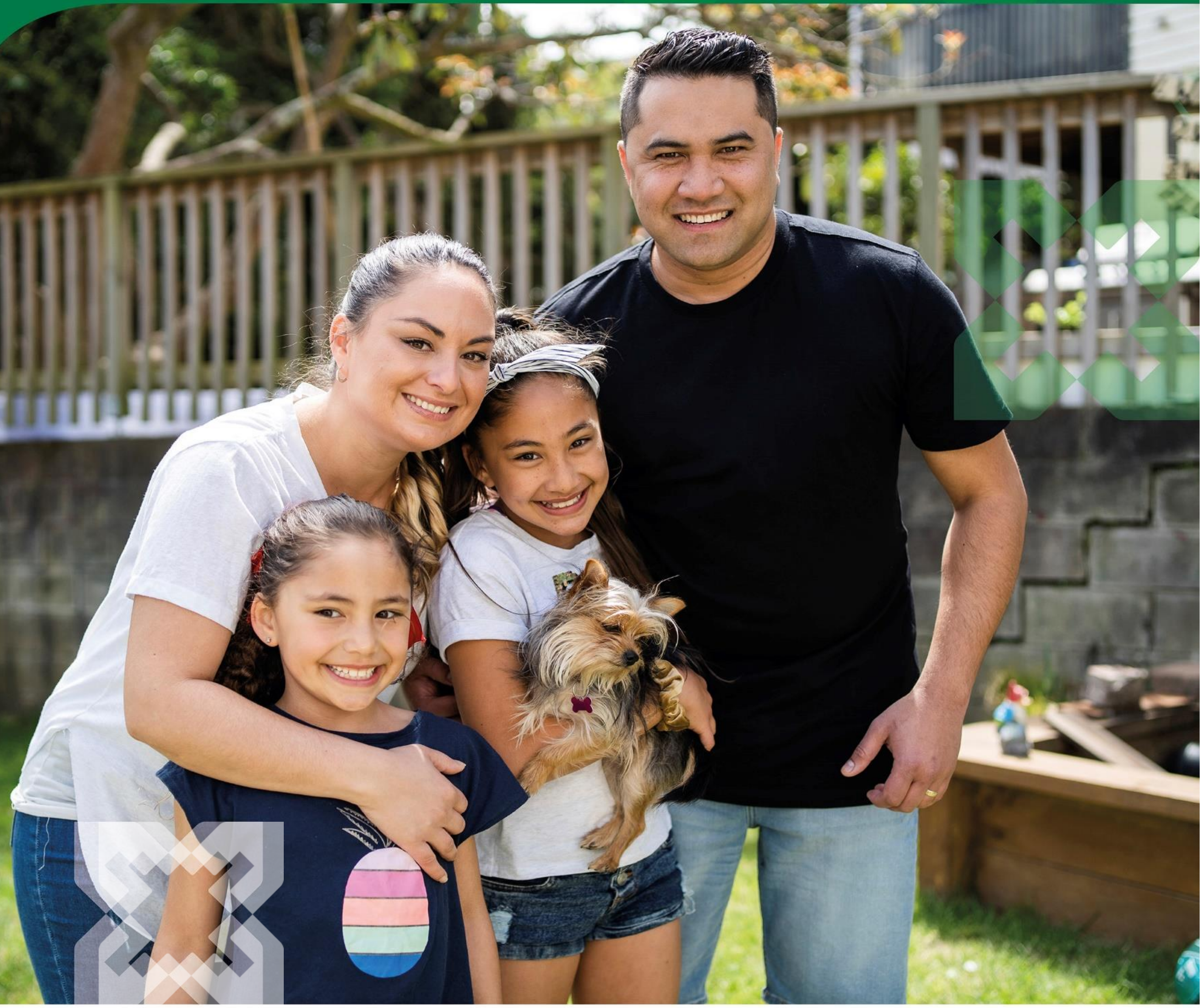
Tauākī Whāinga Mahi

Statement of Performance Expectations

2020 ▸ 2021



Kāinga Ora
Homes and Communities

Contents

Statement of responsibility

Kāinga Ora – Homes and Communities is a Crown entity operating in accordance with the Kāinga Ora –Homes and Communities Act 2019 and the Crown Entities Act 2004. It has two subsidiaries, Housing New Zealand Limited and Housing New Zealand Build Limited, which are limited liability companies required to comply with the Companies Act 1993.

The information contained in the 2020/21 Statement of Performance Expectations for Kāinga Ora – Homes and Communities has been prepared in accordance with the Crown Entities Act 2004.

In signing this statement, we acknowledge our responsibility for the information contained in it, and confirm the appropriateness of the assumptions underlying the prospective operations and financial statements of Kāinga Ora – Homes and Communities. However, for the most part, the information contained in this document was prepared prior to the COVID-19 outbreak in New Zealand. At the time of publication, we have been unable to accurately assess the full impact of COVID-19 on all the information contained in this Statement of Performance Expectations. Once a clearer picture has emerged of the likely impacts on our business and financial performance, we will review the document, and if required update it later in the financial year when the impact is better understood and can be more accurately assessed.

The information contained in this Statement of Performance Expectations is consistent with existing appropriations.

Signed

Vui Mark Gosche

Chair on behalf of the Board
24 June 2020

Countersigned

John Duncan

Deputy Chair
24 June 2020

Introduction

Kāinga Ora – Homes and Communities was established on 1 October 2019. The financial year 2020/21 represents our first year operating in a full budget cycle as a new entity. This Statement of Performance Expectations (SPE) sets out our plans for the year ahead and how we will measure success. It enables our responsible Ministers to participate in setting the 2020/21 performance expectations for Kāinga Ora, informs Parliament of those expectations and provides a base against which our actual performance can be assessed.

Our SPE is a companion document to our four-year Statement of Intent (SOI). Our SOI 2019-2023 outlines in greater detail our role and the key factors influencing the way we will operate over the medium term. Our SPE provides an annual view of performance expectations against the medium-term intentions in our SOI.

The targets and deliverables in this document are informed by our governing legislation, together with the ambitious priorities of the Government and our Minister for us to play a pivotal role in transforming housing and urban development in New Zealand, as set out in our November 2019 Letter of Expectations.

Recent events associated with COVID-19, however, will require us to navigate a number of complex and unprecedented challenges in the coming year. With challenges come opportunities, and we will also need to look across our current work programmes to consider how we can best support the Government with any changes in priorities.

Responding to COVID-19

As part of the national emergency response, we have and will continue to prioritise the wellbeing of our people and our customers and to provide support for our suppliers and build partners. We have been working alongside other agencies through a whole-of-government approach in this crisis.

We have developed six principles that guide our responses:

1. Keeping our people and our contractors safe and healthy
2. Doing no harm to anyone we come into contact with
3. Providing regular and open communications
4. Supporting our customers to stay safe and healthy
5. Supporting our suppliers and partners to stay in business
6. Ensuring our decisions are made based on facts

More details and examples of our responses so far and going forward are as follows, guided by these principles.

Keeping our people safe and our organisation operating

Following the Government's guidance, we have and will continue to address all the fundamentals needed to keep the organisation operating, with a focus on providing tools and guidelines to support our people to work in the new environment. The health and safety of our people in this crisis are of paramount importance for us; we have made a great effort to look after our people and have refocused on what is feasible to deliver on in the COVID-19 environment.

Beyond the lockdown, working in new ways gives us an opportunity to have more informed conversations about the working environment we want to create for Kāinga Ora in the future. We will look into ways to better support our people to balance the positive experiences from flexible working, with the real need for direct social and professional interactions that being together in one work location allows.

Looking after our customers

This is a difficult time for everyone, especially for many of our public housing customers. Our focus has been and will continue to be on our customers, understanding how they have been impacted and what support is required for them to remain safe and well, and ensuring that our homes remain safe to live in.

- **Customer welfare and support calls**

During Alert Level 4, all face-to-face tenancy management ceased and our tenancy managers shifted their focus from visits to welfare phone calls. These calls have been an opportunity to hear directly from our customers, identify how to best support them, and ensure ongoing appropriate and timely support. For example, we have and will continue to link our customers to appropriate support services in their area. As of 15 May we had made 57,532 customer welfare calls.

Through welfare calls we have and will continue to improve our information about our customers, including whakapapa of our Māori customers, and where appropriate refer them to Iwi-affiliated support agencies.

- **Financial support and understanding**

We will continue to work to understand our customers' financial situation and to offer support beyond the Government freeze on rent increases for the next six months. Our welfare calls have helped us understand our customers' financial situation, uncovering many households experiencing financial strain due to the impact of COVID-19.

All active debt recovery activity has been paused upon entry to Alert Level 4 and remains paused at the time of writing this SPE, as we continue to focus on supporting our customers to get through these unsettling times. We have reviewed our approach and as a result a new supportive rent management approach is currently in development.

We have also extended pre-approvals to 30 September 2020 for our First Home Grant customers, and extended KiwiSaver First Home withdrawal determinations until 30 September. Solicitors are now able to witness the First Home Grant Agreement with video conferencing, and we are planning to continue with this in the future.

- **Family harm**

Victim advocates and experts anticipate increased levels of family harm in households during this time of increased stress and household pressure. It is predicted that whānau previously at risk and those who previously had experienced increased stressors and inequity are at greatest risk of harm.

Beyond the lockdown, we are committed to supporting the Government's coordinated response to eliminating family harm. Kāinga Ora, alongside other Government agencies, has and will continue to collaborate with local agencies on community-led initiatives focused on providing crisis support to whānau requiring help.

- **Maintenance**

During Alert Level 4, we paused all non-essential maintenance and continued completing only essential repairs in our homes. As we move through Alert Levels, our planned maintenance programmes (eg, re-roofing, exterior painting), the Healthy Homes programme, and property inspections (health and safety, gas) have been able to recommence, with all the appropriate safeguards to keep customers and contractors safe.

Beyond the lockdown, we anticipate an increased latent demand for repairs, which will result in the requirement for additional trade capacity. Detailed planning is underway to support the restart of planned programmes.

At the time of writing this SPE, we are anticipating how we operate in a new environment which may still have restrictions, especially those intended to protect the health of the most vulnerable. We will reprioritise tasks to support our customers in the coming months.

Supporting our suppliers and partners

- **Supporting our partners with closing and re-opening sites**

At Alert Level 4 we closed and safely secured all our building sites across New Zealand, and as the Alert Levels eased we re-opened our public housing sites, civil construction sites and affordable and market home sites within the large-scale projects. We have been working closely with our build and development partners and contractors to provide support and guidance, to help them adapt their health and safety processes and protocols to enable safe working conditions.

Beyond the lockdown, we will continue to work alongside our partners to understand how we can help now, and in the long term.

- **Supporting the financial viability of our suppliers**

We understand the economic impact of COVID-19 will be significant. We have developed a proposed approach to supporting our suppliers, specifically through an Alert Level 4 lockdown, to aid them in remaining financially viable and to be able to continue, or to commence, activity and operate safely when New Zealand moved out of Alert Level 4. This approach is in addition to the immediate support we provided following the COVID-19 outbreak, which included immediate payment terms and daily payments. As suppliers have been able to recommence activity following the move to Alert Level 3, there has not been an immediate need for the implementation of the proposed approach. However, this approach is ready to go and we would be able to move quickly to support our suppliers should we return to Alert Level 4. We also recognise the Treasury's Guidance on providing bespoke commercial support and we will work closely with the Treasury as and when required.

- **Supporting the construction sector**

We have and will continue to work with the Ministry of Housing and Urban Development (HUD) to understand the implications of the various COVID-19 Alert Levels on the residential construction sector, and to ensure the entire sector is well placed to restart works safely and quickly, as soon as possible. In the urban development space, we have continued to prioritise advance planning work, including accelerating neighbourhood planning in the large-scale projects, and developing additional briefs to enable a greater volume of housing development to get underway.

Kāinga Ora is part of the Accord Agency Steering Group within the Government's Construction Sector Accord. The Accord seeks to maintain a viable and resilient construction sector in response to the impacts of COVID-19. Through the Accord, government agencies are working with the construction sector and industry leaders on what additional forms of support may be needed to ensure that new housing supply continues to be built. We have been, and will continue, aligning our work with the goals and principles of the Accord.

Supporting Government priorities and other agencies

- **Supporting Government priorities**

A key focus involves liaising with the Government to ensure we can, working with our partners, take action in a timely and managed way. We will also work with Government on our key housing priorities during these changing times.

With the Government's focus on providing a joined-up response to homelessness, we have and will continue to provide other government agencies with a conduit to seek support with any additional temporary accommodation or housing supply that may be required. We also take part at the National Emergency Management Agency (NEMA) cross-government meetings, and have been working closely with HUD and the Ministry of Social Development as part of the cross-government response to COVID-19.

- **Community and agency engagement**

Kāinga Ora continues to work closely with allied agencies, community and support service providers, NGOs, and other government agencies. We are aware many community and support service providers are coming under greater pressure as demand for their services increases in the current environment. We have been providing support and assistance to other organisations, including Housing First Auckland providers such as Auckland City Mission, who are housing 'rough sleepers', as well as Community Housing Aotearoa by way of either temporarily re-deploying our staff or sharing practice guidance with these organisations.

Our frontline staff have and will continue to stay connected with providers at the local level to identify the support required and to work efficiently to serve those customers with the greatest need.

Most of our vulnerable customers are well connected with health providers. However, we have partnered with DHBs on how we can support each other, especially to enable Māori and Pasifika families living in our homes to access health care and support.

Planning on economic stimulus

Looking beyond the lockdown, we have been working on re-igniting New Zealand's economy throughout the different phases of COVID-19. This turns our attention firmly to what work Kāinga Ora can scale up and accelerate to bring activity and life back to businesses and communities nationwide. There will be great opportunities to strengthen our partnerships with HUD, local councils, Māori and business partners – our relationships will be key to how well we succeed and how quickly we can leverage success across regions.

