TE PŪRONGO Ā-TAU
ANNUAL REPORT
2021/22

Kāinga Ora
Homes and Communities

Care

We care for the future of our people

We go beyond providing warm, dry homes and access to funding to purchase homes: we actively support thriving communities by having teams based within communities and working alongside leaders and agencies.

We care for the future of Aotearoa

We take a long-term view of our impact and plan to create well-functioning urban environments. We support the growth of Māori capacity and capability in the housing system. With mana whenua we are improving the natural environments of our habitats.

Image: Hobsonville Point, Auckland

Nau Mai Haere Mai Welcome

This document has been formatted to allow easy accessibility for all people, as described by the Ministry of Social Development *Accessibility Guide.*

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Image: Chief Executive Andrew McKenzie and Chair Vui Mark Gosche

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Tēnā koutou katoa

Tēnei mātou te tāpae atu nei i te Pūrongo ā-Tau mō 2021/22 ki mua i a koutou. I tēnei pūrongo, ka tāpaetia atu e mātou ngā rongo kōrero mō ā mātou mahi, te ahunga whakamua me ngā hua papai i ngā rāngai hora whare, whanaketanga tāone, whanaketanga pāpori hoki, me te rāngai hapori hei whakapiki i te toiora o ngā tāngata o Aotearoa. Mai o ngā marama whakamutunga o te tau 2019, kua tupu a Kāinga Ora hei whakahaere whakatutuki i ōna haepapa tuatahi, ki tua atu hoki. Hei whakatutuki i ōna whāinga taketake me ōna ūnga hei whakapakari i ngā hapori e mahi nei mātou i roto, mā te hora i ngā whare tūmatanui maha kē atu, pai kē atu, e mahi tonu ana mātou ki te whakapiki i ō mātou pūnaha, ritenga mahi, hora tikanga hoki ia rā.

Welcome

Welcome to our 2021/22 Annual Report. In this report, we present an update on our work, progress and positive outcomes in the housing, social and urban development and community sectors, improving the wellbeing of New Zealanders throughout Aotearoa.

Since we were established in late 2019, Kāinga Ora has grown to become an organisation that is delivering on its initial mandates and beyond. To achieve our fundamental ambitions and targets to help improve the communities we operate in with more and better public housing, we work to improve our systems, practices and delivery every day.

I a mātou e arotake ana i te tau ka taha, ina whakaarotia hoki ā mātou putanga mahi me ā mātou tutukitanga, i te wā o te pānga nui o te mate urutā o Covid-19 puta noa i ngā wāhanga katoa, tōna tatanga nei, o tō mātou umanga; e hari ana mātou mō te ahunga whakamua o ngā kōkiri maha. He maha kē atu ngā whare tūmatanui hou e horaina ana mō te hunga e mate whare ana; i āhei ai tētahi pikinga ake o te hanga whare e hokona ana mā ā mātou kaupapa whakawhanake tāone; e tautoko ana mātou i te tini o te tangata kia nuku ki roto i ō rātou whare ake; ā, nā te mahi pātui ki ētahi atu, kua hautū i ētahi kaupapa hei whakatikatika, hei whakapiki i ngā hangaroto i ngā rohe puta noa i Aotearoa. E hari ana anō hoki mātou mō te taurima, te tautoko hoki i tukua ki ā mātou kiritaki i roto i ngā wā tino uaua o COVID-19, me tā mātou tāpaetanga ki te toiora o ā mātou hapori.

Ahakoa tērā, nā te tautoko kē mai a ētahi atu i tutuki ai ēnei o ā mātou mahi. I a mātou e takahi nei i te ara kua tūhono ki ngā hinonga tautoko pāpori, ki ngā Manatū, me ētahi atu whakahaere ā-hapori. Nā runga i ngā uauatanga o te tau kua mahue ake nei, i ngā katinga roa, i ngā māuiui i te hapori, kua rerekē ā mātou ritenga mahi, kua rapu ara kakama mātou hei hora i ā mātou ratonga, tautoko hoki. Ka noho ko ngā hononga ki ētahi atu hinonga me ngā hua i tutuki hei taunakitanga mō te whakaumutanga pūnaha e ākina nei, e whakatairangatia nei e mātou. He horopaki uaua I muri i te rua tau, kei te tino pēhi tonu te pānga o COVID-19 i ā mātou mahi o ia rā. Waihoki, nā te mate urutā, nā tōna pānga nui hoki ki te pāpori nui me te ao pakihi i whakamātautau ō mātou whakaaro mō tō mātou whakahaere i tōna whakatūranga i te marama o Oketopa 2019. Hei whakaahua ngā taumahatanga i te rāngai waihanga i ēnei wero. Nā ngā tāmitanga ara tukutuku, me te pikinga

In reviewing the past year, when we consider our outcomes and achievements against a backdrop of the ongoing impact of the COVID-19 pandemic across nearly all parts of our business; we are proud of the progress made in many areas.

We are supplying more new public housing for people in need; enabling more market housing to be built through our urban development projects; supporting more people into home ownership; and, in partnership with others, leading programmes to upgrade and improve infrastructure in regions across Aotearoa.

We are also very proud of the care and support provided to our customers to help them through the most difficult times of COVID-19, and the contribution we have been able to make to the wellbeing of our communities.

However, we have not done this alone. Along the way we have connected with social support agencies, Ministries, and other community organisations. The conditions of the past year, with long lockdowns and illness in the community, meant we have had to work differently and demonstrate more flexibility to deliver our services and support.

The connections we have made with other agencies, and the results gained, are evidence of the systemic transformation we are encouraging and promoting.

A challenging environment

After more than two years, the impact of COVID-19 has continued to challenge our daily operations. The pandemic, and its effect on society and businesses has also tested the assumptions we made about our organisation when it was established in October 2019.

The headwinds facing the construction sector exemplify these challenges. Supply chain

We are also very proud of the care and support provided to our customers to help them through the most difficult times of COVID-19, and contribution we have been able to make to the wellbeing of our communities.

ake o ngā utu matū, kaimahi, ahumoni hoki, kua puea ake he horopaki mahi matatini, uaua tonu.

Ahakoa ēnei taimahatanga, e mahi tonu ana mātou ki te hora whare, kua piki ki taumata hou, me kī kātahi anō ka pēnei te putanga hua. I te taha o ō mātou hoa waihanga, me ā mātou kaikirimana, kua horaina e mātou neke atu i te 10,900 whare tūmatanui, whare tautoko hanga hou hoki, i roto i te rima tau, me te waipuke mai anō o te hia mano ākuanei. Ka noho ko ngā kāinga hou 1,815 tapeke i horaina i te tau 2021/22 hei pikinga ake o te 290 ōrau, tata tonu, i runga ake i ngā tatau o 2016/17.

Ehara i te mea kāore mātou e rongo ana i ngā herenga mākete e pā ana ki te rāngai waihanga, ā, e kawe ana mātou i ngā mahi nui ki mua, me te whakaurutau ki ngā pīkauranga kei mua i a mātou. Ko tētahi wāhi o tēnei he whakahohoro i ā mātou hātepe whiriwhiri kirimana, he hoko i ētahi atu whenua kua oti kē te whakarite hangaroto, te whakatiwhekete hoki, he whakapiki i ngā hātepe hoahoa, waihanga o ā mātou kaituku mai - katoa ēnei hei whakapoto i ngā wātaka mō te whakamahere waihanga, hoahoa, waihanga whare hoki. Mā ēnei mahi me ētahi atu anō ka haere tonu tā mātou hora i ngā whare e tino hiahiatia ana i ngā hapori puta noa i te whenua katoa.

Tētahi atu wero e horaina nei e te mate urutā ka whakaahuatia mā tō mātou hōtaka whakatika whakamuri, mā ngā mahi e kawea ana hei whakahou, hei whakatika hoki i ō mātou whare kāwanatanga kia mahana kē atu, kia maroke, kia hauora kē atu hoki. I te marama o 30 Hune 2022, neke atu i te 34,000 (52 ōrau) o ō mātou kāinga, e tautuku ana ināianei ki Ngā Paerewa Kāinga Hauora. E ū ana mātou ki te whakapiki i ngā whare o nāianei, kia eke ngā paerewa kounga, ngā paerewa o ēnei rā, mō ō mātou whare katoa. Mā tō mātou hōtaka whakahou whare 10-tau te roa, e hora ētahi

constraints and increasing material, labour and finance costs are presenting a complex and difficult operating environment.

Despite the challenges, we continue to provide homes at unprecedented levels. Alongside our build partners and contractors, we have delivered over 10,900 newly built public and support houses in five years, with thousands more to come. The gross 1,815 new homes delivered in 2021/22 represented an increase of close to 290 per cent on 2016/17 figures.

We are not immune to the market conditions affecting the construction sector, and we continue to prioritise action and adapt to the situation we face.

This includes speeding up our contract negotiation processes, buying more serviced and consented land, and improving our suppliers' design and build processes – all of which will reduce construction planning, design and building timeframes. These and other actions will mean we will continue to provide the housing much needed in communities nationwide.

Another challenge presented by the pandemic is illustrated by our retrofit programme and the work underway to upgrade and make our older state homes warmer, drier and healthier.

As at 30 June 2022, we have over 34,000 (52 per cent) of our homes now complying with the Healthy Homes Standards. We have committed to upgrading existing housing stock to bring quality and modern standards to all our homes. Our 10-year renovation programme will deliver houses that meet the Healthy Homes Standards, well above the market standard of a 4.5 Homestar rating.

This important work, however, requires access to our customers' homes at the same time

whare e tutuki ai ngā Paerewa Kāinga Hauora, ā, kei runga noa atu i te paerewa mākete mō te Homestar o 4.5. E oti ai ēnei mahi hira, me mātua whai urunga mātou ki ngā whare o ā mātou kiritaki, i te wā tonu o ngā katinga mate urutā me ngā tamōtanga kaimahi, me te pānga nui o ēnei ki ā mātou kaimahi, kaikirimana hoki, otirā ki ā mātou kiritaki tonu.

Hei tauira, ka pau te 15 hāora i te whakaurunga o ngā papu whakamahana ki roto i tētahi whare kotahi. Nā ngā tātaritanga o te pānga o ngā katinga nui ki tā mātou hōtaka whakatika whakamuri ka kitea he āhua 240,000 hāora whakauru i ngaro, nā konei kua puta ngā takaroatanga ki te whakahou i te hia mano o ō mātou whare. Ahakoa ngā kotinga me te pānga nui, e ū ana mātou ki te mahi i runga i hohoro, kia haumaru hoki, kia pai ai te tutukitanga o te Paerewa Kāinga Hauora. Ehara i te mea i pā te COVID-19 ki tō mātou hōtaka whakatika whakamuri, whakarite whare anake: i pā nui hoki ki ā mātou kiritaki - te hunga noho i ō mātou whare - i mate tautoko hei kaupare i te māuiui. I tino maranga ake tō mātou tira, i āwhina hoki i ngā kiritaki kia whiwhi kano ārai, me ērā atu taurimatanga tākuta. He tauira kotahi anake tēnei o ngā uara o Kāinga Ora e whakatinanatia ana.

Te whakapiki i ngā putanga hua mō ngāi Māori

I roto i te tau ka mahue ake nei, kua ahu whakamua mātou i Kāinga Ora ki te whakapūmau i ō mātou kī taurangi ki te Māori ki tō mātou anga ā-rohe. Kua kitea ngā painga o ngā mahi taketake kua oti, tae mai ki nāianei, kia tika ai te tuitui ki te ao Māori, kua tīmata hoki ki te puāwai.

Ko te āhei kia noho i tētahi whare mahana, maroke, haumaru hoki tētahi o ngā tino take pāpori uaua kei mua i Aotearoa i tēnei wā.

as lockdowns and absences through illness continue to affect our employees and sub-contractors, and our customers themselves.

For example, the installation of heat pumps requires around 15 hours per home. Analysis of the impact of lockdowns on our retrofit programme shows that around 240,000 installation hours were lost, which has led to delays with upgrading thousands of our homes.

In spite of the ongoing disruption and impact, we are committed to working as quickly and safely as we can to ensure all our properties meet the Healthy Homes Standard.

COVID-19 did not just impact our building and retrofit programme: it also greatly affected our customers – our tenants – who needed support to manage the illness. Our people stepped up and helped customers with accessing vaccinations and other medical care. This just one example of the Kāinga Ora values in action.

Improving outcomes for Māori

In the past year, we have made good progress at Kāinga Ora in embedding our Māori commitments into our regional structure. The groundwork done to enable meaningful engagement with Māori is starting to prove its worth.

The ability to access a warm, dry and safe home is one of the most significant social issues facing New Zealand. Current housing needs are critical and the housing shortage is taking a proportionately higher toll on Māori and whānau. Fifty one per cent of those on the housing register* are Māori (>13,000), which is an increase of more than 1,250 people over last year. We know from our cross-agency partners that the need for public housing affects the livelihoods of many Māori looking for stability

* Housing Register - Ministry of Social Development (msd.govt.nz)

He waipuke tonu te rite o ngā hiahia whare o nāianei, ā, ko te iwi me ngā whānau Māori te papa i ēnei āhuatanga. Rima tekau mā tahi ōrau o te hunga i te rēhita whare* he Māori (>13,000), he pikinga ake tēnei o te 1,250 tāngata, neke atu, i tērā tau. E mōhio ana mātou, nā te whakarongo ki ō mātou hoa kōtui i ētahi atu hinonga, ka pā te hiahia whare ki te kaha o ngāi Māori me ā rātou mahi oranga, i a rātou e kimi nei i tētahi kāinga noho mō rātou, ā, ka tino pā hoki tēnei ki ngā reanga kei te piki ake. Nā te mahi pātui ki ngā iwi kua huri ēnei pānga mō ngāi Māori.

Te mahi hononga ki ētahi atu hinonga

E tūhonohono ana tā mātou horanga me tō mātou tautoko i ā mātou kiritaki ki ētahi atu hinonga e mahi nei hei wāhanga o te pūnaha hauropi whare, me te piki ake anō o ēnei hononga.

Mā te paihere i ā mātou whāinga, i te taha o ā mātou kiritaki, e pana whakamua tō mātou waka.

He tini ēnei hononga i whakapūmautia i a mātou e whakapuhuki ana i te pānga o te mate urutā ki ō mātou kiritaki.

Kua whai wāhi mai ētahi Manatū kāwanatanga ināianei, ā, kua whai pūtea mō ētahi rāngai whāiti, tae atu Te Puni Kōkiri, Te Manatū mō ngā iwi o Te Moana-nui-a-Kiwa, Te Ara Poutama, me Whaikaha.

He maha ngā hurihanga i ngā rāngai e mahi nei mātou i roto ka pā mai ki a mātou hei kaipupuru whare tūmatanui, hei kaiwhakanake tāone hoki. Kei tēnei karangatanga ētahi panonitanga, whakahoutanga hou mō te hauora, mō ngā hangaroto wai, me te Ture Whakahaere Rawa.

Kei te panonitia katoatia hoki te wāhi ki ngā kaunihera mō te whakatakoto aronga, mō te tautoko hoki i ō rātou hapori.

and this can have multi-generational impacts. Partnering with iwi is helping to change those impacts for Māori.

Forging links with other agencies

Our delivery, and support for our customers, is intersecting more and more frequently with other agencies that are part of the housing ecosystem.

Combining our interests, alongside those of our customers, will help to drive our success.

Many of these connections were made as we helped to manage the impact of the pandemic on our customers.

Several government Ministries are now actively involved and have funding for housing for specific sectors, including Te Puni Kōkiri, the Ministry for Pacific Peoples, the Department of Corrections, and the Ministry for Disabled People.

There is a great deal of change in the sectors we work in that affect us as a public housing owner and urban developer. These include changes and reforms in health, water infrastructure and the Resource Management Act.

The role of councils in setting direction for and supporting their communities is also going through massive change.

For example, we are working with financial capability experts to ensure people can access home ownership in our large-scale development areas. This reflects a substantial increase in cooperation across agencies, which is driving better outcomes.

Kāinga Ora is making significant investments in infrastructure across Aotearoa on behalf of the Crown, both through our own developments and through the Infrastructure

Image: St Lukes Road, Mount Albert, Auckland

Hei tauira, e mahi tahi ana mātou me ngā mātanga pūmanawa ahumoni kia taea ai e te iwi te hoko whare motuhake mō rātou i ō tātou takiwā whakawhanaketanga rarahi i ngā kāinga noho. Hei whakaata tēnei i tētahi pikinga ake nui o te pāhekoheko puta noa i ngā hinonga, me te piki haere hoki o ngā hua.

E haumi nui ana a Kāinga Ora ki ngā hangaroto puta noa i Aotearoa mō te Karauna, mā roto i ā mātou whakawhanaketanga, mā te Infrastructure Acceleration Fund anō hoki. Ko tētahi wāhi o ēnei mahi he pāhekoheko ki ngā kaunihera ā-rohe, tae atu ki Te Mana Kaunihera o Aotearoa (LGNZ), me te kāwanatanga ā-motu, tae atu ki Waka Kotahi (New Zealand Transport Agency), ki HUD, ki Te Tai Ōhanga, ki Crown Infrastructure Partners me Te Tari Taiwhenua. Kua oti ētahi hangaroto hou, hangarau hoki kua whakahoutia te tautohu hei wae taketake mō te hanga whare hou, hapori taurikura hou anō hoki, ā, e ū ana mātou ki te hāpai i ngā kahanga kua homai ki a mātou hei whakatutuki i tēnei putanga mahi.

Acceleration Fund. This includes working closely with local government including Local Government New Zealand (LGNZ), and across central government, including Waka Kotahi (New Zealand Transport Agency), HUD, Treasury, Crown Infrastructure Partners and the Department of Internal Affairs. New and upgraded infrastructure has been identified as a critical component to enabling construction of new homes and thriving communities, and we are committed to exercising the full range of our mandate to drive this outcome.

Building sustainably and efficiently

Environmental sustainability is an element that all individuals and organisations must consider a priority if we want to preserve the delicate balance of the planet.

It is important to Kāinga Ora that we not only build more homes, but do so sustainably. This is not straightforward in an industry that is already under pressure to manage costs and

Te hanga whare i runga i te toitū me te kakama

Ko tēnei mea te toiora ā-taiao tētahi wae e kīa ana e ngā tāngata takitahi me ngā whakahaere katoa he mahi mātāmua, ki te hiahia tātou kia whakapūmautia te mauri o te ao katoa.

He mea hira ia ki Kāinga Ora kia hangaia e mātou ētahi atu whare, otirā kia toitū te āhua o taua mahi. Ehara i te mea he tapatahi tēnei āhua i roto i tēnei ahumahi, e karapotia nei e ngā uauatanga kia herea ngā utu, kia nui atu ngā whare ka tū, i runga i te hohoro me te kakama. Hei urupare, kei te whakawhanaketia e mātou ētahi kaupapa hei hora i te hautūtanga toitū puta noa i Aotearoa. Hei tauira, i whakanuia tō mātou kaupapa Ngā Kāinga Anamata i te Hui Taumata o Ngā Whenua o Te Ao mō Te Panonitanga Huarere (COP26), i roto i te tau.

E haere tonu ana ā mātou mahi ki te whakatenatena, ki te penapena hoki i ngā mahi waihanga toitū, kakama hoki i waho i te papa waihanga mā te whakamahi pūnaha hanga nahanaha, mā te mahi tahi me ngā kaiwhakanao o Aotearoa, o tāwāhi hoki ki te raihana i ngā hua i raro i ngā paerewa hanga o konei, me te whakauru i aua hua hanga nahahana ki roto i te whenua nei. E mahi tahi ana mātou me ētahi atu whakahaere ki te whakangāwari i ngā herenga ā-ture e āwhinatia ai ēnei mahi, me te mau tonu o te kounga o ngā whare.

Kua whakaahuatia ngā mahi whakapiki i te hātepe waihanga me te rāngai i Aotearoa, e Project Velocity. He kōkiri whakaumu matua tēnei nā Kāinga Ora ki te pei whakamua i ngā pikinga horo, whāinga hua hoki i roto i ngā mahi whakarewa, whakamahere, hora hoki i te whare. Ko te whāinga o Velocity he āwhina i a Kāinga Ora ki te whakahohoro i ngā mahi, kia whakahekea te utu, kia whakapikia hoki te toitū o ngā mahere hora whare, kia kaua hoki e heke iho te kounga.

deliver more homes, more quickly and more efficiently. In response, we are developing a number of projects that provide sustainability leadership across New Zealand. For example, our Ngā Kāinga Anamata project was recognised at the United Nations Climate Change Conference (COP26), during the year.

We continue to encourage and foster sustainable and efficient offsite construction using modular home systems by working with New Zealand and offshore manufacturers to certify products under local building codes and introduce innovative modular products into the country. We also work with other agencies to streamline the regulatory requirements that will help to improve this process without compromising quality.

The work to improve the efficiency of the building system and sector in Aotearoa is demonstrated by Project Velocity. This is a key transformational initiative by Kāinga Ora to drive speed and productivity gains in the commissioning, planning and delivery of homes. The aim of Velocity is to help Kāinga Ora increase speed, reduce cost and improve the reliability of our housing delivery plans without compromising on quality.

Velocity and our other construction initiatives are part of a long-term goal is to currently transform the house building system in New Zealand. The current residential construction system is highly fragmented into multiple trades, each of which is demonstrably more focused on risk than on productivity.

We believe Kāinga Ora, with our home building programme at scale, can be a transformative agent for change in the industry.

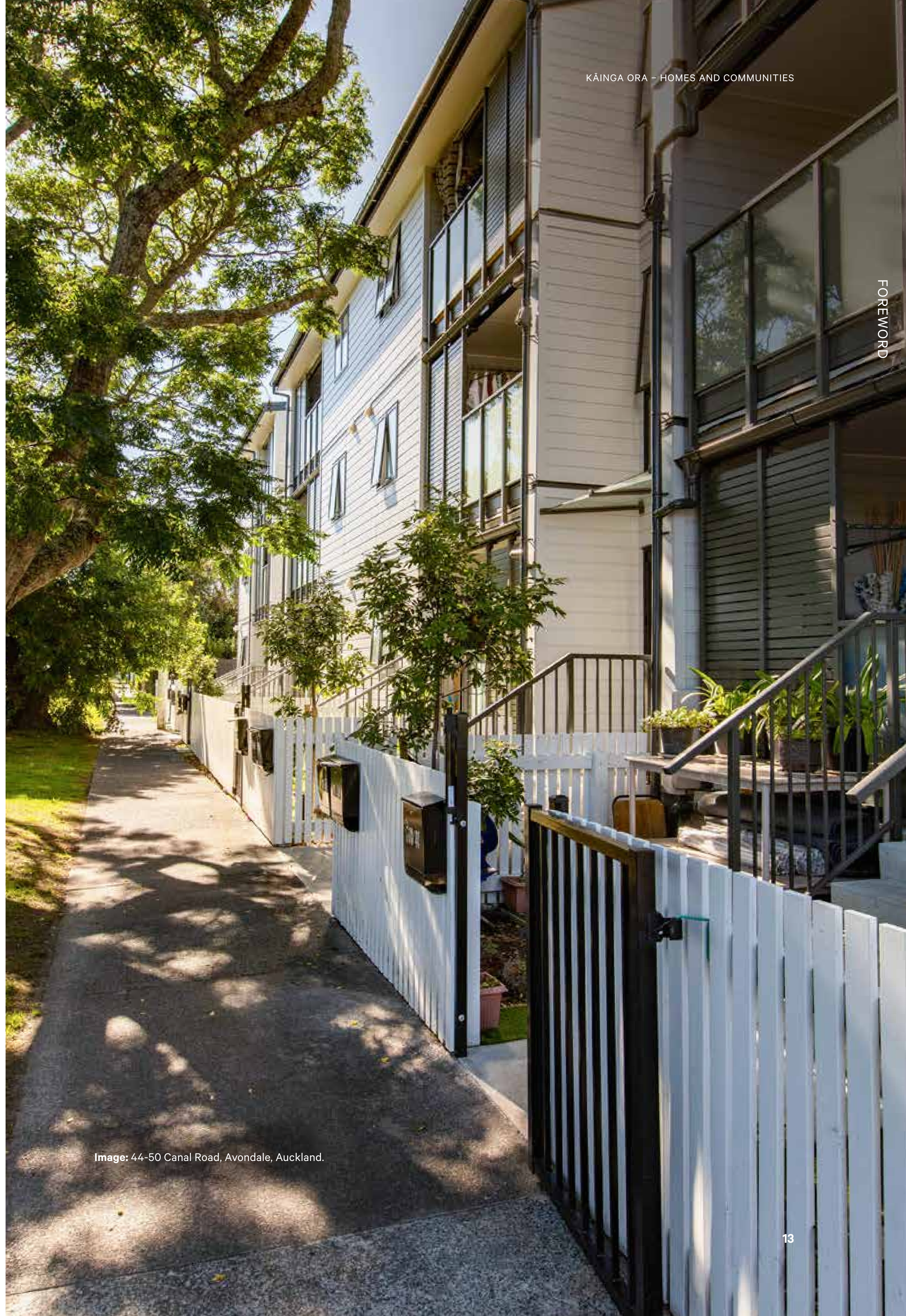


Image: 44-50 Canal Road, Avondale, Auckland.

Ko ngā kōkiri o Velocity me ērā atu o ā mātou mahi waihanga tētahi wāhanga o te whāinga pae tawhiti kia whakaumutia te pūnaha hanga whare i Aotearoa. E noho wehewehe ana te pūnaha waihanga kāinga noho i tēnei wā, tū kē tēnā mahi ā-rehe, tū kē tēnā mahi ā-rehe, e aro ana ia wāhanga ki ngā mōreatanga kei mua i tōna aroaro, kāore kē e aro nui ana ki te whāinga hua.

E whakapono ana mātou o Kāinga Ora, mā tā mātou hōtaka waihanga rarahi, ka tū ēnei mahi hei matakahi whakaumu mō te ahumahi.

He hapori taurikura

E tautokona ana tō mātou whāinga o te waihanga hapori taurikura e ngā panonitanga ki tō mātou anga, i noho ai ō mātou tira i waenga hapori, i mahi tahi ai me ngā kaihautū hapori, ratonga tautoko hoki.

I tīmataria e mātou ēnei mahi i te marama o Māehe 2021, ā, kua kitea e mātou he hononga tata ake hei hora i ngā putanga whare pai ake mō te tini o ngā hapori.

Ngā Hua

I te tīmatatanga o tēnei tau, kua kitea ka pā haere tonu ngā wero i kitea e mātou i te tau 2020/21 ki te hanganga whare, me te tautoko i ngā kiritaki i ō rātou whare. Nā te kahanga ake o ngā pēhitanga o te ara tukutuku hoki i piki whakarunga ai te utu o te hanga whare. Kua tīmata kē hoki tā mātou hōtaka waihanga, whakahou whare i taua wā, ā, nā konei kua tāmia tā mātou āhei ki te hora whare i te utu i whakaritea i mua, me te maha hoki o ngā whare i whakamaheretia e mātou i taua wā.

Ahakoa ēnei pīkauranga, i horaina e mātou ētahi atu whare mahana, maroke hoki 1,340, me te piki ake i tō mātou ripanga kaute kia eke ā mātou rawa, huia katoatia

Thriving communities

Our aim of creating thriving communities is supported by changes to our structure to ensure we have teams based in communities and working alongside community leaders and support services.

We started this work in March 2021 and are now beginning to see the closer relationships deliver improved housing outcomes for many communities.

Results

As this year began, it was evident that the challenges we saw in 2020/21 would continue to impact construction and supporting customers in their homes. Increased pressure on supply chains pushed the cost of building even higher. With a significant build and renewal programme underway, this put further pressure on our ability to deliver more homes at the cost budgeted and in the numbers we had planned.

Despite these challenges, we delivered 1,340 additional warm and dry homes, further strengthening our balance sheet with total assets sitting at $48,844 billion compared to $40,936 billion in 2020/21.

As mentioned earlier, we build many new homes which we call our gross build, and remove the properties we demolish to enable redevelopment, or divest due to not meeting our customers needs, leaving our net properties. In the past year, Kāinga Ora delivered more than 1,815 gross (and 1,340 net) newly-built public and supported homes. We continue to increase the number of newly-built homes and replace our stock that is at the end of its useful life. We are also making more of our older homes warmer, drier and healthier by retrofitting 354 homes and upgrading

ki te $48,844 piriona, kia whakaritea ki te $40,936 piriona i te tau 2020/21.

I whakahuatia e mātou i mua, he tini ngā whare hou i hangaia e mātou e kīa nei e mātou ko tō mātou hanga tapeke, ā, ka tangohia ngā whare kua tukua rawatia, kia noho ko ō mātou kāinga more. I te tau ka mahue ake nei, i horaina e Kāinga Ora neke atu i te 1,815 tapeke ngā whare hanga hou tūmatanui, whare tautoko hoki, (1,340 ngā mea more). E mahi haere tonu ana mātou ki te whakapiki i te maha o ngā whare kātahi anō ka hangaia, ki te whakakapi hoki i ngā whare kua āhua tawhitotia. E whakatikatika ana anō hoki mātou i ētahi atu o ō mātou whare tawhito kia mahana kē atu, kia maroke kē atu, kia hauora kē atu mā te whakatikatika whakamuri i ētahi whare 354, me te whakahou i te 19,000 o ō mātou whare kia eke ki te Paerewa Kāinga Hauora.

Kua tohua e tō mātou hōtaka whakapakari tāone mō te hōtaka 15-20 tau te roa ētahi ara e hangaia ai ētahi whare 37,000, neke atu, hei whakaea i ngā hiahia nui o ngā rohe. I tērā tau kua oti ētahi hanganga metarahi i ētahi wāhi rarahi 86 neke atu, mō ō mātou hoa whanaketanga kōtui, e taea ai te hora i ētahi whare tūmatanui mākete 1,800, neke atu, he ngāwari te utu.

Nā te hōtaka waihanga, whakawhanake a Kāinga Ora, kua uru mai ētahi pia 142 ki ā mātou kaupapa hanga, whanake hoki i tērā tau. I tēnei tau i kitea e mātou te huhua noa o ngā haumitanga mō te hanganga, waihoki, ka horaina tōna $2.27 piriona mō ngā hangaroto taketake me te whanaketanga whenua, e kitea ai he pikinga ake o ngā tūranga mahi, me ngā whāinga wāhi mō te tangata. I whāngaia he moni ki tēnei kaupapa hoko r awa nā tā mātou Hōtaka Hea Moni Toiora (Wellbeing Bond Programme), i ara ake ai tētahi $2.24 piriona i te tau 2021/22.

19,000

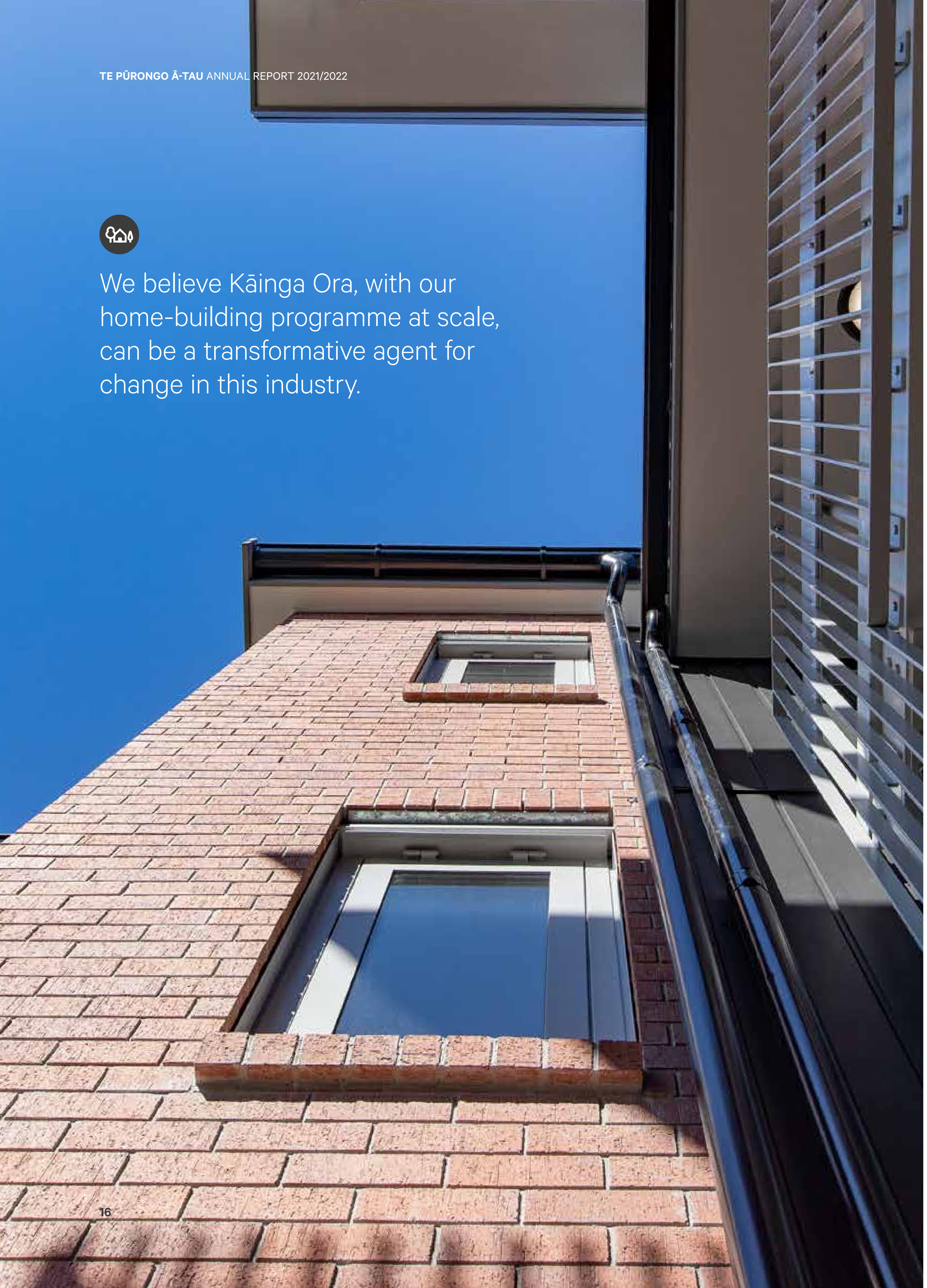
additional homes now meet the Healthy Homes Standards

over 19,000 additional homes which meet the Healthy Homes Standards.

Our urban development programme has been paving the way for our 15- to 20-year build programme to deliver more than 37,000 homes to meet significant regional demand. Last year we completed civil construction works on more than 86 superlots for our development partners that will enable delivery of over 1,800 public, affordable and market homes.

The Kāinga Ora construction and development programme saw 142 new trainees actively engaged on our build and development projects last year. This year we saw an unprecedented amount of investment in construction, together with $2.27 billion for core infrastructure and land development, which will create more jobs and opportunities for a greater number of people. We financed most of this capital programme through our Wellbeing Bond Programme, which raised $2.24 billion in 2021/22.

Kāinga Ora is committed to enabling more New Zealanders to become homeowners. Last year more than 5,600 homes were purchased by New Zealanders with one or more of our home ownership products, and close to 22,600 new First Home Grants were assessed for eligibility. This is evidence that we are providing many New Zealanders with viable pathways into home ownership and demonstrating solid administration of Crown-



We believe Kāinga Ora, with our home-building programme at scale, can be a transformative agent for change in this industry.

E ū ana a Kāinga Ora kia noho ētahi atu tāngata o Aotearoa hei rangatira mō ō rātou ake whare. I tērā tau, neke atu te 5,600 ngā whare i hokona e ngā tāngata o Aotearoa, ki tētahi, neke atu rānei o ō mātou hua pupuru whare, ā, i aromatawaitia tōna 22,600 tahua First Home mō te āheinga kia whiwhi. Hei taunakitanga tēnei e hora ana mātou i ētahi ara tōtika mō ngā tāngata o Aotearoa, me ētahi ara whai hua ki roto i ngā mahi hoko whare, me te whakaahua i te whakahaere pakari o ngā hōtaka nā te Karauna i ārahi. Nā Kāinga Ora i whakatinana te hua First Home Partner i roto i te tau ka mahue ake nei.

Outlook

I muri i tōna whakaūranga i te tau 2019, kua whanake haere a Kāinga Ora hei hinonga aronga-maha e hora ana i te tini o ngā kāinga ki te hunga e mate whare ana, e āwhina ana i te hunga kia whiwhi whare nō rātou tūturu, e whakapiki ana hoki i te toiora o ō mātou kiritaki.

E tūhono ana mātou ki ērā atu whakahaere Kāwanatanga puta noa i te rāngai ki te hora putanga mā ngā hapori i ēnei rā, ā, hei ngā rā hoki e tū mai nei, mō ngā whakatupuranga kei mua.

Ka kite anō

Vui Mark Gosche
Heamana

Andrew McKenzie
Tāhuhu Rangapū

led programmes. Kāinga Ora implemented the First Home Partner product during the year.

Outlook

Kāinga Ora, after being established in 2019, is maturing to be a multi faceted organisation that is providing more homes for people in need, helping more people into their own homes, and improving the wellbeing of our customers.

We are connected with other government agencies across the sector to deliver positive outcomes for communities, both now and into the future, for generations to come.

Ka kite anō

Vui Mark Gosche
Chair

Andrew McKenzie
Chief Executive

Image: Dominion Road, Mount Roskill, Auckland

Mō Kāinga Ora / About Kāinga Ora

Our vision

He oranga kāinga, he oranga hapori, he oranga tāngata.

Building better, brighter homes, communities and lives.

The formation of Kāinga Ora – Homes and Communities in October 2019 marked the beginning of a step change in housing and urban development in New Zealand.

Kāinga Ora brought together the people, capabilities and resources of Housing New Zealand Corporation, HLC (Homes Land Communities, a subsidiary of Housing New Zealand Corporation) and the KiwiBuild Unit.

As the Government's lead developer in urban development, we are responsible for planning, coordinating and undertaking large and small housing developments to create a diverse mix of public, affordable and market housing. We also manage the public housing estate and are responsible for housing tenancies.

The Urban Development Act 2020 gave Kāinga Ora a new way of planning and funding complex or challenging urban development through the specified development project (SDP) process, along with new powers of land acquisition for the purposes of urban development.

Kāinga Ora – Homes and Communities

Our name, Kāinga Ora – Homes and Communities, is a special name and has special significance because of the mahi (work) we do, working in partnership with Māori.

Kāinga Ora means "wellbeing through places and communities".

This report demonstrates how we add value and describes the impact on the capital dimensions within the Government's wellbeing framework across our six outcome areas.

Our role

Kāinga Ora has two key roles:

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

The Kāinga Ora–Homes and Communities Act 2019 sets out the operating principles Kāinga Ora needs to apply 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.

Housing is a complex area, which requires a coordinated response across government. We work closely with other government agencies who provide public housing and support services for New Zealanders.

Our vision

Kāinga Ora is more than a public housing landlord or urban development agency. Our legislative framework has put in place operating principles that enable us to have a much larger impact on New Zealand and the quality of our customers' lives. We have a broad set of responsibilities and range of customers and stakeholders to work with, and the foundation for our success begins with a deep understanding of our communities and the challenges they face across the country.

Te whakatutuki i ō mātou putanga Achieving our outcomes

Image: Hobsonville Point Development, Auckland

Ngā painga mā mātou e tāpiri / The value we add

Kāinga Ora is focused on delivering across our six outcome areas and committed to supplying more homes for more New Zealanders.

Capitals (Inputs)

FINANCIAL

Includes our financial assets and the available funds necessary (equity, debt) provided by the Government, generated through the disposal of assets and the purchase of our Wellbeing Bonds, which all have a direct role in supporting wellbeing and material living conditions.

HUMAN

This encompasses people's skills, knowledge and physical and mental health. These are the things that enable people to participate fully in work, study, recreation and in society more broadly.

NATURAL

This refers to all aspects of the natural environment needed to support life and human activity. It includes natural resources, including plants, animals and energy. It shows our commitments to reduce carbon emissions and waste in our operations so our customers are benefiting from warmer, drier homes and to live in environmentally sustainable communities.

SOCIAL

This describes the norms and values that underpin society. It includes our relationships with our customers, our communities and across our system, with government, Māori, our partners and alliances, industry stakeholders and our people, working together to meet our outcomes.

MANUFACTURED

This comprises our physical assets in the form of houses and apartment buildings, built or developed by Kāinga Ora or our former entities, which provide housing services to our customers.

Business activities


Image: Mavis Place and Beach Haven Road, Beach Haven, Auckland

Public housing

Caring for people


Image: St Georges Road, Avondale, Auckland

Land development

Māori stakeholder engagement

Our vision

He oranga kāinga,
he oranga hapori,
he oranga tāngata

Building better,
brighter homes,
communities and lives

Outputs and outcomes

CUSTOMER WELLBEING

1,340 net increase in public and supported homes
440,000 maintenance jobs completed
80% customers are satisfied with their Kāinga Ora home

THRIVING COMMUNITIES

142 new trainees
Place-based teams established
Neighbourhood plans for community regeneration

ENVIRONMENTAL WELLBEING

90% of new homes built to 6 Homestar rating
87% of demolition waste diverted from landfill
58 homes relocated
93% of fleet hybrid/EV

HOUSING ACCESS

1,801 new homes built
5,683 homes purchased with home ownership products
$39.1m First Home Grants

SYSTEM TRANSFORMATION

Project Velocity will halve the time the construction process takes
87% of demolition waste diverted from landfill target set across our Auckland demolition pipeline
Consentium established
$2.24b of new Wellbeing Bonds issued

MĀORI ASPIRATIONS

393 participants in national te reo programme
MĀIA app created

Ngā āhuatanga hira o te tau / Highlights of the year

142
NEW TRAINEES ACTIVELY ENGAGED AND SUSTAINED IN OUR KĀINGA ORA CONSTRUCTION APPRENTICESHIP/ CADETSHIP PROGRAMME

Image: High and White Streets, Rangiora, Christchurch

Image: Bader Drive, Māngere, Auckland

$2.24B OF NEW WELLBEING BONDS ISSUED

Image: Massey Road, Māngere, Auckland

87% OF CUSTOMERS FELT TREATED WITH RESPECT

6 HOMESTAR RATING SET ON ALL REDEVELOPMENT

1,815 NEW PUBLIC AND SUPPORTED HOUSES BUILT

SUPPORTED THE WAI 2750 HOMELESSNESS INQUIRY

Customer Wellbeing

Supporting our customers

- 80% of customers satisfied with their Kāinga Ora home
- 87% of customers felt treated with respect
- 82% of customers satisfied with the services we provide
- 388 transitional housing places
- 91 beds for Corrections service providers

Managing our homes

- 1,815 new homes built for public and supported living
- 1,340 net increase in public and supported homes
- >440,000 maintenance jobs completed
- 2.5 hours average response to urgent health and safety maintenance queries

Thriving Communities

- 142 new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme
- Neighbourhood masterplans for community regeneration developed
- Place-based teams established to work more closely with our communities
- Developed He Toa Takitini, our partnership and engagement framework

Environmental Wellbeing

- 6 Homestar rating set on all redevelopment
- 10% of homes due for renewal have been relocated rather than disposed of
- 58 homes relocated rather than being demolished and sent to landfill
- 93% of our vehicle fleet now hybrid/EV

Housing Access

Land development

- 85ha of land completed to date
- 1,801 new homes enabled
- 1,815 new public and supported houses built
- 1,340 net increase in public and supported housing

Home ownership

- 5,683 homes purchased with our home ownership products
- $39.1m in funds granted for First Home Grants

System Transformation

- Consentium established, the Kāinga Ora Building Consent Authority
- Project Velocity will halve the time the construction process takes
- $2.24b of new Wellbeing Bonds issued
- 87% of demolition waste diverted from landfill target set across our Auckland demolition pipeline

Māori Aspirations

- Supported the Wai 2750 Homelessness Inquiry
- Designed the Mātauranga Māori Programme
- Engaged on the design of the Kāinga Ora Māori Strategy
- Engaged and collaborated with iwi/rōpū Māori
- Appointed Te Kurutao Senior Leaders

OUTCOME 1

Te toiora kiritaki
Customer Wellbeing

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

What success looks like

- Our customers have accommodation that is stable, enabling them to remain in their homes for as long as they need.
- Our homes are repaired, maintained or renewed so that they are always warm, dry and accessible.
- Our customers feel safe and secure in their homes and communities.
- Our customers have the skills, support and confidence to have greater control over their lives and wellbeing.

Kāinga Ora is committed to ensuring our public housing customers live in healthy homes and in connected communities. Using a customer-centred approach, we are working with our customers to support their wellbeing needs to ensure they can sustain their tenancies and live well in their home.

How we are progressing

We achieved:

MANAGING OUR HOUSES

80% of customers are satisfied with their Kāinga Ora home

82% of customers are satisfied with the services we provide

87% of customers feel their tenancy manager treats them with respect

1,815 new homes built for public and supported living

>440K maintenance jobs completed

1,340 net increase in public and supported homes

79% of maintenance requests completed within the agreed service level targets

How the Capitals contribute to the Outcome:

Financial
$245m spent on Healthy Home upgrades

Human
Community place-based teams

Manufactured
Providing warm, dry, healthy homes

Social
Safe homes and communities

A warm, dry, healthy home and a feeling of connectedness to a community is essential for all New Zealanders to thrive. We have delivered much over the last year to support the wellbeing of our public housing customers.

Caring and supporting our public housing customers

We work hard to contribute to the wellbeing of more than 186,000 people living in our homes. We provide our customers with warm, dry and safe homes. We work with our customers to help them live well, with dignity and stability, in connected communities.

In the past year, we introduced an operating model that better supports our customers to live well in their homes and have access to the right support services. The new model seeks to achieve better overall social outcomes for our customers, whānau and communities by placing emphasis on key moments, such as when a customer first moves into a Kāinga Ora home. We understand how vitally important it is that we get placement right to enable the long-term success of a tenancy. We work with customers to match them to the right home and community to support this.

We take a wellbeing approach to how we engage with customers. This is built on a deep understanding of our customers and what living well means for them. It is underpinned by Te Whare Tapa Whā principles, which recognise the critical part both personal and housing needs play in achieving overall wellbeing, and the interdependence between the two. Along with introducing a range of services and improvements that better meet the needs of our customers, this wellbeing approach enables customers to live well in their homes.

Our local teams strive to build meaningful connections with appropriate service providers across the public and social sectors to help customers meet their personal wellbeing needs. When working with our customers, we help connect them to the right local support, if that is what they want or need.

We have also introduced a new structure for our customer-facing teams, ensuring our people have the time, skills and capability they need to do their jobs well.

In making these changes, we have boosted capacity in our customer-facing teams, which reduces the number of homes each of our Housing Support Managers look after so they are more available for our customers. We have also made improvements to how we allocate houses to Housing Support Managers – this now considers both the skills, experience and background of the Housing Support Manager and the needs of a customer.

Our Housing Support Managers work in an Awhi Rito (collective group) assigned to a geographical area. Together, they work collaboratively to provide a quality service to our customers and the community, ensuring they receive a consistent experience from our people.

Our comprehensive Sustaining Tenancies policies guide us in looking after the wellbeing of our customers, some of whom have complex social needs. These set out the approach Kāinga Ora takes when applying a sustaining tenancies lens to issues such as financial hardship and the management of disruptive behaviour. We have rolled out new tools on disruptive behaviour that will help see better outcomes for our customers. These policies have seen the formation of a Review Group comprised of different roles from across the organisation, bringing together their skills and experience to provide a unique, fresh and balanced perspective.

The Review Group serves as an escalation point and support for our customer-facing teams to respond to difficult and complex situations. Our Sustaining Tenancies policies provide our people with additional tools and resources to support them work in a variety of situations, helping to maintain safe and healthy homes and communities, while also acknowledging the broader social cost of homelessness and the important role we play in preventing cycles of homelessness.

Accessibility work programme

Kāinga Ora has undertaken a range of activities during the year to support and enhance our approach to improving the accessibility of its homes. This included working jointly with housing modification partners, the Ministry of Health (MOH), Ministry of Social Development (MSD) and Accident Compensation Corporation (ACC), to identify ways in which to streamline the current housing modifications process to better support our customers. In February/March 2022, an initial series of cross-agency workshops on housing modifications was held to take a co-design approach to cross-agency process improvement, surfacing views from representatives working in the housing modifications sector, including our customers and other government agencies. A draft report is being compiled, which identifies the key challenges to our customers through the modifications process, and work continues to improve the modifications process.

