Kāinga Ora
Homes and Communities

Update on Kāinga Ora Financial Sustainability

Reference number	BN 22 015
Date	17 June 2022
Priority	Normal
Security level	In confidence

Action sought

Recipient	Action sought	Deadline
Minister of Housing Minister of Finance	**Note** the contents of this briefing ahead of the next Officials meeting on 20 June 2022 **Agree** that Kāinga Ora works with the Ministry of Housing and Urban Development and the Treasury to review its current funding and financing settings ahead of the Kāinga Ora budgets for the short and medium term.	As soon as possible

Contact for discussion (if required)

Name	Position	DDI Mobile	Email	First contact
Andrew McKenzie	Chief Executive	s 9(2)(a) [redacted]	Andrew.Mckenzie@kaingaora.govt.nz	Yes
Gareth Stiven	GM Strategy, Finance and Policy	[redacted]	Gareth.Stiven@kaingaora.govt.nz	

For Minister's Office			
❑ Noted	❑ Approved	❑ Not approved	❑ Other
Comments			

Kāinga Ora
Homes and Communities

BN 22 015

17 June 2022

Hon Dr Megan Woods, Minister of Housing
Hon Grant Robertson, Minister of Finance
cc: Vui Mark Gosche, Board Chair

Update on Kāinga Ora Financial Sustainability

Recommendations

1. I recommend that you:

a) **note** that Kāinga Ora – Homes and Communities has inherited an ageing public housing portfolio with 45,000 of our state homes requiring significant capital reinvestment in the next 20 years in order to enable them to meet the needs of our customers. **Noted**

b) **note** that due to COVID related delays, we are hitting a peak construction period at exactly the same time as construction costs have surged and interest costs have increased. **Noted**

c) **note** that as Kāinga Ora borrows to cover all costs associated with building new public homes, increases in our costs will mean it will take longer for the rents we receive over the life of the homes to pay off the cost of building them – leaving less to go towards future renewal, maintenance and other activities such as providing increased service levels and covering our operating costs. **Noted**

d) **note** the Kāinga Ora FY22-26 draft budget: **Noted**

- incorporates existing public and supported housing growth commitments, healthy homes compliance requirements and commitments to deliver the large-scale projects business cases.
- reflects the government's current commitment to public housing growth ceasing after FY24, and as a consequence shows a shift in focus to the renewal of the existing ageing public housing assets.
- reflects a significant shift in a number of key assumptions since previous versions, reflecting headwinds across the construction sector, pronounced cost inflation relative to income, and broadened demands on the organisation.

e) **note** that the Kāinga Ora financial metrics will be stressed in the near term and our funding model is being significantly challenged. **Noted**

f) **note** that the Kāinga Ora Board is focussed on the prudent financial management of our operations and stewardship of our balance sheet to ensure long-term sustainability and is taking a number of mitigations to improve our resilience. **Noted**

g) **note** that the Board is also investigating options relating to the quality and service levels of our public housing portfolio. Where there may be a significant choice posed, we will seek your guidance on how we should proceed. **Noted**

h) s 9(2)(f)(iv) [redacted] **Y / N**

- Medium-term (Budget 24)

    i. Reviewing the funding model for government housing support more generally, which could incorporate the best use of the accommodation supplement

    ii. Developing a new funding model for public housing that better relates funding provision with the cost to serve

    iii. Developing a model that enables our broader urban development remit in line with government direction.

s 9(2)(a) [redacted]

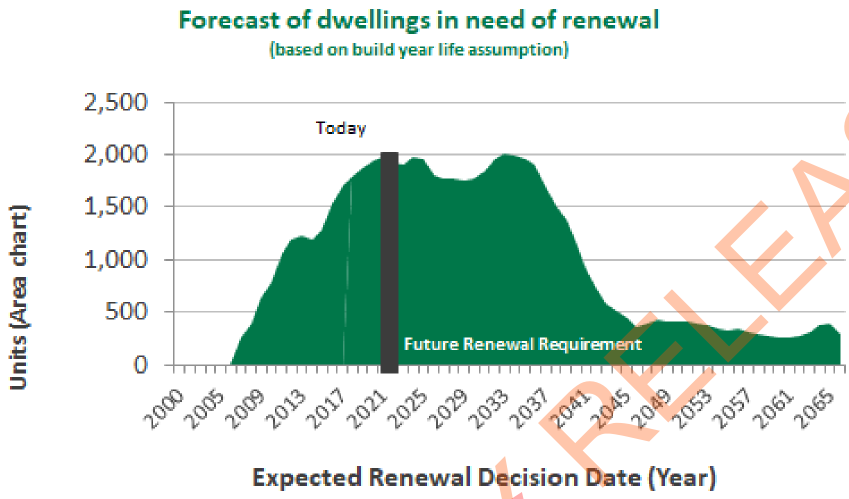
Andrew McKenzie
Chief Executive

Noted/Approved/Not Approved/Other

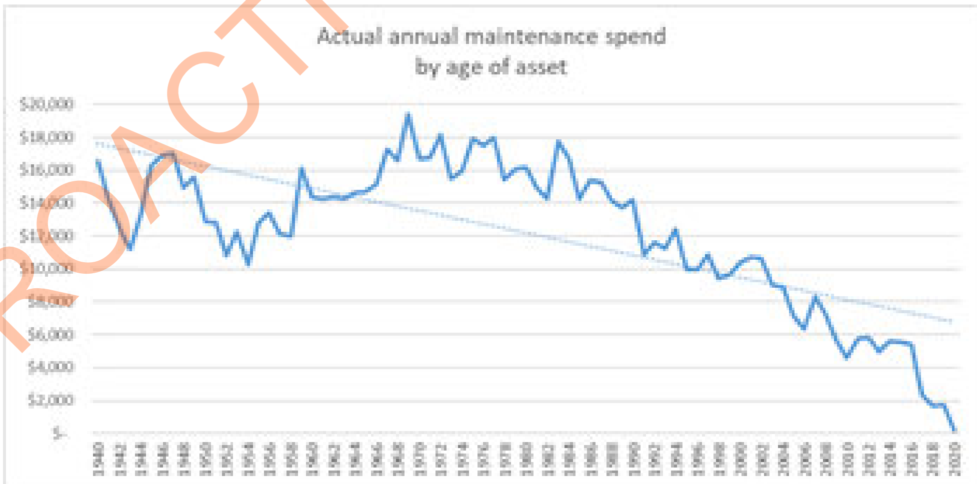
Hon Dr Megan Woods
Minister of Housing **Date**

Executive Summary

2. Kāinga Ora has inherited an ageing public housing portfolio. Over the next 20 years around 45,000 of our state homes will reach the end of their economic life and require significant capital renewal to enable them to meet the needs of our customers in a cost-effective manner. This means we need to make a decision for each of these assets on the interventions required to provide the functionality and thermal performance necessary for modern public housing, and improve the typology match to our customer needs.



3. This renewal challenge is coming through in our maintenance costs with our CPI adjusted spend on repairs and maintenance doubling over the last ten years. This spend is on an upward trajectory. In addition, research has shown that a high proportion of our customers feel that their homes are cold or damp, and research shows cold damp homes impact health outcomes.



4. Generally, most landlords in this situation would:

- Be able to draw on rent set aside through the life of the asset to manage these renewal costs, however previous settings which required Housing New Zealand to provide a dividend to the Crown mean we do not have these reserves; or

- Run assets down until they reach the point of failure before selling them 'as is' to avoid expensive refurbishment costs. However, this is not financially sensible if you want to hold the assets in the long-term and would have adverse outcomes for our customers and communities.

5. Given this context of ageing homes at the end of their life, we need to fund the management, maintenance and renewal of our assets from:

    - the rent we receive from our existing assets (based on market rents)
    - sales revenues from release of surplus and/or high value homes, and
    - selling land where we have enabled intensification, particularly the super lots within our large-scale projects.

6. These income streams are normally received after our capital investment, so some new debt is required to pay for the upfront investment. This is repaid through income from renting those homes over their life, as well as the proceeds from house and land sales.

