprising $20 million insurance non-deductible for floods and around $1.5 million in costs for the cyclone. We believe that the damage caused by the cyclone to our properties will not be at the threshold for making an insurance claim - a full assessment of the affected homes will be completed in the coming months.

Monetary tightening nearing its peak, but inflation remains high

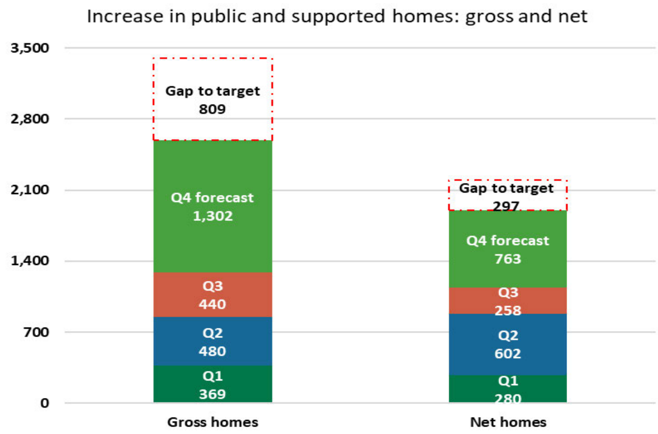
After increasing significantly during February, interest rates around the globe fell over March, as bank failures in the US and Europe caused market volatility. The 10-year Government bond rate fell from highs of 4.7% to 4.0% in early April. We were able to take advantage of the falling rates over March, although the effect on the total debt portfolio is minimal, as much of our debt remains anchored at lower 3.1% rates.

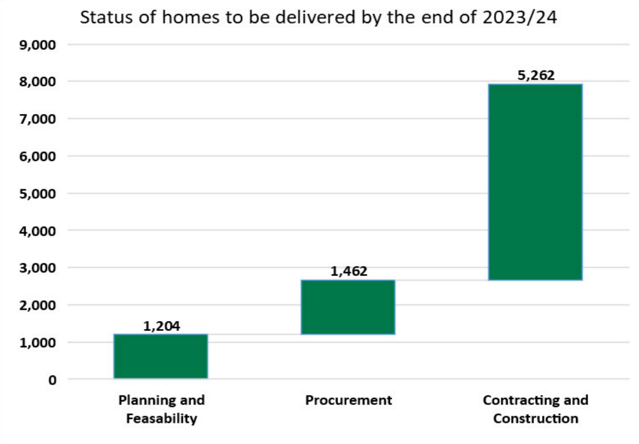
While it appears that globally, monetary policy tightening is nearing its peak, inflation in New Zealand remains high at 6.7% for the 12 months to March 2023. Increases in construction material costs remain even higher. In the year to December 2022, construction costs rose by 14% on top of 17% in 2021 – the largest sustained increase since the recording of construction costs began in 1985. This continues to put pressure on both our housing construction and repairs and maintenance budgets.

Progress towards our public and supported housing supply programmes

We continue to deliver new, warm, dry homes

We have delivered 1,289 (gross) newly built public and supported homes for the year to date (440 for the quarter), with a net increase of 1,140 (258 for the quarter).





But weather events have affected our ability to meet our 2022/23 delivery targets

As noted, the January weather events mean there is now a delay in our 2022/23 SPE delivery targets, with approximately 800-850 homes deferred into the next financial year. We have a range of mitigation strategies being put in place, and we remain committed to delivering our six-year Public Housing Plan by June 2024.

We have a well-established housing pipeline to enable us to deliver on our future commitments

At the end of the quarter, we had 5,262 homes under construction or contracted for delivery by the end of 2023/24, with another 1,462 homes in procurement for this year and beyond, and 1,204 moving through the planning and feasibility stages.

Urban development and Large Scale Projects (LSP) under forecast

Forty-nine state homes were enabled during the quarter, with the land handed over to begin construction, but the full year forecast for LSP land sales is below target due to poor market conditions and stalled negotiations with development partners. This is primarily a presales issue due to macroeconomic factors beyond our control, with a drop in presales of up to 90% being seen across the portfolio. As a result we are unlikely to reach our "homes enabled" SPE target. It is important to note that we are still delivering land within the LSPs. The Auckland flood also caused delays in tenancy relocation and in civil and infrastructure works, and there has been cost escalation on current approvals as well as approvals in the pipeline. Because of the greater than forecast inflation, a paper was presented to the Minister in early May (BN 23 020), outlining the options to make commitments within the approved funding. We will provide a more detailed report back, and options for the programme in the longer term.

New Large Scale Projects infrastructure performs well in flood event

The value of the Government's investment in the infrastructure of our LSP projects was highlighted by the recent flooding events. Most of the new infrastructure designed to manage storm water in our large-scale projects performed very well: for example the Northcote Development in Greenslade Reserve which had been transformed into a detention basin, recovered as designed within 24 hours of the floods. The below photos demonstrate the difference between Friday 27 January and Saturday 28 January, where a parent and child are able to play on the field following the significant flooding.

Before and after photos of flooding in the storm water management area of Greenslade Reserve

A challenging quarter but we still delivered some great results – key quarter highlights

There is no doubt that it has been an extremely challenging quarter but we responded, and continued to deliver great outcomes for our customers and New Zealanders. Some of the key highlights for the quarter are outlined below.

Urban planning and development highlights

- As part of our Urban Development Strategy Implementation Plan, we completed and published our Urban Design Guidelines and refreshed our Landscape Design Guide, completed consultation and developed concept designs for the Modern Pasifika Housing (Māngere) Project and provided input into the Urban Growth Agenda Infrastructure Funding and Financing Project being jointly led by Te Tūāpapa Kura Kāinga (Ministry of Housing and Urban Development), Treasury, and the Department of Internal Affairs.
- Our Land Programme pipeline has thirteen projects under assessment, with some moving towards conditional agreements to purchase. These include 9(2)(f)(iv) [redacted] We are also working with the Rotorua Lakes District Council and Let's Get Wellington Moving, to determine when their proposals for Specified Development Projects are ready to be considered for a formal selection decision, and if selected, for assessment.

Public and supported housing highlights

- Our Greys Avenue development, a 276-home complex, is nearing completion. It will be delivered under a single site supported housing model, which will include 24/7 on-site support services for all public housing customers. This will be a world leading public housing complex.
- Our Customer Service Centre team performed extremely well through the adverse weather events. In the days immediately following the events we saw a 70% increase in call volumes, yet answer times hit a low of 99 seconds for the month of February, as staff put in extra hours and other improvements were made.

System transformation highlights

- We have delivered 12 apartment homes in Auckland's Mt. Albert, the final of four Auckland projects trialling Cross Laminated Timber (CLT) in 3-storey walk-ups. CLT uses timber panels which are manufactured off-site, are fast to install and are 100% renewable. This is a building system which we have been among the first to adopt extensively in New Zealand.
- Through our waste minimisation programme, during the quarter we diverted 87% of waste from Auckland, and 74% from all other regions. Our Housing Delivery System (HDS) established five new

mini-business units (MBU) which are now operating with the pre-construction phase of homes and are completing this pre-construction phase in 33 days, while the three-storey walk-up homes are completed in an average of 55 days. These are significantly faster than our traditional build system processes.

Urban planning and development highlights

- The Infrastructure Acceleration Fund (IAF) is a $1 billion fund administered by us on behalf of the Crown for new or upgraded bulk infrastructure such as water, transport and flood management to enable housing developments in areas of need throughout the country.
- While 39,500 homes have been contracted across 30 funding agreements with councils, and approved by Ministers, this is an estimate of the number of homes that can be built (or enabled) due to the increased infrastructure capacity, with experience from previous funding initiatives showing that developments will experience changes to cost, time and scope during delivery.
- Following the announcement in February 2023 for funding of critical infrastructure in Whangārei, the IAF has now allocated $926.7 million to recipients that will enable up to 35,000 homes over the next 10 to 15 years, based on estimated delivery and taking into account the risks associated with these complex, longer-term projects.
- The IAF has moved into the delivery phase, where we work closely with funding recipients to monitor and report on the progress of infrastructure projects. 9(2)(f)(iv) [redacted] representing more than 10,000 homes.

We have achieved some good service performance results this quarter but the challenging operating environment has placed pressure on achieving some of our service performance targets

We are delivering and enabling homes for our customers and New Zealanders, while operating in a very challenging environment that affects our build partners and our own operations. This means that several of our SPE measures are unlikely to achieve their targets this year. Our latest forecast indicates we will still achieve 20 of our measures, 13 measures will not be achieved, and four where the results are not yet clear-cut. For our full SPE results, see pages 21-32.

The 10 measures with no indicators are either demand driven; monitoring measures with no target; or where not enough data is available to make an accurate forecast.

Weather events effects on capital and operating spend

Because of the weather events and the number of constructions sites directly affected, housing investment in the March quarter was $539 million, down $143 million from the previous quarter. This housing investment will still occur, just later than planned. We forecast a full-year investment of $2,860 million, down on the $3,272 million full year budget.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) in the nine months to March was $211 million, $31 million higher than budget. Demolition activity, people costs, consultants, and contractor expenditure were all lower than budgeted. Our year-end EBITDA is forecast to be up to $41 million lower than budget, largely due to the adverse weather events and higher repairs and maintenance costs.

In total, $3.25 billion of Crown financing was in place to finance new capital expenditure for 2022/23, provided by way of a $2.75 billion Crown loan facility which replicates the size of the previously intended annual bond programme, and a further $500 million via a short-term working capital facility.

Our continued commitment in the final quarter

Looking forward, we have a challenging run into year-end, but our management and the Board are committed to doing everything we can to ensure we deliver on as many of our service performance commitments to New Zealanders as possible, and we continue to make good progress on the delivery of our outcomes.

Our outcomes

Customer wellbeing

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

Supporting our public housing customers

Our customer strategy and community engagement

- Our Customer Strategy sets the direction for the services and housing that we provide for our customers. As demand for public housing increases, more of our new tenants are presenting with complex and challenging needs and behaviour.
- We have a legislative obligation to engage early, meaningfully and in a manner that is authentic and guided by the principles of He Toa Takitini - our Partnership and Engagement framework.
- To help facilitate conversations we have Community Engagement and Partnering teams across the motu that focus on property matters, redevelopments, construction activity, market acquisitions and retrofit activity.
- We are committed to delivering housing solutions that best meet the needs of the people and their communities by ensuring feedback is reflected in our developments.
- Common themes identified during engagement were:
  - A lack of understanding within the community as to the limits of the engagement
  - The adverse media around our customers, resulting in negative perceptions and misinformation around the effect that these developments will have on the community
  - Commercial sensitivities around acquiring land or housing purchase
  - Communities are at different stages regarding their readiness to adopt intensification of homes.

