

BRIEFING FOR INCOMING MINISTER RESPONSIBLE FOR HOUSING NEW ZEALAND

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Foreword

Housing New Zealand's role is to provide homes to those New Zealanders who are most in need. We have an obligation to our tenants to ensure our homes are healthy, warm and dry, and a responsibility to the Crown to ensure our investment in the state housing portfolio responds to demand and achieves the best value for money.

With the Government's on-going social housing reforms, it is a time of significant change for Housing New Zealand and the wider sector. In April this year, the first large-scale stock transfer took place when approximately 2,700 properties were transferred to the Tāmaki Redevelopment Company.

Our Tauranga portfolio of approximately 1,140 properties will be transferred to another provider in coming months, and the Government has also announced a potential transfer of between 2,000 and 2,500 Christchurch properties which could take place in early 2018.

Our vision is to be the social housing provider of choice as other social housing providers start to play a greater role within the sector. We are developing an organisational strategy to help us realise this vision, and to ensure we meet the Government's expectations.

Focus areas for our strategy include meeting demand for social housing and helping tenants sustain their tenancies; supporting third sector growth by providing expertise and quality advice; increasing the supply of social and affordable housing through our redevelopment activity, and ensuring we deliver additional emergency housing places as required by the Government.

We will also continue to focus on our core business of managing our tenancies and reconfiguring the state housing portfolio, through our Asset Management Strategy, to provide the right homes in the right places to meet current and projected demand for social housing.

We have an ambitious asset programme which is rapidly accelerating in pace. In 2015/16 we delivered 871 replacement and new homes in areas of high demand, the highest level of construction achieved in many years. Many of the new homes were in Christchurch delivered as part of the Canterbury Recovery Programme. Over the three years from 2016/17 we aim to deliver a further 4,900 homes nationally, with the vast majority in Auckland where demand is the greatest.

The swift pace of our asset programme is enabled by a range of factors. We are developing effective, streamlined processes with our external suppliers and are incorporating modular design principles and standardisation into our redevelopments. We are also making better use of our underutilised land and have taken the opportunity to fast-track redevelopments in Special Housing Areas.

The homes we're building are well-designed, warm and dry, and built to modern standards to meet the needs of today's families. We're also future-proofing our homes through the use of high-quality materials and enduring designs that will give them a longer lifespan.

As a key member of the recently established cross-agency Emergency Housing Response Team, we're leveraging our asset programme to quickly contribute to the Government's target of 1,400 new emergency housing places

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Our work to reconfigure the state housing portfolio doesn't just increase the supply of new social and emergency housing. With a forecast renewal rate of 1,800 properties per year, over the next decade we expect to replace, retrofit, or redevelop around 30 per cent of our current social homes. This will reduce the average age of our portfolio and improve the quality of our homes while increasing alignment with areas of high demand.

As a social landlord, we are committed to providing quality housing over and above the standard required of private sector landlords. For example, we've retrofitted all our older homes wherever possible with underfloor and ceiling insulation, and we've improved driveway safety and created separate children's play areas at nearly 14,000 homes.


We have also developed a baseline 'Warm and Dry' standard for our homes that includes mechanical ventilation in bathrooms, a fixed heating source in the living area, thermal curtains, and carpet where appropriate. To date, more than 22,000 of our properties have received a Warm and Dry upgrade.

These programmes represent a major investment in maintaining and upgrading our properties, and in the health and safety of our tenants. In 2015/16 this investment totalled \$500 million – around \$8,000 per property – and we forecast investing even more than this in 2016/17.

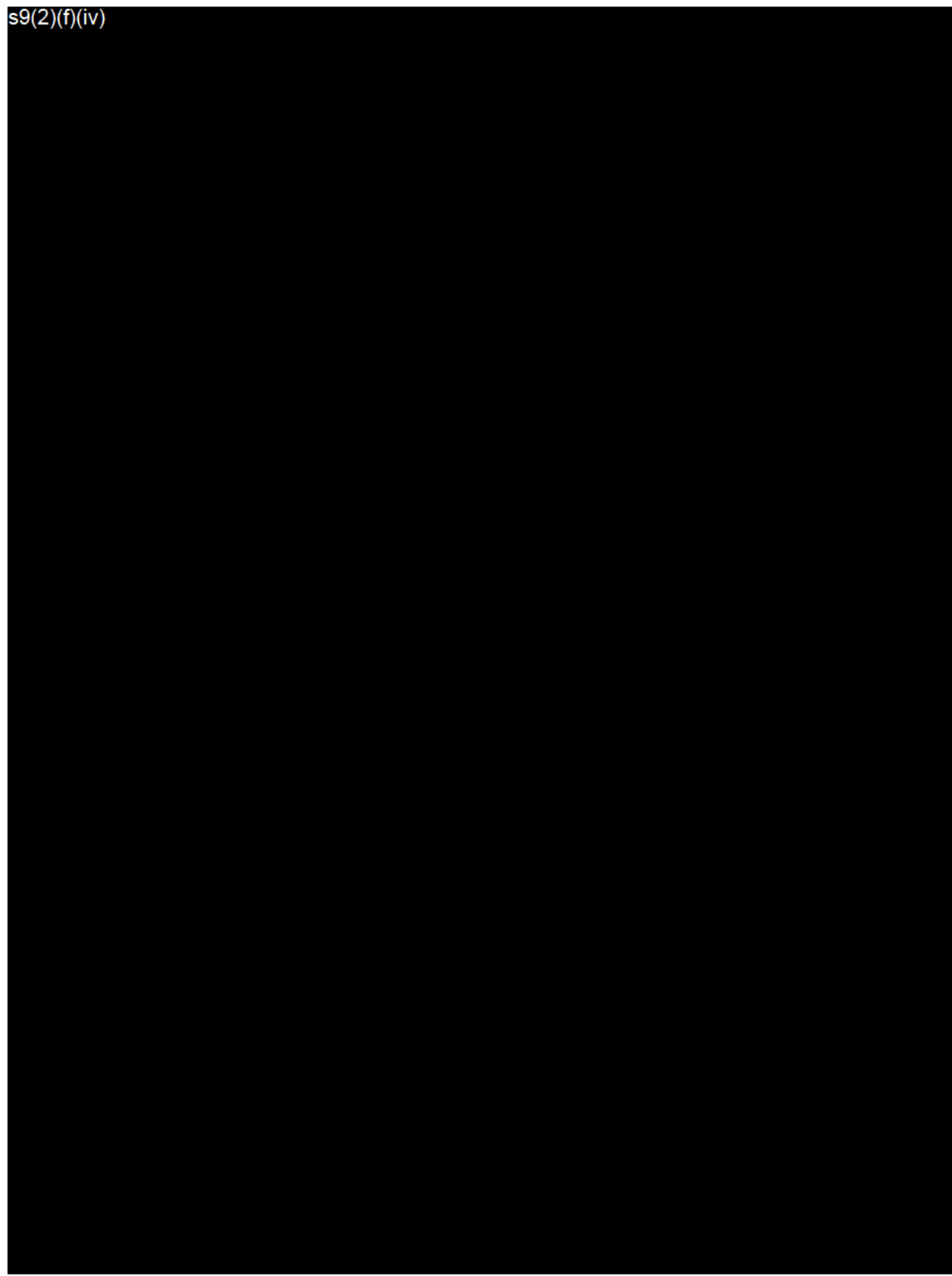
As part of our role as a social landlord, we are also dedicated to helping our tenants to sustain their tenancies, and on lifting our performance in a number of key business areas. We work closely with our tenants to reduce their rental debt as and when it occurs, and continually look to improve the turnaround time between tenancies so we can house more families during their time of need.

An increasing proportion of our customers have high and complex needs such as mental health issues. We are absolutely committed to working with other agencies and providers to ensure these customers receive the support they need to sustain their tenancies. A collaborative approach across government is essential for the wellbeing of our customers, and for the overall success of the social housing reforms.