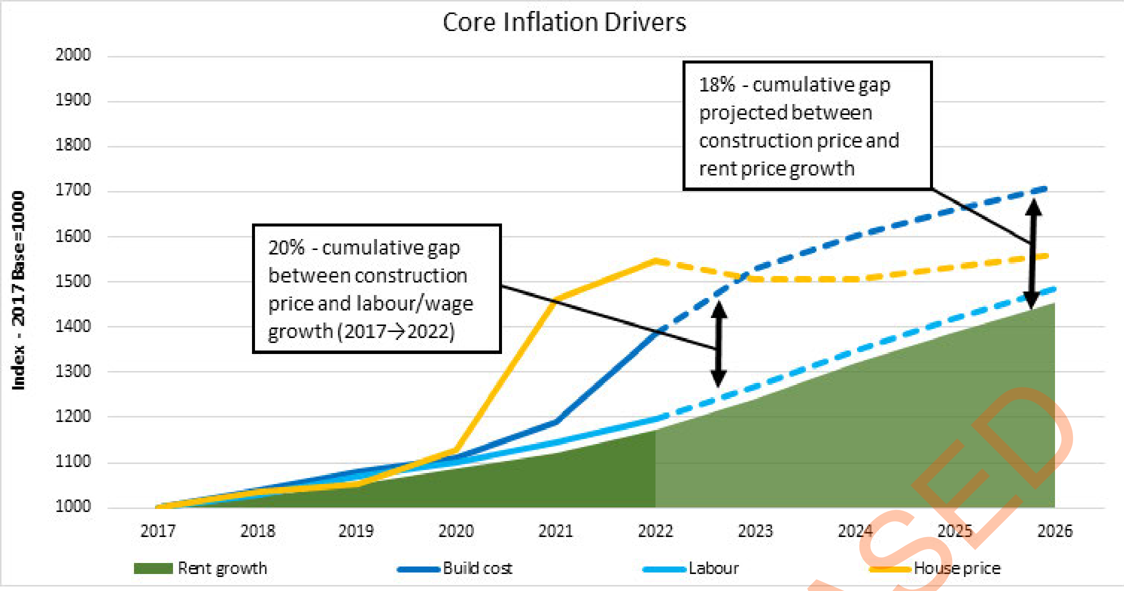
7. The significant renewal requirement and cost of development means there is no surplus cash left over to contribute towards public housing growth. As a result, growth in the number of public and supported housing is all financed through debt. This means that the rents and operating supplement we receive for these new homes need to cover the costs associated with the future management, maintenance and renewal costs of the homes, as well as the costs of servicing that debt. This model is also reliant on inflation in rental levels to make it work for us.

8. We have based our revenue requirement for new homes on cost recovery. This means we have targeted a level of rental revenue (primarily from the Crown) to meet our costs but no more.

9. Our long-term modelling had previously shown that we were able to pay off the debt we would borrow within the life of the assets, and have some remaining free cash flows to enable us absorb some of the broader expectations or respond to shocks.

10. The shifts we are now seeing in construction and maintenance costs as well as interest rate increases are now challenging this model, with expenses outgrowing our revenue streams at an accelerating speed from FY22. As can be seen in the below diagram this is reflective of broader movements being seen across New Zealand (refer figure below), and we are anticipating that over the next few years our surpluses (EBITDA) will not completely cover our interest costs. It should be noted that the majority of our labour costs outside of core staff are maintenance contractors which have seen much higher levels of inflation - this is discussed in further detail in the body of the paper.

11. In addition, growing expectations to deliver improvements to our public housing service levels and the quality of our homes has put further pressure on our financial metrics.



12. The table below summarises the key drivers behind the shifts in our assumptions, and the effect this has had on core financial sustainability metrics. In particular:

- Scenario A reflects our draft budget and shows the key financial impacts from delivering our renewal investment pathway. It shows that the changes to our economic and cost settings are challenging our financial sustainability. Cash surpluses will be challenged in meeting financing costs across the next 10 years, likely impacting our stand-alone credit profile. Future renewal requirements will not be fully met through free cash flow, requiring further debt financing.

- Scenario's B-E display the incremental change of each setting change. In particular:

  - Scenario B shows that the escalation in build costs is having the greatest impact on our long-term financials due to the significant investment in new homes across the next 10 years, adding circa $8b to our forecast financing requirements. Build costs under previous settings would have resulted in most sustainability measures being met.
  - Scenario C shows that relative to build cost escalation, maintenance cost increases have a lesser medium-term impact but remain material long term. The portfolio's future renewal requirements are negatively impacted, as future free cash flow will diminish should ongoing maintenance costs remain elevated.
  - Scenario D shows that the impact of quality improvements including delivering Homestar 6 version 4 in all new builds, 15 percent universal design requirements for newly built homes, and the additional cost of adding accessibility enhancements through our retrofit programme (around 15 percent of total programme cost). These changes have had a similar impact to maintenance cost increases.
  - Scenario E shows that movements in interest rates in the last eight months, have had a pronounced effect financing costs. Higher debt requirements from increased investment results in us being more vulnerable to movements in bond markets. Previous financing settings ensured compliance with most metrics as we had sufficient cash surplus to cover interest expenses.

- Scenario F shows the overall impact of these movements in assumptions, illustrating that under previous economic and cost settings, the delivery of the preferred investment pathway would likely have met key financial sustainability tests, and ensured we could meet future asset renewal requirements.

s 9(2)(f)(iv) [redacted]

13. Reflecting the challenging external environment, we are already driving efficiencies into our organisation, including incorporating into our draft budget a 10 percent savings target in our corporate area which will yield savings of approximately $28m per annum. We have also asked management to investigate options for further savings through efficiencies in corporate, maintenance and construction costs. It is expected that these will be reflected in our quarterly budget updates as appropriate.

14. We have also asked management to provide advice on the cost impact of different service level and quality options relating to our public housing portfolio. We strongly believe that the current service levels and quality standards are appropriate given our customer base and align with government policy direction, but given they move our portfolio well beyond the service levels and quality standards of a typical rental portfolio, they may no longer be viable for us to absorb within our income streams.

15. In particular, we have asked management to provide advice on:

- Suspending the whole of home heating programme which seeks to ensure the whole house can be heated rather than just the living space as is required by the building code and Healthy Homes.
- Removing accessibility improvements from the retrofit programme (currently ~15 percent of our programme costs) pending discussions around alternative funding arrangements for this.
- Exiting high-cost remote locations and/or uneconomic assets (those assets that cost more than the rent we receive to run them).

16. There are also a number of options to reduce costs further including:

- revisiting decisions relating to HomeStar 6 version 4
- initiatives based around standards or service quality e.g. community rooms, customer programme, accessibility improvements (15 percent universal design) as part of new build homes etc.

17. At this stage we are not investigating these last two areas further, but should we need to we will seek your guidance on how we should proceed.

18. We are also actively investigating funding streams to support decisions around:

- moving to Homestar 6 version 5 noting that current income streams prohibit this
- the delivery of further accessibility improvements as part of our new public homes beyond the current 15 percent commitment.

19. As is highlighted in the table above, while we are pulling those levers within our control, the impact of these changes is dwarfed by the broader economic challenges we are facing. Without changes to our current funding model our ability to invest in further public housing growth and meet the expectations set out for us both in the Government Policy Statement on Housing and Urban Development (GPS - HUD) and in our legislation around public housing and urban development delivery will be significantly constrained.

20. In addition, you should be aware that our modelling is now showing that with the changes to our assumptions indicated above, by FY24 our Community Group Housing (CGH) funding streams will no longer be sufficient to cover interest costs and tax. This means decisions around stopping or deferring growth where there is not a sufficient lease or rental income to meet costs, or divestment may need to be considered. Ultimately a lot of the costs associated with CGH are paid for by other government departments, in particular Ministry of Health (which funds over half). Your support to secure a more reliable funding stream for this service from these government departments would help improve the model for this critical service.

21. Given this context, this paper seeks your support for us to work with HUD and the Treasury to review our current funding and financing settings to ensure that our service provision aligns to your expectations for public and supported housing; and enables our broader urban development remit in line with government direction with a particular focus on:

s 9(2)(f)(iv)

[redacted]

Purpose

22. This briefing note provides you with an update on the short and long-term financial projections for Kāinga Ora, in particular the impact of cost pressures and inflation and the implications of this on our funding settings (including the operating supplement), projected debt and our associated financing strategy.

Background

23. As part of our April 2022 update on key delivery commitments (BN 22 033 refers) we committed to providing you with further information on our long-term financial projections, in particular the impact of cost pressures and inflation and the implications of this on our funding settings (including the operating supplement), projected debt and our associated financing strategy.

24. We are currently in the process of finalising our FY22-26 internal Kāinga Ora budget and expect to receive the final budget in late June for approval. This budget will set a baseline for the organisation for the next four years.

25. As part of the budget development process, we have undertaken long-term financial projections (out to 60 years) to help frame the four-year budget and budget decisions, and to understand their implications over time.

26. The FY22-26 draft budget shows a significant shift in a number of our key assumptions from previous versions, reflecting headwinds across the construction sector, and pronounced cost inflation relative to rental levels and operating supplement settings that have implications on the ability of the current funding model for capital spend on additional homes.

27. We received clear direction from your 2022 Letter of Expectation to:

    - Be particularly focused on, and clear about, our core activities and functions as a public housing landlord, provider of new public and transitional housing, and enabler of much needed urban development;
    - Focus on prudent stewardship of our balance sheet and financial leveraging to ensure our long-term financial sustainability and continued ability to deliver the core functions and operations; and
    - Have a disciplined focus on 'core' roles and functions and consider what is critical, what could be deprioritised, or better enabled through others. In particular, you have asked that we ensure policy and funding settings are fully established before implementing any new initiatives.

28. This direction has framed the approach we have taken to this budget.

Kāinga Ora's Existing Funding and Financing Model

29. Our financial modelling reflects a number of key investment principles, which were agreed as part of our current Long-term Investment Plan. These are as follows (in no particular order):

    - Our investment intentions reflect Kāinga Ora strategic and legislative priorities.
    - We meet our legal requirements first.
    - We run the portfolio from the rental cash flows of the business.
    - Debt is only used to finance our capital programme – renewal, growth and urban development – from clearly

- We partner with Māori to help enable their aspirations for housing within available funds.
- We look after our existing homes and ensure the wellbeing of existing tenants (safe, warm, dry, functional homes), before we seek to expand supply.
- We run a long-term rental business, our decisions reflect the whole-of-life investment implications of the rental portfolio. defined funding sources (e.g. future rents and sales revenues).
- We optimise land use.
- Available cash is reinvested into the portfolio.
- We balance our decisions across a portfolio of investment choices.
- Any additional homes to those forecasted are fully funded.
- Equity across generations – leave a legacy that is sustainable for future generations.