Sustaining tenancies

Our customers have some of the highest housing needs in the country. Some customers are facing complex and challenging life circumstances, including a range of social and health issues, and are experiencing significant disadvantage and need.

We implemented a sustaining tenancies approach in 2017 to manage the challenges that arise with public housing tenancies, while sustaining tenancies wherever possible. The approach recognises that there is a broader social cost

Friendships forged in cosy community hall

At the heart of a Nelson Kāinga Ora housing complex, every Friday morning a group of friends gather in a cosy community hall to share a cuppa, delicious food and lively chats. Kāinga Ora took over ownership of the Karaka Flats in 2021 and since then has maintained the community hall on behalf of the residents.

Residents contribute a plate of goodies each week and put a gold coin in the kitty for cups of tea. The community hall gives residents the opportunity to meet for morning tea in a central place, popping in and out as they please. It has also given them a place to create long-lasting memories with each other. Over the years, it has played host to soup days, fish and chip days, even a fashion parade.

The residents of the Nelson Housing complex feel part of a community where they feel safe and look out for each other.

Kāinga Ora Senior Housing Support Manager Toby Beesley says he enjoys catching up with the Karaka Flats residents every Friday morning. "There's a wonderful sense of community at the Karaka Flats and residents, and I, really enjoy the collegiality of the morning teas. They're a great opportunity for friends to spend some time together, and they continue to look after each other throughout the week,".

incurred when a tenancy is ended and the household has nowhere else to live. In addition to the immediate increase in cost to government when a tenant moves from an Income Related Rent Subsidy and into Emergency Housing, research shows that a lack of housing stability also has flow-on effects on both time and cost pressures on the health system, education and employment outcomes, policing and the justice sector. Quite simply, having a home matters.

We are redesigning our complaints process to ensure the process is clear and easy to navigate; developing a medium-to-high density service model to ensure our people can support customers living in these environments; and working to clarify how our functions under the Kāinga Ora Act 2019 should govern our community development activity.

Customer programme reaches a significant milestone

Our customer programme has achieved a major milestone, with our new service delivery model now having transitioned into business-as-usual activity. With better tools and support in place for customer-facing teams, we are on our way to ensuring our customers live well, with dignity and stability and the greatest degree of independence possible.

For example, MyKāingaOra is an online service that enables customers to manage matters relating to their tenancy or get information whenever it suits them. In February, we launched a feature that gives our customers more independence in controlling any rent or maintenance arrears. Customers can now take actions such as setting up their own repayment arrangements for arrears under $1,000 and without an existing arrangement in place.

Disruptive behaviour

When disruptive behaviour occurs, we take it seriously and aim to respond quickly and effectively. More than 90% of our tenancies have received no complaints over the past 12 months, and of the complaints received, around 85% were for minor issues such as car noise, frequency of visitors, or lawns not being mowed.

In the past 12 months, 170 households have been relocated by agreement for disruptive behaviour. Most tenants take moving to a new home as an opportunity to make a change and have a fresh start, and more than 85% of those tenants who have been relocated have had no further complaints about their behaviour.

We continue the effective use of tools available to us, including business initiated transfers or relocation by agreement, use of section 53b of the Residential Tenancies Act (required relocation), and use of section 55 (three strikes system).

Building liveable homes

Delivering homes to Kāinga Ora accessible standards ensures our customers have homes that are stable for them to live in and can remain in for as long as they need.

Our commitment to universal design goes beyond compliance with accessibility standards. We strive to create homes that can accommodate individuals of all abilities and ages, allowing them to live comfortably and independently for as long as they need. Whether it's addressing mobility challenges, promoting safety, or enhancing convenience, our homes are thoughtfully designed to meet diverse needs.

We have taken a significant step forward by developing our own universal design standards this is supported by a comprehensive set of indicators. We understand the importance of staying at the forefront of industry practices. Therefore, we are actively striving to align our approach with best practice benchmarks in the field.

For the financial year to date, we have delivered 81 new homes to Kāinga Ora universal design standard, and we expect to achieve more than 200 homes to this standard by 30 June. This means we are on track to meet our target of at least 15% of our new builds meeting Kāinga Ora universal design by the end of 2022/23.

Maintaining our warm, dry homes

Routing simple maintenance requests to our maintenance partners

We have introduced systems that automatically route simple maintenance requests to our maintenance partners so jobs are completed more quickly. We have also introduced a process that enables contractors to do quick and easy additional work while onsite, without the need for a new logged job - reducing callouts and inconvenience to our customers.

Our retrofit programme is on track to exceed its 700 home target

We continue to make good progress on our public housing retrofit programme. We delivered 71 homes in March - the highest monthly delivery to date - bringing our year to date delivery to 491 homes. We forecast that the programme will deliver 755 homes for the year, above the 700 SPE target set for 2022/23.

Housing access

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

Growing and renewing public and supported housing

Delivering on our public housing plan commitments

We have a June 2024 deadline to complete the delivery of several housing programmes, which will add a net 11,512 (net) additional homes to our Public and Supported Housing portfolios. The programmes include better use of our existing land holdings and renewing old homes, with construction of almost 16,000 (gross) homes required to offset the demolition or disposal of homes that are no longer fit for purpose.

We are delivering more quality homes at scale and pace. Over the past six years, we have invested billions into build companies, suppliers and the residential construction sector nationwide, providing a pipeline of work, employment opportunities and income streams. Our build programme to date has completed over 6,300 net new homes.

However, the January weather events now mean we are unlikely to meet our 2022/23 SPE delivery targets, with 800-850 homes across our housing programmes deferred into next financial year.

Six-year housing plan 2018/19 - 2023/24 (net volume)	Commitment 2018/19 - 2023/24	Total Delivered	Remaining Deliveries[1]	% Deliveries Remaining[1]	Delivered 2018/19 - 2021/22	Delivered Year to date 2022/23
Public Housing Plan 1: July 2018 to June 2022	4,480	4,365	*115*	3%	3,582	783
Public Housing Plan 2: July 2022 to June 2024	4,800	0	*4,800*	100%	-	-
Public Housing: Refugee	364	287	*77*	21%	247	40
Transitional Housing: Budget 2020	1,400	1,193	*207*	15%	1,086	107
Transitional Housing: PERM 530-650	404	404	-	-	404	-
Department of Corrections	64	31	*33*	52%	34	-3
Supported Housing: Other[2,3]	-	33			18	15
Total Housing Delivery - Net	**11,512**	**6,313**	***5,232***	**45%**	**5,371**	**942**
Public Housing Delivery Total - Net	9,644	4,652	*4,992*	52%	3,829	823
Supported Housing Delivery Total - Net	1,868	1,661	*240*	13%	1,542	119
PHP non-commitment homes						
Public Housing Tenanted Acquisition: Nelson & Tauranga[4]	-	340			142	198
Total Net Increase	**11,512**	**6,653**			**5,513**	**1,140**

1. Remaining Deliveries - aligned with 2022/23 and 2023/24 budget, endorsed by the Board in November 2022.
2. Supported Housing: Other - includes Community Group Housing (CGH) homes and other Transitional Housing programmes.
3. CGH target of 126 removed - this was an internal target. It is not counted towards our housing commitments but the homes are included in our managed stock and our net increase (SPE 2.2).
4. Public Housing Tenanted Acquisition: Nelson & Tauranga - this is not counted towards our housing commitments but is counted towards our net increase (SPE 2.2).

Two projects are being formally assessed as potential Specified Development Projects

We are formally assessing two projects as SDPs - in the Northern Growth Area in Porirua and in the Western Corridor in Tauranga. Both assessment processes are expected to be completed by the end of 2023.

Some specific examples of our public housing projects from across the country

Twenty new public homes are planned across two properties in Kerikeri

These are the two largest developments we have undertaken in Kerikeri, and will include 12 homes within a three-level walk up apartment building on one property, and eight two-storey terraced homes on a neighbouring property. With 456 applicants on the public housing waiting list in the Far North region, there is an urgent need for more affordable housing. One of the developments is within walking distance of the town centre - meaning more people can live close to local schools, jobs, open spaces, shops, and other amenities. We expect to begin civil works in mid-2023, with home construction under way in late 2023.

Blackwood Street complex retrofit, Nelson

In February, significant upgrade and improvement work began on 14 homes in the Blackwood Street complex in Nelson as part of the renewals programme. We expect customers will be able to return to their newly renovated homes in June this year. The homes will be re-clad and feature new double-glazed joinery, heat pumps, and insulation to make them warmer and drier. The layout will be altered to make the living and kitchen areas open plan, and the bathrooms larger. Customers can select their own carpet, bathroom vinyl and front door colours.

The homes were transferred from Nelson City Council to our ownership in 2021, with the agreement that they were to undergo retrofit work to meet the Government's Healthy Homes standards. We completed retrofit work on 18 homes in another former Nelson City Council-owned complex in Nayland Road last year.

Delivery and construction milestones

The first homes are underway in our biggest redevelopment programme in Tauranga. Construction started on 11 homes across three sites in Haukore Street, and early works began on 8 homes in Waihi Road. Main works also started in January on our first new public housing development in Greymouth.

The first 13 of 106 homes have been delivered in Epuni (Stage 3), our biggest development in the Hutt Valley. Also complete is a basketball court at the neighbouring school, as part of place-making initiatives.

Transitional housing

We have completed 1,177 transitional homes to date, 109 in the current financial year. Of these completed homes, 1,148 have been made available to the Ministry of Social Development for referral, at which point they become part of the programme.