While priority plans are being formed at the time of writing this SPE, and we still need to validate key pathways and confirm the funding and workforce requirements to get us there, we are working across the organisation to connect and test areas of work. These include:

- **ramping up our public housing build programme** – we are well underway with our planning to support the delivery of the 8,000 additional income-related rent subsidy (IRRS) places announced in Budget 2020. We will work with HUD on how to ramp up this programme over the next few years based on clarity and longer-term certainty of funding settings
- **accelerating large-scale projects** – we will work closely with Auckland Council and HUD to assess priorities and to determine appropriate funding mechanisms
- **boosting market activity** – we are considering options on how we could better support the delivery of private developments via advice to HUD on policies and their implementation
- **accelerating work on existing homes** – we are assessing opportunities for accelerating the planned maintenance work and the Retrofit programme
- **investing in social infrastructure** – we are looking at opportunities to invest in community facilities; parks in neglected suburbs; beautification programmes; landscape programmes with a focus on improving biodiversity
- **accelerating the deployment of our new service delivery model** – we are considering options to leverage off work that is already progressing via the Customer Programme, including exploring an earlier roll-out that brings benefits to communities early and provides employment opportunities across the country
- **sustaining our environment** – we are considering options to roll out new renewable energy options, work with the Ministry for Primary Industries (MPI) and the Ministry of Business, Innovation and Employment (MBIE) to ramp up light and mass timber use in our construction programme, and work with the Sustainable Business Network on tree planting options
- **sectoral support** – we are looking at options to scale up our apprenticeship programme to keep younger people in work and support redeployment into the construction sector.

At the time of writing this SPE we are still firming up our options and plans for economic stimulus activity. We are working closely with HUD to identify any funding and financing requirements as necessary.

The impact of COVID-19 on this SPE

Most of our plans and targets in this SPE were developed prior to the COVID-19 outbreak in New Zealand. With COVID-19 in mind, an initial assessment of our targets, deliverables and financials has identified a number of areas that may be significantly impacted. These include, but are not limited to, performance targets and financials related to our:

- customer-facing services and customer rental arrears (Output Class 1)
- management, maintenance and renewal of our homes (Output Class 2)
- housing construction and build-ready land enabling activities (Output Classes 3 and 4)
- financial forecasts.

However, at the time of writing this SPE, it is still too early to factor in the full impact of COVID-19 on all our plans and targets set out in this document. We therefore consider this to be a transitional SPE that may require further updating during the financial year as the implications of COVID-19 become clearer. We will work closely with HUD on this.

In the interim, we will continue to develop our understanding of the impact of COVID-19 on our workforce, services, stakeholders, partners and customers while also working to ensure that we have the capability to respond.

Who we are

Kāinga Ora is a recently established Crown agency. Our governing legislation, the Kāinga Ora–Homes and Communities Act 2019, sets out extensive and exciting responsibilities and opportunities. The establishment of Kāinga Ora represents the biggest institutional and legislative change to housing and urban development for a generation. This is designed to enable a more cohesive, joined-up approach to delivering the Government's priorities for housing and urban development in New Zealand. We will[1] contribute to sustainable, inclusive and thriving communities that provide people with good quality, affordable housing choices that meet diverse needs; support good access to jobs, amenities and services; and otherwise sustain or enhance the overall economic, social, environmental and cultural wellbeing of current and future generations.

Our roles

To achieve this objective we have two key roles:

- Being a world-class public housing landlord
- Working in partnership to lead, facilitate and undertake housing and urban development projects of all sizes

This means doing all we can to help meet the diverse needs and improve the wellbeing of our tenants, and their whānau, families and neighbours. Across our entire public housing tenant base we are committed to ensuring the homes they live in are warm, safe and dry and meet their changing needs.

We will also ensure we are equipped to deliver a step change in the way housing and urban development are provided in New Zealand. This means we will build partnerships and collaborate with others to deliver on housing and urban development opportunities, and develop and renew urban environments through leadership and innovation.

We are committed to upholding the Treaty of Waitangi (Te Tiriti o Waitangi) and its principles, and understanding and applying Te Ture Whenua Maori Act 1993. We will work to engage effectively with Māori and foster an organisation that strives to build true and practical partnerships.

Our legislated operating principles

The Kāinga Ora–Homes and Communities Act 2019 sets out the operating principles (detailed in Appendix 1) that we consistently apply as an organisation. They reflect the way that Kāinga Ora is going to work: a more connected, engaged and partnership-based approach across all aspects of our work. These operating principles are put into action in the areas of:

- public housing solutions that contribute positively to wellbeing
- housing supply meets needs
- well-functioning urban environments
- stewardship and sustainability
- collaboration and effective relationships.

[1] Based on the objective of Kāinga Ora as set out in the Kāinga Ora–Homes and Communities Act 2019.

Our operating principles will ensure that across all parts of Kāinga Ora we dedicate our effort consistently and contribute to the wellbeing of current and future generations; where there are others that we can work with, we must work together to achieve outcomes.

Our developing role

As a recently established Crown entity, we are at the beginning of a journey. In addition to our governing legislation, there are other legislative, policy and strategic settings under development that will guide the understanding of our role and how we operate. These include:

- the Urban Development Bill, which provides for the establishment of 'specified development projects' that Kāinga Ora may deliver, partner on or enable, and which provides for associated regulatory and funding powers to streamline the development process
- the Government Policy Statement on Housing and Urban Development (GPS-HUD), which sets out the Government's overall direction and priorities for housing and urban development
- strategic development including working with HUD to review our current and long-term funding and financing requirements to ensure we will deliver the Government's housing priorities.

Our roles and responsibilities require us to maximise alignment and synergies across our multiple functions to support inclusive, integrated housing and urban development. To develop our role we will build a strong working relationship with HUD as our monitoring agency and the Government's strategy, policy and funding lead for housing and urban development. We are committed to developing our role by partnering with other government agencies, Iwi and Māori, local communities, local councils, the private sector and others committed to improving housing and urban development outcomes for current and future generations of New Zealanders.

Over the next year, we will focus on implementing the Urban Development Bill into our organisational settings. This will include building the capabilities required of us to perform our new functions and powers and enable a step change in the scope, pace and density of our urban development activities. We will also support the Government to develop the GPS-HUD, while working closely with all our key stakeholders to progress our strategic development work.

Our outcomes

Our outcomes aim to enhance New Zealanders' wellbeing for current and future generations. They guide our strategy, decision making and services in the interim as we continue to develop our roles, while being open to feedback and further development. Our outcomes are:

- Sustainable, inclusive and thriving communities support good access to jobs, amenities and services
- Good quality, affordable housing choices meet diverse needs
- Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi
- Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible
- Environmental wellbeing is enhanced and preserved for future generations
- System transformation is catalysed and delivered.

Our outputs

Our activities and outputs support us to achieve our outcomes, and directly support our mandate as set out in our governing legislation. We are dedicated to offering the very best for our customers, their whānau and their communities.

Our outputs are divided into six output classes:

▶ OUTPUT CLASS 1

Sustaining tenancies and supporting communities

▶ OUTPUT CLASS 2

Managing, maintaining and renewing our homes

▶ OUTPUT CLASS 3

New public and supported housing supply

▶ OUTPUT CLASS 4

Urban regeneration, development and general housing supply

▶ OUTPUT CLASS 5

Supporting first home ownership for New Zealanders

▶ OUTPUT CLASS 6

Crown-owned land transactions (Housing Agency Account)

Our areas of focus to support the Government's priorities

Given the central role we will play in delivering on the Government's plan to reform the housing sector and in tackling the housing and urban development challenges facing New Zealand, it is fundamental that we reflect the Government's priorities. These include:

- **Housing supply and urban development** – increasing housing supply and maintaining momentum on existing large-scale housing and urban development projects to support the creation of thriving and sustainable communities
- **Homelessness** – preventing and reducing homelessness, by adopting a strengthened approach through cross-agency action in conjunction with Iwi and Māori organisations, and other parties
- **Māori** – achieving equitable housing outcomes for Māori, with immediate focus on addressing barriers to building on whenua
- **Innovation** – promoting innovation and driving transformation in the construction sector.

In 2020/21 our areas of focus reflect our support for these Government priorities; they are informed by ministerial expectations and our legislative and policy settings. Our planned delivery in each of these areas is set out below.

Contributing to thriving and sustainable communities through increased housing supply and quality urban development

As the key delivery agency for the Government's public housing commitment, as well as the Government's lead developer in the planning and delivery of urban development projects of all sizes, we have a significant role to play in delivering more homes and ensuring these homes are part of thriving communities.

In 2020/21 we will continue to increase delivery of housing across New Zealand, making sure that we get the right mix of public, transitional, refugee, market priced and affordable homes. The relevant measures and targets related to the delivery of housing are detailed in our Output Classes 3 and 4.

We will also provide a leadership and/or enabling role in urban development in many locations. This includes, and is not limited to, developing our strategic guidance on when, where and why we would purchase land for public and supported housing and how we will collaborate with the private sector to increase housing and land supply through our urban development portfolio. Access to good quality, well-located land is becoming increasingly important for Kāinga Ora as we accelerate our build programme and diversify our role into urban development solutions. We will also enable others to deliver outcomes through partnering, and leverage both private and public capital and capacity. Engaging and partnering with local government will also be critical to achieving our objectives.

We will support the Government's priority areas by delivering more homes for people in need, for example, in areas such as Hastings and Rotorua, in partnership with Iwi and councils. The proposed delivery programme will include new state housing and a number of transitional homes to meet the needs of these two areas. The programme for Hastings is in progress and will continue through to the end of 2020/21. The programme for Rotorua is in development and will be a two-year plus programme. The intent is both to reduce the public housing register maintained by the Ministry of Social Development and to further minimise reliance on motels for transitional housing.

Making progress on our large-scale projects

Working alongside mana whenua partners and our key stakeholders, we will keep making progress on our seven large-scale projects currently underway, which in total will produce more than 40,000 homes over the next 15-20 years. This includes our partnership with Tāmaki Regeneration Company to deliver build-ready land and more homes in Point England, Panmure and Glen Innes. We will also continue to assist with and provide consulting on other large-scale redevelopment projects, such as the Manukau Regeneration Project.

Our large-scale programmes include:

Northcote

Eastern Porirua

Oranga

Tamaki

Mt Roskill

Hobsonville Point

Mangere

Fundamental to our large-scale projects is maintaining the support and input of local communities. These large-scale projects are outcome focused, and are more than the delivery of high-quality housing. They will fast track the renewal of infrastructure, deliver new amenities and enable investment into connectivity and active transport. We will also focus on local economic development to strengthen communities.

Looking ahead, we will continue to work with our partners and stakeholders to secure and plan for new opportunities for large-scale urban development projects across the country. This will include exploring regeneration opportunities for our existing concentrated landholdings and working in partnership with others, including councils, private developers and Iwi, to enable quality urban development. The development of our role, currently going through the Urban Development Bill process, will also guide our work.

Addressing homelessness

The Aotearoa New Zealand Homelessness Action Plan announced in February 2020 is an important step in delivering the Government's vision that homelessness in New Zealand is prevented where possible, or is rare, brief and non-recurring.

Kāinga Ora plays a critical role in implementing the action plan through the provision of public and transitional housing supply. During 2020/21 we will continue to work with HUD to urgently increase the supply of transitional housing, by contributing to the Government's cross-agency delivery expectation to supply 1,000 transitional homes by June 2021. In addition to this target, we will continue to contribute to the Government's February 2020 announcement to deliver an additional 1,000 transitional homes by December 2020. Any of the homes we have committed to that are uncompleted in 2019/20 will be delivered in 2020/21. Transitional housing is provided to individuals and families with an urgent need for accommodation, for up to 12 weeks, and is managed by service providers, who also provide the people occupying them with wraparound support services and support to find permanent accommodation.

Alongside increasing the supply of transitional housing throughout New Zealand, we will deliver more public housing at scale and pace.

Understanding, supporting and enabling Māori aspirations

Our roles and responsibilities mean we must understand, support and enable Māori aspirations in housing and urban development. We must develop new ways of thinking and operate in true partnership. We will need to be courageous and committed to building our knowledge, understanding and internal capabilities that see us translate strategy into action. This is a significant and evolving area of responsibility for Kāinga Ora.

During 2020/21 we will focus on building our capability across the organisation as a key enabler for our delivery and will also build on our relationships with Māori at national, regional and local levels.

Building our capability

We will develop and implement the Te Mahere framework and work programme to support staff in building and strengthening our organisational cultural knowledge, and to better understand the capabilities we require to discharge our statutory responsibilities to Māori. Te Mahere is an overarching framework and work programme that connects to the Kāinga Ora strategy and:

- affirms our commitment to upholding the Treaty of Waitangi (Te Tiriti o Waitangi) and its principles, and seeks to articulate how Kāinga Ora discharges its statutory responsibilities to Māori
- sets out our leadership role and responsibilities in a whole-of-government context for delivering targeted housing outcomes for Māori
- sets benchmarks for Māori participation in urban development and seeks to leverage a broad sweep of social, environmental, economic and cultural outcomes for Māori in the delivery of Kāinga Ora portfolios, programmes and projects across New Zealand
- recognises the skills, capabilities and resources required within Kāinga Ora to fulfil our role and responsibilities to Māori.

Working with our partners in central government

We will continue to work with our partners in central government to align strategic priorities in relation to Māori. This includes an ongoing commitment to further developing the Māori and Iwi Housing Innovation (MAIHI) Framework for Action, in collaboration with HUD and Te Puni Kōkiri (TPK).

Building on our national, regional and local relationships with Māori

We will investigate innovative opportunities alongside Māori to develop and implement targeted initiatives that align with Kāinga Ora organisational strategic documents and the needs and aspirations of identified Māori organisations. We will also implement pilot programmes with Māori that will see Te Kurutao Group Māori Operations lead across organisational teams alongside other agencies and groups to deliver identified outcomes for Māori.