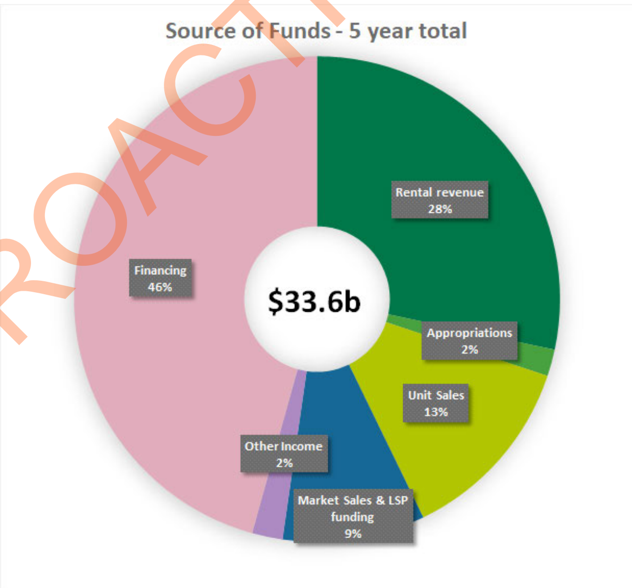
30. These are largely consistent with Treasury's May 2022 analysis and recommendations for fiscal rules which were developed to support Budget 2022.

31. The tables below summarise how our funding is directly linked to our activities and highlights some the key challenges around our model.

	Area of activity	Funding source	Financing	Challenges / [Opportunities]	
PUBLIC and SUPPORTED HOUSING	Management and maintenance of rental portfolio	Rents/leases from existing assets based on market rent	Nil	No funding for enhanced service levels associated with customer base (we are compensated in the same way as a private landlord)	
	Renewal of existing assets	Rents/leases plus sale of surplus assets and / or intensification of surplus land. As assets are renewed and brought back to market standard, erosion in rental values is addressed.	Debt to manage timing mismatches and address bow wave of renewal needs associated with ageing assets	Historical depreciation of assets has not been intentionally set aside for asset renewal (paid back as dividends or invested in growth) [Land value appreciation can be leveraged and redirected to renewal]	
	Growth in housing portfolio	New rents or new leases and operating supplements. Current funding ceases in FY24.	Current model sees 100% of the cost of new homes financed through debt (which is serviced via rents and OS)	Cost inflation is outstripping rental growth, and interest costs are rising meaning income is not sufficient to meet cost of servicing, especially in the short-medium term. Operating supplement partly offsets but portfolio cap is now being hit. Fully leveraged approach means we are highly sensitive to interest rate movements Over time loans are not subject to inflation, but rents continue to rise, helping to (somewhat) recover the short term challenges	
	Community Group Housing portfolio (1,470m units)	Rental income (typically sub-market) from providers of community group houses (which includes a CGH rent relief appropriation to providers fixed at $4.1, for several years). Income from the providers is often supported by government grants eg from the health sector. CGH market rent top up appropriation paid to Kāinga Ora to compensate for sub-market rent levels (fixed at $13.9m for several years) Capital appropriation to Kāinga Ora of $4.5m to grow and renew the portfolio, which has been unchanged for several years.	The capital appropriation additionally includes $1.3m of DMO debt to help grow and renew the portfolio.	Very complicated model, which fundamentally doesn't reflect the costs to manage and maintain the portfolio, which includes some of our most highly vulnerable people. Long list of demand for additional homes and places, which completely outstrips any growth funding (noting these homes are often bespoke to meet specialised needs of the target cohorts). Portfolio subsidised by public housing portfolio.	

	Area of activity	Funding source	Financing	Challenges / [Opportunities]
URBAN DEVELOPMENT, HOUSING SUPPLY and AFFORDABLE HOUSING	Large scale projects. Affordable housing through subsidisation of land.	Land sales and Crown appropriation under the HAF.	Use of debt to manage short term timing differences only	Appropriation funding for the first five years of the programme only. Limited contingency to manage cost escalations. Appropriation addresses cash shortfalls, not full economic costs meaning Kāinga Ora still faces write-offs.
	New urban development opportunities through Kāinga Ora owned land	Sale of land freed up through intensification	Use of debt to manage timing differences	Unlikely to be sufficient to move ahead with any opportunities without a new funding source.
	Urban planning, including management of SDPs, advice on council district plans, Urban Growth Partnerships, place-based development planning	Appropriation from Budget 21.	n/a	Appropriation scheduled to expire in June 23. Appropriation doesn't cover related corporate overhead.
	Housing supply, including Kāinga Ora Land Programme and IAF administration	Kāinga Ora land programme primarily self-funding with upfront costs for land acquisition and development offset by subsequent sales. An annual appropriation of $46m per annum is available for holding costs and non-market outcomes. HAF funding for IAF	Ability to raise debt of up to $2b to meet upfront costs.	None, though higher interest rates may erode some of the non-market outcomes.
	Affordable housing products, including Kiwibuild, First Home Partner, First Home Grants	Crown appropriations		
CROSS ORGANISATIONAL	Maori enablement	Appropriation from Budget 21 for 2 years of activity, for people costs only.	n/a	Appropriation scheduled to expire in June 23. Appropriation doesn't cover related corporate overhead. No project funding.
	Environmental responsibilities	Appropriation from Budget 21 for 2 years of activity	n/a	Appropriation scheduled to expire in June 23. Appropriation doesn't cover related corporate overhead.
	Community, including engagement when building new homes, for urban development activity, and ongoing support for community well-being.	No specific funding	n/a	Expectation in Kāinga Ora Act, GPS, LOE etc, but currently relies on project funding (ie is added to project costs for public housing or urban development)

32. While the tables set out a broad range of organisational activities proportionality 87 percent of Kāinga Ora's funding is currently linked to both the maintenance and renewal associated with our existing ~68,800 public and supported homes and the growth of these portfolios. This activity is funded through proceeds from rental revenue, unit sales and debt financing (directed towards capital programme – which ultimately will be recovered through rents or unit sales).



33. The renewal requirement for our portfolio is significant. Over the next 20 years around 45,000 of our state homes will reach the end of their economic life and require significant capital renewal to enable them to meet the needs of our customers in a cost-effective manner. This means we need to make a decision for

each of these assets on the interventions required to provide the functionality and thermal performance necessary for modern public housing, and improve the typology match to our customer needs.

34. This renewal challenge is coming through in our maintenance costs with our CPI adjusted spend on repairs and maintenance doubling over the last ten years. This spend is on an upward trajectory. In addition, research has shown that a high proportion of our customers feel that their homes are cold or damp, and research shows cold damp homes impact health outcomes.

35. Previous government requirements for Housing New Zealand to provide a dividend to the Crown have meant that we have not been able to draw on reserves set aside during the life of these assets to fund renewal. Sweating the assets further would also have adverse outcomes for our customers and communities and significant reputational risks from an all of government perspective.

36. Given this context, we are currently funding the management, maintenance and renewal of our assets from the rent we are still receiving from these existing assets (based on market rents), sales revenues from release of surplus and/or high value homes, and the current market value of assets used for land development realised from super lot sales. Some debt financing is required to pay for this upfront investment, which is repaid through the rental and sales proceeds mentioned previously over time.

37. The significant renewal requirement and cost of development means there is no surplus cash left over to contribute towards public housing growth. As a result, growth in the number of public and supported housing is all financed through debt. This means that the rents and operating supplement we receive for these new homes needs to cover the costs associated with the future management, maintenance and renewal costs of the homes, as well as the costs of servicing that debt. This model is also reliant on inflation in rental levels to make it work for us.

38. We have based our revenue requirement for new homes on cost recovery. This means we have targeted a level of rental revenue (primarily from the Crown) to meet our costs but no more.

39. Refer to Attachment 1 for the cash flow and income statement at a portfolio level.

Kāinga Ora Budget 2022-2026

Our draft budget is focussed on meeting our commitments...

40. Given the context set out above, our 2022-2026 budget sets a baseline for the organisation incorporating our existing commitments around:

- Growth of approximately 6,000 net additional homes in FY23 and FY24 and nil growth thereafter reflecting current government budget commitments to public housing growth
- Completion of the healthy homes programme by June 2023
- Delivery of the large-scale project business cases (being the first five years of investment in these programmes for Mangere, Mt Roskill, Tamaki and Porirua which enable land for up to 17,000 homes).

41. Our financial projections also incorporate direction in relation to higher service levels for our homes and customers including responding to:

- the Healthy Homes Guarantee Act by June 2023

- the Kāinga Ora - Homes and Communities Act which set new and expanded expectations around how we work partner and engage, and which sets obligations in relation to community and individual wellbeing, including supporting tenants to be well connected to their communities and to lead lives with dignity and independence
- The Disability Action Plan through setting accessibility requirements in new homes; and
- Emerging direction in relation to climate change, including through the Carbon Neutral Government Programme, which we have reflected through adopting Homestar 6 version 4.