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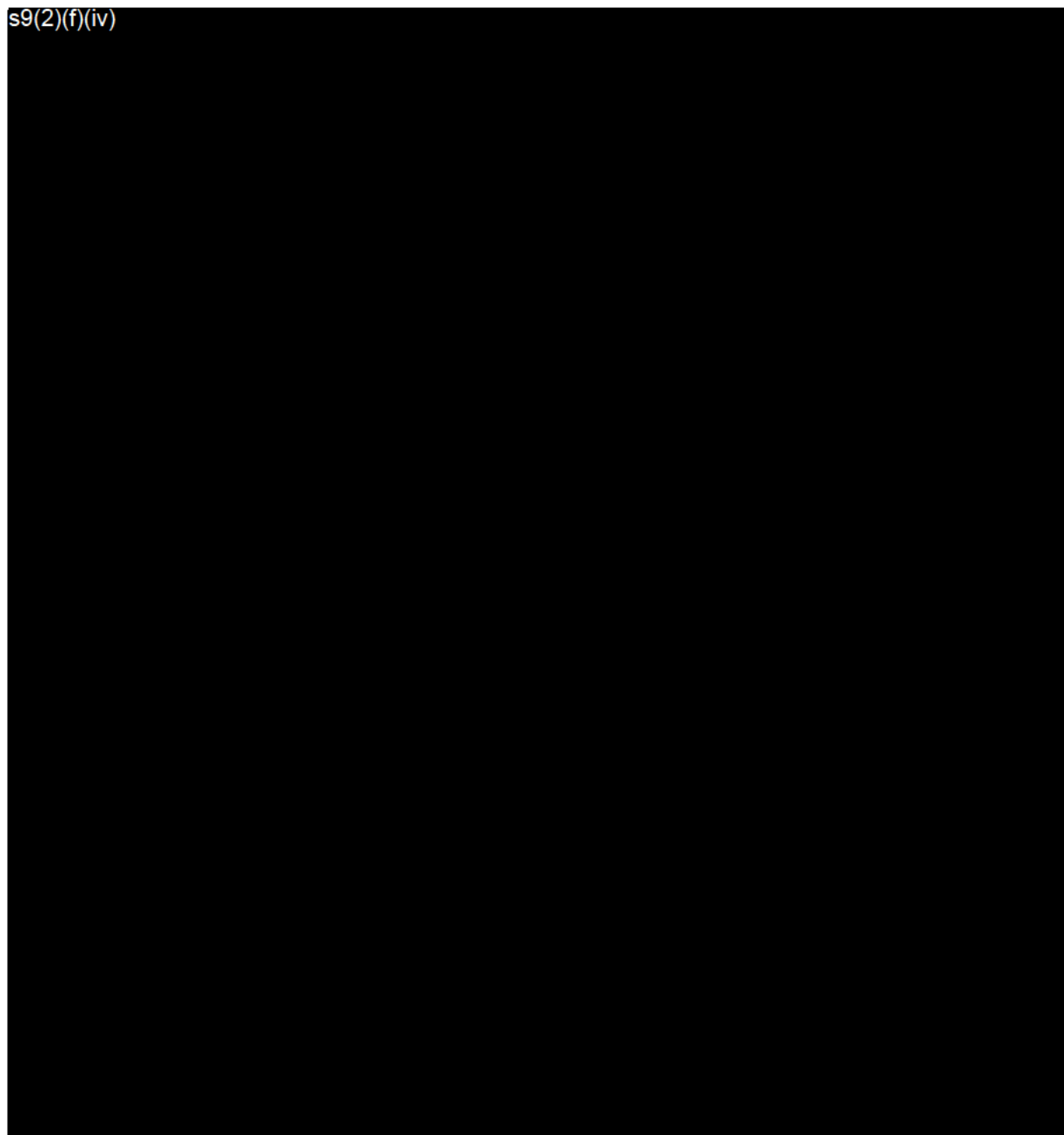
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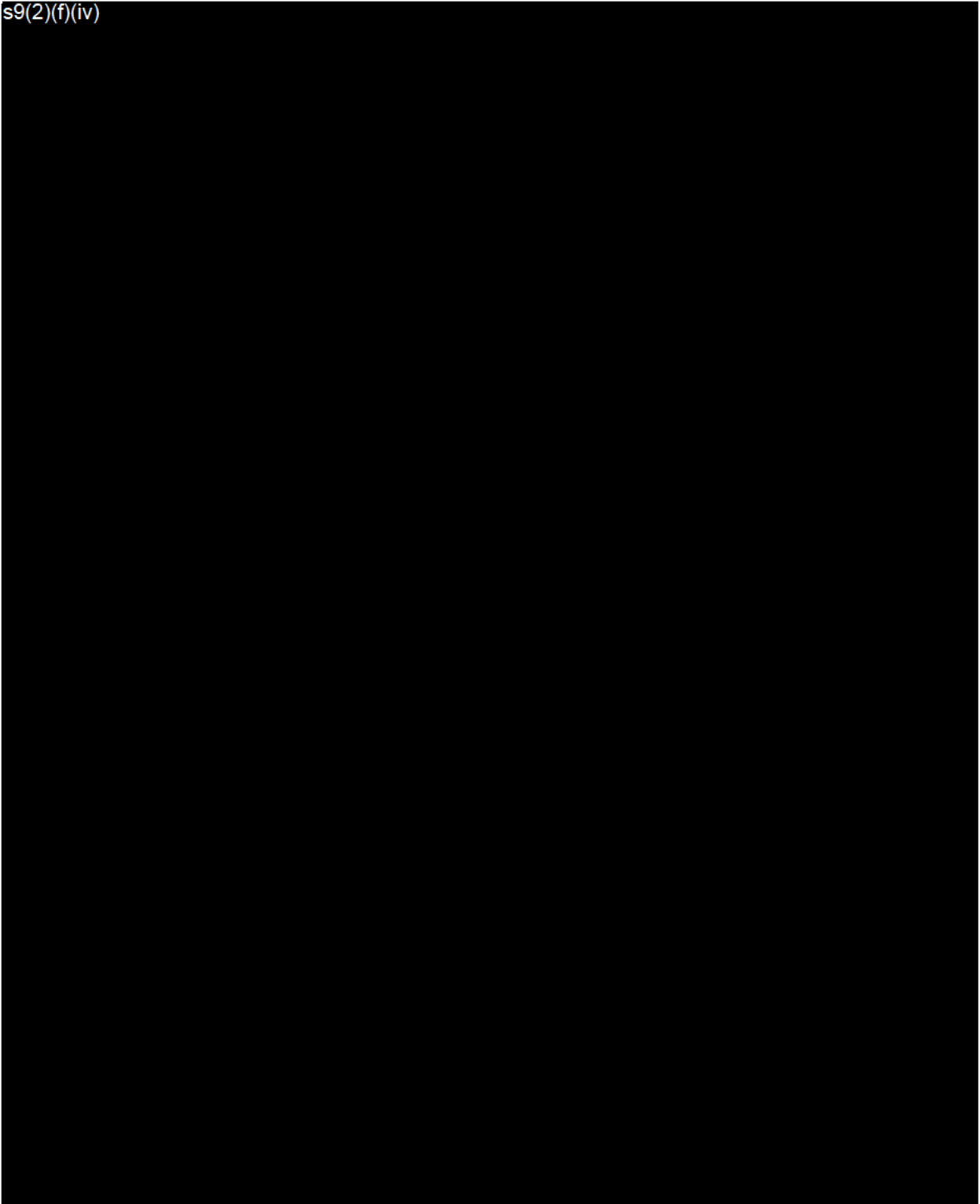


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Housing New Zealand profile

Housing New Zealand's role

Housing New Zealand provides high quality social housing to people in the greatest need, for the duration of their need. Those in the highest need are determined by the Social Allocation System administered by the Ministry of Social Development (MSD).