In 2020/21 we will know we have made progress if we have:

- completed the Te Mahere Framework and implemented key tasks in Te Mahere
- implemented and measured an Iwi/Māori placement policy known as the Hapori Māori policy or Strengthening Māori Communities policy
- developed a process to measure Iwi/Māori satisfaction with the placement of tribal members in Iwi takiwā (tribal areas of importance and cultural significance)
- completed a Māori Community Housing Provider registration guide as an inter-agency output with TPK and HUD
- completed an Iwi/Māori Public Housing Co-investment guide
- completed and implemented an Iwi/Māori Transitional Housing Plan that supports Iwi/Māori transitional housing developments
- developed and implemented an evaluation model to measure success in the delivery of partnership-based co-designed outcomes with Māori
- set and tracked targets for the number of commercial partnerships entered into with Iwi/Māori
- developed, implemented and measured new products and services that meet the needs of Māori and assist whānau into home ownership
- investigated social procurement and its benefits particularly in relation to Māori.

Encouraging innovation and support system transformation

We are committed to innovation across many areas of our business. The scale of our land holdings, property portfolio, financial resources, and investment programme provides a significant opportunity to encourage innovation and improve efficiency in the wider housing and urban development sectors through our longer-term investment horizons.

Undertaking innovation in construction

In 2020/21 we will build on the successes of the Innovate, Partner, Build programme, which has delivered key advancements such as standardised designs in new home development, particularly as part of our construction volume contracts to support more efficient delivery at scale.

We will continue to build our capability in the use of off-site manufacturing (where parts of the building are made away from the final construction site). This will enable us to undertake faster, safer and more predictable procurement, and save on the time and cost of delivering new homes.

We will also undertake research and development to continue building better homes through the use of technology and innovation. This will include collaborating closely with the building industry on optimising outcomes for timber, pilot-testing performance of manufactured bathroom pods and exploring the performance of multiple other build systems.

Innovation activity right across the build programme will be scaled up through an innovation test-bed programme. We will use the findings and successes from this to improve our delivery programme as part of a coordinated and sustainable innovation programme.

The Construction Sector Accord is a joint commitment from government and industry to work together to create a high-performing construction sector for a better New Zealand. We will continue our contribution to the Accord by progressing inflight initiatives to strengthen partner relationships and provide more proactive engagement, as well as to help improve the development, health (including mental health), safety and wellbeing of those working in the sector.

Engaging with innovation in alliance

In late 2018 Piritahi was established by one of our legacy agencies, HLC, as New Zealand's first land development design-build alliance. The civils collaboration aims to streamline and speed up the delivery of build-ready residential land in Kāinga Ora large suburban redevelopment projects. A principal advantage is the incentives for all parties to work together, problem solve and develop innovative approaches for managing and mitigating risks. We will apply lessons learnt to other growing areas of work, and a similar, albeit smaller, model for the Porirua Development is underway, with initial set-up of a delivery entity expected in late 2020.

Supporting innovation in apprenticeship, skills training and pathways

We will also support skills training and stimulate apprenticeships to grow the building sector and communities. We will work alongside our build partners, subcontractors, sister agencies, and service providers who support rangatahi from communities, to maximise the opportunities for success in apprenticeship and cadetship roles in our builds.

At our large-scale redevelopment projects, we will continue promoting opportunities and construction-related health and safety issues to school communities, creating learning and development pathways into the building, construction and land development industries.

The journey to become a world-class public housing landlord

Shifting to become a world-class public housing landlord requires us to place customers and whānau at the centre of our work. It also means maintaining and renewing our existing public housing portfolio so that our homes are safe, warm, dry and healthy, and designed to support a diverse range of needs and choices.

Looking after customers

Through our Customer Programme, we have developed a service delivery model on the range of services we need to offer our customers in order to achieve the outcomes set in our Customer Strategy. In 2020/21 we will implement and operationalise the service delivery model, with a particular emphasis on:

- the organisation of our people
- the location of our people and our services
- the capability of our people
- channels for communicating with our customers
- information and technology.

These areas of work will enable us to interact more effectively with our customers and support their wellbeing, and tailor our services to their needs and aspirations. It will also enhance our capability and capacity to assist neighbourhoods and communities to flourish as cohesive, safe and prosperous places to live.

Providing healthy, warm and accessible homes

We are also committed to ensuring our homes are safe, warm and dry and we have implemented a Healthy Homes programme to ensure we are compliant with the Residential Tenancies (Healthy Homes Standards) Regulations 2019 by June 2023. In 2020/21 more than 17,000 of our homes are planned to be completed and capable of meeting the World Health Organization guidelines for healthy indoor temperatures. We are also working closely with other agencies on how fuel hardship could be alleviated for our customers so that they can heat their home and stay healthy.

Our Retrofit programme will seek to sustainably retrofit our homes, resetting their lifecycle at a lower initial cost than a complete rebuild. We are significantly increasing the number of houses that will be retrofitted, more than doubling the 241 planned houses in 2019/20 to more than 500 in 2020/21.

We will continue to implement our Accessibility Policy, providing homes that more effectively meet our customers' current and future needs. In 2020/21 we will set up systems so that we can collect information to benchmark our current performance in advance of being held accountable for the key performance indicator of at least 15 percent of new builds meeting universal design standards in 2021/22. We will start reporting on our performance against the Government's Disability Action Plan in 2020/21.

Embedding principles for operational excellence

Underpinning our deliverables are several themes that guide our operations to ensure success. These themes are guided by the operating principles based on our governing legislation as well as the Government's priorities and expectations on Kāinga Ora. They focus our attention on our broadened roles and responsibilities and will ensure we remain on track to appropriately support New Zealanders living in our homes and within their communities to lead a good life.

Partnering and engaging

Kāinga Ora cannot deliver a step change in housing and urban development outcomes on our own. We will be a partnership-focused organisation, working with and supporting others wherever possible. This means working collaboratively across the system with our partners and stakeholders including Māori, government agencies, local government, infrastructure providers, private builders and developers, and community housing providers. It also means working hard to achieve a genuinely joined-up, whole-of-government approach.

The significance of our partnering and engagement approach to both our housing and urban development functions means we need to appropriately reflect our intentions for partnering and engaging within our strategies and work programmes.

During 2020/21 we will develop and implement a high-level partnership and engagement framework that defines what partnership and engagement mean for Kāinga Ora and sets out the principles and outcomes for why, how and when we will partner and engage with Māori, stakeholders and customers.

We will develop new strategies for our new and evolving functions, or revise our existing strategies to ensure they appropriately guide our partnership and engagement approach. We will also review our operational policies and processes to ensure they reflect our partnership and engagement requirements.

Wellbeing

Wellbeing is when people are able to lead fulfilling lives with purpose, balance and meaning to them. For Kāinga Ora, our goal is to focus on both current and future wellbeing. A place to call home is fundamental to a person's and whānau wellbeing, and enhancing communities will give more New Zealanders the capabilities they require to enjoy a good level of wellbeing. The Government continues to develop its thinking about the wellbeing of individuals, whānau and communities, and we will incorporate its current guidance into our organisational settings.

In 2020/21 we will develop a comprehensive approach to embedding wellbeing across our work. This includes continuing to grow our suite of relevant social, environmental and wellbeing indicators and adapting to the requirements by the Government and the Kāinga Ora Board as they evolve. We will also focus on supporting other agencies to improve the wellbeing of New Zealanders.

Sustainability

Environmental

The Kāinga Ora–Homes and Communities Act sets clear expectations on Kāinga Ora to contribute to sustainable communities. The Government's Climate Change Response (Zero Carbon) Amendment Act 2019 also sets a clear requirement for New Zealand to be net carbon neutral by 2050. We are at the beginning of what is likely to be the largest programme of investment in housing and urban infrastructure New Zealand has seen in generations, and we have a real opportunity to make a difference in minimising our environmental impact and ensuring we leave a sustainable legacy.

In 2020/21 we will implement our sustainability initiatives. We will reduce or minimise household lifecycle emissions for homes we own or build, to positively influence, where we can, environmental performance in the residential construction sector. This includes reducing or minimising waste from our construction and demolition. We will help promote sustainable urban lifestyles. Across all of this work we will focus on ensuring we meet our legislative requirements and stakeholder expectations. We will also build our sustainability capabilities and make sure we plan ahead for the future.

Financial

The scale of our activity and the value of our property portfolio also mean we need to ensure we are financially sustainable and that we plan well for future needs.

In 2020/21 we will continue to work with the Government (HUD and the Treasury) to ensure that Kāinga Ora is funded appropriately for the services it is required to deliver, and effectively manages its financing of its investment programme in a manner that is sustainable over the long term.

Kāinga Ora is a key stakeholder and partner with HUD on a range of HUD-led initiatives that may impact the approach to funding and financing of Kāinga Ora activities in 2020/21 or beyond. The aim of those activities is to ensure that Kāinga Ora is set up as a financially sustainable organisation that will be able to meet the broad expectations placed on it. The outcomes of this work will be informed by, and reflected back into, the Kāinga Ora Long Term Investment Plans.

Capital investment

We manage approximately $31 billion worth of assets. During the 2020/21 financial year Kāinga Ora is forecast to invest $2.9 billion in rental property additions and upgrades, and management of its infrastructure assets. Please note that this financial forecast was developed prior to the outbreak of COVID-19 in New Zealand. Work is currently underway to assess the impact of COVID-19 on these financial capital forecasts. The following table highlights spending and funding assumptions Kāinga Ora made prior to the outbreak of COVID-19 for the coming financial year.

Rental Infrastructure Capital Additions	Actual* 2018/19 $m	Forecast 2019/20 $m	Budget 2020/21 $m
Buy-ins	298	264	215
Redevelopment and new builds	1,074	1,764	2,318
Upgrades and improvements	135	203	367
Infrastructure	23	38	38
Total	**1,530**	**2,269**	**2,938**
FUNDED BY			
Sales	19	25	37
Appropriations	6	6	6
Borrowing	884	2,116	2,628
Cash from operations	621	122	267
Total Funding	**1,530**	**2,269**	**2,938**

*All financial result comparatives for 2018/19 are from the Annual Report for Kāinga Ora legacy agency Housing New Zealand.

Operational expenditure

During 2020/21 we will collect $1.5 billion in revenue from rents and rental subsidies and we will invest a total of $789 million in maintaining our existing housing portfolio (across both operating and capital expenditure). Because of the scale of this investment, it is vital that we make sound financial decisions to ensure the Government has the greatest impact for the investment it has made. Once again it is important to note that these financial forecasts were completed prior to the outbreak of COVID-19 and our ability to accurately assess what impact that will have on our financial forecasts for the 2020/21 financial year.

Revenue Comes From	Actual* 2018/19 $m	Forecast 2019/20 $m	Budget 2020/21 $m
Rental income from tenants	417	442	470
Rental income from income-related rent subsidy	884	954	1,001
Crown appropriation income	102	121	131
Interest realised gains and other income	60	165	185
Total Revenue	**1,463**	**1,682**	**1,787**

Where Revenue Goes To			
Repairs and maintenance	366	375	422
Rates	160	169	183
Third-party rental leases	63	68	69
Depreciation – rental properties	265	291	307
Depreciation and amortisation – infrastructure assets	22	42	15
Personnel	162	179	218
Interest costs	106	125	151
Impairment, write-offs and loss on sales	66	47	70
Grants	84	89	90
Other expenses	133	295	320
Total Expenses	**1,427**	**1,680**	**1,845**

Surplus/(Loss) Before Tax	36	2	(58)

* All financial result comparatives for 2018/19 are from the Annual Report for Kāinga Ora legacy agency Housing New Zealand.

The key financial indicators used by Kāinga Ora to monitor overall financial sustainability or financial performance at a strategic level are shown below.

Actual 2018/19	Measure	Standard 2019/20	Forecast 2019/20	Standard 2020/21
$12,749	Net operating costs of managing our housing portfolio per housing unit (excludes depreciation)	$13,147	$12,765	$14,382*
34%	Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) as a percentage of total income**	33%	32%	29%
6.5	Total debt to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) ratio**	N/A New measure	12.9	17.4***
4.02	Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to interest costs **	3.58	4.44	3.59

*The increase in 2020/21 net operating costs per housing unit is largely driven by an increase in the direct investment in our existing housing portfolio, in the main, through our Healthy Homes and Retrofit programmes and additional investments in our frontline customer support services staff and additional staff to support our large-scale capital investment programmes.
**For the purpose of this calculation, EBITDA excludes affordable products contribution and asset write-offs for Forecast 2019/20 and Standard 2020/21.
***The increase in the 2020/21 standard ratio is driven by Kāinga Ora housing portfolio growth. The increased upfront investment is required by Kāinga Ora to meet our Public Housing Plan commitments, generating associated earnings in later years.

In summary, the creation of our agency on 1 October 2019 marked the beginning of a step change in housing and urban development in New Zealand. We have an extensive mandate under our governing legislation to contribute to sustainable, inclusive and thriving communities. We are developing our roles to fulfil our broad responsibilities. Our key areas of focus for 2020/21 support our policy settings and strategic direction, and are underpinned by a principled approach to ensure delivery and success.

Statement of non-financial performance expectations

Reporting to Ministers

We will provide a quarterly report to the Minister of Housing and the Associate Ministers of Housing, which will present an accurate and relevant picture of performance over the previous three months, including:

- commentary on contextual information such as activities undertaken in the quarter, progress made against the Minister's Letter of Expectations, and emerging risks or opportunities
- performance indicators designed to provide a view of our operating and financial performance
- progress against our Statement of Performance measures, and significant asset development programmes of work
- a summary set of financial reports.

We will report on progress on our contribution to sustainable, inclusive and thriving communities through our housing and urban development functions, as well as other functions conferred on Kāinga Ora – Homes and Communities by or under any other enactment and our commitment to the Treaty of Waitangi.

We will also consult with Ministers on the progress against our build activity and portfolio redevelopment around New Zealand. This will include significant capital expenditure in line with the consultation process set out in the Treasury Owner's Expectations Manual.[2]

Criteria for reporting our performance measures

We will use the following criteria to rate and report on our performance measures in our Annual Report at the end of the financial year.