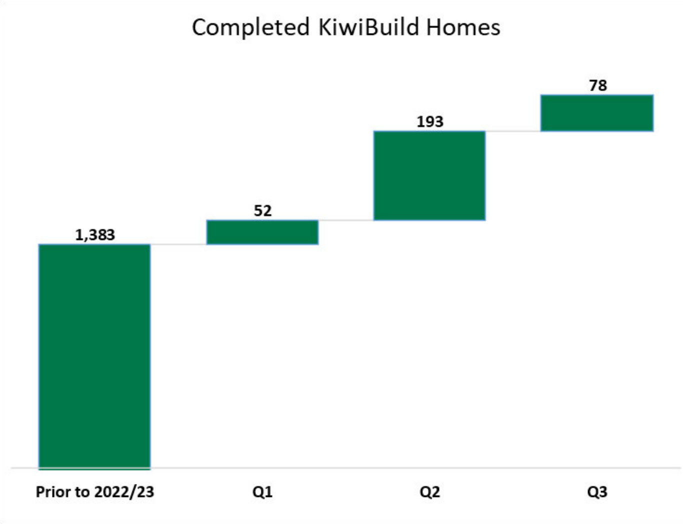
Providing greater access to housing

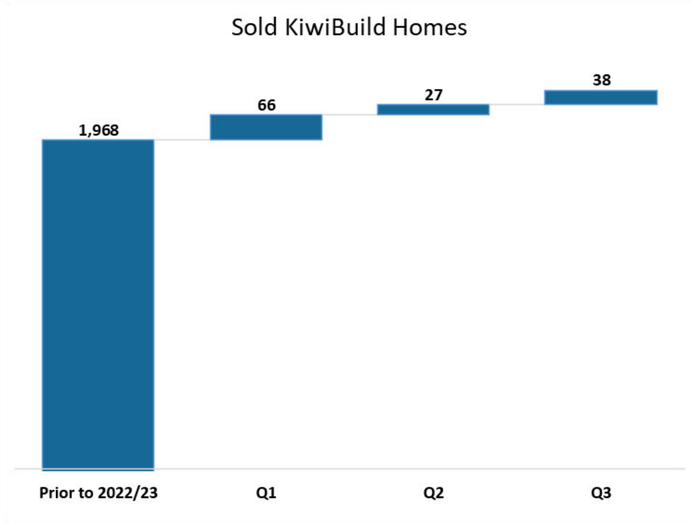
KiwiBuild homes underwritten, built and completed this quarter

Three new underwrite proposals were approved in the quarter, to deliver 231 KiwiBuild homes and enable a further 355 market homes. We have approved eight new underwrite proposals since the KiwiBuild settings were updated in July 2022, which will deliver 443 KiwiBuild homes and enable 505 further market homes.

Seventy-eight KiwiBuild homes were completed this quarter, compared to 193 last quarter, bringing the total completed homes to 1,706. During this period of the year, there are typically fewer building completions.

Thirty-eight KiwiBuild homes were sold during the quarter, compared to 27 last quarter, bringing the homes sold to eligible purchasers to 2,099. There has been a slow-down in the real estate industry, with overall home sales down by 31% over the last 12 months.

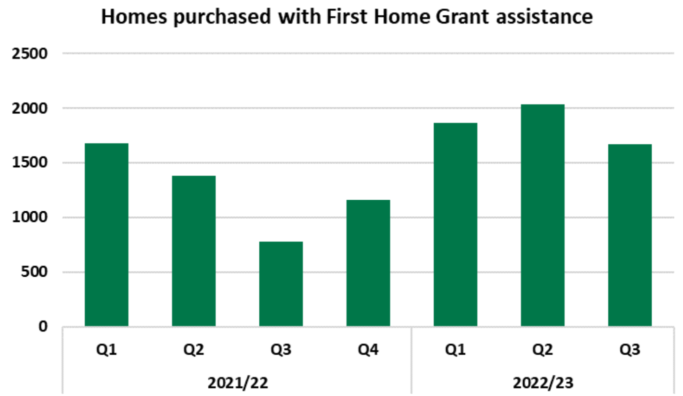


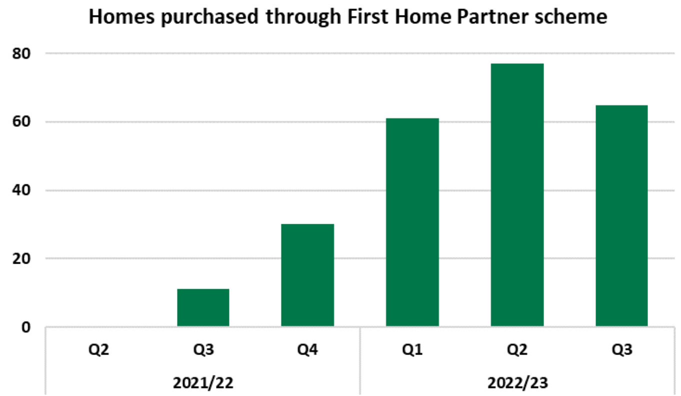


Administering home ownership projects

We administer a range of home ownership products to help New Zealanders overcome the deposit barrier and make it easier for them to purchase their first homes. This quarter, 1,670 homes were purchased with the assistance of the First Home Grant, up 114% on the same period last year.

We have underwritten 2,030 loans so far this financial year (882 in the quarter), while the First Home Partner scheme has enabled 244 customers to purchase a home since October 2021. A further 102 households have signed Agreements for Sale and Purchase. If agreements continue to be signed at the same rate, we forecast current funding to be committed by mid to late 2023, with settlements to continue beyond this date. We expect to help around 500 households into home ownership with First Home Partner.





Māori aspirations

Investment in housing solutions that build capability and support whānau wellbeing

Improving Māori outcomes

Tauranga Western Corridor Specified Development Project (SDP)

We are engaging with five hapū of Ngāti Ranginui to help develop key features of the SDP and to assist with compliance of statutory obligations and Te Tiriti o Waitangi. Partnership agreements are being developed which focus on terms of engagement, hapū aspirations, governance and Māori procurement. We are in the assessment phase of the SDP which may result in between 30,000 and 60,000 homes.

Partnerships with Māori

Delivering new public homes in Kaikohe

Five new homes have been delivered on Rankin Street, our largest redevelopment to date in Kaikohe. It is made up of four two-bedroom and one five-bedroom standalone and duplex homes. Three of the homes have accessibility features, such as level access and wider hallways, to cater for customers with mobility needs. The development has been built by Yakas Construction, one of several Māori-owned build companies we have partnered with in Te Tai Tokerau (Northland) in recent years. As part of their contract, Yakas Construction took on two apprentices.

Community Housing Provider programme for Tāmaki Makaurau urban marae

We have supported three urban Marae and one local Marae in Tāmaki Makaurau (Auckland) to become Community Housing Providers. Papakura, Ruapotaka and Mataatua have submitted final registration documentation to qualify for a licence with Makaurau Marae (Te Ahiwaru) completing final documentation.

Capacity and capability building for Māori

MAIHI Partnership Programme workshop developed

The MAIHI Partnership Programme makes it easier for hapū, iwi, and Māori housing providers to find and access the support that is available from different government agencies for Māori-led housing projects. We have been involved in developing a workshop to present to Māori communities across the Waiariki (Bay of Plenty) and Waikato regions which shows the tools and products of each of the agencies involved in the programme. Roadshows will begin in May 2023.

National Māori Housing Conference – Te Āhuru Mōwai

We were a bronze sponsor at the National Māori Housing Conference held in Rotorua in March which was hosted by Te Arawa with the support of Rotorua Lakes Council and Ngāti Whakaue. This provided an opportunity for rōpū Māori, iwi and stakeholders to network, share information, and understand Māori housing aspirations to formulate solutions that assist Māori into quality, affordable housing. We had e Āhuru representatives from across the organisation so attendees could talk directly with experts.

James Te Puni, Kaiwhakahaere Matua (Chief Executive Officer) at Te Āhuru Mōwai (a registered Community Housing Provider owned by Te Rūnanga o Toa Rangatira (Ngāti Toa)) was a keynote speaker. Te Āhuru Mōwa is focussed on delivering warm, dry, safe homes, increasing housing choice over time, and contributing to improved wellbeing outcomes for the wider Porirua and Tawa Communities.

The main themes were the importance of leadership and encouragement of iwi Māori to explore opportunities within the public housing programme and the unique way in which manaaki is expressed towards their tenant base, which is a ‘people focused' approach.

Maihi Partnership Programme workshop developed Sharing data insights
We partnered with Awarua Rūnaka and Taylor Winter, data scientist, to present the final Murihiku Māori Housing Data Insights Report to southern-based Papatipu Rūnaka and community stakeholders at a hui in Invercargill. We agreed to continue working with Awarua Rūnaka to deliver housing for Murihiku whānau Ngāti Wheke.

We facilitated whānau wānanga to ensure whānau aspirations and the rūnanga strategic plan are built into the overall design and delivery of the Lyttleton West site project brief. We will continue to offer our expertise and join the rūnanga executive hui to present mahi and gauge feedback for the next steps.

Thriving communities

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

Developing thriving communities

Urban development and Large Scale Projects under forecast

Forty-nine state homes were enabled during the quarter, with the land handed over to begin construction. The full-year forecast for LSP land sales is below target due to poor market conditions and stalled negotiations, and we are unlikely to reach our “homes enabled” SPE target. Land is still being enabled within the LSPs, and work continues with our development partners on mitigation to help them to maintain momentum.

Spending on urban development this quarter was $61 million below forecast, and brings the total to 67% of our forecast year-to-date spending. With three months remaining in this financial year, the catch-up in activity and spend will occur in the next financial year.

The Auckland flood caused delays in tenancy relocation and in civil and infrastructure work, and there has been cost escalation on current and future business cases. We are working with Te Tūāpapa Kura Kāinga (Ministry of Housing and Urban Development) to consider the cost implications, and will present our options to the Minister.

Urban Development Strategy – 13 short term actions completed
Since the Urban Development Strategy Implementation Plan was approved by the Board in October 2022, 13 of the 29 short term actions to be implemented by October 2023 have been completed, including:

- publishing the Urban Design Guidelines and refreshed Landscape Design Guide
- completing consultation and developing concept designs for the Modern Pasifika Housing (Māngere) Project with the designs now being applied
- providing input into the Urban Growth Agenda Infrastructure Funding and Financing Project being jointly led by Te Tūāpapa Kura Kāinga (Ministry of Housing and Urban Development), Treasury, and the Department of Internal Affairs.

The remaining short-term actions are on target to be achieved by October 2023.

Our people build connections with Pasifika community

In March this year Christchurch our staff attended Canterbury Polyfest – a gathering of around 20,000 people in Hagley Park to celebrate Pasifika culture with traditional dance, music and custom.

