Kāinga Ora
Homes and Communities

Tauākī Whāinga Mahi

Statement of Performance Expectations

2021/22

Contents

Statement of responsibility

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

The information contained in the 2021/22 Statement of Performance Expectations for Kāinga Ora – Homes and Communities has been prepared in accordance with the Crown Entities Act 2004.

In signing this amended statement, we acknowledge our responsibility for the information contained in it, and confirm the appropriateness of the assumptions underlying the prospective operations and financial statements of Kāinga Ora – Homes and Communities.

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

Signed

Vui Mark Gosche

Chair on behalf of the Board
29 June 2021

Countersigned

John Duncan

Deputy Chair
29 June 2021

Introduction

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

At Kāinga Ora, we understand that a house means more than a roof over someone's head. We recognise that kāinga represents the hopes and dreams of whānau, an essential foundation for lives, families and thriving communities. That's why we see our success as an organisation reflected not merely in terms of bricks and mortar, but also in the choices, mana, stability, aspirations and rangatiratanga realised within the communities to which we contribute.

The financial year 2021/22 will be our second year operating in a full budget cycle as a new entity. These are exciting times for Kāinga Ora: our new organisation is gaining momentum, with many significant work streams underway and large-scale projects in the pipeline as we begin our multi-decade journey. Continuing to build strong foundations for success with our partners and our communities will enable us to achieve our goals as we move forward.

The purpose of this document

This Statement of Performance Expectations (SPE) sets out our plans for the year ahead and how we will measure success through financial and non-financial measures. It enables our responsible Ministers to participate in setting the 2021/22 performance expectations for Kāinga Ora, informs Parliament of those expectations, and provides a base against which our actual performance can be assessed at year end. We will also produce quarterly reports for our shareholders, which will give an overview of our performance against SPE measures over the preceding three months.

Our SPE is a companion document to our four-year Statement of Intent (SOI). Our SOI 2019-2023 outlines in greater detail our role and the key factors influencing the way we will operate over the medium term. Our SPE provides an annual view of performance expectations against the medium-term intentions in our SOI.[1]

The targets and deliverables in this document are informed by our governing legislation, together with the ambitious priorities of the Government and our Minister for us to play a pivotal role in tackling housing challenges and transforming housing and urban development in Aotearoa, as set out in our Letter of Expectations dated 16 March 2021.

The impact of COVID-19 on this SPE

At the time of preparing this SPE, the COVID-19 pandemic and resulting alert level changes continue to have an impact on our mahi. Events associated with COVID-19 have required us to navigate complex and unprecedented challenges, throughout which we have prioritised the wellbeing of our people and our customers, and provided assistance for our suppliers and build partners. This has meant developing new systems and processes, and considering how we can best support the Government and other agencies with any changes in priorities.

[1] The Government Policy Statement on Housing and Urban Development (GPS-HUD), which is due in October 2021, will set out the Government's overall direction for housing and urban development and therefore will likely trigger a refresh of our current Statement of Intent.

Assessment of our targets, deliverables and financials has identified areas that may be impacted by COVID-19 and associated changes in Government direction. These include performance targets and financials related to our:

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

In light of COVID-19, the following uncertainties apply to our performance expectations for 2021/22.

- The implications of alert level restrictions for face-to-face contact and site visits for our customer-facing staff and maintenance contractors
- The implications of alert level restrictions for our customers (eg, not being able to move house)
- Customer resistance to having maintenance work undertaken following alert level changes.
- Potential disruption to the global supply chain due to the pandemic
- The efficiency of returning to business operations by the building sector through changes in alert levels
- The solvency of our build partners
- Skills shortages in the industry (the increased demand for construction skills due to the increase in the volume of work as a result of alert level changes)

Who we are

We are Kāinga Ora – Homes and Communities. Kāinga Ora means: *wellbeing through places and communities*. Our portfolio contains approximately 67,800 homes[2] and we provide homes for the people and whānau in our communities who need them most. We are charged with delivering more public, transitional and affordable housing to help meet demand, and leading and coordinating urban development projects.

We are a Crown agency established in October 2019, bringing together the people and capabilities from three legacy organisations – Housing New Zealand, HLC and KiwiBuild. Each of our component organisations had its own mana and history, and we are now proudly united under one banner with a shared vision.

Our vision

Our vision is: *building better, brighter homes, communities and lives – he oranga kāinga, he oranga hapori, he oranga tāngata*.

Our vision has been developed with input from our people, our customers and our partners. Our vision helps us look beyond *what* we do and focus on *why* we are here: to enable the powerful outcomes that houses provide for New Zealanders in the pursuit of living healthy, safe, productive and fulfilling lives.

With careful planning and purposeful action, we will improve housing choices and outcomes for people and the entire housing sector by creating homes and communities that allow New Zealanders to thrive. To succeed, our aroha in our work, for the people, the whenua and the culture of Aotearoa, must be felt by all – those within our organisation and those with whom we work.

Our outcomes

Our outcomes collectively describe the contribution we aim to make to the wellbeing of current and future generations of New Zealanders. They reflect our governing legislation, and guide our strategy, decision making and services as we continue to gain momentum on our journey. Our outcomes are set out below.

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

[2] As at 31 March 2021. This includes public, Community Group and transitional housing.

Our roles

To achieve our vision and our outcomes, we have two key roles.

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

This means doing all we can to help meet the diverse needs and improve the wellbeing of our tenants, and their whānau, families and neighbours. We have delivered more than 4,500 newly constructed public and supported homes over 2018/19, 2019/20 and year-to-date ending in March 2021, and across our entire public housing tenant base we are committed to ensuring the homes they live in are warm, safe and dry and meet their changing needs.

We will also equip ourselves to deliver a step change in the way housing and urban development are provided in Aotearoa. This means we will build partnerships and collaborate with others to deliver on housing and urban development opportunities, and develop and renew urban environments through leadership and innovation. We will work to become a trusted partner for Māori, protecting their interests and enabling their aspirations as we uphold the Treaty of Waitangi (Te Tiriti o Waitangi) and its principles.

Our developing roles

Kāinga Ora is a new organisation with a new mandate. We have a significantly broader set of outcomes we must deliver, and new legislative frameworks that outline our roles and how we operate in delivering those roles. We are being asked to do different things, and to do things differently. This means we have several areas of work in progress, including:

- understanding Māori perspectives and supporting Māori aspirations
- building place-based relationships
- investigating and supporting environmental sustainability
- implementing new urban development functions under the Urban Development Act 2020
- innovating and increasing construction productivity
- delivering supported housing.

To balance and deliver on the breadth of our outcomes over time, we must be outstanding at building long-term relationships wherever we operate – with customers, suppliers and stakeholders. Without strong relationships we can’t create partnerships. The capacity and capability to develop relationships need to be built into our regional roles and structures, so local communities trust us and engage genuinely with us. This means that, although we might be a nationwide organisation, we must be strongly community based.

To enable strong, effective and meaningful partnerships with Iwi and Māori we must recognise and understand our obligations to Māori as outlined in our legislation. We will engage and partner effectively with Māori by continuing to build a strong understanding of te ao Māori, strengthening our cultural capability, and recognising and validating Māori ways of thinking and operating. Strong partnerships and cultural capability will better position our organisation to support and enable Māori aspirations in housing and urban development, protect Māori interests in land and recognise taonga Māori.

To deliver step changes to the housing and urban development system in Aotearoa, we need to be an effective and innovative leader across the sector. The Urban Development Act 2020 empowers Kāinga Ora to initiate, facilitate and undertake transformational, complex urban development that contributes to sustainable, inclusive and thriving communities. How we think about, innovate in, and deliver our services will be critical to our success and ability to address systemic issues such as homelessness, high construction costs, and disjointed urban planning and development. The recent Government announcement of the $3.8 billion Housing Acceleration Fund and a Kāinga Ora Land Programme for strategic land purchases to increase the pace, scale and mix of housing developments (including more affordable housing) will see us play an increasingly important role in enabling the delivery of additional and affordable housing in Aotearoa.

We are at the beginning of what is likely to be the largest programme of investment in housing and urban infrastructure Aotearoa has seen in generations, and we have a real opportunity to make a difference in minimising our environmental impact and ensuring we leave a sustainable legacy. We must mitigate and adapt to the effects of climate change and lead the sector in reducing our carbon footprint. Our Sustainability Programme will investigate this further and guide how we mature in this area over time.

Other legislative, policy and strategic settings under development will enable a more complete understanding of our role and how we will operate. They are:

- the Government Policy Statement on Housing and Urban Development (GPS-HUD), which is due in October 2021 and will set out the Government's overall direction and priorities for housing and urban development
- the review of our current and long-term funding and financing requirements to ensure we will deliver the Government's housing priorities
- a strong working relationship with the Ministry of Housing and Urban Development (HUD) as our monitoring agency and the Government's strategy, policy and funding lead for housing and urban development
- our work with our key stakeholders to progress our strategic development work.

It will take time to deliver on our broadened mandate and to do things differently, but we are well underway with building great homes and supporting great communities.

Our outputs

Our outputs are what we deliver through our roles and what support us to achieve our outcomes. They represent the activities we undertake for our customers, their whānau and their communities.

Our outputs are divided into six output classes:

▶ OUTPUT CLASS 1
Sustaining tenancies and supporting communities

▶ OUTPUT CLASS 2
Managing, maintaining and renewing our homes

▶ OUTPUT CLASS 3
New public and supported housing supply

▶ OUTPUT CLASS 4
Urban regeneration, development and general housing supply

▶ OUTPUT CLASS 5
Supporting first home ownership for New Zealanders

▶ OUTPUT CLASS 6
Transactions relating to Crown-owned land (Housing Agency Account)

Our areas of focus

As we set ourselves up to build better, brighter homes, communities and lives, we must focus our efforts on supporting Government priorities, remaining on track to become a world-class public housing landlord, and continuing to grow into new roles. It is important to note this section is a summary of selected work in our priority areas rather than a comprehensive list of our mahi.

Supporting Government priorities

Given the central role we play in delivering on the Government's plan to reform the housing sector and in tackling the housing and urban development challenges facing Aotearoa, it is fundamental that we reflect the Government's priorities in our mahi.

Contribute to preventing and reducing homelessness

Through our provision of public and transitional housing supply, we play a critical role in delivering on the Government's vision that homelessness in Aotearoa is prevented. Transitional housing provides people and families in urgent need of housing with a warm, dry, safe place to live while they receive wraparound support services and are helped to find a more permanent place to live. Budget 2020 included the Government's commitment to fund 2,000 additional transitional housing places, and Kāinga Ora is expected to deliver 70-80 percent of this commitment by June 2022. In 2021/22 we will continue to work with HUD to urgently increase the supply of transitional housing throughout Aotearoa.