....it also provides direction to the business in the absence of a current commitment to public housing growth beyond FY24.

42. In order to meet our FY24 housing delivery commitments we are building capacity internally and within the private market to undertake approximately 5,000 construction interventions each year. A key part of our ability to do this is our commitment to the construction sector that we will have ongoing pipeline of work.

43. With Government commitment to funding new public homes currently ceasing in FY24, as a Board we currently are unable to commit to growth beyond this point. As such our 2022-26 budget modelling switches the capacity we have built in the market to a renewal, rather than growth, focus post FY24.

44. Based on current asset data and initial analysis around what we anticipate will be the most financially optimised approach, we would expect an approximate combination of renewed homes of:

    - retrofit of assets in locations which we wish to maintain a presence on land holdings that are not able to be redeveloped (~11,000 homes)
    - replacement (~17,000 homes via sale of an older home offset by a new home through redeveloping Kāinga Ora land or on land we don't currently own) and
    - redevelopment (~17,000 homes through demolition and intensification of our existing land holdings).

45. With a single focus on asset renewal post FY24, we would be able to renew our stock (~45,000 homes which are coming due or are past due for renewal) over an approximately 10 year window extending their lifecycle and making them fit for purpose for our customers. This is much quicker than was previously planned (which was estimated at 20 years). This approach will:

    - Deliver warmer, drier, better-quality homes earlier improving the health and wellbeing of our customers;
    - Result in higher performing assets in the right locations;
    - Help to address escalating operating costs;
    - Be less reliant on debt for future asset renewal; and
    - Release many more homes into the market.

46. On the basis that we currently have no access to funding for additional public housing post FY24, to offset home and land packages we may acquire (through the replace programme) or additional homes created through uplifts in density (through the redevelopment programme), our budget also reflects the sale of ~24,500 homes to the market including:

- High-value homes with limited redevelopment potential,
- Existing older homes.

47. This would mean that while there will be a net-zero impact on public housing numbers, there will be a net increase in housing overall for New Zealand. There is also an opportunity that some of these older homes could be released as an affordable housing product.

48. The approach we have taken to renewal in the budget is necessary from an organisational perspective, as with lead-in times for our more complex projects of two or more years we are already starting to see projects for post FY24 coming through for approval, and without this or a commitment to growth we would need to consider dialling back capacity.

49. This approach also means the organisation will be able to respond more quickly should funding be provided post FY24 for public housing growth (i.e. we will be able to quickly dial back proposed sales programmes which will offset growth under a renewal approach). Your support to get certainty on public housing growth expectations through Budget 23 will be necessary for us to be able to readjust our approach.

Financial impact of this decision

50. Our renewal activity is primarily funded from ongoing rentals (which are based on independently assessed market rents) and the net proceeds from surplus asset and land sales. These activities leave Kāinga Ora with an efficient modern portfolio capable of generating strong operating surpluses into the future allowing it to:

- Cover the costs of its debt associated with renewal, if any;
- Repay the debt; and
- Remain within prudent debt limits.

51. While retrofits increase individual property rents, a key aim of the programme is to offset the depreciating values and rents across the wider portfolio i.e. Kāinga Ora is endeavouring to maintain its rental stream relative to the market (which our rental stream is assessed against). As such, the increased rents at a property level do not entirely translate as increased rents at the portfolio level, with any additional rent requirement likely to be absorbed within current Income-Related Rent Subsidy (IRRS) provisions, which are adjusted in line with market.

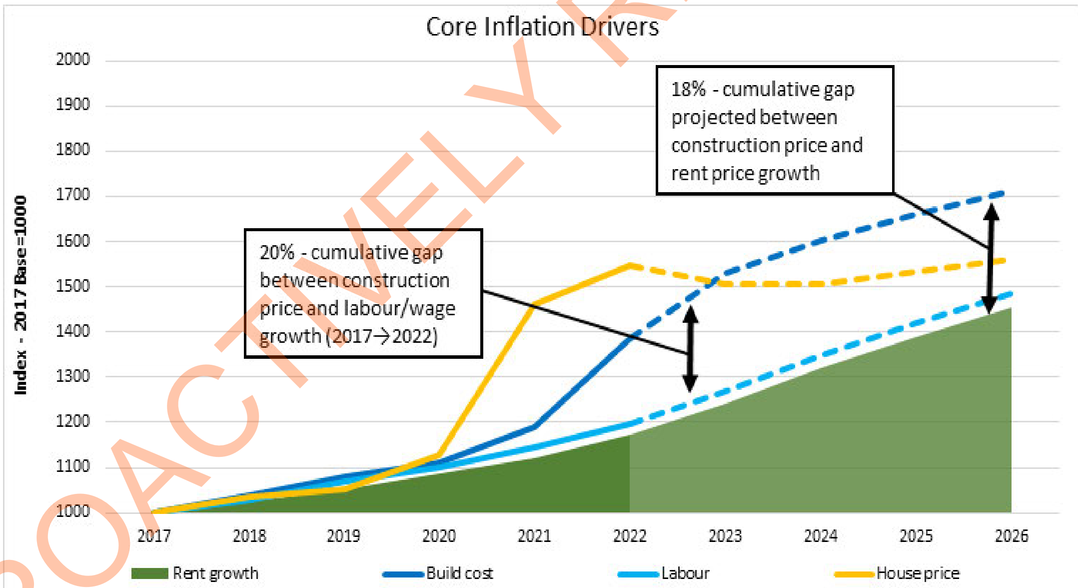
52. The properties identified for renewal are reaching the end of their functional life, making them costly to maintain and impacting the financial sustainability of the portfolio. These homes also require significant capital investment in order to enable them to meet the needs of our customers. The costs therefore will not go away and will need to be funded one way or another, irrespective of whether the properties are renewed via retrofit, redevelopment or replacement, or as a result of an increased maintenance requirement should we not intervene at all.

The construction sector headwinds have coincided with high public housing growth requirements and increased interest rates and together these pressures have had a significant impact on our assumptions

53. Significant increases in demand for additional public housing, alongside increasing expectations to deliver improvements to our public housing service levels and the quality of our homes, has put pressure on our metrics. Our long-term modelling had previously shown that we were able to pay off the debt we would borrow within the life of the assets and have some remaining free cash flows to enable us to absorb some of the broader expectations or respond to shocks.

54. The shifts we are now seeing in construction and maintenance costs as well as interest rate increases are now challenging this model, with expenses outgrowing our revenue streams at an accelerating speed from FY22. As can be seen in the below diagram this is reflective of broader movements being seen across New Zealand (refer figure below), and we are anticipating that over the next few years our surpluses (EBITDA) will not completely cover our interest costs. It should be noted that the majority of our labour costs outside of core staff are maintenance contractors which have seen much higher levels of inflation - this is discussed in further detail in para 61.

55. In addition, growing expectations to deliver improvements to our public housing service levels and the quality of our homes has put further pressure on our financial metrics.



56. The sections below outline these key shifts in our assumptions, including: construction cost prices, maintenance costs, interest/financing costs, scope and people costs and the effect this has had on financial sustainability metrics.

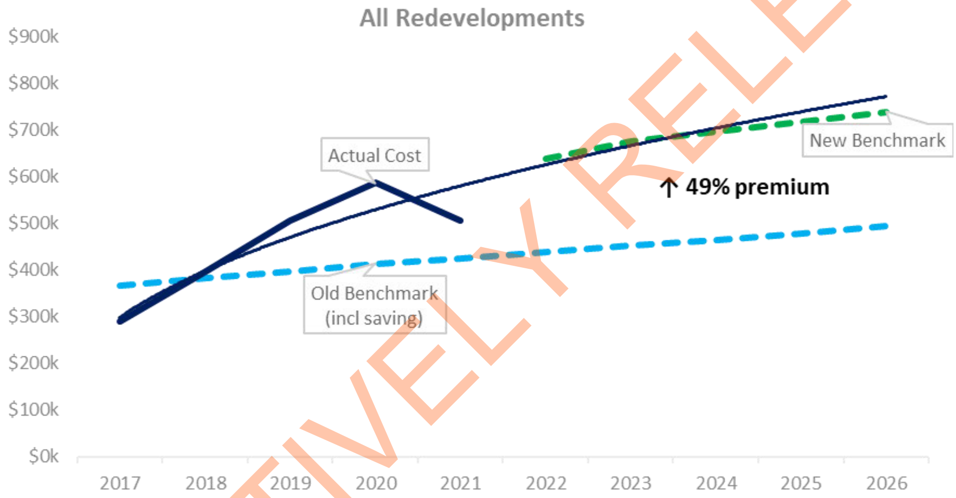
Increased construction costs

57. Prior to the significant construction price escalation from Covid-19, we were delivering homes in line with the previous sustainable construction price benchmark. An overall 15 percent savings target was established, with an increasing number of our deliveries achieving efficiency savings prior to 2020.