Performance assessment criteria

✔	Achieved	Where the performance result for the year is either equal to or above the target set, the performance measure target will be assessed as 'achieved'.
✔	Substantially achieved	Where the performance result for the year is below the target but has not been achieved by a slim margin (2%), it will be assessed as 'substantially achieved'.
✘	Not achieved but progress made	Where the performance result for the year is below the target (by a margin of more than 2%) but the result is better than the previous year, it will be assessed as 'not achieved but progress made'.
✘	Not achieved	Where the performance result for the year is below the target (by a margin of more than 2%) and the result is lower than the result achieved in the previous year, it will be assessed as 'not achieved'.

[2] The threshold for ministerial consultation is currently set at $50 million.

▶ OUTPUT CLASS 1

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.

Our legislated operating principles[3]

This output class reflects our statutory functions for both housing and urban development under section 13 of the Kāinga Ora–Homes and Communities Act 2019.

In delivering our activities in this output class we act consistently with all our operating principles, including those related to:

- public housing solutions that contribute positively to wellbeing
- housing supply that meets needs
- well-functioning urban environments
- stewardship and sustainability
- collaboration and effective relationships.

The difference we are trying to make

We want to ensure our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible.

How we aim to achieve this

Kāinga Ora will be fair and reasonable and will treat all our tenants with respect, integrity and honesty.

As a public housing landlord our overarching goal is to ensure we are doing all we can to help meet the diverse needs and aspirations, and improve the wellbeing, of our tenants and their whānau. This also means sustaining customers' tenancies for the duration of their need, and helping them receive the services they need to live well in their home.

Under this output class, Kāinga Ora establishes and manages public housing tenancies of individuals and households, while supporting tenants to be well connected to their communities.

We will engage meaningfully and fully with local communities to understand what is special about every area where we work. We will take a place-based approach to create local solutions that meet the diverse needs and aspirations of local communities. As a public housing landlord, we maintain our homes and work proactively with our public housing customers to reduce any debt they may have incurred with us, and link them with specialist support services, where appropriate, to sustain their tenancies.

[3] Please refer to Appendix 1 for the details of our legislated operating principles.

The scope of this output class

The scope of this output class is limited to the allocation, induction and management of public housing tenancies and the management of housing provided for supported housing purposes. 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.

Activities delivered

The activities undertaken in this output class include:

- 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
- building relationships between our public housing customers and their communities and partnering with community providers including rōpū Māori.

How this output class contributes to wider housing and urban outcomes

This output class contributes directly or indirectly to the following housing and urban outcomes.

Our high-level outcomes	This output class contributes:		
	Directly	Indirectly	N/A
Sustainable, inclusive and thriving communities support good access to jobs, amenities and services	✔		
Good quality, affordable housing choices meet diverse needs	✔		
Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi	✔		
Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible	✔		
Environmental wellbeing is enhanced and preserved for future generations		✔	
System transformation is catalysed and delivered		✔	

How we will assess our performance

Ref:	Actual 2018/19	Measure	Measure type	Standard 2019/20	Forecast 2019/20	Standard 2020/21
1.1	New measure	Percentage of public housing customers that receive a welcome home visit within the first six weeks of their tenancy starting	✽	New measure		85%
1.2	78%	Percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre	✽✽	85%	87%	85%
1.3	83%	Percentage of calls answered within two minutes by the Customer Support Centre	✽	80%	80%	80%
1.4	New measure	Percentage of customers who feel their tenancy manager treats them with respect	✽✽	New measure		85%
1.5	98.1%	Percentage of public homes that are let (occupied days)	✽✽	97.5%	98.2%	97.8%
1.6	New measure	Percentage of new customers who sustain their tenancy for 12 months or more	✽✽	New measure		>92%
1.7	92%	Percentage of public housing customers that are not in rental arrears	✽✽	93%	89.5%	>93%

Key to measure type

✽ Direct Kāinga Ora performance output measure

✽✽ Performance indicator that Kāinga Ora has strong influence over

✽✽✽ Outcome performance indicator that Kāinga Ora only has an indirect influence over, or demand-based activity that Kāinga Ora does not have control over

Revenue and output expenses

Description	Forecast 2019/20* $m	Budget 2020/21 $m	Comment
Revenue Crown	973.1	1,019.3	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	479.2	510.7	
Expenses	836.4	933.8	
Net surplus/(deficit)	615.9	596.1	

Output class revenue and expense tables may have rounding differences.
*The 2019/20 forecast has been restated based on the Kāinga Ora new 2020/21 output class structure for comparison purposes.

▶ OUTPUT CLASS 2

Managing, maintaining and renewing our homes

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

Our legislated operating principles[4]

This output class reflects our statutory functions for both housing and urban development under section 13 of the Kāinga Ora–Homes and Communities Act 2019.

All our operating principles guide the work we do, but the principles that have the greatest relevance to this output class are those related to:

- public housing solutions that contribute positively to wellbeing
- housing supply that meets needs.

The difference we are trying to make

We aim to provide quality public housing through good asset stewardship: ensuring our homes are safe, warm, dry and healthy, and designed to support a diverse range of needs and choices.

How we aim to achieve this

Efficient and effective management and maintenance of our homes is critical to ensuring our customers have access to warm, dry and safe homes that they can operate within their means. This also ensures the overall quality and value of our housing portfolio are maintained for future generations.

The scope of this output class

The scope of this output class is limited to the 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.

Activities delivered

The activities undertaken in this output class include:

- undertaking 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
- working with tenants to ensure minimal disruption to their lives while undertaking maintenance and ensuring they are treated with respect.

[4] Please refer to Appendix 1 for the details of our legislated operating principles.

How this output class contributes to wider housing and urban outcomes

This output class contributes directly or indirectly to the following housing and urban outcomes.

Our high-level outcomes	This output class contributes: Directly	Indirectly	N/A
Sustainable, inclusive and thriving communities support good access to jobs, amenities and services		✓	
Good quality, affordable housing choices meet diverse needs	✓		
Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi		✓	
Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible	✓		
Environmental wellbeing is enhanced and preserved for future generations	✓		
System transformation is catalysed and delivered		✓	

How we will assess our performance

Ref:	Actual 2018/19	Measure	Measure type	Standard 2019/20	Forecast 2019/20	Standard 2020/21
2.1	16 days	Average number of days from a public home becoming vacant to being 'ready to let'	✱	18 days	16.5 days	18 days
2.2	71%	Percentage of public housing customers satisfied with repairs and maintenance	✱✱	75%	72%	75%
2.3	2.1 hours	Average time taken to respond to urgent health and safety maintenance queries	✱	4 hours	2.3 hours	4 hours
2.4	New measure	Percentage of public housing customer maintenance requests completed within the agreed service level targets*	✱	New measure		80%
2.5	New measure	Percentage of actual spend on planned repairs and maintenance programmes against budget target	✱	New measure		95%
2.6	New measure	Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act**	✱	New measure		30%

Ref:	Actual 2018/19	Measure	Measure type	Standard 2019/20	Forecast 2019/20	Standard 2020/21
2.7	New measure	Number of public houses completed as part of the house retrofit programme	✱	New measure		>500
2.8	93%	Percentage of public lettable properties that meet or exceed the asset condition scale baseline quality standard***	✱	90%	93%	93.5%

*Kāinga Ora has different service level targets for different priorities of maintenance requests. This measures the percentage of responsive repairs that meet the service level targets for completing Urgent Health and Safety work (12 hours), Urgent Responsive work (48 hours) and General repairs (10 working days).
**Kāinga Ora is rolling out a four-year programme of work aimed at ensuring all of our housing portfolio is compliant with the Healthy Homes Guarantee Act by 30 June 2023. The number of homes planned to be completed in 2020/21 is 14,264.
***Kāinga Ora uses the National Asset Management Support (NAMS) Asset Condition Scale. Each major component of a house is rated 1-5 (where 1 is the highest score and 5 is the lowest). Where the average of the components for a house is rated at less than 3.5, the house is deemed to meet the baseline quality standard.

Key to measure type

✱ Direct Kāinga Ora performance output measure

✱✱ Performance indicator that Kāinga Ora has strong influence over

✱✱✱ Outcome performance indicator that Kāinga Ora only has an indirect influence over, or demand-based activity that Kāinga Ora does not have control over

Revenue and output expenses

Description	Forecast 2019/20* $m	Budget 2020/21 $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	415.4	465.2	
Net surplus/(deficit)	(415.4)	(465.2)	

Output class revenue and expense tables may have rounding differences.
*The 2019/20 forecast has been restated based on the Kāinga Ora new 2020/21 output class structure for comparison purposes.

▶ OUTPUT CLASS 3

New public and supported housing supply

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

Our legislated operating principles[5]

This output class reflects our statutory functions for both housing and urban development under section 13 of the Kāinga Ora–Homes and Communities Act 2019.

In delivering our activities in this output class we are guided by all of these operating principles. They include those related to:

- public housing solutions that contribute positively to wellbeing
- housing supply that meets needs
- well-functioning urban environments
- stewardship and sustainability
- collaboration and effective relationships.

The difference we are trying to make

We aim to deliver good quality public and supported housing choices in the right volume and place, matched to the diverse needs of our customers and their whānau.

How we aim to achieve this

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.

Kāinga Ora will play a significant role in preparing land for many of these homes, ensuring a cohesive master-planning approach to community development.

Our intention is that building homes will deliver the vast majority of the additions to our portfolio, rather than buy-ins or leasing. This will contribute to the growing number of houses in New Zealand as well as to better financial outcomes.

The table on the next page provides a breakdown of the types of activities Kāinga Ora uses to manage the growth of our state housing portfolio (ie, public and supported housing). It also shows the breakdown of our key delivery performance measures 3.1 and 3.2 included in the service performance on the next page. We will provide the Minister and the Ministry of Housing and Urban Development with regular reporting on this breakdown and our development pipeline to ensure complete transparency of our delivery programme. We will provide the final delivery breakdown in our 2020/21 Annual Report.

[5] Please refer to Appendix 1 for the details of our legislated operating principles.

As part of the state housing portfolio, Kāinga Ora provides public housing that is supported by income-related rent subsidies, as well as some that is not, which includes Community Group Housing, transitional housing, and housing for other government agencies (such as the Department of Corrections).

Scope

The scope of this output class is limited to activities associated with asset acquisition, development and reconfiguration programmes aimed at increasing the supply of state housing owned or leased by Kāinga Ora in areas of demand, and improving the quality and longevity of housing supply through renewal programmes. This output class includes new supply provided to Community Group Housing, transitional housing and housing for specific target groups.

Activities

The activities undertaken 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
- delivering public and supported housing developments on greenfield and brownfield sites.

Kāinga Ora asset growth activity	Reference
BUILDING ACTIVITY	
New public and supported homes built on Kāinga Ora land (redevelopment)	
+ New public and supported homes built on land purchased by Kāinga Ora (new build)	
= Gross Kāinga Ora newly built public and supported homes (SPE 3.1 below)	**A = (SPE 3.1)**
– public and supported homes demolished	
= Total net Kāinga Ora newly built public and supported homes	**B**
TRANSACTIONAL ACTIVITY	
Existing homes purchased from the private market for public and supported housing use	
– (Kāinga Ora public and supported homes sold to the private housing market + intra-company transfers for other social uses)	
= Net acquisitions	**C**
LEASING ACTIVITY	
New and renewed leases of homes for public and supported housing use	
– Expired public and supported home leases	
= Net leased public and supported homes	**D**
Total net growth in Kāinga Ora public and supported homes (SPE 3.2)	**B+C+D = (SPE 3.2)**

Kāinga Ora will also provide regular updates to the Minister and HUD on our delivery of these homes.

How this output class contributes to wider housing and urban outcomes

This output class contributes directly or indirectly to the following housing and urban outcomes.

Our high-level outcomes	This output class contributes: Directly	Indirectly	N/A
Sustainable, inclusive and thriving communities support good access to jobs, amenities and services	✓		
Good quality, affordable housing choices meet diverse needs	✓		
Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi	✓		
Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible	✓		
Environmental wellbeing is enhanced and preserved for future generations	✓		
System transformation is catalysed and delivered		✓	

How we will assess our performance

Ref:	Actual 2018/19	Measure	Measure type	Standard 2019/20	Forecast 2019/20	Standard 2020/21
3.1	New measure	Number of newly constructed Kāinga Ora public and supported homes*	✽	New measure		>2,400
3.2	New measure	Increase in the overall number of Kāinga Ora public and supported homes (net increase)**	✽	New measure		>1,900
3.3	New measure	Percentage of new public homes (redevelopments) built to a 6 Homestar standard***	✽	New measure		>90%
3.4	New measure	Percentage of demolition waste diverted from landfill	✽	New measure		Benchmark to be established
3.5	New measure	Number of new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme	✽	New measure		>100

*A newly constructed home is defined as a home that is newly built and has not previously been occupied before its use for public or supported housing purposes. Of this total, approximately 75% (>1,825) will be public homes and a further 25% (>575) will be supported housing (including Transitional and Community Group Housing). Please note that the housing construction target was developed prior to the outbreak of COVID-19 and our ability to accurately assess what impact that will have on our ability to achieve the target for the 2020/21 financial year.

**Of this total, approximately 65% (>1,200) will be public homes and a further 35% (>700) will be supported housing (including Transitional and Community Group Housing). In addition to this target we will continue to contribute to the Government's commitment made in February 2020 to deliver an additional 1,000 Transitional Homes by December 2020. Any of the homes we have committed to that are uncompleted in 2019/20 will be delivered in 2020/21.
***Homestar is a comprehensive, independent national rating tool, run by the not-for-profit Green Building Council that measures the health, warmth and efficiency of New Zealand houses. A 6 Homestar rating or higher provides assurance that a house will be better quality - warmer, drier and healthier, and cost less to run – than a typical new house built to building code.