Deliver public housing, especially in response to priority areas

We are leading the biggest public housing build programme in decades and are the key delivery agency for the Government's public housing commitment as documented in the Public Housing Plan 2021-2024. The Plan outlines where 8,000 additional public and transitional housing places – announced in Budget 2020 – will be located throughout Aotearoa. In 2021/22 we will continue to increase delivery of public housing across Aotearoa, making sure that we build warm, dry, healthy homes that meet the needs of our customers. We will work with key partners including Iwi and councils to respond to the Public Housing Plan's priority locations for investment by delivering more homes for people in need.

Housing more New Zealanders means we have to think differently to deliver quality public homes, at a faster rate, and with better outcomes for our customers, the environment, the communities in which we work, and the wider construction and development industry. Our success depends on how effectively we innovate, partner and engage with others in the construction industry. Our recently developed construction plan – Building Momentum – outlines this new way of working to improve how public housing is delivered throughout Aotearoa.

We are committed to partnering with Māori, Iwi, rōpū Māori and Māori businesses to deliver homes for and by Māori. Collaborative partnering and engagement principles will guide our ongoing approach and ensure that positive outcomes for Māori can be realised in our public housing build programme and across the rest of our business.

Large-scale housing and urban development projects

Working alongside local communities, mana whenua partners, local government and our key stakeholders, we will increase momentum on our large-scale programmes currently underway. In total these are projected to produce around 40,000 homes over a 15-20 year time period.

The recent Government announcement of the Housing Acceleration Fund will see Kāinga Ora play an increasingly important role in enabling the delivery of additional housing in Aotearoa, by addressing some of the underlying barriers to supply. It also highlights the Government's ongoing confidence in our ability to increase the pace and scale of housing delivery for New Zealanders. The Housing Acceleration Fund includes the following components that are particularly relevant to our large-scale housing and urban development projects.

- An Infrastructure Fund, which includes funding for Kāinga Ora large scale projects and a contestable fund
- The Kāinga Ora Land Programme

The Government has confirmed that Kāinga Ora will administer the contestable portion of the Infrastructure Fund as part of the Housing Acceleration Fund. The Infrastructure Fund will help fund critical infrastructure that will unlock a mix of Government- and private sector-led developments in locations across the country facing the biggest housing supply and affordability challenges.

We will also deliver the Kāinga Ora Land Programme for strategic land purchases to increase the pace, scale and mix of housing developments, and allow us to deliver more affordable housing. This is an increase in the borrowing capacity ($2 billion) for Kāinga Ora over 10 years to enable land purchases, and is in addition to the Infrastructure Fund. Specific opportunities will be identified over time, and subject to individual investment proposals. This is likely to mean that Kāinga Ora will buy land, get it developed ready for building and then sell the land, with the requirement that homes are built quickly, so the $2 billion is returned to Kāinga Ora.

We are working with HUD and the Treasury to agree the investment frameworks and criteria for the fund and land programme. Kāinga Ora, HUD and other government agencies will progress discussions with local authorities, Māori and Iwi, and key stakeholders about investments and targeting work towards maximum impact. Our place-based teams will play a key role in identifying opportunities to bring on more supply as part of this nationwide approach to addressing housing supply and affordability.

These funding mechanisms will support us to successfully deliver our large-scale programmes in Northcote, Mount Roskill, Eastern Porirua, Oranga, Māngere, and Tāmaki.[3] Our large-scale projects are outcome focused, and are about more than the delivery of high-quality housing. They will fast-track the renewal of infrastructure, deliver new amenities and enable investment into local economic development, connectivity and active transport. In 2021/22 we will continue to grow the capability and output of our urban development delivery teams across all our large-scale projects, to increase the delivery of housing at scale and pace.

Looking ahead, we will continue to work with our partners and stakeholders to secure new opportunities for large-scale urban development projects across the country – exploring regeneration opportunities for our existing concentrated landholdings and working in partnership with others (councils, private developers and Iwi) to enable quality urban growth in areas of high demand. Our roles and responsibilities under the Urban Development Act 2020 will also guide our work in this space.

Affordable housing

Kāinga Ora is committed to delivering good quality, affordable housing that meets diverse needs. We support New Zealanders' home ownership aspirations directly via the KiwiBuild programme as well as contracting for the delivery of affordable homes in our large-scale projects and administering our financial support products. In 2021/22 we will deliver the Government's Progressive Home Ownership direct-to-household scheme. The organisation's leadership role in supplying land that enables higher-density housing continues to indirectly support the provision of affordable homes. Further measures that assist housing affordability are the intensification of our land holdings in our large-scale projects and the use of development agreements to prohibit land banking and require increased density in housing delivery.

As part of the Government Housing package announced in March this year, changes were made to the First Home Products (First Home Grants and Loans) Kāinga Ora administers. Price caps and income thresholds were raised to increase the number of new and existing properties for which a First Home Product can be sought while also increasing the number of people who are eligible for these products.

In addition, the previous $350 million Residential Development Response Fund has been refocused and renamed as the Affordable Housing Fund. It is now intended to increase affordable housing provision (rental and home ownership) on land owned by Iwi and Māori groups, councils, community groups and private developers, through the Crown sharing some of the cost and risk. We recognise the importance of working with others to achieve our outcomes and will continue to explore partnership opportunities with Iwi, other organisations and the private sector.

[3] The Tāmaki large-scale programme is in partnership with Tāmaki Regeneration Company to deliver build-ready land and more homes in Point England, Panmure and Glen Innes. We have also established SPE measures to reflect our performance expectations in relation to Tāmaki more transparently, and to better reflect our role of master developer in this precinct.

We continue to work closely with HUD to understand how we can further support the delivery of different products that are affordable and provide security of tenure for a broader range of New Zealanders.

Becoming a world-class public housing landlord

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

Wellbeing approach

Wellbeing is when people can lead fulfilling lives with purpose, balance and meaning to them. For Kāinga Ora, our goal is to focus on both current and future wellbeing. A place to call home is fundamental to a person's and whānau wellbeing, and enhancing communities will give more New Zealanders what they need to enjoy a good level of wellbeing. In 2021/22 we will continue developing a comprehensive approach to embedding wellbeing across our work. This includes growing our suite of relevant social, environmental and wellbeing indicators, supporting other agencies to improve wellbeing, and incorporating Government guidance and requirements as they develop.

Customer programme

To perform our world-class public housing landlord role, we provide services and homes that deliver more than just a roof over people's heads. We must ensure our customers get the support and homes they need so they can live safe and stable lives with dignity. We cannot do this alone – we must work as part of the public sector and in collaboration with the social sector.

Through our Customer Programme, we have developed a service delivery model that is deliberate, compassionate and focused on the wellbeing of our customers. In 2021/22 we will continue to focus on our mahi that enables us to interact more effectively with our customers, tailoring our services to their needs and aspirations to support their wellbeing. This will enhance our capability and capacity to assist neighbourhoods and communities to flourish as cohesive, safe and prosperous places to live.

Healthy, warm, accessible homes

We are committed to ensuring our homes are safe, warm, dry and accessible for our customers – giving them a strong foundation for wellbeing. In 2021/22 we will continue implementing our Healthy Homes programme to ensure we are compliant with the Residential Tenancies (Healthy Homes Standards) Regulations 2019 by June 2023, and applying our Accessibility Policy to provide homes that more effectively meet our customers' current and future needs.

Our Retrofit programme is a renewal programme of existing properties that aims to improve the wellbeing of our tenants by making our homes warmer, drier and healthier. The activities include fully insulating homes, installing double glazing, improving airtightness and ventilation, and providing new heating to ensure a healthy indoor living environment. The programme targets our older housing stock, ensuring they last for another 50 years by resetting the lifecycle of these homes at a lower cost than a complete rebuild. Initially we piloted Retrofit in the Hutt Valley and recently expanded the pilot to new regions, to test how the retrofitting could be completed in regional and provincial New Zealand. In 2021/22, following the pilot, the Board will consider costs and benefits of establishing the programme and consult with the Minister.

Continuing to grow into new roles

Kāinga Ora is doing different things, and doing things differently. We are focused on growing into our new roles and building momentum so we can achieve long-term success in our broader outcome areas.

Implementing new urban development functions

The Urban Development Act 2020 empowers us to undertake, initiate and facilitate transformational, complex urban development that contributes to sustainable, inclusive and thriving communities. Specified development projects (SDPs), established under the Act, aim to reduce the risk of undertaking complex urban development and provide a new way for us to work with councils, Māori, and private developers. We will work closely with joint Ministers, HUD and others to identify and materially progress the first SDPs in 2021/22.

The Act also provides Kāinga Ora with access to a toolkit of development powers to deliver improved urban development outcomes related to housing, infrastructure, transport, community facilities, open space, and economic opportunities. We are working with HUD on infrastructure funding and policy mechanisms to unlock key growth areas and ensure buildable land is available ahead of demand.

Understanding and supporting Māori aspirations

We have a responsibility as outlined in our new legislation to understand, support and enable Māori aspirations in housing and urban development. To achieve this, we need to think and operate in ways that reflect a Māori world view and build enduring and meaningful relationships and partnerships with Iwi and Māori organisations.

Te Kurutao (Group Māori) is recognised as the centre of excellence at Kāinga Ora for leading, supporting and growing the organisation's cultural capacity and capability. This is in direct response to meeting Māori needs and aspirations and fulfilling the obligations of Kāinga Ora under our legislation to partner and work more effectively with Māori. At a regional level, the centre of expertise will support leaders to enable consistency in our engagement activity and implementation of targeted regional outcomes. Leveraging from Kāinga Ora partnership and engagement framework, in 2021 we will implement tools and appropriate methods to monitor and measure engagement with Māori and Iwi on our Regional Investment Plans, with a view to benchmark reporting on engagement for future years.

The Kāinga Ora Māori Strategy is being developed through a kaupapa Māori approach to provide an overarching and unifying strategic vision and implementation plan for Kāinga Ora. This approach was designed to build trust with Iwi and Māori and show genuine intent to engage meaningfully and develop authentic relationships and partnerships. Wānanga were held to provide a forum for Iwi, Māori organisations and Government agency representatives to discuss and deliberate, in a context underpinned by Māori values and Māori ways of thinking. Respect for each other was a key value in the wānanga as well as kōrero that was mana-enhancing. In 2021/22 we will begin implementing the strategy and continue to work with our partners in central government to align strategic priorities in relation to Māori. This means pursuing opportunities for partnership that will achieve the Board's statutory obligations, while also fitting within the Māori and Iwi Innovation Framework for Action (MAIHI), in collaboration with HUD and Te Puni Kōkiri (TPK).