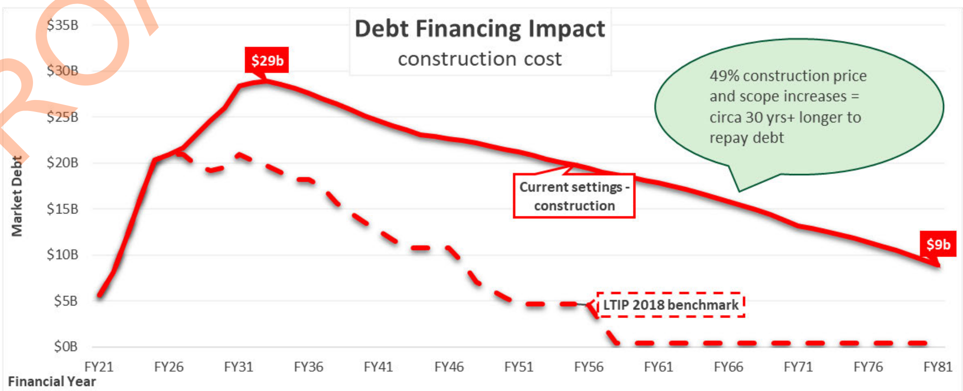
58. As is illustrated in the below figure, construction prices from 2020 have risen significantly above the previous sustainable benchmark, with future contracted builds almost 50 percent higher driven by:

- Accelerated cost escalation (35 percent for new builds) - due to labour and material shortages and inflation.
- Changes in bedroom mix (9 percent) - the business has identified a greater need for larger homes via its redevelopment programme as we move existing customers than is anticipated through the housing register. These larger homes cost more but do generate higher rents offsetting this additional cost.
- Scope changes (5 percent) - increases to the quality of the homes we are developing beyond building code standards.

59. As a result we have updated the cost benchmark to reflect these sustained pressures in the construction sector. We are also actively pursuing construction opportunities through Project Velocity, lifting build delivery efficiency, and increasing our capacity to meet public housing commitments.



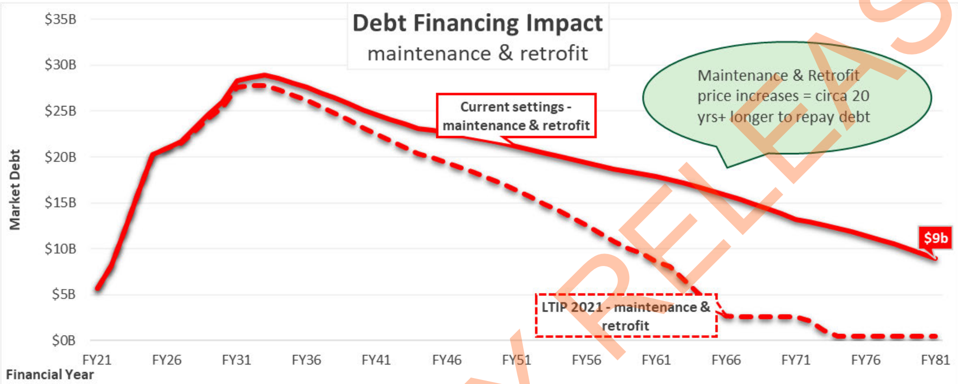
60. However, due to the significant investment in new homes across the next 10 years this escalation in build costs is having the greatest impact on our long-term financials, adding circa $8b to our forecast financing requirements.



61. Consequently, with increases in construction costs driven by material and labour costs we have also seen our maintenance costs increasing from on average $7,500 per home to $8,500 per home and retrofit costs (costs of bringing an older home up to standard) increasing by approximately 25 percent. The following table outlines the

increases in labour rates between 2019 and 2022, and the subsequent graph models the impact this has had on the long-term financial outlook.

Category	Increase
CARPENTRY	45%
DECORATING	27%
ELECTRICAL	42%
FLOORING	30%
GLAZING	28%
HEATER	18%
CLEANING	17%
PLUMBING	36%
ROOFING	44%
GAS	34%
OVERALL	**33%**



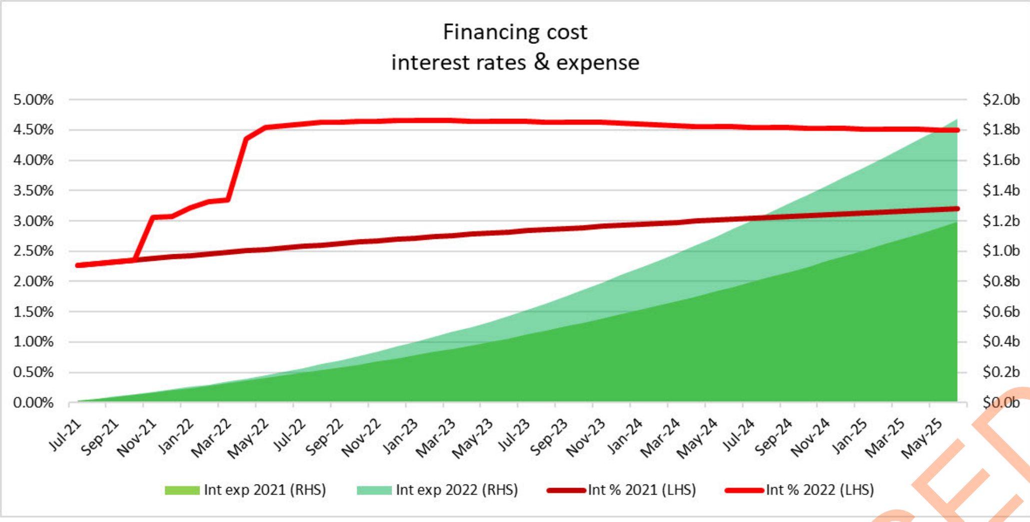
62. If cost inflation were to continue to increase faster than expectations, this would further erode our financial projections, extending the horizon over which associated financing could be repaid, including the risk of deriving a ROI insufficient to cover repayment obligations. As context the escalated construction and maintenance prices we now face significantly extend the time frame in which financing requirements could be repaid, challenging the ability for future renewal requirements to be funded by portfolio reinvestment.

Financing costs

63. Movements in interest rates have also had a significant effect, with previous projections ensuring compliance with financial sustainability metrics (stand-alone credit profile rating).

64. Our most recent modelling however which reflects updated interest cost projections over the budget term to June 2026 shows higher interest rates on our financing activities are an immediate cost pressure to us – adding in an additional $680m over the next four years relative to last year's budget, although this becomes more noticeable later in the period given the level of pre-financing already undertaken at lower rates.

65. This is an issue impacting any financing activities across all organisations (including the Crown) and is not unique to Kāinga Ora.



66. Relative to construction costs and financing changes, scope changes and people costs have a smaller, but still material impact by constraining our ability to meet our portfolio's future renewal requirements from free cash flow. These are discussed in the following section.

Increasing costs associated with delivering enhanced service levels in response to Government direction and legislation

67. We are currently delivering a number of service level and scope increases in response to government direction and legislation, the costs of which are not directly catered for by our current funding mechanisms nor will result in increased rents. These include:

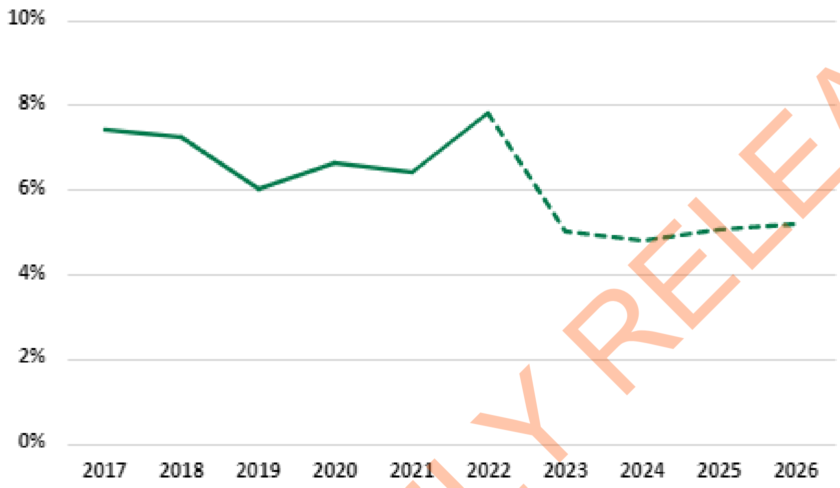
- A move away from historical direction to provide a service comparable to a market landlord to one that has a greater focus on sustaining tenancies (previously over half of our tenancy managers had more than 250 or more households in their portfolio whereas now they are managing on average between ~100-220 households) and ensuring the quiet enjoyment of tenants and their neighbours (~$30m annual costs).
- Healthy Homes legislation - $7,370 per home (~60,000 homes) includes an estimated increase of $60m ($48m capex and $12m opex) due to COVID delays and to meet legislative compliance timeframes- total cost ~$0.5 billion.
- Direction (GPS HUD, NZ Disability Strategy and Action Plan) to increase the accessibility of our homes (~$8,100 per home to ensure 15 percent of our new homes meet universal design standard)
- Improvements in the quality of our homes to drive better health and environmental sustainability outcomes (GPS HUD and Carbon Neutral Government Programme). These changes have been integrated into SPE targets based on 100% of new homes being delivered to a Homestar 6 standard or higher. Based on the current version (version 4) of Homestar 6 this is adding ~ $9,500 per home.

68. The draft budget incorporated a forecasted additional 485 FTEs by June 2023, driven by:

- Growing front-line services and customer base, especially as a result of the customer programme
- Increasing housing supply and land development activity
- Increasing support services and people to support growth in other areas.