We have begun the review of the 2019 Kāinga Ora Accessibility Policy, including discussion with stakeholders. The review will analyse/evaluate our activity to date; update our asset, customer and engagement responses; and ensure we are able to deliver on the Kāinga Ora expanded mandate. The review and a new policy should be complete by mid-2023.

In addition to the progress we have made on the different parts of our accessibility work programme, we have developed a comprehensive internal work programme to address other accessibility initiatives outside of the Accessibility Policy. For example, we have been:

- Progressing work on the Supported Housing Strategic Plan. The Strategic Plan recognises the critically important role of supported housing within the housing continuum, and as an integral component of our role within the housing system.
- Updating our employee systems to allow people to include information on their disability to improve our organisation's understanding of their needs and the support they may require
- Working to implement the MSD Lead-Toolkit
- Promoting accessible format communications in accordance with our requirements under the all-of-government Accessibility Charter
- Working to build internal capability around disability awareness and responsiveness.

Healthy Homes Programme

Ensuring our customers are living well in homes that are warm, dry, healthy and safe is our absolute priority, and is the cornerstone of our Healthy Homes Programme.

Over the last year we have made significant progress, with more than 34,000 (52 per cent) of Kāinga Ora homes now complying with the Healthy Homes Standards for heating in the main living area, insulation, ventilation and draught stopping.

Kāinga Ora has until 1 July 2023 to ensure all homes meet the Healthy Homes Standards. Our deadline is a year before all private rentals must meet the standards. As New Zealand's largest landlord with almost 70,000 homes, this is a significant undertaking. Our Healthy Homes Programme is our largest planned maintenance programme to date in terms of breadth, complexity and volume.

Kāinga Ora is not immune to the external challenges facing the construction sector, including labour shortages, materials shortages, international supply-chain

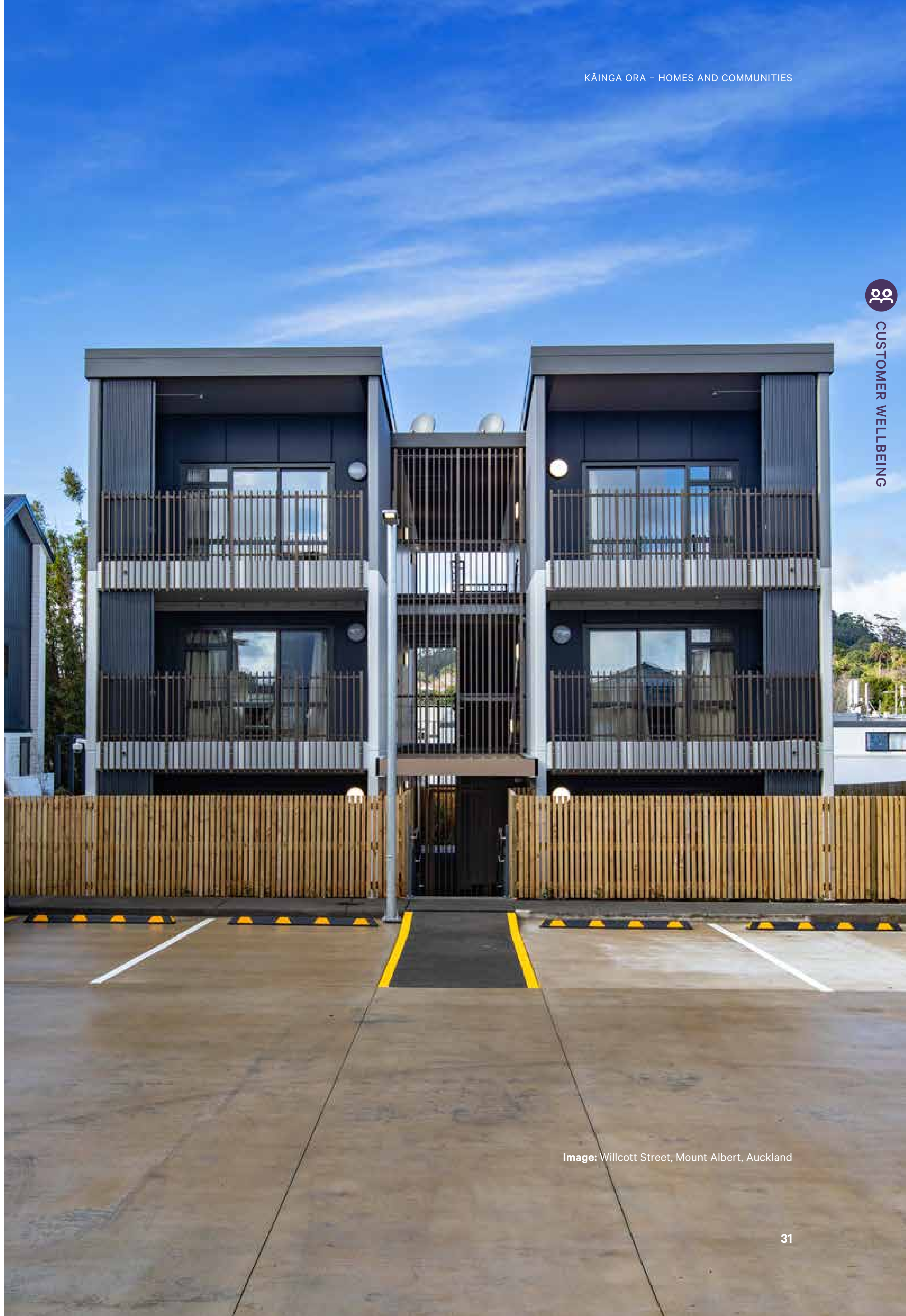


Image: Willcott Street, Mount Albert, Auckland

DELIVERING TO OUR CUSTOMERS
ACHIEVING OUR OUTCOMES
OUR PERFORMANCE
FINANCIAL STATEMENTS

disruptions, and the interruptions and flow-on effects of COVID-19 lockdowns and COVID-related limitations on contractors entering homes. Despite this, we remain committed to completing the work as quickly as possible while ensuring robust health and safety measures are in place to keep people safe.

We continue to implement a range of activities to ensure every effort is made to achieve compliance across the balance of the portfolio by 2023. We are working with our maintenance partners and suppliers to ensure faster and more efficient work. Our customers are also being brought into the maintenance loop to ensure they are aware and supportive of the work. As a result, we tripled our pace of delivery and are completing Healthy Homes upgrades at around 550 homes per week, up from 180 homes per week a year earlier.

Supported housing

Kāinga Ora leases or rents homes to organisations who provide funded services for their customers. We define this as 'supported housing'. A key feature is that the coordination of housing and other support services are essential to the wellbeing of a person.

In 2021, the Board approved the Supported Housing Strategic Plan, which sets out the key elements of the Kāinga Ora ideal future state for supported housing. These are that we: are fully funded; are set up to deliver against expectations; provide well-maintained and fit-for-purpose homes; operate as a trusted partner to provider and funder organisations; achieve local, Māori-led housing solutions; and are an effective influencer of the wider system that we operate in. We plan in 2023 to focus on developing an implementation plan that will review and prioritise actions identified in the Strategic Plan and set out under short-, medium- and longer-term initiatives.

Community Group Housing

Last year we provided 1,498 Community Group Housing properties to ensure secure, sustainable housing solutions that meet the needs of organisations who deliver services to support people with illnesses, disabilities or urgent needs for housing.

With our partners, we support the provision of community housing and beds for those in need, to ensure customers have a safe, secure environment to live. A reduction in the number of Community Group Housing properties supplied was due to Service Providers accessing different funding sources, such as transitional housing contracts from Housing and Urban Development. Consequently, properties are reclassified from being Community Group Housing to be transitional housing.

Responding to homelessness by contributing to increased transitional housing supply

Transitional housing provides warm, dry, short-term accommodation (generally up to three months and longer) for people and families in urgent need of accommodation because they have nowhere else to stay or are unable to remain in their usual place of residence. Wrap-around support services are provided with transitional housing, and customers in transitional housing places contribute 25 per cent of their income towards the cost of the accommodation.

Budget 2020 committed funding for 2,000 extra transitional housing places, with the expectation that Kāinga Ora would deliver 1,400 of these places by June 2022. As a result of the impact of COVID-19, the delivery time was extended to June 2024. By June 2022, a total of 1,066 places were physically completed towards the Budget 2020 commitment, with 915 places being made available to accept referrals from MSD.

Contributing supply for Corrections Housing and Support Services Programme

Work continued with the Department of Corrections to provide 150 transitional housing beds for people leaving prison and to provide suitable accommodation to help their reintegration into the community; otherwise they may go to or remain in prison, as they have no suitable accommodation option. Corrections service providers support Corrections housing customers while they are reintegrating into the community. We delivered a further 29 beds (within nine units). A property that was acquired for Corrections is no longer available, which left our total delivery as 91 beds (within 31 units) since the programme began in July 2018.

Maintenance and repairs

In the second year of the Te Mahi Ngātahi maintenance contract, we built on our commitment to work together with our maintenance partners and trades to deliver an improved customer experience. Over 11,000 people, comprising Kāinga Ora maintenance teams and our five maintenance partners with their trades, work together to deliver a maintenance service nationwide, 24 hours a day, seven days a week, completing more than 440,000 jobs per annum.

Our Te Mahi Ngātahi maintenance contract allows more flexibility, giving customers choice on appointment times and their preferred communication channel. It enables trades to do similar quick and easy additional work while on site, reducing the need for further visits and inconvenience to our customers. New technology means that simple maintenance requests can be automatically routed to maintenance partners, so jobs are completed more promptly.

The past 12 months provided many examples of maintenance partnership in action. We have adapted to meet the challenges of supply constraints, lack of trade availability and customer hesitancy because of the pandemic. In addition, an increase in weather events resulted in us responding to natural crises including flooding in the West Coast of the South Island and East Coast of the North Island and the tornado in Horowhenua.

Our maintenance partners and their trades also continue their investment into local communities with nearly 400 apprentices, cadetships, leadership development programmes, and other local social and environmental initiatives.

Family of seven settled in Kauri Place, Hastings

After living in motel rooms for almost three years, Marie had “lost all hope” of ever finding a home for her family of seven.

Image: Marie, second from right, and her family can now plan for their future after moving out of motels and into their brand new Hastings home.

Now, as early movers into one of 40 brand new homes in Kauri Place, Hastings, they have regained the confidence to begin planning for their future.

Life had been tough since they moved from Samoa in 2016. They first bunked with family before being told their landlord was selling the home.

With a seven-month-old baby, “We had nowhere to go,” Marie said.

“A friend let the seven of us stay with them for a week, in one room. Then we were offered rooms in the motel. While we were grateful for this, I never thought we would still be there two years and eight months later.”

The family spent New Zealand’s COVID-19 lockdowns in those same motel rooms. Living areas became shared bedrooms and there was little space for storing clothes, or for the children to complete homework or play.

“Even after lockdown finished we were still restricted. We couldn’t have any visitors. If the children wanted to meet friends it had to be out on the roadside.”

Still, Marie and her family were grateful to have a roof over their heads. And that gratitude only amplified when they moved into their new home.

“It is so lovely. There is space for the whole family and we are happy,” she said.

“It is filled with light and is nice and warm. The kitchen is large and we have a table big enough for us all to sit around and have dinner together.”

Naomi Whitewood (Ngāti Porou, Ngāpuhi), Kāinga Ora East North Island Regional Director, said Marie and her family were exactly why Kāinga Ora focused on building warm, safe, dry homes as quickly as possible.

“We need to get people out of motels, cars, garages and other unsuitable living spaces so that they can get on with their lives.”

Hastings is recognised as an area of severe housing deprivation, with 804 applicants on the Housing Register as of 31 March 2022.

Since September 2020 Kāinga Ora has delivered more than 180 new public homes and 28 extra transitional homes in Hastings. As at 30 June 2022, a total of 133 homes were in progress and contracts in place to buy 34 homes from developers on completion.

Forty of those new homes are in Kauri Street and Kauri Place, Mahora. The development is the largest delivery from Kāinga Ora under the Hastings place-based housing plan.

For Marie, her family’s new-found stability nurtured a sense of belonging to their community.

“Hastings is our home and we are now talking about the future,” she said.

“Our long-term aim is to buy our own home but for now we are so happy to be here... Soon I would like to get a job working night shifts so I can contribute to the household.

“I couldn’t even think about doing this in the motel.”

OUTCOME 2

Ngā wawata o ngāi Māori
Māori Aspirations

Enabling Māori aspirations means investment in housing solutions that build capability and support whānau wellbeing.

What success looks like

- Māori and Kāinga Ora work in partnerships that genuinely reflect Treaty of Waitangi to successfully deliver improved housing outcomes that meet the needs and the Māori aspirations.
- Intergenerational wellbeing outcomes are improved, including greater housing options and home ownership
- Kāinga Ora works to support and grow Māori capacity and capability across the housing system

Under the overarching korowai of Treaty of Waitangi and Māori perspectives, the Kāinga Ora–Homes and Communities Act 2019 and the Urban Development Act 2020 have empowered Kāinga Ora to act consistently across our operating principles to include early and meaningful engagement with Māori.

How we are progressing

We achieved:

Kaupapa Inquiry

We supported the Kaupapa Inquiry to achieve its goals

393

participants completed the National Te Reo Programme

The **MĀIA** App

was created as a cultural and digital tool to provide support to our kaimahi employees in understanding te ao Māori.

Partnering

Over the past year Te Kurutao team has enabled Kāinga Ora to partner with iwi/rōpū Māori

How the Capitals contribute to the Outcome:

Financial
Funding whenua Māori development

Human
Contributing to training and uplift in te ao Māori

Natural
Natural resources are valued and respected

Social
Working together to understand the interests and culture of Māori

Manufactured
Supporting aspirations of Māori 'Off-Site Manufacturing supplier'

Improving Māori outcomes

Kāinga Ora is accelerating the implementation of our Māori Strategy, which is focused on improving housing and social outcomes for Māori.

Te Kurutao, iwi leaders, Māori housing experts and partner agencies co-developed a five-year Kāinga Ora Māori Strategy to address housing needs and aspirations of iwi/rōpū Māori, supported by an advisory group and the Board.

The Kāinga Ora Māori Strategy encapsulates iwi/rōpū Māori aspirations for housing and seeks to improve outcomes for whānau Māori using a collective vision, goals, values, focus areas and prioritised actions which have been co-developed through our engagement groups.

Kaupapa Inquiry

Kāinga Ora continued its role supporting the Crown in its response to the Housing Policy and Services Inquiry (Wai 2750), one of the Waitangi Tribunal's kaupapa inquiries. As Wai 2750 has been finishing Stage One, Kāinga Ora responded to follow-up questions after the Crown hearing week. We continued to release documents under discovery and supported Tribunal researchers where required.

Kāinga Ora is committed to the Crown approach of 'Accept, Respect, Acknowledge' by:

- accepting the housing history of Aotearoa New Zealand
- respecting the evidence and lived experiences of claimants and their witnesses and showing respect in our engagement by responding to housing need
- acknowledging the failings of the past and proposing revised outcomes in the housing system.

To build the capability of Kāinga Ora to respond to the inquiry, two learning modules were launched to provide a historic background to the Treaty, Māori housing, and the duty of Kāinga Ora to uphold the Treaty of Waitangi and its principles. The Treaty of Waitangi module outlines the events that led to the signing of the Treaty as well as exploring how two cultures understood its meaning, and the consequences of these differences. The two modules are intended to provide context to the Wai 2750 Housing Policies and Services proceedings.

Infrastructure Accelerated Fund

Te Kurutao played an integral role in testing the integrity of Māori interests that had been included in the responses with personnel sitting in each of the four evaluation teams. When the evaluation process is completed there will be a robust analysis of responses that are either co-led with Māori or involving Māori as key partners. In addition, a te ao Māori lens across the other responses strengthens the evaluation process alongside other criteria that are considered. Te Kurutao brings together key capabilities essential to ensuring that Kāinga Ora can fulfil our legislative obligations to protect and enable the interests and aspirations of Māori in relation to housing and urban development.

Mātauranga Māori Programme

The Mātauranga Māori Programme team delivered a suite of meaningful programmes that deliver quality, relevant and current contexts which improve cultural competencies and build capability to uphold the Treaty of Waitangi and support the organisational

aspiration of being grounded in te ao Māori. We provided the following training initiatives:

- National Te Reo Programme – 393 participants completed the programme over five intakes during the year. In addition to weekly group sessions, ākonga students also had one-to-one access to te reo support to seek clarification when unable to do so within a group environment. Ākonga developed confidence in knowing how aspects of te ao Māori such as karakia, waiata, whakataukī come into practice and the importance of these practices within the organisation.
- Te Whare Kōrero – 39 graduates attended this programme focused on an individual learning journey structured as a 20-week course delivered through weekly virtual tutorials, waiata sessions, workshops and guest speakers, and preparation for a final presentation. The topic was transformational change, giving each ākonga the chance to show what this meant to them personally and within the workplace and how their Mātauranga Māori journey has contributed to this, and what it could look like in the future.

The programme does more than build the cultural capability of its kaimahi. It has opened the gates for some of our kaimahi in either connecting or reconnecting with their culture and for some this has been a path of self-discovery.

The MĀIA app was created as a cultural and digital tool to provide support to our kaimahi in understanding te ao Māori. The app provides context and examples around pronunciation, tikanga, karakia and kaupapa Māori and more.

Oho Mauri Leadership Programme had 11 graduates in the year. The focus of the programme was to provide training and development for Māori staff who are aspiring leaders, supporting them to lead a key functional project and enabling them to explore what they could face in a leadership role.

Treaty settlements

Where requested by Te Arawhiti, Kāinga Ora supports the Crown through the Treaty settlement process, for example by identifying land to be made available for settlements and participating in cross-agency conversations to address social transformation. Last year, Kāinga Ora supported the Crown by reviewing:

- Agreement in Principle for Ngāti Hāua (Upper Whanganui)
- Deed of Settlement for Te Korowai o Wainuiārua (Central Whanganui).

We identified further land for the settlements of claims by Whanganui Lands (Lower Whanganui) and participated in discussions regarding new relationship instruments based on Te Tomokanga ki te Matapihi as part of Whanganui Lands Settlement. We also reviewed proposed changes to the Deed of Settlement for Whanganui Lands Settlement. In the last year, settlements for Ngāti Rangitihi and Ngāti Maru (Taranaki) were enacted, granting right of first refusal over various Kāinga Ora properties.

Whenua Māori Development

The Whenua Māori Development team was established in 2021. Our team continued the preliminary assessment work and groundwork to define its role with Kāinga Ora and Māori and Iwi Housing Innovation (MAIHI) and work alongside other agencies. The team completed 40 preliminary assessments for housing on whenua Māori since May 2021.

Since the relocation programme began in November 2021, Kāinga Ora has worked with multiple rōpū Māori on the relocation of former Kāinga Ora homes. A total of 57 houses has been relocated for the year. Most of these have been relocated to Te Tairāwhiti and Te Taitokerau. We also provided input into local plan changes to reduce consenting requirements for housing on Māori land.

The MAIHI partnership is designed to strengthen relationships with Ministry of Housing and Urban Development and Te Puni Kōkiri, including sharing work programmes and expertise across Māori land projects.

Within the MAIHI programme, Whenua Māori Development team members manage, undertake preliminary infrastructure assessments, make whānau needs assessments and data analysis (based on public housing waitlist/demand data and other statistics), carry out masterplanning, and give planning advice.

Partnering with iwi and rōpū Māori

Te Kurutao regional teams, aligned with the place-based team structure, were set up during the year to establish and maintain strong and trusted relationships with iwi/rōpū Māori across the country.

- Tāmaki Marae Programme – four marae were supported to work through the Community Housing Provider (CHP) registration process alongside Te Matapihi to enable greater housing opportunities for marae and Māori.
- Te Pūtake – rōpū have developed a unique modular building method, robust work towards supporting their aspiration of becoming a Māori Off-site Manufacturing Supplier.
- Tākai Here Partnership Agreement was signed between Kāinga Ora, Te Rūnanga o te Ātiawa ki te Upoko o Te Ika a Māui and Ngāti Toa Rangatira.

Māori-owned build partner engaged for our largest new development in Kaitāia

We engaged Māori-owned construction firm Far North Group (FNR Group) to build 13 new state homes in Kaitāia. The 4,890m^2 site on Jamieson Road will be the largest new public housing development by Te Kāinga Ora in Kaitāia for several decades. FNR Group had previously undertaken site works on a Kāinga Ora relocatable home built at Dargaville High School. Jamieson Road will be FNR Group's first Kāinga Ora development as main contractor. In addition to partnering with Māori, this development will also achieve strong waste minimisation outcomes. All five of the existing Kāinga Ora homes at Jamieson Road were uplifted by Te Rarawa Iwi Housing to provide housing opportunities for Te Rarawa whānau. The Jamieson Road development is expected to be completed in early 2023.

Supporting Māori-owned businesses to build warm, dry homes in Northland

It was a two-man operation when Martin Yakas started his construction business, repairing leaky homes for Northland iwi.

Now, after securing its first government contract with Kāinga Ora, Yakas Construction has grown to a team of 12 – including two wāhine – building new homes for those in need.

Martin, of Ngāti Rehia, said those early home repairs provided a foundation to grow the Kerikeri-based business.

“Lots of these whare weren’t dry or warm, and they leaked. I’ve built the business up gradually and after getting our first shot at a new build in Kerikeri, we started getting noticed for our quality and on-time delivery.”

Martin said he was driven by getting whānau into warm, dry homes in the North, where he grew up, especially due to the region’s affordable housing shortage.

“Being awarded the contract with Kāinga Ora was pretty surreal,” he said.

“I’ve invested a lot of time in the process, so it was emotional finding out we won it. For me, it’s about seeing whānau going into these houses and not living in tin sheds. Every time I see a family going into a new home I feel better.”

The new homes will meet 6 Homestar and Healthy Homes standards, and were planned to be ready for customers by the end of 2022.

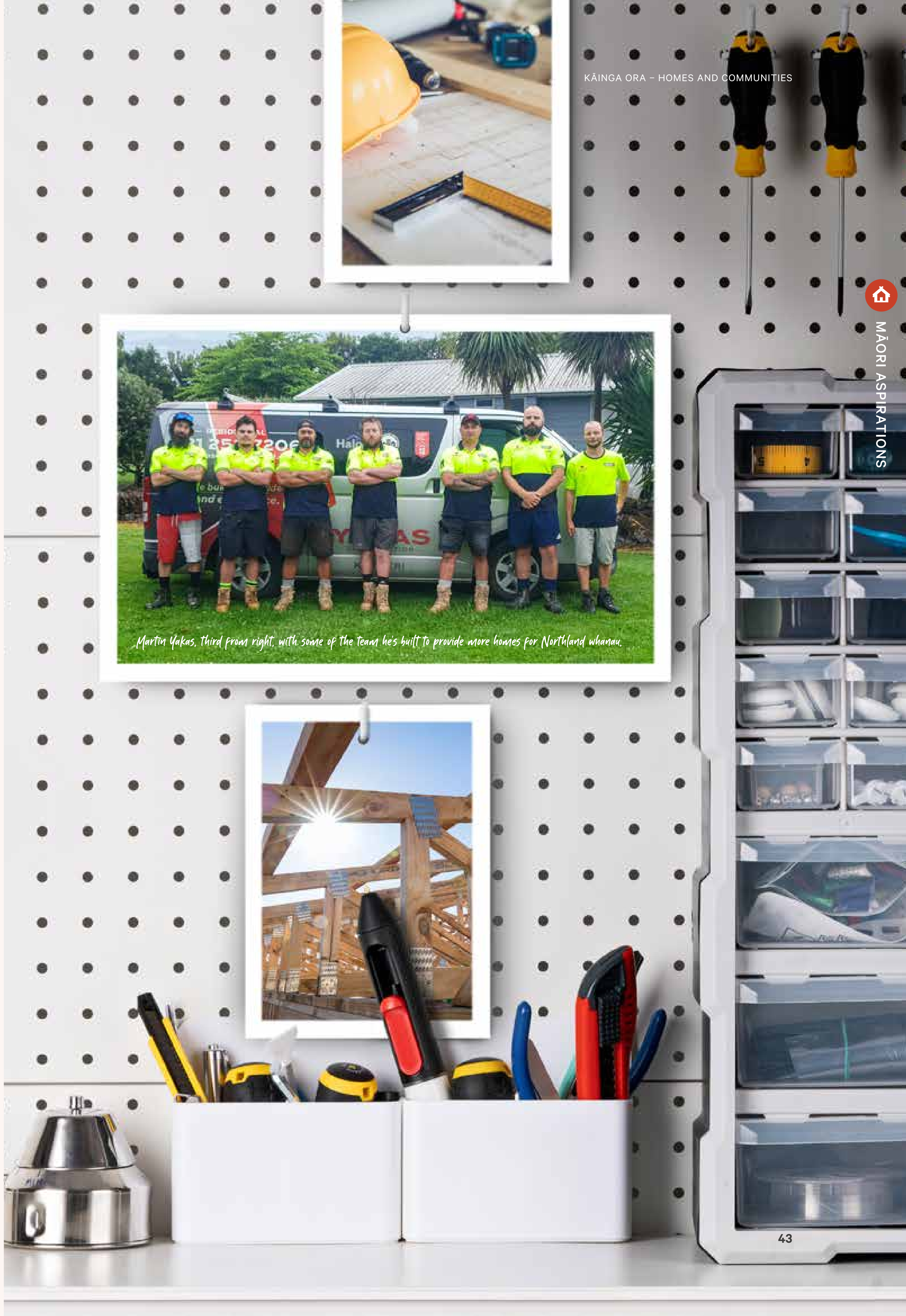
The contract was made possible by Yakas Construction completing the Progressive Procurement capability uplift programme under Te Puni Kōkiri. Martin was also mentored by Māori business Height Project Management Limited and supported by Aby Supplier Diversity intermediary for Aotearoa, Amotai.

Our General Manager Construction and Innovation Patrick Dougherty said enabling opportunities to engage with Māori and Pasifika businesses supports the strategic outcomes of Kāinga Ora.

“Yakas Construction was successful as they put together a competitive proposal, are locally based and are respected builders with strong links to the local community,” Patrick said.

“We also recognised the benefits of working with Martin because he offers significant job opportunities for local rangatahi (young people), and this has a knock-on effect to the Northland economy.”

Progressive Procurement aims to use the Government’s annual $51.5 billion buying power to accelerate Māori businesses and provide wider social outcomes in communities.



Martin Yakas, third from right, with some of the team he’s built to provide more homes for Northland whānau.

OUTCOME 3

Te wātea mai o te whare
Housing Access

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

What success looks like

- Public housing is provided for those in need
- More homes are built in regions across Aotearoa New Zealand, offering a greater variety of house types and tenures
- We renew our homes so that they are always warm, dry and accessible, meeting the needs of our changing population.

Kāinga Ora is responsible for redeveloping our current homes, building new homes, purchasing properties and enabling land for housing development.

How we are progressing

We achieved:

LAND DEVELOPMENT AND HOUSING SUPPLY

85 hectares of land completed

1,801 new homes enabled

1,815 new public and supported houses built

1,340 net increase in public and supported housing

HOME OWNERSHIP

5,683 homes purchased with our home ownership products

$39.1m in funds granted for First Home Grants

Enabling more New Zealanders to access homes is a large emerging part of our business. As well as providing warm, dry homes for those most in need, we have substantial investment in developing build-ready land. While some will go into public housing, significant parts will be made available for market and affordable homes.

How the Capitals contribute to the Outcome:

Manufactured
More New Zealanders can access home ownership

Human
Investing in training and apprenticeships

Natural
80% commitment for waste diversion of old homes from landfill

Social
Housing to meet diverse customer needs

Financial
Approved government funding for large-scale projects

Our land development activity

Our urban development activity reached several major milestones in 2021/22. All Statement of Performance Expectations (SPE) targets were exceeded with more than 1,800 homes enabled despite considerable disruption due to COVID-19 lockdowns and the flow-on impact to resourcing and supply chains affecting the entire construction sector.

Across the Large-Scale Projects (LSP) the construction of 507 new, warm, dry homes was completed – including 187 state, 105 affordable and 215 market homes.

Civil works on the Mangere West A project in Auckland was completed with a total of 64,000m^2 of land remediated to support the development of more than 400 homes in the area. Approximately 11,000 tonnes of waste were diverted from landfill because of our construction activities, delivering significant sustainability outcomes for the communities in which we are redeveloping. Freedland Reserve was completed, providing an example of how a local park upgrade can deliver a substantial improvement in local amenity and added resilience to the stormwater infrastructure simultaneously through efficient design and delivery.

Project underway

On 5 May 2022, Willis Bond broke ground on a 13-storey apartment at Hobsonville Point, Auckland. This development was the largest of its kind to commence construction in 2022 with the majority of the 82 apartments pre-sold. The first affordable Colab Series homes were for sale in Te Kauwhata with 35 new three-bedroom homes available to buyers meeting affordable criteria.

In the LSPs, 54 infrastructure projects are underway – either in design and consenting or construction phases (includes both neighbourhood and precinct projects). This represents a step change in the number of infrastructure projects. Once completed these will provide thousands of Kāinga Ora homes and private housing development.

Based on land enabled by the LSPs, construction has commenced for 1,098 new warm, dry homes – including 419 state, 435 affordable and 244 market homes. Completion of the Awataha Greenway in Northcote is close by with links to local schools and education around zero waste initiatives led by the local community.

Funding support

In April 2022 the Minister of Housing, Hon Dr Megan Woods, approved funding as part of the Housing Acceleration Fund (HAF) for the continuation of the LSPs. Through the HAF, approval was gained for a total of over 200ha of land development in the Auckland LSPs. Several months of work has gone into the preparation of the LSP business cases including significant engagement with council, mana whenua, local community and across Kāinga Ora and our construction partners. The approved funding will deliver:

- 14 neighbourhoods (additional neighbourhoods are Wesley West, Middlemore Crescent, Māngere East and Māngere West B) to be delivered over the next 5 to 10 years
- 18,000 homes enabled over the next 5 to 10 years
- 11 more precinct planning projects, which will confirm 64 individual infrastructure projects to be delivered over the next 5 to 10 years.

Over the life of the LSP programme to date, we have completed 85ha of land development, which has enabled 4,536 homes, with 1,935 new warm, dry homes constructed.

Shovel-ready projects

Our Shovel-ready projects predominantly enabling key stormwater and wastewater upgrades to support LSP development are also tracking well in terms of delivery. These projects are delivered in partnership with Auckland's Healthy Waters and Watercare, with three of the seven projects at least 75 per cent complete and completion of all on track for June 2024.

Infrastructure Acceleration Fund

Infrastructure has been identified as a key to enabling increased housing development across Aotearoa.

The Infrastructure Acceleration Fund (IAF) is a $1 billion contestable fund designed to allocate funding to territorial authorities, for new or upgraded infrastructure (such as transport, water and flood management) unlocking housing development in the medium term and enabling a meaningful contribution to housing outcomes in areas of need across New Zealand. It is part of the $3.8 billion government HAF Monetary package to enable infrastructure necessary to develop homes.

Following the launch of the IAF on 30 June 2021, over 200 expressions of interest were received, requesting over $5 billion of funding. Subsequently, 77 responses to the Request for Proposal were submitted in December 2021, with 35 proposals approved to proceed to the negotiation stage by Ministers in April 2022. On 21 July 2022, Housing Minister Hon Dr Megan Woods announced the first tranche of housing developments to receive IAF grants (a total of $179 million), supporting delivery of around 8,000 homes over the next 10 to 20 years in seven different regions across the country. The negotiation stage for the remainder of funding is underway and is expected to be fully allocated by June 2023.

The IAF is also an example of the commitment by Kāinga Ora to enabling Māori housing aspirations. Te Kurutao Māori team from Kāinga Ora is deeply involved, including co-chairing both internal governance groups. The team continues to add immense value to the IAF such as input into the evaluation of proposals and ongoing management of contracted agreements, and managing iwi engagement to drive housing outcomes and public value for money.

Urban growth partnerships

Kāinga Ora is a core contributor to the six urban growth management partnerships between the Crown and respective iwi and local authorities. We contribute to each partnership's work programme and specifically assess how it can enable or facilitate the agreed outcomes through its urban development functions.

Overall, the partnerships have been effective in supporting more integrated urban growth management through four key work streams:

- Spatial planning: Kāinga Ora contributed to the successful completion of a joint spatial plan for the Hamilton–Waikato metropolitan area and a draft plan for the Greater Christchurch urban area, and to the implementing of existing joint spatial plans for the Tauranga–Western Bay of Plenty, Wellington–Horowhenua and Queenstown Lakes urban areas through regulatory and related policies.

- Infrastructure programmes: The joint spatial planning in each of the partnerships is supported by related transport and Three Waters programmes.
- Housing action plans: Kāinga Ora has also been a core contributor to new joint housing action plans in four of the partnerships.
- Priority development areas: We have supported the selection of 28 priority development areas across the six partnerships, and the development of related urban development targets and programmes.

Area Development Strategies

The Area Development Strategies within Kāinga Ora provide evidence-based strategic plans for specific locations to guide investment decisions by the business with the aim of achieving good urban outcomes. In 2021/22, Area Development Strategies were completed for Tauranga, Rotorua, Napier, Hastings and Gisborne.

Kāinga Ora Land Programme

The Kāinga Ora Land Programme is a $2 billion land acquisition and development programme over 10 years, established in July 2021. It is one of the key tools available to Kāinga Ora to deliver urban development to improve access to housing through the provision of builder-ready land in areas of growth. The focus for the year was on establishing strong processes to ensure effective investment management and governance of the programme. One land acquisition, Ferncliffe Farms in Tauranga, was made during the year. Several other acquisitions are under consideration and work is underway on a Strategic Land Acquisition Plan for the programme.

Ferncliffe Farms land acquisition

Kāinga Ora, through our Kāinga Ora Land Programme team, acquired 95ha of rural land at Tauriko West, near Tauranga, as an opportunity to shape urban development in a high-growth location that has limited land supply for public and affordable housing. It is also an opportunity to lead the greenfield land development market in Tauranga towards better urban outcomes.

This opportunity will enable Kāinga Ora to increase pace, density and diversity of housing products delivered in Tauriko.

Tauriko is a significant new growth area in Tauranga City – one of New Zealand's fastest-growing places. Playing an active role in Tauriko as an urban developer provides Kāinga Ora with the potential to shape better urban outcomes at this site and supports the Government's comprehensive transport and education investment required for the growing population. The acquisition of the site by Kāinga Ora was supported by members of the SmartGrowth urban growth partnership, including mana whenua.

Acquisition of Tauranga City Council's social housing portfolio

A collaborative approach between Kāinga Ora, Tauranga City Council and MSD was taken in our purchase of the majority of Tauranga City Council's elder housing portfolio of 197 one-bedroom units in seven villages.

Tauranga has a growing demand for public housing. Kāinga Ora and Tauranga City Council entered into a partnership agreement to redevelop and intensify sites over the medium to long term. Both parties have agreed to share any value gain achieved through redevelopment of the portfolio. The sale and purchase agreement was signed on 4 May 2022. Final settlement occurs in November 2022.

Urban Development Act functions

Kāinga Ora holds several functions under the Urban Development Act. These include functions relating to Specified Development Projects (SDPs) which aim to unlock complex urban development projects.

The first full year of implementation for the Urban Development Act was in 2021/22. The focus was on establishing sound processes and policies in preparation for the first selection decisions and assessments of SDPs.

Several SDPs are currently under consideration with the majority resulting from the involvement of Kāinga Ora in urban growth partnerships.

Axis Series homes

Provisions of the Hobsonville Point housing development required approved building contractors to provide some homes at affordable prices for first-home buyers to purchase. Applications exceed supply for these homes, and buyers are selected from a ballot process we administer. These properties have a two-year residency obligation, and we manage and monitor compliance. This year we processed 240 eligibility applications and ran three ballots for a total of 24 property sales.

Affordable housing

During 2021/22 Kāinga Ora developed a draft Affordable Housing Strategic Plan that identified opportunities to increase our contribution to achieving affordable housing outcomes. The Plan was informed by a data-driven approach including the development of a Customer Affordability Model. The Plan has several components including a framework to identify priorities, and a draft programme of 10 work activities. Most of these activities emphasise refining existing Kāinga Ora interventions with outcomes expected to be delivered over the next several years. We aim to finalise the Plan in 2022/23, recognising it will evolve over time.

Delivery of new-build public and supported housing

In the year to 30 June 2022, Kāinga Ora achieved the second largest year of construction to date in what can be described as a very challenging period.

Lockdowns in quarters one and two, the delayed impact of the global pandemic, and the war in Ukraine all emerged to apply pressure to an already hard-pressed industry. This generated issues that affected our organisation, such as shortages of materials and labour; site disruptions due to lockdowns, isolation requirements and illness; international shipping delays; and inflation in our sector and the wider economy. These have affected many of our regular activities, caused delays, and added constraints to our building work.

Despite these ongoing challenges, we continued to progress to our overall goal of supplying approximately 11,780 net additional homes by the end of the 2023/24 financial year.

Image: Massey Road, Māngere, Auckland

In 2021/22 we delivered:

- gross newly built public and supported housing of 1,815 homes against an SPE target of 3,400
- net increase in public and supported housing of 1,340 homes against an SPE target of 2,700.

Our net result of 1,340 homes takes the accumulated total to 5,500 (47 per cent) against the 11,780 target.

Adding new homes to our housing portfolio through newly built homes, purchases and leases allowed us to also dispose of homes that were unsafe, fire damaged, unsuitable, or not economically viable. Many of these were redeveloped into safer, warmer and drier homes for our communities through our own construction programme.

Retrofit and renewals

For the full year, we completed 288 retrofit homes and 66 complex remediation homes in our home renewals programme. Overall, the renewals programme, similar to other areas, was impacted by the COVID-19 lockdown and supply-chain issues during the year.

Our programme team has made good progress on improvement initiatives to enable increased volume in delivery and better customer experience.

The 2022/23 programme is set to start strongly, with significant design work already completed and sufficient properties already confirmed to meet our 2022/23 SPE target of 700 units delivered.

Partnerships

Core to the work delivered was our partnering activity with build and development partners, suppliers and other key stakeholders. We continued to evolve our approach that generated a shift in behaviour towards greater trust, transparency, genuine partnership, and collaboration.

By building and maintaining close relationships across the supply-chain network, we are proactively helping our supply, build and maintenance partners to mitigate risks. For example, we worked with our suppliers to support sustainable supply and with build and maintenance partners to ensure they forward ordered key materials.

We advocated for build partners to leverage our materials National Supply Agreements to secure supply and mitigate price increases. We continue to ensure risks are carried by those best able to mitigate and manage them, including adding cost fluctuation clauses into contracts.

In 2021/22 we embarked on an expansion of our construction specialists to cover consultants such as engineers, architects and other consultancy services. These supply arrangements will provide benefits to both Kāinga Ora and suppliers by giving preferred suppliers visibility of our pipeline, building greater understanding between suppliers and our organisation, improving social outcomes and environmental impacts, and significantly improving contracting arrangements.

Kāinga Ora intends to demonstrate how a partnering approach, using the size and certainty of our construction intentions, can help our partners grow and flourish. This is also consistent with the Construction Sector Accord's aims to leverage government contracts to generate secondary benefits – social, environmental, cultural or economic – that will deliver long-term public value.

Overall build partner satisfaction for our agreements is regularly monitored and increased from 60 per cent in October 2021 to 83 per cent in March 2022. This represented a significant step change in relationship management and signalled the benefits of our supportive approach, such as the range of new measures put in place to help our public housing build partners manage fluctuating materials costs.

As part of our partnering approach, we also continued to integrate core social procurement outcomes to drive sector change.

Procurement

During the year, we took proactive steps to deliver our work programmes and support our partners to mitigate the disruptions to global materials supply chains that continue to impact the capacity of Kāinga Ora and the New Zealand construction sector.

We identified and supported technical assessment of alternative materials that meet our performance standards and building code. For example, this effort enable us to secure offshore plasterboard for our retrofit programme, which has significantly improved our ability to deliver the programme.

Diversity

We continued to invest in our partnerships with Māori and Pasifika suppliers to enable opportunities for them to work with Kāinga Ora and support our public housing delivery programme. This enables us to deliver on our strategic outcomes and priorities (by partnering with Māori, and building Māori and community relationships).

Apprenticeship

In 2021/22 we supported more than 142 unqualified tradespeople into careers through our Kāinga Ora apprenticeship programme. Fifty-six of these apprentices identified as Māori or Pasifika.

Mental health and suicide prevention

Our partnership agreement with MATES in Construction was re-signed and continues to go from strength to strength. Over 140 of our sites are now MATES accredited in support of mental health and suicide prevention, and this important service has now also been extended to our consultant partners.

Trades training

Kāinga Ora now has 11 high schools, polytechnics and Corrections facilities in our trades training and building academy programmes. Thanks to these partnerships, we're training the tradespeople of tomorrow while delivering more homes across Aotearoa New Zealand.

Supplier diversity

Engaging Māori-owned businesses, especially those which employ rangatahi, is an important part of our progressive procurement programme, supported MBIE, Te Puni Kōkiri and other partners. In March, Te Puni Kōkiri published a video featuring Kāinga Ora and Māori-owned business Yakas Construction, which is building six homes in Kaikohe for our housing stock.

Design quality

Our developments received recognition for their design excellence at the 2021 Property Industry Awards and Te Kāhui Whaihanga New Zealand Institute of Architecture Awards (NZIA). This is testament of the focus on design quality highlighted through Building Momentum, our construction plan for future homes.

Mangere's Bader McKenzie development and Onehunga's Brookfield Avenue development took out excellence awards at the Property Industry Awards, while Onehunga's Galway Street development and Waterview Court development won merit awards.

In addition, the Waterview Court development and Rangiora's High and White Street developments have won national awards at the NZIA Awards.

Our developments are gaining recognition for their quality urban design outcomes and the ways in which they contribute to thriving communities – both key aspects of our Building Momentum construction plan for future homes.

Universal design

Our 2019 Accessibility Policy committed to ensuring that at least 15 per cent of the new homes we are building across the country meet universal design standards, and the rest meet as many of these universal design standards as possible. For 2021/22 delivery, this was limited to projects briefed on or after 1 October 2019 and contracted on or after 1 July 2020 and delivered during the financial year; this means we are reporting on this for the first time.

Providing homes that have full universal design elements make them more liveable for the entire population and are, or can be made to be, fit for purpose for most customers.

As a result of the impact of COVID-19 on our build programme, we delivered 23 homes to full universal design standard in 2021/22, not quite meeting our 15 per cent target.

Assessments were conducted of a further 400 homes delivered in 2021/22, which confirmed 134 homes achieved 80 per cent or more conformance to the full universal design standard and 119 homes included accessible features purpose built to satisfy the specific needs as determined by the place-based teams. These features include wet-area showers, wheelchair access, modified kitchens, and visual smoke alarms (for those with impaired hearing).

In 2021/22 we assessed 4,165 homes and 1,168 homes were requested to be built to full universal design (28 per cent). This ensures we will continue to deliver in future years, noting that some homes may not contain all full universal design features due to site limitations. We have committed to delivering 450 full universal design homes in 2022/23.

We will continue to brief new homes to full universal design to ensure our targets are met. We will use what we have learnt through this process and maintain continuous improvement practices to increase the quantity and quality of these homes. To further enhance stakeholder understanding of the Kāinga Ora full universal design criteria, we have initiated a training and awareness campaign to support different learning styles including videos, infographics and interactive learning modules.

Home ownership products

First Home Grant

We provide grants of $3,000 to $10,000 to first-home buyers or previous homeowners in a similar financial position, to assist with the deposit on their new home. We provided $41 million in funds this financial year, almost 50 per cent less than last year. This year we received fewer applications and gave fewer grants due to a variety of housing market conditions and external factors including COVID-19. In May 2022 house price caps were increased; this meant that a greater number of applicants could access the First Home Grant to purchase a wider range of properties. The changes resulted in an increase in applications following the announcement.

KiwiSaver first home withdrawal

Eligible KiwiSaver members can access their KiwiSaver funds to buy a first home by applying directly to their KiwiSaver provider. We assess previous homeowners' applications against a realisable assets test and provide applicants with a determination letter, which they take to their KiwiSaver provider when seeking access to their KiwiSaver funds. We assessed 4,812 applications this financial year, 43 per cent fewer than last year.

First Home Loan

This loan enables first-home buyers, or previous homeowners in a similar financial position, to borrow with only a 5 per cent deposit. Participating lenders submit applications to us for assessment and we underwrite the loan. We underwrote 753 loans this financial year, 41 per cent less than past year. Volumes have declined significantly over the last year, as house price increases made fewer properties available under the caps. House price caps were removed from 1 June 2022, so demand is expected to increase considerably in the coming year.

Kāinga Whenua loan

This facility allows owners of multiple-owned Māori land to access a Kiwibank loan, which we underwrite, to build, buy or relocate a property to the applicant's Māori land. In the past year, 15 applications were made, and seven loans were drawn down. Three of the 15 applications were from Ahu Whenua trusts. Overall, enquiries and applications remained at historically high levels during 2021/22, for both individuals and land trusts. The Ministry of Housing and Urban Development is undertaking a review of the Kāinga Whenua loan scheme.

First Home Partner

First Home Partner is a shared home ownership scheme to help aspiring first-home buyers whose deposit and home loan are not quite enough to buy a home that meets their needs. The maximum contribution to a purchase is 25 per cent or $200,000 – whichever is lower. Since the scheme was introduced in October 2021, we have supported 41 new households into home ownership. They are active members in our Goals Management Programme. Our Goals Management team will work alongside

co-purchasers to determine the best avenue in purchasing the remaining shares from Kāinga Ora over the next 15 years. We also have 405 eligible households waiting to find an applicable house and loan. A further 828 applications have been received and are either being processed or waiting to be processed, which indicates there is a strong demand for this scheme.

Tenant Home Ownership Grant

Under certain circumstances our tenants can purchase the property that they live in. We provide up to $20,000 to eligible applicants to assist with their deposit. The number of grant applications remains low, currently at around 10 per year.

KiwiBuild

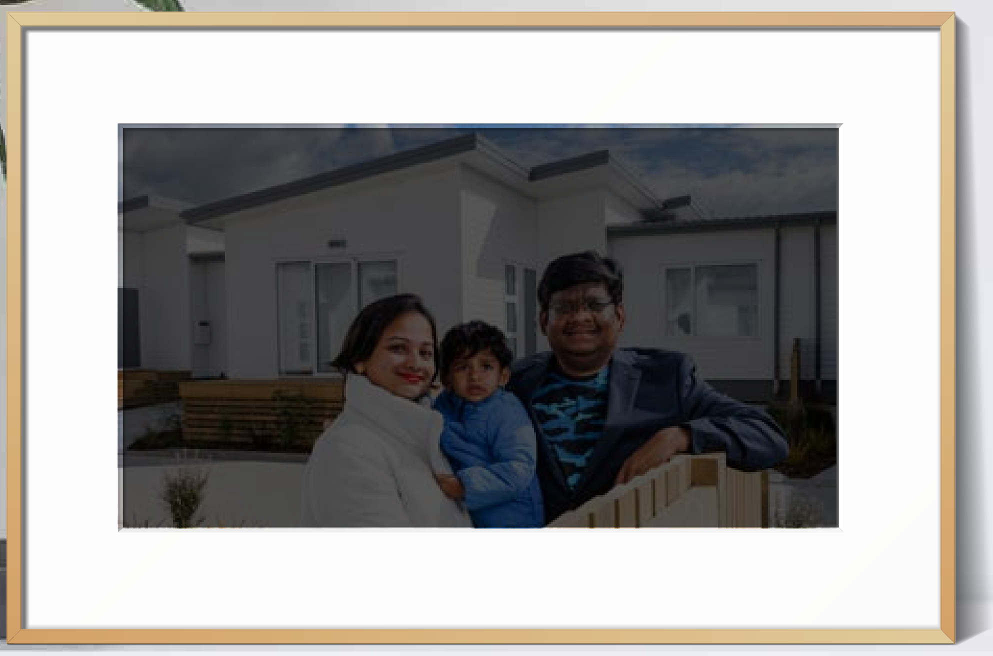
KiwiBuild underwrites the sale of homes in new residential developments to facilitate the delivery of affordable homes. KiwiBuild homes can also be integrated into Kāinga Ora large-scale urban regeneration projects – which provide a mix of affordable, public and market homes – or enabled through the Government's Land for Housing programme. KiwiBuild also supports people into home ownership.