During 2021/22 we will also focus on developing our capability across the organisation as a key enabler for delivery and on building our relationships with Māori at national, regional and local levels. Our Mātauranga Māori framework will build knowledge of the Māori world, tikanga Māori and Māori ways of thinking across the organisation. Our people are being given the opportunity to learn and build their knowledge and understanding through a Tikanga Māori course with Te Wānanga o Aotearoa as a starting point. High-quality relationships with Iwi and Māori communities are also a key focus and specific senior and supporting roles have been implemented to lead the maintenance of relationships with Māori leadership across Aotearoa. We will look to establish a key performance indicator to monitor and measure the Mātauranga Māori framework's success and ongoing participation for future years.

We will investigate innovative opportunities alongside Māori to develop and implement targeted initiatives that align with our legislative obligations, strategy, and the needs and aspirations of identified Iwi and Māori organisations. In 2021/22 we will conduct a stocktake of Māori land available for housing in partnership with Iwi and Māori as part of our key focus area He Whenua, and establish an approach to reporting on the total number of homes built on Māori land. We will continue implementing the Kāinga Whenua Loan Scheme – an initiative between Kāinga Ora and Kiwibank to help Māori achieve home ownership on collectively-owned land. We will also continue to support the Crown through Treaty Settlement processes and assist the cross-agency response to the Housing Policy and Services Inquiry (Wai 2750).

Understanding and supporting aspirations of Pacific peoples

New Zealand is home to our diverse and vibrant communities of Pacific peoples, with many transitioning from new migrants to third generation New Zealanders. Pacific peoples have strong ties with tangata whenua through their whakapapa, and a shared moana, which has helped strengthen their identity in New Zealand. A significant proportion of our customer base is made up of Pacific peoples, and we have a unique opportunity to understand, support and enable their aspirations in housing and urban development. We will do this by contributing to and leveraging off work being undertaken by the wider sector, and also by helping our Pasifika customers and communities live well with dignity and independence.

We recognise the need to have more culturally appropriate ways of providing services to our Pasifika customers. During 2021/22 we will focus on building our capability across the organisation as a key enabler for building our relationships with communities of Pacific peoples and delivering approaches tailored to their values and aspirations. This includes more targeted and considered pathways to home ownership.

Our communities of Pacific peoples are fast-growing, young and dynamic, and have untapped potential. As part of the Construction Partnering Agreements, we have established an apprenticeship programme in collaboration with apprenticeship partners to link candidates with build partners. This will create opportunities for people who want to work in trades and will build labour capacity in the industry. Our apprenticeship programme supports the wellbeing of current and future generations, including Pacific peoples.

Innovation and construction productivity

We are the nation's largest entity with commercial levers to drive behavioural change and innovation in the residential construction sector. System transformation requires leadership and a willingness to share risk and learnings with the industry. We are becoming more innovative through new approaches, systems, products and materials to deliver more and better-quality housing, and we want to support the scale-up of more home-grown innovations. We will continue to build our capability in the use of off-site manufacturing (where parts of the building are made away from the final construction site). This will enable us to undertake faster, safer and more predictable construction, and save on the time and cost of delivering new homes.

Consentium is now live – making it the first accredited and registered, non-territorial building consent authority in the country. It is a standalone and independent organisation within Kāinga Ora, and provides building compliance services for new and existing public and supported homes, including consenting, inspection and certification. It will ensure new public and supported homes are of high quality and meet or exceed New Zealand building standards in terms of design, materials, construction and connections to infrastructure. In 2021/22 Consentium will continue processing building consents for public housing of up to four levels, including providing inspections and code compliance certification (CCC) for public housing nationwide. This covers building consent applications for new and existing public and supported homes, as well as any repairs and maintenance that require a building consent. By taking a national approach, Consentium will be able to prioritise Kāinga Ora consents, enabling homes to be built faster and where they are needed most.

In 2021/22 we will also focus on delivering quality homes on time and on budget. We are improving our capability in monitoring construction costs to enable better oversight and cost reductions, and importantly, to make better-informed investment decisions.

Building place-based relationships in the broader community

In order to build thriving communities, Kāinga Ora must be grounded in and work alongside our communities. We are a national urban development authority, and a national social landlord, but each part of the country is different and we need to ensure local approaches can be applied to address local issues. Core to the design of our new structure, and how we operate, is the concept of a place-based approach. This means our national outcomes and aspirations will provide guidance and consistency for regions to be able to meet their needs. We will achieve these targets by working alongside communities and Māori in the different regions of Aotearoa, and by building and maintaining strong relationships with customers and communities, enabling us to plan and deliver tailored regional activities over time.

In 2021/22 we will implement our Partnership and Engagement Framework, which defines what regional and national partnership and engagement mean for Kāinga Ora and sets out the principles and outcomes for why, how and when we will partner and engage with Māori, stakeholders, customers and communities.

Environmental sustainability

We must contribute to the development of sustainable, inclusive and thriving communities, and ensure the mana and mauri of the land are preserved for current and future generations. We have initiated some exciting work programmes to address climate change and broader environmental sustainability. These include:

- carbon neutral housing programme – targeting significant operational energy reductions and looking at the emissions embodied in the products and materials used for our developments
- decentralised energy – trialling the integration of solar energy systems on new and existing public housing to reduce emissions, and energy hardship, to demonstrate how decentralised energy generation can be integrated into housing and electricity infrastructure
- construction and demolition waste – significantly reducing on-site waste coming from construction and demolition by improving site waste management practices, procurement processes, and recycling, and piloting house relocation
- urban ngahere – helping to re-establish urban ngahere (forest) in areas where we are a major land owner through partnering and our own design, construction and operational practices
- sustainable transport – focusing on our realm of influence to create communities that champion walkability and accessibility to amenities, and encouraging public and alternative modes of transport wherever possible.

In line with the Carbon Neutral Government Programme, Kāinga Ora will be measuring and reducing corporate carbon emissions with a target of carbon neutrality by 2025. This includes working towards electrification of our 600 fleet vehicles, and measuring the energy performance of our office premises.

The communities that our customers live in are likely to be disproportionately affected by climate change and by the measures put in place to mitigate climate change. We have done preliminary investigation of the risk that flooding events pose to our homes and customers, and we have work programmes in place to mitigate some of these impacts. However, we cannot do this alone. We are working with other agencies to ensure our customers and other New Zealanders are supported in this space.

Working across the sector

The Government has an ambitious plan to reform the housing and urban development system. This includes making system and structural changes and moving away from a fragmented system to a well-connected one that delivers better outcomes for New Zealanders. We have a significant role to play in improving and helping to shape the way the system performs. We are working closely with other agencies such as HUD, the Ministry of Social Development, the Ministry of Business, Innovation and Employment and the Ministry of Health, and with local government, Iwi, local communities, community housing providers and community organisations, to ensure proposals are practical and able to be implemented.

Our organisational response

To be successful in our new role and deliver the important outcomes we seek to achieve, we need an organisation that has the right capability and is functioning well. Our organisation and our people are the true platform for us to realise our vision: *building better, brighter homes, communities and lives – he oranga kāinga, he oranga hapori, he oranga tāngata*. This section outlines our approach to positioning Kāinga Ora for success through how we go about our mahi, how we support our people, and what internal organisational priorities we focus on.

Our values

Every organisation needs values to live by – these are what unite us as an organisation. Our values were developed by us and for us, and reflect the best of who we are now and, importantly, who we want to be in the future. They describe the mindsets and behaviours we believe will help us achieve our vision. They are vital in guiding how we will work every day.

Manaakitanga – people at the heart

Manaakitanga is about hospitality, kindness, generosity and support, as well as showing respect and care for others. For us, this means that the way we treat each other matters – through care and empathy, we enhance the mana of all people and whānau, helping everyone to feel they belong.

Mahi Tahi – better together

Mahi Tahi is about working together, collaboration, cooperation and teamwork. For us, this means building strong and trusting relationships. By working together and sharing our knowledge, ideas and passion for what we do, we can make a bigger difference for Aotearoa.

Whanake – be bold

Whanake is about moving onwards and upwards – growing and developing. For us, this means exploring what's possible. With curiosity, creativity and forward thinking, we can build a legacy that will allow future generations to thrive.

Internal organisational priorities

While our values guide *how* we go about our mahi, our internal organisational priorities allow us to focus on *what* key elements within our organisation will best support our people and position us for future success. Along with delivery of our core services provided every day to our people, we have formed a people work programme that puts our people at the heart of what we do. This work programme is strongly aligned with our internal organisational priorities outlined in this section.

Translating our vision and strategic direction for our people's mahi

Why this matters

We have a new strategic mandate, and constantly evolving external drivers and Government direction. It is important for our people to have a clear line-of-sight for how their work contributes to the outcomes we seek to achieve for New Zealanders – everyone in our organisation should understand where we are heading and want to be part of our journey.

Key work for 2021/22

- Developing the Kāinga Ora Strategy and Māori Strategy, which set out for our people why we are here and what success looks like, and provide guidance for our people and their decisions

- Developing guidance and delivery plans, including Regional Investment Plans, that communicate *how* we will deliver our strategy to our people
- Continuing to develop our Business Group planning capabilities to translate strategy into action

Providing leadership tools and support for our people who are all leaders in their work

Why this matters

To be a high-performing organisation with brilliant and engaged people we need outstanding leadership. Our leaders need to be equipped with the right tools and support to achieve our ambitious level of change. We want our leaders to manage with authenticity and empathy – empowering our people with autonomy, clear roles and accountability structures, and development opportunities so the people they manage can evolve into leadership roles themselves.

Key work for 2021/22

- Clarifying leadership expectations and leadership learning and development through a leadership framework
- Establishing our Ngā Pae Tātaki (leadership committees) to lead towards outcomes and empower our staff
- Building capability within the organisation through the Mātauranga Māori framework to build rangitira relationships and partnerships

Building and sustaining a safe, happy, and healthy work community

Why this matters

Our people are our greatest asset. Having healthy and happy staff whose safety and wellbeing are prioritised will help us be a high-performing organisation. We are committed to supporting our people to deliver our vision in an environment that promotes health, safety and wellbeing.