Our team spent the day engaging with the Pasifika community, and also had the opportunity to showcase our Home Ownership products. The Kāinga Ora stand and surrounding area was bustling with activity. Our giant snakes & ladders, Jenga, and colouring-in were a real hit with the kids on the day.

The team also made important connections with other organisations and NGOs, strengthening our relationships and reconnecting with the community organisations we work with in Canterbury.

Kāinga Ora Land Programme

Following approval of the 9(2)(f)(iv) [redacted] Affordability paper, we will work with Te Tūāpapa Kura Kāinga (Ministry of Housing and Urban Development) on the appropriation available for affordable housing in 9(2)(f)(iv) [redacted] and the wider Kāinga Ora Land Programme.

Thirteen projects are under assessment in the Land Programme pipeline, with some projects moving towards conditional agreements to purchase. These are 9(2)(f)(iv) [redacted]

9(2)(f)(iv) [redacted] They have been endorsed to proceed through to a conditional contract.

National Policy Statement on Urban Development

We continue to work with Councils, Te Tūāpapa Kura Kāinga (Ministry of Housing and Urban Development), and other stakeholders on the implementation of Council-led plan changes to enable more quality and affordable housing, whether Intensification Planning Instruments (IPIs) or normal plan changes. We are collaborating closely with NZTA Waka Kotahi on joint evidential cases within processes on topics including Walkable Catchments, Qualifying Matters (Infrastructure) and Special Character Areas.

We continue to provide support and input into Council preparation of Future Development Strategies under the National Policy Statement on Urban Development, with these planning documents giving higher-level direction for creating well-functioning urban environments, and ensuring intensification is in the right areas.

Building on our collaborative relationship with the Ministry of Education

We have signed a Memorandum of Understanding (MOU) with the Ministry of Education, building on our existing relationship. We have regularly shared investment and development pipeline information with the Ministry, to create an understanding of our housing and urban development plans alongside the Ministry's intentions for the provision of educational facilities. The MOU provides for co-operative ways of working, with regular engagement on a wide range of projects, policies, strategies, and initiatives.

System transformation

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

Encouraging innovation in construction

Off-site manufacturing

During the quarter, we delivered 12 apartment homes in Auckland's Mt. Albert, the final of four Auckland projects trialling Cross Laminated Timber (CLT) in three-storey walk-ups. CLT uses timber panels which are manufactured off-site, are fast to install and are 100% renewable. This is a building system which we have been among the first to adopt extensively in New Zealand.

Two off-site manufactured homes were completed in Taihape, the first new redevelopment in Taihape for many years. The 2-bedroom homes were built by students at WelTec Construction Academy and transported to site.

Two 5-bedroom off-site manufactured homes were completed in Christchurch. The development was a pilot of the My Kiwi House building system, based on a Swedish design. The homes achieved an 8-Homestar rating (our standard public homes are built to a 6 Homestar rating) and include OSM wall panels, triple glazed windows, insulated doors and mechanical ventilation.

Construction has started on 18 off-site manufactured homes in Māngere, Auckland. The 2- and 3-bedroom duplex and terrace homes will be constructed using the Clever Core panelised system.

We now have 13 trade academy Memorandums of Understanding with high schools, technical institutions and corrections facilities around the country, with six more in development.

Housing Delivery System accelerating the pace of delivery

Our Housing Delivery System is a key transformational programme. It aims to make the delivery of new houses quicker and more predictable, by creating better flows in the construction process, eliminating gaps and waste, and developing more efficient approaches and processes. A typical development that may have taken just over two years to complete is expected to have customers moving into their new homes within about six months.

Five mini-business units are now operating, and are completing the pre-construction phase in 33 days, and three-storey walk-ups in an average of 75 days.

In Christchurch, the first and second construction projects were completed in 144 and 93 days respectively. We expect the number of days to trend further downwards for projects of similar scale and complexity.

This home in Hoon Hay in Christchurch was built using the Housing Delivery System

Infrastructure Acceleration Fund (IAF) shifts focus to delivery

- The Infrastructure Acceleration Fund (IAF) is a $1 billion fund administered by us on behalf of the Crown for new or upgraded bulk infrastructure such as water, transport and flood management to enable housing developments in areas of need throughout the country.
- While 39,500 homes have been contracted across 30 funding agreements with councils, and approved by Ministers, this is an estimate of the number of homes that can be build (or enabled) due to the increased infrastructure capacity, with experience from previous funding initiatives showing that developments will experience changes to cost, time and scope during delivery.
- Following the announcement in February 2023 for funding of critical infrastructure in Whangārei, the IAF has now allocated $926.7 million to recipients that will enable up to 35,000 homes over the next 10 to 15 years. The IAF has moved into the delivery phase, where we work closely with funding recipients to monitor and report on the progress of infrastructure projects.
- Thirty separate funding agreements have been signed to support 28 New Zealand cities and towns to increase infrastructure capacity for new homes. The primary focus has shifted to monitoring the progress of the funded infrastructure projects, making payments to recipients upon completion of key milestones, and supporting councils and developers to deliver on the housing outcomes.

Environmental wellbeing

Sustainable and resilient operations, assets and communities

Our opportunity to improve environmental wellbeing

Contributing to and supporting environmental wellbeing

Our Site Clearance Waste Minimisation targets are tracking well. Phase 2 of the programme shifts focus to Construction Waste Minimisation and the delivery of our implementation plan.

Our ‘Design out Waste’ survey received more than 56 responses from architects and designers. The results of the survey are being evaluated and will be used to determine our next steps. Insights from the survey will be shared with the industry under our Building Momentum Framework.

Case study demonstrates value through partnership

A case study of a recent community salvage day through deconstruction at Cardinal Place, Glendowie with deconstruction panel member Greenway saw local people invited to take away free building materials and appliances. More than 150 people turned up to the salvage day. Top items given away were ovens, kitchens, tapware, insulation, curtains, stainless steel benches, heat pumps and heaters. Around 400 to 600 square metres of insulation was given away, enough curtains to furnish about two average sized houses as well as 15 kitchenettes and 18 ovens and heaters.

Our plan to reduce emissions

Waste minimisation

We are focused on reducing waste created through development, as construction and demolition waste accounts for 40-50% of all waste sent to landfill in New Zealand. Through our site clearance programme, we now prioritise relocating existing homes and deconstruction methods over demolition wherever possible.

Our target is to relocate 7% of older public homes from development areas nationally. These better-quality existing houses are offered to Māori groups, Community Housing Providers, Non-Governmental Organisations, and the private sector for refurbishment. On top of this, within our deconstruction and demolition programmes, we aim to divert 80% of uncontaminated waste from landfill in our Auckland and Northland development areas, and divert 60% of uncontaminated waste in all other regions. This quarter we diverted 87% of waste from Auckland, and 74% from all other regions.

Statement of Performance Expectations results

Our Statement of Performance Expectations (SPE) measures are presented on the following pages, with each measure showing the full year target; our result after the March quarter; a forecast of our expected full year result; and a colour indicator of our progress.

Green indicators show that we expect to meet the full year target.

Amber indicators show when the forecast is a range and the final result may be slightly above or slightly below the target.

Red shows that our forecast indicates we will not achieve the target for the year.

Measures with no indicator are either demand driven; monitoring measures with no target; or where not enough data is available to make an accurate forecast.

SPE table legend	
✔	Measure is on target
–	Measure is behind target
✖	Measure won't meet target
✓	sub-measure is on target
✗	sub-measure is behind target

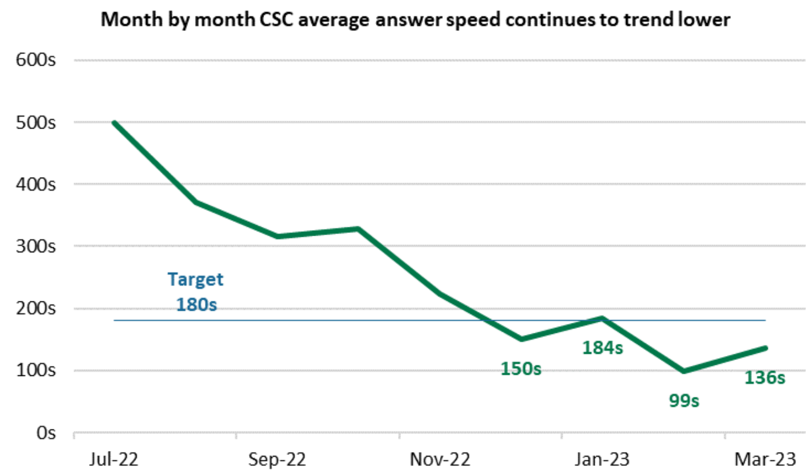
Output Class 1 - Supporting our customers to live well with dignity, stability, and connectedness

	Supporting our customers to live well with dignity, stability, and connectedness	Full year target	YTD result	Year-end forecast	
1.1	New customers receiving *Support to Settle In* within first 12 weeks	*85%*	**84%**	-	-
1.2	Public housing customers satisfied with Customer Support Centre	*85%*	**84%**		84%-85%
1.3	Customer Support Centre average speed to answer telephone calls (seconds)	*≤3 minutes*	**4 minutes 5s**		4m-5min
1.4	Customers feel tenancy manager treats them with respect	*85%*	**85%**		83%-85%
1.5	New customers sustain tenancy for 12+ months	*92%*	**96%**		96%
1.6	Customers in rent arrears with a working repayment arrangement	*75%*	**73%**		70%-74%
1.7	Customers feel tenancy manager takes into account individual circumstances	*75%*	**70%**		67%-71%
1.8	Customers satisfied that interactions with are culturally appropriate	*75%*	**78%**		75%-77%
	...and who identify as Māori	*75%*	**79%**	✓	75%-77%
	...and who identify as Pacific peoples	*75%*	**73%**	✗	71%-73%

Exceptional results achieved by the Customer Service Centre (CSC) in response to weather events
The CSC team performed extremely well during the adverse weather events during the quarter: the days immediately following the events saw a 70% increase in call volumes, yet answer times hit a low of 99 seconds for February.

This came from a great number of extra staff hours being available, with people offering their time to assist with weather relief efforts, as well as continued improvements in coaching unplanned absences, and other improvements.

The recent string of high performance bodes well for next year's performance results, but we will not achieve the Average speed to answer telephone calls SPE target for this financial year because of the higher answer times earlier in the year.