In July 2022 the Minister of Housing announced changes to the KiwiBuild settings to increase price caps and expand buyer eligibility criteria, following work to enable this during the year. These changes allow KiwiBuild to support the development of more affordable homes at a time where the construction sector faces significant challenges. During the year, increasing construction costs and house prices constrained the number of KiwiBuild homes under development.

As at 30 June 2022, a total of 1,380 KiwiBuild homes had been built since the programme began and a further 1,223 KiwiBuild homes were under construction. A total of 1,973 KiwiBuild homes have been sold to 2,976 homeowners. We also processed 8,290 buyer eligibility applications during 2021/22, an increase of 57 per cent on the previous year.

“What a family needs” – Rotorua first-home buyers move in

For Venkat and Sowmya, home ownership means security and a new future for their young daughter, Venya.



In 2022, the family moved into their new three-bedroom, two-bathroom townhouse in Rotorua – one of the first KiwiBuild homes to be built in the city.

“This home is one of our biggest achievements,” Venkat said.

“We are so happy and so glad. Our daughter is excited; she is running everywhere. At our other place we didn’t have much space for her to run and play. We wanted to buy a home for her future.”

Venkat and Sowmya’s property was one of the first eight KiwiBuild homes in Rotorua’s new Mountview Green neighbourhood, built by property development company Watchman Capital.

Once the development is complete, there will be 35 KiwiBuild homes in total in Mountview Green.

Prior to purchasing, Venkat and Sowmya were renting and also spent time living with another Rotorua family.

“It was really challenging to buy a home within our budget, and I think our chances would have been only 10 per cent without KiwiBuild,” said Venkat, who works as a Practice Manager for a local dental surgery.

Image: Venkat and Sowmya, with daughter Venya, “are so happy” in their new home, one of the first KiwiBuild properties to be completed in Mountview Green, Rotorua.

> “This home is one of our biggest achievements.”

Caroline McDowall, Kāinga Ora General Manager Commercial, said the new KiwiBuild homes at Mountview Green would provide much-needed affordable housing for Rotorua.

“These KiwiBuild properties will give more whānau and individuals the opportunity to achieve the security of home ownership, while increasing the supply of homes in a region with high housing need.”

Watchman Capital’s Directors Marcus and Andrea Jacobson said first-home buyers were an important part of the Mountview Green development.

“We want to help get more families into their first homes. It has been hugely satisfying to see the first KiwiBuild buyers move in,” said Andrea, adding the homes had been designed with families in mind.

“We have three kids of our own, so we know what a family needs, while still being affordable – practical things like storage and a kitchen that is big enough for a family to cook in.”

Kāinga Ora administers the KiwiBuild programme on behalf of the Government. It involves our organisation partnering with residential developers to expedite the delivery of new and affordable homes in areas of high demand.

OUTCOME 4

He hapori taurikura
Thriving Communities

Thriving communities are inclusive and sustainable with access to employment, education, and social and cultural opportunities.

What success looks like

- Neighbourhoods are safe for families, young people, older groups and those living with a disability.
- Our communities have good access to public transport and active transport networks.
- Our customers are connected to their cultures and communities and participate in community life.
- Our urban development activities enhance the cultural value of places and provide a sense of belonging and continuity.

We enable quality housing and urban environments that help people to thrive as individuals, in their whānau, communities and social contexts. We aim to create environments that encourage physical activity and social cohesion, and achieve maximum health, employment and education benefits while also creating a sense of place. This is important for the wellbeing of all New Zealanders.

How we are progressing

We achieved:

Neighbourhood masterplans
for community regeneration

Place-based teams
established for improved community engagement and partnership

He Toa Takitini
our partnership and engagement framework developed

Regional plans
developed to facilitate meaningful and ongoing engagement with our communities

Māori Strategy
to ensure that we work more effectively with iwi, hapū, whānau and rōpū Māori

142
new trainees engaged in local employment opportunities through our construction apprenticeship/cadetship programmes

How the Capitals contribute to the Outcome:

Manufactured
Affordable and sustainable housing

Human
People are engaged and understood

Natural
Urban and community regeneration

Social
Contributing to community social infrastructure

Financial
Funding for vaccination events and supporting personnel

COVID-19 response

Tāmaki and Tai Tokerau (Auckland and Northland)

We commenced and promoted mobile vaccination events within the community and selected Kāinga Ora developments in February 2022 across Auckland in partnership with the Northern Region Health Coordination Centre, Ngāti Whātua Ōrākei and local iwi/Māori health partners.

In 2021, a series of vaccination events across Tāmaki Makaurau was held. In 2022, we continued our support of the vaccination events, again focusing on Māori and Pasifika populations but with additional focus on tamariki in our communities, with further vaccination events being held at Kāinga Ora sites across Auckland. A total of 65 vaccination events have been completed.

In Counties Manukau, the Takānini area office collaborated with Papakura marae and the New Zealand Police to distribute 25,000 Rapid Antigen Tests (RATs) to our customers, providing a supply that may not have otherwise been available.

Te Waipounamu (South Island)

A Canterbury-based Kāinga Ora Senior Stakeholder Relationship Manager spent several days a week for several months working out of the Canterbury District Health Board's (DHB) COVID-19 Hub.

This was a cross-government initiative with members of government agencies working together in a Hub environment to support customers and whānau experiencing challenges due to COVID-19 and isolation.

Responding to a request to support the cross-government approach, Kāinga Ora volunteered a staff member who had previously worked

for Pegasus Health, a leading health agency in the Canterbury region. That experience and connections ensured she added considerable value to the Hub's efforts.

Support for agencies regarding isolation requirements

Kāinga Ora was approached by local DHBs to assist in providing available properties that could be made temporarily available for individuals and whānau who do not have appropriate housing arrangements to safely isolate.

For example, a Dunedin property – which was formerly a camping ground with cabins and other buildings – had been acquired by Kāinga Ora for redevelopment, but as plans for this site had not yet been finalised, the site was offered as a potential option.

The Southern DHB accepted, and a lease arrangement was established for just over six months so the facility could support people who needed alternative accommodation in which to self-isolate.

Te Puku Ikaroa (Central)

Our Te Puku Ikaroa team met with Territorial Local Authorities, local iwi and rōpū Māori, other government agencies and NGOs to contribute to COVID-19 activities. We collaborated with DHBs and Primary Health Organisations (PHOs) to provide support to the Government's vaccination programme.

In New Plymouth, we helped organise a vaccination bus to visit Kāinga Ora housing areas. In the Waikato, we worked with the Waikato DHB, a local PHO, and K'aute Pasifika Trust to provide opportunities for our customers to access mobile vaccination services. In Wellington, we worked with Ngāti Kahungunu Whānau Services to support and promote their mobile vaccination service Waka Ora, which included visits to our Dixon Street and Te Māra complexes.

Weather-related response

Tāmaki and Tai Tokerau (Auckland and Northland)

Tāmaki and Tai Tokerau experienced several severe weather events during 2021/22. In June 2021, Auckland experienced an extreme weather event where a storm spawned a tornado in Papatoetoe, South Auckland, which resulted in several homes losing their roofs and power.

On 21 March 2022, Auckland recorded more than a month's worth of rain in 10 hours, resulting in Auckland-wide flooding and roof leaks which affected several homes and our Māngere Office. Northland recorded higher-than-normal rainfall also, resulting in flooding throughout the region, blocking communities off from one another.

The Auckland and Northland weather events were challenging for our customers. We completed wellbeing calls to affected and surrounding customers, provided temporary accommodation where required and repaired damaged homes.

Te Waipounamu (South Island)

West Coast flood response

Te Waipounamu place-based teams and maintenance partners collaborated several times to proactively respond to a series of significant flooding incidents on the West Coast of the South Island.

Our staff and our maintenance providers responded to the Westport flood event in July 2021. Within two weeks, all homes had been assessed for damage and customers had received a face-to-face welfare check with follow-up wellbeing calls.

Staff across the country supported the regional team over a four-week period. We also assisted the Buller District Council's temporary village through the donation of five houses from Christchurch, which were initially heading to Rolleston prison for renewal.

Our learnings from previous flood events in the district ensured pre-emptive steps were taken, including sending extra maintenance partners to Westport to scope properties and be on standby if flooding occurred.

Accommodation for Kāinga Ora staff and contractors was booked early and relevant trades and other partners were prepared well in advance of the predicted rainfall.

Engagement activities

Tāmaki and Tai Tokerau (Auckland and Northland)

Wesley Engagement – Pasifika Talanoa Session

The Central and East Auckland Engagement and Partnerships team joined forces with local Wesley Pasifika organisation Global Hope Missions to host a community talanoa (discussion) on the future of Wesley. This important partnership approach enabled us to hear from around 50 residents gathered in person as well as online. Matters raised included the relocation process and housing solutions for intergenerational living.

Creating thriving communities through partnership in Counties Manukau

Our Māngere area office leveraged existing relationships with the local Neighbourhood Support Group to organise a community leaders, New Zealand Police and customers' meeting at the Bader Drive and McKenzie Road complex on Wednesday 6 April 2022. There were discussions about regular community days as well as planned and unplanned Police patrolling of the complex.

Redistribution of construction materials to Aotearoa Tonga Relief Committee

A pilot salvage yard was established in Aorere, between Māngere East and Papatoetoe in South Auckland, to redistribute materials from the deconstruction of six Kāinga Ora homes. Since the beginning of April 2022 we provided the building materials to a variety of groups, with the majority shipped to Tonga, which was organised in collaboration with the Aotearoa Tonga Relief Committee.

Working with Papatuanuku Kokiri Marae

Close to the Māngere Housing Support team's office is Papatūānuku Kokiri Marae, a learning and food-growing marae that is committed to being accessible to the community. A number of Kāinga Ora customers visited the marae during the COVID-19 lockdowns to obtain food parcels. Papatūānuku Kokiri Marae's representative are keen to ensure this connection continues, especially with nearby Bari Lane residents who were welcomed onto the marae for Matariki. Going forward, the local Kāinga Ora team will volunteer at the marae to assist with packing food parcels and help maintain the garden.

Tidy up Tonar Street

Tonar Street residents' group is part of the Northcote Large-Scale Project. Our North-West region engagement team has been working with volunteers from Zero Waste Hub, Northcote Library, St Luke's Methodist Church and Auckland Council Waste Advisors to support residents to remove waste, build relationships and promote pro-social behaviour in the area.

Te Puku Ikaroa (Central)

Rotorua Boys' High School trade academy

A Memorandum Of Understanding has been signed with Rotorua Boys' High School for senior students to build two houses per year, as part of the Kāinga Ora Trades Academy Programme. This will mirror the successful building academy partnerships run with Massey High School in Auckland and Dargaville High School, and the tertiary academies with Unitec and Weltec. Guidance, house plans for the school to build to Kāinga Ora standards and quality assurance measures have been put in place as part of the programme, with the completed Rotorua homes expected to be delivered to local Kāinga Ora sites. Ōpōtiki High School is progressing a Trades Academy Programme and a similar relationship with us also.

Te Waipounamu (South Island)

Employment pathways

An innovative contract of service has been signed between Canterbury-based Whitiora, a newly established Te Ngāi Tūāhuriri Rūnanga (mana whenua) mandated skills centre and Kāinga Ora to support and assist the build partners of Kāinga Ora to employ job seekers into the construction sector. The agreement will primarily focus on Māori, Pasifika (including females and rangitahi) as well as the Kāinga Ora customer community and aims to lead them into skills-based, future-focused, high-value opportunities. Whitiora will source candidates for these roles and provide mentoring and pastoral care for a 15-month period. Our National Commercial Build Partnership team and the local place-based team have worked collaboratively to create this role with our mana whenua partner, Whitiora.

"Tell us about your great neighbour" campaign

The Community Engagement and Partnerships teams for the Nelson, Marlborough and West Coast region and the South Canterbury, Otago and Southland region ran a "Tell us about your great neighbour" campaign to celebrate Neighbours Day Aotearoa (NDA) in March and April 2022. The purpose of this initiative was to encourage positive connections between neighbours. Kāinga Ora is a sponsor of NDA, a national campaign which aims to encourage people to get to know their neighbours better and ran from 18 to 27 March 2022.

Urban Development Strategy

Our Urban Development Strategy has been endorsed by the Board, and in the first quarter of 2022/23 we will be undertaking external consultation, engaging with teams within our organisation on the adoption of the strategy, and developing the implementation plan.

Urban design and planning

Urban design review and masterplanning functions ensure that all our urban development and public housing projects support well-functioning urban environments and thriving communities.

During the year, we completed or initiated several projects including Sustainable Transport Outcomes, a Tree and Vegetation Policy, two Māngere-based projects and landscape and urban design guides.

Kāinga Ora has taken an active role in working with the Ministry for the Environment, Ministry of Housing and Urban Development (HUD) and territorial local authorities (TLAs) on the implementation of the National Policy Statement on Urban Development (NPS-UD). This includes working at the early stages with TLAs on the content of their draft planning documents and supporting engagement processes.

The year has also seen improvements to the resource consent application process of Kāinga Ora to support the public housing pipeline.

“Our community”: State house upbringing inspires Kāinga Ora career

When Housing Support Manager Chris talks about his upbringing in a state house, the motivation for his career path becomes immediately clear.

“Mum and Dad always instilled in my brothers, sister and me to strive for better and to care for those in need,” Chris said.

“These values have led me to this career, as well as the work I do at Papakura Marae.”

Chris and his whānau moved into their Redhill home in 1977. It was part of a new housing development in the area and, for a young, growing family, it provided the foundation and stability they needed.

“All the homes in the area were state housing, but we never saw it as state housing – it was our community.

“We knew everyone; I mean everyone. It was about friendship for us growing up. It was a kick-start for all us kids in the neighbourhood. The parents would know their parents. It was awesome.”

Even with seven living in the home – his four siblings and parents Jeanette and Scotty – the Redhill home always had room for more, Chris said.

“Dad was the type of person who would give homeless people a place to stay at night. He’ll give you his last dollar in his back pocket.”

Whether it was Scotty’s annual New Year’s hāngi that everyone came home at midnight to enjoy or their neighbour’s ‘pudding’ of bread and milk, the neighbourhood provided their whānau with lifelong friendships.

“When we moved to Redhill, we were one of a few young families that moved into the neighbourhood,” Scotty, Chris’s father, said.

“We all became very close. You never closed your door, so all the neighbours and their kids would just come in like it was their own home.

“None of us had money; mince and sausages were our staple diet. We were all in the same boat.”

When their children moved out of home, Jeanette and Scotty moved into various private rentals in Papakura and Waihi before settling in 2021 into their Kāinga Ora home, a two-bedroom unit in Takānini.

Again, those values of community and togetherness have begun to blossom.

“There’s four brick units around us; we’re all retirees. Audrey next door is 81, Harry in the other unit is 80 and Bernie is in her late 60s. We chat to each other over the fence and if we’re going into town, we’ll yell out to ask if they need us to pick up anything for them,” Jeanette said.

“They’re really good neighbours. We love it here.”

“Mum and Dad always instilled in my brothers, sister and me to strive for better and to care for those in need.”

OUTCOME 5

Te toiora taiao
Environmental Wellbeing

We are investing in sustaining and enhancing the environment to support the wellbeing of current and future generations.

What success looks like

- Urban development supports the health of the ecosystem and improves biodiversity, water and air quality.
- Our urban development and construction activities support emissions reductions and climate change resilience.
- Our warm, dry and low-energy homes support our customers to meet the challenges of climate change.

We have a significant role in supporting the urban development and construction sectors in New Zealand to decarbonise, prepare for the impacts of climate change and improve its overall environmental footprint. We expect significant co-benefits for our environmental outcomes, support healthy homes and thriving communities.

How we are progressing

We achieved:

90%
of new public homes to be built to a 6 Homestar rating

93%
(of total 894) of our fleet vehicles are now hybrid/EV

58
(10%) of homes due for renewal have been relocated rather than disposed of

20,403t
(86.5%) site clearance waste in Auckland and Northland was diverted from landfill

72
homes with renewable energy systems installed (49 of these are live), with a further 622 approved

How the Capitals contribute to the Outcome:

Social
Strong connections with the community to deliver on our environmental outcomes

Human
Better environmental stewardship, sustainability and climate-change resilience within our people

Manufactured
Construction of more sustainable, resilient and efficient homes

Natural
Existing natural environments in our neighbourhoods are restored and regenerated

Financial
Funding directed to activities that maximise environmental outcomes

Image: Pallant Street and Wordsworth Road, Manurewa, Auckland

In 2021/22 our work to improve environmental wellbeing included:

Carbon Neutral Housing

Our Carbon Neutral Housing Programme advanced to meet emissions reduction targets and catalyse performance improvements in the sector more broadly. Through a series of pilot projects, we are building an understanding of how to design and deliver homes that are consistent with limiting climate change to 1.5°C. We are also planning how to incorporate low-carbon features into our construction standards. We have commenced the development of a tool to support the measurement and reporting of carbon emissions relating to construction activity. This will help us set targets and identify the best approach to reducing our emissions.

Our vehicle fleet

We are tracking steadily towards the Government's target to achieve a carbon-neutral public service by 2025 with our vehicle fleet now comprising 64 ICE (petrol or diesel), 71 full electric vehicle (EV) and 759 hybrid vehicles. Our average CO_2 emissions are 85g/km compared to the Government's average of 150g/km. By December 2022 we will have replaced a further 45 petrol and 35 hybrid vehicles with battery EVs.

Renewable energy

Trials are underway around the country to test the integration of renewable energy on different types of housing stock, including new and existing homes, duplex, stand-alone homes as well as apartments. A Wellington solar trial was the first to commence, with 40 of around 100 planned grid-tied solar photovoltaic (PV) systems being installed in the Wellington region. Whangārei is the second Kāinga Ora renewable energy trial, and the first to explore energy sharing using innovative solutions.

Transport mode shift

Our *Sustainable Transport Outcomes* document was finalised earlier this year and made available to the business to help inform projects from initiation to completion. This recognises that Kāinga Ora is making decisions which have significant implications for the transport requirements of the people who will be living in our houses. This document has been translated into te reo.

Waste minimisation

Our waste minimisation programme is about designing our assets, site clearance and maintenance activities in a way that minimises waste and preserves materials and components for reuse to support the cross-government waste-minimisation efforts. Our Site Clearance Policy was formally published in May 2022. This policy sets out our approach to clearing sites from redevelopments (that is, brownfield and infill developments). The policy applies the Kāinga Ora Waste Minimisation Framework and sets out what our employees and contractors must do when managing and/or removing waste from redevelopments.

Waste targets

- 80 per cent of Auckland and Northland site clearance waste diverted from landfill – achieved 86.5 per cent
- 60 per cent of regional site clearance waste diverted from landfill
- 7 per cent of houses relocated – achieved 10 per cent

Internal Environment Monitoring

Our Internal Environment Monitoring programme helps us understand whether the houses we are building achieve our goals of being warm and dry and how potential upgrades to our homes (Homestar, Passive House and so on) could contribute to this.

We launched a study into the air quality and thermal performance of some of our newly built 6-Homestar-rated homes (once occupied) and how these compare to homes with higher Homestar ratings. Data will be collected over a two-year period to gather insights into the extent of summertime overheating. We have installed 103 sensors in 46 homes to monitor building performance and to understand the extent and drivers of overheating. We are also working with customers to install sensors to allow us to better understand the impact of our retrofit programme and other energy hardship interventions on temperature and humidity within the homes.

Urban development

Our sustainable urban development programme is focused around exploring the optimal land-use approaches to meet New Zealand's need for new homes in the least emissions-intensive way. A carbon model is being developed to better understand whole-of-neighbourhood emissions across our transport, infrastructure and buildings. We are analysing the emissions impact of brown and greenfield developments to better inform our investment decision-making. A new pilot project is being developed to target operational and embodied carbon reductions at the neighbourhood scale.

We are collaborating with Ministry of Housing and Urban Development (HUD), the Ministry for the Environment and the Waka Kotahi to understand how we can support the delivery of actions within the infrastructure and planning chapters of the Government Emissions Reduction Plan. A climate risk assessment framework is being developed for use within our urban development activities, to enable us to plan how we can avoid or minimise risk. We are also working on an Emissions Reduction Plan to reduce corporate, building and urban development emissions in line with a 1.5°C target.

Bader Ventura Passive House

Bader Ventura is the first Passive House pilot development for Kāinga Ora and the first in our Carbon Neutral Housing Programme. The development is also on track to become Australasia's first Passive House public dwellings funded by central government. Bader Ventura, part of our large-scale Māngere Development project, will deliver 18 three-storey homes to Passive House standard to benefit both occupants and the environment.

Bader Ventura will deliver a reduced operational carbon footprint of more than 70 per cent and around an 85 per cent reduction in heating costs for occupants. These significant benefits mean occupants will have heating and cooling costs of around $1 per day and will enjoy comfortable year-round temperatures and fresh filtered air.

Construction is underway with innovative approaches to the way we construct and deliver houses, including:

- ground remediation using new double auger stone columns to prepare the challenging geology of the site to take the weight of the three-level walk-up buildings
- off-site manufactured concrete foundations – brought finished to site and stitched together with on-site concrete work
- specification of low-carbon concrete incorporating fly ash substitute to reduce the carbon content by up to 20 per cent
- off-site manufactured concrete sandwich panels – with insulation and high-performance windows pre-installed and trucked to site for installation
- attention to detail and a collaborative approach in the design and engineering to overcome thermal bridging issues and pass the stringent standards required by Passive House Certification.

The development is a step for Kāinga Ora towards meeting MBIE's Building for Climate Change 2035 proposed final thermal performance cap, 12 years ahead of industry expectation. The project is a pilot development for our organisation and we will undertake continuous reporting of performance and learnings throughout construction and post occupancy, sharing findings with the wider industry.

Bader Ventura was selected as a Beacon Project by MBIE's Construction Sector Accord. Beacon projects are well-aligned with the Building Momentum objectives of Kāinga Ora, of demonstrating leadership and innovation across the sector and support the Accord's vision of "a higher-performing construction sector for a better New Zealand".

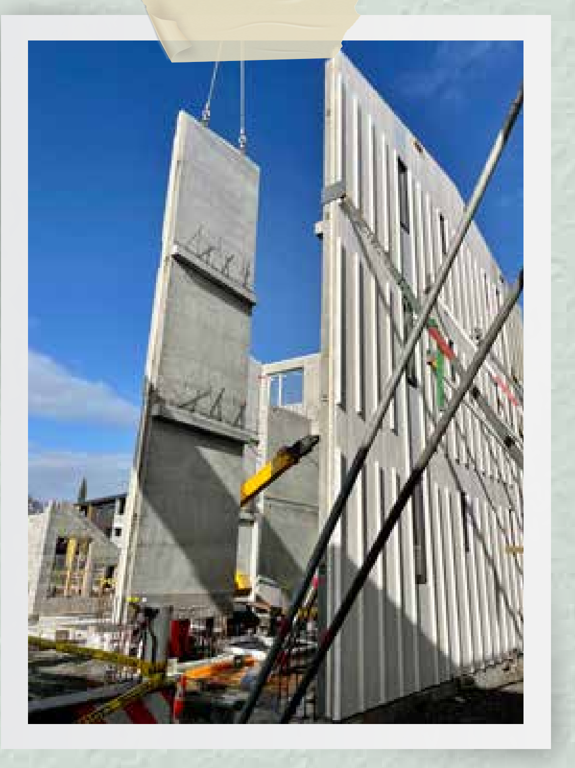


Image: Progress at Bader Ventura as off-site manufactured panels with windows installed are craned into place

Māngere Ngahere

Māngere was chosen as a demonstration location for our Ngahere (forest) Project.

The Māngere Ngahere project provides an opportunity to make a difference, both within our own development and across the wider Māngere community as there is only 7 per cent tree cover throughout the local board area. Also, there is further impact expected from large-scale redevelopment programmes across nine neighbourhoods over the next 20 years.

The aim of the project is to catalyse a collaborative and integrated place-based approach to understanding and restoring ngahere in Māngere – connecting tangata (people), whenua (land), wai (water) and te taiao (environment), recognising the interconnection of health and wellbeing of all.

The project is supported by mana whenua guidance (te tikanga Rere ki Uta, Rere ki Tai) and takes a whole-of-landscape approach. It invites us to work in ways that uplift Ngā Hau o Māngere – the whenua and the people.

The Māngere Ngahere team is a collaboration of:

- mana whenua (Te Ahiwaru and Te Ākatai Waiohua)
- Māngere East Family Services, a local community organisation
- Uru Whakaaro (Māori specialists in ecological restoration and ecoscapes).

It was identified early in the project that mana whenua leadership and community engagement were key to the success of this work.

Mana whenua has inspired the development of Māngere Ngahere Guidelines which bring together mana whenua key principles, narratives and values, and community values. This will give practical guidance on planting palettes and typologies and methodologies that reflect kaitiakitanga and the ecological, cultural and community landscapes.

A Community Visioning Process was led by Māngere East Family Services to explore the potential for ngahere regeneration in Māngere in such a way that the unique spirit and stories are shared and honoured so the project is grounded in place and the initiatives that flow will strengthen Ngā Hau o Māngere as a whole living system. This process has brought together stories from mana whenua: stories of the land and stories from the community.

Initiatives that are developing through the project are:

- the development of a community orchard in a local reserve that was inspired through conversations with Ngā Iwi Primary School and now supported by two neighbouring schools and a wide range of community organisations, churches and residents
- a Tiny Forest in Schools project where schools are provided with five or six native trees and students are involved in learning about and connecting with their local ngahere
- supporting Papatūānuku Kokiri Marae with the development of their orchard which complements their flourishing organic gardens feeding many Māngere whānau
- the development of the Māngere Ngahere Guidelines.

"The Māngere Ngahere Project has created synergies for us and our work in the Māngere communities. It's enabled us to work much more closely with Kāinga Ora and parts of Council involved in taiao regeneration in our area, as well as with mana whenua and community groups who are caring for this place. Together, we've been able to identify shared goals and aspirations so that we can work collaboratively on regenerating our taiao and have much more impact than if we were just working by ourselves. It's been exciting to reimagine our neighbourhoods as places that are beautiful and bountiful, for people and the whole ecosystem. And to be able to get started in a tangible way, in little pockets. We look forward to being part of seeing how this project will unfold in the years to come."

Justine Skilling, Māngere East Family Services

The wider Kāinga Ora Māngere team has been behind the ngahere project. One hundred and fifty tipu (vegetable) baskets were delivered during COVID-19 lockdown to new customers who had moved into public housing apartments to inspire growing kai in containers. The team has been building their relationship with Papatūānuku Marae to enable customers in the nearby Bari Lane apartments to connect with the marae and have space for their own garden there.

The Māngere Development team is also exploring ways to maximise tree coverage through the planning, masterplanning and development process. The Māngere Ngahere Guidelines will provide guidance on ensuring that the right trees and vegetation are in the right place and the right combination of plants is established. Over the next year we will be working with Auckland Council, Waka Kotahi, mana whenua and Māngere communities to develop a 'blueprint' for ngahere across Māngere. This will identify opportunities for scale and impact through alignment of work programmes and resources.

With the forward projection of trees and vegetation that Kāinga Ora intends to plant over the next 8 to 10 years, there is the potential for sustainable partnerships and enterprise with iwi, community and existing nurseries to be developed.

Image: Greenslade Crescent, Northcote, Auckland

OUTCOME 6

Te whakaumu pūnaha
System Transformation

System transformation means land-use, infrastructure and housing supply is integrated, efficient, effective and responsive to demand.

What success looks like

- Innovation, productivity and improvement in construction materials and build products
- Housing supply responds and adapts at pace to evolving demand
- Partnerships and collaboration deliver positive changes within the construction industry.

We do this through collaboration, innovation and effective partnerships that are essential for improving efficiency and creating change in housing and urban development, leading to better wellbeing outcomes for all New Zealanders.

How we are progressing

We achieved:

Consentium

The Kāinga Ora Building Consent Authority, established

Project Velocity

will halve the time the construction process takes

$2.24b

of new Wellbeing Bonds issued

87%

of demolition waste diverted from landfill target set across our Auckland demolition pipeline

How the Capitals contribute to the Outcome:

Financial
Improved efficiencies, time and cost

Human
Authentic and sustainable partnerships

Natural
Contributing to environmental outcomes across our operations

Social
Contributing to New Zealand's future

Manufactured
Development of off-site manufacturing

Consentium Building Consent Authority

Our Building Consent Authority (BCA) Consentium, was established in March 2021 to support Kāinga Ora to scale up the delivery of warm and dry state housing by providing faster and more cost-effective building consent services and to help improve our building processes through improved consistency and transparency. Consentium is first of its kind in New Zealand, as a non-territorial authority, private BCA.

In 2021/22, Consentium:

- issued 1,266 consents for 1,890 homes
- issued consents on average within 11 working days compared with the statutory requirement of 20 working days
- conducted 13,900 inspections within 24 hours for major cities or 48 hours for outside major cities
- issued 219 Code Compliance Certificates (CCCs) with an average of 1.6 working days (statutory requirement of 20 working days).

The current scope of Consentium is Nationwide Residential 1 to Residential 3 and Commercial 1 to Commercial 2 building category levels (as described by the National Building Consent Authority (NCAS) building categorisation system) that is restricted to residential state housing owned and retained by Kāinga Ora. Previously we had to work with 67 territorial authorities across New Zealand, each with different processes and systems, to have building consents processed. Consentium has therefore enabled considerable cost savings and efficiencies and allowed construction projects to start earlier as a result.

For 2022/23, Consentium is looking to increase this scope to include buildings to be owned by Kāinga Ora that are:

- public housing developments of five storeys and above
- Community Group Housing (CGH) where tenants require higher levels of care
- market delivery of public housing
- mixed use – where planning rules require ground floor 'activation'
- mixed-tenure developments (if policy permission is provided)
- buildings used for non-residential activities.

Consentium is supporting the consenting, regulatory industry by investing in a graduate programme, working with major tertiary institutes, which saw four graduates join us this year, with the programming continuing into 2023.

For off-site manufacturing consenting, Consentium is developing a consenting pathway for Kāinga Ora to include off-site manufactured housing projects both onshore and offshore. Many onshore projects are underway and a small number of offshore projects are currently in progress.

We achieved:

Local partnerships

with universities and polytechs across the country to produce houses for communities

Digital engagement tools

implemented to ensure meaningful and ongoing engagement with our communities throughout COVID-19-related restrictions

COVID-19 support

worked with communities to support the health response to COVID-19

Community Strategy

our community strategy implementation underway with a focus on community development and employment and workforce development

He Toa Takitini

our partnership and engagement framework implemented

Pasifika Advisory Group appointed

to support the organisation to better serve and engage with our Pacific communities

In 2021/22 our community outcomes included:

- building on our place-based approach to develop stronger local relationships with our communities, deliver a customer-centred service model to meet the diverse needs of our public housing customers, and support our customer-facing teams to deliver on our vision of building better, brighter homes, communities and lives.
- engaging broadly with iwi and rōpū Māori and our stakeholders to bring them up to date with all of our strategies and plans we are developing and seek their feedback
- working with the cross-government Caring for Communities initiative across the country to support local and regional hubs with a coordinated health and housing response to COVID-19, which included vaccination events and linking our customers to vaccination opportunities
- Te Kurutao Group Māori is developing partnerships with Māori and enabling their aspirations to be realised, identifying how they want to connect and realise benefits from their whenua, together with implementing our Māori Strategy to ensure that we partner and work more effectively with iwi, hapū, whānau and rōpū Māori
- completing multiple community engagements, community development and place-making projects and initiatives across many of our development projects, including neighbourhood engagements and pop-up centres, supporting community and trades training hubs, school activities and other community events, setting up our internal Pacific Advisory Group that will guide and advise Kāinga Ora on Pacific issues, policies and plans and support effective engagement with our Pacific communities.

Project Velocity

Project Velocity was established to help speed up our processes and become more consistent in our approach to the entire housing delivery system, ensuring greater control and visibility. This system-wide methodology to improving construction productivity is to be adopted from the moment a land acquisition opportunity has been identified, through to when the keys are handed over to a tenancy customer.

Project Velocity is expected to produce time savings, especially during project pre-construction phases. A development of four to six homes typically involves about 18 months in planning and design phases. Under Project Velocity, the target is to achieve a significant reduction in this (excluding resource consenting timeframes). We are also looking to halve the time the construction process takes.

Project Velocity is underway with pilots in Auckland and Christchurch and we are planning to expand this approach into other centres.

Innovation and off-site manufacturing

Kāinga Ora is transforming our construction activities to be more efficient, productive and sustainable. This last financial year has delivered growth in our internal capacity to deal effectively with innovation opportunities that come our way. This will enable greater collaboration with our development and build partners to create innovative approaches to boost the quality and speed of delivery of new homes while maintaining affordability and ensuring health and wellbeing benefits for our customers.

Our innovation teams collaborate with a wide range of partners and industry leaders such as Scion and The Building Research Association of New Zealand (BRANZ); and in 2021/22 a Memorandum of Understanding was signed with Callaghan Innovation. This latest partnership will leverage Callaghan Innovation's technical research and development and commercialisation capabilities to help bolster construction innovation in New Zealand and will help us source sustainable, fit-for-purpose solutions to help us meet performance targets through areas such as energy and water use, new materials, and climate-change adaptation and resilience.

Traditional build methods are operating close to, or at, full capacity, and the adaptability of off-site manufacturing (OSM) tackles some of the major challenges facing the residential construction sector, such as speed and constraints on trade and materials. OSM is not new to Kāinga Ora – around 15 per cent of our public homes currently under construction or in design utilise OSM techniques, and we are committed to scaling that up by around 20 per cent year-on-year.

Our new OSM plan will help to deliver a greater number of quality public and market homes at a faster rate, while contributing to a more effective and sustainable building sector. "Transforming Construction Through Innovation", our off-site manufacturing plan, was released in November 2021 and sets out the action Kāinga Ora is taking to realise the benefits of OSM and how this build method can help us build homes and communities more effectively, quickly, affordably and sustainably. There is a focus on the role that we can play in helping to grow the capability and capacity of the New Zealand OSM sector through our ongoing and increasing contracts with domestic OSM suppliers. The plan sits in the context of our role to drive system transformation, using our scale and strong partnerships to lead a more effective and sustainable future for the building sector. It complements our existing use of OSM across our build programme, including public, market and affordable housing, sits alongside the OSM Rapid Response Programme currently underway, and is a companion document to Building Momentum, our construction plan for future homes.

Off-site manufacturing boosts public housing in Gisborne

Off-site manufacturing is being used to ramp up the supply of public housing in an area of severe housing deprivation. Tairāwhiti has an urgent need for more homes and Kāinga Ora is working with Māori-owned build partner Iconiq Group on sustainable initiatives to help deliver new homes to the region. Iconiq Group will build four OSM homes each year for Kāinga Ora at their Gisborne relocatable housing facility. This will provide certainty of ongoing work, enabling Iconiq to invest in Tairāwhiti plant and people. Sustainability is a key driver for both Iconiq Group and Kāinga Ora. Where possible, Iconiq uses timber sourced from East Coast forests, which is then manufactured into an innovative, engineered wood product from Wood Engineering Technology in Gisborne. Iconiq also has a strong focus on social outcomes with a pre-employment programme and valuable training opportunities for local rangatahi who want to get into a trade. Eight building apprentices from Iconiq Group's Gisborne-based building academy are assisting with the building of the homes. The Ministry for Social Development has funded the academy from the Māori Trades and Training Fund.

More new homes for Rotorua

In October 2021 Kāinga Ora signed a contract with one of New Zealand's largest off-site manufacturers, Builtsmart, based in Huntly. The initial contract for 51 homes is being extended by another 50 homes, all destined for Kāinga Ora developments in the mid-North Island. The first 25 Builtsmart homes are being allocated to a significant Kāinga Ora development on Ranolf Street in Rotorua and another 42 homes are destined for Quartz Avenue in Rotorua. Both allocations are under construction and delivery is expected by the end of 2022 and mid-2023, respectively. The balance of the Builtsmart homes is earmarked for developments across the Bay of Plenty. In addition, Kāinga Ora has signed a contract with Rotorua-based OSM supplier Exeter Homes for 23 new OSM units. The first seven OSM homes have been allocated towards a new development at Tania Crescent in Rotorua, expected to be completed mid-2023. Another five are destined for Ōpōtiki and the remainder will be used for developments in the wider Bay of Plenty region.

Pushing innovation in Tāmaki Makaurau

Off-site manufacturing technologies combined in an innovative research and development programme to deliver four separate multi-unit apartment complexes in Tāmaki Makaurau. Each development is a three-level walk-up apartment building containing 18 two-bedroom homes built using Cross-Laminated Timber (CLT), which is a building system that Kāinga Ora has been among the first to adopt within New Zealand.

Other innovations included the use of combination bathroom and laundry pods, which are fully constructed off site, including fixtures and plumbing, and craned into the apartment footprint. Our development in Busby Street, Blockhouse Bay, was the first in the programme to be completed in March 2021, and notably was the first Kāinga Ora OSM development to achieve 7-Homestar rating from the New Zealand Green Building Council. Canal Road, Avondale, was delivered in October 2021, followed by Taramea Street, Avondale, in March 2022. The final project, Woodward Road in Mt Albert, will be delivered in late 2022.

Deconstructed state homes given second life in Tonga

Image above: OHAI Tonga president Uili Lousi and volunteers Tevita Poēse and Uluenga Motuliki pack materials to be shipped to help the tsunami recovery.

DELIVERING TO OUR CUSTOMERS
SYSTEM TRANSFORMATION
ACHIEVING OUR OUTCOMES
OUR PERFORMANCE
FINANCIAL STATEMENTS

Timber, joinery and window frames which once formed whare for Kāinga Ora families are now helping our Tongan neighbours recover from disaster.

Six state houses, previously home to customers in Māngere, were carefully deconstructed and sent to the Pacific Island nation following the January 2022 tsunami that devastated much of Tonga's western coastline.

"The materials we've received from Kāinga Ora will be of great help to the people of Tonga as they try to rebuild their homes," said Manase Lua, secretary for the Aotearoa Tongan Relief Committee (ATRC).

Some of those materials would be repurposed to contribute to sustainability projects on the island, said Uili Lousi, president of OHAI Tonga – a non-government organisation dedicated to addressing climate change in Tonga and across the Pacific.

"There is a limited number of bees to pollinate crops in Tonga, which creates a food security risk for root crops that serve as staples in our diet," he said.

"We will use some materials to build more beehives and raised garden beds so our people can continue to grow their own food and live sustainably."

While the deconstructed homes help Tonga's recovery, the cleared land will allow for new homes to be built for Kāinga Ora customers within Mangere Development, a large-scale project bringing 10,000 new homes to the area.

The new use for the old homes supports Kāinga Ora sustainability objectives as well.

With construction and demolition waste making up about half of New Zealand's landfill, Kāinga Ora is working to reduce our carbon footprint – the efforts for Tonga being just one example of this goal.

Kāinga Ora removes between 800 and 1,000 older houses each year to free up land for new homes. While demolition still occurs, relocation and deconstruction is now the priority. A target to reuse or recycle 80 per cent of uncontaminated materials by weight at Auckland development sites was exceeded in 2021/22, with nearly 21,000 tonnes – or 87 per cent of materials – reused or recycled.

Those landfill diversion targets have now expanded to cover all of New Zealand from 2022/23. Northland sites must meet the 80 per cent target, while the remainder of the country will aim for 60 per cent and this is likely increase over time.

Where existing homes can be repurposed, these are offered to Māori, Community Housing Providers and NGOs for $1, while private registered companies pay market rates, through an expression of interest process. The relocation programme not only enables quality public homes to have an extension of life, it also provides affordable housing options for people with access to land.

In the 2021/22 financial year, 55 houses were relocated – about 10 per cent of houses removed from development sites against a target of 7 per cent. Forty of these homes went to Māori whānau in Northland and Gisborne.

Ngā mahi a Kāinga Ora
Our performance

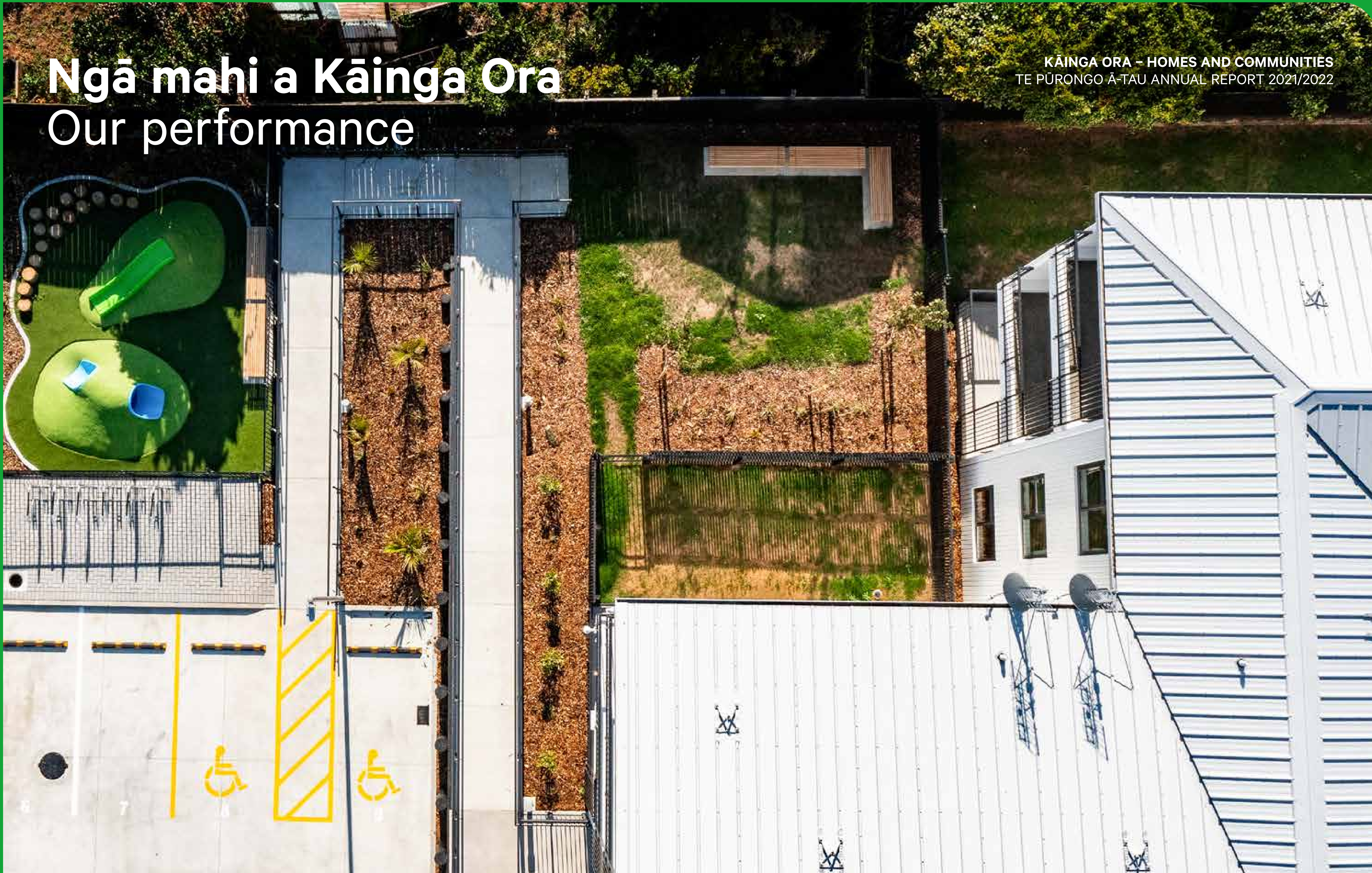


Image: Massey Road, Māngere, Auckland

Te whakaruruhau me ngā ture / Governance and legislation

Our governance framework is based primarily on two pieces of legislation: the Kāinga Ora–Homes and Communities Act 2019 and the Crown Entities Act 2004. The first sets out the objectives, functions and operating principles for Kāinga Ora. The second defines Crown entities, and sets out the rules that govern them, and the respective roles of the Board and responsible Minister. Kāinga Ora is described in Schedule 1 of the Crown Entities Act as a "Crown agent" which must give effect to government policy when directed by the responsible Minister. Kāinga Ora must also give effect to the Government Policy Statement on Housing and Urban Development when performing our functions. In addition to our governing legislation, there are other legislative, policy and strategic settings that direct or guide the understanding of our role and how we operate.

The Urban Development Act 2020, for example, provides for the establishment of "specified development projects" that Kāinga Ora may deliver, partner on or enable, and for associated regulatory and funding powers to streamline the development process. The Act also provides additional powers and obligations for Kāinga Ora when we undertake urban development, including land acquisition powers. The Act complements the Kāinga Ora–Homes and Communities Act 2019 by setting out in more detail the obligations of Kāinga Ora to Māori in urban development.

The Kāinga Ora Board

The governance framework includes the Kāinga Ora Board, Ministers and Parliament. Our leadership is responsible for delivering expectations set by these parties. The Board is responsible for governing the organisation and exercising the agency's statutory powers and functions. The Board remains responsible for decisions relating to our operations that are made under its authority. Together with the Minister, the Board sets our strategic direction, makes sure we achieve our objectives, and manages any risks to the Crown.

When they are appointed, all Board members receive induction, training and guidance on their duties, responsibilities and key policies and procedures of Kāinga Ora.

At 30 June 2022 the Board was made up of nine non-executive members:

Vui Mark Gosche (Chair) was a Member of Parliament from 1996 to 2008 and held several Cabinet posts, including Minister of Housing. He is the Chairperson of Counties Manukau DHB, a member of the Health New Zealand Board and an elected member of the Mt Wellington Licensing Trust. He was the Chair of Housing New Zealand until 30 September 2019.

John Duncan (Deputy Chair) has extensive experience in management and in global financial markets, including banking and risk management. He is a Deputy Chair of the Public Trust, Chair of the Northern Rescue Helicopter Limited, and a former Housing New Zealand Board member and Chair of HLC.

Ngarimu Blair has strong Māori governance experience and is a Director of Ngāti Whātua Ōrākei Whai Rawa Ltd, a large property company responsible for the protection and growth of the iwi commercial assets. He is the Co-Chair of the Tāmaki Makaurau Mana Whenua Forum, and a director of Manaaki Whenua – Landcare Research, the Sir Peter Blake Trust and Waka Kotahi – NZ Transport Agency.

Robin Hapi CNZM Was chair of 'Māori Economic Development Advisory Board' and is chair 'Te Wānanga o Raukawa'. He has significant governance experience across not-for-profit organisations and commercial and tertiary entities. Robin has expertise in management, financial management, dispute resolution and strategic planning, and maintains a wide national network of Māori and non-Māori individuals and organisations. He was also a Housing New Zealand Branch Manager for Porirua in the late 1980s.

Sesquicentennial Distinguished Philippa Howden-Chapman CNZM, QSO, RSNZ has a background in public health, with a focus on housing, energy, climate change and sustainable cities. She is co-director of He Kāinga Oranga/ Housing and Health Research Programme, awarded the PM's Science Prize, the RSNZ Rutherford Medal and designated the WHO Collaborating Centre on Housing and Wellbeing. She is the director of the NZ Centre for Sustainable Cities and chaired the WHO Housing and health guidelines and the International Science Council Committee on Urban Health and Wellbeing: a systems approach. Philippa joined the Housing NZ Board in 2018.

Penelope (Penny) Hulse MNZM has significant experience in local government growth and planning, including many years involved in developing the Auckland Unitary Plan. She has vast governance experience, with much of her last nine years on Auckland Council spent in the role of Deputy Mayor from 2010 to 2016. Penny is a member of the Ministerial Review of Local Government panel.

Victoria Kingi (née Carroll) is the Managing Director of PapaKāinga Solutions Limited. She has strong resource management legal and strategic governance expertise with a good understanding of regulatory frameworks. She has served on several governance boards and provided strategic advice to local, regional and central government on their planning, policy and strategic documents.

Helen O'Sullivan is a Chartered Accountant with strong financial skills and expertise in managing businesses through significant business change. She has held a number of leadership roles in the consulting and property sectors, including her current role as Chief Executive of Crackers Property Group. Helen resigned from her position on the Board, effective 22 November 2021.