Key to measure type

✱ Direct Kāinga Ora performance output measure
✱✱ Performance indicator that Kāinga Ora has strong influence over
✱✱✱ Outcome performance indicator that Kāinga Ora only has an indirect influence over, or demand-based activity that Kāinga Ora does not have control over

Revenue and output expenses

Description	Forecast 2019/20* $m	Budget 2020/21 $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	137.5	145.8	
Net surplus/(deficit)	(137.5)	(145.8)	

Output class revenue and expense tables may have rounding differences.
*The 2019/20 forecast has been restated based on the Kāinga Ora new 2020/21 output class structure for comparison purposes.

▶ OUTPUT CLASS 4

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.

Our legislated operating principles[6]

This output class reflects our statutory functions for both housing and urban development under section 13 of the Kāinga Ora–Homes and Communities Act 2019.

All our operating principles guide the work we do, but the principles that have the greatest relevance to this output class are those related to:

- well-functioning urban environments
- stewardship and sustainability
- collaboration and effective relationships.

The difference we are trying to make

We aim to develop sustainable, inclusive and thriving communities that support good access to jobs, amenities and services. We will provide good quality, affordable housing choices that meet the needs of these diverse communities.

How we aim to achieve this

The Government is committed to moving from a fragmented housing and urban development system to a well-connected system that delivers the outcomes it seeks for New Zealanders.

Through this output class we will facilitate large-scale urban development projects to deliver homes where they are needed and where they are not being provided by the private market, to ensure a diverse mix of public, affordable and market housing.

We will build partnerships and collaborate with others to deliver on housing and urban development opportunities, develop and renew urban environments, and develop related amenities and infrastructure, facilities, services and works, including working with Iwi, Māori land owners, community housing providers, private developers, and local councils.

Scope

The scope of this output class is limited to urban development activities initiated, facilitated, or undertaken by Kāinga Ora either on its own, in partnership, or on behalf of others, including the:

- development of land to enable or facilitate public, affordable and market housing in areas of high demand

[6] Please refer to Appendix 1 for the details of our legislated operating principles.

- development and renewal of urban environments, whether or not this includes housing development
- development of related commercial, industrial, community, or other amenities, infrastructure, facilities, services, or works.

This output class also includes the leadership or coordination role, described below, that Kāinga Ora takes in relation to urban development.

Activities

The activities undertaken 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
- working alongside tangata whenua to deliver outcomes for Māori in urban development.

How this output class contributes to wider housing and urban outcomes

This output class contributes directly or indirectly to the following housing and urban outcomes.

Our high-level outcomes	This output class contributes:		
	Directly	Indirectly	N/A
Sustainable, inclusive and thriving communities support good access to jobs, amenities and services	✓		
Good quality, affordable housing choices meet diverse needs	✓		
Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi	✓		
Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible		✓	
Environmental wellbeing is enhanced and preserved for future generations	✓		
System transformation is catalysed and delivered	✓		

How we will assess our performance

Ref:	Actual 2018/19	Measure	Measure type	Standard 2019/20	Forecast 2019/20	Standard 2020/21
4.1	294	Number of new homes enabled* through Kāinga Ora urban development activities	✽	>500	>300	>500
4.2	54%	Percentage of affordable** homes enabled as a percentage of total homes enabled	✽	>40%	>35%	>40%
4.3	67%	Percentage of enabled homes under construction by third parties within agreed timeframes***	✽✽	95%	95%	95%
4.4	New measure	Percentage of new affordable or general homes enabled to the 6 Homestar standard	✽	New measure		>90%
4.5	New measure	Percentage of residents surveyed in current areas of development that are aware of the wider benefits delivered by Kāinga Ora regeneration activities	✽	New measure		Baseline to be established

*'Enabled homes' refers to the number of homes that will be built on 'ready to build' land handed over to a third party, or as agreed to under a signed unconditional contract between Kāinga Ora and the third party. Please note that the housing construction and build-ready land enabling targets were developed prior to the outbreak of COVID-19 and our ability to accurately assess what impact that will have on our targets for the 2020/21 financial year.
** For the purpose of this measure, 'affordable' means homes produced for sale for KiwiBuild or other affordable housing products produced at KiwiBuild price points.
*** 'Agreed timeframes' is defined as the house being 'under construction' in line with timeframes set out in the contracted development agreements.

Key to measure type

✽ Direct Kāinga Ora performance output measure
✽✽ Performance indicator that Kāinga Ora has strong influence over
✽✽✽ Outcome performance indicator that Kāinga Ora only has an indirect influence over, or demand-based activity that Kāinga Ora does not have control over

Milestones for large-scale urban development precincts

		2020/21	2021/22	2022/23	2023/24
NORTHCOTE	Demolished properties	>30	>30	0	0
	Superlots ready for handover	>5	>5	0	0
	Market and affordable homes completed	>130	>400	>30	>250
ORANGA PRECINCT	Demolished properties	>20	>60	>30	>20
	Superlots ready for handover	>2	>5	>2	>5
	Market and affordable homes completed	0	0	>15	>40

		2020/21	2021/22	2022/23	2023/24
MT ROSKILL	Demolished properties	>80	>40	>5	0
	Superlots ready for handover	>30	>30	>5	>0
	Market and affordable homes completed	>150	>250	>250	>100
MANGERE	Demolished properties	>50	>30	>50	>30
	Superlots ready for handover	>15	>10	>10	>15
	Market and affordable homes completed	0	>150	>150	>150

Note: These figures are based on the latest forecast and those forecasts may change over time. Please note that the housing construction and build-ready land enabling targets were developed prior to the outbreak of COVID-19 and our ability to accurately assess what impact that will have on our targets for the 2020/21 financial year.

The delivery units in the above table and those outlined in the two sections below, are indicative only and are subject to Ministerial approval.

Our role working with the Tāmaki Regeneration Company (TRC)

Kāinga Ora is working closely with TRC to enable the development of public, affordable and market homes on land currently owned by TRC. Our role is that of master developer, overall programme and project management, neighbourhood planning, and civils infrastructure procurement and construction. We are also responsible for the development and sale of mega/superlots, and the delivery of public homes for TRC, as well as enabling market and affordable homes and the overall community amenities. TRC retains overall ownership of the Precinct Masterplan, the public homes delivered and associated tenancy management, as well as continuing to be the lead agency for community and Iwi engagement. Over the course of the programme it is set to enable approximately 10,500 homes, of which approximately 33 percent will be state houses and the balance will be market and affordable homes. In the short term (over 2020-2024), it is set to enable approximately 2,000-2,500 houses. More detailed planning is also underway for the programme beyond 2024.

Our work in Eastern Porirua

Planning work is well underway on our Eastern Porirua precinct, where the aim of the programme is to deliver medium-density housing redevelopment and wider community regeneration over the next 20-25 years. Over the life of the programme it is set to deliver a mix of 80 percent redevelopment and 20 percent retrofit for public housing renewal and growth. The overall number of public homes will grow by 300, providing for a total of 2,300 new and retrofitted public homes in the area. The programme will also deliver approximately 1,500 new market and affordable homes. The programme includes considerable upgrades to infrastructure and renewal of Eastern Porirua’s parks and greenways, including shared cycle/walkways and pedestrian links to the Porirua city centre to encourage active modes of transport.

Revenue and output expenses

Description	Forecast 2019/20* $m	Budget 2020/21 $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	108.7	129.8	
Expenses	179.7	183.4	
Net surplus/(deficit)	(71.0)	(53.6)	

Output class revenue and expense tables may have rounding differences.
*The 2019/20 forecast has been restated based on the Kāinga Ora new 2020/21 output class structure for comparison purposes.

▶ OUTPUT CLASS 5

Supporting first home ownership for New Zealanders

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

Our legislated operating principles[7]

This output class reflects our statutory functions for both housing and urban development under section 13 of the Kāinga Ora–Homes and Communities Act 2019.

In delivering our activities in this output class we are guided by all of these operating principles. They include those related to:

- public housing solutions that contribute positively to wellbeing
- housing supply that meets needs
- well-functioning urban environments
- stewardship and sustainability
- collaboration and effective relationships.

The difference we are trying to make

People and whānau are supported to transition to greater housing independence through the provision of financial home ownership products that assist individuals and households to purchase their first home.

Scope

The scope of this output class is limited to activities associated with management of Kāinga Ora's financial home ownership products, including assessing the eligibility of customers for KiwiBuild, to assist individuals and households to purchase their first home.

Activities

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
- Residential Earthquake-Prone Building Financial Assistance Scheme (Crown appropriated)

[7] Please refer to Appendix 1 for the details of our legislated operating principles.

How this output class contributes to wider housing and urban outcomes

This output class contributes directly or indirectly to the following housing and urban outcomes.

Our high-level outcomes	This output class contributes: Directly	Indirectly	N/A
Sustainable, inclusive and thriving communities support good access to jobs, amenities and services		✓	
Good quality, affordable housing choices meet diverse needs	✓		
Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi	✓		
Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible		✓	
Environmental wellbeing is enhanced and preserved for future generations		✓	
System transformation is catalysed and delivered		✓	

How we will assess our performance

Ref:	Actual 2018/19	Measure	Measure type	Standard 2019/20	Forecast 2019/20	Standard 2020/21
5.1	2.8 working days	Average number of days taken to assess a completed First Home Grant application	✱	5 working days	3.5 working days	5 working days
5.2	New measure	Average number of days taken to assess a completed KiwiBuild eligibility application	✱✱✱	New measure		5 working days
5.3	New measure	Number of new First Home Grants assessed for eligibility	✱✱✱	New measure		Demand driven*
5.4	New measure	Number of new KiwiBuild applications assessed for eligibility	✱✱✱	New measure		Demand** driven
5.5	New measure	Number of homes purchased by New Zealanders with one or more of our home ownership products*	✱✱✱	New measure		>16,000***

*In 2018/19 we received and assessed a total of 37,045 applications for First Home Grant.
**In the 12 months from 1 April 2019 to 31 March 2020, we received and assessed a total of 1,853 applications for KiwiBuild eligibility.
***Includes successful KiwiBuild purchases.

Key to measure type

✱ Direct Kāinga Ora performance output measure
✱✱ Performance indicator that Kāinga Ora has strong influence over
✱✱✱ Outcome performance indicator that Kāinga Ora only has an indirect influence over, or demand-based activity that Kāinga Ora does not have control over

Revenue and output expenses

Description	Forecast 2019/20* $m	Budget 2020/21 $m	Comment
Revenue Crown	117.0	122.3	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	1.6	1.7	
Expenses	108.5	113.9	
Net surplus/(deficit)	10.1	10.1	

Output class revenue and expense tables may have rounding differences.
*The 2019/20 forecast has been restated based on the Kāinga Ora new 2020/21 output class structure for comparison purposes.

▶ OUTPUT CLASS 6

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

Our legislated operating principles[8]

This output class reflects our statutory function for urban development under section 13 of the Kāinga Ora Homes and Communities Act 2019.

All our operating principles guide the work we do, but the principles that have the greatest relevance to this output class are those related to:

- well-functioning urban environments
- stewardship and sustainability
- collaboration and effective relationships.

The difference we are trying to make

Good quality, affordable housing choices meet diverse needs through using Crown land effectively, efficiently and sustainably to provide homes and more liveable communities for all New Zealanders.

How we aim to achieve this

This output class relates to management and development services for properties that have been transferred to Crown control.

Scope

This output class is limited to property management and development services on behalf of the Crown in relation to land and buildings that have been transferred to direct Crown control, and are accounted for within the Crown's Housing Agency Account. The services are provided by Kāinga Ora to the Housing Agency Account under the specific authority and requirements set out in the Housing Act 1955 and the Housing Agency Accountability Agreement between Housing New Zealand and the Minister who was responsible for Housing New Zealand at that time.

Activities

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.

[8] Please refer to Appendix 1 for the details of our legislated operating principles.

The remaining activity relates to properties managed by Kāinga Ora that are held within the Crown's Housing Agency Account.

How this output class contributes to wider housing and urban outcomes

This output class contributes directly or indirectly to the following housing and urban outcomes.

Our high-level outcomes	This output class contributes: Directly	Indirectly	N/A
Sustainable, inclusive and thriving communities support good access to jobs, amenities and services	✓		
Good quality, affordable housing choices meet diverse needs	✓		
Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi		✓	
Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible			✓
Environmental wellbeing is enhanced and preserved for future generations		✓	
System transformation is catalysed and delivered		✓	

How we will assess our performance

Ref:	Actual 2018/19	Measure	Measure type	Standard 2019/20	Forecast 2019/20	Standard 2020/21
6.1	$31.2 million	Revenue generated from the sale of Hobsonville land	✱	>$20 million	> $18 million	>$10 million
6.2	23.4%	Percentage of homes delivered that are long-term rental or affordable housing as a percentage of total homes delivered*	✱	>20%	> 20 %	>20%
6.3	93%	Percentage of surveyed residents that are satisfied with the overall living experience at Hobsonville Point	✱✱	>75%	75%	>75%

*There are only 374 affordable homes left to be delivered in the Hobsonville development.

Key to measure type

✱	Direct Kāinga Ora performance output measure
✱✱	Performance indicator that Kāinga Ora has strong influence over
✱✱✱	Outcome performance indicator that Kāinga Ora only has an indirect influence over, or demand-based activity that Kāinga Ora does not have control over

Revenue and output expenses

Description	Forecast 2019/20* $m	Budget 2020/21 $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	2.0	2.0	
Expenses	2.0	2.0	
Net surplus/(deficit)	0.0	0.0	

Output class revenue and expense tables may have rounding differences.
*The 2019/20 forecast has been restated based on the Kāinga Ora new 2020/21 output class structure for comparison purposes.

Forecast financial statements

Forecast financial highlights for 2020/21

Kāinga Ora manages a portfolio of approximately 65,800 houses.[9] The value of the owned portion of this portfolio was $28.4 billion at 30 June 2019. This is an increase of $1.8 billion on the portfolio's previous valuation of $26.6 billion as at 30 June 2018. Another portfolio valuation is due to be completed by 30 June 2020.

The 2020/21 forecast operating loss before tax is $58 million, with no distribution to the Crown.