Customers in rent arrears

Approximately 84% of our customers have no rent debt and continue to pay their rent on time every week. We work with customers to establish payment arrangements that are sustainable, and reducing rent debt will continue to be a key focus of these teams over the next 12 months.

Of those customers with rent arrears, three quarters had payment arrangements in place (both paying rent on time and making additional, sustainable payments to reduce their rent arrears). Of the remaining customers, about half are on payment plans but have been unable to make the full payment. We are actively working with these customers to understand the causes behind this. A small number of customers with no payment arrangements owe less than 8% of the total rent arrears, and are fewer than two weeks behind on their rent.

Customers feel tenancy manager takes into account individual circumstances

This measure shows minor improvement from the last quarter at 69%. The result remains steady at 70% for the year to date and we expect to finish the year between 67%-71%.

Revenue and Output Expenses	Actual YTD March 2022/23 $ million	Budget YTD March 2022/23 $ million	Full Year Budget 2022/23 $ million	Comment
Revenue Crown	55.0	53.0	70.8	The revenue and expenses of this output class are in relation to the management of the public housing portfolio. This includes all rent revenue and administration and tenant serving expense for public housing.
Revenue Other	30.6	23.9	31.1	
Expenses	85.6	76.9	101.9	
Net surplus/(deficit)	0.0	0.0	0.0	
Capital Programme Expense	3.4	7.5	9.3	Share of infrastructure capex spend.

Output Class 2 - Growing, renewing and maintaining our homes

	Growing, renewing, and maintaining our homes	Full year target	YTD result		Year-end forecast
2.1	Newly constructed homes:	*3,400*	**1,289**		2,591
	...that are Public homes	*3,155*	**1,209**		2,387
	...that are Supported homes	*245*	**80**		204
2.2	Increase in the overall number of homes (net increase):	*2,200*	**1,140**		1,903
	...that are Public homes	*1,930*	**1,046**		1,663
	...that are Supported homes	*270*	**94**		240
2.3	New homes built to 6 Homestar standard	*90%*	**100%**		99%
2.4	Newly constructed homes meeting full universal design standards	*15%*	**13%**		15%
2.5	New homes adopting Offsite Manufacturing solutions (%)	*Establish baseline*	**8%**		8%
2.6	Develop housing construction timeline metrics	*By Dec 2022*	**Completed Dec 2022**		Completed
2.7	Homes completed as part of home renewal programmes	*700*	**491**		720
2.8	Uncontaminated waste from redevelopment sites diverted from landfill				
	...in Auckland	*80%*	**86%**	✓	83%
	...in the rest of New Zealand	*60%*	**78%**	✓	70%
2.9	New trainees in our construction apprenticeship or cadetship programme	*100*	**90**		120
2.10	...who identify as Māori or Pacific peoples	*50%*	**50%**		50%
2.11	Construction partners satisfied or very satisfied with ongoing partnership	*65%*	**72%**		70%
2.12	Existing homes relocated to make way for new redevelopments	*Establish baseline*	**31**		80
2.13	Building consents granted by Consentium within 20 working days	*98%*	**97.4%**		97% - 98%
2.14	Public homes that are let (occupied days)	*97.5%*	**96.3%**		96.2%
2.15	Days from a public home becoming vacant to being ready to let	*≤23*	**24.1**		23.5 - 25 Days
2.16	Public housing customers satisfied with repairs and maintenance	*75%*	**72%**		69%-72%
2.17	Time taken to respond to urgent health and safety maintenance queries (hours)	*≤4*	**2.8**		2.6 - 3.0 hours
2.18	Public housing customer maintenance requests completed within agreed service level	*80%*	**80%**		79% - 80.5%
2.19	Homes that receive one or more major planned interventions	*13%*	**12.1%**		15% - 17%
2.20	Homes compliant with the healthy homes standards	*100%*	**86%**		90% - 95%
2.21	Lettable properties that meet the asset condition scale baseline quality standard	*93.5%*	**92.6%**		92.7% - 93.2%

Newly constructed homes and net increase in homes

Our SPE measures of newly constructed homes (SPE 2.1) and net increase in homes (SPE 2.2) were on track prior to the extreme weather events experienced in January and February (Auckland flooding and cyclone Gabrielle). The target of 3,400 newly constructed public and supported homes was a challenging stretch target – but at the end of December we were confidently on track to meet this. However, the weather events that resulted in local and national states of emergency being called, have led to a range of direct and indirect impacts that have caused delays to the delivery programme for the financial year. As a result, the delivery of 800-850 homes will be pushed out from this financial year to the next, meaning that a maximum of 2,550 homes will be delivered in 2022/23, and attaining the 3,400 SPE targeted number by August 2023. We are continuing to work with our build partners to see if any projects can be brought forward into this financial year.

Public homes that are let (occupancy rate)

As we continue to increase the numbers of new homes and renew our existing portfolio, we responsibly manage customers in those homes, both new and existing. For large new multi-unit developments, we plan and phase the entry of new customers over several weeks or months. For homes receiving major work and upgrades, we maintain a stock of alternative accommodation while we upgrade homes where customers already live.

Collectively, these programmes of improvement have a minor, but cumulative, ongoing effect on our occupancy as new homes are not necessarily immediately occupied, and homes that are being renewed are not occupied for the duration of the upgrades. We intend to lower our 2023/24 occupancy target to more accurately reflect the effects of our programmes in this area, allowing us to continue to focus on our longer-term outcomes.

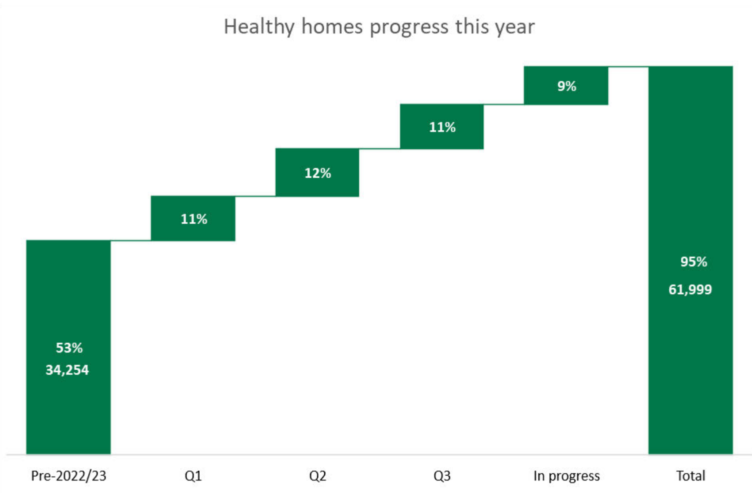
Vacant to ready to let days to narrowly miss target

Meeting the target for days from a public home being vacant to ready to let was challenging in the March quarter. Some regions have been experiencing higher than expected levels of vacant properties, or have more properties that require more work, increasing the time and negatively affecting this measure. We expect this situation to continue in the short term, and are working through solutions to address this, but we are likely to narrowly miss our full year target of 23 days.

On track to achieve compliance with Healthy Homes Standards by 1 July 2024

We are on track to achieve compliance with the Healthy Homes Standards by the new timeframe of 1 July 2024, with 55,929 homes (86.1% of our portfolio) now meeting the standards, and more than 6,000 homes that have work in progress.

We will not achieve the current SPE target of 100% by June 2023, but will achieve the 90% compliance expected by the Minister this year. We consider this measure to be on target (green), as we will achieve the updated 90%



compliance expected by the Minister this year, but for full transparency, it is marked as red against the initial 100% SPE expectation.

Revenue and Output Expenses	Actual YTD March 2022/23 $ million	Budget YTD March 2022/23 $ million	Full Year Budget 2022/23 $ million	Comment
Revenue Crown	806.7	822.1	1,126.0	The expenses of this output class are in relation to the maintenance of the public housing portfolio. This includes all administration and maintenance expense for public housing and both revenue and expense for supported housing. It includes net interest expense.
Revenue Other	448.5	475.5	628.3	
Expenses	1,581.2	1,679.4	2,243.9	
Net surplus/(deficit)	(326.1)	(381.9)	(489.5)	
Capital Programme Expense	2,152.2	3,055.6	4,183.5	Share of infrastructure capex; all public housing capital spend.

Output Class 3 - Delivering and facilitating urban planning and development

	Delivering and facilitating urban planning and development	Full year target	YTD result		Year-end forecast
3.1	New homes that will be built on land enabled through urban development activity	*1,700*	**312**	✗	625
3.2	Affordable homes enabled as a percentage of total market and affordable homes enabled	*40%*	**61%**	✓	69%
3.3	Market and affordable enabled homes under construction by third parties within agreed timeframe	*95%*	**97%**	✓	97%
3.4	Deliverables met in large-scale projects monitoring framework	*80%*	*Available in Quarter 4*		
3.5	Newly constructed homes with delivery managed on behalf of TRC	*324*	**64**	✗	232
3.6	New market, affordable and TRC public homes enabled to 6 Homestar standard	*90%*	**100%**	✓	100%
3.7	Jobs created and retained through the life of shovel-ready projects	*Tracking progress*	**175**		174
3.8	Urban Development Strategy implementation plan adopted	*By October 2022*	**Completed 28/10/2022**	✓	Completed
3.9	Strategic land acquisition plan adopted	*By October 2022*	**Completed 28/10/2022**	✓	Completed
3.10	Projects formally considered for selection as a specified development project	*3*	**2**	✗	2

***Homes enabled* forecast below target**

Our forecast for the full year of homes enabled (SPE 3.1) has dropped significantly below the target, with build partners finding it difficult to commit to original land price offerings. Due to the drop in presales activity our build partners are either requesting to renegotiate development agreements, or are unwilling to execute development agreements in the current market. We continue to investigate land sales strategies and market interventions to assist our development partners to manage these challenges. Activity within the LSPs continues and land is still being delivered - it is important to view these downturns in the context of LSPs which are decades long urban regeneration projects.

Newly constructed homes with delivery managed on behalf of TRC affected by delays to build programmes

The effects of the adverse weather events in early 2023 have meant that deliveries of homes have been deferred into later months or the next financial year. We continue to look for ways to deliver additional homes this financial year, but our updated forecast indicates we will not achieve the 324 home target for this measure.