69. As the proposed increase in our people numbers will draw down further rental income in the next couple of years with limited funding and capitalisable costs we have already taken steps to reduce this projected cost by 10 percent which is now reflected in our baseline draft budget – this is discussed further in the sections below. As the below figure illustrates it should also be noted that our current net people cost projections fall as a percentage of cash spend.

People costs (net) falls as percentage of cash spend



Due to COVID related delays, we are hitting a peak construction period at exactly the same time as construction costs have surged and interest costs have increased. As we borrow to cover all costs associated with building new public homes, this means that it takes longer for the rents we receive over the life of the homes to pay off the cost of building them – leaving less to go towards future renewal, maintenance and other activities such as providing increased service levels and covering our operating costs. Increased interest rates exacerbate this issue.

Implications on our financial sustainability

70. The cost pressures outlined above have significantly challenged our ability to absorb further shocks, resulting in our balance sheet carrying a higher level of risk exposure for longer. The current approach of 100 percent debt financing is projected to result in core financial sustainability metrics remaining challenged for at least the next decade.

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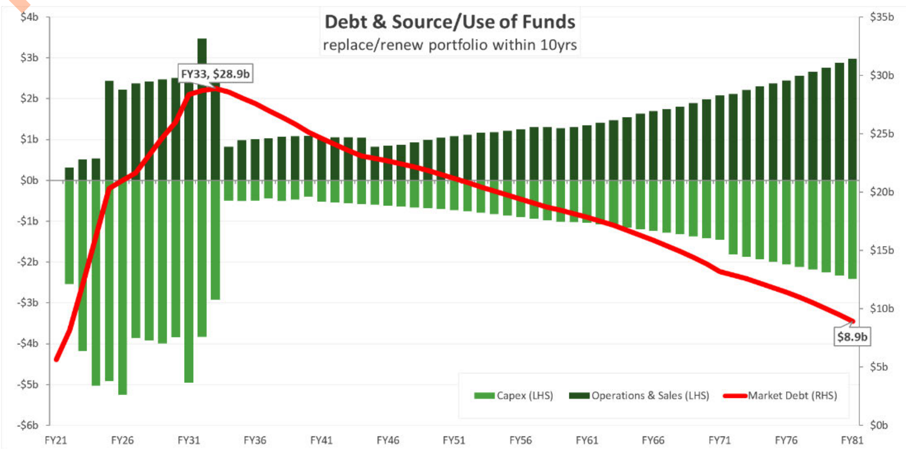
71. As part of our normal practice, we model the financial implications of current policy settings and commitments on our organisation's longer-term sustainability to ensure it can remain agile and able to respond to changes in our external environment, demand, the cost of construction, and the cost of debt. In order to understand the potential impact of our choices, a number of assumptions have needed to be made which have been drawn from Treasury data. Short term assumptions reflect latest economic forecasts from The Treasury (Dec 21). Long term assumptions utilise The Treasury's Long-Term Fiscal Model and are based on a sustainably functioning economy and housing market. Key assumptions are detailed in Attachment 2.

72. Our updated modelling shows that the current direction is tracking towards sustainability within existing commitments, however a further improvement in financial settings is required to confidently achieve true financial sustainability and improve our resilience. With debt estimated to peak at $28.9b in 2033 (refer to the figure below), under current settings debt is not projected to be completely repaid across the 60-year horizon.

73. Across the next 10 years our surpluses (EBITDA) will largely be directed towards covering financing costs, with limited free cash flows for reinvestment in the renewal of the portfolio. This contributes to the need for further debt financing beyond the current public housing growth commitments, as free cash flow during this period is insufficient to complete the full renewal of our existing portfolio.



74. The debt projection at 2081 of $8.9b is equivalent to the Crown increasing equity holdings in Kāinga Ora by $2b in today's dollars.

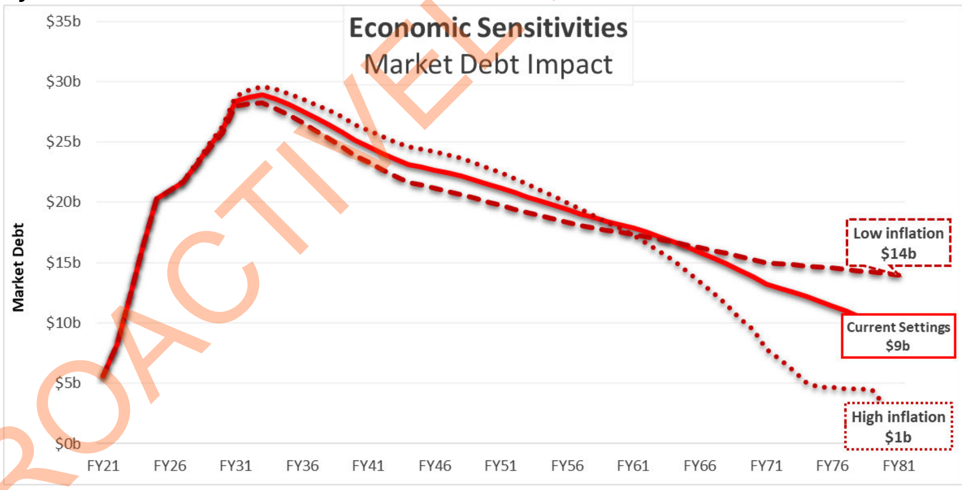
75. A key driver of the gradual improvement in free cash flow is from a higher performing asset portfolio (newer/younger homes driver higher rents and lower maintenance costs). The ageing effect of assets which would lead to diminished operating margins is mitigated by implementing a renewal strategy. This focuses on renewing assets at around the 60-year point before yields start to degrade significantly.

76. The modelling also highlights that while until recently we have been able to leverage our balance sheet to deliver additional housing, begin the renewal of its ageing portfolio, and increase its levels of service to some of New Zealand's most vulnerable, this approach is no longer viable and additional activity needs to be fully funded or be constrained to live within the current funding model.

Sensitivities

77. Our long-term financial outlook is underpinned by a sustainable economy and housing market, with sustained growth in rental income equal to cost escalation. Small variances from this pathway will have a significant impact on financial sustainability. The figure below models the relative impact of sustained deviations in key economic settings impacting the financial outlook.

78. A lower inflationary environment assists in constraining debt growth during our investment phase, however if this were to continue debt repayment would slow due to lower growth in our operating margin. High inflation grows the capex requirement further but leads to greater margin growth in the sustaining phase of our investment cycle.



79. Our ability to absorb current economic conditions has been assisted by a strong balance sheet with low levels of leveraging. As we continue the pathway towards delivering current public housing and urban development commitments, and focus on the renewal of the existing portfolio, debt financing requirements will increase. Without a change to funding settings, we will have a diminished ability to handle economic shocks.

Cost of Additional Public Housing growth (post FY24)

80. The current level of operating supplement being applied to our current contribution to the Public Housing Plan will be insufficient to cover the whole of life cost of us

supplying additional homes beyond FY24. We have seen two key trends contributing to this;

- The upfront cost of delivering new homes has increased by 37 percent over the last two years (from $467k to $638k per new home). This cost will continue to escalate with inflation current at circa 18 percent per annum, with a current estimated 2025 build price of $750k

- Interest costs have shifted upward recently from 2.3 percent in mid-2021 to 4.5 percent today, and are forecast to further increase. Interest costs alone to finance new homes, at the new costs, now surpasses income under current settings.

81. Interest expense on $750,000 new build would be $34,000 per annum, while market rent plus a 50 percent operating supplement if forecast at $45,000. The $11,000 margin would fall short of covering property expenses (e.g. maintenance, rates, tenancy support) and overhead expenses (e.g. back office support)

82. Our initial estimates suggest we may need upward of 80 percent operating supplement on additional new supply, or commensurate equity injections to cover these increased costs. We will work in the coming months with HUD develop an appropriate funding model for additional state homes.

Improving financial sustainability

83. Given the challenges facing our balance sheet, we have already applied a 10 percent corporate efficiency saving to our draft budget (from FY 23) and an improved occupancy efficiency of 0.5 percent (from FY 27 reflecting the move towards a renewal programme and a smaller retrofit programme).

84. The following sections set out additional proposed mitigations to improve our financial resilience. These are all currently *not incorporated* in our FY22-26 draft budget and can be summarised broadly as:

- Capital cost efficiencies (changes we can make by improving how we deliver)

- Operational efficiencies (changes we can make to how we deliver)

- Service and quality level reductions (areas where we could reduce unfunded activity but will create misalignment with broader government direction and priorities).

We have already made changes to improve our sustainability within our current settings and we will be making more

85. We are focussed on the prudent financial management of our operations and stewardship of our balance sheet. Given this we are already progressing with a number of actions to improve our resilience. These include:

- Capital cost savings through build efficiencies

- Construction productivity initiatives such as Project Velocity which will bring about efficiencies, cost savings and support wider sector transformation.