Key work for 2021/22

- Promoting staff wellbeing through internal programmes such as Ma Wanaaki – health and wellbeing of staff, embedding our values, embedding a diversity and inclusion framework, shaping our people experiences, commencing a job families project, and creating a new remuneration framework
- Continuing to implement the Government's Health and Safety at Work Strategy 2018-2022 and effectively oversee activities to prevent work-related harm
- Influencing strong safety leadership and participation across the housing and urban development sector through collaboration with stakeholders and the use of industry data to inform evidence-based interventions
- Introducing a maturity assessment model to assess our compliance and safety performance and form a baseline from which we can further improve our safety maturity

Improving our processes and systems to enable our people to do what they do best

Why this matters

Our people need to be supported with simple and effective processes and systems to help them do their important mahi. We undertake a wide variety of work in a wide variety of ways, and we are still on the journey of discovering the best approaches to deliver our broadened mandate. We need to be committed to continuous improvement and have strong operational discipline. This will ensure we are best placed to deliver our important outcomes for New Zealanders and earn the respect of our partners as a system leader.

Key work for 2021/22

- Developing a capability framework to inform required capabilities and improvements across business groups
- Reviewing our people delegations, policies, guidelines and organisational risk
- Continuing our legislation implementation programme, which undertakes initiatives to align our organisation and team responsibilities with our legislative obligations
- Implementing our technology strategy and roadmap
- Supporting our place-based structure and ways of working

Implementing an efficient and effective governance and monitoring system

Why this matters

As a large and complex organisation we need governance and monitoring arrangements that are fit-for-purpose, provide appropriate levels of assurance, and add value to our organisation. Our governance should be enabling rather than controlling, and our reporting should provide insights into organisational performance rather than simply words and numbers.

Key work for 2021/22

- Continuing to support HUD to refine the Crown entity monitoring and engagement framework
- Supporting our Ngā Pae Tātaki (leadership committees) to lead towards outcomes with high-quality insights, reporting and recommendations
- Continuing to implement our investment management framework, which sets out how we make and deliver decisions about our investments in assets, developments and communities in order to achieve our outcomes
- Being fully engaged with Treasury’s Investor Confidence Rating reviews and acting on subsequent improvement recommendations

Further developing our performance measures

Measuring and reporting on progress towards achieving our strategy will be a key part of our success. An open and transparent approach allows our stakeholders to see what we are doing to create value for New Zealanders and how we are progressing.

Improving our outcome and output measures

Over 2021/22 we will develop further measures to assess our performance, especially in areas related to our broadened mandate, and will work closely with HUD and others on this. We expect to develop new performance measures in future Statements of Performance Expectations to reflect the new directions set out for our organisation in the GPS-HUD.

We are committed to continuously improving our performance metrics over time and will focus in 2021/22 on refining our measurement of:

- the quality and effectiveness of our partnerships and engagement
- innovation and productivity in our construction programmes
- urban development activities and the outcomes these activities will deliver over time
- customer wellbeing
- the environmental sustainability impacts of our activities
- our performance in relation to Māori interests and our Māori-related obligations.

Improving our organisational health and capability measures

We want to make sure we are looking after our people's wellbeing and cultivating a high-performing organisation committed to continuous improvement. This is why we have formed a people work programme that is strongly aligned with our organisational priorities. This work programme is focused on the following four areas.

- Culture
- Leadership
- Capability
- Making it easy

For 2021/22 we will focus on developing this work programme and establishing the key contributing frameworks that sit underneath it. This will subsequently inform a robust suite of evidence-based measures in the right way to reflect our organisational health and the wellbeing of our people, who are the true platform for us to realise our vision. Although Our Organisational Health Index survey in 2020 informed the development of the new organisational structure, we have not committed to conducting another large annual organisational health and engagement survey in 2021/22. Many organisations are moving away from such surveys where employees focus on what has happened lately instead of having a more holistic perspective, and questions are often not specific, which makes it hard to respond with targeted actions. Instead, we will seek regular feedback from our people using a range of methods to track and monitor how we are going, and through our people work programme we will develop fit-for-purpose and informative ways to measure the wellbeing of our people and our organisational health.

Organisational performance measures

The key measures we use to monitor organisational performance, and financial sustainability and performance at a strategic level, are shown below.

Measure	Actual 2018/19	Actual 2019/20	Forecast 2020/21	Standard 2021/22
Organisational maturity measures				
Health and safety maturity assessment (internal) score	New measure	New measure	New measure	Establish baseline
Leadership framework implemented	N/A	N/A	N/A	Leadership framework implemented
Capability framework implemented	N/A	N/A	N/A	Capability framework implemented
Business change portfolio maturity assessment (internal) score	New measure	New measure	New measure	Establish baseline
Land development and housing portfolios maturity assessment (internal) score	New measure	New measure	New measure	Establish baseline
Asset management maturity assessment (internal) score	New measure	New measure	New measure	Establish baseline
Ngā Pae Tātaki (Leadership Committees) stood up	N/A	N/A	N/A	Ngā Pae Tātaki (Leadership Committees) stood-up
Statement of Intent 2022-25 completed	N/A	N/A	N/A	Statement of Intent 2022-25 completed
Māori interests and obligations measures				
Percentage of supplier contracts and agreements with Māori businesses by volume	New measure	New measure	New measure	Establish baseline
Number of Kāinga Ora staff who have participated in and completed Mātauranga Māori pilot programmes	New measure	New measure	New measure	Establish baseline
Environmental measures				
Tonnes of carbon dioxide equivalent emissions (tCO_2e) resulting from corporate activities – gross	New measure	New measure	New measure	Establish baseline
Tonnes of carbon dioxide equivalent emissions (tCO_2e) resulting from corporate activities – per FTE	New measure	New measure	New measure	Establish baseline

Measure	Actual 2018/19	Actual 2019/20	Forecast 2020/21	Standard 2021/22
Financial measures				
Net operating costs of managing our housing portfolio per housing unit (excludes depreciation)	$12,749	$12,877	$14,100	$15,927
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) as a percentage of total income*	34%	32%	29%	27%
Total debt to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) ratio*	6.5	12.0	11.8	17.1**
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to interest costs*	4.0	3.3	2.7	2.4***

* For the purpose of this calculation, EBITDA excludes affordable products contribution and asset write-offs.
** The increase in the 2021/22 standard ratio is driven by Kāinga Ora housing portfolio growth. The increased upfront investment is required by Kāinga Ora to meet our Public Housing Plan commitments, generating associated earnings in later years.
*** Financing costs from upfront investment in public housing and urban development continue to rise, due to both increases in issued debt and the associated interest rates charged.

The increase in net operating costs per housing unit in 2021/22 standard is largely driven by an increase in the spend on our existing housing portfolio, mainly through the operating expenditure portion of our Healthy Homes and Retrofit programmes, additional expenditure on our frontline customer support services staff and additional staff to support our large-scale programmes.

Financial

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

In 2021/22 we will continue to work with the Government (HUD and the New Zealand Treasury) to ensure that Kāinga Ora is funded appropriately for the services it is required to deliver, and effectively manages its financing of its investment programme transparently and sustainably over the long term.

Kāinga Ora is a key stakeholder and partner with HUD on a range of initiatives that may impact the approach to funding and financing of Kāinga Ora activities in 2021/22 and beyond. The aim of those activities is to ensure that Kāinga Ora has financially sustainable funding across the breadth of our statutory functions. The outcomes of this work will be informed by, and reflected back into, the Kāinga Ora Long Term Investment Plans.

Capital investment

We manage approximately $35 billion worth of assets. During the 2021/22 financial year we are forecast to invest $3.4 billion in property additions and upgrades, and management of our infrastructure assets.

Capital Additions	Actual* 2018/19 $m	Actual** 2019/20 $m	Forecast 2020/21 $m	Budget 2021/22 $m
Buy-ins	298	221	245	575
Redevelopment and new builds	1,074	797	1,189	2,214
Upgrades and improvements	135	433.8	235	561
Infrastructure	23	32.8	40	47
Total	**1,530**	**1,485**	**1,709**	**3,397**
Funded By				
Sales	19	-	26	37
Appropriations	6	-	-	-
Borrowing	884	1,301	1,683	3,360
Cash from operations	621	184	-	-
Total Funding	**1,530**	**1,485**	**1,709**	**3,397**

*All financial result comparatives for 2018/19 are from the Annual Report for Kāinga Ora legacy agency Housing New Zealand Corporation.
** Actual results for 2019/20 comprises three months ended 30 September 2019 for Housing New Zealand Corporation and nine months ended 30 June 2020 for Kāinga Ora – Homes and Communities.

Operational expenditure

During 2021/22 we will collect $1.6 billion in revenue from rents and rental subsidies and we will invest a total of $679 million in maintaining our existing housing portfolio (across both operating and capital expenditure). Because of the scale of this investment, it is vital that we make sound financial decisions to ensure the Government has the greatest impact for the investment it has made.

Revenue Comes From	Actual* 2018/19 $m	Actual** 2019/20 $m	Forecast 2020/21 $m	Budget 2021/22 $m
Rental income from tenants	417	437	432	524
Rental income from income-related rent subsidy	884	963	1,041	1,064
Crown appropriation income	102	103	116	177
Interest realised gains and other income	60	111	171	294
Total Revenue	**1,463**	**1,614**	**1,759**	**2,059**

Where Revenue Goes To	Actual* 2018/19 $m	Actual** 2019/20 $m	Forecast 2020/21 $m	Budget 2021/22 $m
Repairs and maintenance	366	360	404	495
Rates	160	171	182	201
Third-party rental leases	63	70	68	71
Depreciation – rental properties	265	290	323	356
Depreciation and amortisation – infrastructure assets	22	11	15	17
Cost of land sold	15	59	104	210
Personnel	162	176	205	247
Interest costs	106	135	158	175
Impairment, write-offs and loss on sales	66	139	151	87
Grants	84	78	84	95
Other expenses	118	151	197	222
Total Expenses	**1,427**	**1,640**	**1,891**	**2,177**

Surplus/(Loss) Before Tax	**36**	**(26)**	**(131)**	**(118)**

* All financial result comparatives for 2018/19 are from the Annual Report for Kāinga Ora legacy agency Housing New Zealand.
**Actual results for 2019/20 comprises three months ended 30 September 2019 for Housing New Zealand Corporation and nine months ended 30 June 2020 for Kāinga Ora – Homes and Communities.