Specified Development Projects (SDP) for this financial year revised

In August 2022, the Let's Get Wellington Moving (LGWM) Partnership Board requested us to select LGWM as a potential SDP for formal assessment. We began writing a selection report, which would include a recommendation (to select or not select) the project for assessment. Towards the end of 2022, LGWM let us know that their preference was for a selection decision to be deferred, while they undertake further work on urban development outcomes.

We are formally assessing two projects as SDPs - in the Northern Growth Area in Porirua and in the Western Corridor in Tauranga. Both assessment processes are expected to be completed by the end of 2023.

We have also made the decision not to undertake further work to explore the Middlemore project as a potential SDP. After technical work to explore the benefits of a potential SDP and considering each partner's position and capacity to engage in a formal SDP process, we concluded not to progress further work at this time. This is, however, not a formal Section 29 (Urban Development Act) decision that meets the definition of the SPE.

Revenue and Output Expenses	Actual YTD March 2022/23 $ million	Budget YTD March 2022/23 $ million	Full Year Budget 2022/23 $ million	Comment
Revenue Crown	21.4	30.2	53.3	The revenue and expenses of this output class relate to activities associated with urban development activities and increasing general and affordable housing supply.
Revenue Other	135.4	231.0	284.7	
Expenses	193.4	285.2	416.9	
Net surplus/(deficit)	(36.6)	(24.0)	(78.9)	
Capital Programme Expense	213.0	736.0	986.9	Share of infrastructure capex; all urban development capital spend.

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

	Supporting Crown housing infrastructure & home ownership initiatives fc	Full year target	YTD result		Year-end forecast
4.1	First Home Grant, KiwiBuild, and First Home Partner applications assessed	*Demand driven*	**21,965**		26,500 - 27,000
4.2	Days to assess completed First Home Grant, KiwiBuild, and First Home Partner applications	*≤5.0*	**1.9**	✔	2.0
4.3	Applicants gaining full pre-approval for First Home Partner who are:		**0%**		
	...Māori	*Monitor*	**8%**		9%
	...Pacific Peoples		**7%**		7%
	...families with children		**65%**		68%
4.4	First Home Loan mortgages underwritten	*Demand driven up to 3,600*	**2,030**		2,650
4.5	Homes purchased by New Zealanders with one or more of our home ownership products	*Demand driven*	**7,354**		9,500
4.6	...and purchaser identifies as Māori	*Monitor*	**9%**		9-10%
	...and purchaser identifies as Pacific Peoples		**5%**		4-5%
4.7	Completed underwritten KiwiBuild homes acquired by the Crown	*≤25%*	**17%**	✔	21%
4.8	IAF funding agreements entered into	*80%*	**96%**	✔	95%

Revenue and Output Expenses	Actual YTD March 2022/23 $ million	Budget YTD March 2022/23 $ million	Full Year Budget 2022/23 $ million	Comment
Revenue Crown	71.6	88.2	120.3	The revenue and expenses of this output class are in relation to products that are managed on the Crown's behalf and expenses associated with these home ownership products.
Revenue Other	1.3	1.3	1.7	
Expenses	63.3	86.0	114.2	
Net surplus/(deficit)	9.6	3.5	7.8	
Capital Programme Expense	0.5	1.0	1.2	Share of infrastructure capex spend.

Our organisational health

People and governance

People and governance		2022/23 target	YTD result
Org SPE 1.1	Percentage of invited people leaders who completed Waka Tangata leadership programme by June 2023	70-90%	**58.9%**
Org SPE 1.2	Ministerial correspondence, parliamentary questions and Official Information Act requests delivered to meet the agreed deadline	≥95%	**99.6%**
Org SPE 1.3	Ministerial services delivered meet the quality criteria	≥95%	**99.6%**

All items but one were delivered to agreed deadlines during the quarter, resulting in 99.7% timeliness for the quarter and all but three Ministerials were delivered to agreed deadlines since the beginning of the year, resulting in 99.6% timeliness year to date. In terms of quality of our responses, all but four WPQs were delivered to the required quality criteria, resulting in 99.6% quality result for year to date. The measure covers the quality of information we provide and grammatical accuracy of the responses based on corrections noted or returned by Ministers.

Māori interests and obligations

Māori interests and obligations		2022/23 target	YTD result
Org SPE 2.1	Percentage of supplier contracts and agreements with Māori businesses by volume	≥5%	**3%**
Org SPE 2.2	Number of Kāinga Ora staff who have participated in and completed Mātauranga Māori pilot programmes	≥800	**727**
Org SPE 2.3	Percentage of Māori businesses and suppliers who are satisfied or very satisfied with their ongoing commercial relationship with Kāinga Ora	≥65%	**Result reported at end of year**

Mātauranga Māori pilot

The Mātauranga Māori pilot programmes have seen 727 people complete and participate in these programmes.

- Te Reo National Programme active intake: 99
- Te Whare Kōrero active intake: 38
- Te Akoranga Whakapuāwai active intake: 28

Te Whare Kōrero ki Waitaha concluded

The first 10-week Te Whare Kōrero programme in Waitaha concluded at the end of February 2023. The final assessment included a presentation to the group which began with a mihi and a visual presentation of their whakapapa, whānau, and places of significance to them. Te Whare Kōrero Programmes are continuing to expand across the country, with Te Whare Kōrero ki Tauranga starting in April 2023.

The January 2023 Te Reo Māori National Programme

The January programme registered 204 participants across the Introduction, Level 1 and Level 2 programmes. The introduction concluded at the end of February, which saw 42 people completing the programme.

Environment and sustainability

Environmental		2022/23 target	YTD result
Org SPE 3.1	Tonnes of carbon dioxide equivalent emissions (tCO_2e) resulting from corporate activities – gross	Track progress towards targets for 2025 and 2030	**Result reported at end of year**
Org SPE 3.2	Tonnes of carbon dioxide equivalent emissions (tCO_2e) resulting from corporate activities – per FTE	Track progress towards targets for 2025 and 2030	**Result reported at end of year**
Org SPE 3.3	2025 and 2030 gross emissions reduction targets established in line with the Carbon Neutral Government Programme requirements	Reported as part of Kāinga Ora Annual Report 2022/23	**Result reported at end of year**
Org SPE 3.4	Emissions associated with Kāinga Ora activities reported in Kāinga Ora Annual Report 2022/23 in line with the Carbon Neutral Government Programme requirements	Reported as part of Kāinga Ora Annual Report 2022/23	**Result reported at end of year**

Emissions from corporate activities

Our emissions will be higher this year than previous years, due to staff travel returning to pre-COVID-19 levels, the expansion our vehicle fleet, and increased office space (which will increase our electricity use). Emissions from the increased vehicle fleet will however be offset by the rollout of electric vehicles and the phase-out of petrol-only vehicles.

We expect this to be our peak year for corporate carbon emissions, as we will begin to implement corporate emissions reduction initiatives from 2024. We identified two key initiatives for corporate emissions and have proposed strategies for reducing business travel and electrifying our vehicle fleet. We are seeking endorsement from the Board for our mitigation approach in May.

2025 and 2030 gross emissions reduction targets established in line with the Carbon Neutral Government Programme requirements

We are still gathering data to calculate our baseline emissions and develop our reduction targets. Our corporate emissions reduction target is already established and agreed upon – a 42% reduction in absolute emissions by 2030. We are in the process of agreeing targets across our other emissions sources (buildings, infrastructure, transport). We publish our corporate emissions reduction target within our Annual Report and Emissions Reduction Programme (ERP). Targets and ambitions for other emissions sources will be established and published in our ERP. We continue to collect data required to establish our gross emissions reduction targets.

Our People's Responsibilities in an Election Year

We have an Election Hub on our intranet, which provides a one-stop-shop for advice and assistance on General Election 2023. It provides advice for our people on what to be mindful of and how to protect themselves in the run up to the election – reinforcing Public Service Commission guidance. There will also be a series of internal communications throughout the year to expand on certain topics, such as engaging with Members of Parliament and political candidates, political neutrality, and the pre-election period.

Diversity, equity and inclusion

We have improved our people data and now have ethnicity data for 95% of our people and gender data for 99% of our people. We have developed reports showing gender and ethnic makeup across business group, the wider organisation and against the population of New Zealand. The data will help to increase transparency, accountability and ownership for progress on diversity, equity and inclusion. We will use the data to make evidence-based recommendations on priorities and initiatives across business groups and the organisation.

Gender pay gap

We will publish our gender and ethnic pay gaps for the first time on 28 April 2023. We want to ensure our people feel supported and know that Kāinga Ora as an organisation is committed to reducing our pay gaps.

We will also publish our first Gender and Ethnic Pay Gap Action Plan under 'Kia Toipoto' (the Public Service Pay Gaps Action Plan 2021-24) by 28 April. This involves us defining our data, identifying where we need to improve and celebrate what we have achieved to date.

Over the next 12 months, we will be embarking on our journey to reduce the pay gap and build our commitment on reducing this year on year. We will report on our pay gap data quarterly and will analyse our data further to understand the drivers of our pay gaps.

Our financial performance

Spending, funding and financial review

The purpose of this review, led by Treasury and HUD, is to ensure we have a Funding and Financing model that supports the delivery of the Government's housing objectives and commitments. It provides transparency around the actual cost of delivery and trade-offs necessary for sustainable outcomes to be delivered. The review is focused on medium-term funding (including relevant revenue streams), financing requirements and will make recommendations to improve processes for setting and approving multi-year appropriations.

The operational needs of our organisation and the Government will be addressed in this review, providing us with financing certainty and flexibility to deliver the Government's strategic choices regarding our organisation's capital investment programme.

The review will be jointly led by the Treasury and HUD in close consultation with us. Proposed changes to the model will ensure we have the resourcing and funding predictability needed to deliver on current and future commitments.

Investment in housing supply reduced by weather events

Because of the weather events and the number of constructions sites being directly affected, housing investment in the March quarter was $539 million, down $143 million from the prior quarter. The housing investment will still occur, just later than planned.

We have revised our capital expenditure forecast to take into account updated delivery times and the effect of the floods and cyclone. We expect our investment to ramp up in the final quarter of the year, with a planned spend of $1,119 million, mainly in redevelopments and acquisition of new homes, taking the full-year investment to $2,860 million.