Housing New Zealand is currently the main provider of social housing in New Zealand, managing over 64,000 properties, with the owned portion (61,660) currently valued at \$22.7 billion. Of these, 96.5 percent of tenancies are supported by the income-related rent subsidy (IRRS), which MSD administers.

Our tenants are among the most vulnerable people in New Zealand. Most face challenges such as financial hardship, disability, addiction and mental illness. As an effective social housing provider, we aim to house our tenants in warm, safe, secure and fit-for-purpose properties, and support them through their tenancies. We strive to deliver our services at the right level to meet our tenants' individual housing needs, and work collaboratively with other agencies to get tenants access to the additional support services they may need.

Housing New Zealand:

- matches tenants to appropriate state housing
- manages state housing tenancies
- provides community group housing
- provides emergency housing
- acquires, leases, upgrades, maintains, and divests the state rental portfolio
- works with tenants to ensure their property is suitable for their needs, which in turn improves utilisation of our properties
- supports Crown objectives including through our FirstHome and Tenant Home Ownership Schemes and contributes to the Government's Social Housing Reform Programme (SHRP)
- Redevelops land mostly in Auckland for social housing and for surplus land for other housing.

Where Housing New Zealand fits in the sector

The social housing sector consists of Housing New Zealand and a number of community housing providers who are registered under the Housing Restructuring and Tenancy Matters Act and subject to its regulatory powers and standards. A sub-set of these have signed-up with the MSD to receive IRRS for eligible new tenants from April 2014.

Housing New Zealand is subject to purchase monitoring through MSD (via its payment of IRRS), and ownership monitoring by the Treasury. Housing policy advice is distributed across MSD (policy related to housing assessment and its interaction with wider social development policy) and the Ministry of Business Innovation and Employment (MBIE) (responsible for policy on housing supply, quality and affordability, and the legislation).

Housing New Zealand manages its social housing assets to meet changing demand and contributes to the growth of the third sector by way of stock transfers.

Providing housing and services to state housing tenants comes with additional tenancy management costs compared with what a standard landlord or even other social housing providers may bear. We also incur additional operational costs such as water rates, debt recovery, and aspects of placement.

Operational statistics

- Housing New Zealand manages approximately **64,412** properties
 - Approximately 61,600 are owned by Housing New Zealand
 - Approximately **2,797** are leased
 - Approximately **1,485** are Community Group Housing properties
 - **43.4 percent** of the portfolio is in Auckland
- **96 percent** of Housing New Zealand houses are tenanted, with approximately **181,955** occupants
- **95.8 percent** of tenancies are supported by the income-related rent subsidy
- **35 percent** of tenants are Māori, **26.4 percent** are Pacific peoples and **37.1 percent** are European
- **71,855** (39.5%) of the people living in Housing New Zealand homes are children and 17,226 (9.5%) are over 65 years old
- **7,384** new tenancies were started in 2015/16
- **902,152** calls received, of which 79.24 percent of them were answered within 4 minutes

Crown objectives for Housing New Zealand

The Government remains committed to making far-reaching changes to the social housing system. Housing New Zealand will continue to be the foremost provider of social housing for many years to come and therefore our performance is closely tied to the Government achieving its objectives within the sector.

The Crown has identified the following social objectives for housing and services related to housing provided by Housing New Zealand for the 2016/17 year:

- providing cost-effective social housing that is of the right size and in the right place, for those most in need, for the duration of their need
- aligning asset and tenancy management decisions with MSD's contracting framework and purchasing intentions
- assisting tenants, where appropriate, to transition into housing independence
- supporting the SHRP by working with Government and the social housing sector to help achieve the SHRP objectives
- providing affordable and other housing, particularly in Auckland, including undertaking urban development and building social amenities and other facilities necessary to support the communities that will live in the housing.

The following expectations were outlined for 2016/17:

- *Increasing supply initiatives* – significantly increasing the supply of new social housing over the next three years, particularly in Auckland. Where appropriate, we will consider ways Housing New Zealand can increase the supply of affordable and other housing as part of any developments we may pursue.

- *Accelerating the pace of divestments* – accelerating the pace at which Housing New Zealand divests unsuitable properties and properties in areas of low demand. For example, we will actively encourage tenants to buy the house they are in if that house is in an area of declining demand.
- *Supporting transfer transactions* – ensuring support for the execution of the Tauranga transaction, the Christchurch transaction and other transactions that may be identified in the future.
- *Working with MSD* – continuing to work with MSD to consider and develop new contractual arrangements, where appropriate, for the provision of the IRRS.
- *Growing the capacity of Housing New Zealand and Hobsonville Land Company* - delivering both an ambitious social housing building programme and also providing other opportunities for general and affordable housing supply, especially in Auckland.

Housing New Zealand's 2016/17 Priorities

Housing New Zealand's Organisational Strategy has been focused on our role as a social housing provider and the expectations outlined above. We are focused on five key priorities for 2016/17:

- *Increase the pace and scale of housing supply*
- *Improve the quality of our homes*
- *Make the best use of our homes*
- *Continue to invest in our people*
- *Contribute to the Social Housing Reform Programme*

Our longer term priorities are currently under development. They will reflect the more active and innovative contribution Housing New Zealand will make to the achievement of a dynamic, vibrant social and affordable housing sector. These priorities will form part of our 2017-2021 Statement of Intent and 2017/18 annual planning cycle.

Housing New Zealand's strategic direction

Housing New Zealand's longer term organisational strategy is being refreshed in response to the rapidly changing housing sector, in particular the contribution we will make to address a wider span of housing need. The refresh will integrate the range of government priorities across the housing sector into an ambitious programme of change for Housing New Zealand. Key considerations include:

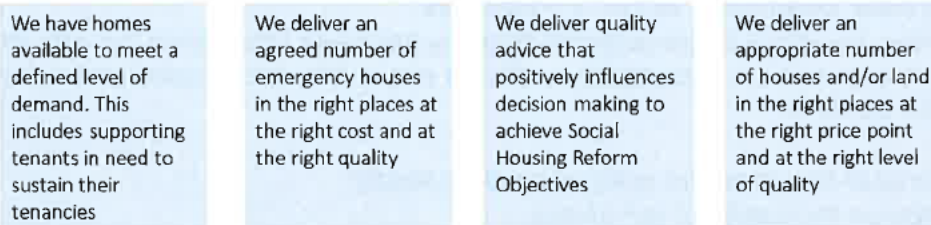
- service delivery requirements for an increasingly complex customer base
- opportunities for use of our land and resources to respond to broader housing market pressures
- different procurement and partnership models to deliver housing at unprecedented pace and scale.

		Housing continuum						
		Emergency Housing	Supported housing		Rentals		Home Ownership	
			Supported living	Social Housing	Assisted	Unassisted	Assisted	Unassisted
		8,000-20,000 people in temporary accommodation	Up to 23,000 people (Public housing, Supported Living properties)	83,000 households (HNZ, CHPs, Local Govt (state))	196,000 households (IAS recipients)	276,000 households	20,000 households (IAS recipients)	1,000,000 households
Types of government supply interventions	Direct	Emerging role in direct supply of emergency housing. Some existing CGH provision	Existing CGH provision	Direct provision of social housing (HNZC)	None		Emerging role in the direct supply of affordable housing	
	Indirect	Subsidised operational costs to NGO's for emergency housing	Subsidised operational costs to NGO's for supported housing beds	Establishment of regulated CHP market, including centralised purchasing, subsidised operational costs and stimulating CHP growth	Regulation of private rental market (RTA)		Regulatory levers to increase supply	

The Housing New Zealand Board has considered Housing New Zealand's role across the housing continuum, and has now confirmed our key areas of focus. These are summarised below.



What does success look like?