Statement of non-financial performance expectations

Reporting to Ministers

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

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

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

We will also consult with Ministers on the progress against our build activity and portfolio redevelopment around New Zealand. This will include significant capital expenditure in line with the consultation process set out in the Treasury Owner's Expectations Manual.[4]

Criteria for reporting our performance measures

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

Performance assessment criteria

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

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

▶ OUTPUT CLASS 1

Sustaining tenancies and supporting communities

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

Our legislated operating principles[5]

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

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

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

The difference we are trying to make

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

How we aim to achieve this

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

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

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

The scope of this output class

The scope of this output class is limited to the allocation, induction and management of public housing tenancies and the management of housing provided for supported housing purposes. The output class relates to properties owned by Kāinga Ora, or where Kāinga Ora holds a lease for privately owned properties or to third-party housing providers.

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

Activities delivered

The activities undertaken in this output class include:

- working with the Ministry of Social Development to place eligible applicants from the public housing register into Kāinga Ora homes and sustaining these tenancies, while ensuring these homes continue to meet the changing needs of our customers
- inducting tenants into their new homes and assisting them to settle in
- organising community development events and activities
- linking public housing customers with specialist support services if they require support
- providing public housing customers with access to information about their homes, 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 and their communities and partnering with community providers including rōpū Māori.

Wider housing and urban development outcomes this output class contributes to

This output class contributes to the following housing and urban development outcomes.

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

How we will assess our performance

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
1.1	New measure	Percentage of public housing customers that receive a welcome home visit within the first six weeks of their tenancy starting	✱	≥85%	52-53%	≥85%
1.2	89%	Percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre	✱	≥85%	86-87%	≥85%

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
1.3	81%	Percentage of calls answered within two minutes by the Customer Support Centre	✽	≥80%	80-82%	≥80%
1.4	New measure	Percentage of customers who feel their tenancy manager treats them with respect	✽✽	≥85%	85-86%	≥85%
1.5	98.3%	Percentage of public homes that are let (occupied days)	✽✽	≥97.8%	98%	≥97.8%
1.6	93%	Percentage of new customers who sustain their tenancy for 12 months or more	✽✽	≥92%	94-95%	≥92%
1.7	New measure	Percentage of customers in rent arrears with a successful working repayment arrangement	✽	New measure	New measure	≥75%
1.8	New measure	Percentage of customers who feel their tenancy manager takes into account their individual circumstances	✽✽	New measure	New measure	≥75%
1.9	New measure	Percentage of all tenants satisfied that their interactions with Kāinga Ora are culturally appropriate	✽✽	New measure	New measure	≥75%
1.10	New measure	Percentage of tenants who identify with the following ethnic groups are satisfied that their interactions with Kāinga Ora are culturally appropriate:	✽✽	New measure	New measure	
		- Māori				≥75%
		- Pacific peoples				≥75%

Key to measure type

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

Revenue and output expenses

Description	Forecast 2020/21 $m	Budget 2021/22 $m	Comment
Revenue Crown	1,056.4	1,079.3	The revenue and expenses of this output class are related to management of the public and supported housing portfolio. It includes all rent revenue and administration, tenant servicing expense for public and Community Group Housing, revenue and ownership expense for transitional housing, and net interest expense.
Revenue Other	486.3	591.8	
Expenses	929.9	997.4	
Net surplus/(deficit)	612.7	673.7	

Output class revenue and expense tables may have rounding differences.

OUTPUT CLASS 2

Managing, maintaining and renewing our homes

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

Our legislated operating principles[6]

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

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

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

The difference we are trying to make

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

How we aim to achieve this

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

The scope of this output class

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

Activities delivered

The activities undertaken in this output class include:

- 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.

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

Wider housing and urban development outcomes this output class contributes to

This output class contributes to the following housing and urban development outcomes.

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

How we will assess our performance

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
2.1	19 days	Average number of days from a public home becoming vacant to being 'ready to let'	✽	≤18 days	19.9 days	≤18 days[7]
2.2	74%	Percentage of public housing customers satisfied with repairs and maintenance	✽✽	≥75%	75%	≥75%
2.3	2.5 hours	Average time taken to respond to urgent health and safety maintenance queries	✽	≤4 hours	3.7 hours	≤4 hours
2.4	New measure	Percentage of public housing customer maintenance requests completed within the agreed service level targets[8]	✽	≥80%	85-86%	≥80%
2.5	New measure	Percentage of our public and supported housing portfolio that receives one or more major planned interventions[9]	✽	New measure	New measure	≥13%[10]

[7] This refers to calendar days.

[8] 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).

[9] '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 re-instatement and meth-lab re-instatement for both public and supported housing. It excludes both our Healthy Homes and Renewal (retrofit and complex remediation) programmes.

[10] This equates to 9,630 homes.

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
2.6	New measure	Percentage of our housing portfolio compliant with the Healthy Homes Standards	✱	≥30%	22%	≥60%[11]
2.7	New measure	Number of public houses completed as part of Kāinga Ora home renewal programmes[12]	✱	≥500	375	≥1,125[13]
2.8	92%	Percentage of public lettable properties that meet or exceed the asset condition scale baseline quality standard[14]	✱	≥93.5%	91-93%	≥93.5%

Key to measure type

✱ Direct Kāinga Ora performance output measure

✱✱ Performance indicator that Kāinga Ora has strong influence over

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

Revenue and output expenses

Description	Forecast 2020/21 $m	Budget 2021/22 $m	Comment
Revenue Crown	0.0	0.0	The expenses in this output class are in relation to maintenance of the public housing portfolio. It includes all administration and maintenance expense for public and Community Group Housing and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	0.0	0.0	
Expenses	450.3	598.2	
Net surplus/(deficit)	(450.3)	(598.2)	

Output class revenue and expense tables may have rounding differences.

[11] This is a cumulative target that includes the compliant portion of our housing portfolio achieved in previous years.
[12] This includes Kāinga Ora retrofit and complex remediation programmes (note the 2020/21 measure included only retrofits).
[13] This target is subject to change after a progress report on the retrofit pilot programme is presented to the Minister in September 2021 and a business case is presented to the Kāinga Ora Board in the 2021/22 year.
[14] Kāinga Ora uses the National Asset Management Support (NAMS) Asset Condition Scale. Each major component of a house is rated 1-5 (where 1 is the highest score and 5 is the lowest). Where the average of the components for a house is rated at less than 3.5, the house is deemed to meet the baseline quality standard.

▶ OUTPUT CLASS 3

New public and supported housing supply

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

Our legislated operating principles[15]

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

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

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

The difference we are trying to make

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

How we aim to achieve this

Under this output class, we redevelop our current homes, build new homes, and purchase properties and land for building homes to meet the changing needs of our state housing customer base for homes in the right place and of the right size.

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

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

The table on the next page provides a breakdown of the types of activities Kāinga Ora uses to manage the growth of our state housing portfolio (ie, public and supported housing), and shows our key delivery performance measures 3.1 and 3.2 included in the service performance section on the following page. We will report regularly to the Minister and the Ministry of Housing and Urban Development (HUD) on this breakdown and our development pipeline to ensure complete transparency of our delivery programme. We will provide the final delivery breakdown in our 2021/22 Annual Report.

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

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

The scope of this output class

The scope of this output class is limited to 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 delivered

The activities undertaken in this output class include:

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

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

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

Wider housing and urban development outcomes this output class contributes to

This output class contributes to the following housing and urban development outcomes.

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

How we will assess our performance

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
3.1	New measure	Number of newly constructed Kāinga Ora public and supported homes:[16]		≥2,400	≥2,400	≥3,400
		– public homes			≥1,800	≥2,400
		– supported homes			≥600	≥1,000
3.2	New measure	Increase in the overall number of Kāinga Ora public and supported homes (net increase):		≥1,900	≥1,900	≥2,700
		– public homes			≥1,200	≥1,600
		– supported homes[17]			≥700	≥1,100
3.3	New measure	Percentage of new public homes built to a 6 Homestar standard[18]		≥90%	≥90%	≥90%
3.4	New measure	Percentage of newly constructed Kāinga Ora public homes meeting full Universal Design standards[19]		New measure	New measure	≥15%

[16] 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.
[17] Supported housing targets contribute to the expectation on Kāinga Ora to deliver the 70-80% of the Government's commitment to fund 2,000 transitional housing places by June 2022.
[18] 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.
[19] 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)

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
3.5	New measure	Percentage of demolition waste diverted from landfill	✽	Establish baseline		
		- Auckland region			75-80%	≥80%
		- Rest of New Zealand			New measure	Establish baseline
3.6	New measure	Number of new trainees actively engaged in our Kāinga Ora construction apprenticeship/ cadetship programme	✽	≥100	>100	≥100
3.7	New measure	Percentage of new trainees engaged in our Kāinga Ora construction apprenticeship/ cadetship programme who identify themselves as: - Māori - Pacific peoples	✽	New measure	New measure	Establish baseline
3.8	New measure	Percentage of our construction partners with a formal Construction Partnering Agreement[20], who are satisfied or very satisfied with their on-going partnership with Kāinga Ora	✽✽✽	New measure	New measure	Establish baseline
3.9	New measure	Percentage of our Iwi partners, who are satisfied or very satisfied with their on-going partnership with Kāinga Ora	✽✽✽	New measure	New measure	Establish baseline
3.10	New measure	Percentage of building consents granted by Consentium within 20 working days[21]	✽	New measure	New measure	≥98%

Key to measure type

✽ Direct Kāinga Ora performance output measure

✽✽ Performance indicator that Kāinga Ora has strong influence over

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

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.

[20] Kāinga Ora currently has nine Construction Partnership Agreements in place with construction partners.

[21] These building consents are granted by Consentium which is the only nationally accredited building consent authority (BCA) in New Zealand. It is a standalone and independent organisation within Kāinga Ora and is only authorised to grant building consents for public and supported housing.

Revenue and output expenses

Description	Forecast 2020/21 $m	Budget 2021/22 $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to public and supported housing supply, housing divestment and development.
Revenue Other	0.0	0.0	
Expenses	139.0	177.1	
Net surplus/(deficit)	(139.0)	(177.1)	

Output class revenue and expense tables may have rounding differences.

▶ OUTPUT CLASS 4

Urban regeneration, development and general housing supply

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

Our legislated operating principles[22]

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

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

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

The Urban Development Act 2020 also empowers Kāinga Ora to undertake and facilitate transformational, complex urban development that contributes to sustainable, inclusive and thriving communities.

The difference we are trying to make

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

How we aim to achieve this

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

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

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

The scope of this output class

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:

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

- 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 delivered

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.