Summary of capital expenditure – year to date actual and budget, and full year budget and forecast

Capital Expenditure

($m)	*Year-to-date Actual*	*Year-to-date Budget*	*Year-to-date Variance*	*Full-year Forecast*	*Full-year Budget*	*Full-year Variance*
Public Redevelopments	869	1,199	330	1,309	1,883	574
Public Acquire new	479	446	(33)	881	665	(216)
New supported housing	70	97	27	183	176	(6)
Home builds	**1,419**	**1,742**	**323**	**2,372**	**2,725**	**352**
Acquire existing	195	198	3	287	315	29
Strategic land purchases	65	114	50	120	153	33
Other programmes	63	60	(3)	81	79	(3)
Other home additions	**323**	**373**	**50**	**488**	**547**	**59**
Total housing supply spend	**1,741**	**2,115**	**374**	**2,860**	**3,272**	**411**
National Retrofit	141	144	4	202	194	(8)
Other maintenance programmes	258	283	25	356	382	26
Maintenance programmes	*399*	*428*	*29*	*558*	*576*	*18*
Infrastructure Assets & Projects Total	**18**	**26**	**8**	**28**	**35**	**6**
Urban development land (state and market)	173	250	77	342	421	79
Urban development Tamaki	22	42	20	56	67	11
Land purchase fund ($2b over 10 years)	10	52	42	12	96	83
Kiwibuild (Construction & Innovation Group)	5	3	(3)	3	3	0
Urban Development	**211**	**347**	**136**	**413**	**586**	**173**
TOTAL CAPITAL EXPENDITURE	**2,369**	**2,916**	**546**	**3,860**	**4,468**	**609**

Costs of floods and cyclone estimated around $30 million; insurance claim for Auckland floods, no claim for cyclone

Our estimates of the effects of the Auckland floods and cyclone Gabrielle are in the region of $40-60 million. Our insurance means that the financial effect for us will be in the region of $21.5 million, comprising $20 million insurance non-deductible for floods and around $1.5 million in costs for the cyclone. We believe that the damage caused by the cyclone to our properties will not be at the threshold for making an insurance claim - a full assessment of the affected homes will be completed in the coming weeks.

Year-to-date earnings slightly better as total expenses continue to track under budget; lower-than-expected demolitions partly due to delays from weather events

EBITDA in the nine months to March was $211 million, $31 million higher than budget. Demolition activity was lower than planned, meaning lower asset write off costs. Our people costs were lower than forecast, with more annual leave taken. To support wellbeing we encouraged our people to take more time off (as we saw accumulation of high amounts of annual leave after COVID-19).

Consultant and contractor costs were also tracking under budget, due to programme scope changes and a reduction in the need for contractors and consultants as we made greater use of our internal resources.

Due to the age and number of homes we own, repairs and maintenance is an area of major expenditure. In the March quarter we spent $148 million, taking the year to date spend to $446 million, $14 million (3%)

higher than budget. Due to the COVID-19 lockdowns, catch-up on delayed home inspections has increased the volume of responsive work as well as the level of work required to meet customer needs. The cost per home for unoccupied repairs was also higher due to higher material costs.

Year-end EBITDA is forecast to be up to $41 million lower than budget, largely due to the adverse weather events and higher repairs and maintenance costs.

Statement of financial performance – year to date actual and budget, and full year budget and forecast

Statement of Financial Performance

$m	*Year-to-date Actual*	*Year-to-date Budget*	*Year-to-date Variance*	*Full-year Forecast*	*Full-year Budget*	*Full-year Variance*
Rental revenue	1,245	1,259	(13)	1,708	1,717	(9)
Other income	55	58	(3)	70	73	(2)
Financial products contribution	50	55	(5)	84	76	7
Affordable homes contribution	(3)	(1)	(2)	(3)	(1)	(2)
Total Income	**1,347**	**1,370**	**(23)**	**1,859**	**1,865**	**(5)**
Repairs and maintenance	446	432	(14)	634	578	(56)
Other direct costs	286	285	(1)	384	381	(3)
People costs	242	258	16	329	342	12
Consultants/contractors	44	62	18	75	85	10
Other indirect expenses	76	72	(4)	115	99	(16)
Asset write offs & (gain) / loss on sale	42	81	39	153	171	18
Total expenses	**1,136**	**1,190**	**55**	**1,691**	**1,656**	**(36)**
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION (EBITDA)	**211**	**180**	**31**	**168**	**209**	**(41)**
EBITDA / revenue %*	**16%**	**16%**	**0%**	**15%**	**17%**	(2%)
EBITDA/interest expense (gross)	**0.9**	**0.7**	**0.2**	**0.5**	**0.6**	(0.1)
Depreciation and amortisation (properties)	300	294	(6)	403	392	(11)
Depreciation (infrastructure)	22	15	(7)	27	19	(7)
EARNINGS BEFORE INTEREST, TAX (EBIT)	**(111)**	**(129)**	**18**	**(261)**	**(202)**	**(59)**
Net interest	214	218	4	302	317	15
Tax	(68)	(62)	6	(93)	(81)	12
NET OPERATING PROFIT AFTER TAX	**(257)**	**(286)**	**28**	**(470)**	**(438)**	**(32)**

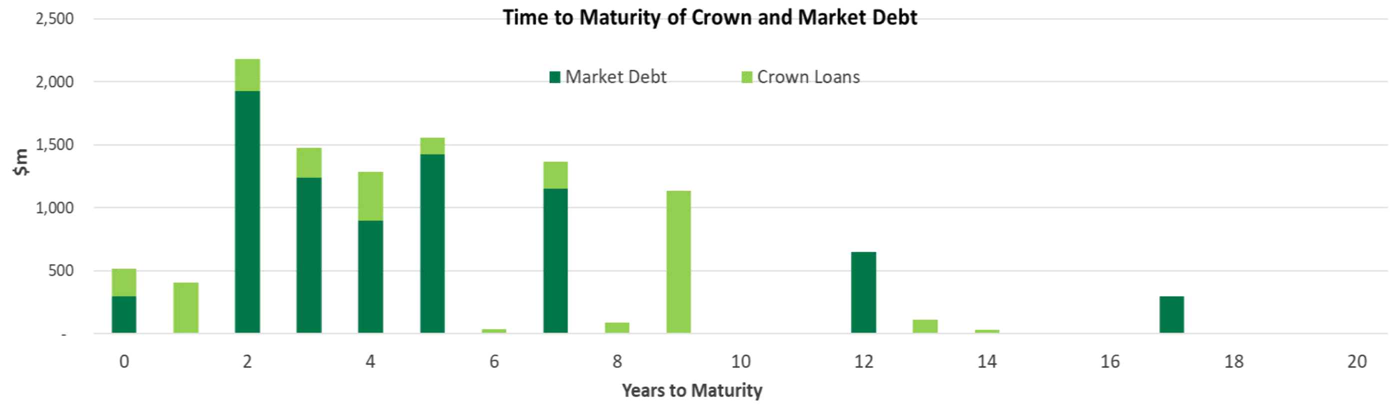
Contributions are net income and expenses of the Financial Products and Affordable Homes programmes.

** EBITDA % is normalised for asset write-off and net contribution for affordable housing.*

Our debt profile: $2.75 billion Crown loan facility in place for our 2022/23 capital expenditure

On 11 November 2022, the joint Ministers of Finance and Housing announced that our future debt requirements will no longer be raised through debt capital markets, but will instead be financed directly by the Crown, via New Zealand Debt Management. In total, $3.25 billion of Crown financing was in place to finance new capital expenditure for 2022/23, provided by way of a $2.75 billion Crown loan facility, replicating the size of the previously intended annual bond programme, and a further $500 million via a short-term working capital facility.

Separately, an additional $450 million has been appropriated to refinance existing short-term bills, and Kāinga Ora bonds that will mature over the course of 2022/23.



Crown loans drawn in February and March

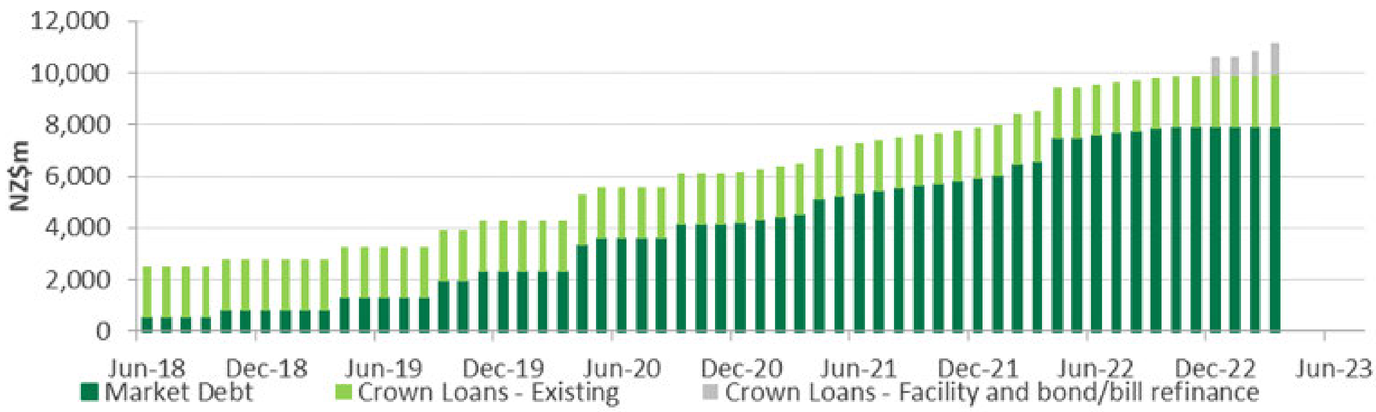
Over the quarter, we accessed a total of $500 million across two tranches from the Crown loan facility - $200 million in February and $300 million in March. The rates achieved for the drawdowns were 4.465% and 4.430% respectively for maturities of 9-10 years at time of drawing. This ensures maturities continue to remain well spread relative to the existing debt maturity profile to smooth debt concentration risk. We remain well within our debt financing maturity compliance limit of <25% of the portfolio maturing in any 12-month period.

$1.10 billion (40%) of the available $2.75 billion Crown facility has been accessed as at 31 March 2023 to fund capital expenditure over 2022/23.

Increasing capital expenditure may require an amount higher than the current $200-$300 million per month average of financing towards the end of 2022/23. We expect to drawdown on the facility in a consistent manner, relative to forecast expenditure and liquidity compliance.