In reviewing our strategic direction the Board has outlined a need for Housing New Zealand to:

- re-examine our service levels to tenants in response to our increasingly complex customer base. This will require examining optimal service delivery in the context of wider social investment outcomes, alongside broadening our asset decision making to manage the impacts of higher concentrations of tenants with multiple needs
- establish Housing New Zealand as a leading voice on best practice social housing provision in order to support the achievement of a healthy and high performing social housing sector
- build organisational capability to support wider government objectives in emergency and affordable housing. This will include developing the capabilities for Housing New Zealand to deliver responsively and at scale, and also to engage proactively and constructively on issues of development and supply.

Given the increasingly complex mix of government and non-government participants in the housing sector, Housing New Zealand's success will be contingent on informing and integrating with the wider sector. We will shortly engage with MSD, Treasury and MBIE to ensure our role definitions and measures of success are aligned to wider government objectives for the social, emergency and affordable housing markets.

We will also be engaging with your office on our strategic direction and the development of our 2017-2021 Statement of Intent.

Organisational Assessments

Housing New Zealand has undertaken a number of recent assessment activities, including the Treasury-led Investor Confidence Rating and an internal organisational health assessment. These detailed assessments of organisational capability are being used to

shape Housing New Zealand's own organisational improvement programmes to support strategy delivery.

Performance Improvement Framework

Alongside these existing assessment activities, it is anticipated that Housing New Zealand will have a formal Performance Improvement Framework (PIF) review undertaken by the State Services Commission early in 2017/18. The PIF will provide a forward-looking view of the investment and capability growth required to deliver on our strategy. As part of strategy development, and in preparation for the formal PIF review, we are leveraging elements of the framework to help us identify priorities for change.

Housing New Zealand's role within the Social Housing Reform Programme

The Social Housing Reform Programme (SHRP) is a major government initiative that had its genesis out of the findings of the Housing Shareholders Advisory Group in 2010.

Through the SHRP, the Government is looking to increase the supply of social housing in New Zealand. The programme is a cross-agency initiative involving MSD, the Treasury, MBIE, Housing New Zealand, and Te Puni Kokiri.

Housing New Zealand's primary role is to support the delivery of the SHRP, and contribution to SHRP is a central focus for Housing New Zealand.

The programme, in particular the growth in the diversity of community housing providers, is closely tied to our participation in the transfer of some parts of our housing stock.

Wider changes in the social housing sector will also have an affect on our priorities and ways of working. Most directly and immediately we will be influenced by MSD's new purchasing and contracting framework.

Background

The SHRP is designed to improve the services and assistance to those identified as being in housing need. It will provide greater access to housing by creating a market where there is a diverse supply of social and affordable housing and providers.

In 2012 Government agreed to a future state that would see a shift in emphasis from government ownership of provision to purchasing services, a larger percentage of social housing delivered by non-government providers, and a less dominant role for Housing New Zealand.

The Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act was passed in 2013 and provides the statutory basis for community housing providers to apply for government funding for income-related rents for eligible new tenants, alongside Housing New Zealand; for needs assessment and associated functions to be carried out by an agency other than Housing New Zealand; and for a regulatory framework to govern community housing providers.

In April 2014, the housing needs assessments and related functions (such as reviewing tenancies and administering income-related rent) were transferred to MSD. Since April 2014 MSD has been responsible for calculating and paying the IRRS, and the appropriation funding for the subsidy shifted to MSD.

Stock transfers

The stock transfer programme is led by the Treasury and to support this work, Housing New Zealand set up a specialised team to help facilitate the successful delivery of stock transfers working with Treasury, MSD and community housing providers to ensure that transfers are delivered effectively with minimal disruption to tenants and that community housing providers have the right information support to be successful.

Tamaki

On 1 April 2016, Housing New Zealand properties in Tāmaki were transferred to the Tāmaki Redevelopment Company. The transfer involved around 2,800 properties and some 8,000 tenants.

Tauranga

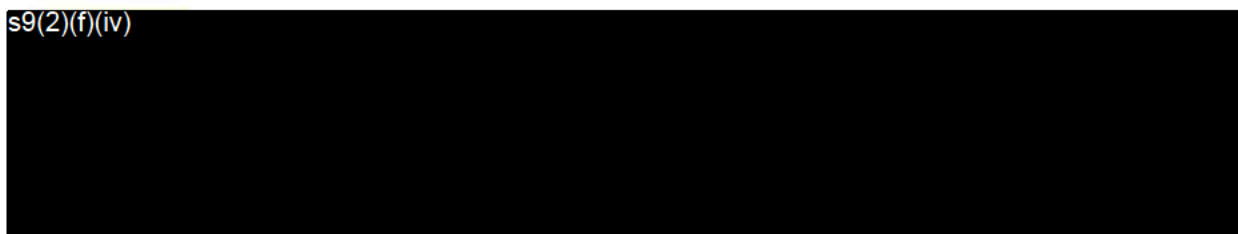
The Government has announced Accessible Properties (a branch of IHC) as the preferred Community Housing Provider for the transfer of approximately 1,140 Tauranga properties and tenancies. Treasury achieved contractual close for the transaction on 15 December with financial close and transfer of the Tauranga properties is due to take place on 31 March 2017.

The proceeds generated from the stock transfer will be retained by Housing New Zealand to enable future re-investment in our wider housing portfolio.

Christchurch


In November 2016 the Government announced that it will be completing market sounding for the transfer of up to 2,500 Housing New Zealand properties in Christchurch. An information memorandum is expected to be released by the Treasury prior to 31 December 2016 with requests for proposals being sought from the market mid 2017.

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**Horowhenua and Otaki**

In November 2016 the Government announced that the proposed transfer of 249 Housing New Zealand properties in Horowhenua (Levin, Shannon and Foxton) and Otaki to a community housing provider would not be proceeding due to complexities around negotiations with the two iwi involved, who are yet to settle their Treaty of Waitangi claims with the Crown.

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Emergency Housing Response

Housing New Zealand's role is to provide active support to the MSD led Emergency Housing response team. This is discussed in detail later in this briefing.

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Sustaining tenancies

Housing New Zealand is working with MSD (lead agency) on designing, implementing and evaluating the sustaining tenancies initiative, which is intended to improve the prospects of those tenants who are at risk of not being able to maintain their tenancy, by contracting with social service providers to provide tailored services. There are two cohorts of participants: those selected by MSD and those selected by Housing New Zealand. The latter will be selected using a combination of data and Housing New Zealand tenant manager expertise. The findings from the initiative will be an important input to future considerations of how best to contract for services over and above core tenancy management services. We expect the initiative to commence early in the New Year.

Flexible Income Related Rent funding

Housing New Zealand is working with MSD to progress a more flexible IRRS contracting regime, as directed under the Letter of Expectations. The contracting work is progressing in three phases:

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- an initial capacity contract and associated performance measures for targeted new supply in Auckland

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Housing those in need

Housing New Zealand as a social landlord

Housing New Zealand does more than a standard landlord. Housing New Zealand houses those in high need, for the duration of their need. Alongside collecting rent, inspecting houses, and maintaining the value of its properties, we work with tenants to manage their debt (where applicable), link them to support services, and ensure their homes and communities are places they want to live.

Tenancy management

Housing New Zealand's tenancy management role includes:

- working with MSD to place eligible applicants and manage tenant exits
- matching applicants with available properties
- responding to incoming tenant telephone enquiries
- managing existing tenancies
- exiting tenants when required
- undertaking debt collection activities for overdue rent, property damage, and residual income-related rent arrears
- providing specialist support for tenants with multiple or complex needs
- improving driveway safety to minimise children being harmed
- servicing in very remote, hard to access, rural locations
- relocating tenants to facilitate our redevelopment, maintenance, and other asset activities
- intensive tenancy management to avoid tenants falling into debt and minimising anti-social behaviour.

Housing New Zealand's customer base

Housing New Zealand houses people at risk with serious housing need and who are often at a crisis point in their lives. State housing provides tenants time to stabilise and rebuild.