Major Campbell Roberts CNZM has held senior leadership roles within The Salvation Army. He is a member of the New Zealand Parole Board, and a director of Utilities Disputes – Tautohetohe Whaipainga and Community Finance. He was previously a member of the governing boards of The Salvation Army, Housing Foundation, Habitat for Humanity, KiwiBuy, and the Māngere Housing Community Regeneration Board. A trusted national advisor on housing issues, his engagements include the Ministerial Shareholders' Housing Advisory Group, the Prime Ministerial Task Force on Housing Reform, the Ministry of Social Development Housing Reference Group, the Children's Commissioner's Expert Advisory Group on Solutions to Child Poverty, and the BRANZ working group on medium-density housing.

John Bridgman *(appointed to the Board effective 1 January 2022)* has significant experience in engineering and project management roles for over 35 years across

Australasia and Asia. He is Chief Executive of Ōtākaro Limited, a government entity delivering Crown-led anchor projects in Christchurch. John has held a variety of senior leadership positions and governance roles, including at global infrastructure building company AECOM (as Industry Director – Civil Infrastructure in Australia and as Managing Director for the New Zealand business), as well as governance roles on major infrastructure projects in New Zealand, Australia, Asia and the United Kingdom. He is also a director of Waka Kotahi – NZ Transport Agency.

Kāinga Ora – Homes and Communities Board

- Investment and Delivery Committee
- Finance, Risk and Assurance Committee
- People and Culture Committee
- Te Toki Māori Housing Committee
- Public Housing Committee
- Urban Development and Planning Committee

Board subcommittees

The Board has six subcommittees, some of which include independent specialists to support particular areas of the organisation's activity. The six committees are: Investment and Delivery; Finance, Risk and Assurance; People and Culture; Te Toki Māori Housing; Public Housing; and Urban Development and Planning.

Senior leadership

Our senior leadership comprises the Chief Executive (CE), Andrew McKenzie; three place-based Deputy Chief Executives: Auckland and Northland, Central, and Southern; Ringa Raupā Deputy Chief Executive Māori; and General Managers from seven business groups: Strategy, Finance and Policy; National Services; Urban Planning and Design; Urban Development and Delivery; Construction and Innovation; Commercial; and People, Governance and Capability.

Chief Executive

Our Chief Executive, Andrew McKenzie, became the first Kāinga Ora Chief Executive when the new organisation was established on 1 October 2019. Andrew previously served as Housing New Zealand's CE since September 2016. In that time the agency has seen a considerable increase in mandate, with major shifts in our strategic direction, significant strengthening of the support we provide to customers, and a large step change in our build programme and delivery.

Kāinga Ora structure and how we work

The structure and momentum in Kāinga Ora is supported by:

- decision-making and actions taken where they need to be, by those who know their regions best – place-based groups bring together functions dedicated to service delivery, customer and community engagement and regional planning in defined spatial areas, as well as integrating the broader operations of Kāinga Ora in each region of Aotearoa New Zealand
- centres of expertise – which work in partnership with each other, and with Kāinga Ora place-based teams, to support delivery
- customer at the centre – we enable our public housing customers and their whānau to live well, with dignity and stability, in connected communities
- distributed leadership – leadership responsibilities and accountabilities are shared by those with relevant skills and expertise.

Ngā Pae Tātaki

'Pae' refers to the oratory bench of a marae and 'Tātaki' refers to leading by conducting. Ngā Pae Tātaki are the collaborative leadership committees of Kāinga Ora, which support and oversee our distributed leadership approach. The six Pae Tātaki each has their own key areas of strategic focus and responsibility within the organisation.

They act collectively to ensure our distributed leadership attributes are role-modelled, our values are demonstrated, and successful approaches are adopted across the business. They guide the delivery against our operating principles and mandate for our customers, including developing our partnerships with, and improving outcomes for, Māori.

Ngā Pae Tātaki

- Strategy, Risk and Performance
- Te Tira Māori
- Customers and Communities
- People and Organisation
- Public and Supported Housing
- Urban Development, Land and Housing Supply

Responsible Ministers

Our shareholding Ministers are the Minister of Finance, Hon Grant Robertson, and the Minister of Housing, Hon Dr Megan Woods.

The primary relationship between the Government and Kāinga Ora is between our responsible Ministers and the Kāinga Ora Board. From 14 June 2022 Kāinga Ora has four responsible Ministers:

- Hon Dr Megan Woods: Minister of Housing
- Hon Peeni Henare: Associate Minister of Housing (Māori Housing)
- Hon Marama Davidson: Associate Minister of Housing (Homelessness)
- Hon Grant Roberston: Minister of Finance.

The Minister of Housing conveys the Government's expectations to Kāinga Ora and has direct responsibility to Kāinga Ora. Ministerial portfolio responsibilities include the provision of mechanisms for the effective further development and implementation of the government build programme, and general responsibility for housing matters, tackling homelessness and the provision of public housing.

Image (top right): Ventura, Māngere, Auckland

Image (bottom right): High and White Street, Rangiora, Christchurch

Te noho hei hinonga mahi kounga tiketike / Being a high-performance organisation

The outcomes we need to achieve, combined with our operating principles, shape the type of organisation we need to be. This includes some of our key attributes:

Our people

Our people feel that they are empowered, that the organisation cares about them, and that they have personal responsibility for it being as good as it can possibly be.

Relationships

We are effective at building long-term relationships and our stakeholders want to work with us.

Strategy driven

Strategy driven, with deliberate, thoughtful and long-term thinking driving direction and decisions.

Te Ao Māori

Kāinga Ora is committed to te ao Māori, recognising our culture and heritage, and obligations in how we operate. These attributes and characteristics are outlined on the next page.

Operational excellence

Operational excellence is the objective in everything we do.

What success looks like

Our People Work Programme

There are four main pillars of our work programme: Our Culture, Leadership, Capability and Making It Easy. These four pillars outline our project work. In addition, our work supports our people across Kāinga Ora to deliver organisational priorities. It brings our culture to life and supports our purpose, vision, values and organisational objectives.

An important part of the People team's work over the last year has been supporting the organisation-wide COVID-19 response. We developed, and refined, our vaccination policy, cemented new ways of working, and supported the organisation to maintain momentum through changes in alert levels.

People team's work programme for 2021/22

The diagram below outlines the focus of our work for 2021/22. Many of these are ongoing and multi-year projects.

Our Culture	Leadership	Capability	Making it Easy
Continuing to shape our desired culture and supporting our purpose, vision and organisational design. • embedding Ō Tātou Uara – Our Values • building momentum in Diversity and Inclusion (D&I), including scoping our gender and ethnicity actions, improving our workforce D&I data, and supporting employee networks • refining our flexible work response under new settings	**Providing the tools and support for our people who are all leaders in their work.** We are embedding our leadership approach by: • launching Waka Tangata, our leadership development programme, from October 2021 • developing tools, resources and learning opportunities for our leaders.	**Providing the tools and support to develop our people's capability so they feel confident they can do their job well.** • developing organisational capabilities and the learning resources to support them • delivering learning modules for our people in a range of areas • launching our pilot graduation programme with our first cohort of graduates beginning in February 2022	**Simplifying the processes and systems that support our people.** • completing the Job Families project • better support for leaders to manage FTE growth • recognition for prior public service • ongoing review of remuneration principles and framework • contributing to the organisation's response to the Public Service Commission's report

Our Culture

We support Kāinga Ora by shaping our desired culture and supporting our purpose, vision and organisational design.

We have built Ō Tātou Uara – Our Values of Manaakitanga, Mahi Tahi and Whanake into our leadership programme, Waka Tangata, and have introduced peer-to-peer values recognition. Our Values also guide all our tools for flexible working, development conversations and recruitment.

Progress on diversity and inclusion includes establishing Employee-Led Networks, improving our diversity data, and reviewing our recruitment practices. Several of our leaders have been accepted as mentees in the Public Service Pacific Mentoring Programme. More information on diversity and inclusion is contained in the Papa Pounamu section below.

Leadership

We provide the tools and support for our people who are all leaders in their work.

Our leadership work is guided by our leadership principles of ārahi (to lead and serve), whakaiti (act with humility) and ako (both teach and learn). These principles, together with Ō Tātou Uara – Our Values and inclusive practice, guide the leadership mind-sets and behaviours we want to foster at Kāinga Ora.

We launched our leadership programme, Waka Tangata, in October 2021 with the first of four cohorts of leaders: our Ngā Pae Tātaki members. We have three further cohorts completing the programme by July 2023.

We have developed a centralised information hub for our leaders. It provides them with guidance and resources for their roles, such as forward-focused conversations, flexible working, toolkits for teams, and webinars on key processes our leaders need to follow.

Capability

Providing the right tools and support to develop our people's capability so that they feel confident they can do what they need to do well.

We have developed learning resources for leadership, inclusive practice and building relationships. A range of learning modules for all our people includes Mana Aki, situational awareness and de-escalation, what it means to be a public servant and our role in the sector.

Our pilot 18-month graduation programme saw our first graduate cohort joining Kāinga Ora in February 2022. We also welcomed our first intern under the TupuToa intern programme in November 2021. This aligns with our strategic priority of building Māori and community relationships and our commitment to increasing diversity. It allows us to connect better with an emerging pool of Māori and Pacific graduates as well.

Making It Easy

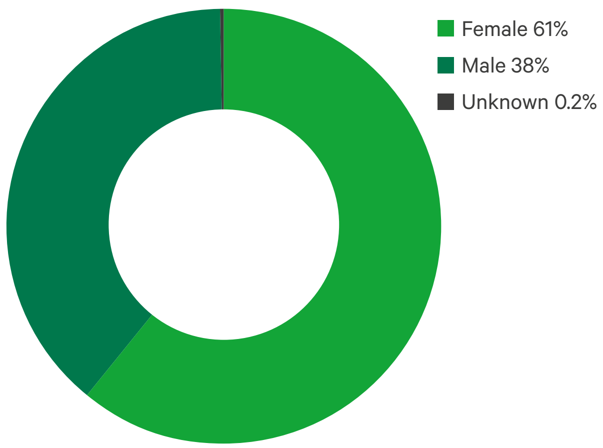
Taking a deliberate focus on simplifying the people processes and systems that support our people.

Our largest project has been Job Families, which ensures consistent application of our remuneration principles. We are also reviewing our remuneration principles and framework, and have agreed an approach to recognising the prior public service of our people. In addition, we continue to support the organisation to recognise the privilege and obligations of public service in Aotearoa New Zealand.

Overall FTE and headcount

As at 30 June 2022	Permanent	Fixed term	Total
FTE	2,966.09	164.78	3,130.87
Headcount	3,000	172	3,172

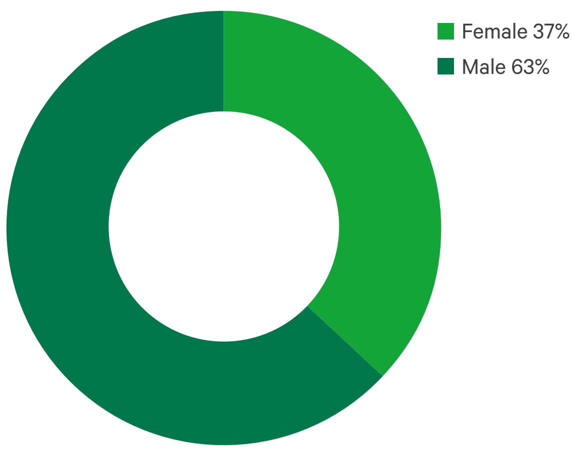
Workforce gender proportions



Workforce ethnicity[1]

European	52%
Māori	14%
Pacific	16%
Asian	14%
Middle Eastern / Latin American / African	1%
Other Ethnicity	5%
Unknown	5%

Leadership gender Tiers 1–3



Leadership ethnicity for Tiers 1–3

European	80%
Māori	15%
Pacific	2%
Asian	3%
Middle Eastern / Latin American / African	0%
Other Ethnicity	3%
Unknown	3%

Disability

We have begun collecting data on disability this year. We are not in a position to report on this yet.

1. Kāinga Ora can now collect up to three ethnicity responses per person, allowing us to report on the full diversity of our people. We now use the 'total response' method for reporting ethnicity. This means when a person identifies with more than one ethnicity, each will be counted once in the ethnicity group that applies to them. This results in the total percentage of ethnicities adding up to more than 100%.

Diversity and inclusion

Introduction

We want Kāinga Ora to be a place where everyone feels they belong. It's about making the most of the diversity we have, continuing to grow our diversity and enabling a culture of inclusion in everything we do. A diverse and inclusive Kāinga Ora will enhance the experience our people have working here, and the experience our customers and communities have when they engage with us. This ultimately helps us deliver better outcomes and achieve our vision: building better, brighter homes, communities and lives.

Following endorsement of Whakaurungia Te Whare Kanorau, our Diversity and Inclusion work programme, Hōtaka Mahi, was developed in mid-2021 and later reviewed in April 2022. Hōtaka Mahi sets out our work programme for 2021/22 and is shaped around Papa Pounamu and the following internal priority areas: Metrics and Measurement, Addressing Bias, Employee-Led Networks, Engaging Our People, and People Development. Papa Pounamu was established in 2017 to support public-sector chief executives to meet their diversity and inclusion obligations and goals. Our progress against the five priority areas is discussed in the section below.

Recent updates have been made to our diversity data collection based on recommendations from Te Kawa Mataaho Public Service Commission, including gender diverse options, multiple ethnicity selection, and the ability to provide iwi and hapū representation. This will give us insight into how our people reflect our community and will inform Hōtaka Mahi moving forwards.

Addressing bias	**Addressing Bias Learning Module** Our Addressing Bias e-learning module is available to everyone at Kāinga Ora. It focuses on bias awareness and is followed by a team discussion activity to help team members understand what bias is, consider their own biases and how this may impact their work and the work of the team. By the end of 2021/22, 69 per cent (2,460) of our people had completed the learning. **Addressing Bias Learning Site** We have a self-led learning resource site with podcasts, articles and videos available to all our people to further their journey on/in addressing bias. During 2021/22, 36 per cent (1,302) of our people viewed the page.
Addressing bias continued	**Addressing Bias in Recruitment** Work has started across the People team to identify opportunities to make recruitment processes and practices at Kāinga Ora more inclusive, and to reduce bias in decision-making. Multiple diverse stakeholders from across Kāinga Ora have been engaged to inform this mahi. **Graduate Programme** We have a goal to increase representation of Māori in our graduate cohort from 0 per cent to 17.1 per cent (New Zealand's estimated Māori ethnic population). To support this, Kāinga Ora is engaging early with Māori Student Associations as well as Māori Student Support. We will also engage with rangatahi earlier to build authentic and long-lasting relationships, and to raise awareness of careers in construction and infrastructure.
Cultural competence	**Learning Modules** Kāinga Ora offers a variety of learning options for our people from learning modules and self-paced resources such as podcasts, articles, videos and facilitation guides. These learning offerings are managed and facilitated by different business areas and the items mentioned below is not an exhaustive list. **Mana Aki Learning Module** The Mana Aki Cultural Competence e-learning programme was transitioned from MBIE into Kāinga Ora in March 2022. It is made up of eight learning modules with four reflective group discussions that are self-paced. Within 2021/22, 1 per cent (34) of our people completed the learning. Please note that this has yet to be widely launched within Kāinga Ora. **The Treaty of Waitangi and After the Treaty – the Waitangi Tribunal Learning Modules** A series of two learning modules designed and developed internally about the Treaty of Waitangi and the Tribunal was launched in January 2022. During 2021/22, 20 per cent (719) of our people completed the learning.

Cultural competence continued

Mātauranga Māori Programme

The Mātauranga Māori Programme supports the development and cultural capability and capacity of Te Reo me ōna Tikanga at Kāinga Ora – so we can better understand our obligations and responsibilities to implement policies and practices that capture and reflect Māori needs and aspirations.

Learning Intranet Page

A self-led learning resource site with links, podcasts, articles, videos is available to all our people to further their journey on cultural competency. Within 2021/22, 29 per cent (1,041) of our people viewed the page.

Customer Programme

The Customer Programme has woven the concepts of Te Whare Tapa Whā and the Fonofale model into its approach, as ways to consider and strengthen the wellbeing of our customers and their whānau. Content has been produced internally to introduce each concept, which continues to receive good interaction from our people. Focused at putting our people at the heart of what we do, further resources are being created to build awareness around inclusive practice and cultural competence.

Amplifying Pacific perspectives

Several channels for communication have been set up by our Pasifika Advisors to ensure there are multiple avenues for diverse Pacific perspectives to be brought to the fore. The creation of these avenues has led to greater participation and engagement from our Pasifika people across the organisation.

Growing Pacific cultural competence

Videos has been made available by our Pasifika Advisors to support those working within Tenancy Support Services to better work and engage with Pacific public housing customers. These videos discuss the use of the Fonofale model, to understand broader ideas of Pacific wellbeing. They also help to introduce the concept of "Le Vā" and the importance of nurturing relationships.

Inclusive leadership

Our Leadership Approach

Our leadership approach is guided by the principles of ārahi (to lead and serve), whakaiti (act with humility) and ako (both teach and learn), and our five leadership focus areas. Inclusive leadership mind-sets and behaviours are embedded in this approach.

We have several learning options designed to build inclusive leadership practice:

Waka Tangata Leadership Programme

Waka Tangata – our leadership development programme is centred on the focus areas and includes a workshop focused on inclusive leadership. At this workshop, leaders explore our D&I framework and learn about creating psychologically safe environments. Practical tools and resources are provided that our leaders can apply day-to-day. In 2021/22, 71 per cent (320) of our people leaders were enrolled in this programme.

Leadership intranet page

A self-led learning resource site with links, podcasts, articles and videos is available to all our people to further their journey on inclusive leadership. Within 2021/22, 21 per cent (744) of our people viewed the page.

Leadership learning pathway

A leadership learning pathway with an emphasis on inclusive leadership is being developed for leaders to continue their development beyond Waka Tangata.

Building relationships

He Toa Takitini

He Toa Takitini – our partnership and engagement framework – underpins new ways of connecting and developing relationships with Māori, Pacific peoples, customers, stakeholders and communities. It provides the core principles and a common language across the many functions of Kāinga Ora, weaving in Ō Tātou Uara – Our Values and putting wellbeing at the centre. In 2021/22, interviews have been conducted with people across Kāinga Ora to understand current practices and to ensure that their engagement planning is aligned.

Inclusive Practice Toolkit

We have promoted tools and resources from the Inclusive Practice Toolkit to People Leaders and across the wider business to help support the building of positive and inclusive relationships within and beyond Kāinga Ora.

Building Relationships Learning Pathway

Our Building Relationships Learning Pathway is available to all our people. This is a self-led learning resource site with links, podcasts, articles and videos to further their journey on building relationships. It aligns with He Toa Takitini, our partnership and engagement framework, and focuses on collaboration and engagement, shared planning and outcomes, and being a trusted advisor. In 2021/22, 8 per cent (292) of our people viewed the page – this resource has not yet been actively promoted within Kāinga Ora.

Employee-Led Networks

Employee-Led Networks

Kāinga Ora has 12 Employee-Led Networks, including Māori, Pasifika, Rainbow, Women, Neurodiversity, Pan-Asian and Accessibility Networks.

Over the past year, our Employee-Led Networks have grown considerably in membership and visibility. Our largest network, the Women's Network, grew by 673 per cent over a 12-month period.

Executive sponsors

All 12 Employee-Led Networks have executive sponsors (Network Champions) who are senior People Leaders at Tiers 2 or 3 of the organisation. Network Champions provide executive support by way of advocacy, guidance and delegation. They also act as a conduit between the network and the Executive team.

Ngā Māngai – Many Voices/Representatives

In late 2021, Ngā Māngai – Many Voices/Representatives, our Network Chairs rōpū, was set up to strengthen the connection, foster collaboration and support an intersectional approach to activities between networks.

Impact and influence

Our Employee-Led Networks have been essential stakeholders and partners when it comes to informing strategic policy, practice and change initiatives across Kāinga Ora; for example, by providing insight and guidance to inform our COVID-19 response.

Employee-Led Networks have also been involved with driving D&I conversations and initiatives across the wider business, such as introducing Rainbow Lanyards as an inclusive alternative to our traditional Green Lanyards throughout the organisation.

Health, safety, security and wellbeing

COVID-19 response

Three COVID-19 Risk Assessments were completed between November 2021 and May 2022 to support Kāinga Ora to make informed decisions that will maintain a safe work environment for our people, customers and contractors.

Alongside our People team, we consulted extensively with our people for each stage of the assessments on the proposed changes to our COVID-19 Vaccination Policy.

To support the policy implementation, the Kāinga Ora COVID-19 Vaccine Register App, which includes secure privacy settings, was developed using in-house capability.

The COVID-19 Response team has been formally stood down; however, a smooth transition to business as usual for both COVID-19 and other potential outbreaks will continue to be supported.

Implementation of Noggin 2

Noggin 2, an upgraded version of the health and safety incident reporting system, was launched on 1 June for 3,000 Kāinga Ora users and more than 40 external contractors including maintenance, development and construction partners. Noggin has been integrated successfully into the systems within Kāinga Ora to keep asset, employee and user data up to date.

Incident reporting and management is about capturing what happens today, to make a safer tomorrow. A key target for this project was to increase awareness of the importance of incident reporting. The new version is easier to use, with additional functionality provided for contractors. A total of 21 engagement workshops were conducted, along with webinars, drop-in sessions and instructional videos. The response has been extremely positive across our user base.

Situational Awareness and De-escalation Learning Pathway

A key priority has been to increase our people's capability to manage the risk of physical violence, intimidation and threatening behaviour, and to equip them with situational awareness and de-escalation skills. The first two modules of the Kāinga Ora Situational Awareness and De-escalation Learning Pathway have been completed. They are the first of a three-stage learning pathway which includes interactive online modules, self-directed learning and annual facilitated training workshops. Subsequent stages will build on this knowledge, and develop practical safety skills for our people in their working lives.

Enabling wellbeing through a participatory approach

Our health and wellbeing focus has been on developing an evidence-based workplace wellbeing framework for Kāinga Ora. We are collaborating across the organisation to better understand and prioritise actions in this key area.

With the adoption of new ways of working, it is important that we make information accessible to our people in a range of different ways. A monthly Wellbeing for our People webinar series provides our people with practical advice. The series involves internal and external experts, with contributions from our Employee-Led Networks.

Risk management – our approach and improvements

Our risk management practice is aligned with international best practice, using BS ISO 31000:2018 Risk Management guidelines. We also consider related standards such as BS EN ISO 2600:2020, the standard for Social Responsibility, and BS EN ISO 14001:2015, the standard for Environmental Management. The Kāinga Ora risk management policy and risk management framework are approved by the Board, and are regularly reviewed to reflect the operating environment, and to ensure they support achieving organisational strategic objectives effectively.

Key elements

Our risk management is collaborative – we communicate and consult with internal and external stakeholders to ensure that the process is efficient and effective. This brings different areas of expertise together to facilitate risk oversight and decision-making. Increasing enterprise risk management maturity is iterative and systems and processes to record and manage risks are updated to reflect the growing scale and complexity of the organisation. A fundamental principle is that all our people are clear on their risk management responsibilities, including contractors, or others who work on our behalf.

Contribution

Operating under the principle of trust-based assurance, risk management is an enabler and key contributor to business performance, assurance and successful delivery of programmes and projects. We anticipate, detect and respond to changes and events in an appropriate and timely manner, and prioritise the fulfilment of legislative, regulatory, health and safety and other compliance obligations.

Risk governance

Risk governance exists at various levels. The Ngā Pae Tātaki governance process brings together the operational and the strategic parts of enterprise risk management at Kāinga Ora. This governance framework helps embed risk management across the organisation by supporting the Three Lines of Defence model that ultimately results in senior management and the Board having a single view of the organisation's material risks to the performance of Kāinga Ora, and what is in place to manage and mitigate these.

Te tauākī whakamaunga atu – te ahunga whakamua / Statement of intent – progress

Our key deliverables for 2021/22 are highlighted in the earlier Outcomes section (pages 22 to 83).

Our key deliverables align with the Government's housing and urban development priorities and the Minister of Housing's Letter of Expectations and are grouped to mirror our operating principles as set out in the Kāinga Ora – Homes and Communities Act 2019. The tables below show our progress over the past year in achieving the objectives set out in the Kāinga Ora Statement of Intent (SOI).

Managed housing stock	Public housing	Community group housing	Transitional housing	CHP lease portfolio	Total Kāinga Ora housing
Opening Stock 1 July 2021	**64,206**	**1,525**	**1,536**	**902**	**68,169**
Additions	1,427	13	596	41	**2,077**
Disposals	-711	-5	-1	–	**-717**
Transfers	-33	-34	48	19	**0**
Adjustments[1]	-19	-1	–	–	**-20**
Closing stock	**64,870**	**1,498**	**2,179**	**962**	**69,509**

1. Adjustments consist of property movements into and out of our stock categories.

Image: Waterview Court, Waterview, Auckland

Housing supply meets need

Purpose	Measure	Indicator type	Target by June 2023	Actual 2019/20	Actual 2020/21	Actual 2021/22	Comments
Increase the number of Kāinga Ora homes	Grow Kāinga Ora public housing managed stock		4,480 by June 2022	727	1,915	1,340	The ongoing effects of COVID-19 caused shortages of materials and labour; site disruptions due to lockdowns; international supply chain delays; and inflation, exacerbated by the Russian invasion of Ukraine later in the financial year. These effects significantly slowed the delivery of completions in our home delivery programmes and our renewal programme.
Renew Kāinga Ora homes	Average proportion of our public housing stock renewed per annum over the four-year period		>2.4% per annum	1.5%	1.7%	1.5%	
Contribute to the affordability and accessibility of the wider housing market	Average age of our homes		42.8 years	44.7 years	43.6 years	43.4 years	
	Number of new homes enabled[2] or constructed for sale on land owned or previously owned by Housing New Zealand or Kāinga Ora		>3,600	264	1,713	1,801	

Key to indicator type:

- Direct Kāinga Ora output measure
- Outcome indicator that Kāinga Ora has strong influence over
- Outcome indicator that Kāinga Ora only has an indirect influence over

2. '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.

Public housing solutions that contribute positively to wellbeing

Purpose	Measure	Indicator type	Target by June 2023	Actual 2019/20	Actual 2020/21	Actual 2021/22	Comment
Ensure our services meet our customers' needs	Percentage of customers who are satisfied with the services we provide		85%	80%	82%	82%	
Our homes meet the needs of our public housing customers	Percentage of surveyed lettable properties that meet or exceed the baseline standard[3]		95%	93.3%	92.7%	92.5%	Property Condition Assessment (PCA) scores are tied closely with the age of our housing portfolio and this is continuing to be addressed by our build programme (and associated demolitions), retrofit, and other planned programmes.
	The percentage of customers who feel satisfied with their Kāinga Ora home		85%	80%	81%	80%	
	Homes meet tenants' bedroom requirements[4]		>80%	75%	75%	75%	Placements for new customers are consistently matched above our target, but the portfolio-wide percentage continues to be difficult to significantly move. Achieving the 80% target by 2023 remains challenging.
Ensure our public housing customers feel safe and secure in their homes and communities	Percentage of customers who feel safe in their home		75%	70%	68%	71%	Movement in the result for customers who feel safe in their homes increased by 2.5% this year (higher than the approx. 2.2% margin of error), but perceptions of safety remain difficult for us to significantly influence.
	Percentage of customers who feel safe in their neighbourhood		75%	70%	68%	69%	
Sustain tenancies for customers in need	Percentage of customers who sustain their tenancy for 12 months or more		95%	93%	94%	95%	

Key to indicator type:

- Direct Kāinga Ora output measure
- Outcome indicator that Kāinga Ora has strong influence over
- Outcome indicator that Kāinga Ora only has an indirect influence over

3. Each year, we assess our portfolio using a desktop survey for approximately 90 per cent of our portfolio and a physical survey of approximately 1,600 properties. In 2021/22 over 59,000 properties were assessed using the desktop survey model. The baseline for this measure has been set at less than 3.5. This means that 93 per cent of our properties are rated at less than 3.5, where 1 is the highest rating and 5 is the lowest rating. Excluded from the desktop survey are leased properties, complexes, long-term vacant properties (that are either undergoing significant maintenance or are intended to be sold or demolished), properties leased to community housing providers, emergency housing and Community Group Housing properties, as they are not homogeneous and are best assessed by physical survey methods.

4. This is based on a slight variant of the Canadian National Occupancy Standard. It applies a series of criteria to assess the appropriate number of bedrooms required for a public housing applicant. A one-bedroom tolerance is applied to houses that are underutilised (for example, if an applicant requires a three-bedroom house but only a four-bedroom house is available, this is considered to meet the requirements). No tolerance is applied to houses that are considered overcrowded or severely overcrowded.

Asset performance measures

The following asset performance measures apply to both our owned and our leased homes in our property portfolio, and the targets are those from either our Statement of Performance Expectations or our Statement of Intent.

Measure	Indicator	2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	2021/22 Actual	Comments
Percentage of homes that are let (occupied days)	Utilisation	97.5%	98.3%	97.8%	97.9%	97.8%	97.6%	
Average number of days from a house becoming vacant to being 'ready to let'	Utilisation	18 days	19 days	18 days	21 days	18 days	28 days	The effects of COVID-19 illness and isolation requirements for our people; as well as the August and September lockdown and heightened Alert Levels and the understandable reluctance of customers during this time to allow people into their homes, resulted in lower numbers of completed welcome home visits. After the end of lockdown and the subsequent easing of the Alert Levels, nearly every month for the rest of the year was better than our 85% target. However, the low starting months meant we were no longer able to achieve the target for the entire year. Our Customer Support Centre was similarly affected by these factors, with high COVID-19 leave continuing throughout the year and resulting in the measure not meeting our 80% target
Percentage of surveyed lettable properties that meet or exceed the baseline standard	Condition	90%	93.3%	93.5%	92.7%	93.5%	92.5%	
Percentage of our customers who are satisfied with their Kāinga Ora home	Condition	85%	80%	85% by June 2023	81%	81%	80%	
Percentage of homes that meet tenants' bedroom requirements	Functionality	>80% By June 2023	75%	>80% By June 2023	75%	75%	75%	

Our information communication and technology (ICT) asset portfolio

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

Measure	Indicator	2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual	2021/22 Target	2021/22 Actual
Percentage of incidents resolved on first contact by ICT Service Desk	Condition	>80.00%	86.02%	>80.00%	89.51%	>80.00%	89.00%
Priority 1 incidents per 100 ICT users	Condition	<7.0	0.2	<7.0	0.2	<7.0	0.2
Core systems availability – Kotahi	Availability	>99.90%	99.99%	>99.90%	99.98%	>99.90%	99.80%
Core systems availability – Oracle EBS	Availability	>99.90%	99.93%	>99.90%	99.97%	>99.90%	99.90%
Core systems availability – websites	Availability	>99.90%	99.72%	>99.90%	99.71%	>99.90%	99.93%
Infrastructure as a service resource utilisation*	Utilisation	>90.00%	96.00%	>90.00%	76.00%	>90.00%	86.00%

* The higher the actual percentage, the more effective our utilisation.

Image: Cracroft Street and Great South Road, Ōtāhuhu

Image: Britomart Street, Berhampore, Wellington

Te tauākī whāinga mahi – te ahunga whakamua / Statement of performance expectations – progress

We measure our annual non-financial performance with our Statement of Performance Expectations (SPE) measures. We have six output classes with targets for each measure.

For the full year, we saw twenty-one of our SPE measures achieved, and three substantially achieved (where the result is within about 2 per cent of target). Eleven measures were demand-driven or benchmarking results that do not have specified targets, and eleven measures were not achieved.

The 2021/22 year was a challenging period: many of our expectations were affected by the ongoing effects of COVID-19 and the worldwide impact of the Russian invasion of Ukraine.

The effects of these have generated several external issues that affect our organisation, such as shortages of materials and labour; site disruptions due to lockdowns, isolation requirements and illness; international shipping delays; and inflation in our sector and the wider economy. These impacted many of our regular activities, caused delays, and added constraints to our building work.

These external factors were substantially beyond our control and were discussed with the Minister, and we worked to update our settings, expectations and longer-term budgets.

In all cases where we did not achieve our SPE targets, the major or sole reason was due to these factors. Where there were other contributing factors, we mention them in the relevant section.

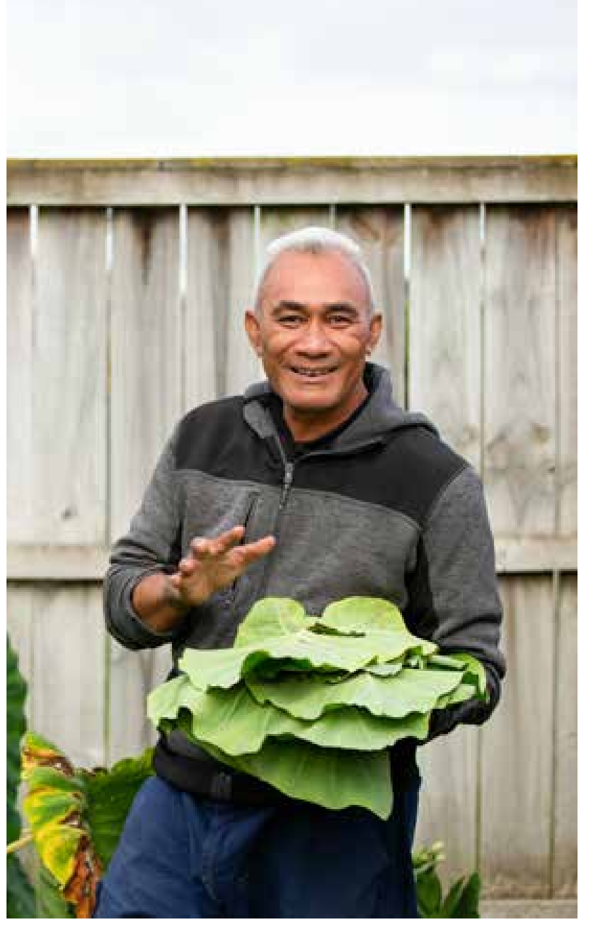
During the year, we undertook significant effort to prioritise our activities to mitigate the effects and ensure we remained on the correct, longer-term track, while continuing to provide for and care for our customers. We focused on how we were progressing against these revised expectations, and monitored the recovery of our performance towards returning to more normal ranges.

Image: Massey Road, Māngere, Auckland

Output Class 1: Sustaining tenancies and supporting communities

Scope

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. This 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

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, their rights and their communities
- managing existing tenancies
- working with our customers to ensure any overdue rent is repaid overtime without putting undue financial stress on the household
- setting and reviewing market rents
- building relationships between our public housing customers.

Summary of performance

Measure	Measure type	Actual 2020/21	Standard 2021/22	Actual 2021/22	Comment
Percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre		87%	85%	85%	
Percentage of public housing customers who receive a welcome home visit within the first six weeks of their tenancy starting		54%	85%	80%	The effects of COVID-19 illness and isolation requirements for our people; as well as the August and September lockdown and heightened Alert Levels and the understandable reluctance of customers during this time to allow people into their homes, resulted in lower numbers of completed welcome home visits. After the end of lockdown and the subsequent easing of the Alert Levels, nearly every month for the rest of the year was better than our 85% target. However, the low starting months meant we were no longer able to achieve the target for the entire year. Our CSC centre was similarly affected by these factors, with high COVID-19 leave continuing throughout the year and resulting in the measure not meeting our 80% target
Percentage of calls answered within 2 minutes by the Customer Support Centre		77%	80%	42%	
Percentage of customers who feel their tenancy manager treats them with respect		85%	85%	87%	
Percentage of public homes that are let (occupied days)		97.9%	97.8%	97.6%	
Percentage of new customers who sustain their tenancy for 12 months or more		94%	92%	95%	
Percentage of customers in rent arrears with a working repayment arrangement		New measure	75%	53%	COVID-19 illness and isolation requirements increased financial pressure for many of our customers, as did the sharp increases in the cost of living (exacerbated by the Russian invasion of Ukraine later in the year). We continued our empathetic approach to our customers' rent arrears, and month by month results improved continuously for the last half of the year, but the difficult first months and the ongoing financial pressure for our customers meant that we did not meet our full year target.
Percentage of customers who feel the tenancy manager takes account of their circumstances		New measure	75%	71%	
Percentage of tenants satisfied that interactions with us are culturally appropriate		New measure	75%	78%	
Percentage of tenants satisfied that their interactions from us are culturally appropriate		New measure			
• Māori			75%	75%	
• Pacific peoples			75%	75%	

Key to indicator type:

Direct Kāinga Ora output measure

Outcome indicator that Kāinga Ora has strong influence over

Outcome indicator that Kāinga Ora only has an indirect influence over

Sustaining tenancies and supporting our communities

Revenue and Output Expenses	Actual 2020/21 $m	Budget 2021/22 $m	Actual 2021/22 $m	Comment
Revenue Crown	1,019.3	1,079.3	1,144.6	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	510.7	591.8	512.1	
Expenses	933.8	997.4	1,059.8	
Net surplus/(deficit)	**595.6**	**673.7**	**597.0**	

Output Class 2: Managing, maintaining and renewing our homes

Scope

The scope of this output class is limited to the maintenance and renewal of all state homes, including Community Group and transitional housing. This 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

The activities undertaken in this output class include:

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

Image: Grace Street, Ōrākei, Auckland

Summary of performance

Measure	Measure type	Actual 2020/21	Standard 2021/22	Actual 2021/22	Comment
Average number of days from a public home becoming vacant to being 'ready to let'	●	21 days	18 days	27.6 days	The ongoing effects of COVID-19 caused shortages of materials and labour; site disruptions due to lockdowns; and international supply chain delays, exacerbated by the Russian invasion of Ukraine later in the financial year. These effects significantly slowed our ability to promptly make vacant homes ready to let again.
Percentage of public housing customers satisfied with repairs and maintenance	●●	74%	75%	71%	
Average time taken to respond to urgent health and safety maintenance queries	●	3.9 hours	4 hours	2.6 hours	
Percentage of public housing customer maintenance requests completed within the agreed service level targets*	●	84%	80%	79%	
Percentage of our public and supported housing portfolio that receives one or more major planned interventions**	●	New measure	13%	14%	
Percentage of our housing portfolio compliant with the Healthy Homes Standards	●	21%	60%	52%	As with our other home delivery programmes, Healthy Homes delivery was challenged by the ongoing effects of CVOID-19 (and the later Russian invasion of Ukraine), including heightened customer anxiety and self-isolation due to COVID-19; supply chain delays and shortages; and price escalations. In the latter part of the financial year we made good progress in securing the supply of critical materials, and we continued to implement mitigations against delivery challenges and risks to achieving 100% compliance by the end of 2022/23, including: further lifting of delivery capacity, improving trade capacity and the supply of critical materials at sub-regional levels, and prioritising Healthy Homes compliance across the portfolio.
Number of public houses completed as part of Kāinga Ora home renewal programmes	●	271	>1,125	354	The ongoing effects of COVID-19 caused shortages of materials and labour; site disruptions due to lockdowns; international supply chain delays; and inflation, exacerbated by the Russian invasion of Ukraine later in the financial year. These effects significantly slowed the delivery of completions in our home delivery programmes and our renewal programme.
Percentage of public lettable properties that meet or exceed the asset condition scale baseline quality standard***	●	92.7%	93.5%	92.5%	

* 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).

** 'Planned interventions' include properties where work has been carried out through one or more of our planned programmes. This includes: unoccupied repairs >$5,000, new roof replacement, exterior paint, heating, gas services, fire reinstatement and meth-lab reinstatement for both public and supported housing. It excludes both our Healthy Homes and Renewal (retrofit and complex remediation) programme.

*** Kāinga Ora uses the National Asset Management Support (NAMS) Asset Condition Scale. Each major component of a house is rated 1 to 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 indicator type:

- ● Direct Kāinga Ora output measure
- ●● Outcome indicator that Kāinga Ora has strong influence over
- ●●● Outcome indicator that Kāinga Ora only has an indirect influence over

Managing, maintaining and renewing our homes

Revenue and Output Expenses	Actual 2020/21 $m	Budget 2021/22 $m	Actual 2021/22 $m	Comment
Revenue Crown	–	–	–	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.
Revenue Other	–	–	–	
Expenses	458.3	598.2	566.8	
Net surplus/(deficit)	**(458.3)**	**(598.2)**	**(566.8)**	

Image: Atkinson Avenue, Ōtāhuhu, Auckland

Output Class 3: New public and supported housing supply

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. This output class includes new supply provided to Community Group Housing, transitional housing and housing for specific target groups – collectively known as supported homes.

Activities

The activities undertaken in this output class include:

- purchasing existing homes, building new homes and 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.

Image: Massey Road, Māngere, Auckland

Summary of performance

Measure	Measure type	Actual 2020/21	Standard 2021/22	Actual 2021/22	Comments
Number of newly constructed Kāinga Ora public and supported homes*	●	2,432	>3,400	1,815	The ongoing effects of COVID-19 caused shortages of materials and labour; site disruptions due to lockdowns; international supply chain delays; and inflation, exacerbated by the Russian invasion of Ukraine later in the financial year. These effects significantly slowed the delivery of completions in our home delivery programmes and our renewal programme.
• public homes			>2,400	1,232	
• supported homes			>1,000	583	
Increase in the overall number of Kāinga Ora public and supported homes (net increase)	●	1,915	>2,700	1,340	
• public homes			>1,600	723	
• supported homes**			>1,100	617	
Percentage of new public home built to a 6 Homestar standard***	●	93%	>90%	100%	
Percentage of newly constructed Kāinga Ora public homes meeting full Universal Design rating****	●	New measure	15%	9%	23 homes were delivered to Full Universal Design against the 40 needed to achieve our 15% target of redeveloped public homes. Delivery, as with the other home programmes, was affected by labour and material supply shortages resulting from the effects of COVID-19. Note that homes eligible for Full Universal Design in 2021/22 were limited to new redevelopments briefed on or after 1 October 2019, contracted on or after 1 July 2020, and delivered during the financial year, for 266 eligible homes.
Percentage of demolition waste diverted from landfill	●	87%			
• Auckland			80%	87%	
• rest of New Zealand			Benchmark	Not measured	

* 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.

** 7 supported housing targets contribute to the expectation on Kāinga Ora to deliver the 70 to 80% of the Government's commitment to fund 2,000 transitional housing places by June 2022.

*** 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.

**** Universal Design means a property is built according to Kāinga Ora Universal Design standards, so it is, or can be, fit for purpose for most customers, whether or not they have a disability. Universal Design delivers homes that are more liveable for the entire population, including (but not limited to) young and growing families, people of all ages who experience temporary injury or illness, those with mobility, visual or cognitive impairments, and the growing ageing population.

Key to indicator type:

- ● Direct Kāinga Ora output measure
- ●● Outcome indicator that Kāinga Ora has strong influence over
- ●●● Outcome indicator that Kāinga Ora only has an indirect influence over

Measure	Measure type	Actual 2020/21	Standard 2021/22	Actual 2021/22	Comments
Number of new trainees actively engaged in our Kāinga Ora construction apprenticeship/cadetship programme		119	>100	142	
Number of new trainees actively engaged in our Kāinga Ora construction apprenticeship/cadetship programme • Māori and Pacific peoples		New measure	Benchmark	56%	
Percentage of our construction partners with a formal Construction Partnering Agreement,***** who are satisfied with their ongoing partnership with Kāinga Ora		New measure	Benchmark	73%	
Percentage of our iwi partners who are satisfied with their ongoing partnership with Kāinga Ora		New measure	Benchmark	38%	
Percentage of building consents granted by Consentium within 20 working days******		New measure	98%	99.7%	

***** Kāinga Ora currently has nine Construction Partnership Agreements in place with construction partners.

****** These building consents are granted by Consentium, which is the only nationally accredited Building Consent Authority (BCA) in New Zealand. It is a stand-alone and independent organisation within Kāinga Ora and is only authorised to grant building consents for public and supported housing.

Key to indicator type:

- Direct Kāinga Ora output measure
- Outcome indicator that Kāinga Ora has strong influence over
- Outcome indicator that Kāinga Ora only has an indirect influence over

New public and supported housing supply

Revenue and Output Expenses	Actual 2020/21 $m	Budget 2021/22 $m	Actual 2021/22 $m	Comment
Revenue Crown	–	–	–	The revenue and expenses of this output class are in relation to public and supported housing supply, housing divestment and land development.
Revenue Other	–	–	–	
Expenses	106.7	177.1	192.3	
Net surplus/(deficit)	**(106.7)**	**(177.1)**	**(192.3)**	

Image: St Georges Road, Avondale, Auckland

Output Class 4: Urban regeneration, development and general housing supply

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:

- developing land to enable or facilitate public, affordable and market housing in areas of high demand
- undertaking development and renewal of urban environments, whether or not this includes housing development
- developing related commercial, industrial, community or other amenities, infrastructure, facilities, services or works
- leading, partnering in or facilitating specified development projects (SDPs) as set out in the Urban Development Act 2020.

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 masterplans 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
- leading, partnering in or facilitating SDPs as set out in the Urban Development Act 2020.
- 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 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.

Summary of performance

Measure	Measure type	Actual 2020/21	Standard 2021/22	Actual 2021/22
Number of new homes that will be built on land enabled* through Kāinga Ora urban development		1,713	1,600	1,801
Affordable** homes enabled as a percentage of total market and affordable homes enabled***		53%	40%	41%
Percentage of market and affordable enabled homes under construction by third parties within agreed timeframes****		81%	95%	97%
Number of newly constructed public homes, affordable homes through the shared-equity scheme and built-to-rent pilot homes, with delivery managed by Kāinga Ora on behalf of TRC*****		New measure	95	265
Percentage of new market, affordable and TRC public homes enabled to 6 Homestar standard		100%	90%	100%
Number of jobs****** to be created, utilised and retained through the life of Shovel-Ready projects		New measure	Track progress towards 3-year target of ≥320 by June 2024	90

* '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.

** For the purpose of this measure, 'affordable' means homes produced for sale for KiwiBuild or other affordable housing products produced at KiwiBuild price points.

*** Note that the definition of this performance measure has changed since 2020/21, and it no longer includes Tāmaki Regeneration Company (TRC) state homes in the denominator of the calculation. The 2020/21 forecast figure is based on the performance measure's new definition excluding TRC state homes.

**** 'Agreed timeframes' is defined as the house being 'under construction' in line with timeframes set out in the contracted development agreements.

***** Kāinga Ora is responsible for neighbourhood planning, infrastructure delivery, superlot creation, contracting of builders/developers to build TRC's public and shared-equity homes on their land, and management of the construction of these homes to completion. These homes are defined as completed once practical completion has been received.

****** Full-Time Equivalents (FTEs).

Key to indicator type:

- Direct Kāinga Ora output measure
- Outcome indicator that Kāinga Ora has strong influence over
- Outcome indicator that Kāinga Ora only has an indirect influence over

Urban regeneration, development and general housing supply

Revenue and Output Expenses	Actual 2020/21 $m	Budget 2021/22 $m	Actual 2021/22 $m	Comment
Revenue Crown	–	–	–	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	78.3	254.1	174.6	
Expenses	223.0	288.1	342.5	
Net surplus/(deficit)	**(144.8)**	**(34.0)**	**(167.9)**	

Image: Bernard Street, Mount Wellington, Auckland

Output Class 5: Supporting first-home ownership for New Zealanders

Scope

The scope of this output class is limited to activities associated with managing Kāinga Ora 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)
- Progressive Home Ownership (Crown appropriated).