Debt Instrument	31/12/2022 ($m)	Movement	31/03/2023 ($m)
Crown Loans – Existing	1,993	23	2,016
Crown Loans – 2022/23 Facility	600	500	1,100
Crown Loans – 2022/23 Refinancing	150	-	150
External Market Bonds	7,890	-	7,890
Total	10,633	523	11,156

Kāinga Ora debt position – breakdown by type



We have sufficient funds available to cover remaining capital expenditure needs for 2022/23
At the end of March 2023, we had $900 million of cash and cash-equivalent investments available for liquidity and same-day supplier payment purposes. With the inclusion of undrawn funds from the Crown lending facility, we expect to have sufficient financing available to cover remaining capital expenditure for 2022/23. The Board approved updated liquidity policy parameters in March; the measure is now 90% of forecast expenditures over a rolling two-month period.

Total Kāinga Ora investments

Total Investments ($million)				
Term Deposit	Registered Certificate of Deposit	Bonds	Commercial Paper	Cash
305	225	285	0	85

Based on the forecast from March 2023, the remaining capital expenditure for 2022/23 is $1,263.6 million. We have sufficient access to liquidity of around $2,550 million to fund this expenditure, with a residual of $1,286 million. Any unused financing will roll forward into the following financial year.

Financing available and remaining capital expenditure

Financing Available & Remaining Capital Expenditure - 2022/23 (March Forecast)	$million
Total remaining net capital expenditure	**1,264**
Available cash and liquid investments	900
Remaining 2022/23 Crown facility	1,650
Residual finance remaining	**1,286**

Monetary tightening nearing its peak; lower interest rates will improve our financial metrics
We anticipate drawing on the facility in each month until the end of the financial year. As delivery of homes increases towards the end of the financial year, we may be required to increase our monthly draw from the average $300 million. Offsetting this is the potential for delays in home delivery as a result of the adverse weather events, which may affect the amount of financing required for 2022/23. Given existing liquidity levels relative to this backdrop, further drawing of Crown debt may only be required to maintain policy compliance as we move into 2023/24. This may see the debt financed capital expenditure year-end position between $2.3 billion to $2.6 billion (both HNZL debt and Crown financing, excluding debt refinancing).

After increasing significantly during February, interest rates around the globe fell over March as bank failures in the US and Europe caused market volatility. The 10-year Government bond rate fell from highs of 4.70% to 4.00% in early April. Despite the concerns about financial stability overseas, New Zealand's banking and broader financial system remains strong. This was emphasised by the RBNZ in its Monetary Policy Review in early April, where it hiked the OCR by 50 basis points to 5.25%, following up from another 50-basis point hike in February. The size of the April hike was a surprise to economists and markets, who only expected a 25-basis point increase.

We have been able to take advantage of the falling rates over March, although the overall effect on the total debt portfolio is minimal. The total debt portfolio ($11.2 billion) remains anchored lower at 3.1%. In the year to date, the borrowing cost to us is 4.35% relative to the 4.8% internal forecast. The lower rate outcome should support the EBITDA/interest ratio at 1.0 times coverage, i.e., level of freely available cash to pay existing interest cost obligations.

Measure	Target	Q3 Estimate
Net operating cost of managing our housing portfolio per housing unit (excludes depreciation)	$18,063	$19,474
Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) as a percentage of total income*	18%	15%
Total debt to non-sales adjusted earnings before Interest, taxes, depreciation and amortisation (EBITDA) ratio**	33.3	38.2
Non-sales adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) to interest costs**	1.1	1.0

*For the purposes of this calculation, adjusted EBITDA excludes asset write-offs.
**Non-sales adjusted EBITDA excludes asset write-offs and affordable products contribution.
These metrics have been updated to align with S&P Global Ratings' guidance for stand-alone credit profile rating (treatment of asset impairments and asset renewal programmes updated).

Appendix

SOI results

The results are shown for SOI measures where results are currently available and where these are not already reported by SPE measures.

Statement of intent measures		Result 2021/22	Target 2025/26	YTD Result
SOI 2.1	Percentage of public housing customers who are satisfied with the services we provide	82%	*85%*	**77%**
SOI 2.2	Percentage of public housing customers who are satisfied with their Kainga Ora home	80%	*85%*	**80%**
SOI 3.1	Number of newly constructed Kainga Ora public and supported homes • Gross • Net	 • 1,185 • 1,340	 • *17,200* • *6,300*	 • **1,289** • **1,140**
SOI 3.2	Average proportion of our public housing stock renewed per annum over the four-year period	1.5%	*2.5% p.a*	**1.4%**

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

Letter of Expectations	Relevant section	Page reference
Board to provide stewardship of the balance sheet and financial leveraging of Kāinga Ora to ensure its long-term financial sustainability and continued ability to deliver core functions and operations.	**Overview**	Page 3 - 7
	Our outcomes • Customer wellbeing • Housing access • Māori aspirations • Thriving communities • System transformation	Page 8 - 19
	Our financial performance	Page 33 - 38
Board must ensure financial resources are deployed efficiently and that the intent of Government guidance on the prudent and responsible expenditure of public money has been followed.	**Overview**	Page 3 - 7
	Our financial performance	Page 33 - 38
Improve and embed an enduring culture of understanding of how Kāinga Ora is part of the broader public service and what that means for managerial oversight and staff employed within the organisation.	**Overview**	Page 3 - 7
	Our organisational health	Page 30 - 32
	Our financial performance	Page 33 - 38
Kāinga Ora needs to be focused on, and clear about, its core activities and functions as a public housing landlord, provider of new public and transitional housing, and enabler of much needed urban development.	**Our outcomes** • Customer wellbeing • Housing access • Māori aspirations • Thriving communities • System transformation	Page 8 - 19
Continue to deliver on Kāinga Ora's objective and contribute to sustainable, inclusive, and thriving communities by: Having the right capabilities in place, taking all reasonable steps to respond to tenant and community needs, supported by sound operational policies, procedures, and processes.	**Our outcomes** • Customer wellbeing • Housing access • Māori aspirations • Thriving communities • System transformation • Environmental wellbeing	Page 8 - 20
	Our organisation health	Page 30 - 32

Letter of Expectations	Relevant section	Page reference
Procedures and processes on sustaining tenancies are effective in supporting the quiet enjoyment of tenants and their neighbours affected by anti-social and problematic behaviour.	**Our Outcomes** • Customer wellbeing	Page 8 - 10
Kāinga Ora is required to meet its build commitments, including in the regions.	**Our outcomes** • Housing access	Page 11-13
Kāinga Ora actively using partnerships, effectively using its land, and using technical innovations such as Off-Site-Manufacturing (OSM)	**Our outcomes** • Customer wellbeing • Thriving communities • System transformation	Page 8 – 10 Page 16 – 17 Page 18 - 19
Increase the capacity and capability of domestic OSM supply.	**Our outcomes** • System transformation	Page 18 - 19
Kāinga Ora is expected to consider whether a project could be delivered in partnership, on behalf of others, or on its own account.	**Our outcomes** • Customer wellbeing • Housing access • Māori aspirations • Thriving communities • System transformation • Environmental wellbeing	Page 8 - 20
	Our organisational health	Page 30 - 32
The Board to demonstrate the following in its approach to urban development: Supports system transformation and system capability: how well Kāinga Ora enables and complements, rather than competes with, the private market and development community will be a critical success factor to achieving high quality urban development outcomes.	Development Strategy Implementation Plan includes Urban Design Guidelines, a refreshed Landscape Design Guide, developed concepts for the Modern Pasifika Housing (Māngere) Project. We also provided input into the Urban Growth Agenda Infrastructure Funding and Financing Project being jointly led by HUD, Treasury, and the Department of Internal Affairs.	
Integrates and coordinates cross-agency work programmes: including sharing insights, increasing linkages and interdependencies with other Government programmes (such as Auckland Light Rail and Three Waters Reform), and providing opportunities to optimise outcomes across agencies.	**Our outcomes** • Customer wellbeing • Housing access • Māori aspirations • Thriving communities • System transformation	Page 8 - 19

Letter of Expectations	Relevant section	Page reference
Kāinga Ora Urban Development Strategy needs to include practical pathways to enable more housing delivery (in particular more affordable housing options), progress Māori aspirations, guide the Kāinga Ora Land Programme, and mitigate and adapt to climate change.	**Our outcomes** • Māori aspirations • Thriving communities • System transformation • Environmental wellbeing	Page 14 - 20
	Our organisational health	Page 30 - 32
Kāinga Ora has an important role to play in partnering with Māori, protecting Māori interests, and carrying out early and meaningful engagement. Work collaboratively with the MAIHI partnerships programme in urban development.	**Our outcomes** • Customer wellbeing • Māori aspirations	 Page 9 – 10 Page 14 – 15
	Our organisational health	Page 30 - 32
Identify practical opportunities to support Māori-led housing solutions and Māori capacity and capability building through urban development projects.	**Our outcomes** • Māori aspirations	Page 14 - 15
	Our organisational health	Page 30 - 32
Development of concrete measures and indicators to track long-term outcomes for Māori, including the nature and impact of partnership and engagement with Māori/iwi in relation to urban and housing outcomes.	**Our outcomes** • Māori aspirations	Page 14 - 15
	Our organisational health	Page 30 - 32
The Board's oversight and decision-making is effective and proactive to achieve the HAF objectives and to increase the pace, scale, diversity, and affordability of new housing supply, including housing for low to moderate income households.	We have an IAF reporting framework in place, with monthly reporting to the Board, HUD, and the Minister in place.	
Work with HUD on performance metrics for urban development activities, the quality and effectiveness of partnerships and engagement, innovation and productivity in construction, customer wellbeing, environmental sustainability, and supporting Māori interests and aspirations.	**Our outcomes** • Customer wellbeing • Housing access • Māori aspirations • Thriving communities • Environmental wellbeing • System transformation	Page 8 - 20
	Our organisational health	Page 30 - 32
Reporting should provide lead and lag indicators against delivery expectations and schedules, as well as identify cost, benefit, and delivery risks.	**Our outcomes** • Customer wellbeing	Page 8 - 20

Letter of Expectations	Relevant section	Page reference
	• Housing access • Māori aspirations • Thriving communities • Environmental wellbeing • System transformation	
	Our financial performance	Page 33 - 38
Maintain a 'no-surprises' relationship with Minister Woods' officials and office.	We have a proactive approach to ensure the Minister is well-informed including early engagement and timely sharing of information with HUD so HUD is in the best position to work collaboratively with us and input into advice to the Minister.	

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