Tenants come from a variety of cultural backgrounds. About 35 percent of tenants are Māori, 26.4 percent are Pacific peoples and 37.1 percent are European. Housing New Zealand also houses people seeking refuge from civil war and unrest in their country of origin. As previously mentioned, some tenants have wide-ranging issues, including drug and alcohol abuse problems, anti-social behaviour, and varying degrees of mental health issues.

Understanding tenants' needs supports Housing New Zealand's ability to improve customer outcomes in the community they are housed. Housing New Zealand works with a number of organisations to achieve this, including government agencies like Te Puni Kōkiri and the Police, and community advocacy groups such as the Auckland City Mission. Housing New Zealand also implements health and safety initiatives to ensure the safety of staff and contractors when interacting with at-risk customers.

The most common household type amongst Housing New Zealand customers is a single parent with child(ren), with single person households the second most common.

Approximately 3.5 percent of tenants pay a market rent for their state house. These tenants were eligible for a state house at the time they applied, but their circumstances have changed and their income increased so that they can now pay market rent.

Assessing housing need

From April 2014 responsibility for housing needs assessments and associated functions transferred to MSD. MSD also has responsibility for managing the social housing register, tenancy reviews and income-related rent, and investigations into fraud and dishonesty.

The Social Allocation System provides the criteria for allocating social housing to those with the greatest housing need. MSD administers the Social Allocation System for all new social housing applicants and a modified version for existing state house tenants under the reviewable tenancies initiative.

In order to be an eligible social housing tenant (Housing New Zealand or another social housing provider) the applicant or family must be on a low income, be a permanent resident and have a high housing need.

Placement

Housing New Zealand has responsibility for matching eligible tenants to properties through its placement function.

Housing New Zealand works through a shortlist of 20 applicants provided by MSD that meet the property requirements including bedroom size, location, and any features such as modifications. This can also include requirements for certain property features (e.g. level access or a wheelchair ramp), location requirements (e.g. close to certain schools) and factors such as gang affiliation that might affect where someone is housed.

When we make placement decisions consideration is given to whether the property is appropriate and the tenancy will be sustainable. In assessing the sustainability and suitability of a tenancy a number of factors are taken into account, including if the applicant has mental health issues, mobility issues, and gang affiliations.

Business initiated transfers

Housing New Zealand also maintains its own Business Initiated Transfer (BIT) register of current tenants who require a transfer to a new house due to their current property being redeveloped, undergoing major repair or the lease expiring.

Housing New Zealand regularly monitors its vacant properties to match current Housing New Zealand tenants recorded on the BIT register to those properties. Holding our own register means we have flexibility to move our tenants when required. Some of the reasons we may wish to move a tenant are: the property is being redeveloped, the family are under utilising the property or the family are seriously overcrowding a property. Where the property does not match any Housing New Zealand tenant on the BIT register, the vacant property is then considered for matching to eligible applicants on social housing register. There may be exceptions when applicants on the social housing register are considered first, such as at risk or vulnerable applicants.

Declines policy

Applicants are expected to accept the first offer of a suitable property. Under a recently introduced policy, MSD will remove the applicant from the social housing register for 13 weeks if they decline any suitable property offer without a good and sufficient reason.

Income-related rents

State house tenants pay rent capped at a percentage of their assessable income up to a certain threshold. Where a tenants' assessable income is above the threshold, they pay progressively more rent until market rent is reached.

In April 2014, responsibility for assessing income-related rent transferred to MSD.

State house tenants are eligible to apply to MSD for an income-related rent. If they are assessed as eligible Housing New Zealand must, by law, charge them the income-related rent as assessed by MSD. MSD is responsible for reimbursing Housing New Zealand for the difference between the income-related rent and the market rent.

From 2014/15 there is one appropriation to fund the IRRS for Housing New Zealand (for state house tenants) and community housing providers (for new tenants who are eligible to pay income-related rent) managed by MSD.

Anti-social behaviour policy

Most tenants are good neighbours and good members of their communities. However, a few tenants behave in ways that adversely affect the lives of those living in their surrounding neighbourhood. As a social landlord it is important that we continue to challenge behaviour that negatively affects communities. Housing New Zealand's Antisocial Behaviour Policy aims to improve tenant safety and respond to tenant behaviours that lack consideration for others.

We make every effort to get our tenants back on track. If that is not successful, tenants who continue to breach the policy may have their tenancies terminated. Tenants whose properties are associated with serious anti-social behaviour, or who commit a serious breach of their tenancy obligations, may also be suspended from applying for state housing for 1 year. Household members and visitors to the property may also be suspended if we have credible evidence that they have been involved in the behaviour leading to the ending of a tenancy.

Reviewable tenancies

MSD has carried out tenancy reviews from 1 July 2014. In the first year MSD reviewed around 800 tenancies, and it continues to focus on people paying market rent or near market rent.

The full review process is done over a number of months and involves working on a plan with tenants to help them move if they are no longer eligible for social housing. The criteria used to review are similar to those used when tenants apply for social housing including accessibility, affordability and sustainability.

For those tenants who are no longer eligible for social housing, MSD provides options and advice to help them make the move from social housing. This may include offering support with one-off and on-going costs associated with moving and staying in their new property.

If a decision is made that a tenant is no longer eligible for social housing, MSD informs Housing New Zealand. We then choose to issue a 90 day notice to end the tenancy.

As at the end of 2015/16 there were 986 Housing New Zealand properties freed up following review by MSD, of which 654 were tenanted by applicants with a greater need, 76 were undergoing repair or were available to be matched with social housing applicants. A further 184 were retired, being sold or had been sold. In total 67 were sold (51 to tenants).

The most frequently exited tenants were couples with children, replaced by sole parents with children.

Customer Service Centre

The Customer Service Centre (CSC) operates a 24 / 7 / 365 service, with core hours between 8am – 8pm, Monday to Friday and urgent only calls nights and weekends. The CSC is split across two sites of Porirua (24 / 7) and Manukau (8am – 6pm, Monday to Friday), and acts as a 'virtual site', with any customer call able to be answered by a Housing Advisor at either location. Historically, Monday is the busiest time for the centre with Wednesday afternoons being the quietest.

Customers can call our general line on 0800 801 601, and will be offered four options of Repairs and Maintenance, Rent payment or Accounts, Applying for Housing, or Any other enquiries. The CSC also operates an internal line s9(2)(g)(ii) which is used by Tenancy Managers and maintenance contractors.

The CSC has two main targets; answering 80 percent of all calls within 4 minutes, and 80 percent Customer Satisfaction. In 2015/16 the CSC received 902,152 calls, and answered 79.24 percent of them within 4 minutes. In 2015/16 93 percent of our tenants were satisfied with the customer service they received.

Managing the state housing portfolio

Housing New Zealand is the country's largest property owner with over 61,660 owned properties valued at approximately \$22.7 billion. Housing New Zealand's houses need to match tenants' needs. This means they must be in the right locations, of the right size, and of good quality.

Asset Management Strategy

The Asset Management Strategy (2016 – 2026) (AMS) sets a clear and bold direction for Housing New Zealand and the way we manage our assets.

It is a strategy aimed at delivering results on the ground, now and in the future, to meet the changing needs and demands of our existing tenants, future applicants, and our portfolio. The AMS will support Housing New Zealand's goal to shape investment in the portfolio in a business-like manner to better meet social housing need over the long-term. The preparation of our AMS required Housing New Zealand to carefully consider three important factors:

- **Our base** – what we would need to do with our assets to maintain our current levels of service
- **Realignment** – what, in addition to our base, we need to do to realign our assets to provide more of the right type of properties in the right places
- **Land** – how do we maximise our land resources to achieve realignment, as well as freeing up land for market and affordable housing supply in areas where it is needed

The AMS is prepared in adherence to the National Asset Management framework, and is a required input to Housing New Zealand's Long Term Investment Plan and Long Term Capital Intentions reporting to the Treasury.