Wider housing and urban development outcomes this output class contributes to

This output class contributes to the following housing and urban development outcomes.

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

How we will assess our performance

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
4.1	264	Number of new homes that will be built on land enabled[23] through Kāinga Ora urban development	✽	≥500	≥1,500	≥1,600[24]
4.2	35%	Affordable[25] homes enabled as a percentage of total market and affordable homes enabled[26]	✽	≥40%	≥40%	≥40%
4.3	100%	Percentage of market and affordable enabled homes under construction by third parties within agreed timeframes[27]	✽✽	≥95%	≥95%	≥95%
4.4	New measure	Number of newly constructed public homes, shared equity scheme affordable homes and build-to-rent pilot homes, with delivery managed by Kāinga Ora on behalf of TRC[28]	✽	New measure	New measure	≥95[29]
4.5	New measure	Percentage of new market, affordable and TRC public homes enabled to the 6 Homestar standard	✽	≥90%	≥90%	≥90%
4.6	New measure	Number of jobs[30] to be created, utilised and retained through the life of Shovel Ready Projects	✽	New measure	New measure	Track progress towards three-year target of ≥320 by June 2024

Key to measure type

✽ Direct Kāinga Ora performance output measure

✽✽ Performance indicator that Kāinga Ora has strong influence over

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

[23] '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.

[24] Please refer to the 'Breakdown of large-scale urban development programmes (SPE 4.1)' table over the page for a breakdown of this target.

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

[26] Note that the definition of this performance measure has changed since 2020/21, and it no longer includes 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.

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

[28] 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.

[29] This is made up of 62 public homes and 33 shared equity scheme affordable homes and build-to-rent pilot homes.

[30] Full Time Equivalents (FTEs).

Breakdown of large-scale urban development programmes (SPE 4.1)

Precinct		Forecast 2020/21	Budget 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Māngere Precinct	Market	85	33	96	85	289
	Market affordable	66	26	63	62	192
	State	25	91	25	315	289
Mangere Precinct Total ≥		**176**	**150**	**184**	**462**	**770**
Northcote	Market	-	190	126	26	-
	Market affordable	-	199	68	17	-
	State	145	105	0	-	-
Northcote Precinct Total ≥		**145**	**494**	**194**	**43**	**0**
Oranga	Market	-	34	5	47	37
	Market affordable	-	23	4	29	24
	State	172	75	70	2	-
Oranga Precinct Total ≥		**172**	**132**	**79**	**78**	**61**
Porirua	Market	-	7	25	41	38
	Market affordable	-	5	17	28	25
	State	-	28	40	14	14
Porirua Precinct Total ≥		**0**	**40**	**82**	**83**	**77**
Roskill Precinct	Market	133	262	474	231	144
	Market affordable	76	172	264	83	59
	State	120	162	199	109	56
Roskill Precinct Total ≥		**329**	**596**	**937**	**423**	**259**
Tāmaki	Market	359	59	100	65	114
	Market affordable	98	66	40	33	53
	Tāmaki shared equity	48	25	77	30	57
	Tāmaki state	197	38	107	83	109
Tāmaki Precinct Total ≥		**702**	**188**	**324**	**211**	**333**
Total		**≥1,500**	**≥1,600**	**≥1,800**	**≥1,300**	**≥1,500**

Note: These figures are based on the latest forecast and those forecasts may change over time.

The delivery units in the above table are indicative only and are subject to Ministerial approval.

Our role working with the Tāmaki Regeneration Company (TRC)

Kāinga Ora is working closely with TRC to enable the development of public, affordable and market homes on land currently owned by TRC. Our role is that of master developer, overall programme and project management, neighbourhood planning, and civils infrastructure procurement and construction. We are also responsible for the development and sale of mega/superlots, and the delivery of public homes for TRC, as well as enabling market and affordable homes and the overall community amenities. TRC retains overall ownership of the precinct masterplan, the public homes delivered and associated tenancy management, as well as continuing to be the lead agency for community and Iwi engagement.

Our work in Eastern Porirua

Planning work is well underway on our Eastern Porirua precinct, where the programme aims to deliver medium-density housing redevelopment and wider community regeneration over the next 20-25 years. Over the life of the programme it is set to deliver a mix of 80 percent redevelopment and 20 percent retrofit for public housing renewal and growth. The programme includes considerable upgrades to infrastructure and renewal of Eastern Porirua's parks and greenways, including shared cycle/walkways and pedestrian links to the Porirua city centre to encourage active modes of transport.

Revenue and output expenses

Description	Forecast 2020/21 $m	Budget 2021/22 $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class relate to activities associated with urban development activities and increasing general and affordable housing supply.
Revenue Other	105.4	254.1	
Expenses	263.6	288.1	
Net surplus/(deficit)	(158.1)	(34.0)	

Output class revenue and expense tables may have rounding differences.

▶ OUTPUT CLASS 5

Supporting first home ownership for New Zealanders

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

Our legislated operating principles[31]

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

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

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

The difference we are trying to make

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

The scope of this output class

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 delivered

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)

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

Wider housing and urban development outcomes this output class contributes to

This output class contributes to the following housing and urban development outcomes.

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

How we will assess our performance

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
5.1	39,166	Number of new First Home Grants assessed for eligibility		Demand driven	42,000	Demand driven[32]
5.2	3.4 days	Average number of days taken to assess a completed First Home Grant application		≤5 working days	5.5 working days	≤5 working days
5.3	New measure	Number of new KiwiBuild applications assessed for eligibility		Demand driven	5,500	Demand driven[33]
5.4	New measure	Average number of days taken to assess a completed KiwiBuild eligibility application		≤5 working days	1.5 working days	≤5 working days
5.5	New measure	Number of new Progressive Home Ownership applications assessed for eligibility		New measure	New measure	Demand driven
5.6	New measure	Average number of days taken to assess a completed Progressive Home Ownership application		New measure	New measure	≤5 working days

[32] In 2019/20 we received and assessed a total of 39,166 First Home Grant applications and approved 15,365.

[33] In 2019/20 we received and assessed a total of 2,076 new KiwiBuild eligibility applications and approved 1,846.

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
5.7	New measure	Percentage of applicants gaining full pre-approval for the Progressive Home Ownership scheme who are part of the following targeted groups: - Māori - Pacific peoples - families with children	✱✱✱	New measure	New measure	Establish baseline
5.8	New measure	Number of First Home Loan mortgages underwritten	✱✱✱	New measure	1,450 – 1,550	Demand driven up to a maximum of 1,650[34]
5.9	New measure	Number of homes purchased by New Zealanders with one or more of our home ownership products	✱✱✱	>16,000[35]	11,000 – 12,000	Demand driven
5.10	New measure	Percentage of homes purchased by New Zealanders with one or more of our home ownership products who identify themselves as: - Māori - Pacific peoples	✱✱✱	New measure	New measure	Establish baseline

Key to measure type

✱ Direct Kāinga Ora performance output measure

✱✱ Performance indicator that Kāinga Ora has strong influence over

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

Revenue and output expenses

Description	Forecast 2020/21 $m	Budget 2021/22 $m	Comment
Revenue Crown	109.7	126.8	The revenue and expenses of this output class are in relation to products that are managed on the Crown's behalf and expenses associated with these home ownership products.
Revenue Other	1.0	8.3	
Expenses	101.4	117.6	
Net surplus/(deficit)	9.3	17.5	

Output class revenue and expense tables may have rounding differences.

34 Kāinga Ora is funded by appropriation up to a maximum of approximately 1,650 First Home Loan underwrites.

35 Includes successful KiwiBuild purchases.

OUTPUT CLASS 6

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

Our legislated operating principles[36]

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

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

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

The difference we are trying to make

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

How we aim to achieve this

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

The scope of this output class

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 northwest Auckland on land formerly used by the New Zealand Defence Force.

Kāinga Ora is responsible for facilitating housing development at Hobsonville Point, with at least 20 percent of the housing constructed 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.

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

Wider housing and urban development outcomes this output class contributes to

This output class contributes to the following housing and urban development outcomes.

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

How we will assess our performance

Ref:	Actual 2019/20	Measure	Measure type	Standard 2020/21	Forecast 2020/21	Standard 2021/22
6.1	93%	Percentage of surveyed residents that are satisfied with the overall living experience at Hobsonville Point[37]	✱✱	≥75%	Annual measure	≥75%
6.2	New measure	The percentage of completed underwritten KiwiBuild homes acquired by the Crown as part of the Buying Off the Plans Programme	✱✱✱	≤50%	27%	≤25%

Key to measure type

✱ Direct Kāinga Ora performance output measure

✱✱ Performance indicator that Kāinga Ora has strong influence over

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

Revenue and output expenses

Description	Forecast 2019/20* $m	Budget 2020/21 $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to management and development services for Crown-controlled land and property.
Revenue Other	1.2	0.5	
Expenses	1.2	0.5	
Net surplus/(deficit)	0.0	0.0	

[37] This survey occurs every two years. The next survey is scheduled in the first half of 2022.

Forecast financial statements

Forecast financial highlights for 2021/22

Kāinga Ora manages a portfolio of 67,858 homes.[37] The value of the owned portion of this portfolio was $30.6 billion at 30 June 2020. This is an increase of $2.2 billion on the portfolio's previous valuation of $28.4 billion as at 30 June 2019. Another portfolio valuation is due to be completed by 30 June 2021.

The 2021/22 forecast operating loss before tax is $118 million, with no distribution to the Crown.

In 2021/22 we expect to receive $2,059 million in income, comprising:
- $524 million in rental income
- $177 million in other operational funding for Crown programmes
- $1,064 million in income-related rent subsidy
- $294 million in interest and other income.

In 2021/22 we expect to incur $2,090 million in operating expenses, comprising:
- $495 million in repairs and maintenance
- $373 million in depreciation and amortisation
- $272 million in property leases and rates
- $175 million in interest costs
- $95 million in grant payments, primarily to the KiwiSaver scheme
- $47 million in affordable housing and land development expenses (included in Other Expenses)
- $210 million in cost of land sold
- $423 million in personnel and other expenses.

We also expect to incur $87 million of write-offs, driven by redevelopment activity.

In 2021/22 Kāinga Ora expects to spend $3,349 million on rental housing asset purchases and improvements, and expects to receive $37 million from the sale of state housing assets.