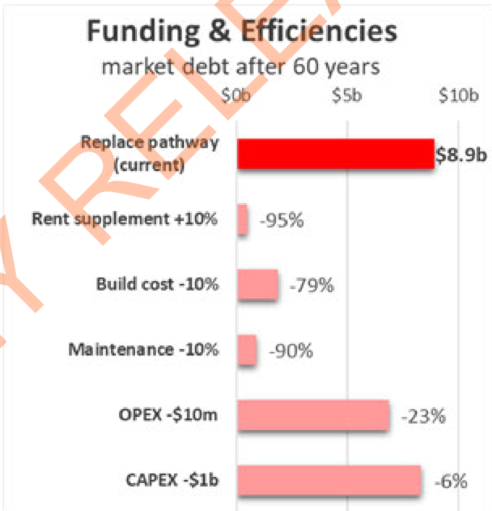
- Targeting further efficiencies around build cost savings e.g. we are considering a target of a 10 percent efficiency saving (note: benchmarks have been updated to reflect recent & current accelerated cost inflation)

- Operational efficiencies

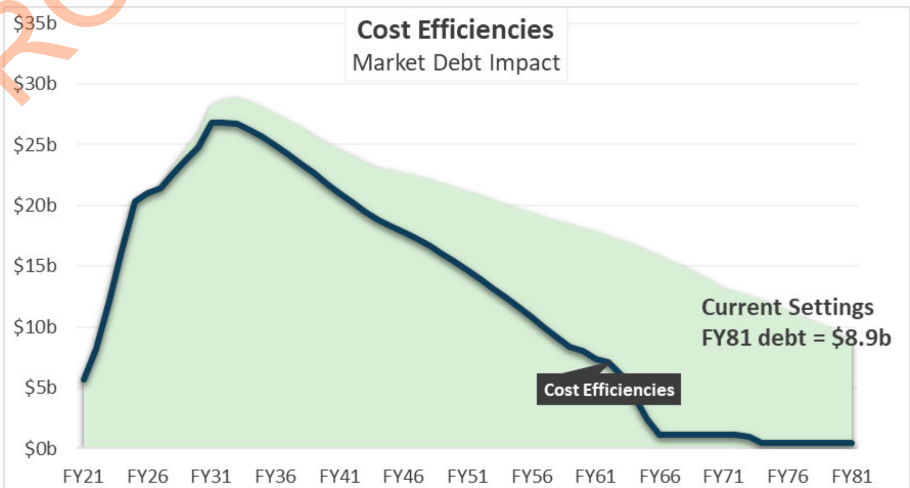
- Maintenance – longer-term review of the operating model for maintenance to look at more systemic change to our delivery approach
- Maintenance savings – efficiency savings, additional to savings derived through lower age of new properties e.g. we are considering a target of a 10 percent efficiency saving
- Increased prioritisation of activity. This includes:
    - More extensive moderation processes through the annual plan cycle.
    - Review of the priorities set within the change programme.
- Corporate review – further assessment of the level of corporate costs in the business, including analysis around whether further efficiencies can be made around people costs. This would be informed through benchmarking and value for money assessments.

86. The table and figure below provide an indication around the potential impact that each of these levers may have.

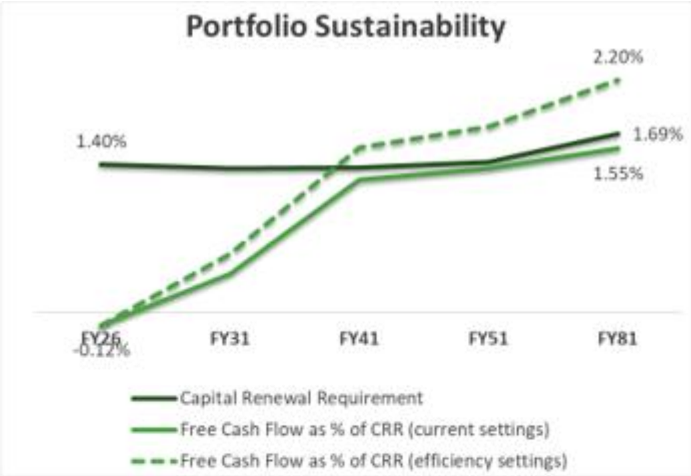
Funding & Efficiency strategic options	Δ Debt $Avg/yr (FY23 $m)	Debt Saving (FY81 $b)
Replace/Renew 10yr pathway → current settings		
Portfolio rent supplement → rent top-up +10%	$68m	-$8.4b
Construction efficiency → build cost -10%	$55m	-$7.1b
Maintenance efficiency → capex & opex -10%	$56m	-$8.0b
Operating (ongoing) → less $10m	$11m	-$2.0b
Capital (one-off) → less $100m	$4m	-$0.6b



87. The implementation of levers such as construction and maintenance cost savings of 10 percent respectively, would result $2b less debt in the next decade and set us on a pathway towards financial sustainability (shown in the figure below). These are additional to increased occupancy of 0.5 percent and 10 percent corporate cost efficiency.



88. These changes would improve our resilience and ability to respond to future economic uncertainties and have the ability to fully fund future renewal requirements. Without efficiencies a proportion of future renewals would require debt financing. The below figure shows the ability to finance future renewal requirements from free cash flow improves through cost efficiencies.



We can make further choices but these will impact service and quality levels and we will be seeking your advice on these where appropriate

89. This paper also seeks to make you aware of some of the harder choices now facing us outside of these commitments. These include considering options to reduce quality and service levels relating to our different housing portfolios. It should be noted that we strongly believe that service level increases are appropriate given our customer base and align with government policy direction, but given they move our portfolio beyond the legal minimums set within the building code they are no longer viable for us to absorb within our income streams. These include:

- Suspending the whole of home heating programme which currently seeks to ensure the whole house can be heated rather than just the living space as required by the building code and Healthy Homes. Noting that the scale of this programme is expected to reduce as our renewal programme increases.
- Removing accessibility improvements from the retrofit programme (currently ~15 percent of our programme costs) until alternative funding sources can be identified given these interventions are costly and do not result in a subsequent uplift in rent. Noting that the scale of this programme as a portion of our broader renewal programme is forecasted to reduce with the proportion of new builds through redevelopment (which will require a percentage of accessibility improvements) expected to increase.
- Investigating a focused exit from high-cost remote locations and/or uneconomic assets (those assets that cost more than the rent we receive for them to run) e.g., by shifting to local trusts or providers.

90. There are also a number of options to reduce costs further including:

- Revising decisions relating to HomeStar 6 version 4.
- Initiatives based around standards or service quality e.g. community rooms, customer programme, accessibility improvements (15 percent universal design) as part of new build homes etc.

91. At this stage however, we are not investigating these last two areas further, but should we need to we will seek your guidance on how we should proceed. We are also actively investigating funding streams to support decisions around:

- Moving to HomeStar 6 version 5 noting that current income streams prohibit this.
- The delivery of further accessibility improvements as part of our new public homes beyond the current 15 percent commitments.

92. In addition, you should be aware that our modelling is now showing that with the changes to our assumptions indicated above, by FY24 our Community Group Housing (CGH) funding streams will no longer be sufficient to cover interest costs and tax. This means decisions around stopping or deferring growth where there is not a sufficient lease or rental income to meet costs, or divestment may need to be considered. Ultimately a lot of the costs associated with CGH are paid for by other government departments, in particular Ministry of Health (which funds over half). Your support to secure a more reliable funding stream for this service from these government departments would help improve the model for this critical service.

93. We are also investigating whether there are opportunities for some of these activities to be funded from other portfolios such as ACC and Health where the financial benefits from us undertaking these interventions will be more directly seen.

One emerging pressure is the cost associated with improving the environmental sustainability of our homes in line with Government direction

94. We are currently working through our response to the Carbon Neutral Government Programme which requires Kāinga Ora to develop an emissions reduction plan consistent with a 1.5 degree climate change scenario. This is generally accepted to be a 50 percent reduction in emissions by 2030.

95. The Green Building Council (who administer the Homestar system) have recognised this and the proposed new Building Code standards (H1) and have responded by introducing a new version of Homestar (Homestar 6 version 5). Transition to Homestar 6 version 5 will be required to meet our SPE targets and is a critical pathway to Kāinga Ora achieving sufficient emission reductions by 2030. These changes will result in:

- Improved wellbeing and economic outcomes for our customers by improving customer health and comfort and reducing customer energy costs:
    - Reducing annual hot water heating bills by ~$700 - $1,000 per year
    - Reducing the energy required to heat a home to healthy standards, resulting in potential energy savings of ~$300 - $1,600 per household (dependent upon location and energy use patterns)
- Contribution to government emissions reductions by significantly reducing carbon emissions associated with Kāinga Ora housing (43-46 percent reduction each year over each home's life). This is equivalent to a 100t reduction in whole of life emissions per house or a 302,000t reduction in emissions associated to our construction programme between now and 2050 and ~13,000t per year reduction thereafter.
- Savings associated with emissions reductions of around 77,000t by 2050 compared with continuing our current approach.

96. We believe that this investment is in the best in interests of New Zealand from a wellbeing perspective. However, we do not presently have an adequate funding source.

97. The resulting cost is estimated to be an increase on our construction cost of around 5.4 percent across the programme ($21-25k per townhouse/ standalone units or $21k per apartment and walk-up units) with costs varying by region due to different climatic conditions across the country and the interventions required to meet energy performance standards.

98. At this stage we have made the decision not to proceed with a move to Homestar version 5 due to the costs at this time however we would be keen to discuss this further with you, noting that:

- Given the extent of our build programme over the coming year bringing the transition forward by six months would avoid a further 58,000t of emissions and brings the reduction up to 24 percent.