In 2020/21 we expect to receive $1,787 million in income, comprising:

- $1,475 million in rental income
- $127 million in other operational funding for Crown programmes
- $130 million in affordable housing and land development revenue
- $55 million in interest and other income.

In 2020/21 we expect to incur $1,775 million in operating expenses, comprising:

- $422 million in repairs and maintenance
- $322 million in depreciation and amortisation
- $252 million in property leases and rates
- $151 million in interest costs
- $90 million in grant payments, primarily from the KiwiSaver scheme
- $32 million in affordable housing and land development expenses (included in Other Expenses)
- $506 million in personnel and other expenses.

We also expect to incur $70 million of write-offs, driven by redevelopment activity.

In 2020/21 Kāinga Ora expects to spend $2,889 million on rental housing asset purchases and improvements, and expects to receive $37 million from the sale of state housing assets.

It is important to note the following forecast financial statements were prepared prior to the outbreak of COVID-19 in New Zealand and therefore do not reflect the impact of the crisis on our financial performance.

Work is currently underway to assess the impact of COVID-19 on our 2020/21 financial forecasts. Once this is complete, we will issue a revised set of forecast financial statements.

[9] As at 31 January 2020, this includes public, Community Group and transitional housing.

Forecast statement of comprehensive revenue and expense

	Group Actuals 2019 $m	Group Forecast 2020 $m	Group Budget 2021 $m
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Crown appropriation revenue	102	107	108
Rental income from income-related rent subsidy (IRRS)	880	954	1,001
Rental income from tenants receiving IRRS	368	393	421
Rent relief fund revenue	4	4	4
Lease income	12	22	37
Crown income - KiwiBuild appropriation income	-	14	19
REVENUE FROM EXCHANGE TRANSACTIONS			
Rental income from tenants at market rent	49	49	49
Interest revenue	14	14	5
Mortgage Insurance Scheme	10	11	10
Proceeds of sales by HNZ Build	15	38	36
Other revenue	9	76	97
Total revenue	**1,463**	**1,682**	**1,787**
EXPENSES			
Repairs and maintenance	366	375	422
Rates	124	132	143
Water rates	36	37	40
Third-party rental leases	63	68	69
Depreciation - rental properties	265	291	307
Depreciation and amortisation - infrastructure assets	22	42	15
Personnel	152	179	218
Interest expense	106	125	151
Grants	84	89	90

Forecast statement of comprehensive revenue and expense (continued)

	Group Actuals 2019 $m	Group Forecast 2020 $m	Group Budget 2021 $m
EXPENSES (CONTINUED)			
Other expenses	143	295	320
Total expenses	**1,361**	**1,633**	**1,775**
OTHER GAINS/(LOSSES)			
Gain/(loss) on disposal of assets	(6)	6	-
Loss on asset write-offs	(60)	(53)	(70)
Total other gains/(losses)	**(66)**	**(47)**	**(70)**
Surplus/(deficit) before tax	**36**	**2**	**(58)**
Current tax expense	89	98	96
Deferred tax expense/(benefit)	(113)	(68)	(70)
Income tax expense/(benefit)	**(24)**	**30**	**26**
Net surplus/(deficit) after tax	**60**	**(28)**	**(84)**
OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Revaluation reserve gains/(losses)	616	304	333
Impairment of assets	-	-	-
Hedging reserve gains/(losses)	(22)	(6)	(6)
Income tax on items of other comprehensive revenue and expense	(49)	(60)	(66)
Other comprehensive revenue and expense net of tax	545	238	261
Total comprehensive revenue and expense net of tax	**605**	**210**	**177**

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

Forecast statement of financial position

	Group Actuals 2019 $m	Group Forecast 2020 $m	Group Budget 2021 $m
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	296	388	388
Mortgage advances	3	-	-
Receivables and prepayments from exchange transactions	13	13	13
Receivables from non-exchange transactions	8	-	-
Prepayment	10	-	-
Short-term investments	35	1,260	1,107
Properties for sale	-	-	-
Total current assets	**365**	**1,661**	**1,508**
NON-CURRENT ASSETS			
Property, plant and equipment	28,410	30,681	33,579
Properties under development	144	119	119
Property held awaiting development	27	135	278
Mortgage advances	30	31	31
Financial assets at fair value through net surplus/(deficit)	-	-	-
Interest rate derivatives	-	-	-
Intangible assets	20	20	25
Long-term receivable from exchange transactions	-	-	-
Total non-current assets	**28,631**	**30,986**	**34,032**
Total assets	**28,996**	**32,647**	**35,540**
LIABILITIES			
CURRENT LIABILITIES			
Rent received in advance from non-exchange transactions	33	16	16
Accounts payable and other liabilities from exchange transactions	185	190	231

Forecast statement of financial position (continued)

	Group Actuals 2019 $m	Group Forecast 2020 $m	Group Budget 2021 $m
CURRENT LIABILITIES (CONTINUED)			
Income tax payable	17	(81)	(176)
Crown loans	252	252	252
Market debt - commercial paper	250	685	700
Provisions	1	1	1
Employee entitlements	11	11	11
Interest rate derivatives	29	36	36
Total current liabilities	**778**	**1,110**	**1,071**
NON-CURRENT LIABILITIES			
Crown loans	1,734	1,735	1,735
Market debt - bonds	1,300	4,281	6,894
Deferred tax liability	2,141	2,275	2,417
Interest rate derivatives	85	78	78
Mortgage Insurance Scheme unearned premium reserve	32	32	32
Provisions	1	1	1
Employee entitlements	1	1	1
Total non-current liabilities	**5,294**	**8,403**	**11,158**
Total liabilities	**6,072**	**9,513**	**12,229**
Net assets	**22,924**	**23,134**	**23,311**
EQUITY			
Equity attributable to the parent	3,555	3,555	3,555
Retained earnings	712	651	588
Revaluation reserve	18,739	19,010	19,250
Hedging reserve	(82)	(82)	(82)
Total equity	**22,924**	**23,134**	**23,311**

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

Forecast statement of changes in equity

	Group Actuals 2019 $m	Group Forecast 2020 $m	Group Budget 2021 $m
Total equity at 1 July	**22,319**	**22,924**	**23,134**
Revaluation of property, plant and equipment			
Revaluation reserve gains/(losses)	616	304	333
Impairment of assets	-	-	-
Deferred tax on property, plant and equipment revaluations	(55)	(66)	(72)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE			
Hedging reserve gains/(losses)	(22)	(6)	(6)
Deferred tax on hedging reserve gains/(losses)	6	6	6
Net surplus/(deficit) for the year after tax	60	(28)	(84)
Total comprehensive revenue and expense for the period	**605**	**210**	**177**
CONTRIBUTIONS FROM AND DISTRIBUTIONS TO THE CROWN			
Net capital contributions (to)/from the Crown	-	-	-
Payment of dividends to the Crown	-	-	-
Total contributions from and distributions to the Crown	**-**	**-**	**-**
Total changes in equity	**605**	**210**	**177**
Total equity at 30 June	**22,924**	**23,134**	**23,311**
EQUITY ATTRIBUTABLE TO THE CROWN			
Opening balance	3,555	3,555	3,555
Net capital contributions (to)/from the Crown	-	-	-
Closing equity attributable to the Crown	**3,555**	**3,555**	**3,555**

Forecast statement of changes in equity (continued)

	Group Actuals 2019 $m	Group Forecast 2020 $m	Group Budget 2021 $m
RETAINED EARNINGS			
Opening retained earnings	596	712	651
Net surplus/(deficit) for the year after tax	60	(28)	(84)
Net transfers from asset revaluation reserve on disposal of properties	56	(33)	21
Annual distribution	-	-	-
Closing retained earnings	**712**	**651**	**588**
REVALUATION RESERVE			
Opening revaluation reserve	18,234	18,739	19,010
Asset revaluations on property, plant and equipment	616	304	333
Impairment of assets	-	-	-
Deferred tax on property, plant and equipment	(55)	(66)	(72)
Net transfers from asset revaluation reserve on disposal of properties	(56)	33	(21)
Closing revaluation reserve	**18,739**	**19,010**	**19,250**
HEDGING RESERVE			
Opening hedging reserve	(66)	(82)	(82)
Fair value gains/(losses)	(22)	(6)	(6)
Deferred tax on derivative fair value movement	6	6	6
Closing hedging reserve	(82)	(82)	(82)
Total equity at 30 June	**22,924**	**23,134**	**23,311**

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

Forecast cash flow statement

	Group Actuals 2019 $M	Group Forecast 2020 $M	Group Budget 2021 $M
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Rent receipts - tenants	410	425	470
Rent receipts - income-related rent subsidy	880	962	1,001
Rent relief fund income	4	4	4
Other receipts from the Crown	101	121	127
Mortgage Insurance Scheme income	10	14	10
Interest received from customers and investments	12	14	5
Other receipts	47	108	134
Payments to suppliers and employees	(992)	(1,228)	(1,280)
Income tax paid	(77)	(106)	(102)
Interest paid	(101)	(125)	(151)
Net cash flows from/(used in) operating activities	**294**	**189**	**218**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Sale of rental properties and management assets	19	25	37
Mortgage and other lending repayments	7	(1)	0
Movement in inventory	0	(45)	(107)
Purchase of rental property assets	(1,523)	(2,230)	(2,889)
Purchase of other property, plant and equipment	(12)	(32)	(28)
Purchase of intangible assets	(11)	(6)	(11)
Net short-term investments (made)/realised	113	(1,225)	153
Intercompany	-	-	-
Housing Agency Account	3	-	-
Net cash flows from/(used in) investing activities	**(1,404)**	**(3,514)**	**(2,845)**

Forecast cash flow statement (continued)

	Group Actuals 2019 $M	Group Forecast 2020 $M	Group Budget 2021 $M
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Net capital contributions (to)/from the Crown	(1)	1	-
Net funds from borrowings	884	3,416	2,628
Other debt increase/(repayment)	-	-	-
Net cash flows from/(used in) financing activities	**883**	**3,417**	**2,628**
Net cash flows	(227)	92	-
Opening cash and cash equivalents	523	296	388
Closing cash and cash equivalents	**296**	**388**	**388**

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

Statements of underlying assumptions

These statements have been compiled on the basis of current Government policy. They comply with Public Benefit Entity Financial Reporting Standard (PBE FRS 42 *Prospective Financial Statements*). They are presented to fulfil the statutory obligations of Kāinga Ora – Homes and Communities under the Crown Entities Act 2004.

In this section, Kāinga Ora refers to Kāinga Ora – Homes and Communities and its subsidiaries. The principal subsidiary of Kāinga Ora is Housing New Zealand Limited, which owns and manages state housing.

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

Opening balances of the Statement of Financial Position are derived from the best assumptions for the closing balances at 30 June 2020.

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

It is important to note the above forecast financial statements were prepared prior to the outbreak of COVID-19 in New Zealand and therefore do not reflect the impact of the crisis on our financial performance.

Work is currently underway to assess the impact of COVID-19 on our 2020/21 financial forecasts. Once this is complete, we will issue a revised set of forecast financial statements.

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

Forecasting Assumption	Risk	Financial Effect/ Action Taken	Net Level of Uncertainty
Expected interest rates on investments Interest rates on investments are consistent with the three-month term deposit rate.	Actual interest rates may differ significantly from those estimated.	Kāinga Ora manages any significant change in interest rates through the term of investment and/or the type of investment.	Low
Expected interest rates on borrowings Interest rates on Crown debt are based on projected borrowing rates from the Crown, depending on the expected maturity of the debt, and taking into account the existing fixed rates locked in on the debt.	Actual interest rates may differ significantly from those estimated.	Kāinga Ora has an interest rate hedging policy that minimises any significant change to interest rates on projected borrowings.	Low

Forecasting Assumption	Risk	Financial Effect/ Action Taken	Net Level of Uncertainty
Interest rates on debt issued by the market are based on projected market borrowing rates, depending on the expected maturity of the debt.			
Credit risk – Welcome Home Loans (Mortgage Insurance Scheme) The Mortgage Insurance Scheme insures low-equity mortgage lending with terms averaging 28 years. Premiums for this product are received upfront but the risks of default are greatest over the first 15 years of the loan. Part of the premium received is moved to reserves to be recognised in future years in proportion to the risk of default.	The cash reserve is insufficient to meet subsequent defaults.	External actuaries assess the adequacy of held reserves every six months.	Low
Revenue from rents A rent growth rate is applied in line with current market expectation.	Market rent is outside the control of Kāinga Ora.	Variance to forecast rent has the largest potential impact on operating surplus.	Medium
Maintenance expense Maintenance spend is based on expected volumes and run rates for maintenance expenses.	Actual maintenance work completed may be different from that forecast.	Kāinga Ora has significant influence over maintenance programmes and expenditure.	Low
Price adjustors (cost indices) Larger expense items such as rates and personnel have been inflated for externally driven cost movement expectations.	Actual inflation may differ from that projected.	Kāinga Ora will regularly monitor future financial information and assess its impact on the projected financial position.	Low
Asset revaluations Property values change in line with current market expectation.	Property values can be volatile. Revaluation movements may be significantly different from forecast.	The impact of volatility on Kāinga Ora operating surplus and comprehensive income could be significant.	Medium

Assumptions

	2019/20 %	2020/21 %
FINANCING INDICES		
Average overall rate	3.3	2.3
PRICE ADJUSTORS		
Rent growth	3.3	3.3
Rates	5.0	5.0
Maintenance (underlying)	4.0	3.0
TAXATION ADJUSTORS		
Goods and Services Tax (GST)	15	15
Income tax	28	28
Deductibility of depreciation on housing assets	0	0
PROPERTY REVALUATIONS		
Rental properties	1.0	1.0

Cost allocation policy

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

Managing the Crown's investment

Kāinga Ora is forecast to have total assets of $34 billion at 30 June 2021, funded by liabilities of $11 billion and equity of $23 billion.

Value of the Crown's investment

The equity (assets less liabilities) is the value of the Crown's investment in Kāinga Ora.