Forecast statement of comprehensive revenue and expense

	Group Actuals 2020 $m	Group Forecast 2021 $m	Group Budget 2022 $m
REVENUE			
REVENUE FROM NON-EXCHANGE TRANSACTIONS			
Crown appropriation revenue	103	116	177
Rental income from income-related rent subsidy (IRRS)	959	1,037	1,060
Rental income from tenants receiving IRRS	386	381	463
Rent relief fund revenue	4	4	4
REVENUE FROM EXCHANGE TRANSACTIONS			
Rental income from tenants at market rent	51	51	61
Interest revenue	21	21	7
Mortgage Insurance Scheme	10	12	8
Sale of developments	58	105	210
Other revenue	22	32	68
Total revenue	**1,614**	**1,759**	**2,059**
EXPENSES			
Repairs and maintenance	360	404	495
Rates	171	182	201
Cost of land sold	59	104	210
Third-party rental leases	70	68	71
Depreciation—rental properties	290	323	356
Depreciation and amortisation - infrastructure assets	11	15	17
Personnel	176	205	247
Interest expense	135	158	175
Grants	78	84	95

Forecast statement of comprehensive revenue and expense (continued)

	Group Actuals 2020 $m	Group Forecast 2021 $m	Group Budget 2022 $m
EXPENSES (CONTINUED)			
Other expenses	151	197	222
Total expenses	**1,501**	**1,740**	**2,090**
OTHER GAINS/(LOSSES)			
Gain/(loss) on disposal of assets	7	(18)	-
Impairment of property under development	(70)	(66)	(20)
Loss on asset write-offs	(76)	(66)	(67)
Total other gains/(losses)	**(139)**	**(151)**	**(87)**
Surplus/(deficit) before tax	**(26)**	**(131)**	**(118)**
Current tax expense	(87)	(121)	(84)
Deferred tax expense/(benefit)	55	78	72
Income tax expense/(benefit)	**(32)**	**(43)**	**(12)**
Net surplus/(deficit) after tax	**(58)**	**(174)**	**(130)**
OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Revaluation reserve gains/(losses)	1,201	2,957	1,580
Impairment of assets	-	-	-
Hedging reserve gains/(losses)	1	78	-
Income tax on items of other comprehensive revenue and expense	(104)	(252)	(131)
Other comprehensive revenue and expense net of tax	**1,098**	**2,783**	**1,449**
Total comprehensive revenue and expense net of tax	**1,040**	**2,608**	**1,319**

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

Forecast statement of financial position

	Group Actuals 2020 $m	Group Forecast 2021 $m	Group Budget 2022 $m
ASSETS			
Cash and cash equivalents	421	556	1,483
Short-term investments	1,296	1,267	1,267
New Zealand Government Bonds	200	100	100
Receivables	57	151	151
Prepayments	24	24	24
Properties held for sale	14	14	14
Property under development	191	379	817
Mortgage advances	27	28	28
Intangible assets	17	34	49
Property, plant and equipment	30,685	35,070	39,919
Total assets	**32,932**	**37,623**	**43,852**
LIABILITIES			
Accounts payable and other liabilities	168	116	118
Income tax payable	-	31	25
Provisions	20	34	34
Mortgage Insurance Scheme	31	31	31
Interest rate derivatives	114	114	114
Market borrowings	4,452	6,378	10,325
Crown borrowings	1,985	1,986	1,988
Deferred tax liability	2,192	2,351	2,390
Total liabilities	**8,962**	**11,041**	**15,025**
Net assets	**23,970**	**26,582**	**28,827**
EQUITY			
Equity attributable to the Crown	3,561	3,564	4,490
Retained earnings	697	971	911
Revaluation reserve	19,793	22,072	23,451
Hedging reserve	(81)	(25)	(25)
Total equity	**23,970**	**26,582**	**28,827**

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

Forecast statement of changes in equity

	Group Actuals 2020 $m	Group Forecast 2021 $m	Group Budget 2022 $m
Total equity at 1 July	**22,924**	**23,970**	**26,582**
Revaluation reserve gains/(losses)	1,201	2,957	1,580
Deferred tax on property, plant and equipment revaluations	(104)	(230)	(131)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE REVENUE			
Hedging reserve gains/(losses)	1	78	-
Deferred tax on hedging reserve gains/(losses)	-	(22)	-
Net surplus/(deficit) for the year after tax	(58)	(174)	(130)
Total comprehensive revenue and expense for the period	**1,040**	**2,608**	**1,319**
CONTRIBUTIONS FROM AND DISTRIBUTIONS TO THE CROWN			
Net capital contributions (to)/from the Crown	6	3	926
Payment of dividends to the Crown	-	-	-
Total contributions from and distributions to the Crown	**6**	**3**	**926**
Total changes in equity	**1,046**	**2,612**	**2,245**
Total equity at 30 June	**23,970**	**26,582**	**28,827**
EQUITY ATTRIBUTABLE TO THE CROWN			
Opening balance	3,555	3,561	3,564
Net capital contributions (to)/from the Crown	6	3	926
Closing equity attributable to the Crown	**3,561**	**3,564**	**4,490**

Forecast statement of changes in equity (continued)

	Group Actuals 2020 $m	Group Forecast 2021 $m	Group Budget 2022 $m
RETAINED EARNINGS			
Opening retained earnings	712	697	971
Net surplus/(deficit) for the year after tax	(58)	(174)	(130)
Net transfers from asset revaluation reserve on disposal of properties	43	447	70
Closing retained earnings	**697**	**971**	**911**
REVALUATION RESERVE			
Opening revaluation reserve	18,739	19,793	22,072
Asset revaluations on property, plant and equipment	1,201	2,873	1,580
Deferred tax on property, plant and equipment	(104)	(230)	(131)
Net transfers from asset revaluation reserve on disposal of properties	(43)	(363)	(70)
Closing revaluation reserve	**19,793**	**22,072**	**23,451**
HEDGING RESERVE			
Opening hedging reserve	(82)	(81)	(25)
Fair value gains/(losses)	1	78	-
Deferred tax on derivative fair value movement	-	(22)	-
Closing hedging reserve	(81)	(25)	(25)
Total equity at 30 June	**23,970**	**26,582**	**28,827**

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

Forecast cash flow statement

	Group Actuals 2020 $m	Group Forecast 2021 $m	Group Budget 2022 $m
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Rent receipts - tenants	398	338	524
Rent receipts - income-related rent subsidy	959	1,037	1,060
Crown appropriation revenue	103	116	177
Rent relief fund income	4	4	4
Interest revenue	21	21	7
Mortgage Insurance Scheme income	10	12	8
Other receipts	22	32	68
Payments to suppliers and employees	(1,093)	(1,290)	(1,602)
Interest paid	(135)	(158)	(175)
Income tax paid	(104)	(90)	(90)
Net cash flows from/(used in) core operating activities	**185**	**22**	**(18)**
Net cash flows from/(used in) land development activities	(1)	(254)	(568)
Net cash flows from/(used in) operating activities	**184**	**(232)**	**(586)**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Sale of rental properties and management assets	-	19	37
Mortgage and other lending repayments	5	-	-
Purchase of rental property assets	(1,410)	(1,669)	(3,349)
Purchase of other property, plant and equipment	(102)	(19)-	(26)
Purchase of intangible assets	-	(21)	(21)
Net short-term investments (made)/realised	(1,461)	129	
Net cash flows from/(used in) investing activities	**(2,968)**	**(1,561)**	**(3,359)**

Forecast cash flow statement (continued)

	Group Actuals 2020 $m	Group Forecast 2021 $m	Group Budget 2022 $m
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Net capital contributions (to)/from the Crown	6	3	926
Net funds from borrowings	2,903	1,926	3,947
Other debt increase/(repayment)	-	-	-
Net cash flows from/(used in) financing activities	**2,909**	**1,929**	**4,873**
Net cash flows	125	135	927
Opening cash and cash equivalents	296	421	556
Closing cash and cash equivalents	**421**	**556**	**1,483**

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

Statements of underlying assumptions

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

In this section, Kāinga Ora refers to the Kāinga Ora Group – Kāinga Ora – Homes and Communities and its subsidiaries. The principal subsidiaries of Kāinga Ora are Housing New Zealand Limited which owns and manages state housing and Housing New Zealand Build which builds market and affordable housing.

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

Opening balances of the Statement of Financial Position are derived from the best assumptions for the closing balances at 30 June 2021.

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

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

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

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

Assumptions

	2020/21 %	2021/22 %
FINANCING INDICES		
Average overall rate	2.3	2.2
PRICE ADJUSTORS		
Rent growth	3.3	2.2
Rates	5.0	7.0
Maintenance (underlying)	3.0	3.0
TAXATION ADJUSTORS		
Goods and Services Tax (GST)	15	15
Income tax	28	28
Deductibility of depreciation on housing assets	0	0
PROPERTY REVALUATIONS		
Rental properties	1.0	4.5

Cost allocation policy

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

Managing the Crown's investment

Kāinga Ora is forecast to have total assets of $43,852 million at 30 June 2022, funded by liabilities of $15,025 million and equity of $28,827 million.

Value of the Crown's investment

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

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

Equity as at 30 June 2021 $m	Equity as at 30 June 2022 $m
26,582	28,827

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

Business diversification

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

Agreements that result in compensation from the Crown

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

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

Statement of accounting policies

Corporate information

Kāinga Ora – Homes and Communities (Kāinga Ora) was established as a Crown entity on 1 October 2019 by the Kāinga Ora–Homes and Communities Act 2019 (the Act). The Act disestablished Housing New Zealand Corporation (HNZC) and HLC (2017) Limited (HLC) effective from 1 October 2019 and transferred the operations and all assets, liabilities, rights and obligations of the Corporation and HLC to 'Kāinga Ora – Homes and Communities' on that date. In addition, under the Housing Act 1955, Kāinga Ora was appointed Crown Agent to manage certain parts of the KiwiBuild unit within the Ministry of Housing and Urban Development.

Kāinga Ora – Homes and Communities ('Kāinga Ora') is a statutory entity (Crown Entity as defined by the Crown Entities Act 2004) and is domiciled and operates in New Zealand. The relevant legislation governing the operations of Kāinga Ora and its subsidiaries (the Kāinga Ora Group) is the Crown Entities Act 2004 and the Kāinga Ora–Homes and Communities Act 2019. The ultimate parent of Kāinga Ora 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 set out below.

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

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 registered office of Kāinga Ora – Homes and Communities is Levels 3-5, 7 Waterloo Quay, Wellington.