Our current AMS was approved by the Housing New Zealand Board in December 2016. The goals the AMS aims to achieve are:

Goal 1: Ensure all tenants have access to well matched, dry, warm and safe homes that they can operate within their means

This means: Our tenants are the most vulnerable people in New Zealand, and our assets exist to serve the needs of our tenants. The services our assets provide to our tenants must be:

- a home that our tenants can afford to heat and use.
- a home that can be used within our tenants' means and capabilities, for example, designs to suit the needs of older persons or those with disabilities, or homes that are the right size for the tenant's requirements.
- a safe place that is free from physical hazards, and within an environment that supports the safety and security of our tenants.
- a home that is a healthy place to live in.

Goal 2: Our homes form part of well-functioning communities

This means: Social housing exists to provide vulnerable people with the stability and certainty that comes from having a place to call home. Our social housing assets provide the foundation for achieving more positive life outcomes for our tenants. Configuring our social housing assets to support well-functioning communities ensures these assets

provide the level of stability and social outcome for which they are intended.

Goal 3: Our portfolio aligns to social housing demand and our market strategy

This means: We will strive to change our portfolio to respond to the MSD Purchasing Strategy. This means shifting the typology split of our portfolio to additional smaller and larger homes, and investing in greater supply in certain areas.

We will balance the need for change against the need to act in a business like manner through setting a clear market strategy. This market strategy will guide reconfiguration decision making, to ensure that our level of investment is financially sustainable and clearly signalled to the social housing sector.

Goal 4: We will ensure our investment decisions respond to our assets lifecycle requirements

This means: We will have assets that are optimised for use as a rental portfolio, where investment decisions respond appropriately to the lifecycle requirements of individual assets. This means that over the next ten years we will:

- Manage the 22,700 assets (38 percent of the portfolio) that are not financially performing or are in low demand areas or non-strategic by either selling, or bringing to standard through upgrading or retrofitting in line with lifecycle requirements.
- Redevelop up to 30 percent of the 10,700 assets (18 percent of the portfolio), that have been identified as having future redevelopment potential.
- Manage the remaining 44 percent of the portfolio that is currently performing well financially, upgrading, retrofitting and rebuilding assets inline with lifecycle requirements.

Goal 5: We will support the delivery of social and affordable housing

This means: The Crown's 2016/17 social objectives includes a desire for us to provide affordable or market housing, particularly in Auckland. This means:

- We will facilitate sustainable stock transfers by managing our assets in accordance with this strategy up to the point that a transfer is confirmed.
- We will seek opportunities to enable the community housing sector, for example, through shared maintenance agreements or redevelopment partnerships.
- Where redevelopment is the best lifecycle response, we will utilise our land to increase the supply of affordable and market housing.

Goal 6: Our portfolio is financially sustainable on a long-term basis

This means:

- Through our Housing Investment Framework, our individual investment decisions align with the financial sustainability of our portfolio.
- Through our lifecycle decision making, we are making the right renewal decision at the right time.

Through the application of our market strategy, we are ensuring the overall mix of investment in our assets aligns with our long term financial sustainability.

Investment programmes

Housing New Zealand's AMS is delivered through four significant investment programmes, these are:

New Supply Investment Programme which sets out the amount of new supply Housing New Zealand will aim to deliver over the next 10 years, including an initial cut of typology,

location, and delivery year. The New Supply Investment Programme sets out the output that Housing New Zealand's build, buy and lease programmes need to work towards.

s9(2)(f)(iv)

Maintenance and Renewal Investment Programme which sets out the approach that Housing New Zealand will take in maintaining the condition of its properties, and investing to improve the performance of its properties (renewal). This programme specifies the outputs that Housing New Zealand's planned and responsive maintenance activities will need to achieve, as well as the requirements to lift the performance of its portfolio through renewal type investments in existing properties.

Disposal Programme which sets out the volume and location of properties that Housing New Zealand would be looking to dispose of through sales, demolition or lease expiry over the next 10 years taking in account MSD's Purchasing Strategy. This includes balancing the difference requirements for disposing of a property, being surplus to demand, functional obsolescence, or uneconomic to retain as a social rental.

Cumulatively, these programmes describe the outputs required to achieve the AMS's goals.

Responding to MSD's purchasing strategy and forecasted demand

The Ministry of Social Development's purchasing strategy is one of a number of different factors that were taken into account in the development of AMS 2016, and MSD's updated purchasing strategy issued in December 2016 does not require any changes to Housing New Zealand's AMS. Housing New Zealand's AMS sets out the volume and location of houses that Housing New Zealand will deliver, and Housing New Zealand uses MSD's purchasing strategy to inform typology decisions for the redevelopment projects it undertakes, alongside other factors. Housing New Zealand also ensures that its housing projects are aligned to the rental caps within the purchasing strategy, unless otherwise approved by MSD.

In order to be a responsible steward of the Government's investment in its portfolio and comply with its asset management maturity requirements as a capital intensive Crown Agent, Housing New Zealand undertakes its own demand forecasting over 10 years to ensure it is making sound investment decisions and appropriately managing risk in its portfolio.

Right of First Refusal

Treaty of Waitangi settlement legislation has resulted in Right of First Refusal (RFR) over around 11,000 Housing New Zealand properties. The RFR ensures that when disposing of surplus property, the property is first offered to iwi; who have the right to refuse to purchase properties held for sale first, before they can be disposed of to anyone else.

The following iwi have RFR over Housing New Zealand properties:

- Waikato Tainui (Hamilton, South Auckland)
- Port Nicholson Block (Taranaki Whanui Ki Te Upoko O Te Ika A Maui) (Wellington)
- Ngati Toa Rangatira (Wellington)
- Ngati Porou (Gisborne/East Cape)
- Ngati Raukawa (Putaruru)

- Ngāti Kōata, Ngāti Rārua, Ngāti Tama ki Te Tau Ihu, and Te Ātiawa o Te Waka-a-Maui, Ngāti Apa ki te Rā Tō, Ngāti Kuia, and Rangitāne o Wairau (Blenheim, Nelson, Picton)
- Ngāti Kuri, Ngāi Takoto, Te Rarawa, Te Aupouri (Kaitaia)

The Board has agreed to work with the Office of Treaty Settlements to grant RFR over Housing New Zealand properties to the following iwi (settlement legislation has not yet passed):

- Ngāti Ranginui (Tauranga)
- Te Tira Whakaemi (Wairoa)
- Ngāti Rangī (Ohakune), and
- Ngāti Hinerangi (Matamata)

In addition, the Crown signed a Deed of Settlement with Ngati Turangitukua in 1998. However, a formal Deed, with Housing New Zealand defining the terms and conditions of an RFR over Housing New Zealand properties was never agreed. Discussions are ongoing.

Board position on RFR

In 2010 Housing New Zealand's Board agreed to a general position on RFR. According to this position, the Board is willing to agree to RFR provided:

- the Board has the option of exempting land from the Right of First Refusal if the disposal of the land is to meet a Crown social housing objectives
- the terms of the Right of First Refusal recognise the Board as the authority for Housing New Zealand land.

The Board also agreed in 2010 that Housing New Zealand's position be to exclude Housing New Zealand land and Crown land administered by Housing New Zealand from RFR in Auckland due to high demand for social housing in Auckland, the large scale of the potential RFR, and the higher value of the Auckland portfolio.

It should be noted that the Waikato Raupatu settlement was prior to this decision, and included RFR over Housing New Zealand properties in South Auckland. The Waikato Raupatu settlement does not include the aforementioned social housing exemption, but it does include an exemption for sales to tenants.