Summary of performance

Measure	Measure type	Actual 2020/21	Standard 2021/22	Actual 2021/22
Number of new First Home Grants assessed for eligibility		41,984	Demand driven	22,634
Average number of days taken to assess a completed First Home Grant application		4.1 days	5 working days	2.0
Number of new KiwiBuild applications assessed for eligibility		5,279	Demand driven	2,043
Average number of days taken to assess a completed KiwiBuild eligibility application		1.4 days	5 working days	1.3
New Progressive Home Ownership applications assessed for eligibility		New measure	Demand driven	1,298
Average days to assess completed Progressive Home Ownership applications		New measure	5 working days	2.7
Applicants gaining full pre-approval for the Progressive Home Ownership scheme who:		New measure		
• identify as Māori			Benchmark	11%
• identify as Pacific peoples			Benchmark	7%
• are families with children			Benchmark	52%
First Home Loan mortgages underwritten		New measure	Demand driven up to max. of 1,650	753
Homes purchased with our home ownership products		10,618	Demand driven	5,683
Homes purchased with our home ownership products		New measure		
• where the purchasers identify as Māori			Benchmark	8%
• where the purchasers identify as Pacific peoples			Benchmark	4%

Key to indicator type:

Direct Kāinga Ora output measure

Outcome indicator that Kāinga Ora has strong influence over

Outcome indicator that Kāinga Ora only has an indirect influence over

Supporting first-home ownership for New Zealanders

Revenue and Output Expenses	Actual 2020/21 $m	Budget 2021/22 $m	Actual 2021/22 $m	Comment
Revenue Crown	108.5	126.8	97.2	The revenue and expenses of this output class are in relation to products that are managed on the Crown's behalf and expenses associated with these first-home ownership products.
Revenue Other	1.0	8.3	20.3	
Expenses	95.9	117.6	61.8	
Net surplus/(deficit)	**13.5**	**17.5**	**55.7**	

Output Class 6: Transactions relating to Crown-owned land (Housing Agency Account)

Scope

This output class is limited to property management and development services delivered on behalf of the Crown in relation to land and buildings that have been transferred to direct Crown control and are accounted for in 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 in 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 north-west 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 per cent of the housing constructed 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.

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

Image: Hanson Street, Wellington

Image: High and White Street, Rangiora, Christchurch

Summary of performance

Measure	Measure type	Actual 2020/21	Standard 2021/22	Actual 2021/22
Percentage of surveyed residents who are satisfied with the overall living experience at Hobsonville Point		96%	>75%	95%
Percentage of completed underwritten KiwiBuild homes acquired by Crown as part of the Buying Off the Plans Programme		New measure	<25%	21%

Key to indicator type:

- Direct Kāinga Ora output measure
- Outcome indicator that Kāinga Ora has strong influence over
- Outcome indicator that Kāinga Ora only has an indirect influence over

Transaction related to Crown-owned land (HAA)

Revenue and Output Expenses	Actual 2020/21 $m	Budget 2021/22 $m	Actual 2021/22 $m	Comment
Revenue Crown	–	–	–	The revenue and expenses of this output class are in relation to management and development services for Crown-controlled land and property.
Revenue Other	1.2	0.5	0.5	
Expenses	1.2	0.5	0.5	
Net surplus/(deficit)	–	–	–	

Reporting against Vote Housing and Urban Development appropriation – estimates measured

The Vote Housing and Urban Development appropriation includes assessments of KiwiBuild performance. This performance information is reported in the table below.

Assessment of performance	2022 Target	2022 Actual
Number of First Home Loan mortgages underwritten by Kāinga Ora – Homes and Communities	Up to a maximum of 1,650	753
Percentage of applications to Buying Off the Plans assess against the agreed criteria	100%	100%
Percentage of Relation and Option Agreements including delivery milestones monitored by the KiwiBuild Unit	100%	100%
Percentage of KiwiBuild purchasers monitored for compliance with minimum home ownership requirements	100%	100%
Average number of days taken to assess a completed KiwiBuild eligibility application	5 working days	1.3

Financial metrics

Measure	Target	Actual
Net operating cost of managing our housing portfolio per housing unit (excludes depreciation)	$16,087	$15,885
Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) as a percentage of total income	>=23%	27%
Total debt to Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) ratio	24.8	19.0
Interest costs to Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA – includes capitalised maintenance) ratio	>=1.86	2.2

Ngā Wehenga Pūtea Karauna 2021/22
Crown appropriations 2021/22

We deliver programmes on behalf of the Crown. The Crown obtains appropriations for Kāinga Ora to fund the delivery of these programmes. These are administered by the Ministry of Business, Innovation and Employment, the Ministry of Social Development, and the Ministry of Housing and Urban Development.

The following table details the funding initially budgeted as reported in our 2021/22 Statement of Performance Expectations and compares this with the actual funding provided.

Note: we have changed all our appropriations to their official names.

Image: Dominion Road, Mount Roskill, Auckland

Output Table: Operating Appropriations 2021/22

		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	**Budget $m**	**Sustaining tenancies and supporting communities**	**Managing, maintaining and renewing our homes**	**New public and supported housing**	**Urban regeneration, development and general housing supply**	**Supporting first-home ownership for New Zealanders**	**Transactions related to Crown-owned land (HAA)**	**Actual total**
Kāinga Ora Home Ownership and Administration								
Kāinga Ora – Homes and Communities								
Mortgage Insurance Scheme (First Home Loan)	7.700					4.171		**4.171**
First Home Grant – Administration	2.998					2.418		**2.418**
Housing Assistance								
Community-Owned Rural Rental Housing Loans (CORRL)	0.042					0.043		**0.043**
Legacy Loan portfolios	0.300					0.135		**0.135**
Total Kāinga Ora Home Ownership and Administration	**11.040**	–	–	–	–	**6.767**	–	**6.767**
First Home Grants	94.400					39.147		**39.147**
Kāinga Ora – Homes and Communities								
Te Kurutao	6.820					6.820		**6.820**
Core Urban Development	36.570				24.741			**24.741**
Sustainability Building Initiatives	3.125					2.582		**2.582**
Kiwibuild	16.020					5.709		**5.709**
Progressive Home Ownership – Administration						2.874		**2.874**
Infrastructure Acceleration Fund – Administration						6.430		**6.430**
Total Kāinga Ora – Homes and Communities	**62.535**	–	–	–	**24.741**	**24.415**	–	**88.303**
Administration of Residential Development Response Fund (repurposed)	2.000					0.052		**0.052**
Grand Total	**169.975**	–	–	–	**24.741**	**70.382**	–	**88.356**

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

Output Table: Multi-Category Appropriations (MCA) 2021/22

			Kāinga Ora Output Classes						
			Output Class 1	Output Class 2	Output Class 3	Output Class 4	Output Class 5	Output Class 6	
Appropriation name	**Operating or capital expenditure**	**Budget $m**	**Sustaining tenancies and supporting communities**	**Managing, maintaining and renewing our homes**	**New public and supported housing**	**Urban regeneration, development and general housing supply**	**Supporting first-home ownership for New Zealanders**	**Transactions related to Crown-owned land (HAA)**	**Actual Total**
Community Group Housing MCA									
Community Group Housing Market Rent Top-Up	Operating	13.891	13.891						**13.891**
Community Housing Rent Relief	Operating	4.104	3.631						**3.631**
Acquisition and Improvement of Community Group Housing Properties	Capital Expenditure	5.800		5.800					**5.800**
Market Rent Top-Up is exempt from Crown performance reporting as the information is unlikely to be informative.									
Public Housing MCA									
Purchase of Public Housing Provision (Public Housing (MCA))	Operating	1,059.886					1,130.751		**1,130.751**
This contains both our Income-Related Rent Subsidy (IRRS) and regional incentive appropriations									
Earthquake Prone Building MCA									
Residential Earthquake-Prone Buildings Financial Assistance Scheme: Delivery and Administration of the Loan Scheme for Earthquake Prone Buildings	Operating	0.800					0.338		**0.338**
Residential Earthquake-Prone Buildings Financial Assistance Scheme: Loan Scheme for Earthquake-Prone Buildings	Capital Expenditure	5.000					–		–
Energy and Resources: Renewable Energy in Public and Māori Housing MCA									
Energy and Resources: Renewable Energy in Public and Māori Housing MCA	Operating						0.659		**0.659**
Energy and Resources: Renewable Energy in Public and Māori Housing MCA	Capital Expenditure						0.697		**0.697**
Total Multi Category Appropriations		**1,089.481**	**17.522**	**5.800**	**–**	**–**	**1,131.748**	**–**	**1,155.766**

Purchase of Housing and Related Services for Tenants Paying Income-Related Rent:

This performance measure is reported by the Ministry of Housing and Urban Development in its annual report.

The IRRS budget value is based on a different set of assumptions from those used by the Ministry of Housing and Urban Development for the IRRS Crown Appropriation budgets, with spend managed at a total appropriated vote level.

Output Table: Multi-Category Appropriations (MCA) 2021/22

		Kāinga Ora Output Classes						
		Output Class 1	Output Class 2	Output Class 3	Output Class 4	Output Class 5	Output Class 6	
Appropriation name	Budget $m	Sustaining tenancies and supporting communities	Managing, maintaining and renewing our homes	New public and supported housing	Urban regeneration, development and general housing supply	Supporting first-home ownership for New Zealanders	Transactions related to Crown-owned land (HAA)	Actual total
Refinancing of Crown loans to Kāinga Ora – Homes and Communities	312.663			312.134				312.134
Infrastructure Investment to Progress Urban Development (MYA)					23.167			23.167
Energy and Resources: Crown Energy Efficiency – Capital Injection	1.087	1.087						1.087
Total Capital Appropriations	**313.750**	**1.087**	–	**312.134**	**23.167**	–	–	**336.388**

Image: Wilcott Street, Mount Albert, Auckland

Image: Wilcott Street, Mount Albert, Auckland

Financial statements
Ngā tauākī whakahaere pūtea

Image: Atkinson Avenue, Ōtāhuhu, Auckland

Te haumi mō ngā rā kei mua i a tātou - he huritao mō ā tātou mahi

Investing in our future – A reflection on our performance

Matthew Needham
Chief Financial Officer

Kia ora,

I am proud to introduce the financial statements for the year ended 30 June 2022. Last year I noted the challenging marketplace in which we were operating, with the escalating costs and continued high demand for Public Housing.

As this year began it was evident that the challenges we saw in 2020/21 would continue to impact construction and the capacity to support customers in their homes. COVID-19 returned with a vengeance culminating in a new nationwide lockdown on 18 August 2021. This increased pressure on supply chains pushing the cost of building even higher. With a significant build and renewal programme to deliver, this put obvious pressure on our ability to deliver more warm and dry homes at the cost budgeted and in the numbers we had planned.

Despite these challenges we invested $2.271 billion to deliver warm and dry homes. Our balance sheet has continued to strengthen with total assets sitting at $48.844 billion compared to $40.936 billion in 2020/21.

Each year, QV (our appointed valuers) carry out a revaluation of our portfolio. Despite cooling conditions in the property market across New Zealand, our portfolio has continued to show strong growth in value.

As well as the additional homes we've added this year, there are two factors which contribute to the increase in value, the first being land zoning changes introduced by Auckland Council. This has increased the maximum allowable number of dwellings that can be built on existing sites, which in turn makes the land more valuable. The second factor relates to the nature of our portfolio relative to the overall average in New Zealand. Our properties fall into the lower quartile of values of homes across New Zealand which means that, lower valued homes have fallen less in value relative to the rest of the market.

Our assets are offset by liabilities totalling $12.766 billion (2021: $10.587 billion). The largest single contributor to liabilities is our total debt of $9.794 billion (2021: $7.627 billion). This results in a debt-to-debt-plus-equity ratio of 21.4% at the year-end (2021: 20.1%) and debt-to-assets ratio of 20.1% (2021: 18.6%).

This is a strong balance sheet position, which means that we have significant headroom to take on additional debt (subject to debt protocol agreed by the minister) to fund increased investment in adding new homes, as well as replacing and upgrading our existing housing.

As an organisation, we are constantly monitoring our capital position alongside our operating environment to ensure the pace of our investment is manageable within our overall financial parameters.

We have continued to enjoy strong support from our shareholder (the New Zealand Government) and financial markets who have continued to support our award-winning Wellbeing Bond issues. This remains critical to financing our investment programme given our operating cash flow, while remaining positive (at $120 million), is significantly less than our investment programme.

Recent global interest rate rises increase the costs of borrowing for everyone as well as Kāinga Ora for new debt and refinancing of existing debt when that is due to be refinanced. However, with a weighted average time to maturity of 5.6 years and a weighted average interest rate of 2.6% (for total debt), there is some insulation to interest rate increase cost.

Rising costs, whether a result of interest rates or the increasing cost of materials, requires us to closely monitor our operating expenses, levels of debt and the pace of our capital programme.

Our total operating revenue increased by 13.4% from $1.723 billion in 2021 to $1.951 billion this year. This was mainly driven by total rental revenue, which increased from $1.434 billion in 2021 to $1.548 billion in 2022. This largely reflected the increase in market rental levels rather than new homes due to timings of when the homes were completed.

Total expenses increased by 20.2% from $1.682 billion in 2021 to $2.027 billion this year. The biggest contributors to this increase were maintenance costs, which rose by $42 million, reflecting the increasing age profile of our properties and increased materials and labour costs. Deferred maintenance due to COVID-19 also played a part in the over-expenditure. Depreciation and amortisation costs increased by $70 million (an expense that grows with increased investment) and people costs increased by $95 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $534 million (27.4 per cent of revenue) (2021: $540 million 31.4 per cent of revenue). (This is equivalent to net operating cash flow plus interest, depreciation and amortisation.) This is of a result of two things: pre-investment in activities ahead of a funding source being established and in executing our broad remit of activities that don't have an associated funding source.

Interest costs for the year totalled $203 million (2021: $162 million). This reflects the increased debt levels to undertake the investment programme. Overall, our EBITDA to interest ratio was 2.63x (2021: 3.33x).

Our operating position (total operating revenue less total expenses) was a loss of $76 million (2021: profit of $41 million). Adjusting for non-cash items (depreciation and amortisation $407 million), we delivered positive operating cash flow of $331 million (2021: $371 million).

As I noted last year, Kāinga Ora is operating with a significantly increased mandate that includes large-scale land development programmes to provide good affordable land to property developers. This is to achieve a balance between building more public housing and more market and affordable housing. Last year we sold $166 million of developed properties to third-party developers, an increase of 159 per cent on the $64 million of sales achieved in the previous year. This is a positive result for Kāinga Ora and New Zealand in general as more properties are enabled to be built.

The large-scale land development programmes (LSPs) drive significant expenditure. This is largely recovered by third-party sales, in the case of market and affordable housing, or rental revenue over the life of the asset when the land is used for public housing.

Accounting standards see increases in asset values reflected on the balance sheet, but if the carrying value is higher than the amount that the land is sold for (despite years of capital growth), then the difference is charged to the income and expenditure account as a non-cash accounting adjustment. Similarly, where properties need demolishing to make way for new warm and dry homes, the carrying value of the asset is also written down as a non-cash accounting adjustment.

Given the significant land development and construction activity undertaken across New Zealand, these non-cash accounting adjustments are also significant.

Our net deficit after tax was $344 million against a budgeted deficit of $130 million. (2021: deficit $152 million). The main driver of the variance was non-cash adjustments for loss on asset write-offs and impairment of assets.

These adjustments are difficult to forecast when setting initial budgets as they are heavily reliant on the market conditions that exist at year end, which determine the level of adjustment we are required to make to the carrying value of our inventory to reflect the expected Net Realisable Value (NRV) on the eventual sale of our inventory.

Looking ahead, the demand for additional public housing is relentless and market conditions continue to make delivery challenging. As an organisation, we will face these financial challenges head-on. We continue to look at our financial sustainability and seek to slow cost growth without slowing progress in the medium to long term and balance the need to deliver with the financial constraints that exist.

Matthew Needham
Chief Financial Officer

Sustainable Finance – Impact Report Summary

The Sustainable Finance Impact Report outlines our intent, specific outcomes and progress that can be directly attributed to the financing provided by proceeds raised from Wellbeing Bonds. It provides an overview of our journey and activities undertaken while being financially sustainable.

Financing

A total of $2.24 billion was raised across 2 syndicated transactions and 10 tenders. All proceeds were raised through Wellbeing Bonds.

In conjunction with issuances into existing bond maturities, a new 2027 bond was issued in April 2022.

Eligible categories

The funds raised were allocated to the following International Capital Market Association (ICMA) categories:

- Affordable Housing
- Socio-economic Advancement
- Green Buildings
- Pollution Prevention and Control

Impacts

- 8,767 people housed
- 142 apprenticeships started
- 838 green buildings constructed
- 87% waste diverted (Auckland region)

Full report reference

You can read more about the proceeds raised, the categories these were attributed to and the relationship to our outcomes, as well as further detail on the impact of each dollar and related target populations in the full report: Sustainable Finance webpage: https://kaingaora.govt.nz/assets/Investors-Centre/Documents/Sustainability-Financing-Framework.pdf

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 Board is responsible for the preparation of the financial statements and statement of performance and the judgements used therein. The Board is responsible for any end-of-year performance information provided by Kāinga Ora – Homes and Communities under section 19A of the Public Finance Act 1989.

The Board is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting. In the opinion of the Board, the financial statements and statement of performance for the year ended 30 June 2022 fairly reflect the financial position and operations of Kāinga Ora – Homes and Communities at that date.

For and on behalf of the Board.

Vui Mark Gosche
Chair
27 September 2022

John Duncan
Deputy Chair
27 September 2022

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2022

	Notes	Group Actual 2022 $M	Group Actual 2021 $M	Budget Unaudited 2022 $M
Revenue from non-exchange transactions				
Rental revenue – Crown income-related rent subsidy		1,128	1,044	1,060
Rental revenue – Tenants income-related rent		420	390	467
Crown appropriation revenue	5(b)	107	115	177
Revenue from exchange transactions				
Sale of developments		166	64	210
Rental revenue from tenants at market rent		47	41	61
Lease income		46	26	68
Interest revenue	5(a)	21	25	7
Mortgage Insurance Scheme	5(c)	11	13	8
Other revenue	5(d)	5	5	–
Total operating revenue		**1,951**	**1,723**	**2,058**
Expenses				
Repairs and maintenance		460	418	495
Depreciation and amortisation	6(a)	407	337	373
People costs	6(b)	296	201	247
Interest expense	5(a)	203	162	175
Rates		199	183	201
Cost of land sold		161	61	210
Third-party rental leases		68	71	71
Grants	6(e)	38	80	95
Other expenses	6(c)	195	169	222
Total expenses		**2,027**	**1,682**	**2,089**
Other gains/(losses)				
(Loss) on asset write-offs	6(f)	(102)	(86)	(67)
Impairment of property under development	6(f)	(91)	(62)	(20)
Gain/(loss) on disposal of assets	6(f)	(5)	7	–
Total other losses		**(198)**	**(141)**	**(87)**
Operating surplus/(deficit) before tax		**(274)**	**(100)**	**(118)**
Current tax expense		(66)	(112)	(84)
Deferred tax (expense)/benefit		(4)	60	72
Income tax (expense)/benefit	7(a)	**(70)**	**(52)**	**(12)**
Net surplus/(deficit) after tax		**(344)**	**(152)**	**(130)**
Other comprehensive revenue and expense				
Revaluation of property, plant and equipment				
Revaluation reserve gains		5,951	6,912	1,580
Financial assets at fair value through other comprehensive revenue and expense				
Hedging reserve gains/(losses)	17	54	55	–
Income tax (expense) on other comprehensive items	7(a)	70	(439)	(131)
Other comprehensive revenue		**6,075**	**6,528**	**1,449**
Total comprehensive revenue and expenses		**5,731**	**6,376**	**1,319**

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

Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	Group Actual 2022 $M	Group Actual 2021 $M	Budget Unaudited 2022 $M
Total equity at 1 July		**30,349**	**23,970**	**26,582**
Net surplus/(deficit) for the year		(344)	(152)	(130)
Revaluation of property, plant and equipment				
Revaluation reserve gains/(losses)		5,951	6,912	1,580
Deferred tax benefit/(expense) on property, plant and equipment revaluations	7(a)	86	(423)	(131)
Financial assets at fair value through other comprehensive revenue and expense				
Hedging reserve gains/(losses)	17	54	55	–
Deferred tax (expense)/benefit on hedging reserve gains/(losses)	17	(16)	(16)	–
Total comprehensive revenue and expense for the period		**5,731**	**6,376**	**1,319**
Net capital contributions (to)/from the Crown		(2)	3	926
Total changes in equity		**5,729**	**6,379**	**2,245**
Total equity at 30 June		**36,078**	**30,349**	**28,827**
Equity attributable to the Crown				
Equity attributable to the Crown at 1 July		3,564	3,561	3,564
Net capital contributions (to)/from the Crown		(2)	3	926
Equity attributable to the Crown at 30 June		**3,562**	**3,564**	**4,490**
Retained earnings				
Retained earnings at 1 July		904	697	971
Surplus/(deficit) for the year		(344)	(152)	(130)
Net transfers from asset revaluation reserve		219	359	70
Retained earnings at 30 June		**779**	**904**	**911**
Revaluation reserve				
Revaluation reserve at 1 July		25,923	19,793	22,072
Asset revaluations on property, plant and equipment		5,951	6,912	1,580
Deferred tax benefit/(expense) on property, plant and equipment	7(c)	86	(423)	(131)
Net transfers to retained earnings		(219)	(359)	(70)
Revaluation reserve at 30 June		**31,741**	**25,923**	**23,451**
Hedging reserve				
Hedging reserve at 1 July		(42)	(81)	(25)
Fair value gains/(losses)	17	54	55	–
Deferred tax benefit/(expense) on derivative fair value movement	7(c)	(16)	(16)	–
Hedging reserve at 30 June		**(4)**	**(42)**	**(25)**
Total equity at 30 June		**36,078**	**30,349**	**28,827**

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

Statement of Financial Position

As at 30 June 2022

	NOTES	Group Actual 2022 $M	Group Actual 2021 $M	Budget Unaudited 2022 $M
Assets				
Cash and cash equivalents	8	174	233	1,483
Investments	9	1,199	1,136	1,267
New Zealand Government Bonds		98	50	100
Interest rate derivatives	17	5	29	–
Receivables and prepayments	10	350	165	175
Properties held for sale		44	45	14
Properties under development	11	504	365	817
Other Assets	12	37	45	77
Property, plant and equipment	13	46,433	38,868	39,919
Total assets		**48,844**	**40,936**	**43,852**
Liabilities				
Accounts payable and other liabilities	14	421	280	152
Income tax payable/(receivable)	7(b)	(6)	22	25
Mortgage Insurance Scheme	15(a)	25	30	31
Interest rate derivatives	17	22	58	114
Borrowings	18	9,794	7,627	12,313
Deferred tax liability	7(c)	2,510	2,570	2,390
Total liabilities		**12,766**	**10,587**	**15,025**
Net assets		**36,078**	**30,349**	**28,827**
Equity				
Equity attributable to the Crown		3,562	3,564	4,490
Retained earnings		779	904	911
Revaluation reserve		31,741	25,923	23,451
Hedging reserve	17	(4)	(42)	(25)
Total equity		**36,078**	**30,349**	**28,827**

For and on behalf of the Board, who authorised the issue of the financial statements on 27 September 2022.

Vui Mark Gosche
Chair

27 September 2022

John Duncan
Deputy Chair

27 September 2022

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

Cash Flow Statement

For the year ended 30 June 2022

	Notes	Group Actual 2022 $M	Group Actual 2021 $M	Budget Unaudited 2022 $M
Cash flows from/(used in) operating activities				
Rent receipts – Crown income-related rent subsidy		1,128	999	1,060
Rent receipts – tenants		483	426	528
Crown appropriation revenue		107	115	177
Interest revenue		21	25	7
Mortgage Insurance Scheme revenue		11	13	8
Other receipts		51	29	68
Payments to suppliers and employees		(1,273)	(1,125)	(1,602)
Interest paid		(199)	(162)	(175)
Income tax paid		(88)	(90)	(90)
Net cash flows from/(used in) core operating activities		**241**	**230**	**(19)**
Sales of developments		63	64	80
Land development activities		(184)	(63)	(648)
Net cash flows from/(used in) operating activities	19	**120**	**231**	**(587)**
Cash flows from/(used in) investing activities				
Sale of rental properties and other property plant and equipment		24	35	37
Mortgage and other lending repayments		(2)	8	–
Net short-term investments (made)/realised		(111)	281	–
Purchase of rental property assets		(2,216)	(1,887)	(3,349)
Purchase of other property, plant and equipment		(33)	(33)	(26)
Purchase of intangible assets		(6)	(14)	(21)
Net cash flows from/(used in) investing activities		**(2,344)**	**(1,610)**	**(3,359)**
Cash flows from/(used in) financing activities				
Net capital contributions (to)/from the Crown		(2)	3	926
Market notes issued		2,167	1,188	3,947
Net cash flows from/(used in) financing activities		**2,165**	**1,191**	**4,873**
Net cash flows		(59)	(188)	927
Opening cash and cash equivalents		233	421	556
Closing cash and cash equivalents	8	**174**	**233**	**1,483**

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

Notes to the Financial Statement

For the year ended 30 June 2022

1. Reporting entity

Kāinga Ora – Homes and Communities is domiciled and operates in New Zealand. The relevant legislation governing the operations of Kāinga Ora and its subsidiaries (the Kāinga Ora Group) is the Crown Entities Act 2004 and the Kāinga Ora–Homes and Communities Act 2019. Kāinga Ora ultimate parent is the Sovereign in right of New Zealand.

The core business of the Kāinga Ora Group is to enhance New Zealanders' wellbeing for current and future generations. This guides 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 six strategic outcomes are:

- providing more options and better access to affordable homes to meet the diverse needs of our customers
- partnering with Māori to achieve better outcomes
- sustainable, inclusive and thriving communities support good access to jobs, amenities and services
- sustaining and enhancing the environment to support wellbeing of current and future generations
- system transformation in the initiatives we design and the programmes we deliver.

The registered office of Kāinga Ora – Homes and Communities is Level 5, 7 Waterloo Quay, Wellington.

Kāinga Ora and its subsidiaries are designated public benefit entities (PBEs), defined as "reporting entities whose primary objective is to provide goods or 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 financial statements for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 27 September 2022.

2. Summary of significant accounting policies

(a) Basis of preparation

The unaudited budget numbers for the financial year 2021/22 are taken from the revised Statement of Performance Expectations 2021/22 signed by the Chair of the Board 29 June 2021.

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except where stated otherwise.

The financial statements have been prepared on a historical cost basis except where otherwise stated and are presented in New Zealand dollars, which is the functional currency of the Kāinga Ora Group, and all values are rounded to the nearest million dollars ($M) unless stated otherwise.

In addition, the going concern basis of preparation has been adopted.

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

Comparatives

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

(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 (NZ GAAP).

The financial statements have been prepared in accordance with Public Benefit Entity Standards (PBE Standards).

(c) New accounting standards and interpretations

(i) Accounting standards and interpretations effective and adopted in the current year

All mandatory standards, amendments and interpretations have been adopted in the current year. None had a material impact on these financial statements.

- PBE IPSAS 40 *PBE Combinations* effective for periods beginning 1 January 2021:

  The new standard, when applied, supersedes PBE IFRS 3 *Business Combinations*. PBE IPSAS 40 has a broader scope than PBE IFRS 3 since it establishes requirements for accounting for both acquisitions and amalgamations. PBE combination is the bringing together of separate operations into one public benefit entity, which might occur by mutual agreement or by compulsion.

- PBE Interest Rate Benchmark Reform – Phase 2 (Amendments to PBE IPSAS 41, PBE IFRS 9, PBE IPSAS 29 and PBE IPSAS 30) effective for periods beginning 1 January 2021:

  This is the second part of the two-phase project on interest rate benchmark reform. These amendments enable PBEs to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

- 2018 Omnibus Amendments to PBE Standards (PBE IPSAS 2) effective for periods beginning 1 January 2021:

  The amendments require disclosures that allow users of financial statements to evaluate changes in liabilities which arise from financing activities.

(ii) Accounting standards and interpretations issued but not effective and not early adopted

- PBE FRS 48 *Service Performance Reporting*. In recognition of the impact of COVID-19 on PBEs, on 13 August 2020 the New Zealand Accounting Standards Board (NZASB) issued 2020 Amendments to PBE FRS 48 for periods beginning on or after 1 January 2022:

  This new standard introduces high-level requirements for Tier 1 and Tier 2 PBEs relating to service performance information. All PBEs which are legally required to provide service performance information, must provide the following information:

  – the reason for the entity's existence, what the entity aims to achieve over the medium to long term (in broad terms), and how it will go about achieving this

  – what the entity has done in order to achieve its broader aims and objectives, as stated above.

- PBE IPSAS 41 *Financial Instruments* effective for periods beginning 1 January 2022:

  PBE IPSAS 41 will supersede PBE IFRS 9 and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IPSAS 41 introduces a new classification and measurement regime for financial instruments and will need to be carefully considered by each entity.

(d) Basis of consolidation of the Kāinga Ora – Homes and Communities Group

The Kāinga Ora Group consists of Kāinga Ora – Homes and Communities (Parent), and its 100% subsidiaries Housing New Zealand Limited (HNZL) and Housing New Zealand Build Limited (HNZB).

All inter-entity balances and transactions have been eliminated in full.

(e) Rental property land and buildings

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

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

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.

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 Statement of Comprehensive Revenue and Expense for the year. In such circumstances, the surplus is recognised in the Statement of Comprehensive Revenue and Expense for the year.

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

An item of property is derecognised on disposal or when no future economic benefit, or service potential, is expected to arise from the continued use of the asset. On 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 Statement of Comprehensive Revenue and Expense 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 buildings and their components, including chattels, as follows:

Rental properties	10 – 60 years

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

Buildings	40 – 60 years
Improvements	25 years
Chattels	10 years

(f) Work in progress

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

(g) Provision for future development costs

Management makes significant judgements when estimating the amount of the provision for future development costs. As a prerequisite for establishing a provision in relation to each development, management needs to determine whether that development site has been sold. All relevant factors are assessed in ascertaining whether or not the significant risks and rewards of ownership have transferred to the purchaser, when determining whether a sale has occurred.

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

At each balance date, the estimate of future development costs is revised by updating the underlying assumptions and taking account of the latest available information in the future development cost model. This includes consideration of development costs incurred to date, internal business planning strategies, and external experts' assessments as to the likely cost of work required to complete both the particular development and the entire site development.

(h) Properties held for sale

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

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

(i) Properties under development

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

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

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

(j) Other property, plant and equipment

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

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

An item of property, plant or equipment is derecognised on disposal or when future economic benefits are no longer expected to arise from its use. Any gain or loss is included in the Statement of Comprehensive Revenue and Expense 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.

(k) Intangible assets

The Kāinga Ora Group has intangible assets that include other intangibles as well as software.

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 the Kāinga Ora Group's way of working, structures, processes, products and systems.

Eligible computer software is capitalised at cost and amortised over a four- to seven-year period on a straight-line basis. 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 Statement of Comprehensive Revenue and Expense.

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.

Fees associated with the access to the software of Software as a Service (SaaS) arrangements and the configuration and customisation costs of the software in the SaaS arrangements are recognised as expenses in the Statement of Comprehensive Revenue and Expense.

Gains or losses arising from derecognition of computer software are recognised in the Statement of Comprehensive Revenue and Expense when the asset is derecognised. They are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

(l) Impairment of plant, equipment and intangible assets

The Kāinga Ora Group's primary objective from its non-financial assets (excluding any property, plant and equipment) is to provide social 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.

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

The reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

(m) Financial assets

Financial assets in the scope of PBE IFRS 9 are classified as either subsequently measured at amortised cost, fair value through other comprehensive revenue and expense (FVOCRE) or fair value through surplus or deficit (FVSD). The classification depends on the business model for managing the financial assets and its contractual cash flow characteristics.

Financial assets are reclassified if the business model for managing those financial assets has changed.

(i) Initial recognition and derecognition

At initial recognition, financial assets or financial liabilities are measured at their fair value or, in the case of a financial asset or financial liability not at FVSD, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The fair value of a financial instrument at initial recognition is normally the transaction price (that is, the fair value of the consideration given or received. When the transaction is a non-exchange transaction, the fair value is determined and any gain or loss is recognised as a non-exchange transaction depending on the conditions attached to the transaction.

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 way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Kāinga Ora Group 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.

(ii) Financial assets at fair value through the Statement of Comprehensive Revenue and Expense

Derivatives – not in hedge relationships

Derivatives are recognised at fair value on initial recognition and subsequently with changes in fair value recognised in surplus or deficit when they are not in a hedging relationship.

(iii) Financial assets at amortised cost

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

Financial assets at amortised cost are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Specific financial assets at amortised cost include the following:

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.

Mortgages and housing-related lending

Mortgage advances are measured at amortised cost and are stated net of expected credit losses using the general approach. See the accounting policy 'impairments' for more detail.

Receivables (exchange and contractual non-exchange transactions)

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for expected credit losses using the simplified approach. See the accounting policy 'impairments' for more detail. Bad debts are written off when identified.

Long-term receivables (exchange and contractual non-exchange transactions)

Long-term receivables represent the present value of debts that are expected to be settled beyond the next 12 months and are measured at amortised cost using the effective interest rate method. Expected credit losses using the general approach are recognised in accordance with the accounting policy for impairment. See the accounting policy 'impairments' for more detail.

Investments

Investments consist of money market deposits, commercial paper, enhanced registered certificates of deposit, registered certificates of deposit and treasury bills. These investments meet the SPPI test and are managed on a hold to collect business model. These debt investments are carried at amortised cost using the effective interest method or fair value through comprehensive deficit (FVCD) depending on the type of investment. Expected credit losses, using the general approach, are recognised in accordance with the accounting policy for impairment of financial assets. See the accounting policy 'impairments' for more detail. Categories of investments are disclosed further in note 16.

New Zealand Government Bonds

New Zealand Government Bonds are fixed-term debt securities issued by the New Zealand Government. These investments are classified as fair value through the surplus and deficit as the purpose is to hold them for trading and selling or repurchasing in the near term. No expected credit losses are recognised for New Zealand Government Bonds as they are secured by the New Zealand Government.

Impairment

The impairment requirements of PBE IFRS 9 apply to Kāinga Ora financial assets that are carried at amortised cost and are based on a forward-looking expected credit loss model. The Kāinga Ora Group recognises the expected credit loss (ECL) arising from the possible defaults based on the possibility of default either over the lifetime of the asset or over the next 12 months, depending on whether the 'general approach' or the 'simplified approach' to impairment is used.

Under the general approach, expected credit losses are recognised in three stages:

Stage 1 – If credit risk has not deteriorated significantly since the asset was initially recognised, impairment losses are recognised initially based on the ECL that results from default events that are possible within the next 12 months (12 months ECL).

Stage 2 – If the credit risk associated with the asset deteriorates significantly, impairment losses are recognised based on the 'lifetime' ECL (that is, future defaults expected to occur over the lifetime of the asset).

Stage 3 – If the financial asset then becomes credit impaired (that is, a loss has been incurred) the lifetime ECL is recognised as in Stage 2; however, interest revenue is calculated by applying the effective interest rate to the net amount (gross carrying amount less impairment) rather than the gross amount.

Under the simplified approach impairment losses are recognised based on the 'lifetime' ECL (that is, future defaults expected to occur over the lifetime of the asset). Kāinga Ora Group uses a provision matrix to calculate ECLs. Historical credit loss experience is adjusted for forward-looking information, to estimate the lifetime ECLs on the financial assets.

(n) Accounts payable and other liabilities

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

Interest-bearing borrowings

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

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

(o) Financial guarantees

Provision is made for amounts that may be payable under the Mortgage Insurance Scheme (MIS). The carrying value of these guarantees approximates the fair value of the likely amount of payments under the MIS, which is subjected to an actuarial reassessment each year.

(p) Mortgage insurance liabilities

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

MIS 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 canceled. The unearned premium reserve represents that portion of premiums received or receivable that relate 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 per cent probability of sufficiency level.

At each reporting date, the Kāinga Ora Group 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 Statement of Comprehensive Revenue and Expense for the year by establishing a provision for liability adequacy.

The Kāinga Ora Group holds, at all times, investments, equivalent to at least the total value of the MIS liabilities, to meet any claims under the scheme.

(q) Derivative financial instruments

The Kāinga Ora Group uses derivative financial instruments such as interest rate swap contracts to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. Changes in fair value are charged to the Statement of Comprehensive Revenue and Expense, unless they are in a hedge relationship.

(i) Fair value

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 NZ Dollar swap borrowing curve, as reported by Bloomberg, which is an active market interest rate benchmark.

(ii) Hedge accounting

The Kāinga Ora Group designates certain derivatives as hedging instruments in respect of interest rate risk in fair value hedges and cash flow hedges.

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

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in surplus/(deficit).

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in surplus/(deficit). For debt instruments measured at fair value through surplus/(deficit) (FVSD), the carrying amount is adjusted and the hedging gain or loss is recognised in the Statement of Comprehensive Revenue and Expense.

Where hedging gains or losses are recognised in surplus/(deficit), they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the Statement of Comprehensive Revenue and Expense from that date.

Cash flow hedges

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 while any ineffective portion is recognised in the Statement of Comprehensive Revenue and Expense.

The effective portion of changes in the fair value of interest rate swaps and that are designated and qualify as cash flow hedges is recognised in other comprehensive revenue, and expense is accumulated under the heading of 'Hedging reserve gains', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in surplus/(deficit), and is included in the 'Hedging reserve gains and losses' line item.

Amounts previously recognised in other comprehensive revenue and accumulated in equity are reclassified to surplus/(deficit) in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive revenue and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive revenue.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive revenue and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to surplus/(deficit) when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to surplus/(deficit).

(r) 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 New Zealand Treasury. Employee benefits expected to be settled within 12 months of the balance date are recognised as current liabilities at 30 June 2022. Long-service leave, where entitlements are not vested at balance date, is treated as a non-current liability.

(s) Leases

The determination of whether an arrangement is, or contains, a lease includes the substance of the arrangement at inception date, whether fulfillment 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 the Kāinga Ora Group 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.

(t) Revenue

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

(i) Revenue from non-exchange transactions

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

Tenant income-related rent and Crown income-related rent subsidies

Income-related rental revenue received from 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

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

(ii) Revenue from exchange transactions

Revenue from exchange transactions is generated when an exchange of transactions of approximately equal value has occurred between the Kāinga Ora Group and a third party. Revenue from the sale of developments is recognised when all of the risks and rewards of ownership passes to the third party.

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

Rental revenue from tenants at market rent

Rental revenue received from those tenants who pay 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 Statement of Comprehensive Revenue and Expense. 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 investments is recognised as the interest accrues (using the effective interest rate method), to the net carrying amount of the financial asset.

Management fees

The Kāinga Ora Group receives a management fee from the Housing Agency Account for managing the development of land.

(u) Borrowing costs

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

(v) Income tax

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

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

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

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

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

Interest deductibility on borrowings to purchase residential rental properties

On 30 March 2022, the Taxation (Annual Rates for 2021/22, GST, and Remedial Matters) Act 2022 received royal assent. The act limits deductibility of interest paid on borrowings to purchase residential rental property.

An exemption from the interest deductibility limitation rules for Kāinga Ora – Homes and Communities and its subsidiaries is embodied in the legislation. Therefore, these rules do not apply to the Kāinga Ora group of entities, and the entities can continue to claim a full deduction for any interest paid on borrowings.

(w) Other taxes

The Kāinga Ora Group 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.

(x) Service concession arrangements – Grantor

Service concession arrangements are recognised as assets within property, plant and equipment until the in-service date, at which time they are recognised as a separate asset class. As such, service concession arrangements are accounted for in accordance with the policies, which comply with PBE IPSAS 17 *Property, Plant and Equipment*.

(y) Contingent assets

The Kāinga Ora Group has made grants and suspensory loans to third parties, with conditions attached for an agreed period. If the conditions are breached, the grant or suspensory 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.

3. 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

The Kāinga Ora Group manages 69,509 residential properties (2021: 68,169), 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 social housing, and as such, according to PBE IPSAS 16 *Investment Property*, they are to be accounted for under PBE IPSAS 17 *Property, Plant and Equipment*.

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

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

(iii) Classification of assets as held for sale

Management reclassifies assets, or any group of assets, as held for sale on 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 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 and the Kāinga Ora Group committed to the impending sale or distribution transaction.

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

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

As there are no assets or services of approximately equal value provided back to the Crown in exchange for the funding it receives from the Crown, management has determined that revenue from 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 Group as lessee

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

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 the Kāinga Ora Group. 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.

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

(vi) Classification of assets as property under development

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

(b) Key assumptions applied and other sources of estimation uncertainty

(i) Fair value of rental properties

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

The Kāinga Ora Group manages 69,509 properties around New Zealand (2021: 68,169). In performing the valuation, the entire portfolio has not been individually inspected due to its size. A market indexation approach has been adopted for the remaining uninspected properties within the portfolio due to the homogeneous nature of the portfolio. Properties are valued based inherently on their 'highest and best use' (refer to note 13).

(ii) Fair value of derivative financial instruments and investments

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

(iii) Mortgage guarantee provision

The mortgage guarantee provision is an actuarially assessed amount, likely to be payable under that guarantee. The value of the provision depends on various factors, some of which are the value of the loans expected to default, the number of active mortgages, and the average loan balance (refer to note 15).

(iv) Impairment of properties under development

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

(v) Impairment of non-financial assets

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

(vi) Taxation

Application of the Kāinga Ora Group's accounting policy for income tax 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; therefore, 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 Statement of Comprehensive Revenue and Expense for the year.

(vii) Estimation of useful lives of assets

The Kāinga Ora Group 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 the Kāinga Ora Group 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 Statement of Comprehensive Revenue and Expense for the year and the carrying amount of the asset in the Statement of Financial Position.

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

Buildings	40 – 60 years
Improvements	25 years
Chattels	10 years

Depreciation rates are set out in notes 2(e) and 2(j) and amortisation rates are set out in note 2(k) above.

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

(viii) Estimation of expected credit losses (ECLs)

The measurement of ECLs requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the ECL models that are considered accounting judgements and estimates include:

- the internal credit grading model that is applied to similar assets based on historical information, which assigns probabilities of default to groups of assets
- the criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.

It is the Kāinga Ora Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Kāinga Ora has considered the effect of COVID-19 won its ECLs. Given the conservative approach that the Kāinga Ora Group takes towards ECLs, it is not anticipated these will be more than normally expected.

4. Financial risk management objectives and policies

The Kāinga Ora Group's principal financial instruments, other than derivatives, comprise Crown loans, market bonds, commercial paper, cash and short-term deposits. These financial instruments are used to finance the Kāinga Ora Group's operations.

The Kāinga Ora Group's mortgage portfolio is managed in-house by Kāinga Ora and the processes of mitigating losses to the portfolio are monitored via monthly reports.

Derivative instruments include NZ Dollar interest rate swaps, which are used to manage interest rate risk arising from Crown floating rate borrowings.

The Kāinga Ora Group's other financial instruments are trade debtors and trade creditors arising directly from its operations.

The main risks arising from the Kāinga Ora Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks. They are summarised below.

(a) Interest rate risk

The Kāinga Ora Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations.

Management monitors interest rate levels on an ongoing basis and, when appropriate, will lock in fixed rates within Board-approved interest rate risk policy. Forward rate agreements, interest rate swaps and interest rate options are instruments available for use. During 2021 and 2022 interest rate swaps designated to hedge underlying debt obligations were the primary financial instrument used.

(b) Interest rate sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at 30 June 2022.

If interest rates had been 1 per cent higher or lower than the year-end market rate, the following table sets out movements in net surplus/(deficit) after tax for the year, and the equity balance (after tax adjustments) at 30 June 2022.

	2022 ($M)	2021 ($M)
Net surplus higher/(lower)		
Interest rates +1%	(9)	(8)
Interest rates – 1%	9	10
Equity higher/(lower)		
Interest rates +1%	6	13
Interest rates -1%	(6)	(13)

The difference in net surplus/(deficit) would arise as a consequence of changes in interest costs from variable rate debt from variable interest rates being 1% higher or lower (based on reference to the forward interest rate yield curve as at year end). The difference in equity would arise from the effect that a 1% higher or lower interest rate yield curve at year end would have on the fair value of derivative instruments designated as cash flow hedges.

(c) Foreign currency risk

The Kāinga Ora Group had no foreign currency borrowings during the year.

It is the Kāinga Ora Group's policy to mitigate foreign currency risks as they arise and not to enter into foreign exchange contracts until a firm commitment is in place. The Kāinga Ora Group does not apply hedge accounting for foreign exchange contracts.

(d) Credit risk

Credit risk is the risk that a third party will default on its obligations to the Kāinga Ora Group, resulting in a loss being incurred. Due to the timing of its cash inflows and outflows, surplus cash is invested only with Board-approved counterparties with a specified Standard & Poor's credit rating of A or better. Treasury Policy limits the amount of credit exposure to any one institution. Maximum credit exposure for the classes of financial instrument is primarily represented by the carrying amount of cash, investments, derivative financial assets, receivables and mortgage advances. There is no collateral held as security against these financial instruments.

Further, the Kāinga Ora Group has nil commitments to advance Housing Innovation Fund (HIF) loans (that are yet to be disbursed) to third parties (2021: $1.6 million). This commitment extends the potential maximum credit exposure. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 16.

Concentration of credit risk exists in relation to investments, but this risk is mitigated by the fact that the counterparties are Board-approved and have a high credit rating (refer to note 4(f). Other than this, no exposure to any material concentration of credit risk exists as the Kāinga Ora Group has only a small number of credit customers and has Treasury exposure only with the Crown and Board-approved counterparties with specified Standard & Poor's credit ratings.

All individuals/organisations are assessed for credit-worthiness and affordability before a mortgage is approved. In addition, receivable balances are monitored on an ongoing basis.

An impairment analysis is performed at each reporting date to measure expected credit losses. The impairment analysis is based on days past due for groupings of various customer segments with similar loss patterns. Where necessary, the calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 16.

Credit quality of financial assets not impaired or not yet due

The Kāinga Ora Group does not rate its individual debtors as it has a large number of customers with minimal debtor balance. The incidence of default on financial assets not impaired or not yet due is minimal. The Kāinga Ora Group has no other significant exposure to credit risk from financial assets not impaired or not yet due, nor has there been any renegotiation of terms on any of these assets.

(e) Liquidity risk

Liquidity risk is the risk that Kāinga Ora may encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. The Borrowing Protocol with the Crown allows Kāinga Ora to borrow a principal amount up to $8.3 billion from sources other than the Crown to deliver the increased level of redevelopment activities required to assist with the Government's social housing objectives.

Kāinga Ora has an unsecured bank overdraft facility of $10 million (2021: $10 million) with an interest rate of 5.98 per cent (2021: 3.37 per cent). In addition, Kāinga Ora has a $1 billion standby facility with The Treasury – Capital Markets.

The Kāinga Ora Group's policy is that not more than 25 per cent of borrowings should mature in any 12-month period. As at 30 June 2022, 7.11 per cent of the Kāinga Ora Group's debt will mature in less than one year (2021: 6.22 per cent).

Discounted cash flows include principal and interest only. Undiscounted cash flows include principal amounts only.

As at 30 June 2022 the contractual maturity (discounted cash flow) of the Kāinga Ora Group's financial liabilities was as follows:

	0-1 years ($M)	1-2 years ($M)	2-3 years ($M)	3-5 years ($M)	5+ years ($M)	Total ($M)
At 30 June 2022						
Crown loans – floating interest rate	216	423	169	521	424	1,753
Crown loans – fixed interest rate	–	–	–	95	136	231
Market bonds	300	–	1,725	1,240	4,260	7,525
Commercial paper	170	–	–	–	–	170
Interest rate derivatives – net settled	3	4	3	3	4	17
Total	**689**	**427**	**1,897**	**1,859**	**4,824**	**9,696**

	0-1 years ($M)	1-2 years ($M)	2-3 years ($M)	3-5 years ($M)	5+ years ($M)	Total ($M)
At 30 June 2021						
Crown loans – floating interest rate	313	216	323	299	722	1,873
Crown loans – fixed interest rate	–	–	–	–	112	112
Market bonds	–	300	–	1,375	3,631	5,306
Commercial paper	150	–	–	–	–	150
Total	**463**	**516**	**323**	**1,674**	**4,465**	**7,441**

As at 30 June 2022 the contractual maturity (undiscounted cash flow) of the Kāinga Ora Group's financial liabilities is as follows:

	0-1 years ($M)	1-2 years ($M)	2-3 years ($M)	3-5 years ($M)	5+ years ($M)	Total ($M)
At 30 June 2022						
Crown loans – floating interest rate	287	485	215	583	473	2,043
Crown loans – fixed interest rate	8	8	8	110	157	291
Market bonds	479	171	1,895	1,500	4,513	8,558
Commercial paper	170	–	–	–	–	170
Accounts payable and other liabilities	301	–	–	–	–	301
Interest rate derivatives – net settled	6	5	3	4	4	22
Total	**1,251**	**669**	**2,121**	**2,197**	**5,147**	**11,363**

	0-1 years ($M)	1-2 years ($M)	2-3 years ($M)	3-5 years ($M)	5+ years ($M)	Total ($M)
At 30 June 2021						
Crown loans – floating interest rate	4	4	6	21	440	475
Crown loans – fixed interest rate	2	2	2	4	35	45
Market bonds	77	78	78	156	1,273	1,662
Commercial paper	–	–	–	–	–	–
Accounts payable and other liabilities	210	–	–	–	–	210
Interest rate derivatives – net settled	34	19	11	2	–	66
Total	**327**	**103**	**97**	**183**	**1,748**	**2,458**

The Kāinga Ora Group does not consider the discounted cash flow in relation to short-term liabilities to be material for disclosure purposes.