The equity figure in the table below is based on estimates of property revaluation.

Equity as at 30 June 2020 $m	Equity as at 30 June 2021 $m
23,134	23,311

All current capital appropriations are drawn down in the ratio of 22:78 debt to equity.

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

Business diversification

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

Agreements that result in compensation from the Crown

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

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

Statement of accounting policies

Corporate information

Kāinga Ora – Homes and Communities (Kāinga Ora) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing the operations of Kāinga Ora and its subsidiaries is the Crown Entities Act 2004 and the Kāinga Ora–Homes and Communities Act 2019.

The objective of Kāinga Ora – Homes and Communities is to contribute to sustainable, inclusive and thriving communities that:

- provide people with good quality, affordable housing choices that meet diverse needs
- support good access to jobs, amenities and services
- otherwise sustain or enhance the overall economic, social, environmental and cultural wellbeing of current and future generations.

Kāinga Ora and its subsidiaries are designated public benefit entities (PBEs), defined as "reporting entities whose primary objective is to provide goods and services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders".

The registered office of Kāinga Ora – Homes and Communities is Level 10, 80 Boulcott Street, Wellington.

Summary of significant accounting policies

a. Basis of preparation

The prospective financial information is prepared based on PBE FRS 42 *Prospective Financial Statements* as appropriate for PBEs reporting under Tier 1 of the PBE Standards. The financial statements constitute a projection for the year ending 30 June 2021. As a projection, the financial information is prepared on the basis of one or more hypothetical but realistic assumptions, which reflect possible courses of action for the prospective financial information period as at the date this information has been prepared. The prospective financial information may vary from actual results. The financial information is forward looking and should be read in conjunction with the assumptions set out on pages 55 to 58. Because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied in forward-looking financial statements.

The financial statements have been prepared on a historical cost basis, except for rental properties, freehold land, derivative financial instruments, actuarially assessed provisions, available-for-sale financial assets, and financial assets at fair value through net surplus/(deficit) that are measured at fair value.

The financial statements are presented in New Zealand dollars, which is the functional currency of Kāinga Ora, and all values are rounded to the nearest million dollars ($m) unless stated otherwise.

b. Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which include the requirement to comply with Generally Accepted Accounting Practice in New Zealand.

c. Basis of the Kāinga Ora Group

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

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

d. Property, plant and equipment

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

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

An item of property, plant or equipment is derecognised upon disposal or when future economic benefits are no longer expected to arise from its use. Any gain or loss is included in the net surplus/(deficit) for the year in which the item is derecognised. Gain or loss on sale is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

e. Rental property land and buildings

Housing for community groups held by Kāinga Ora, and state housing held by HNZL, is recognised at cost upon purchase or completion of construction. Such costs include the cost of repairs and renewals that are eligible for capitalisation according to the recognition principles in PBE IPSAS *17 Property, Plant and Equipment*. All other repairs and maintenance costs are recognised in the net surplus/(deficit) for the year.

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

Fair value is determined by reference to market-based evidence and is the amount for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Independent valuations are performed annually to ensure that the carrying amount does not differ materially from the asset's fair value at the balance date.

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

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

An item of property is derecognised upon disposal or when no future economic benefit or service potential is expected to arise from the continued use of this asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Any gain or loss arising on derecognition of an asset is included in the net surplus/(deficit) for the year, in the period the item is derecognised. Gain or loss on derecognition is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

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

Rental properties	10-60 years

f. Work in progress

Construction work in progress is recognised at cost. On completion, the property will be either held by the same entity and accounted for as rental property or sold, with any relevant work in progress transferred to cost of goods sold.

g. Property held for sale

Properties identified as meeting the criteria for recognition as held for sale are reclassified as properties held for sale. This classification is used where the carrying amount of the property will be recovered through sale or transfer, the property is available for immediate sale in its present condition and a sale or transfer is highly probable.

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

h. Properties under development

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

Properties under development are measured at the lower of cost and net realisable value (selling price less costs to complete and sale costs). Any write-downs to net realisable value are recognised as an expense in the net surplus/(deficit) in the Statement of Comprehensive Revenue and Expense.

i. Borrowing costs

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

j. Intangible assets

Kāinga Ora has computer software, which is a non-monetary asset without physical substance and is therefore classified as an intangible asset. Intangible assets include software that has been externally purchased as well as software that has been internally developed. Software is developed to meet Board-approved changes and improvements to Kāinga Ora way of working, structures, processes, products and systems.

Computer software is capitalised at cost and amortised over a four- to seven-year period. Following initial recognition, it is carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation is recognised as an expense in the net surplus/(deficit).

Computer software is tested for impairment where an indicator of impairment exists. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of computer software are recognised in the net surplus/(deficit) when the asset is derecognised. They are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

k. Impairment of plant and equipment and intangible assets

The primary objective of Kāinga Ora from its non-financial assets is to provide public housing rather than to generate a commercial return, and consequently it does not hold any material cash-generating property, plant and equipment or intangible assets.

Non-cash-generating plant and equipment and intangible assets

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

Value in use is determined by using either a depreciated replacement cost approach, restoration cost approach, or service units approach. Selection of the most appropriate approach used to measure value in use in each case will depend on the nature of the impairment and availability of information.

If an item of plant and equipment or intangible asset’s carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the net surplus/(deficit).

The reversal of an impairment loss is recognised in the net surplus/(deficit).

l. Investments and other financial assets

Recognition and derecognition

Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. All regular purchases and sales of financial assets are recognised on the trade date, that is, the date that Kāinga Ora commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

i. Financial assets at fair value through net surplus/(deficit)

Shared Equity Loan scheme loans are designated at fair value through net surplus/(deficit). Fair value is determined by reference to market-based evidence. Independent valuations are performed annually to ensure the carrying amount does not differ materially from the asset’s fair value at balance date.

Under the Shared Equity Loan scheme, the home buyer can opt to repay the loan early. The loan is adjusted on day one to reflect the prepayment option in the form of impairment in the Statement of Financial Position and a grant expense in the net surplus/(deficit) for the year. Subsequent movements in fair value are recognised in the net surplus/(deficit).

ii. Loans and receivables (including short-term investments in money market)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net surplus/(deficit) when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities of greater than 12 months after balance date, which are classified as non-current.

m. Mortgages and housing-related lending

Mortgage advances are classified as loans and receivables at amortised cost and are stated at amounts outstanding net of provisions made on advances considered doubtful for collection, ensuring mortgage advances' carrying values do not exceed their recoverable amount.

The mortgage provision reflects an amount considered adequate to provide for incurred losses based on the best information available at balance date, for loans identified as having particular risk, where security is considered inadequate.

n. Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Collectability of receivables is reviewed on an ongoing basis. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. Financial difficulties of debtor and/or default in payments are considered objective evidence of impairment.

o. Long-term receivables

Long-term receivables represent the present value of debts that are expected to be settled beyond the next 12 months and are subsequently measured at amortised cost using the effective interest rate method.

p. Cash and cash equivalents

Cash and cash equivalents are cash on hand and short-term liquid investments, with original maturities of up to 90 days, held specifically for working capital purposes.

q. Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortised cost. Due to their short-term nature they are not discounted.

They represent liabilities for goods and services provided to Kāinga Ora prior to the end of the financial year that are unpaid and arise when Kāinga Ora becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

r. Interest-bearing borrowings

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

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

s. Mortgage insurance liabilities

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

Mortgage Insurance Scheme liabilities include the outstanding claims liability and the unearned premium reserve. The outstanding claims liability is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, irrespective of whether a claim has been reported or not, including related claims handling costs. It can take a significant period of time before the ultimate claims cost can be established with certainty. The liability is determined at reporting date using a range of actuarial valuation techniques. Any liability is derecognised when the contract expires, is discharged or is cancelled. The unearned premium reserve represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. A reserve includes amounts recognised when contracts are entered into and premiums charged, and reduces as premium income recognised over the term of the contract in accordance with the pattern of insurance service provided under the contract. This liability is discounted to recognise the time value of money. Also a risk margin percentage is factored in using the 75 percent probability of sufficiency level.

At each reporting date, Kāinga Ora reviews its unexpired risk and a liability adequacy test is performed as laid out under PBE IFRS 4 *Insurance Contracts* Appendix D, to determine whether there is any overall excess of expected claims over the unearned premium liabilities. This calculation uses a stochastic frequency/severity model. The ultimate outcome for each loan is randomly simulated. The distribution of results is analysed and the average and various percentiles are calculated. If these estimates show that the carrying amount of the unearned premium reserve is inadequate, the deficiency is recognised in the net surplus/(deficit) for the year by establishing a provision for liability adequacy.

Kāinga Ora holds, at all times, short-term investments, equivalent to at least the total value of the Mortgage Insurance Scheme liabilities, to meet any claims under the scheme.

t. Provisions

Provisions are recognised when Kāinga Ora has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The expense relating to any provision is presented in the net surplus/(deficit) for the year.

u. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the extent to which the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

i. Kāinga Ora as a lessee

Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Revenue and Expense on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of liability.

ii. Kāinga Ora as a lessor

Leases in which Kāinga Ora retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

v. Revenue

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

i. Revenue from exchange transactions

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

The following represents the revenue of Kāinga Ora for exchange transactions:

Revenue from tenants at market rent

Revenue received from the tenants paying market rent is recognised on a straight-line basis over the term of the lease.

Mortgage Insurance Scheme revenue

Revenue from premiums and the movement in outstanding claims liability during the year is recognised in the net surplus/(deficit). Premium revenue, including premium subsidies from the Crown, is recognised over the estimated term of the contract according to actuarial assessment of the risk exposure under the contract.

Interest revenue

Interest revenue on mortgages, including interest subsidies from the Crown and short-term investments, is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Management fees

Kāinga Ora receives management fees from the Housing Agency Account for managing the development of land.

ii. Revenue from non-exchange transactions

Revenue from non-exchange transactions is where Kāinga Ora receives value from another entity for which it provides either no, or below-market, consideration, directly in return or when the consideration received by Kāinga Ora directly in return for its services is below market. Revenue from non-exchange transactions is recognised when initial control over the resources is gained as a result of a past event, receipt of future economic benefits or service potential from those resources is expected, there are no conditions attached to the resources gained, and the fair value of the assets can be measured reliably.

Revenue generated from non-exchange transactions is represented below:

Income-related rental revenue from tenants and income-related rent subsidies

Income-related rental revenue received from the tenants and income-related rent subsidies received from the Crown are recognised on a straight-line basis over the term of the lease.

Crown operating appropriations

Kāinga Ora receives revenue from the Crown as operating appropriations. Crown appropriation revenue is received to subsidise third-party revenue to equate market value (eg, mortgage insurance premiums and interest subsidies), to pay for services provided to the Crown (eg, government relations, research and evaluation), or to reimburse Kāinga Ora for expenses incurred by operating various programmes (eg, First Home Loans). All Crown appropriation revenue is recognised when the right to receive the asset is established, whether in advance of, or subsequent to, provision of the services relating to the appropriation.

w. Contingent assets

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

x. Income tax

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

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

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

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

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

y. Other taxes

Kāinga Ora is mainly an exempt supplier in relation to Goods and Services Tax (GST). GST on the majority of inputs cannot be reclaimed; therefore, it is included in expenditure. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

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

z. Derivative financial instruments

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

i. Fair value

Kāinga Ora carries its interest rate swaps at fair value through net surplus/(deficit), unless they are in a hedge relationship, calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of derivative financial instruments is determined by referencing to current rates for similar instruments with similar maturity profiles, and is calculated as the net discounted estimated cash flows of the instrument and based on the New Zealand dollar swap borrowing curve, as reported by Thomson Reuters, which is an active market interest rate benchmark.

ii. Hedge accounting

Kāinga Ora uses financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value.

For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability or a forecasted transaction.

For interest rate swaps that meet the conditions for hedge accounting as cash flow hedges, any effective portion of the gain or loss on a hedging instrument is recognised in other comprehensive revenue and expense and the ineffective portion is recognised in the net surplus/(deficit).

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in the hedging reserve is kept in the reserve until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive revenue and expense is transferred to the net surplus/(deficit) for the year.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken direct to the net surplus/(deficit) for the year.

ab. Financial guarantees

Provision is made for amounts that may be payable under either guarantees in relation to mortgages previously sold to Westpac Banking Corporation, or the Mortgage Insurance Scheme. The carrying value of these guarantees approximates fair value as both the underlying loans that were sold and the likely amount of payments under the Mortgage Insurance Scheme are subjected to an actuarial reassessment each year.

ac. Employee benefits

Employee benefits include wages and salaries (including non-monetary benefits such as medical, trauma, life and income continuance insurance), annual leave, long service leave, and sick leave. They are measured as the amounts expected to be paid when the liabilities are settled. A present value model is used for calculating long service leave and accumulated sick leave in accordance with instructions from the Treasury. Employee benefits expected to be settled within 12 months of the balance date are recognised as current liabilities at 30 June. Long service leave, where entitlements are not vested at balance date, is treated as a non-current liability.

Critical judgements, assumptions and estimates in applying accounting policies

a. Judgements

In the process of applying accounting policies to the preparation of its financial statements, management has identified the following judgements it has had to make, as having the most significant effect on amounts recognised in the financial statements.

i. Classification of rental properties as property, plant and equipment

Kāinga Ora owns approximately 63,500[10] residential properties, from each of which it receives revenue based on a level of rent equivalent to that which the property could be expected to generate in the open rental market. In most circumstances a portfolio of rental properties would be classified as investment properties. The Crown, however, subsidises the balance between the level of market rent and that deemed affordable from the tenant based on the tenant's level of income. Management therefore considers the prime strategic purpose for holding rental properties is for public housing, and as such, according to PBE IPSAS 16 *Investment Property*, they are to be accounted for under PBE IPSAS 17 Property, *Plant and Equipment*.

ii. Classification of non-financial assets as non-cash-generating assets

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

iii. Classification of assets as held for sale or for distribution to the owner

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

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

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

[10] This excludes Community Group and transitional housing.