Delivering on asset programmes

Housing New Zealand delivered 871 new homes in 2015/16, and intends to deliver 1,510 new homes s9(2)(f)(iv) This includes 1,339 new Housing New Zealand social housing homes and a further 171 affordable/general homes to the overall housing supply.

s9(2)(f)(iv)

Emergency housing

In late August the Government established a cross agency Emergency Housing Response Team to ensure sufficient supply of emergency housing in specific locations. The team is lead by MSD and includes MBIE, Treasury, Housing New Zealand, Auckland Council, Ministry of Education, and the Ministry of Defence.

On 26 September the Cabinet Social Policy Committee approved a range of measures to support more people into emergency housing. This included a clear mandate for the cross agency Emergency Housing Response Team to secure an additional 1,400 new emergency housing places across New Zealand (with 600 of these being in Auckland) by s9(2)(i) s9(2)(i) using a range of options. These options include the use of surplus Housing New Zealand and Community Group Housing properties, direct contracting with motels, leasing and/or purchasing properties or land and building on it.

Cabinet also approved additional capital funding of a loan to Housing New Zealand of \$100 million to be repaid within 10 years (which is fiscally neutral) as outlined in the approved cabinet paper CAB-16-MIN-0491 dated 26th September 2016. Authority was delegated to the Minister of Finance and the Minister of Social Housing to approve proposals to use capital to purchase properties, fund construction or purchase land.

Housing New Zealand support for the MSD led Emergency Housing Response Team

Housing New Zealand has established a dedicated team (with effect from 3 October 2016) to ensure its role in the cross agency team is undertaken successfully.

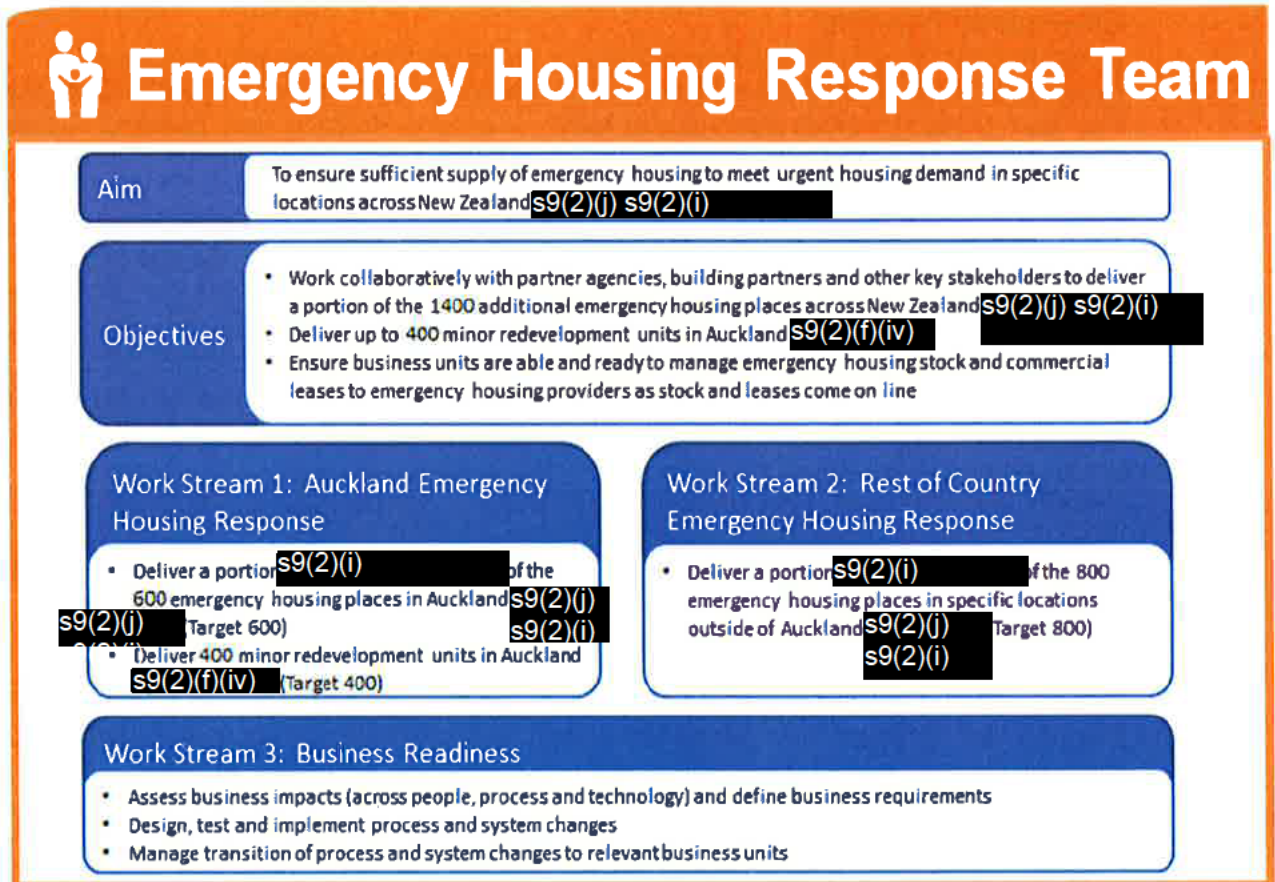
Housing New Zealand's role as a member of the cross agency team is to:

- supply a portion of the additional emergency housing stock using various options.
 - in Auckland directly manage the delivery s9(2)(i) units through leasing, building or purchasing emergency housing places
 - over the rest of the country make available any appropriate Housing New Zealand stock (currently s9(2)(i) to assist in delivery of leasing or purchasing emergency housing places
- lease emergency housing stock to emergency housing providers secured by MSD (so they can provide residential emergency housing support from these properties)
- manage the commercial leases to emergency housing providers through to their expiry. This may include undertaking maintenance, inspections and other asset/property management functions during the term of the lease

- manage any on-going administration related to the draw down and repayment of the \$100 million loan over the 10 year repayment period.

Housing New Zealand is not responsible for the tenancy management of the emergency housing stock. MSD will contract emergency housing providers to manage tenancies and support tenants in these places into more sustainable longer-term housing.

The dedicated Housing New Zealand team has been structured around delivering three key work streams. These are illustrated in the following diagram.



Auckland Emergency Housing Response Update

As at 6 December 2016 the Auckland pipeline currently identifies opportunities that account s9(2)(i) of the 600 place target. While some opportunities may not progress we are working to confirm these as quickly as possible:

Definite: s9(2)(i)
 Under Negotiation:
 Under evaluation:
 Initial assessment:

Some examples of sites that have been confirmed are:

- **32-34 Luke Street, Otahuhu** – the development site will deliver 43 emergency/transitional houses on Ministry of Education land for up to 11 years. At

the end of the lease term, these houses will be repurposed for use on another site for future use as emergency, social, or affordable housing or possibly sold. Homes are planned to be completed by end of February 2017

- **25 Kapa Road, Orakei** – the development site will deliver 6 units. Site survey, Geotech and preliminary site design have been completed. Homes are planned to be completed by end of February 2017
- **2-4 Waterview Road, Takanini (motel)** – Housing New Zealand took vacant possession on 1 December 2016. The property includes 11 units (3 studios, 6 one bedrooms, and 2 two bedrooms units) and a five bedroom house (managers unit). Five units are planned to be ready by 23 December and the balance in January 2017

s9(2)(j) s9(2)(b)(ii)

The team is also investigating potential sites that could provide approximately 300 units. This includes discussions with s9(2)(j) s9(2)(b)(ii) to assist them with development plans for increasing emergency housing units on their land.

Rest of Country Emergency Housing Response Update

As at 30 November, approximately 100 Housing New Zealand houses have been identified in specific locations of high demand outside of Auckland (as determined by MSD). These are dependent on emerging need, with some of these identified properties on hold due to the earthquake situation.