(f) Concentration of risk

The Kāinga Ora Group has substantial deposits with six different banks that total $1,126 million (2021: $1,196 million with seven different banks).

		2022		2021	
		0-1 years ($M)	Credit rating S&P	0-1 years ($M)	Credit rating S&P
ANZNB	ANZ National Bank Limited	230	AA	247	AA-
ASB	ASB Bank	230	AA	230	AA-
BNZW	Bank of New Zealand Ltd	285	AA	260	AA
KIWIBANK	Kiwibank Limited	56	A	74	A
MUFG	MUFG Bank Ltd	55	A	90	A
WBCW	Westpac Banking Corporation	270	AA	245	AA
BOCNZ	Bank of China	–	–	50	A
		1,126		**1,196**	

(g) Ageing of receivables and loans

(i) Expected credit losses – debtors

	Neither past due or impaired ($M)	Past due but not impaired 0-30 days ($M)	Past due vacated impaired 0-30 days ($M)	Impaired 30 days plus ($M)	Total ($M)
At 30 June 2022					
Rent	15	6	–	13	34
Damages	–	–	–	2	2
Other receivables	290	–	–	–	290
Expected credit loss rate	–	–	100%	100%	–
Expected credit loss	–	–	–	(15)	(15)
Total	**305**	**6**	**–**	**–**	**311**
At 30 June 2021					
Rent	11	3	–	7	21
Damages	–	–	–	3	3
Other receivables	122	–	–	1	123
Expected credit loss rate	–	–	100%	100%	–
Expected credit loss	–	–	–	(11)	(11)
Total	**133**	**3**	**–**	**–**	**136**

(ii) Expected credit losses – mortgage advances

	Neither past due or impaired ($M)	Past due but not impaired 0-30 days ($M)	Past due vacated impaired 0-30 days ($M)	Impaired 30 days plus ($M)	Total ($M)
At 30 June 2022					
Other mortgage advances	12	1	–	4	17
Expected credit loss	–	–	–	(2)	(2)
Total	**12**	**1**	**–**	**2**	**15**
At 30 June 2021					
Other mortgage advances	17	1	–	2	20
Expected credit loss	–	–	–	(2)	(2)
Total	**17**	**1**	**–**	**–**	**18**

(h) Fair value hierarchy

The Kāinga Ora Group uses various methods in estimating the fair value of its financial instruments.

Depending on the inputs used in these methods, a financial instrument measured at fair value is categorised as one of the following levels:

Level 1 the fair value is calculated using quoted prices in active markets

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments, as well as the methods used to estimate the fair value, is summarised in the table below. No Level 1 or 3 financial instruments are held at 30 June 2022 (2021: nil).

	30 June 2022 Valuation technique – market observable inputs (Level 2) ($M)	30 June 2021 Valuation technique – market observable inputs (Level 2) ($M)
Financial assets		
Securities	–	100
Registered Certificate of Deposit	364	295
Enhanced Rate Certificate of Deposit	210	–
New Zealand Government Bond	198	50
Interest rate swaps – in hedge relationships	5	29
Corporate Bond	34	95
Total financial assets	**811**	**569**
Financial liabilities		
Interest rate derivatives	22	58
Total financial liabilities	**22**	**58**

Quoted market price represents the fair value determined based on prices quoted on active markets as at the reporting date without any deduction for transaction costs.

For financial instruments not quoted in active markets, the Kāinga Ora Group uses valuation techniques such as present value techniques, comparison with similar market observable prices that exist, and other relevant models used by market participants. These include observable market inputs.

Kāinga Ora Group financial instruments revalued to fair value have been deemed to be Level 2.

For all other financial assets and liabilities, except for mortgages and investments, the fair value equates to carrying value.

(i) Capital management

The Kāinga Ora Group's capital is in equity, which comprises accumulated funds contributed by the Crown, retained earnings, revaluation reserves and hedging reserves. Equity is represented by net assets.

The Kāinga Ora Group is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing of guarantees and indemnities, and the use of derivatives.

The Kāinga Ora Group has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

The Kāinga Ora Group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure it effectively achieves its objectives and purpose while remaining a going concern.

There has been no change in the Kāinga Ora Group's capital management during the year.

5. Revenue

(a) Interest income and expense

	2022 ($M)	2021 ($M)
Interest income		
Interest on temporary investments and bank accounts	20	24
Interest on mortgage advances	1	1
Total interest income	**21**	**25**
Interest expense		
Interest on short-term borrowing	22	11
Interest on long-term borrowing	137	105
Interest on derivatives	44	46
Total interest expense	**203**	**162**

(b) Crown appropriation income

	2022 ($M)	2021 ($M)
KiwiSaver deposit subsidy/HomeStart	39	80
Other housing-related appropriations	62	19
KiwiBuild appropriations	6	16
Total Crown appropriation income	**107**	**115**

Total Crown appropriations were $115 million (2021: $122 million); however, $8 million (2021: $7 million) has been classified as 'Crown appropriation premium receipts' in note 5(c) below.

(c) Mortgage Insurance Scheme (MIS) revenue

	2022 ($M)	2021 ($M)
Third-party premium receipts	3	5
Crown appropriation premium receipts	8	7
Premium revenue deferred and actuarial (increase)/decrease in premium reserve	–	–
Recognised insurance premium revenue	**11**	**12**
Claims expense	–	1
Net surplus/(deficit) for MIS	**11**	**13**

(d) Other revenue

	2022 ($M)	2021 ($M)
Management fees from related parties	2	2
Release of Housing Innovation Fund (HIF) impairment	1	–
Other revenue	2	3
Total other revenue	**5**	**5**

6. Expenses

(a) Depreciation and amortisation

	2022 ($M)	2021 ($M)
Depreciation – rental properties	389	323
Depreciation – other property, plant and equipment	15	11
Amortisation of intangible assets	3	3
Total depreciation and amortisation	**407**	**337**

(b) People costs

	2022 ($M)	2021 ($M)
Wages and salaries	271	182
Employee benefits	23	18
Other personnel costs	2	1
Total people costs	**296**	**201**

(c) Other expenses

	2022 ($M)	2021 ($M)
Professional services*	73	64
Other	37	21
Computer costs and software maintenance fees	32	21
Insurance	23	20
Other property-related costs	14	11
Property acquisition and development costs	12	26
Travel costs	4	6
Total other expenses	**195**	**169**

* Professional services expenditure is a combination of outsourced business activities (including costs associated with the delivery of new properties), and business improvement activities.

(d) Included in other expenses are the following fees paid to external auditors

	2022 ($M)	2021 ($M)
(i) Amount paid or payable to Ernst & Young (acting on behalf of the Auditor-General) for:		
– Auditing the financial report of the entity and any other entity in the Kāinga Ora Group	0.81	0.72
(ii) Other assurance services*	–	0.21
Total amounts paid or payable to the auditors	**0.81**	**0.93**

* Amounts paid to Ernst & Young in 2021 related to other professional services in connection with the Holiday Pay Quality Assurance Process.

(e) Grants

	2022 ($M)	2021 ($M)
KiwiSaver deposit/First Home Grants	38	80
Total grant expenses	**38**	**80**

(f) Realised losses on sales, write-off and impairment of assets

	2022 ($M)	2021 ($M)
Assets impairment, write-off/demolition	(102)	(86)
Impairment of property under development	(91)	(62)
Gain/(loss) on asset sales	(5)	7
Total realised gains/(losses) on sales, write-off and impairment of assets	**(198)**	**(141)**

The large-scale developments will enable up to 37,000 new homes over the life of the projects. Through these large-scale developments, Kāinga Ora is seeing benefits extending to other builders and residents in the wider neighbourhood by the investment in improved infrastructure and amenities serving the wider community. The investment in these large-scale projects, particularly in infrastructure, is helping future-proof these areas and will ensure that the provision of homes can continue at pace.

7. Income tax

The major components of income tax expense for the year were:

(a) Income tax expense/(benefit)

	2022 ($M)	2021 ($M)
Net surplus/(deficit)		
Current income tax	76	99
Prior period adjustments	(10)	13
Deferred income tax relating to temporary differences	4	(60)
Income tax expense/(benefit) reported in net surplus/(deficit)	**70**	**52**
Statement of changes in equity		
Deferred income tax		
Net change in deferred tax due to revaluation of buildings	(86)	423
Net change in deferred tax due to hedged financial derivatives from The Treasury – Capital Markets	16	16
Income tax expense/(benefit) reported in other comprehensive revenue and expense	**(70)**	**439**

The reconciliation between the tax expense recognised in the net surplus/(deficit) for the year and tax expense calculated on pre-tax accounting profit at the statutory rate is:

	2022 ($M)	2021 ($M)
Accounting surplus/(deficit) before tax from continuing operations	**(274)**	**(101)**
Taxation at the statutory income tax rate of 28%	(77)	(28)
Plus tax effect of:		
Permanent/temporary differences		
Non-deductible expenses	39	55
Deferred tax adjustments in relation to disposal of rental properties	17	12
Other	99	2
Non-deductible losses on disposal of rental properties	2	(2)
Prior period adjustments	(10)	13
Income tax expense/(benefit) reported in net surplus/(deficit)	**70**	**52**

Income tax expense/(benefit) reported in net surplus/(deficit) is at an effective rate of 26 per cent (2021: 51 per cent).

(b) Current income tax liability

	2022 ($M)	2021 ($M)
Net current tax liability/(asset) at 1 July	22	–
Current year tax charge to net surplus/(deficit)	76	99
Prior period adjustment	(16)	13
Income tax paid	(109)	(90)
Income tax credits sold through pooling account	21	–
Net current tax liability/(asset) at 30 June	**(6)**	**22**

(c) The net deferred tax liability relates to the following:

	2022 ($M)	2021 ($M)
Deferred tax liabilities		
Rental property building revaluations	2,442	2,520
Other property, plant and equipment	20	6
Other differences relating to other property improvements	89	83
Gross deferred tax liabilities	**2,551**	**2,609**
Deferred tax assets		
Provisions – employee entitlements	(10)	(7)
Provisions – other	(31)	(16)
Financial derivatives	–	(16)
Gross deferred tax assets	**(41)**	**(39)**
Net deferred tax liability	**2,510**	**2,570**

The net deferred tax liability movements were:

	2022 ($M)	2021 ($M)
Net deferred tax liability/(asset) at 1 July	2,570	2,192
Recognised through other comprehensive revenue and expense:		
Rental property building revaluations	(86)	423
Financial derivatives	16	16
Recognised through net surplus/(deficit):		
Disposal of other properties business as usual (BAU) – reversal of deferred tax on cost	(2)	–
Deferred tax on temporary differences	7	(60)
Prior period adjustment	5	(1)
Net deferred tax liability/(asset) at 30 June	**2,510**	**2,570**

(d) Imputation credits

	2022 ($M)	2021 ($M)
Imputation credits available for use in subsequent reporting periods	**1,328**	**1,262**

8. Cash and cash equivalents

	2022 ($M)	2021 ($M)
Cash at bank	114	78
Term deposits	60	55
Securities	–	100
Total cash and cash equivalents	**174**	**233**

Cash and cash equivalents, other than term deposits, represent cash available for working capital purposes. Term deposits are deposits with original maturities of three months or less and include funds restricted for payments of MIS claims of $26 million (2021: $31 million).

Cash at bank earns interest at floating rates of 2.05 per cent (2021: 0.05 per cent) on the deposits.

The weighted average effective interest rate for term deposits and securities at 30 June was 0.63 per cent (2021: 0.46 per cent) with a term of up to three months.

9. Investments

	2022 ($M)	2021 ($M)
Short-term investment on money market	1,175	1,111
Long-term investment on money market	24	25
Total investments on money market	**1,199**	**1,136**

Bank-registered certificates of deposit, and short- and long-term investments are funds which have been set aside to support the provisions relating to the Housing Innovation Fund (HIF), sold mortgage loans, the Mortgage Insurance Scheme and funds not required for meeting obligations over the next three months.

10. Receivables and prepayments

(a) Receivables from non-exchange transactions

	2022 ($M)	2021 ($M)
Rental debtors	36	24
Expected credit losses	(15)	(10)
Subtotal	**21**	**14**
Other receivables	7	1
Total receivables from non-exchange transactions	**28**	**15**

A loss of $15 million (2021: $10 million) relating to the credit risk associated with rental debtors and the recovery of the cost of damages has been recognised at year-end.

Non-exchange other receivables relate to funds owing from the Ministry of Social Development. These debtors are all current.

(b) Receivables from exchange transactions

	2022 ($M)	2021 ($M)
Current receivables from exchange transactions		
Interest receivable	39	7
Receivable from related parties	15	7
Other receivables	101	69
Land development activity debtors	128	39
Expected credit losses	–	(1)
Total receivables from exchange transactions	**283**	**121**

All interest receivables (The Treasury – Capital Markets) relate to interest rate swaps. These receivables are all current and it has been assessed that no material impairment of these debtors is required.

Other receivables relate mostly to land transactions. These have been assessed and impairment for expected credit losses has been applied to the balance.

(c) Expected credit losses – from non-exchange transactions

	Neither past due nor impaired ($M)	Past due but not impaired 0-30 days ($M)	Past due vacated impaired 0-30 days ($M)	Impaired 30 days plus ($M)	Total ($M)
At 30 June 2022					
Rent	15	6	–	13	34
Damages	–	–	–	2	2
Estimated total gross carrying amount at default	**15**	**6**	**–**	**15**	**36**
Expected credit loss rate	–	–	100%	100%	–
Expected credit loss	–	–	–	(15)	(15)
Total	**15**	**6**	**–**	**–**	**21**

(d) Prepayments

As at 30 June 2022 prepayments amounted to $39 million (2021: $29 million).

11. Properties under development

	2022 ($M)	2021 ($M)
Current		
Properties under development	141	7
Non-current		
Properties under development	363	358
Total properties under development	**504**	**365**

Properties under development held by the Kāinga Ora Group are recognised as non-current assets unless they are likely to be sold within one year. In the current year, properties under development have been written down by $91 million (2021: $62 million), to reflect the fact that they are valued at net realisable value.

12. Other assets

(a) Mortgage advances

	2022 ($M)	2021 ($M)
Non-current mortgage advances	17	20
Expected credit losses	(2)	(2)
Total net mortgage advances	**15**	**18**

These loans consist of HIF loans of $8 million (2021: $10 million) and historical loan products such as general and residual lending of $7 million (2021: $8 million). Maturity periods of the mortgages range from 1 to 25 years.

Borrowers may settle loans at any time; however, expected cash flows, based on contractual maturity dates, are as follows:

	Weighted average interest rate (all loans) 2022 (%)	Weighted average interest rate (excl 0% loans) 2022 (%)	2022 ($M)	Weighted average interest rate (all loans) 2021 (%)	Weighted average interest rate (excl 0% loans) 2021 (%)	2021 ($M)
Up to 1 year	–	–	–	–	–	–
1 to 5 years	4.41	4.49	2	4.26	4.46	2
Over 5 years	3.67	4.29	15	3.63	4.38	18
Total weighted average	**3.81**	**4.33**	**17**	**3.71**	**4.60**	**20**

Interest rates on mortgages range from 0.00 per cent to 7.45 per cent (2021: 0.00 to 7.85 per cent). The mortgages on land and improvement assets and deeds are held as security against these loans. For the purposes of allocating the net mortgage balance between current and non-current, all of the allowance for expected credit losses is assumed to relate to the non-current mortgages.

Housing Innovation Fund mortgage advances

At 30 June 2022 the HIF mortgage advances are recognised at fair value on inception. The fair value is calculated as the present value of the estimated future cash flows, discounted at the effective interest rate. In subsequent years the discount unwind for each loan is recognised in the net surplus/(deficit).

At the end of the financial year, the total fair value of HIF mortgage advances was $8 million (2021: $10 million).

(b) Expected credit losses (general approach)

	Neither past due or impaired ($M)	Past due but not impaired 0-60 days ($M)	Past due but not impaired 60-90 days ($M)	Impaired 90 days plus ($M)	Total ($M)
As at 30 June 2022					
Mortgage advances					
Expected credit loss rate	0%	0%	0%	100%	–
Estimated total gross carrying amount at default	12	1	–	4	17
Expected credit loss	–	–	–	(2)	(2)
Total mortgage advances impaired as at 30 June 2022	**12**	**1**	**–**	**2**	**15**
As at 30 June 2021					
Expected credit loss rate	–	–	–	100%	–
Estimated total gross carrying amount at default	17	1	–	2	20
Expected credit loss	–	–	–	(2)	(2)
Total mortgage advances impaired as at 30 June 2021	**17**	**1**	**–**	**–**	**18**

Kāinga Ora monitors the credit risk of the counterparties to determine if the credit risk has changed since initial adoption. Indicators of a significant change in credit risk include actual or expected changes in:

- performance and behaviour of the borrower (for example, an increase in the number or extent of delayed contractual payments)
- business, financial or economic conditions that could change the borrower's ability to meet its debt obligations (for example, increases in interest rates or changes in unemployment rates)
- loan documentation including breaches of contract that may lead to covenant waivers or interest payment holidays, interest step-ups or additional collateral required
- past due information of debtors.

The presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due has been rebutted, and therefore the 12-month ECL model has been applied. Loan arrears that are over 90 days are reviewed for impairment but are not automatically treated as impaired or provided for.

Movements in provision for expected credit losses of mortgage advances

	2022 ($M)	2021 ($M)
At 1 July 2021	(6)	(4)
Provision for expected credit losses	(2)	(2)
Write-off	–	–
Balance at 30 June 2022	**(8)**	**(6)**

(c) Intangible assets

	Software external ($M)	Software internal ($M)	Work in progress ($M)	Total ($M)
Year ended 30 June 2022				
At 1 July 2021, net of accumulated amortisation	**8**	**5**	**14**	**27**
Additions	–	–	6	6
Capitalised from work in progress	–	20	(20)	–
Impairment	–	(8)	–	(8)
Amortisation for the year	–	(3)	–	(3)
At 30 June 2022, net of accumulated amortisation	**8**	**14**	**–**	**22**
Year ended 30 June 2021				
At 1 July 2020, net of accumulated amortisation	**8**	**5**	**3**	**16**
Additions	–	–	14	14
Capitalised from projects work in progress	–	3	(3)	–
Amortisation for the year	–	(3)	–	(3)
At 30 June 2021, net of accumulated amortisation	**8**	**5**	**14**	**27**

Intangible assets are tested for impairment where an indicator of impairment arises. There was $8 million impairment write-down charged to the net surplus/(deficit) for the year (2021: nil).

External software is purchased from a third party and is usually implemented as an 'off the shelf' product. Internally generated software is developed for specific applications.

Work in progress additions includes other intangibles as well as software.

13. Property, plant and equipment

Revaluation cost

	Rental properties operating assets			Other property, plant and equipment						
	Freehold land ($M)	Rental properties ($M)	Capital work in progress* ($M)	Service concession properties ($M)	First Home Partner properties ($M)	Leasehold improvements ($M)	Furniture and fittings ($M)	Computer equipment ($M)	Vehicles ($M)	Total property plant and equipment ($M)
Year ended 30 June 2022										
At 1 July 2021, revaluation cost	**23,537**	**13,424**	**1,508**	**496**	**–**	**58**	**25**	**67**	**11**	**39,126**
Additions/Adjustment	1	34	2,203	–	6	–	2	9	16	2,271
Transfer to Service Concession	(2)	(1)	–	3	–	–	–	–	–	–
Capitalisation to PPE	368	1,102	(1,471)	8	–	–	–	–	–	7
Disposals	(25)	(66)	–	–	–	–	–	–	–	(91)
Revaluations	6,124	(445)	(110)	51	–	–	–	–	–	5,620
Transfer from PPE to properties under development	(87)	–	(84)	–	–	–	–	–	–	(171)
Transfer from PPE to properties held for sale	(8)	4	–	–	–	–	–	–	–	(4)
At 30 June 2022, revaluation cost	**29,908**	**14,052**	**2,046**	**558**	**6**	**58**	**27**	**76**	**27**	**46,758**
Year ended 30 June 2021										
At 1 July 2020, revaluation cost	**18,363**	**11,184**	**1,215**	**–**	**–**	**50**	**20**	**53**	**5**	**30,890**
Additions	(8)	22	1,815	–	–	8	5	14	6	1,862
Transfer to Service Concession	(192)	(190)		382	–	–	–	–	–	–
Capitalisation to PPE	257	1,234	(1,492)	1	–	–	–	–	–	–
Disposals	(12)	(80)	–	–	–	–	–	–	–	(92)
Revaluations	5,268	1,254	–	113	–	–	–	–	–	6,636
Transfer from PPE to properties under development	(105)	–	(30)	–	–	–	–	–	–	(135)
Transfer from PPE to properties held for sale	(34)	–	–	–	–	–	–	–	–	(34)
At 30 June 2021, revaluation cost	**23,537**	**13,424**	**1,508**	**496**	**–**	**58**	**25**	**67**	**11**	**39,127**

Accumulated depreciation

	Rental properties operating assets			Other property, plant and equipment						
	Freehold land ($M)	Rental properties ($M)	Capital work in progress* ($M)	Service concession properties ($M)	First Home Partner properties ($M)	Leasehold improvements ($M)	Furniture and fittings ($M)	Computer equipment ($M)	Vehicles ($M)	Total property plant and equipment ($M)
Year ended 30 June 2022										
At 1 July 2021, accumulated depreciation	**–**	**167**	**–**	**2**	**–**	**32**	**15**	**41**	**2**	**259**
Transfer to Service Concession	–	–	–	–	–	–	–	–	–	–
Disposals	–	(3)	–	–	–	–	–	–	–	(3)
Depreciation charge for the year	–	382	–	6	–	3	1	7	3	402
Revaluation write-back	–	(328)	–	(5)	–	–	–	–	–	(333)
At 30 June 2022, accumulated depreciation	**–**	**218**	**–**	**3**	**–**	**35**	**16**	**48**	**5**	**325**
Year ended 30 June 2021										
At 1 July 2020, accumulated depreciation	**–**	**126**	**–**	**–**	**–**	**29**	**14**	**35**	**1**	**205**
Transfer to Service Concession	–	(2)	–	2	–	–	–	–	–	–
Disposals	–	(4)	–	–	–	–	–	–	–	(4)
Depreciation charge for the year	–	318	–	5	–	3	1	6	1	334
Revaluation write-back	–	(271)	–	(5)	–	–	–	–	–	(276)
At 30 June 2021, accumulated depreciation	**–**	**167**	**–**	**2**	**–**	**32**	**15**	**41**	**2**	**259**
Net book value 2022	**29,908**	**13,834**	**2,046**	**555**	**6**	**23**	**11**	**28**	**22**	**46,433**
Net book value 2021	**23,537**	**13,257**	**1,508**	**494**	**–**	**26**	**10**	**26**	**9**	**38,868**

* Capital work in progress additions/(disposals) are shown net of costs capitalised to freehold land and rental properties during the year.

Service concession properties

Kāinga Ora entered into a service concession arrangement with Te Āhuru Mōwai (TAM) to carry out tenancy management and maintenance of 921 (2021: 902) Kāinga Ora properties in Western Porirua from 3 October 2020 for a period of 25 years.

TAM will earn revenue from the rental collected for these properties and on expiry of the agreement TAM will have the option to purchase these properties. If the option to purchase is not exercised by TAM, Kāinga Ora will retain the properties.

First Home Partner properties

On 5 October 2021, the First Home Partner product was formally released to the public. This product offers households a means of attaining home ownership through a shared ownership model with Kāinga Ora. Kāinga Ora provides an equity stake in these properties with the maximum contribution being the lesser of 25 per cent of the purchase price or $200,000. The fair values of these properties are revised quarterly using data provided by Valocity, with the most recent valuation date of 31 May 2022.

These properties are treated as property, plant and equipment per PBE IPSAS 17 – *Property, Plant and Equipment*. The net book value of these properties was $6 million at 30 June 2022 (2021: nil).

Disposals represent the purchase of equity shares by First Home Partner participants. First Home Partner participants purchased $0.01 million of equity from Kāinga Ora in 2022.

As Kāinga Ora is not responsible for the day-to-day maintenance or upkeep of the properties, no depreciation is charged.

Details regarding the rights and obligations of the First Home Partner scheme can be found at: https://kaingaora.govt.nz/home-ownership/first-home-partner/

Valuation

Freehold land and rental properties in the portfolio were revalued as at 30 June 2022 at fair value in accordance with PBE IPSAS 17 *Property, Plant and Equipment*. The valuation was performed by Quotable Value New Zealand, a company employing registered and qualified valuers, with the principal registered valuer for the valuation being Andrew F Parkyn (B Com (VPM), PG Dip Com, SPINZ, ANZIV).

In conducting the current year valuation, the valuer has taken into consideration the effects of COVID-19 on the value of property, plant and equipment. The valuer noted in their report that sufficient market information existed at 30 June 2022 to allow for a similar process as used in prior years to be followed and that there was little if any noticeable change in prices being achieved at sale.

The total gross amount of the valuation, excluding properties held for sale, and excluding selling and other costs, was $43,742 million (2021: $36,794 million).

Right of first refusal for sale of surplus Kāinga Ora land

Treaty settlement legislation has granted rights of first refusal (RFR) over some of the Kāinga Ora Group's properties. RFR restricts the disposal of properties and gives the relevant iwi/hapū (RFR holder) the right to purchase properties first, before they can be disposed of to anyone else. Previously, the Board (or in some cases, the Minister) could override the RFR if the disposal was to achieve any of the Crown's social objectives in relation to housing (commonly known as social housing exemption).

The Kāinga Ora–Homes and Communities Act 2019 (2019 Act) created the Kāinga Ora Group. The RFR obligations owed by Housing New Zealand passed to Kāinga Ora. New obligations owed to Māori include engaging with Māori, upholding the Treaty of Waitangi and its principles, understanding Māori perspectives and recognising and providing for the relationship of Māori with their lands. As a result, section 20 of the 2019 Act prohibits Kāinga Ora from exercising the social housing exemption.

Furthermore, with the passing of the Urban Development Act 2020, the RFR obligation has been expanded so that, where Kāinga Ora is to initiate, facilitate or undertake an urban development project on RFR land, Kāinga Ora must offer the RFR holder the opportunity to undertake the development on specified terms and obtain the agreement of the RFR holder for the development being undertaken. The RFR holder may either agree to undertake the development themselves or agree for someone else (including Kāinga Ora) to do it. The RFR obligation does not apply to maintaining or upgrading Kāinga Ora housing, or a project that is only to develop or redevelop public housing on land owned by Kāinga Ora.

The broader RFR obligation targets commercial (market) and/or affordable housing being developed on RFR land.

If the RFR land is also former Māori land a new urban development obligation owed to Māori arises in respect to a new category of land – being former Māori land. In much the same way as the development of RFR land by Kāinga Ora requires the RFR holder participation and agreement, similarly, former Māori land owners or the hapū associated with the land must be engaged with so that the land is offered for sale back to them or the land is retained and their aspirations incorporated into any development.

The following Acts grant RFR over various Kāinga Ora Group properties:

- Waikato Raupatu Claims Settlement Act 1995
- Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009
- Ngāti Porou Claims Settlement Act 2012
- Ngāti Toa Rangatira Claims Settlement Act 2014
- Raukawa Claims Settlement Act 2014
- Ngāti Kōata, Ngāti Rārua, Ngāti Tama ki Te Tau Ihu, and Te Ātiawa o Te Waka-a-Māui Claims Settlement Act 2014
- Ngāti Apa ki te Rā Tō, Ngāti Kuia, and Rangitāne o Wairau Claims Settlement Act 2014
- Ngāti Kuri Claims Settlement Act 2015
- Ngāi Takoto Claims Settlement Act 2015
- Te Rarawa Claims Settlement Act 2015
- Te Aupouri Claims Settlement Act 2015
- Iwi and Hapū of Te Rohe o Te Wairoa Claims Settlement Act 2018
- Ngāti Rangi Claims Settlement Act 2019
- Ngāti Hinerangi Claims Settlement Act 2021.

Provided the Treaty settlement negotiations with the Crown include RFR legislation acceptable to the Kāinga Ora Group Board, RFR over Kāinga Ora Group properties will be granted to the following iwi:

- Ngāti Ranginui (Tauranga)
- Te Tira Whakaemi (Wairoa)
- Hauraki Collective (Thames, Coromandel)
- Ngāti Maru (Taranaki)
- Ngāti Maniapoto (Waikato–Waitomo)
- Te Korowai O Wainuiārua (Central Whanganui)
- Whanganui Lands (Lower Whanganui)
- Ngāti Hauā (Upper Whanganui)
- Ngati Ruapani (Waikaremoana).

The Crown signed a Deed of Settlement with Ngāti Tūrangitukua in 1998 and agreed that a Deed be signed with the Kāinga Ora Group defining the terms and conditions of an RFR over Kāinga Ora Group properties in Tūrangi. The form of the Deed has yet to be agreed. Properties subject to the RFR are being offered for sale.

Discussions with other iwi interested in securing a similar RFR will proceed along similar lines.

14. Accounts payable and other liabilities

	2022 ($M)	2021 ($M)
Project and maintenance accruals	85	79
Provision for future development costs	82	41
Interest payable	80	33
Accounts payable	62	28
Employee provisions	38	29
Other payables and accruals	35	32
Rent received in advance	30	29
Rates accrual	9	9
Total accounts payable and other liabilities	**421**	**280**

(a) Provision for future development costs

The additional provisions recognised are those costs estimated as required to complete the development process associated with those properties that have been sold to 30 June 2022. The increase in estimates relates to the effect of applying revised estimates to those amounts previously provided for in prior years that still remain at the latest balance date and those additional amounts relating to current year sales.

In the year to 30 June 2022 an additional provision of $41 million was made based on estimates provided by Kāinga Ora management (2021: $33 million).

(b) Mortgage guarantee provision

In July 2021 Westpac closed off any obligation for the 1996, 1998 and 1999 loans, and absolved Kāinga Ora and the Crown of any future legal obligation to indemnify Westpac in respect of these loans.

(c) Employee leave provision

Employee leave provision is made up of outstanding employee benefits including wages and salaries, annual leave, and long-service leave. They are measured as the amounts expected to be paid when the liabilities are settled. A provision for outstanding employee benefits expected to be settled within 12 months of the balance date is recognised as a current liability at 30 June 2022. Long-service leave, where entitlements are not vested at balance date, is treated as a non-current liability.

15. Mortgage Insurance Scheme (MIS)

The Kāinga Ora Group provides mortgage insurance to 13 (2021: 11) commercial lenders for loans issued under the First Home Loans scheme. The insurance premium is 2.2 per cent of the loan value, of which 1.0 per cent is paid by the borrower and 1.2 per cent by the Government. The total value of amounts originally lent, and which remained insured under the scheme at 30 June, was $1,529 million (2021: $1,787 million).

The MIS was assessed at 30 June 2022 by an independent actuary to ensure that the mortgage insurance liability is sufficient to cover any future claims. The outstanding claims liability is determined at that point and is factored into determining the total insurance liability.

The actuarial assessment of the MIS insurance liability was made as at 30 June 2022 using data provided as at 31 May 2022 by Jeremy Holmes of Melville Jessup Weaver, Fellow of the New Zealand Society of Actuaries.

The assessment reports comply with professional standards applicable to actuarial reports on technical liabilities for general insurance operation and requirements of PBE IFRS 4 *Insurance Contracts*. The actuaries have expressed their satisfaction as to the nature, sufficiency and accuracy of the data used to perform the actuarial valuation of the scheme.

The insured underlying loans have a maturity period of between 9 and 30 years. The cash flows relating to the claims are expected to fall mainly in the first 7 years of the insured loans; however, there is a degree of uncertainty as to the exact timing (see note 15(b) for estimated timing of future cash outflows).

(a) Reconciliation of MIS unearned premium reserve

	2022 ($M)	2021 ($M)
MIS unearned premium reserve at 1 July	30	31
Premiums written (to reserve)	7	10
Premiums released (to profit)	(12)	(9)
Insurance claims paid out	–	–
Actuarially assessed increase/(decrease) in premium reserve	1	(2)
MIS unearned premium reserve at 30 June 2022	**25**	**30**

(b) Estimated timing of net cash outflows

The following shows the estimate of timing of net cash outflows arising from claims:

	2022 ($M)	2021 ($M)
0–1 year	–*	1
1–2 years	–*	–*
2–3 years	–*	–*
3–4 years	–*	–*
4–6 years	–*	–*
6+ years	–*	–*
Total estimated liability	**–***	**1**

* Below $500,000

(c) Mortgage insurance risk

The principal risk under insurance contracts is that the actual timing of claims and claims payment differs from expectations. This is influenced by the frequency of claims, severity of claims, actual claims paid and subsequent development of long-term claims. Claims frequencies and sizes could be significantly impacted by any of the following:

- a downturn in the New Zealand housing market
- a change in interest rates
- an increase in unemployment.

The objective of the Kāinga Ora Group is to ensure that sufficient reserves are available to cover these liabilities and it has set aside funds specifically to support its insurance liability obligations (refer to note 16). The present value of the estimated future claims is invested in short-term bank securities in accordance with Board-approved Kāinga Ora Treasury Policies.

The Kāinga Ora Group does not reinsure its risk through third parties. The risk exposure is mitigated by the insured lending agencies establishing and actively maintaining prudent lending standards through their credit policies and procedures established for the product. Claims analysis allows periodic adjustments to the credit policy to lower the risk. The Kāinga Ora Group is working closely with the lending organisations to proactively manage mortgage holders, with the intention to minimise mortgage failure and subsequent insurance claims from the lending institutions. Cases that are under management are reviewed closely and regularly by both the lender and the Kāinga Ora – Homes and Communities Financial Products Unit team.

Although approximately 66 per cent of the original value of settled loans as at 30 June 2022 (2021: 70 per cent) is with two banks, Kiwibank and the Southland Building Society, there is no material concentration of risk at individual mortgage holder level.

(d) Sensitivity analysis

The actuarial assessment of the MIS includes an assessment of the sensitivity of the valuation to changes in the valuation assumptions.

This is completed separately for the assessment of unearned premiums, and the assessment of claims risk, which collectively make up the unearned premium/claims reserve balance, summarised in the tables below.

Sensitivity analysis – Premium liabilities as at 30 June 2022

	Discounted central estimate ($000)	Risk margin ($000)	Premium liabilities ($000)	Difference from baseline ($000)
Baseline	306	149	455	
Unemployment rate projections				
+1 percentage point	357	169	526	+71
-1 percentage point	242	134	376	-80
Housing inflation				
+10 percentage-point shock	226	118	344	-111
-10 percentage-point shock	400	173	573	+117
Interest discount rates				
+1 percentage point	297	145	442	-13
-1 percentage point	315	154	469	+14

Sensitivity analysis – Premium liabilities as at 30 June 2021

	Probability of adequacy (%)	Discounted central estimate ($000)	Risk margin ($000)	Outstanding claims liabilities ($000)
Baseline	75%	381	172	553
Risk margin				
85% probability of adequacy	85%	381	288	669
95% probability of adequacy	95%	381	509	891
Unemployment rate projections				
+1 percentage point	75%	469	194	663
-1 percentage point	75%	315	141	457
Housing inflation				
+1 percentage point	75%	346	143	489
-1 percentage point	75%	430	198	628
Repayment probability assumptions				
+10 percentage point	75%	316	142	457
-10 percentage point	75%	465	197	663
Default probability assumptions				
+0.1 percentage point	75%	750	302	1,052
-0.1 percentage point	75%	145	78	223
Mortgage fees				
+10 percentage point	75%	399	182	581
-10 percentage point	75%	375	173	548
Sale price to loan value ratio				
+10 percentage point	75%	499	206	705
-10 percentage point	75%	269	120	389

Sensitivity analysis – Outstanding claims liabilities as at 30 June 2022

	Discounted central estimate ($000)	Risk margin ($000)	Premium liabilities ($000)	Difference from baseline ($000)
Baseline	75	49	124	
Unemployment rate projections				
+1 percentage point	83	48	131	+7
-1 percentage point	77	52	129	+5
Housing inflation				
+10 percentage-point shock	60	33	93	-32
-10 percentage-point shock	109	65	174	+50
Interest discount rates				
+1 percentage point	75	49	124	-1
-1 percentage point	75	49	125	+1

Sensitivity analysis – Outstanding claims liabilities as at 30 June 2021

	Probability of adequacy (%)	Discounted central estimate ($000)	Risk margin ($000)	Outstanding claims liabilities ($000)
Baseline	75%	142	61	203
Risk margin				
85% probability of adequacy	85%	142	132	274
95% probability of adequacy	95%	142	258	399
Unemployment rate projections				
+1 percentage point	75%	143	71	214
-1 percentage point	75%	122	65	187
Housing inflation				
+1 percentage point	75%	138	58	196
-1 percentage point	75%	130	64	194
Repayment probability assumptions				
+10 percentage point	75%	138	67	204
-10 percentage point	75%	136	60	197
Default probability assumptions				
+0.1 percentage point	75%	278	112	390
-0.1 percentage point	75%	50	25	75
Mortgage fees				
+10 percentage point	75%	128	64	192
-10 percentage point	75%	125	65	190
Sale price to loan value ratio				
+10 percentage point	75%	173	79	252
-10 percentage point	75%	93	56	148

(e) Liability adequacy test

At each reporting date, an assessment is made of whether the recognised insurance liabilities are adequate by using an existing liability adequacy test (LAT) as laid out under PBE IFRS 4 *Insurance Contracts*. The liability value is adjusted to the extent that it is insufficient to meet future claims and expenses. In performing the LAT, current best estimates of expected future contractual cash flows, relating to future claims arising from the rights and obligations under the MIS contract, are assessed.

The discount rates used were risk-free rates determined based on spot rates provided by the New Zealand Treasury with an average of 3.99 per cent (2021: 2.98 per cent).

The probability of sufficiency associated with the risk margin used is 75 per cent. Under Reserve Bank insurance regulations, provisions are required to be at a 75 per cent probability adequacy level. The Kāinga Ora Group has deemed that MIS has a similar risk profile and that this adequacy level is appropriate.

The actuarial assessment of the LAT for MIS as at 30 June 2022 was $0.50 million (2021: $0.60 million). This is the present value of the amount that will be sufficient for future claims arising from the rights and obligations under the MIS insurance contracts plus an additional risk margin.

The risk margin used in calculating the present value of the expected future payments for claims incurred as at 30 June 2022 was 48.8 per cent (2021: 45.1 per cent) to allow for the inherent uncertainty in the central estimate. The risk margin determination included uncertainty or risks which are a combination of the random or process risk and the systemic risk.

The process risk is estimated by using stochastic models to estimate future claims costs involving a number of simulations for each of the outstanding claims and premium liabilities. Estimating systemic risk is a subjective process. The estimate for systemic risk has been expressed as an additional coefficient of variation (CoV), which is the ratio of standard deviation of a distribution to the average of the distribution.

The table below shows the details of the LAT performed:

	2022 ($M)	2021 ($M)
Central estimate claims (undiscounted)	–*	1
Discounting	–*	–
Central estimate claims (discounted)	–*	1
Risk margin at 75% probability of sufficiency	–*	–
Premium liabilities based on LAT	–*	1

* Below $500,000

(f) Outstanding claims liability

The outstanding claims liability (OCL) relates to the future cost of claims already incurred. From the simulation described above, any loan estimated to have defaulted in the period prior to the valuation date is included as part of the OCL. The OCL has decreased since the previous valuation. This is mostly due to updated claim frequency assumptions given the very low number of claims over the last few years.

The table below sets out the components of the OCLs as at 30 June 2022:

	2022 ($M)	2021 ($M)
Approved claims incurred	–*	–*
Central estimate incurred but not reported (IBNR) claims (undiscounted)	–*	–*
Discounting	–*	–*
Central estimate claims (discounted)	–*	–*
Risk margin at 75% probability of sufficiency	–*	–*
Claims handling expenses	–*	–*
OCL at 75% probability of adequacy	–*	–*

* Below $500,000

When determining the risk margin, the risk components included in the assumption were the random or process risk and the systemic risk. In determining the random or process and the systemic risks, the same methodology was adopted as when the LAT was performed. The only difference was that the additional CoV used for systemic risk in calculating the OCL was lower than that used for the LAT. This is due to the fact that the OCL represents a much shorter-term obligation than the premium liabilities in the LAT.

The discount rate used was a series of interest rates dependent on term to payment. The rates used were risk-free rates determined based on spot rates provided by the New Zealand Treasury. The weighted average rate used in determining the OCL at 30 June was 2.63 per cent (2021: 0.20 per cent).

(g) Claims history

Actual claims under the Mortgage Insurance Scheme (MIS) are lower than those projected by the actuarial assessment at the 75 per cent level (2021: lower than those projected by the actuarial assessment at the 75 per cent level).

Projected claim liabilities 2022 ($M)	Actual claims 2022 ($M)	Projected claim liabilities 2021 ($M)	Actual claims 2021 ($M)
0.12	–	0.20	0.01

The date on which a bank first advises that a loan is in arrears is treated as the date for determining when a claim has been incurred.

The total of claims paid out under the MIS from the start of the scheme to 30 June 2022 was $13.1 million (to 30 June 2021: $13.1 million).

(h) Credit rating

Both the Kāinga Ora Group (which manages the MIS) and Housing New Zealand Limited (HNZL) have a long-term credit rating of Aaa from credit rating agency Moody's.

16. Categories and fair value of financial assets and liabilities

At 30 June the carrying amounts of financial assets and liabilities in each of the categories of financial instruments were as follows:

	2022 ($M)	2021 ($M)
Financial assets at amortised cost		
Cash and cash equivalents	174	233
Receivables (exchange and non-exchange)	311	136
Mortgage advances	15	18
Investments	491	746
Total financial assets at amortised cost	**991**	**1,133**
Financial assets at fair value through other comprehensive revenue and expense		
Interest rate swaps – in hedge relationships	5	–
Securities	–	100
Registered Certificate of Deposit	364	295
Enhanced Rate Certificate of Deposit	210	–
New Zealand Government Bond	198	50
Interest rate swaps – in hedge relationships	–	29
Corporate Bond	34	95
Total financial assets at fair value through other comprehensive revenue and expense	**811**	**569**
Financial liabilities		
Financial liabilities at fair value through other comprehensive income		
Interest rate swaps – in hedge relationships	5	58
Total financial liabilities at fair value through other comprehensive revenue and expense	**5**	**58**
Financial liabilities at fair value through net surplus/(deficit)		
Interest rate swaps – in hedge relationships	17	–
Total financial liabilities at fair value through net surplus/(deficit)	**17**	**–**
Financial liabilities measured at amortised cost		
Crown loans – floating interest rate	1,753	1,873
Crown loans – fixed interest rate	231	112
Market bonds	7,525	5,303
Commercial paper	170	150
Accounts payable and other liabilities	301	210
Total financial liabilities measured at amortised cost	**9,980**	**7,648**

For all categories of financial assets and liabilities, the carrying value approximates fair value, except for the following:

	Carrying amount 2022 ($M)	2021 ($M)	Fair value 2022 ($M)	2021 ($M)
Financial assets				
Mortgage advances	15	18	15	19
Total	**15**	**18**	**15**	**19**

17. Interest rate derivatives

The Kāinga Ora Group has interest-bearing borrowings that incur a floating rate of interest, and uses interest rate swaps to hedge its exposure to changes in the floating interest rate applying to its Crown borrowings. All derivatives are entered into with the Crown and have been designated as hedging instruments.

At 30 June 2022 there were 55 interest rate swap agreements in effect (2021: 58), with a notional amount of $940 million (2021: $1,280 million), paying a weighted average fixed rate of interest of 3.61 per cent (2021: 3.26 per cent) and receiving a variable rate equal to the 90-day bank bill rate.

Set out below are the fair values of interest rate derivatives at 30 June 2022:

	2022 ($M)	2021 ($M)
Interest rate derivatives – assets		
Interest rate derivatives – current assets	2	7
Interest rate derivatives – non-current assets	3	22
Interest rate derivatives – total assets	**5**	**29**
Interest rate derivatives – liabilities		
Interest rate derivatives – current liabilities	5	27
Interest rate derivatives – non-current liabilities	17	31
Interest rate derivatives – total liabilities	**22**	**58**

The table below shows the maturity analysis of interest rate derivative assets and liabilities at 30 June 2022:

	0-1 years ($M)	1-2 years ($M)	2-3 years ($M)	3-5 years ($M)	5+ years ($M)	Total ($M)
Kāinga Ora – Year ended 30 June 2022						
Interest rate derivatives – net settled						
Assets	2	2	–	1	–	5
Liabilities	(5)	(6)	(3)	(4)	(4)	(22)
Net assets/(liabilities)	**(3)**	**(4)**	**(3)**	**(3)**	**(4)**	**(17)**
Kāinga Ora – Year ended 30 June 2021						
Interest rate derivatives – net settled						
Assets	7	6	5	6	5	29
Liabilities	(27)	(19)	(10)	(2)	–	(58)
Net assets/(liabilities)	**(20)**	**(13)**	**(5)**	**4**	**5**	**(29)**

Notional principal amounts and period of expiry of interest rate swap contracts in effect at 30 June 2022 were:

	2022 ($M)	2021 ($M)
0–1 year	261	340
1–2 years	263	261
2–3 years	44	263
3–5 years	72	80
5+ years	300	336
Total notional principal	**940**	**1,280**

The interest rate swaps require settlement of net interest receivable or payable every 90 days. The settlement date coincides with the dates on which interest is payable on the underlying debt. All swaps are matched directly against the appropriate loans and interest expense and measured for effectiveness. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk (other than any ineffective portion) are recognised in other comprehensive revenue and expense.

Movement in interest rate swaps contract cash flow hedge reserve

	2022 ($M)	2021 ($M)
Balance at 1 July	**(42)**	**(81)**
Fair value movement of interest rate swaps	32	14
Interest expense charged to net surplus/(deficit)	22	41
Amount included in other comprehensive revenue and expense	**54**	**55**
Hedging reserve deferred tax	(16)	(16)
Balance at 30 June	**(4)**	**(42)**

18. Borrowings

Interest-bearing borrowings

	2022 ($M)	2021 ($M)
Loans – current		
Commercial paper	170	150
Market bonds	300	–
Crown loans – floating interest rate	216	313
Total loans – current	**686**	**463**
Loans – non-current		
Market bonds	7,225	5,303
Discount premium bonds	115	189
Crown loans – floating interest rate	1,537	1,560
Crown loans – fixed interest rate	231	112
Total loans – non-current	**9,108**	**7,164**
Total loans	**9,794**	**7,627**

Commercial paper

As at 30 June 2022 the Kāinga Ora Group had a Note Issuance Facility Agreement allowing for a facility limit of $1.5 billion on its commercial paper programme.

The amount of commercial paper on issue at 30 June 2022 was $170 million, an increase of $20 million from the prior year (2021: $150 million), paying a weighted average interest rate of 2.15 per cent (2021: 0.33 per cent).

The Kāinga Ora Group has given a negative pledge that it will not, subject to certain exceptions, create or permit any charge or lien over any of its assets.

Medium-term notes

The Kāinga Ora Group has a Medium Term Note Facility, with an Information Memorandum dated 30 September 2021, for the issue of unsubordinated, unsecured medium-term notes to wholesale investors.

At 30 June 2022 HNZL had on issue $7.5 billion of medium-term notes (2021: $5.3 billion) in eight tranches, paying a weighted average fixed rate of interest of 2.44 per cent (2021: 1.98 per cent), with the following maturity dates:

- $300 million – 12 June 2023
- $1,725 million – 12 June 2025
- $1,240 million – 5 October 2026
- $800 million – 15 October 2027
- $1,375 million – 18 October 2028
- $1,150 million – 24 April 2030
- $650 million – 10 September 2035
- $300 million – 20 September 2040

Crown funding

As at 30 June 2022 the Kāinga Ora Group had borrowed $1,985 million from the Crown, with maturity dates ranging from 2022 to 2037 (2021: $1,985 million maturing from 2022 to 2037), paying a weighted average fixed rate of interest of 2.57 per cent (2021: 0.44 per cent).