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

v. Classification of leases as operating or finance leases – Kāinga Ora as lessor

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

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to Kāinga Ora. Judgement on various aspects is required including, but not limited to, fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset will be recognised in the Statement of Financial Position as property, plant and equipment, whereas no such asset is recognised for an operating lease.

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

b. Key assumptions applied and other sources of estimation uncertainty

i. Fair value of rental properties

Kāinga Ora revalues rental properties annually. Fair value is determined by reference to market-based evidence from independent valuers Quotable Value New Zealand.

Kāinga Ora owns approximately 63,500 residential properties around New Zealand. In performing the valuation, the entire portfolio has not been individually inspected due to its size. A market indexation approach has been adopted for the remaining uninspected portfolio due to the homogeneous nature of the portfolio. Properties are valued based inherently on their 'highest and best use'.

Fair value of derivative financial instruments

The value of Kāinga Ora interest rate derivatives is adjusted to their fair values on a daily basis using current market interest rates (bank bill mid-rate, swap pricing curve). There is no additional impairment adjustment on these interest rate derivatives as transactions are entered into only with counterparties who are highly creditworthy.

ii. Mortgage guarantee provision

As part of the agreement to sell mortgages to Westpac Banking Corporation, Kāinga Ora guaranteed a certain number of those mortgages. The mortgage sale provision is an actuarially assessed amount, likely to be payable under that guarantee. The value of the provision depends on various factors, some of which are the value of the loans expected to default, the number of active mortgages, and the average loan balance.

iii. Impairment of non-financial assets

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

iv. Taxation

Application of Kāinga Ora accounting policy for income tax purposes requires management's judgement. Judgement is also required in assessing whether deferred tax assets and liabilities are to be recognised in some cases. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only when they may be recovered, dependent on the generation of sufficient future taxable profits.

The judgements and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the net surplus/(deficit) for the year.

v. Estimation of useful lives of assets

Kāinga Ora reviews the useful lives and residual values of its property, plant and equipment annually. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires Kāinga Ora to consider a number of factors such as the physical condition of the asset, expected period of use and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value would impact on the depreciation expense recognised in the net surplus/(deficit) for the year and the carrying amount of the asset in the Statement of Financial Position.

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

Buildings	40-60 years
Improvements	25 years
Chattels	10 years

Depreciation rates are set out in the accounting policies for property, plant and equipment and rental properties, and amortisation rates are set out in the accounting policies for intangible assets.

Any estimates of future monetary amounts are in nominal dollars and no inflationary increases have been built in.

vi. Recoverability of loans and receivables

At each balance date, Kāinga Ora makes an assessment as to the recoverability of its loans and other receivables and recognises the impact of movements in the value of loans or any provision for doubtful debts within surplus/(deficit).

Appropriations – output tables

The following tables set out the appropriated funding Kāinga Ora expects to receive from the Crown in 2020/21. This funding is shown by appropriation and programme, and is aligned with Kāinga Ora output classes.

Output Table: Operating Appropriations 2020/21

Appropriation and Programme	$m	Kāinga Ora Output Classes					
		Output Class 1	Output Class 2	Output Class 3	Output Class 4	Output Class 5	Output Class 6
		Sustaining tenancies and supporting communities	Managing, maintaining and renewing our homes	New public and supported housing supply	Urban regeneration, development and general housing supply	Supporting first home ownership for New Zealanders	Transactions relating to Crown-owned land (HAA)
KĀINGA ORA HOUSING SUPPORT SERVICES							
Mortgage Insurance Scheme (First Home Loan)	7.700	-	-	-	-	7.700	-
First Home Grant – Administration	2.998	-	-	-	-	2.998	-
Total Kāinga Ora Housing Support Services	**10.698**	**0.000**	**0.000**	**0.000**	**0.000**	**10.698**	**0.000**
HOUSING ASSISTANCE							
Community Owned Rural Rental Housing Loans Interest Subsidy	0.072	-	-	-	-	0.072	-
Housing Innovation Fund Interest Subsidy	0.370	-	-	-	-	0.370	-
Other Legacy Loan Costs	0.700	-	-	-	-	0.700	-
Nat/WPT Portfolio – Loss of Interest SPOB	0.010	-	-	-	-	0.010	-
SHAZ Bridging Finance	0.007	-	-	-	-	0.007	-
Total Housing Assistance	**1.159**	**0.000**	**0.000**	**0.000**	**0.000**	**1.159**	**0.000**

Housing Assistance is exempt from Crown performance reporting as it is less than $5m.

Appropriations – output tables continued

		Kāinga Ora Output Classes					
		Output Class 1	Output Class 2	Output Class 3	Output Class 4	Output Class 5	Output Class 6
Appropriation and Programme	$m	Sustaining tenancies and supporting communities	Managing, maintainin g and renewing our homes	New public and supported housing supply	Urban regeneration, development and general housing supply	Supporting first home ownership for New Zealanders	Transactions relating to Crown-owned land (HAA)
Purchase of Housing and Related Services for Tenants Paying Income-Related Rent*	1,011.391	1,011.391	0.000	0.000	0.000	0.000	0.000
This performance measure is reported by the Ministry of Social Development in its Annual Report.							
First Home Grant	97.085	0.000	0.000	0.000	0.000	97.085	0.000
KiwiSaver Deposit is exempt from Crown performance reporting as the information is unlikely to be informative.							
KiwiBuild Unit Operating	18.691	0.000	0.000	0.000	0.000	18.691	0.000
The Crown performance reporting for this KiwiBuild appropriation is under review.							
Total Operating Appropriations	**1,139.024**	**1,011.391**	**0.000**	**0.000**	**0.000**	**127.633**	**0.000**

* The Income-Related Rent Subsidy (IRRS) budget value is based on a different set of assumptions from those used by the Ministry of Social Development for the IRRS Crown appropriation budgets, creating a difference from the values reported by the Ministry of Social Development.

Output Table: Multi-Category Appropriations (MCA) 2020/21

MCA performance is reported by the Ministry of Social Development in its Annual Report.

Appropriation and Programme	$m	Kāinga Ora Output Classes: Output Class 1 – Sustaining tenancies and supporting communities	Output Class 2 – Managing, maintaining and renewing our homes	Output Class 3 – New public and supported housing supply	Output Class 4 – Urban regeneration, development and general housing supply	Output Class 5 – Supporting first home ownership for New Zealanders	Output Class 6 – Transactions relating to Crown-owned land (HAA)
COMMUNITY GROUP HOUSING MCA							
Community Group Housing Market Rent Top-Up	16.591	16.591	-	-	-	-	-
Community Housing Rent Relief	4.104	4.104	-	-	-	-	-
Acquisition and Improvement of Community Group Housing Properties – Non-Departmental Capital Expenditure	5.800	-	-	5.800	-	-	-
Market Rent Top-Up is exempt from Crown performance reporting as the information is unlikely to be informative.							
EARTHQUAKE-PRONE BUILDING MCA							
EPB Operating Expenses	0.800	-	-	-	-	0.800	-
EPB Loan Advances – Capital Expenditure	5.000	-	-	-	-	5.000	-
Total Multi-Category Expenses and Capital Expenditure	**32.295**	**20.695**	**0.000**	**5.800**	**0.000**	**5.800**	**0.000**

Rent Relief is exempt from Crown performance reporting as it is less than $5m and Capital Expenditure is exempt from Crown performance reporting as it is less than $15m.

Output Table: Capital Appropriations 2020/21

Appropriation and Programme	$m	Kāinga Ora Output Classes					
		Output Class 1	Output Class 2	Output Class 3	Output Class 4	Output Class 5	Output Class 6
		Sustaining tenancies and supporting communities	Managing, maintaining and renewing our homes	New public and supported housing supply	Urban regeneration, development and general housing supply	Supporting first home ownership for New Zealanders	Transactions relating to Crown-owned land (HAA)
Refinancing of Kāinga Ora and HNZL Debt	143.010	0.000	0.000	143.010	0.000	0.000	0.000

Appendix 1
Kāinga Ora—Homes and Communities Act 2019 – operating principles

Public housing solutions that contribute positively to wellbeing	Providing good quality, warm, dry and healthy rental housing.	Supporting tenants to be well connected to their communities and to lead lives with dignity and the greatest degree of independence possible and to sustain tenancies.	Working with community providers to support tenants and ensure those most in need are supported and housed.	Being a fair and reasonable landlord, treating tenants and their neighbours with respect, integrity and honesty.
Housing supply meets needs	Managing its housing stock prudently, including upgrading and managing its housing to ensure it remains fit for purpose.		Ensuring that the housing it develops is appropriately mixed (with public, affordable and market housing) and is of good quality.	
Well-functioning urban environments	Assisting communities where it has housing stock to develop and thrive as cohesive and safe places to live.		Ensuring its urban development contains quality infrastructure and amenities that support community needs.	
Stewardship and sustainability	Identifying and protecting Māori interests in land, and recognising and providing for the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu and other taonga.		Operating in a matter that recognises environmental, cultural and heritage values and the need to mitigate and adapt to the effects of climate change.	
Collaboration and effective partnerships	Partnering and having early and meaningful engagement with Māori and offering Māori opportunities to participate in urban development.	Maximising alignment and synergies through its multiple functions in order to support inclusive, integrated housing and urban development.	Partnering and engaging meaningfully with other persons and organisations including i) having early and meaningful engagement with communities affected, or to be affected by housing and urban development ii) in order to help grow capability across the housing and urban development sector and iii) in order to help people into home ownership.	

Appendix 2
Be a good employer – He kura te tangata

Part of being a high-performing organisation is being a good employer. The table below outlines how we will develop and maintain a brilliant and engaged culture.

Leadership, accountability and culture	We recognise the importance of quality leadership to ensure we are a world-class housing provider. We will develop our leadership framework and associated leadership programmes to support and drive a positive workplace culture. We will review our core people frameworks and processes to ensure they reflect the values and behaviours important to Kāinga Ora.
Recruitment, selection and induction	As an equal opportunities employer, we value diversity and inclusion and ensure our policies, practices and processes are fair, consistent and equitable for all candidates and employees. We are committed to recruiting new talent fairly based on merit, and enhancing the hiring experience for all candidates, while at the same time supporting and developing our people leaders in their hiring decisions.
Employee development, promotion and exit	Continual development of our people is fundamental to the success of our organisation. We will provide an environment that supports our people to develop their potential and, to the best of their ability, contribute to the achievement of our goals.
Flexibility and work design	We will support inclusion and diversity by developing flexible work practices.
Remuneration, recognition and conditions	We support a culture of shared purpose, trust and collaboration by paying our people fairly for their expected contribution and in a way that minimises opportunity for unconscious bias. No person working for Kāinga Ora is paid less than the living wage.
Prevention of harassment and bullying	Our aim is to provide a workplace environment that is a safe, engaging, caring place to work, free from harassment and workplace bullying. We will foster a positive workplace environment.
Staff safety, health and wellbeing	As an employer, Kāinga Ora has the obligation to prevent work-related harm to the physical and mental health and safety of the people who work for us, both employees and contractors. We have identified the top health and safety risks for Kāinga Ora and are exploring the context and our response. We will complete a similar review to help our contractors to stay informed and take the right actions to keep their own people safe. Professional supervision has commenced to support the objectives of our health and wellbeing plan.

We use ‘Ask Your Team’ surveys for both team-based pulse surveys and organisation-wide surveys on a range of topics to identify areas of improvement across the organisation. During 2019/20 the McKinsey Organizational Health Index survey was also run across the organisation as a benchmark to highlight areas where Kāinga Ora can improve, and to help us design a roadmap for the future shape of Kāinga Ora. The development of a roadmap will be a key focus for 2020/21.

Appendix 3
Our asset performance

Our housing portfolio

The following asset performance measures apply to both Kāinga Ora owned and leased assets in our housing portfolio. Targets quoted are those agreed either elsewhere in this Statement of Performance Expectations or in our Statement of Intent.

Measure	Indicator	2017/18 Target	2017/18 Actual	2018/19 Target	2018/19 Actual	2019/20 Target	2020/21 Target
Percentage of homes that are let	Utilisation	97.2%	98.2%	97.5%	98.1%	97.5%	98.7%
Average number of days from a house becoming vacant to being 'ready to let'	Utilisation	24 days	19 days	18 days	16 days	18 days	18 days
Percentage of surveyed lettable properties that meet or exceed the baseline standard	Condition	89%	93%* (90%)	89%	93%	90%	93.5%
Percentage of our customers who are satisfied with their Kāinga Ora home	Condition	85%	79%	85%	79%	85%	85% By June 2023
Percentage of homes that meet tenant bedroom requirements	Functionality	>76% By June 2021	76%	>76% By June 2021	75%	75%	>80% By June 2023

*The 2017/18 desktop results were restated using an improved desktop model, more accurately reflecting actual property condition. This is the restated result.

Our information communication and technology (ICT) asset portfolio

The following asset performance measures apply to both Kāinga Ora owned and leased information communication and technology assets.

Measure	Indicator	2017/18 Target	2017/18 Actual	2018/19 Target	2018/19 Actual	2019/20 Target	2020/21 Target
Percentage of incidents resolved on first contact by ICT Service Desk	Condition	>80.00%	87.36%	>80.00%	85.41%	>80.00%	>80.00%
Priority 1 incidents per 100 ICT users	Condition	<7.0	3.3	<7.0	1.5	<7.0	<7.0
Core systems availability – Kotahi	Availability	>99.90%	99.91%	>99.90%	99.75%	>99.90%	>99.90%
Core systems availability – Oracle EBS	Availability	>99.90%	99.87%	>99.90%	99.36%	>99.90%	>99.90%
Core systems availability – websites	Availability	>99.90%	99.97%	>99.90%	99.70%	>99.90%	>99.90%
Infrastructure as a service resource utilisation	Utilisation	>90.00%	93.00%	>90.00%	96.00%	>90.00%	>90.00%

Kāinga Ora
Homes and Communities

New Zealand Government