- We expect any emissions reductions not delivered through this transition will need to be met elsewhere in the Kāinga Ora programme of offset through the purchase of carbon credits.

The need to review our funding model is more pressing than ever

99. Our modelling has shown that given current headwinds, the organisations decisions will need to be primarily focused on constraining activity to live within the current funding model. This is likely to mean that we will not be able to achieve the delivery expectations and wider ambition that has been set for Kāinga Ora through the Kāinga Ora - Homes and Communities Act and the GPS HUD.

100. While the organisation will make decisions to ensure its long-term sustainability, this paper also seeks your support for us to restart work initiated through your 2019 Letter of Expectation (but paused in early 2020 as a result of COVID) which requested that we work with HUD to '*undertake a comprehensive review of our medium to long term funding and financing model.'* Given current headwinds we believe this is more necessary than ever to ensure that our service provision aligns to your expectations for public and supported housing and enables our broader urban development remit in line with government direction ahead of Budget 2023.

101. In particular, we seek your support for us to work with HUD and the Treasury to review our current funding and financing settings to ensure that our service provision aligns to your expectations for public and supported housing; and enables our broader urban development remit in line with government direction with a particular focus on:

Short-term (Budget 2023 initiatives):

- The development of a cost pressure bid to align revenue streams with costs

- Confirming growth requirements for public housing beyond FY24

- Options for service level funding which could include funding to enable HomeStar 6 version 5.

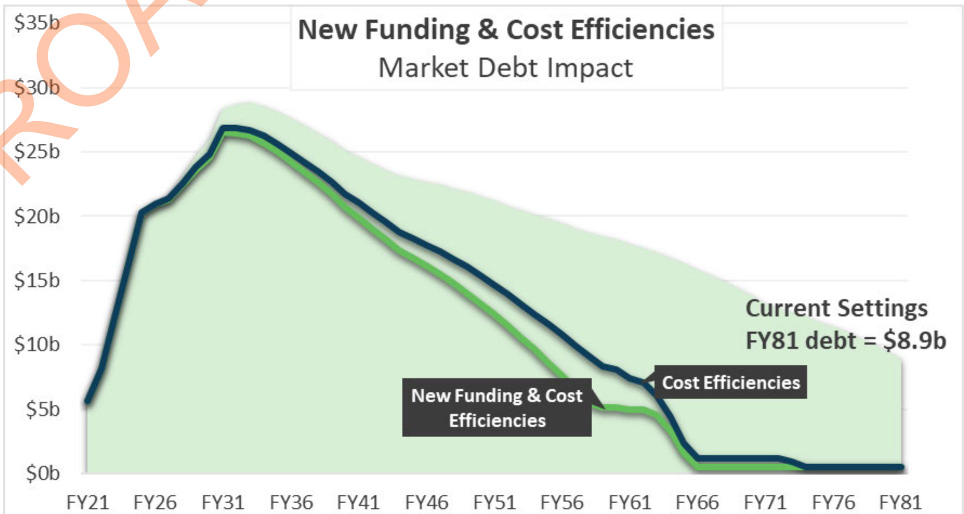
- An extension of current operational funding for urban development planning, sustainability and Māori functions which currently cease in FY23

- Consideration of funding for delivery of urban development outcomes. The Growing Local Places briefing note which seeks your support for the development of a 2023 budget bid to enable Kāinga Ora to undertake mid-scale urban redevelopment interventions in neighbourhoods where Kāinga Ora has substantial land holdings and there are high levels of existing deprivation coupled with significant housing pressures (refer BN 22 022) is an example of this.

Medium-term Initiatives:

- Review our current funding and financing settings to ensure that our service provision aligns to your expectations for public and supported housing and enables our broader urban development remit in line with government direction. These could include but are not limited to:
    - General recapitalisation (equity injection) to support organisational activities and reducing financing requirements
    - Embedding a rent premium across the full portfolio to better represent the costs of public housing provision, to enable greater ability to generate cashflow to complete the portfolio renewal required
    - Greater crown contributions to specific activities – additional funding to support public housing growth or specific significant programmes of work. Ensuring these recognise the longer-term economic impact of the investments, not just the shorter-term cash implications
    - Move the revenue model away form a market rent/IRRS model to one that moves more directly in line with the underlying cost structure.

102. The below figure is illustrative but shows how a 10 percent increase to public housing market rents (reflecting cost drivers associated with the provision of increased levels of service for our complex customers) in addition to the mitigations we are already undertaking would have a significant impact on the financial outlook of Kāinga Ora. This would provide us with the ability to fully fund future renewal requirements from operational surpluses and mitigate against the risk of further economic shocks. Cash surpluses would also be generated to provide future investment options.



103. The organisation's ability to deliver to public housing growth targets beyond FY24 and be sustainable, will require changes to the existing funding model. This could include complementing operating supplements with equity, or the introduction of a cost-based model that better reflects both the cost of delivering and managing the public housing portfolio.

Next Steps

104. The Kāinga Ora Board will receive the final version of the organisations FY22-26 budget for approval in June alongside a draft Long-term Investment Plan.

105. Subject to your agreement officials will work HUD and the Treasury to review our current funding and financing settings and report back to with recommendations as appropriate ahead of Budget 23.

ATTACHMENT 1 - Portfolio Statements

Income Statement

$m	Draft Budget FY22/23	FY23/24	FY24/25	FY25/26	4 Year TOTAL
Public & Supported Housing					
Rental revenue	1,775	2,000	2,138	2,226	8,141
Other revenue (State housing)	177	186	194	201	757
Total Revenue	1,952	2,186	2,333	2,427	8,898
Maintenance	(337)	(489)	(482)	(489)	(1,796)
Renewal programmes	(251)	(75)	(86)	(105)	(517)
Rates	(214)	(232)	(249)	(280)	(975)
Other Direct expenses	(209)	(209)	(270)	(269)	(958)
Personnel & Other Indirect expenses*	(443)	(442)	(453)	(450)	(1,788)
Write-off, Gain/Loss	(111)	(119)	(120)	(120)	(469)
Total Expenses	(1,565)	(1,566)	(1,660)	(1,713)	(6,504)
EBITDA	**387**	**620**	**673**	**714**	**2,395**
Depreciation	(489)	(540)	(587)	(634)	(2,250)
Interest expense (net)	(312)	(499)	(684)	(842)	(2,336)
Operating surplus / (deficit) before tax	**(413)**	**(418)**	**(598)**	**(763)**	**(2,191)**
Housing Supply and Land Development					
Sales Revenue	307	317	252	218	1,094
Cost of Goods Sold	(307)	(317)	(252)	(218)	(1,094)
Other Direct expenses	(10)	(15)	(13)	(17)	(55)
Personnel & Other Indirect expenses*	(83)	(78)	(80)	(80)	(322)
Impairment	(55)	(55)	(55)	(55)	(220)
Operating surplus / (deficit) before tax	**(148)**	**(148)**	**(148)**	**(153)**	**(597)**
Income Tax expense	86	75	83	110	355
Operating surplus / (deficit) after tax	**(474)**	**(492)**	**(662)**	**(805)**	**(2,433)**

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ATTACHMENT 2 - Key Assumptions

Key Economic Assumptions

CURRENT ASSUMPTIONS	FY23	FY24	FY25	FY26	LTIP
CPI (Consumer Price Index)	3.1%	2.7%	2.4%	2.2%	2.0%
Portfolio - House and Land value	0.0%	0.0%	1.0%	1.0%	3.0%
Build Cost	6.0%	3.0%	3.0%	3.0%	3.0%
Maintenance	6.0%	3.0%	3.0%	3.0%	3.0%
Rent	4.5%	4.6%	4.4%	4.2%	3.0%
Rates	5.0%	5.0%	5.0%	5.0%	3.0%
Insurance	4.5%	4.6%	4.4%	4.2%	3.0%
Interest rate – private borrowings	4.6%	4.6%	4.5%	4.5%	4.7%
2021 ASSUMPTIONS	**FY23**	**FY24**	**FY25**	**FY26**	**LTIP**
CPI (Consumer Price Index)	2.0%	2.0%	2.0%	2.0%	2.0%
Portfolio - House and Land value	5.2%	5.2%	5.5%	3.0%	3.0%
Build Cost	3.0%	3.0%	3.0%	3.0%	3.0%
Maintenance	3.0%	3.0%	3.0%	3.0%	3.0%
Rent	2.3%	2.8%	3.3%	3.0%	3.0%
Rates	5.0%	5.0%	5.0%	5.0%	5.0%
Insurance	3.0%	3.0%	3.0%	3.0%	3.0%
Interest rate – private borrowings	2.7%	2.9%	3.1%	3.2%	4.6%

Key planning assumptions

Delivery of the Minister's expectations are modelled in our draft baseline budget numbers and reflected in Government Budget bids:

- Urban Development programmes are delivered in line with approved business cases and commitments (large-scale projects, Tamaki, Kāinga Ora Land Programme, Infrastructure Acceleration Fund)
- Public Housing Plan's 1 and 2 are delivered by June 2024
- The Renewal strategy assumes no net growth in our housing stock beyond June 2024. Gross delivery continues beyond June 2024, with divestment of targeted properties
- Healthy homes and Whole-of-House Heating is delivered by June 2023
- There is no allocation for COVID other than the current impact included in the business plan.