The Kāinga Ora Group has given a negative pledge that, while any Crown borrowing remains outstanding, it will not, subject to certain exceptions, create or permit any charge or lien over any of its assets.

The current portion of loans represents those maturing within the next 12 months.

Bank overdraft facility

As at 30 June 2022 the Kāinga Ora Group had an unsecured bank overdraft facility of $10 million (2021: $10 million) at an interest rate of 5.98 per cent (2021: 3.37 per cent).

19. Reconciliation of net surplus/(deficit) after tax with cash flows from operating activities

	2022 ($M)	2021 ($M)
Net surplus/(deficit) after tax	**(344)**	**(152)**
Adjustments for non-cash items:		
Depreciation and amortisation	407	337
Asset impairments and write-offs	193	82
(Gains)/losses on asset disposals	5	(9)
Accrued revenue	(103)	(50)
Taxation	70	(38)
Other non-cash items and non-operating items	(13)	(72)
Total non-cash and non-operating items	**559**	**250**
(Increase)/decrease in receivables	(42)	50
Increase/(decrease) in accounts payable and other liabilities	43	61
Increase/(decrease) in tax liabilities	88	22
(Increase)/decrease in Inventory	(184)	–
Total working capital movements	**(95)**	**133**
Net cash from operating activities	**120**	**231**

20. Changes in liabilities arising from financing activities

2021/22	30/06/21 $M	Cash flows: Cash inflows/ (outflows) $M	Non-cash: Fair value changes $M	30/06/22 $M
Short-term borrowings	463	223	–	686
Long term borrowings	7,164	1,944	–	9,108
Assets held to hedge long term borrowings	(29)	–	24	(5)
Liabilities held to hedge long term borrowings	58	–	(36)	22
Total liabilities from financing activities	**7,656**	**2,167**	**(12)**	**9,811**

2020/21	30/06/21 $M	Cash flows: Cash inflows/ (outflows) $M	Non-cash: Fair value changes $M	30/06/22 $M
Short-term borrowings	878	(415)	–	463
Long-term borrowings	5,561	1,603	–	7,164
Assets held to hedge long-term borrowings	–	–	(29)	(29)
Liabilities held to hedge long-term borrowings	114	–	(56)	58
Total liabilities from financing activities	**6,553**	**1,188**	**(85)**	**7,656**

21. Commitments and contingencies

Operating lease commitments – Kāinga Ora Group as lessee

The Kāinga Ora Group enters into various operating leases for premises it occupies, and for its motor vehicles and office equipment.

These leases have an average term of between three and six years with renewal options included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed on the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2022 were as follows:

	2022 ($M)	2021 ($M)
Within 1 year	53	205
After 1 year but not more than 5 years	91	96
More than 5 years	92	104
Total	**236**	**405**

(a) Operating lease commitments – Kāinga Ora Group as lessor

The Kāinga Ora Group has entered into property leases for its property portfolio. These properties held under operating leases are measured under the fair value model, in accordance with PBE IPSAS 17 *Property, Plant and Equipment* as their primary purpose is to provide a social benefit rather than being held solely to provide rental income.

There are no non-cancellable leases executed by the Kāinga Ora Group (2021: nil).

(b) Capital commitments

At 30 June 2022 capital commitments amounted to $2,297 million (2021: $1,420 million) for property projects.

(c) Lending commitments

At 30 June 2022 the Kāinga Ora Group had no lending commitments approved but not yet paid (2021: $1.6 million).

(d) Contingencies

Housing New Zealand Limited

The Crown has provided a warranty in respect of title to the assets transferred to HNZL. HNZL was incorporated into the Kāinga Ora Group as a subsidiary in 2001 as part of the legislated consolidation of government housing functions.

The Crown has indemnified HNZL against any breach of this warranty. In addition, the Crown has indemnified HNZL against third-party claims that are a result of acts or omissions prior to 1 November 1992. It has also indemnified the directors and officers of HNZL against any liability arising from the assets not complying with statutory requirements, provided it is taking steps to rectify any non-compliance.

22. Related party disclosure

The Kāinga Ora Group's financial statements include the financial statements of Kāinga Ora – Homes and Communities and the Crown entity subsidiaries listed in the following table:

(a) Crown entity subsidiaries

Name	Country of Incorporation	2022	2021	Investment 2022 ($M)	Investment 2021 ($M)
Housing New Zealand Limited	New Zealand	100%	100%	3,415	3,415
Housing New Zealand Build Limited	New Zealand	100%	100%	–	–
				3,415	**3,415**

(b) Other related parties

Kāinga Ora administers the Housing Agency Account (HAA) as an agent of the Crown under the Housing Act 1955. As at 30 June 2022 the balance of the total amount owed to Kāinga Ora and its subsidiaries by the HAA was $2.1 million (2021: $1.9 million was owed to Kāinga Ora and its subsidiaries by the HAA resulting in a net movement of $0.2 million).

In its capacity as agent for HAA, Kāinga Ora manages the rental income and expenses of HAA's rental properties. No fee is charged for this service.

In the year to 30 June 2022 the Kāinga Ora provided management services to HAA. A management fee of $2 million (2021: $2 million) was charged by Kāinga Ora – Homes and Communities for these services. No management fee has been charged for other services provided to HAA as this requires ministerial approval under the Housing Agency Accountability Agreement.

(c) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's-length transactions at normal market prices and at normal commercial terms.

Outstanding balances as at both 30 June 2022 and 30 June 2021 were unsecured, with settlement being in cash.

There have been no guarantees provided or received for any related party receivables.

Based on their excellent payment history, no expected credit losses relating to amounts owed by related parties have been necessary at 30 June 2022. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

(d) Key management personnel

Key management personnel are defined as senior management of the Kāinga Ora Group and all directors. During the year ended 30 June 2022, a total of 21 employees were key management personnel (2021: 25 employees).

Key management personnel compensation

	2022 FTEs	2021 FTEs	2022 ($000)	2021 ($000)
Board members				
Remuneration			497	475
Full-time equivalent (FTE) members	9.0	9.0		
Leadership team				
Remuneration			5,000	5,705
Full-time equivalent members	12.0	15.0		
Total key management personnel remuneration			**5,497**	**6,180**
Total full-time equivalent personnel	**21.0**	**24.0**		

The table below includes all remuneration paid or payable to each director during the year.

	2022 $	2021 $
Kāinga Ora, HNZL and HNZB Directors		
Vui Mark Gosche	98,000	98,000
John Duncan	61,250	61,250
Philippa Howden-Chapman	49,000	49,000
Penelope Hulse	49,000	49,000
Ngarimu Blair	49,000	49,000
Robin Hapi	49,000	49,000
Victoria Kingi	49,000	49,000
Helen O'Sullivan	19,600	19,223
Major Campbell Roberts	49,000	19,223
John Bridgman	23,935	–
Nicola Crauford	–	32,604
Total Board members' remuneration	**496,785**	**475,300**

Incoming new appointments to the Kāinga Ora Board of Directors during the year were:

John Bridgman, appointed on 1 January 2022.

Outgoing members of the Kāinga Ora Board of Directors during the year were:

Helen O'Sullivan, resigned in November 2021.

Independent committee members

Graeme Mitchell, who is not on the Board of Directors, has been paid $31,100 (2021: $31,100) as a specialist to the Kāinga Ora Finance, Risk and Assurance Committee.

Bruce Baillie, who is not on the Board of Directors, has been paid $35,635 (2021: $24,500) as a specialist to the Finance, Risk and Assurance Committee and the Investment and Delivery Committee.

Jacqueline (Jackie) Paul, who is not on the Board of Directors, has been paid $24,500 (2021: $24,500) as a specialist to the Urban Development and Planning Committee.

Lale Ieremia, who is not on the Board of Directors, has been paid $24,500 (2021: $24,500) as a specialist to the Kāinga Ora Investment and Delivery Committee.

Directors' insurance

Kāinga Ora acquired directors and officers' liability and professional indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

The total annual premium for the directors and officers' liability insurance was $215,844 (2021: $188,261).

23. Remuneration of employees – $100,000 and over

	2022	2021
$100,000–$110,000	226	92
$110,001–$120,000	111	227
$120,001–$130,000	258	85
$130,001–$140,000	150	83
$140,001–$150,000	101	74
$150,001–$160,000	68	17
$160,001–$170,000	102	59
$170,001–$180,000	68	44
$180,001–$190,000	31	17
$190,001–$200,000	41	35
$200,001–$210,000	19	12
$210,001–$220,000	19	13
$220,001–$230,000	10	10
$230,001–$240,000	22	11
$240,001–$250,000	3	4
$250,001–$260,000	4	11
$260,001–$270,000	25	8
$270,001–$280,000	7	2
$280,001–$290,000	3	3
$290,001–$300,000	3	–
$300,001–$310,000	1	2
$310,001–$320,000	4	1
$330,001–$340,000	1	2
$340,001–$350,000	–	–
$350,001–$360,000	1	2
$360,001–$370,000	2	2
$370,000–$380,000	1	2
$380,001–$390,000	2	4
$390,000–$400,000	2	3
$400,001–$410,000	1	–
$410,001–$420,000	4	–
$430,001–$440,000	1	1
$440,001–$450,000	–	–
$450,001–$460,000	1	1
$680,001–$690,000	–	1
$690,001–$700,000	1	–
Total employees with remuneration of $100,000 and over	**1,293**	**828**

Where remuneration bands are not shown in the table above, this represents that no employees were paid within those bands during the current or previous financial year.

During the year ended 30 June 2022, five employees (2021: six) received benefits in relation to cessation, totalling $161,581 (2021: $279,471).

24. Events subsequent to balance date

There were no events subsequent to balance date.

25. Budgeted comparison analysis

(a) 2022 significant variations from budget

The unaudited budget figures reported in these financial statements are the financial performance targets that were included in the Kāinga Ora Group's 2021/22 Statement of Performance Expectations (SPE).

In 2021/22 there was still a flow-on impact from the nationwide pandemic lockdowns, particularly on purchases of rental property assets.

(b) Statement of Comprehensive Revenue and Expense

Operating revenue

- Appropriations were $70 million lower than budget primarily due to a drop in the take up of First Home Grants.
- Sales of developments were $44 million lower than budget, due to lower affordable and market sales.

Operating expenses

- Repairs and maintenance expense was $35 million lower than budget due to programme delays from nationwide pandemic lockdowns.
- Depreciation and amortisation costs were $34 million higher than budget due to higher year-end property revaluation in 2020/21.
- Personnel expense was $49 million higher than budget, driven primarily from people growth as we responded to deliver on our broader mandate.
- Interest expense was $28 million higher than budget due to rising interest rates.
- Grants expense was $57 million lower than budget due to the drop in the take up of First Home Grants.
- Cost of land sold was $49 million lower than budget, due to lower affordable and market sales.
- Total other losses was $111 million higher than budget, primarily due to higher impairment of property under development relating to affordable and market sales, and higher write-offs.

(c) Statement of Financial Position

- Overall total assets of $48,844 million was $4,992 million above the budget level, due to higher year-end revaluations on rental properties for both 2020/21 and 2021/22.
- Overall total liabilities of $12,766 million was $2,259 million below the budget level, primarily due to lower market debt than expected.

(d) Statement of Changes in Equity

The total equity at 30 June 2022 was $36,078 million, which is $7,251 million higher than budget. This variance is due to the opening reserve position being $3,851 million higher than budget as a result larger revaluation gains in prior years than anticipated, and a higher 30 June 2022 asset revaluation of $4,371 million more than expected in the budget.

(e) Cash Flow Statement

Net cash flows from operating activities was $707 million higher than budget due to the $260 million improved core operating activities with lower spend on payments to suppliers and employees and net $447 million lower overall land development activities and sales of developments. The land development activity was impacted by delays in programme business-case approvals.

Net cash flows used in investing activities was $1,015 million lower than budget due to $1,133 million less spent on purchase of rental property assets. As noted above, this was primarily due to nationwide pandemic lockdowns and the flow-on impacts from these lockdowns.

Net cash flow received from financing activities was $2,708 million below budget with $1,780 million lower market debt issued and $928 million lower net capital contributions from the Crown.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF KĀINGA ORA – HOMES AND COMMUNITIES' GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of Kāinga Ora – Homes and Communities Group (the "Group" or "Kāinga Ora"). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements and the performance information of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 147 to 201, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expenses, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 102 to 131.

In our opinion:

- the financial statements of the Group on pages 147 to 201:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the performance information on pages 102 to 131:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2022, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 September 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board Members and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and performance information of the current year. These matters were addressed in the context of our audit of the consolidated financial statements and performance information as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements and performance information section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements and performance information. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements and performance information.

Valuation of Rental Property Operating Assets

Why significant	How our audit addressed the key audit matter

Kāinga Ora's rental property operating assets have a fair value of $46.4 billion and make up 95% of total assets. Kāinga Ora engages an external registered valuer to determine the fair value of these assets at each balance date in accordance with PBE IPSAS 17 Property, Plant and Equipment. Properties are valued based on their 'highest and best use'.
 	
The external valuer used market-based evidence to provide a value for a sample of properties which they physically inspected. The valuer then used the results of these valuations to assess market value changes by geographic area and, due to the similar nature of assets in the portfolio, applied an indexation approach to estimate the market value of the uninspected properties within the portfolio.
 	
The highly judgemental and subjective nature of the valuation coupled with its significance to the financial statements results in this being an area of significant audit focus.
 	
Disclosures in relation to rental property operating assets are included in Note 13 Property, Plant and Equipment.
	In obtaining sufficient appropriate audit evidence, we:
	• Tested the information provided to the external valuer for consistency with the information held in Kāinga Ora's fixed asset register for a sample of assets.
	• Assessed the competence, capability and objectivity of the external valuer.
	• Reviewed and challenged the highest and best use assumption applied for the assets, in particular in relation to areas where Kāinga Ora has demolished rental housing stock and has a plan to redevelop the land to accommodate higher density housing units.
	• Engaged our internal real estate valuation specialists to:
	  • assess the results of a sample of valuations of inspected properties, including the methodology and assumptions used; and
	  • consider whether the indexation applied to the remaining property portfolio was an appropriate valuation methodology and had been correctly applied to a sample of properties.
	• Tested a sample of costs that have been capitalised during the year against the criteria in PBE IPSAS 17 *Property, Plant and Equipment* to assess whether they were capital in nature.
	• Performed a recalculation of the movement recorded within the revaluation reserve.
	• Assessed the adequacy of the disclosures relating to property plant and equipment in accordance with PBE IPSAS 17 *Property, Plant and Equipment*.
	
	As a result of the above procedures, we considered the valuation techniques and key assumptions reasonable in forming our opinion on the financial statements as a whole.

Properties under development

Why significant	How our audit addressed the key audit matter
Kāinga Ora has commenced a number of large scale housing developments. Land being developed is intended to be either utilised by Kāinga Ora or sold to private sector property developers for development of houses. Properties held for future development are disclosed as properties under development in accordance with PBE IPSAS 12 Inventories. Total properties under development as at 30 June 2022 are $504m. Inventory is required to be recorded at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the sum of estimated future costs to bring the land into a saleable condition and the costs of sale. Disclosures in relation to Properties under development are included in note 13 to the consolidated financial statements.	In obtaining sufficient appropriate audit evidence, we: • Assessed whether, for a sample of land parcels, the criteria for recognition as inventory had been met. • Considered the carrying value of a sample of properties under development to consider whether they were held at the lower of cost and their assessed net realisable value. • Understood the process of estimating future costs and agreed a sample of future costs to Board approved business cases. • Assessed the nature of a sample of project costs against the requirements of IPSAS 12 Inventories to determine if they met the criteria to be treated as inventory. • Assessed whether, for a sample of land parcels, the total estimated costs had been apportioned to specific properties on an appropriate basis. • Assessed the appropriateness of the disclosures relating to properties under development in accordance with PBE IPSAS 12 *Inventories*. We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.

Performance Reporting against Statement of Performance Expectations

Why significant	How our audit addressed the key audit matter
Kāinga Ora is required under the Crown Entities Act 2004 to report performance achievements against the measures and targets included in its statement of performance expectation. Kāinga Ora provides tenancy services focusing on prioritising tenants' wellbeing and providing tenants with good quality, warm, dry and healthy homes. Reporting its achievements against performance expectations established through negotiation between the Kāinga Ora Board and the responsible Ministers is a key aspect of Kāinga Ora's accountability framework. Given the significance of the non-financial performance reporting against expectations contained in the Statement of Performance Expectations which explains Kāinga Ora's progress towards its accountabilities, this is a key focus of our audit.	In obtaining sufficient appropriate audit evidence, we: • Identified performance measures that in our view are significant to ensuring the performance reporting provides a sufficiently complete and balanced view of Kāinga Ora's performance against expectations contained in the Statement of Performance Expectations. • Understood the processes Kāinga Ora has in place to seek to capture service performance information in relation to significant performance measures in a consistent and accurate manner. • Tested supporting evidence for reported performance on a sample basis. This included inspection of supporting documentation, re-performance of calculations and testing the integrity of underlying data. • Assessed the performance disclosures in the annual report against the requirements of the Crown Entities Act 2004. We considered the results of the procedures above satisfactory in forming our opinion on the performance information as a whole.

Responsibilities of the Board Members for the consolidated financial statements and the performance information

The Board Members are responsible on behalf of the Group for preparing consolidated financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board Members are responsible for such internal control as they determine necessary to enable them to prepare consolidated financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the performance information, the Board Members are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board Members are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board Member's responsibilities arise from the Crown Entities Act 2004 and the Kāinga Ora – Homes and Communities Act 2019.

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Responsibilities of the auditor for the audit of the consolidated financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these consolidated financial statements and the performance information.

For the budget information reported in the consolidated financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We evaluate whether the service performance criteria are suitable so as to result in service performance information that is in accordance with the applicable financial reporting framework.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board Members and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the consolidated financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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We communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board Members, we determine those matters that were of most significance in the audit of the consolidated financial statements and performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board Members are responsible for the other information. The other information comprises the information included on pages 1 to 101, 132 to 146 and 208 to 233 does not include the consolidated financial statements and the performance information, and our auditor's report thereon.

Our opinion on the consolidated financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

Stuart Mutch
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

Ngā Whakapuaki e Pā ana ki te Āhuarangi / Climate-related disclosures

This is our second Climate-related Disclosure. It is based on the proposed Aotearoa New Zealand Climate Standard 1 (NZ CS 1) set out by the External Reporting Board (XRB). NZ CS 1 aligns with the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD). We will continue to develop our Climate-related Disclosure so that it is fully compliant with NZ CS 1 by the financial year ending 30 June 2024, as required by the XRB.

In this year's disclosure, we have undertaken scenario analysis and described the resilience of our strategy for some of our most material climate-related risks and opportunities. Other risks are summarised to a high-level, as we continue to assess how they impact Kāinga Ora and our strategy.

Strategy

Scenarios

For our most material risks and opportunities, we have undertaken an analysis of the potential impacts under two separate scenarios:

High emissions scenario	Low emissions scenario
Aligned with Shared Socioeconomic Pathway 4 (SSP 4) and Representative Concentration Pathway 8.5 (RCP 8.5)	Aligned with Shared Socioeconomic Pathway 1 (SSP 1) and Representative Concentration Pathway 4.5 (RCP 4.5)*
High adaptation, low mitigation	Low adaptation, high mitigation
1°C increase in New Zealand annual average temperature by 2050	0.8°C increase in New Zealand annual average temperature by 2050
3°C increase in New Zealand annual average temperature by 2100	1.4°C increase in New Zealand annual average temperature by 2100
Highly unequal investments in human capital and increasing disparities in economic opportunity and political power. Increasing inequalities across and within countries.	Shift towards a more sustainable path. The emphasis on economic growth changes towards a broader emphasis on human wellbeing.
Social cohesion degrades and conflict and unrest become increasingly common.	Inequality is reduced both across and within countries.
The globally connected energy sector diversifies, with investments in both carbon-intensive fuels, but also low-carbon energy sources.	Consumption is oriented towards low material growth and lower resource and energy intensity.

* Note that RCP 4.5 has been used for this disclosure rather than RCP 2.6 due to data availability in some areas. Future analysis will apply three scenarios, including RCP 2.6, to align with a 1.5°C pathway.

Timeframes

As required by NZ CS 1, we have set out whether risks and opportunities are expected to manifest in the short, medium and long term. These timeframes are defined as follows:

Timeframe	Definition	Justification
Short	Three years	This represents one political cycle in New Zealand.
Medium	Up to 30 years	This is the timeframe considered in the Kāinga Ora Area Development Strategies.
Long	Up to 60 years	This represents the expected useful life of our dwellings before significant renewal activities are required.

Physical risks

Risk	Timeframe	Coverage in this disclosure
Increased frequency and intensity of flooding events will affect our customers and assets.	Short	Detailed
Increased frequency, duration and intensity of heatwaves will impact our customers and assets.	Medium	Detailed
Periodic drought results in water shortages, which could impact our customers.	Medium	Summarised
Climate change impacts could result in supply-chain issues and shortages, increasing costs and reducing certainty in the Kāinga Ora construction and maintenance pipeline.	Medium	Summarised
Kāinga Ora may be expected to provide homes for people displaced by climate change.	Long	Summarised

Increased frequency and intensity of flooding events will affect our customers and assets.

Our customers and assets will be increasingly exposed to coastal, pluvial (rainfall) and fluvial (river) flooding events. This is due to a modelled increase in the frequency and intensity of these events as the planet warms.

Current impacts

Some of the customers and assets of Kāinga Ora are already exposed to flood risk. Based on analysis undertaken using the NIWA (Taihoro Nukurangi) national-level coastal flooding dataset in 2020, 0.8 per cent of our housing portfolio is exposed to a modelled one-in-100-year coastal flooding event. This equated to 506 homes affected, including 210 floor-level breaches.

In addition, 15 per cent of our homes nationwide sat within floodplains mapped by Territorial Local Authorities.

Flood events that render homes temporarily or permanently uninhabitable may disconnect customers from whānau and community and threaten cultural connections. Events may disrupt critical and supporting infrastructure and amenities, impacting customer health and wellbeing. They can also impact our ability to deliver essential services.

There are also costs associated with remediating/repairing damaged assets and rehousing customers. We have not specifically quantified these costs historically.

Anticipated impacts

High emissions scenario

Our 2020 analysis found that under a high emissions scenario, 1.6 per cent of the Kāinga Ora housing portfolio will be exposed to one-in-100 year coastal flooding events in the medium timeframe (30 years) and 2.9 per cent will be exposed in the long timeframe (60 years). This means that by 2080 a total of 1,914 homes could be affected, with 949 floor levels breached. Such an event would displace almost 6,000 occupants for an average of 60 days and cost $55 million in repair and clean-up costs.

Estimation of the direct impacts of pluvial and fluvial flooding in future scenarios is currently limited by data availability. There is no standardised approach to pluvial or fluvial flood mapping in New Zealand. National flood exposure represents varied levels of accuracy, event timeframes and detail across territorial authorities. However, modelling of climate change impacts by some territorial authorities suggests that many more of our homes will be exposed to flooding (and flooding will be more severe for those homes currently exposed) under a high emissions scenario.

Low emissions scenario

Our 2020 analysis found that under a low emissions scenario, 1.6 per cent of the Kāinga Ora housing portfolio will be exposed to one-in-100 year coastal flooding events in the long timeframe (60 years). This means that by 2080 a total of 1,083 homes could be affected, with 463 floor levels breached. Such an event would displace almost 2,660 occupants for an average of 63 days and cost $27 million in repair and clean-up costs.

Noting the data limitations outlined in the high emissions scenario above, we expect more homes to be exposed to increasingly severe pluvial or fluvial flooding. However, this will be to a lesser extent than under a high emissions scenario.

Addressing the risk

Strategic work underway to address this risk includes:

Understanding of available flood modelling to improve decision-making

Through our Area Development Strategies, we are determining our confidence in territorial flood hazard information at a local area level. This involves understanding the metadata and other attributes behind Territorial Local Authority flood modelling.

As part of our initial Area Development Strategies work, we met with authorities in Whangārei, the Upper and Lower Hutt, Christchurch, Selwyn and Waimakariri, and Dunedin. This has given us access to available flood datasets and their metadata. This metadata is crucial for assessing flood risk for our customers and assets. We plan to undertake further assessments for other areas in the coming financial year.

Improving consideration of flood hazards in decision-making throughout the organisation

To reduce the impact of the increasing frequency and intensity of flood events on our assets and customers, we need to make good decisions around where and how we build. This means making information available to decision-makers and requiring them to consider this material throughout our investment and planning decision gates.

Our Regional Plans set out the challenges within the regions where we operate, and our planned actions in response to these challenges. For areas where a known flood risk exists, flood hazard information is presented in the Regional Plan and actions to mitigate this are proposed.

Our Area Development Strategies are live internal documents that set out priority development areas for the next 30 years. For Area Development Strategies undertaken within the financial year, consideration of modelled flood hazards was included in assessments (as well as our level of confidence in hazard information). This influenced decision-making around priority development areas accordingly.

We also developed a flood risk database, identifying Kāinga Ora addresses in mapped

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flood plains or recorded as having flooded in the past. Our investment and planning teams can use this information to flag any flood risks when considering redevelopment options. It also allows our emergency response team to prioritise action when actual flooding events occur.

Gathering and using historic flood information

For areas where we have very low confidence in flood modelling, or where modelling is not available, Kāinga Ora must rely on data available on properties that have flooded historically. We are improving our knowledge of the extent to which our assets have been impacted by flooding by:

- investigating datasets showing which of Kāinga Ora properties have flooded historically, and how they were impacted
- improving our internal processes to flag properties that have previously been exposed to flooding and record details.

Increased frequency, duration and intensity of heatwaves will impact our customers and assets.

Climate change means that heatwaves are becoming more frequent and severe. Overheating of homes during heatwave events causes excess summer mortality. This risk is more prevalent in social-housing, low-income groups and the elderly.

Current impacts

A Kāinga Ora customer survey published in December 2021 found that 69 per cent of customers reported that their homes were overheating when all windows and doors were open.

We are undertaking further work to determine the extent to which our homes are overheating and the impact this is having on occupant health.

Anticipated impacts

High emissions scenario

NIWA's climate change projections (2nd edition) set out the expected number of hot days (defined as days with a maximum temperature of over 25°C) for different New Zealand regions. Under our high emissions scenario, all regions experience massive increases in the number of hot days in both the medium and long term.

Auckland, where a high proportion of our homes are located, is anticipated to see an increase from 23 hot days today, to 44 in the medium term and 94 in the long term. This is accompanied by an increase in daily maximum temperatures by up to 4°C in some areas across Aotearoa New Zealand in the long term.

Given that many of our customers already experience overheating, an increase in the frequency and severity of heatwaves could have serious health implications for people living in our homes in the medium and long term. Potential effects for individuals will range from discomfort to hospitalisation and even a mortality risk in some cases.

There would be a large cost associated with adapting all our homes in warmer areas through retrofits to ensure customer wellbeing is not compromised.

Low emissions scenario

Even under a low emissions scenario, the number of hot days and temperatures are still expected to increase markedly.

We expect that even under this scenario, customer wellbeing will be compromised and health issues and mortality due to overheating could increase. There would be a cost to adapt some homes in warmer climates, but the adaptation actions may not need to be as extreme as those under the high emissions scenario.

In Auckland, this means an increase in the number of hot days from 23 today, to 40 in the medium term, and 52 in the long term. It also means an increase in daily maximum temperatures by up to 3°C in some areas across Aotearoa New Zealand in the long term.

Addressing the risk

Strategic work underway to address this risk includes:

Understanding the extent to which our homes are overheating and the impact this has on our customers

Through our Internal Environment Monitoring (IEM) programme, we are developing the systems and processes needed to deliver research projects designed to gather data to support decision-making at Kāinga Ora.

The first IEM study aims to record time series temperature data in our homes to enable the calculation of metrics, which will give insight into building performance to understand the extent and drivers of overheating. A total of 103 sensors were installed across 46 homes during the financial year. These will remain in the homes over two summers. Results will be used to inform changes to our internal build standards.

Considering how we can design our buildings now to reduce future overheating risks

We are integrating energy modelling into the design of our buildings. We can apply alternative weather files to our modelling to understand the performance of our current designs in future climate change scenarios. Kāinga Ora can stress-test buildings to ensure they do not critically overheat in a warming climate.

Using ngahere in urban environments to reduce the risk

Nature in urban environments provides well-documented social, health and economic benefits to the people who live near them. Mature trees provide many benefits, including minimisation of the urban heat island effect, which occurs when land is excessively covered by surfaces or structures that absorb or retain heat.

Neighbourhoods where Kāinga Ora owns large areas of land have some of the lowest tree coverage. To help us better understand barriers associated with retaining and establishing ngahere, we are using the Māngere Development as a test case. In this area, we will work towards increasing tree canopy coverage from 8 per cent to at least 15 per cent. The project will identify and overcome barriers to delivering on this target, and apply findings across other development sites. Increased tree coverage will reduce the urban heat island effect in these areas.

Periodic drought results in water shortages, which could impact our customers.

Droughts could result in mandatory behaviour change for Kāinga Ora tenants, as well as stress to our landscapes in the medium and long term. They could also result in our customers being cut off from a healthy freshwater source.

There will be costs associated with:

- retrofitting water restrictors and efficient tapware
- retrofitting rainwater capture and use systems
- supplying alternative and emergency drinking water sources
- replanting green spaces.

Climate change impacts could result in supply-chain issues and shortages, increasing costs and reducing certainty in the Kāinga Ora construction and maintenance pipeline.

The COVID-19 pandemic demonstrated that the New Zealand construction industry is vulnerable to global shocks that can result in material shortages and increased costs. We expect that as the physical impacts of climate change continue to manifest globally, there will be further shocks to our upstream supply chain.

Severe shortages and further construction cost increases may result in Kāinga Ora not being able to deliver new housing at the expected pace. It could also undermine efforts to use lower-carbon materials in our homes.

Kāinga Ora may be expected to provide homes for people displaced by climate change.

In the long-term, failure of the housing market to provide homes for climate refugees might place additional pressure on housing and the public housing register. There will be costs associated with delivering additional housing.

Transition risks

Risk	Timeframe	Coverage in this disclosure
Kāinga Ora could fail to meet climate mitigation or adaptation obligations set out in our governing legislation, resulting in litigation or impact on licence to operate.	Short	Detailed
Kāinga Ora could be subject to litigation or reputational damage for enabling housing to be developed in areas that are exposed to climate risks.	Medium	Summarised
Investment decisions could be subject to litigation for not adequately reducing emissions.	Short	Summarised
Increased cost of carbon in upstream activities, or changes in product availability could increase development and maintenance costs.	Short	Summarised
Supply or industry/authority acceptance of alternative products could be limited, impacting our ability to use low-carbon alternatives.	Short	Summarised

Kāinga Ora could fail to meet climate mitigation or adaptation obligations set out in our governing legislation, resulting in litigation or impact on licence to operate.

Kāinga Ora is required to comply with legislation and other requirements that set out climate responsibilities, including:

Current

Kāinga Ora–Homes and Communities Act 2019

This sets out the objective of Kāinga Ora to contribute to sustainable, inclusive and thriving communities that sustain or enhance the overall economic, social, environmental and cultural wellbeing of current and future generations.

Urban Development Act 2020

This sets out the mandate to facilitate urban development that contributes to sustainable, inclusive and thriving communities.

Climate Change Response Amendment (Zero Carbon) Act

This provides a framework by which we can develop and implement clear and stable climate change policies that allow New Zealand to prepare for, and adapt to, the effects of climate change.

Government Policy Statement on Housing and Urban Development (GPS-HUD)

This requires us to:

- consider climate-change-induced natural hazards and ensure our customers and assets are not unduly exposed
- invest in a way that seeks to reduce whole-of-life emissions of buildings and infrastructure and enabling access and mobility through low-emissions transit options.

Carbon Neutral Government Programme

This requires us to report emissions and publish reduction plans from the 2022/23 financial year.

Emissions Reduction Plan

The Government plans to decarbonise the economy in line with the 1.5°C scenario. This plan sets the context in which the sectors in which Kāinga Ora operates must decarbonise.

National Adaptation Plan

This outlines our role among other public sector entities in climate adaptation.

Upcoming

Climate Change Adaptation Act (CAA)

This will replace the Resource Management Act 1991 (RMA). It will address complex issues associated with managed retreat and funding and financing adaptation.

Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill

This will require Kāinga Ora to produce disclosures aligned with the framework provided by the Task Force on Climate-related Financial Disclosures (TCFD) and made in accordance with standards issued by the External Reporting Board (the XRB) by 2023.

Current impacts

Kāinga Ora is complying with mitigation and adaptation obligations to the extent currently required by regulators. Our Sustainability Programme was established in 2021. As our understanding of regulatory requirements and key risks and opportunities has increased, the focus of the programme has shifted to help Kāinga Ora meet these requirements.

Anticipated impacts

High emissions scenario

Increased inequality and lack of social cohesion under our high emissions scenario could result in failure to meet any established targets, or requirements being ignored in the face of other competing priorities.

In the medium and long term, as the physical impacts of climate change become more severe, Kāinga Ora is more likely to face litigation or lose public trust if we fail to protect customers or assets from these impacts.

Low emissions scenario

Our low emissions scenario would see much greater accountability for setting ambitious emissions-reduction targets and meeting these in the short and medium term. Failure to meet climate change mitigation legislation could result in litigation and reputation damage, or loss of our licence to operate.

Although long-term physical impacts will be less severe under this scenario, our mandate to consider climate-change-induced natural hazards and ensure our customers are not unduly exposed will remain strong. Given some of our homes are already exposed to hazards, and any degree of warming is expected to increase the frequency and intensity of these hazards, there is still a risk that we could face litigation of loss of public trust for failing to protect customers and assets.

Addressing the risk

The strategies outlined throughout this disclosure show how we are responding to this risk.

Kāinga Ora could be subject to litigation or reputational damage for enabling housing to be developed in areas that are exposed to climate risks.

Kāinga Ora faces potential for litigation or reputational damage where we develop housing on land that is exposed to climate risks.

Kāinga Ora may also be liable if we develop on land rezoned through a Kāinga Ora planning process, which is then sold to third parties. If climate risks impact these sites, new asset owners may attribute financial losses to Kāinga Ora.

Investment decisions could be subject to litigation for not adequately reducing emissions.

As previously covered, our legislation requires us to invest in a way that reduces whole-of-life emissions. Failure to do so may lead to specific decisions coming under scrutiny, resulting in potential legal and other costs for Kāinga Ora.

Increased cost of carbon in upstream activities, or changes in product availability could increase development and maintenance costs.

It is possible that, in the short term, extractors of raw materials need to pay a higher cost for carbon. This will be passed down the supply chain to Kāinga Ora. The result is that raw materials have a higher financial cost. It is also possible that, in the medium term, some resources become uneconomical to supply due to the carbon price.

The Kāinga Ora Waste Minimisation Programme has established mechanisms and targets for the relocation of homes and is developing processes and targets regarding material reuse. This can help to reduce our reliance on local and overseas suppliers of new raw materials, which will mitigate impact on our construction programme.

Supply or industry/authority acceptance of alternative products could be limited, impacting our ability to use low-carbon alternatives.

Changing the materials we use in our buildings will likely play a large role in our emissions-reduction plan. There is a risk that we will be unable to execute changes to lower-carbon solutions in situations where the authorities or the industry are not comfortable or familiar with the use of the material.

Physical opportunities

Opportunities	Timeframe	Coverage in this disclosure
Leveraging our urban renewal programme for resilient development in low-hazard areas	Short	Summarised
Using our residential build and renewal programmes to adapt our homes to be more resilient to climate change impacts	Short	Summarised
Increasing availability of projected climate change hazard information produced by third parties	Short	Summarised
Increased guidance and tools coming from central government for adaptation and managed retreat	Short	Summarised
Decreasing cost of off-grid electricity supply solutions, reducing emissions and energy costs for customers	Medium	Summarised

Leveraging our urban renewal programme for resilient development in low-hazard areas.

The scale of our renewal programme enables us to reimagine urban environments to ensure communities and supporting infrastructure are resilient to climate change impacts.

We can make important "protect, avoid, retreat or accommodate" decisions at the precinct or neighbourhood level. This approach allows for targeted infrastructure upgrades and other interventions that can increase the resilience of the whole community, rather than just individual sites.

Using our residential build and renewal programmes to adapt our homes to be more resilient to climate change impacts.

We have a nationally significant build programme and 85 per cent of existing Kāinga Ora public housing portfolio requires significant investment before 2050. We can leverage our investment decision-making frameworks to ensure teams consider climate risk and adaptation options for all new build and renewal opportunities.

Increasing availability of projected climate change hazard information produced by third parties.

Third parties are consistently developing new climate change hazard data, which Kāinga Ora can use to identify, assess and respond to climate-related impacts.

Kāinga Ora has also contributed to workshops for the Mā te haumaru ō nga puna wai ō Rākaihautū ka ora mo ake tonu: Increasing flood resilience across Aotearoa programme, led by NIWA – Taihoro Nukurangi. It will develop a system to map flood hazard consistently across the whole country, and reveal how our flood risk might change over the next 100 years because of changes to rainfall and sea level from climate change, as well as due to land-use changes.

Kāinga Ora has also sourced national non-flood-related climate change projections in a Geographic Information System (GIS) format and processed this to demonstrate how urban areas will be impacted by climate change under different scenarios.

Increased guidance and tools coming from central government for adaptation and managed retreat.

Legislation reform and initiatives undertaken by central government will provide guidance for Kāinga Ora to manage our physical risks. The resource management reforms and the National Adaptation Plan will support our adaptation efforts, by providing frameworks and tools to respond to the effects of climate change.

In particular, the Climate Adaptation Act will address the complex legal and technical issues associated with managed retreat and funding and financing adaptation.

Kāinga Ora is involved in reform consultations and has contributed to the development of the National Adaptation Plan.

Decreasing cost of off-grid electricity supply solutions, reducing emissions and energy costs for customers.

The world has seen large reductions in the cost of renewable energy solutions. This provides Kāinga Ora with a unique opportunity to invest in solar photovoltaic generation in our homes.

Through our Solar Energy Trials, we have installed photovoltaic panels on 49 of Kāinga Ora homes in Wellington and Napier, with plans to provide solar power to 1,000 homes by 2024. Kāinga Ora is also exploring ways to share the benefit of the solar energy between households. Benefits include:

- contributing to affordable energy and improved wellbeing for our customers
- reducing operational emissions for our customers
- supporting decarbonisation by demonstrating how renewable energy can be integrated into housing and electricity infrastructure.

Transition opportunities

Opportunities	Timeframe	Coverage in this disclosure
Leveraging our urban renewal programme to accelerate land use and transport integration to reduce New Zealand's transport emissions	Short	Detailed
Using our residential build and renewal programmes to increase the efficiency of our housing stock, reducing emissions associated with energy and water use	Short	Detailed
Using our market position to lead the construction sector transition to low-emissions construction methods	Short	Summarised
Using new construction and development materials and technologies provided by the market, which have a lower life-cycle carbon impact	Medium	Summarised

Leveraging our urban renewal programme to accelerate land use and transport integration to reduce New Zealand's transport emissions.

Kāinga Ora can support a transition to low-carbon transport options for our customers and communities through:

- where we locate our housing
- the type of housing and parking we provide
- how we prioritise the placement of our tenants
- the investment we make in the urban realm.

Current impacts

Over the last 70 years, New Zealand's urban development activity has largely been designed around private motor vehicles. This approach has led to suburban sprawl and high levels of greenhouse gas emissions with 37 per cent of a typical household's carbon footprint attributed to transport. It has also led to transport poverty, limited access to jobs, physical inactivity and poor road safety outcomes. Reducing transport emissions requires us to adopt system-wide changes across transport planning and infrastructure, urban design and policy.

In Kāinga Ora customer recent survey, around a third of respondents stated they would like to travel by car less, however are forced to into car ownership, despite the associated expenses. This is because public transport, walking and cycling infrastructure and services were insufficient to get them to the places they needed to travel.

Anticipated impacts

High emissions scenario

Under a high emissions scenario, there is likely to be an increased assumption that electric vehicles will enable Aotearoa New Zealand to achieve its transport emissions reduction goals. However, electric vehicles will only be available for people that can afford them.

Many of Kāinga Ora customers face significant barriers to electric car ownership. They are not affordable for most people on low incomes. Alongside this, there are trade-offs in prioritising electric vehicle uptake, over enabling mode shift. This is because a large amount of space is needed to store and drive cars. This limits the quantity of housing we can provide and the space we can allocate to the community and natural environment. It also increases noise and creates high traffic volumes that make places unsafe for children to play and for pedestrians and cyclists to get around.

Low emissions scenario

Under a low emissions scenario there will be greater expectations placed on Kāinga Ora to support and enable customers and communities to transition to public transport, walking and cycling as their primary mode of transport. To achieve the emissions reductions required, we need to transform the land-use and transport system of Aotearoa to make these other modes more attractive, safe and affordable to use.

Kāinga Ora will be expected to utilise our development activity to concentrate populations in the right areas and avoid development in locations far from amenity. We are also likely to have increased funding to invest in walking and cycling infrastructure as part of our neighbourhood upgrades, and to support communities to lead behavioural change programmes.

Addressing the opportunity

Strategic work underway to harness this opportunity includes:

Prioritising development in the right locations

Kāinga Ora can prioritise development in areas close to existing public transport links, employment and education centres, and goods and services that meet the needs of residents. This can reduce car dependency. We can also place our customers in houses in areas close to their whānau, where they already work, study and attend social activities, reducing the need to drive from other areas.

Delivering density

Kāinga Ora can optimise density in these well-located areas to provide for concentrated populations. This supports the viability of community facilities, social infrastructure and local commercial activity within walking distance of people's homes; and provision of more frequent public transport services. Kāinga Ora can also improve the provision of commercial activities and other services that better meet the needs of iwi/rōpū Māori and communities within our neighbourhoods so people are able to reach these within walking distance of their homes.

Improving access and safety of walking, cycling and public transport

High-quality walking and cycling connections make low-carbon modes of transport more attractive and safe. Kāinga Ora can design our neighbourhoods and homes to prioritise walking, cycling and play over car movement and storage. We can integrate this with the long-term investment planning of road controlling authorities and ensure neighbourhoods are connected with the wider transport network.

Innovative and transitional parking solutions

We need to explore innovative solutions to centralising parking, staging its provision and thinking about ways it can be repurposed when it is no longer needed.

Using our residential build and renewal programmes to increase the efficiency of our housing stock, reducing emissions associated with water and energy use.

We have over 10,000 dwellings in our construction pipeline and a retrofit programme to renew our existing housing stock. We can improve the energy efficiency of our new and renewed dwellings to reduce their life-cycle carbon impact.

Current impacts

Our new dwellings are currently built to a 6 Homestar v4.1 standard. We will be designing all new dwellings to comply with the updated New Zealand Building Code (NZBC) Clause, H1 5th edition Energy Efficiency from 1 October 2022. We are upgrading our existing homes to meet Healthy Homes Standards (HHS). Based on our initial modelling, indicative life-cycle energy consumption emissions per occupant for our new build and retrofit dwellings are as follows:

Type	Standard	Annual energy consumption emissions per occupant ($kgCO_2e$)		
		Auckland	Wellington	Christchurch
Existing	Kāinga Ora public and supported housing pre-upgrade	331	462	567
	Healthy Homes Standard	234	313	385
New build	Current standard (6 Homestar v4.1)	128	145	182
	H1 5th edition update	116	145	161

The above shows modelled emissions associated with occupant energy use only. Other life-cycle emissions, including those associated with water use, are excluded.

The modelled **existing** dwelling is an 89m² single-storey stand-alone house with three bedrooms and six occupants.

The modelled new build dwelling is a 117m² two-storey duplex with three bedrooms and six occupants. We have adjusted the size of the dwelling downward to 89m² for comparability purposes.

In reality, the Kāinga Ora build pipeline and portfolio is made up of many different dwelling types and sizes. Each will deliver different per-occupant emissions results.

Anticipated impacts

High emissions scenario

A high emissions scenario may result in Kāinga Ora not having funding available to increase the energy efficiency of our homes and the construction industry remaining under pressure to minimise short-term capital expenditure per new house. This scenario might see the MBIE Building for Climate Change (BfCC) programme delayed or not adopted. Kāinga Ora might benefit from slightly lower build costs in the short term, but increased emissions and prevalence of energy hardship in our homes.

Low emissions scenario

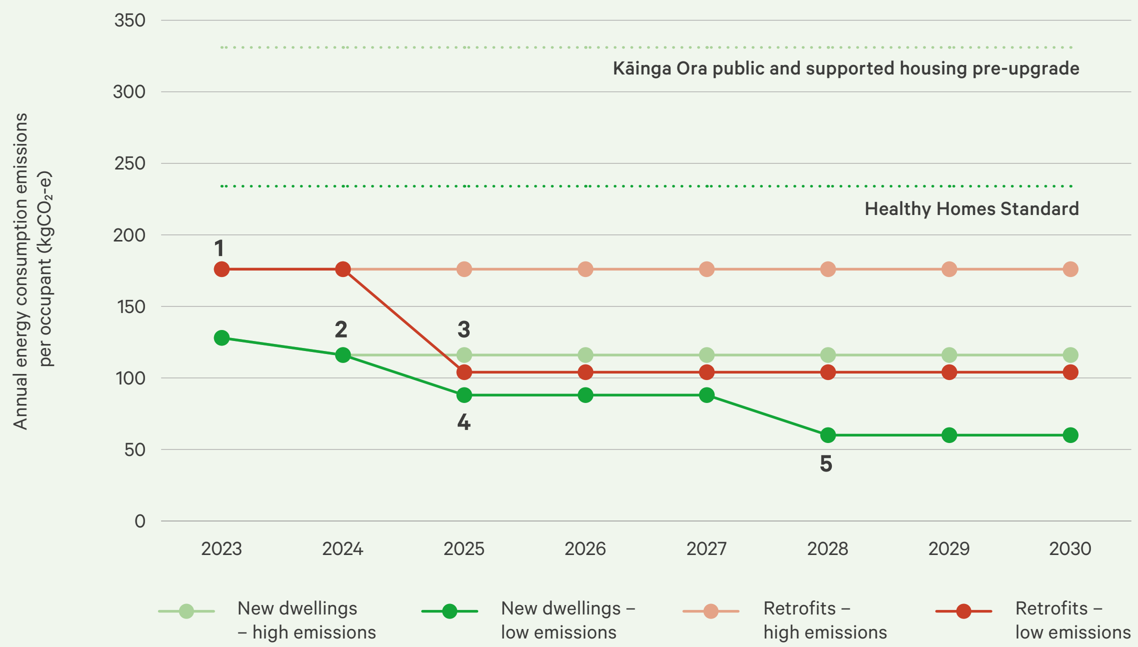
This scenario would see increased national focus on improving resource efficiency in buildings. The new H1 5th edition Building Code update and MBIE BfCC would be implemented within the proposed timelines.

Kāinga Ora would have funding available and the mandate to create carbon budgets for our new homes, in line with or in advance of BfCC timeframes.

The chart below indicates how the emissions intensity of our new build and retrofit dwellings might change under a high emissions and low emissions scenario in Auckland only. It assumes that, under the low emissions scenario, our completed buildings meet the BfCC caps two years in advance of the proposed implementation date.

1. Current standard (6 Homestar v4.1)
2. H1 5th edition update
3. BfCC Intermediate Cap
4. 6 Homestar v5 or equivalent
5. BfCC Final Cap

SCENARIOS FOR NEW BUILDS AND RETROFITS IN AUCKLAND
Indicative annual energy consumption emissions per occupant



Addressing the opportunity

Strategic work underway to harness this opportunity includes:

The Kāinga Ora Carbon Neutral Housing Programme

Our Carbon Neutral Housing Programme develops and helps to operationalise strategies to reduce emissions associated with the construction, use and disposal of our homes. This includes modelling and costing of carbon-reduction initiatives to enable good emissions-reduction decisions.