Summary of significant accounting policies

a. Basis of preparation

The Kāinga Ora–Homes and Communities Act 2019 (the Act), which received Royal Assent on 23 September 2019, combined the operations and all the assets, liabilities, rights and obligations of HNZC, HLC and certain KiwiBuild functions into a new Crown entity: 'Kāinga Ora – Homes and Communities'. All assets and liabilities were transferred at net book value, which resulted in no changes to the values and accounting treatment on the financial statements.

The Kāinga Ora Group financial statements for the year ended 30 June 2020 are presented for the full 12 months, and comprise the combined results for HNZC Group for the revised period 1 July 2019 to

30 September 2019, plus the results for Kāinga Ora Group for the nine months of the financial year from the date of commencement of 1 October 2019 to 30 June 2020. The results for HNZC Group are used as prior year comparatives on the basis that the business objectives and operations have not substantially changed from HNZC to Kāinga Ora.

The prospective financial information is prepared based on PBE FRS 42 *Prospective Financial Statements* as appropriate for PBEs reporting under Tier 1 of the PBE Standards. The financial statements constitute a projection for the year ending 30 June 2022. As a projection, the financial information is prepared on the basis of one or more hypothetical but realistic assumptions, which reflect possible courses of action for the prospective financial information period as at the date this information has been prepared. The prospective financial information may vary from actual results. The financial information is forward looking and should be read in conjunction with the assumptions set out on pages 60 to 63. Because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied in forward-looking financial statements.

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

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

b. Statement of compliance

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

c. Basis of the Kāinga Ora Group

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

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

d. Property, plant and equipment

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

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

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

e. Rental property land and buildings

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

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

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

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

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

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

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

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

Rental properties	10-60 years

f. Work in progress

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

g. Property held for sale

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

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

h. Properties under development

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

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

i. Borrowing costs

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

j. Intangible assets

Kāinga Ora intangible assets include computer software and the right to issue building consents within certain parameters. Both of these are non-monetary assets without physical substance and are therefore classified as intangible assets.

Software is developed to meet Board-approved changes and improvements to Kāinga Ora way of working, structures, processes, products and systems.

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

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

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

k. Impairment of plant and equipment and intangible assets

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

Non-cash-generating plant and equipment and intangible assets

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

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

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

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

l. Investments and other financial assets

Recognition and derecognition

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

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

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

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

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

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

m. Mortgages and housing-related lending

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

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

n. Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Bad debts are written off when identified.

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.

o. Long-term receivables

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

p. Cash and cash equivalents

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

q. Accounts payable and other liabilities

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

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

r. Interest-bearing borrowings

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

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

s. Mortgage insurance liabilities

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

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

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

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

t. Provisions

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

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

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

u. Leases

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

i. Kāinga Ora as a lessee

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

ii. Kāinga Ora as a lessor

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

v. Revenue

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

i. Revenue from exchange transactions

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

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

Revenue from tenants at market rent

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

Mortgage Insurance Scheme revenue

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

Interest revenue

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

Management fees

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

ii Revenue from non-exchange transactions

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

Revenue generated from non-exchange transactions is represented below:

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

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

Crown operating appropriations

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

w. Contingent assets

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

x. Income tax

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

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

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

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

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

y. Other taxes

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

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

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

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

z. Derivative financial instruments

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

i. Fair value

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

ii. Hedge accounting

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

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

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

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

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

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

ab. Financial guarantees

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

ac. Employee benefits

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

Critical judgements, assumptions and estimates in applying accounting policies

a. Judgements

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

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

Kāinga Ora housing portfolio contains approximately 67,800 residential properties. Most of them are public homes, 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. However, in the case of public homes (the majority of the portfolio), the Crown subsidises the balance between the level of market rent and that deemed affordable from the tenant based on the tenant's level of income. Management therefore considers the prime strategic purpose for holding rental properties is for public and supported housing, and as such, according to PBE IPSAS 16 *Investment Property*, they are to be accounted for under PBE IPSAS 17 Property, *Plant and Equipment*.

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

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

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

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

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

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

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

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

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

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

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

b. **Key assumptions applied and other sources of estimation uncertainty**

i. **Fair value of rental properties**

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

Kāinga Ora housing portfolio contains approximately 67,800 residential properties around New Zealand, the majority of which is owned by Kāinga Ora. In performing the valuation, the entire portfolio has not been individually inspected due to its size. A market indexation approach has been adopted for the remaining uninspected portfolio due to the homogeneous nature of the portfolio. Properties are valued based inherently on their 'highest and best use'.

ii. **Fair value of derivative financial instruments**

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

iii. **Mortgage guarantee provision**

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

iv. Impairment of non-financial assets

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

v. Taxation

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

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

vi. Estimation of useful lives of assets

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

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

Buildings	40-60 years
Improvements	25 years
Chattels	10 years

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

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

vii. Recoverability of loans and receivables

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

Appropriations – output tables

The following tables set out the appropriated funding Kāinga Ora expects to receive from the Crown in 2021/22. This funding is shown by appropriation and programme, and is aligned with Kāinga Ora output classes.

Appropriation and programme	$m	Kāinga Ora Output Classes					
		Output Class 1	Output Class 2	Output Class 3	Output Class 4	Output Class 5	Output Class 6
		Sustaining tenancies and supporting communities	Managing, maintaining and renewing our homes	New public and supported housing supply	Urban regeneration, development and general housing supply	Supporting first home ownership for New Zealanders	Transactions relating to Crown-owned land (HAA)
KĀINGA ORA HOME OWNERSHIP AND ADMINISTRATION							
Mortgage Insurance Scheme (First Home Loan)	7.700	-	-	-	-	7.700	-
First Home Grant – Administration	2.998	-	-	-	-	2.998	-
Community Owned Rural Rental Housing Loans Interest Subsidy	0.042	-	-	-	-	0.042	-
Other Legacy Loan Costs	0.300	-	-	-	-	0.300	-
Total Kāinga Ora Home Ownership and Administration	**11.040**	**-**	**-**	**-**	**-**	**11.040**	**-**

Appropriations – output tables continued

Appropriation and programme	$m	Kāinga Ora Output Classes Output Class 1 Sustaining tenancies and supporting communities	Output Class 2 Managing, maintaining and renewing our homes	Output Class 3 New public and supported housing supply	Output Class 4 Urban regeneration, development and general housing supply	Output Class 5 Supporting first home ownership for New Zealanders	Output Class 6 Transactions relating to Crown-owned land (HAA)
First Home Grant	94.400	-	-	-	-	94.400	-
KiwiSaver Deposit is exempt from Crown performance reporting as the information is unlikely to be informative.							
Kāinga Ora Sustainability Funding	62.535				46.515	16.020	
Administration of Residential Development Response Fund (repurposed)	2.000					2.000	
The Crown budget for this KiwiBuild appropriation is subject to Budget 2022 process and announcement.							
Total Operating Appropriations	**169.975**		**-**	**-**	**46.515**	**123.460**	**-**

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

MCA performances are reported by the Ministry of Housing and Urban Development and the Ministry of Business, Innovation and Employment.

Appropriation and Programme	$m	Kāinga Ora Output Classes					
		Output Class 1	Output Class 2	Output Class 3	Output Class 4	Output Class 5	Output Class 6
		Sustaining tenancies and supporting communities	Managing, maintaining and renewing our homes	New public and supported housing supply	Urban regeneration, development and general housing supply	Supporting first home ownership for New Zealanders	Transactions relating to Crown-owned land (HAA)
COMMUNITY GROUP HOUSING MCA							
Community Group Housing Market Rent Top-Up	13.891	13.891	-	-	-	-	-
Community Housing Rent Relief	4.104	4.104	-	-	-	-	-
Acquisition and Improvement of Community Group Housing Properties – Non-Departmental Capital Expenditure	5.800	-	-	5.800	-	-	-
Market Rent Top-Up is exempt from Crown performance reporting as the information is unlikely to be informative.							
PUBLIC HOUSING MCA							
Purchase Public Housing Provision	1,059.886	1,059.886					
This was previously reported by the Ministry of Social Development as Purchase of Housing and Services related to IRR.							
EARTHQUAKE-PRONE BUILDING MCA							
EPB Operating Expenses	0.750	-	-	-	-	0.750	-
EPB Loan Advances – Capital Expenditure	7.000	-	-	-	-	7.000	-

Output Table: Capital Appropriations 2021/22

Appropriation and Programme	$m	Kāinga Ora Output Classes					
		Output Class 1	Output Class 2	Output Class 3	Output Class 4	Output Class 5	Output Class 6
		Sustaining tenancies and supporting communities	Managing, maintaining and renewing our homes	New public and supported housing supply	Urban regeneration, development and general housing supply	Supporting first home ownership for New Zealanders	Transactions relating to Crown-owned land (HAA)
Refinancing of Kāinga Ora and HNZL Debt	312.663	-	-	312.663	-	-	-

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

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

Appendix 2 Asset performance

Our housing portfolio

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

Measure	Indicator	2018/19 Target	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	2021/22 Target
Percentage of homes that are let	Utilisation	97.5%	98.1%	97.5%	98.3%	97.8%	97.8%
Average number of days from a house becoming vacant to being 'ready to let'	Utilisation	18 days	16 days	18 days	19 days	18 days	18 days
Percentage of surveyed lettable properties that meet or exceed the baseline standard	Condition	89%	93%	90%	92%	93.5%	93.5%
Percentage of our customers who are satisfied with their Kāinga Ora home	Condition	85%	79%	85%	80%	85% By June 2023	85% By June 2023
Percentage of homes that meet tenant bedroom requirements	Functionality	76% By June 2021	75%	75%	75%	80% By June 2023	80% By June 2023

Our information communication and technology (ICT) asset portfolio

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

Measure	Indicator	2018/19 Target	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	2021/22 Target
Percentage of incidents resolved on first contact by ICT Service Desk	Condition	>80.00%	85.41%	>80.00%	86.02%	>80.00%	>80.00%
Priority 1 incidents per 100 ICT users	Condition	<7.0	1.5	<7.0	0.2	<7.0	<7.0
Core systems availability – Kotahi	Availability	>99.90%	99.75%	>99.90%	99.99%	>99.90%	>99.90%
Core systems availability – Oracle EBS	Availability	>99.90%	99.36%	>99.90%	99.93%	>99.90%	>99.90%
Core systems availability – websites	Availability	>99.90%	99.70%	>99.90%	99.76%	>99.90%	>99.90%
Infrastructure as a service resource utilisation	Utilisation	>90.00%	96.00%	>90.00%	93.00%	>90.00%	>90.00%

Kāinga Ora
Homes and Communities

New Zealand Government