Construction carbon measurement and reporting

We are developing tools, systems and processes for measuring carbon emissions associated within Kāinga Ora housing construction processes, in accordance with international best-practice Life Cycle Assessment methodology. Our goal is that all our new homes and buildings will measure and report on whole-of-life carbon emissions by 2024. We will apply the data and insights generated to refine the Kāinga Ora Scope 3 emissions baseline and measure the impact of our emissions-reduction strategies over time.

Considering carbon impact in our decision-making

During the financial year, we introduced a requirement that all significant public and supported housing business cases (investment of $50 million or more) calculate and present the amount of carbon that will result from the proposed design. Where the lowest carbon option is not selected, justification must be provided.

Using our market position to lead the construction sector transition to low-emissions construction methods.

Kāinga Ora is a key player in the Aotearoa construction sector. We can use this position to influence, train and grow the sector's capability in delivering low-emissions construction methods on our projects in the short term. Increasing capability at this scale can help the industry deliver low-emissions solutions across all Aotearoa New Zealand's projects at a reduced cost.

Using new construction and development materials and technologies provided by the market, which have a lower life-cycle carbon impact

People and organisations globally are developing materials with lower environmental impacts. Kāinga Ora can use these materials as they become available in the medium term to reduce construction and urban development emissions further.

Our Building Innovation team researches solutions in development and determines their applicability for Kāinga Ora.

Governance

Our Board's oversight of climate-related risks and climate-related opportunities

Under the Kāinga Ora–Homes and Communities Act 2019 the Kāinga Ora Board must ensure that Kāinga Ora acts in a manner that is consistent with its Operating Principles. This includes operating in a manner that recognises the need to mitigate and adapt to the effects of climate change.

Our Board is informed when new and material information arises surrounding climate-related risks. It also endorses decision papers enabling the organisation to harness climate-related opportunities. Both activities take place on an ad-hoc basis as the need arises.

Our Statement of Performance Expectations (SPE) includes corporate emissions metrics, and waste minimisation metrics and targets, which are scrutinised by the Board. We will establish further governance reporting and monitoring mechanisms alongside finalisation of metrics and targets.

At present, outside of normal processes, there are no specific mechanisms used by the Board to hold management accountable for the implementation of climate-related policies, strategies and targets. Performance metrics are not incorporated into remuneration policies.

Our Sustainability Directorate provides expertise and thought leadership to ensure the Board has appropriate oversight on climate-related issues. Information and guidance for managing climate-related risks and opportunities have been included in the Board Charter for the first time this financial year.

Management’s role in assessing and managing climate-related risks and climate-related opportunities

The Board has assigned climate-related responsibilities to our Ngā Pae Tātaki and business groups:

Board

Under the Kāinga Ora–Homes and Communities Act 2019 the Kāinga Ora Board must ensure that Kāinga Ora acts in a manner that is consistent with its Operating Principles. This includes operating in a manner that recognises the need to mitigate and adapt to the effects of climate change.

↓

Ngā Pae Tātaki

Ngā Pae Tātaki are the collaborative leadership committees of Kāinga Ora. They play a key role in assessing climate-related risks.

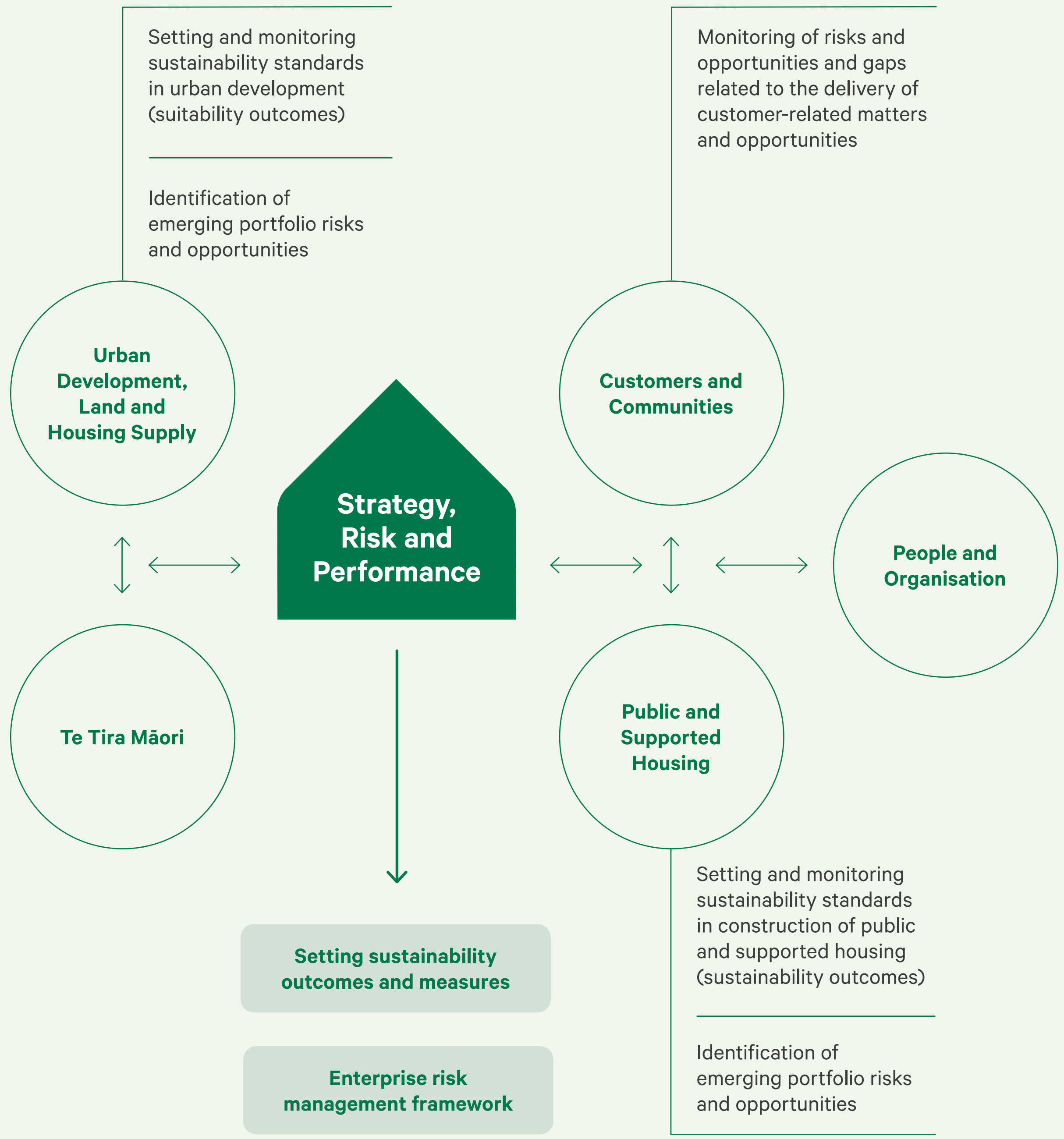
↓

Business Groups

Our management structure is made up of various place- and specialty-based business groups. Capability is built into these groups to identify and manage climate-related risks.

Ngā Pae Tātaki

Several of our Pae Tātaki have sustainability and climate-related risk considerations included in their terms of reference. Each Pae Tātaki meets fortnightly.



Management structure

We use a hub-and-spoke structure to ensure relevant parts of the organisation have oversight and ownership of the climate-related issues that are most material to them.

Business groups regularly take papers to our Ngā Pae Tātaki informing them and/or requesting endorsement of decisions on climate-related issues. Significant decisions are also raised with the Board for endorsement.

Risk management

Risk identification and assessment

During the financial year, Kāinga Ora developed a new climate risk assessment methodology. This closely aligns with *He kupu ārahi mō te aromatawai tūraru huringa āhuarangi ā-rohe: A guide to local climate change risk assessments* published by Ministry for the Environment in September 2021. This requires consideration of exposure and vulnerability (sensitivity and adaptive capacity) under two scenarios across short-, medium- and long-term timeframes. All value-chain stages are covered. We intend to renew this assessment annually.

We have developed an organisation-wide risk framework for identification and assessment of the physical risks to Kāinga Ora customers, assets and operations. We are looking to adopt an Enterprise Risk Management Solution, which will further assist us to cascade identified risks throughout the organisation.

We are also testing this new climate risk assessment methodology at an individual project level. Teams on selected large projects are undertaking climate risk assessments as part of their business cases and developing plans to manage any critical or high risks at the project level.

Risk management activities

The relative significance of climate-related risks is determined by their rated impact, but the level of control we have in addressing the risks as well. The methodology has been designed so that risk ratings can easily be compared with other non-climate-related organisational risks. We are still determining how best to build ratings determined over different scenarios and timeframes into our overall risk registers. We are also still determining how the organisation formally makes decisions to mitigate, transfer, accept or control those climate-related risks.

Insurance

Kāinga Ora has climate risk insurance as part of its general insurance arrangements for the homes that it owns, covering large scale events including storm, flood, tornado and cyclones.

Metrics and targets

Cross-industry metrics

Greenhouse gas emissions

Using the operational control approach, we have measured all our category 1 and 2 greenhouse gas (GHG) emissions, as well as category 3 and 4 emissions relating to our corporate activities only. These make up less than 2 per cent of the total direct and indirect GHG emissions attributable to Kāinga Ora. Toitū Envirocare has independently audited the emissions figures presented to reasonable or limited assurance depending on the emissions source.

Emissions category	Absolute	Per FTE
Category 1	667 tCO_2e	0.24 tCO_2e
Category 2	683 tCO_2e	0.25 tCO_2e
Category 3 corporate emissions	1,606 tCO_2e	0.59 tCO_2e
Category 4 corporate emissions	511 tCO_2e	0.19 tCO_2e
Total measured emissions	**3,467 tCO_2e**	**1.27 tCO_2e**

The majority of our indirect emissions stem from our construction, urban development and maintenance activities, and the consumption of energy and water by our customers. We are required to develop a financial year 2022/23 baseline for these emissions sources under the Carbon Neutral Government Programme and are developing tools and processes to do this.

We have not prepared a separate GHG emissions report for the current period, but recognise the need to do so under the Carbon Neutral Government Programme in 2022/23.

Emissions factors are sourced as follows:

Emissions source	Factors used
Fuel use, purchased energy, business travel consumption emissions, waste to landfill, staff working from home, wastewater treatment, water supply, electricity transmission and distribution losses	Ministry for the Environment: *Measuring emissions: A guide for organisations: 2022 detailed guide* https://environment.govt.nz/publications/measuring-emissions-a-guide-for-organisations-2022-detailed-guide/
Business travel well-to-tank emissions	United Kingdom Department for Business, Energy & Industrial Strategy: *Greenhouse gas reporting: conversion factors 2021* https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Staff purchased and claimed business travel, freight	Motu: Greenhouse Gas Emissions in New Zealand: *A Preliminary Consumption-Based Analysis,* April 2014 https://www.motu.nz/our-research/environment-and-resources/emission-mitigation/emissions-trading/greenhouse-gas-emissions-in-new-zealand-a-preliminary-consumption-based-analysis/

We have excluded the following emissions that are non-mandatory under the Carbon Neutral Government Programme:

Category 3 corporate emissions	Staff commuting
Category 4 corporate emissions	Paper consumption
	Construction-related activities
	Data centre, offshore servers

Other cross-industry metrics

Under the proposed NZ CS 1, we will need to report on:

Transition risks	amount or percentage of assets or business activities vulnerable to transition risks
Physical risks	amount or percentage of assets or business activities vulnerable to physical risks
Climate-related opportunities	proportion of revenue, assets, or other business activities aligned with climate-related opportunities, expressed as an amount or percentage
Capital deployment	amount, in reporting currency, of capital expenditure, financing, or investment deployed towards climate-related risks and opportunities
Internal emissions price	price on each tonne of greenhouse gas emissions used internally by an entity, expressed in reporting currency per metric tonne of CO_2e
Remuneration	proportion of management remuneration linked to climate-related risks and opportunities in the current period, expressed as a percentage, weighting, description or amount in reporting currency

We will establish processes for these metrics in advance of the mandatory climate-related disclosure date.

Industry- and entity-specific metrics

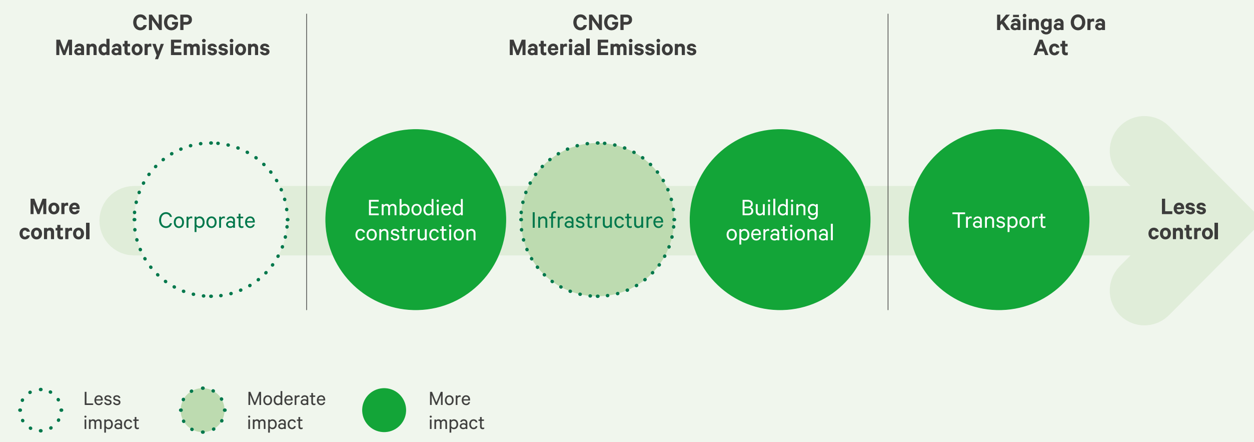
Industry-specific metrics are still being determined at an industry level. Potential metrics proposed by the XRB include building energy intensity by area, building water intensity (by occupants or square area), percentage of fresh water withdrawn in regions with high or extremely high baseline water stress, and area of buildings, plants or properties located in designated flood hazard areas.

Entity-specific metrics will be required for any unique activities undertaken by Kāinga Ora that are not captured by agreed industry-specific metrics.

Targets

Emissions targets

Under the Carbon Neutral Government Programme (CNGP), Kāinga Ora is required to produce and adhere to an emissions reduction plan that aligns with a 1.5°C science-based pathway to 2030. We will be using absolute or intensity-based targets depending on the emissions source. This plan is currently under development, and will set out reduction strategies across our material emissions sources. The diagram below shows the level of control Kāinga Ora has over the emissions sources we contribute. The size of the circles represents the expected impact we can have through our reduction strategies:



Other targets

Other targets will be developed when our metrics are finalised with baselines measured.

Financial statements
Ngā tauākī whakahaere pūtea

Image: Hendon Avenue, Mount Albert, Auckland

HOUSING AGENCY ACCOUNT

Statement of responsibility

The Housing Agency Account is administered by Kāinga Ora – Homes and Communities (Kāinga Ora) on behalf of the Crown. It does not form part of the Kāinga Ora Group.

The Board of Kāinga Ora is pleased to present the financial statements of the Housing Agency Account for the year ended 30 June 2022.

(a) The Board is responsible for the preparation of the financial statements and the judgements used.

(b) The Board is responsible for establishing and maintaining a system of internal control to provide reasonable assurance as to the integrity and reliability of financial reporting.

(c) In the opinion of the Board, the financial statements for the year ended 30 June 2022 fairly reflect the financial position, financial performance and service potential of the Housing Agency Account at that date.

For and on behalf of the Board of Kāinga Ora – Homes and Communities

Vui Mark Gosche
Chair
Kāinga Ora – Homes and Communities

27 September 2022

John Duncan
Deputy Chair
Kāinga Ora – Homes and Communities

27 September 2022

HOUSING AGENCY ACCOUNT

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2022

	Notes	2022 $000	2021 $000
Revenue			
Revenue from non-exchange transactions			
Rental revenue – Crown income-related rent subsidy		565	536
Rental revenue – Tenants income-related rent		259	244
Total revenue from non-exchange transactions		**824**	**780**
Revenue from exchange transactions			
Sale of inventory		2,235	94,513
Interest income		1,225	526
Other income		254	2,565
Rental income from tenants		–	18
Total revenue from exchange transactions		3,714	97,622
Total revenue		4,538	98,402
Expenses			
Cost of inventory		2,215	93,921
Management fee		2,002	2,061
Operating expenses	3	1,180	3,944
Provision for underwrite of KiwiBuild properties		661	126
Property maintenance		492	675
Loss on sale of properties		248	17,828
Write-down of inventory		–	(4,324)
Total expenses		**6,798**	**114,231**
Net operating surplus/(deficit)		**(2,260)**	**(15,829)**
Other comprehensive revenue and expense			
Gain on land and property revaluation	8	2,822	3,961
Total comprehensive revenue and expense		**562**	**(11,868)**

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

HOUSING AGENCY ACCOUNT

Statement of Changes in Equity

For the year ended 30 June 2022

	Notes	2022 $000	2021 $000
Total equity at 1 July		**155,828**	**245,119**
Net surplus/(deficit) for the year		(2,260)	(15,829)
Asset revaluation gains	8	2,822	3,961
Total comprehensive income for the period		**562**	**(11,868)**
Contributions from and distributions to the Crown			
Contributions from the Crown		–	41,957
Return of capital to the Crown		(2,449)	(119,380)
Total contributions from and distributions to the Crown		**(2,449)**	**(77,423)**
Total changes in equity		**(1,887)**	**(89,291)**
Total equity at 30 June		**153,941**	**155,828**
Equity attributable to the Crown			
Opening balance		182,506	259,929
Contributions from the Crown		–	41,957
Return of capital to the Crown		(2,449)	(119,380)
Closing equity attributable to the Crown		**180,057**	**182,506**
Retained earnings			
Opening retained earnings		(38,196)	(22,367)
Net surplus/(deficit) for the year		(2,260)	(15,829)
Net transfers from asset revaluation reserve on disposal		**(40,456)**	**(38,196)**
Revaluation reserve			
Opening revaluation reserve		11,518	7,557
Asset revaluation gains	8	2,822	3,961
Closing revaluation reserve		**14,340**	**11,518**
Total equity at 30 June		**153,941**	**155,828**

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

HOUSING AGENCY ACCOUNT

Statement of Financial Position

As at 30 June 2022

	Notes	2022 $000	2021 $000
ASSETS			
Current assets			
Cash at bank		131,814	200,572
Inventory	4	14,473	16,625
Receivables	5	2,832	16,274
Mortgage advances	6	–	439
Total current assets		**149,119**	**233,910**
Non-current assets			
Land under development	7	7,988	7,962
Work in progress		1,783	2,029
Property, plant and equipment	8,9	23,358	20,628
Properties held for sale	10	4,384	3,183
Total non-current assets		**37,513**	**33,802**
Total assets		**186,632**	**267,712**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	11,12	3,359	76,359
Provisions	13	29,448	35,295
GST (receivable)/payable		(116)	230
Total current liabilities		**32,691**	**111,884**
Total liabilities		**32,691**	**111,884**
Net assets		**153,941**	**155,828**
EQUITY			
Crown funds		180,057	182,506
Retained earnings		(40,456)	(38,196)
Revaluation reserve		14,340	11,518
Total equity		**153,941**	**155,828**

For and on behalf of the Board:

Vui Mark Gosche
Chair
Kāinga Ora – Homes and Communities

27 September 2022

John Duncan
Deputy Chair
Kāinga Ora – Homes and Communities

27 September 2022

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

HOUSING AGENCY ACCOUNT

Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 $000	2021 $000
Cash flows from operating activities			
Rent receipt		748	988
Receipts from sale of developed assets		11,990	3,314
Receipt from sale of properties in inventory		3,526	91,916
Interest received		1,225	526
Development costs paid		(7,983)	(74)
Purchases of property inventory		(63)	(44,563)
Other payments to suppliers		(927)	(50,978)
Management fee paid to related party		(2,002)	(1,885)
Net cash flows from operating activities	18	**6,514**	**(756)**
Cash flows from Investing activities			
Purchases of property, plant and equipment		(97)	(113)
Mortgage advances repayment received		490	166
Net flows from investing activities		**393**	**53**
Cash flows from financing activities			
Capital withdrawal to the Crown		(95,981)	(21,697)
Capital contributions from the Crown		20,316	108,395
Net cash flows from financing activities		**(75,665)**	**86,698**
Net cash flows		(68,758)	85,995
Opening cash and cash equivalents		200,572	114,577
Closing cash and cash equivalent		**131,814**	**200,572**

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

HOUSING AGENCY ACCOUNT

Notes to the Financial Statements

For the year ended 30 June 2022

1. Statement of accounting policies

Reporting entity

The Housing Agency Account (HAA) is administered by Kāinga Ora – Homes and Communities (Kāinga Ora) acting as an agent of the Crown under the Housing Act 1955 (Housing Act). This Act empowers Kāinga Ora to carry out the Crown's decisions in relation to the acquisition, setting apart and development of land, and the acquisition of assets for state housing purposes. HAA does not form part of the Kāinga Ora Group.

HAA has designated itself as a public benefit entity (PBE) for financial reporting purposes. PBEs are defined as "reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view of supporting that primary objective rather than for a financial return to equity holders".

The financial statements for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 27 September 2022.

Accounting standards and interpretations

(i) **Accounting standards and interpretations effective and adopted in the current year**

All mandatory standards, amendments and interpretations have been adopted in the current year. None had a material impact on these financial statements.

- PBE IPSAS 40 *PBE Combinations*

  The new standard supersedes PBE IFRS 3 *Business Combinations*. PBE IPSAS 40 has a broader scope than PBE IFRS 3 as it establishes requirements for accounting for both acquisitions and amalgamations. PBE combination is the bringing together of separate operations into one public benefit entity, which might occur by mutual agreement or by compulsion.

- PBE Interest Rate Benchmark Reform – Phase 2 (Amendments to PBE IPSAS 41, PBE IFRS 9, PBE IPSAS 29 and PBE IPSAS 30)

  This is the second part of the two-phase project on interest rate benchmark reform. These amendments enable PBEs to reflect the effects of transitioning from benchmark interest rates, such as interbank offered rates (IBORs), to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

- 2018 Omnibus Amendments to PBE Standards (PBE IPSAS 2)

  The amendments require disclosures that allow users of financial statements to evaluate changes in liabilities which arise from financing activities.

(ii) **Accounting standards and interpretations issued but not effective and not early adopted**

- PBE FRS 48 *Service Performance Reporting*

  In recognition of the impact of COVID-19 on PBEs, on 13 August 2020 the New Zealand Accounting Standards Board (NZASB) issued 2020 Amendments to PBE FRS 48 for periods beginning on or after 1 January 2022.

  This new standard introduces high-level requirements for Tier 1 and Tier 2 PBEs relating to service performance information. All PBEs which are legally required to provide service performance information must provide the following information:

  - the reason for the entity's existence, what the entity aims to achieve over the medium to long term (in broad terms), and how it will go about achieving this
  - what the entity has done in order to achieve its broader aims and objectives, as stated above.

- PBE IPSAS 41 *Financial Instruments* effective for periods beginning 1 January 2022

  PBE IPSAS 41 will supersede PBE IFRS 9 and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IPSAS 41 introduces a new classification and measurement regime for financial instruments and will need to be carefully considered by each entity.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Public Benefit Entity Standards (PBE Standards) Tier 1.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The financial statements comprise the Statement of Financial Position, Statement of Comprehensive Revenue and Expense, Statement of Changes in Equity, Statement of Cash Flows, accounting policies and explanatory notes. They have been prepared on a historical cost basis, except where otherwise stated in the relevant accounting policy, and are presented in New Zealand dollars with all values rounded to the nearest thousand dollars ($000) unless otherwise stated.

Comparatives

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

Significant judgements and estimates

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

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and reasonable current assumptions, the results of which form the basis of the carrying values for assets and liabilities that are not readily apparent from other sources.

Rental properties

HAA revalues rental properties on an annual basis. Fair value is determined by reference to market-based evidence from independent valuers Quotable Value New Zealand.

In performing the valuation, the entire portfolio has not been individually inspected. A market indexation approach has been adopted for the remaining uninspected portfolio due to the homogeneous nature of the portfolio. 'Highest and Best Use' scenario was used in the property valuation.

Impairment of plant and equipment, work in progress and land under development

HAA's primary objective from its non-financial assets is to develop land for housing rather than to generate a commercial return.

Plant and equipment, work in progress and land under development are held at the lower of cost or net realisable value and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. If an 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 surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Provision for future development costs

Management makes significant judgements when estimating the amount of the provision for future development costs. As a prerequisite for establishing a provision in relation to each development, management needs to determine whether that development site has been sold. All relevant factors are assessed in ascertaining whether or not the significant risks and rewards of ownership have transferred to the purchaser, when determining whether a sale has occurred.

Management estimates future development costs using a model that includes both development-specific costs and a share of site-wide costs. Those costs specific to a particular development are those that provide a direct benefit to that development and typically include construction, landscape design and engineering costs. Site-wide costs are those that are incurred on a total site-wide basis that benefit all developments in the site area, and typically include site-wide amenity assets, site-wide remediation, and coastal walkway costs.

An apportionment of site-wide costs is allocated to each individual development based on the proportion of that development's area to the total site area.

At each balance date, the estimate of future development costs is revised by updating the underlying assumptions and taking account of the latest available information in the future development cost model. This includes consideration of development costs incurred to date, internal business planning strategies, and external experts' assessments as to the likely cost of work required to complete both the particular development and the entire site development.

Estimation of useful lives of assets

HAA reviews the useful lives and residual values of its property, plant and equipment annually.

HOUSING AGENCY ACCOUNT

Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires HAA 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 will impact 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.

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

Buying off the Plans initiative

On 1 October 2019 Kāinga Ora was appointed as agent of the Crown by Ministerial approval to take over the administration of the KiwiBuild 'Buying off the Plans' (BOTP) initiative from the Ministry of Housing and Urban Development (HUD). Any property inventory acquired under BOTP and held by the Crown on that date was transferred to HAA. All subsequent purchases/sales of property and the holding/on-selling costs associated with BOTP from that date are now recognised within HAA.

Provision for underwrite of KiwiBuild properties

The KiwiBuild BOTP initiative involves the Crown underwriting homes in new residential developments led by the construction sector on privately owned or HAA land.

The KiwiBuild BOTP initiative supports developers to increase the supply of quality affordable houses by underwriting part or all of a development. This enables affordable homes to be built that would otherwise not be built, or accelerates the construction of affordable homes. KiwiBuild homes must be priced at or below specified price caps and must be offered, in the first instance, to eligible KiwiBuild buyers. To the extent that developers exercise these options and depending on the value of the properties relative to the agreed underwrite price, HAA is exposed to potential losses.

The value of the provision for which HAA has exposure to Kiwibuild underwrite-related losses largely depends on property values and includes an estimation of the valuation of the property at the time of sale.

The relativity of a BOTP property's market value to the agreed price that the developer can sell it to HAA at affects:

- the likelihood that a developer will exercise the option to sell the property to HAA
- the potential loss (if any) to HAA if the developer does exercise the option.

At each reporting date, an assessment is made of whether the recognised insurance liabilities are adequate by using a Liability Adequacy Test (LAT). The insurance liability value is adjusted to the extent that the unearned premiums are insufficient to meet future claims and expenses.

The key component is the central estimate of potential losses as part of the LAT, which is a significant estimate.

The Kiwibuild underwrite provision has been independently valued by Dan Stoner of Taylor Fry, a member of the New Zealand Society of Actuaries and the Institute and Faculty of Actuaries (UK).

Impairment

The impairment requirements apply to financial assets that are carried at amortised cost, debt instruments that are carried at fair value through surplus or deficit (FVSD) and lease receivables. The impairment requirements under PBE IFRS 9 are based on a forward-looking expected credit loss model.

When applying the PBE IFRS 9 impairment model to its asset, HAA has identified possible future defaults by the counterparty to make a payment in full and/or on time. Impairment is recognised based on possible defaults expected. The expected credit loss (ECL) arising from the possible defaults is recognised based on the possibility of default over the next 12 months, based on the 'general approach' or the 'simplified approach' to impairment being applied. Exchange receivables and contractual non-exchange receivables apply the simplified approach. Mortgage advances and short-term investments apply the general approach.

Revenue

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

(i) Revenue from non-exchange transactions

Revenue from non-exchange transactions is where HAA receives value from another party for which it provides either no, or below market, consideration. Revenue from non-exchange transactions is recognised when initial control over the resources is gained as a result of a past event, receipt of future economic benefits or service potential from those resources is expected, 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:

Crown income-related rent subsidy and Tenants income-related rent

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

Crown operating appropriations

HAA receives revenue from the Crown as operating appropriations. Crown appropriation revenue is received to reimburse the Group for expenses incurred by operating programmes associated with Crown land.

All Crown appropriation revenue is recognised when the right to receive the asset has been established.

(ii) Revenue from exchange transactions

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

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

Rental revenue from tenants at market rent

Rental revenue received from those tenants who pay 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 income

Interest revenue on mortgages, including interest subsidies from the Crown, and short-term investments are 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.

Sale of inventory and gain on sale of properties

Revenue earned from sale of properties under the BOTP government initiative is recognised when risks and rewards passes to a third party.

Financial instruments

HAA is party to a number of financial instruments including cash at bank, accounts receivable, Crown debtors, mortgage advances, contract deposits, accounts payable, and other liabilities plus advances to/(from) related parties.

At initial recognition, financial assets or financial liabilities in the scope of PBE IFRS 9 *Financial Instruments* are measured at their fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus/(deficit) (FVSD), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Gains or losses on financial instruments are recognised in net surplus/(deficit) in the period in which they occur.

For all categories of financial assets and liabilities measured at amortised cost, the carrying value approximates fair value.

(i) Financial assets

Financial assets in the scope of PBE IFRS 9 are classified as either subsequently measured at amortised cost, fair value through other comprehensive revenue and expense (FVOCRE) or fair value through surplus or deficit (FVSD). The classification depends on the business model for managing the financial assets and its contractual cash flow characteristics. HAA holds financial assets at only the amortised cost and FVSD.

Cash at bank

Cash comprises cash at bank and short-term liquid investments with original maturities up to 90 days held specifically for working capital purposes.

Due to the short-term nature, and the fact that balances are held with institutions with high credit ratings, no impairment allowances are recognised on cash balances.

Accounts receivable

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any expected credit losses (ECL).

HAA applies a simplified approach in calculating ECLs. Therefore, HAA does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date, using a provision matrix. This is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

HOUSING AGENCY ACCOUNT

Bad debts are written off when identified. Financial difficulties of the debtor and/or default payments are considered objective evidence of the receivable being credit impaired.

Receivables are recorded as current, except for those expected to be received beyond the next 12 months, which have been recorded as non-current.

Mortgage advances

Mortgage advances 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. Movements in fair value are recognised in the net surplus/(deficit) during the year.

Mortgage advances are included in non-current assets as their maturities are greater than 12 months after balance date.

An embedded derivative was identified from this financial instrument due to the existence of a prepayment option and the interest rate cap within the mortgage agreements.

Cash flows are discounted at market mortgage rates.

As it is closely related to the host agreement, the embedded derivative is not accounted for separately from the host agreement.

All remaining loans were repaid during the year.

(ii) Financial liabilities

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

Accounts payable and other liabilities are recorded as current, except for those expected to be settled beyond the next 12 months, which have been recorded as non-current.

Provision for future development costs

HAA estimates future development costs expected to be incurred by each precinct. A provision for future development costs is recognised in the Statement of Financial Position for those costs estimated as required to complete the development process associated with properties sold at the time a sale is recognised.

The net movement in the provision for the year is recognised as net gains or losses on the sale of properties in the Statement of Revenue and Expense.

Those costs within the provision expected to be incurred within 12 months after the balance date are classified as current liabilities, with the remaining balance of the provision classified as non-current liabilities.

Inventories

Inventories comprise properties acquired under the KiwiBuild BOTP initiative and held by HAA for subsequent sale, and superlots from the Hobsonville Point development.

All inventory items are valued at lower of cost or net realisable value, determined principally by the expected sale price less the cost of the property acquired from the developer and selling costs.

PBE IPSAS 12 *Inventories* requires the estimates to take into consideration the purpose for which the property is held, which in this case is to sell at market or affordable pricing.

Land under development

Land and related developments that are held for further development and sale in the ordinary course of business are classified as inventory.

Land under development is recorded at the lower of cost or net realisable value (selling price less cost to complete and sales cost). Any write-downs to net realisable value are charged to net surplus/(deficit) for the year.

Work in progress

Land and related developments for eventual sale to market are classified as work in progress. Work in progress is held at cost, which is defined as all costs incurred that are directly related to the development of these assets and are annually reviewed for any impairment.

Rental property

Rental properties are initially recorded at cost and subsequently measured to fair value on an annual basis. Where an asset is acquired for nominal or zero consideration, the asset is recognised at fair value as at the date of acquisition, with a corresponding recognition of revenue in net surplus/(deficit).

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 materially differ from the asset's fair value at the balance date.

Unrealised gains and losses arising from changes in the fair value of rental property are recognised at balance date. Where a gain reverses a loss previously charged to net surplus/(deficit) for the same asset class, the gain is credited to net surplus/(deficit). Otherwise gains are credited to an asset revaluation reserve in other comprehensive income for that asset class.

An item of property is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of this asset. On 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 net surplus/(deficit) in the year 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 rental properties as follows:

- Buildings — 60 years
- Improvements — 25 years
- Chattels — 10 years

Property, plant and equipment

Office equipment and furniture and fittings are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Office equipment — 5 years
- Furniture and fittings — 10 years
- Leasehold improvements — the shorter of the period of lease or estimated useful life

An item of property, plant or equipment is derecognised on disposal or when future economic benefits are not expected to arise from its use. Any gain or loss is included in 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.

Properties held for sale

Properties held for sale comprise:

- superlots from the Hobsonville Point development
- land that is regarded as surplus to the Crown and is no longer required.

A property is classified as held for sale when its carrying amount will be recovered principally through sale, it is available for immediate sale in its present condition and the sale is highly probable.

Properties held for sale are recorded at the lower of the carrying amount and fair value less costs to sell. Any write-downs to fair value are charged to net surplus/(deficit) for the year.

Taxation

HAA is not liable for income tax by virtue of section CW 38(2) of the Income Tax Act 2007. However, HAA is subject to Goods and Services Tax (GST).

All amounts in the financial statements are stated exclusive of GST, except for accounts receivable and accounts payable, which are GST inclusive.

Capital management

HAA's capital is in equity, which comprises accumulated funds generated from its operating and investment activities, Crown appropriation and other reserves. These funds will be held by HAA in order to meet its state housing objectives, and will only be held for the purposes for which they were originally appropriated. Any residual accumulated funds that are not utilised by HAA will be returned to the Crown.

Equity is represented by net assets. HAA manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings, to ensure it effectively achieves its objectives and purpose, while remaining a going concern.

Kāinga Ora operates several bank accounts as an agent of the Crown. While funds in these bank accounts may be invested, any of the principal and proceeds of the investment must be credited to the bank account the funds were sourced from originally.

2. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to HAA and the revenue can be reliably measured.

Crown appropriation revenue

HAA is an agent of the Crown. It undertakes some transactions with statutory corporations, state-owned enterprises and government departments on an arm's length basis.

In the current financial year, HAA received nil capital appropriations (2021: nil) and nil operating appropriations (2021: nil) from the Crown.

3. Operating expenses

	2022 ($000)	2021 ($000)
Depreciation on rental property	230	201
Expected credit losses	207	19
Asset write-offs	136	–
Legal fees	133	194
Agents commission	108	2,417
Land and water rates	77	388
Other expenses	75	74
Depreciation on property, plant and equipment	69	79
Audit fees for audit of financial statements	68	88
Rental expense	64	66
Selling and facility expenses	13	313
Property surveys	–	66
Consultants fees	–	39
Operating expenses	**1,180**	**3,944**

4. Inventories

	2022 ($000)	2021 ($000)
Inventories held at 1 July	16,625	51,573
Inventories purchased during the year	63	54,530
Inventories disposed of during the year	(2,215)	(95,878)
Transferred from properties held for sale	–	14,410
Write-down of inventory to net-realisable value	–	(8,010)
	14,473	**16,625**

Inventory as at 30 June 2022 comprises superlots from the Hobsonville Point development. The prior year inventory also included properties purchased under the KiwiBuild BOTP initiative.

HOUSING AGENCY ACCOUNT

5. Receivables

	2022 ($000)	2021 ($000)
Current receivables		
Gross account receivables	3,327	16,562
Allowance for expected credit losses	(495)	(288)
Net realisable value of current accounts receivable	**2,832**	**16,274**

6. Mortgage advances

	2022 ($000)	2021 ($000)
Beginning of the year	439	518
Fair value gain	31	58
Repayment of advances	(470)	(137)
Total provisions for development costs	**–**	**439**

Gateway Housing is an initiative approved by Cabinet in 2009 to assist community housing organisations by selling surplus Crown land to build houses for home ownership for first-home owners. Where there is no demand for sections by housing organisations or no suitable proposal for land use, land may be offered to individual moderate-income households. The sale price of the land is treated as a loan to the buyer, secured by a second mortgage on the title. The interest rates charged on the loan are as follows:

- Years 1 to 5 – 3% annually capitalised with no compounding

Gateway loans are designated at fair value through net surplus/(deficit). Any movement in fair value is recognised in net surplus/(deficit). The Gateway loans were repaid in full during the year.

HOUSING AGENCY ACCOUNT

7. Land under development

	2022 ($000)	2021 ($000)
Land under development for resale	7,988	7,962

Land under development is measured at the lower of cost or net realisable value. This relates to purchases of land at the former Hobsonville Airbase from the New Zealand Defence Force, Ministry of Education and Auckland Council, and those costs associated with the development of the Hobsonville Point site.

For the purposes of assessing the net realisable value of this property, land under development for resale has been valued as at 30 June 2022 as part of the overall Hobsonville Point site valuation.

The valuation was carried out by Quotable Value New Zealand, a company employing registered and qualified valuers.

Movements in land under development

	2022 ($000)	2021 ($000)
Land under development for resale at 1 July	7,962	7,888
Transferred to properties held for sale	–	(4,955)
Development costs incurred during the year	26	7,751
Disposal	–	(2,722)
Land under development for resale at 30 June	**7,988**	**7,962**

8. Rental properties

	2022			2021		
	Land ($000)	Buildings ($000)	Total ($000)	Land ($000)	Buildings ($000)	Total ($000)
Rental properties at 1 July	11,086	9,271	20,357	8,229	8,265	16,494
Additions during the year	–	207	207	–	101	101
Disposals	–	–	–	–	–	–
Revaluation	1,302	1,520	2,822	2,857	1,104	3,961
Depreciation for the year	–	(230)	(230)	–	(201)	(201)
Transferred from work in progress	–	–	–	–	2	2
Rental properties at 30 June	**12,388**	**10,768**	**23,156**	**11,086**	**9,271**	**20,357**

Rental properties comprising land and buildings were revalued to fair value as at 30 June 2022.

The valuation was carried out by an independent valuer, Quotable Value New Zealand, a company employing registered and qualified valuers.

HOUSING AGENCY ACCOUNT

9. Plant and equipment

	Equipment ($000)	Furniture ($000)	Leasehold improvements ($000)	Total ($000)
2022				
COST				
Balance at 1 July	76	178	458	712
Additions	–	–	–	–
Disposals	–	–	–	–
Balance at 30 June	**76**	**178**	**458**	**712**
LESS:				
ACCUMULATED DEPRECIATION				
Balance at 1 July	(75)	(104)	(262)	(441)
Depreciation for the year	–	(18)	(51)	(69)
Balance at 30 June	**(75)**	**(122)**	**(313)**	**(510)**
2022 net carrying amount	**1**	**56**	**145**	**202**

	Equipment ($000)	Furniture ($000)	Leasehold improvements ($000)	Total ($000)
2021				
COST				
Balance at 1 July	76	176	458	710
Additions	–	–	–	–
Disposals	–	–	–	–
Transfers	–	2	–	2
Balance at 30 June	76	178	458	712
LESS:				
ACCUMULATED DEPRECIATION				
Balance at 1 July	(73)	(86)	(211)	(370)
Depreciation charges for the year	(2)	(18)	(51)	(71)
Balance at 30 June	**(75)**	**(104)**	**(262)**	**(441)**
2021 net carrying amount	**1**	**74**	**196**	**271**

HOUSING AGENCY ACCOUNT

10. Properties held for sale

	2022 ($000)	2021 ($000)
Properties held for sale at 1 July	3,183	23,550
Properties transferred to Land intended for sale	–	(5,957)
Transferred development costs	1,201	–
Transferred to inventory held at net realisable value	–	(14,410)
	4,384	**3,183**

For the purposes of testing whether an impairment has occurred to the properties held for sale as at 30 June 2022, a valuation was carried out by Quotable Value New Zealand, a company employing registered and qualified valuers.

11. Accounts payable and other liabilities

	2022 ($000)	2021 ($000)
Current accounts payable and other liabilities		
Trade creditors	157	16
Accrued expenses and other liabilities	–	12
Total current accounts payable and other liabilities	**157**	**28**

12. Related parties

	2022 ($000)	2021 ($000)
Total owed to related parties by HAA	**3,202**	**76,331**

HAA is an agent of the Crown. It undertakes some transactions with state-owned enterprises and government departments on an arm's-length basis.

In the year to 30 June 2022 Kāinga Ora provided management services to HAA. A management fee of $2 million (2021: $2 million) was charged by Kāinga Ora – Homes and Communities for services relating to the Hobsonville Point development. No management fee has been charged for other services provided to HAA as this requires ministerial approval under the Housing Agency Accountability Agreement.

Kāinga Ora administers HAA as an agent of the Crown under the Housing Act 1955. As at 30 June 2022 the balance of the total amount owed by HAA to Kāinga Ora and its subsidiaries was $2.1 million (2021: $1.9 million was owed by HAA to Kāinga Ora and its subsidiaries resulting in a net movement of $0.2 million).

In its capacity as agent for HAA, Kāinga Ora manages the rental income and expenses of HAA's rental properties. No fees charged for this service.

In the year to 30 June 2022 HAA has recognised $1.1 million (2021: $74.4 million) of net repayment to the Ministry of Housing and Urban Development for the KiwiBuild BOTP government initiative.

Amounts owed to related parties at year-end is $3.2 million (2021: $76.3 million).

13. Provisions

	2022 ($000)	2021 ($000)
Current provisions		
Provision for development costs	28,661	35,169
Provision for underwrite of KiwiBuild properties	787	126
Total current provisions	**29,448**	**35,295**
Total provisions for development costs	**29,448**	**35,295**

	MOVEMENTS			
	2022		2021	
	Future development cost ($000)	Underwrite of KiwiBuild properties ($000)	Future development cost ($000)	Underwrite of KiwiBuild properties ($000)
Movement in carrying amounts				
Provisions for development costs				
Carrying amounts at 1 July	35,169	126	27,720	2,178
Additional provisions recognised	248	661	19,487	126
Development expenditure incurred	(6,756)	–	(12,038)	(2,178)
Total carrying amount at 30 June	**28,661**	**787**	**35,169**	**126**

Provision for future development costs

The additional provisions recognised are those costs estimated as required to complete the development process associated with those properties that have been sold to 30 June 2022.

Total land area for which future costs have been included in the provision remained as 780,735m^2 as at 30 June 2022.

The increase in estimates relates to the effect of applying revised estimates to those amounts previously provided for in prior years that still remain at the latest balance date and those additional amounts relating to current year sales.

In the year to 30 June 2022, site remediation costs of $0.03 million are included in the future development costs provision based on estimates provided by Kāinga Ora management (2021: $1.54 million).

Provision for underwrite of KiwiBuild properties

The provision represents the expected cost of purchasing properties from developers who have exercised their right (under the KiwiBuild BOTP initiative) for the Crown to purchase these properties.

Liquidity adequacy test (LAT)	($000)
Central estimate	538
Discounting	(28)
Central estimate claims (discounted)	511
Administration expenses (discounted)	18
Risk margin at 75% probability of sufficiency %	48.8%
Risk margin at 75% probability of sufficiency $	258
Premium liability based on the LAT	**787**

Sensitivity analysis	Liability based on the LAT ($000)	Change in liability ($000)
Base result	787	
House price standard deviation +1 %	1,016	229
House price standard deviation -1 %	613	(174)
House price mean increase +1 %	599	(188)
House price mean increase -1 %	1,017	230
Discount rates +0.5 %	781	(6)
Discount rates -0.5 %	793	6

14. Financial instruments

	Loans and receivables ($000)	Fair value through net surplus/(deficit) ($000)	Amortised cost ($000)	Total ($000)
30 June 2022				
Financial assets				
Cash at bank	131,814	–	–	131,814
Receivables	2,832	–	–	2,832
Mortgage advances	–	–	–	–
Total financial assets	**134,646**	**–**	**–**	**134,646**
Financial liabilities				
Accounts payable and other liabilities	–	–	157	157
Advances from related parties	–	–	3,202	3,202
Total financial liabilities	**–**	**–**	**3,359**	**3,359**
30 June 2021				
Financial assets				
Cash at bank	200,572	–	–	200,572
Receivables	16,274	–	–	16,274
Mortgage advances	–	439	–	439
Total financial assets	**216,846**	**439**	**–**	**217,285**
Financial liabilities				
Accounts payable and other liabilities	–	–	97,538	97,538
Advances from related parties	–	–	1,902	1,902
Total financial liabilities	**–**	**–**	**99,440**	**99,440**

HOUSING AGENCY ACCOUNT

15. Right of First Refusal for sale of land

Treaty of Waitangi settlement legislation granted Right of Refusal (RFR) over some properties. RFR restricts the disposal of Crown properties and gives iwi/hapū (RFR holder) the right to purchase properties first, before they can be disposed of to anyone else.

New obligations owed to Māori include engaging with Māori, upholding the Treaty of Waitangi and its principles, and understanding Māori perspectives. Furthermore, with the passing of the Urban Development Act 2020, the RFR obligation has been expanded so that RFR holders must now be given the opportunity to develop RFR land.

The following are examples of Acts that grant RFR over Crown lands set aside for a state housing purpose and administered by Kāinga Ora under the Housing Act:

- Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014 (Minister of Housing exemption is available for the sale of Crown land for housing. If housing is to be built on the land by a third party (and no exemptions apply), the Limited Partnership is to be offered the opportunity to submit a proposal to be the developer)). The Ministry of Housing and Urban Development administers the RFR development opportunity offers in accordance with the Redevelopment Protocol
- Waikato Raupatu Claims Settlement Act 1995 (some exemptions available)
- Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009 (some exemptions available)
- Ngāi Tahu Claims Settlement Act 1998 (some exemptions available).

16. Commitments

Capital commitments

As at 30 June 2022 there was a commitment to pay $2.1 million in relation to the completion of the Hobsonville Point development site (2021: $2.3 million).

17. Contingencies

As at 30 June 2022 HAA had no contingent assets or liabilities (2021: nil).

18. Cash generated from operations

	2022 ($000)
Net deficit	(2,260)
Adjusted for	
Depreciation	299
Loss of disposal of assets	248
Other non-cash items	(363)
Total non-cash and non-operating items	**184**
(Increase)/decrease in receivables	13,411
Increase/(decrease) in payables	(4,821)
Total working capital movements	**8,590**
Net cash from operating activities	**6,514**

19. Events subsequent to balance date

There were no events subsequent to balance date (2021: 1).

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF HOUSING AGENCY ACCOUNT'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The Auditor-General is the auditor of Housing Agency Account (the Account). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Account on his behalf.

Opinion

We have audited the financial statements of the Account on pages 237 to 254, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion:

- the financial statements of the Account on pages 237 to 254:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; and
    - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards with disclosure concessions.

Our audit was completed on 28 September 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board Members of Kāinga Ora – Homes and Communities and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board Members for the financial statements

The Board Members are responsible on behalf of the Account for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand.

The Board Members are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Board Members are responsible on behalf of the Account for assessing the Account's ability to continue as a going concern. The Board Members are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Account, or there is no realistic alternative but to do so.

The Board Member's responsibilities arise from the Housing Act 1955.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board Members and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Account to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

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Other information

The Board Members are responsible for the other information. The other information comprises the information included on page 236 but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Account in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Account.

Stuart Mutch
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

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Kāinga Ora
Homes and Communities

Te Kāwanatanga o Aotearoa
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