MSD are working directly with registered Emergency Housing Providers to determine the suitability of these properties for their needs. As at 30 November, nine Housing New Zealand properties were under offer or being viewed by Emergency Housing Providers. Once MSD confirms Emergency Housing Providers want the property, any remedial work required will be undertaken to bring these properties up to the Housing New Zealand standard. Once this work is complete a commercial lease agreement will be entered into.

s9(2)(j) s9(2)(b)(ii)

Business Readiness Update

Work has commenced on defining the business requirements for the on-going management of commercial leases to Emergency Housing Providers and the administration of loan draw downs and repayments. Particular focus is being placed on defining system and reporting requirements, with two workshops held to date with key internal stakeholders to determine business requirements. Drafting of business and systems requirements document is underway.

Auckland Unitary Plan

On 15 November 2016 the Auckland Council declared the Proposed Auckland Unitary Plan (PAUP) operative in part. The Auckland Unitary Plan is the most significant change to Council land-use rules in New Zealand since the Resource Management Act was introduced in 1991, combining the Regional Policy Statement and Regional and District Plan provisions into a single document over the Auckland region.

As the single largest owner of housing in Auckland, Housing New Zealand has a significant interest in the rules governing the management and development of residential land. Housing New Zealand lodged extensive submissions and presented a comprehensive case, including joint presentations with other central government submitters, at the PAUP hearings over a three year period. We have supported the Auckland Plan's strategic vision of urban intensification and a compact city model - as methods of improving housing choice and affordability and sought that the Unitary Plan effectively delivers on this vision.

Our contribution towards the plan recommended by the Hearings Panel was substantial. In accepting the evidence of Housing New Zealand and other aligned submitters, the 30 year housing capacity of the Auckland Region has been increased from 213,000 to 422,000 additional dwellings, consistent with the projected needs of the region.

Housing New Zealand has successfully achieved a number of its objectives, including: decreasing the regulatory constraints on the management and development of its portfolio and residential land use generally, for example:

- removal of the pre 1944 overlay;
- changes to the special character area rules;
- amendments to provisions that are more onerous than the building code;
- amendment to zoning rules and their location across the region.

Modelling indicates that the 30+ year development capacity of the Housing New Zealand portfolio has been increased 10 fold from the 3,000 additional dwellings possible under the previously Operative District Plans up to 30,000 additional dwellings under the Auckland Unitary Plan.

The Auckland Unitary Plan is currently before the Environment and High Courts where a number of appeals are to be heard. Housing New Zealand will continue to actively engage in this process over the coming months, seeking to maintain the outcomes achieved through the hearings process.

RightSize

The original RightSize programme commenced in January 2013. This Auckland initiative aimed to increase the supply of social housing by either building new, two-bedroom dwellings on existing Housing New Zealand sites, or extending existing three-bedroom homes by adding one or two bedrooms.

The Proposed Auckland Unitary Plan (PAUP) and the introduction of Special Housing Areas meant that some sites previously identified for inclusion in the RightSize programme, now have a different density potential. A review of the programme identified that there were insufficient sites available to fulfil the original scope of the programme and it was scaled back accordingly.

By late August 2016 the RightSize programme had delivered 231 standalone two-bedroom dwellings, and 531 one or two bedroom extensions. RightSize has now transitioned into Housing New Zealand's business as usual processes. RightSize's ability to deliver a large volume of minor housing units in a cost effective manner in a short space of time means that this programme can be potentially utilised elsewhere to alleviate housing pressures.

Hobsonville Land Company (HLC)

Hobsonville Land Company (HLC) was established in 2005 as a Crown Entity under the Crown Entities Act 2004 and is a wholly owned subsidiary of Housing New Zealand Corporation (HNZC). In light of HLC's new role the company has been rebranded to HLC – Homes, Land, and Communities.

HLC was originally tasked with developing the Crown owned land (held in the Housing Agency Account) at Hobsonville Point for State housing purposes under the Housing Act 1955. The resulting Hobsonville Point development has been successful in setting a new benchmark for quality urban development in Auckland and provides new homes to a wide market including 20 percent affordable homes.

HLC has been repurposed to expand its capability and lend its commercial expertise to deliver faster, large-scale development (urban renewal and regeneration projects) on Housing New Zealand land in Auckland.

Management of HLC's activities is the responsibility of the Chief Executive of the HLC and the HLC Board. Overview and governance is provided by the Housing New Zealand Board. The current HLC Board members are:

- John Duncan Chair
- Adrienne Young-Cooper Director
- Andrew McKenzie Director

Recently vacated positions are in the process of being filled.

The Housing Act Agency and Accountability Agreement (HAAAA) between the Minister of Housing and HNZC enables HLC, as HNZC's subsidiary, to develop and sell the land at Hobsonville Point, through delegations given to HLC by HNZC.

In partnership with the private sector, HLC has to date delivered 1,419 homes, including 382 affordable homes through its Axis Series programme. It is on track to deliver over 3,500 homes and \$180 million revenue to the Crown at the completion of the development. This year HLC plans to deliver 600 homes at Hobsonville Point making it New Zealand's fastest moving property development.

Underpinned by its focus on placemaking and urban design, Hobsonville Point has been well received by the market and the local community, and is frequently held up as an example of best practice property development.

HLC has developed considerable skills and intellectual property that are able to be deployed beyond the development of Hobsonville Point. This includes the business models it developed for partnering with private sector land developers and builders. For this reason HNZC has asked its subsidiary to now lead the development

s9(2)(f)(iv)

This includes the development of Northcote (the redevelopment of 298 existing HNZC homes into approximately 1,200 new homes),

s9(2)(f)(iv) s9(2)(i)

All will include a mixture of social, affordable and market housing. HLC is also leading the planning for the redevelopment of HNZC's landholdings

s9(2)(f)(iv) s9(2)(i)

Supporting the Rebuild in Canterbury

Approximately 95 percent of Housing New Zealand's state houses in Canterbury were damaged in the 2010 and 2011 earthquakes. The Canterbury re-build and repair programme included:

- repairing 5,140 damaged Housing New Zealand properties
- building up to 700 new houses to contribute to the social and affordable housing pool in Canterbury
- completing TC2 and TC3 foundation repair trials to improve construction guidelines and providing valuable information on repair methodologies to the insurance industry and people of Canterbury
- relocating up to 90 houses to Rolleston prison for refurbishment and relocation onto existing Housing New Zealand sites
- demolishing approximately 500 houses.

The programme was completed at the end of 2015/16. This huge programme of work has restored Christchurch's state housing numbers back to pre-earthquake levels and has resulted in Christchurch having some of the most modern and restored social housing in the country.

Improving the quality of our homes

Property Quality Standards

Housing New Zealand's Property Quality Standards help ensure that state housing is warm, dry, safe, and fit for purpose. The condition of Housing New Zealand's assets are assessed and monitored through regular property inspections. We monitor our properties through an annual health and safety inspection, annual visits by tenancy managers and inspections when a tenant vacates a property. Our contractors also give us useful information on the state of our properties when they undertake maintenance work on them.

During 2015/16 we developed a new Property Condition Assessment Framework to assess and measure the condition of properties. The Property Condition Assessment Framework has two parts: desktop modelling and a physical survey to validate the desktop information. The desktop modelling uses the age and likely industry recommended life of critical components (for example roofing) to estimate their current condition. This information was then supplemented with a complete physical inspection by qualified contractors on a representative sample of properties (approximately 400) in Wellington, Hamilton, Auckland and Whangarei. This information supports the development of maintenance and upgrade work programmes and focuses on renewing critical components prior to "end of life".

Responsive repairs and maintenance

Housing New Zealand has three primary forms of maintenance: responsive repair, routine and planned maintenance.

Responsive repair focuses on urgent health and safety works and other essential works, and planned maintenance (which includes routine servicing activities) focuses on maintaining amenity, extending useful life, or replacing amenity which is at the end of its life cycle.

Routine maintenance includes cyclical maintenance activity (or servicing) such as lawn mowing and grounds maintenance for complexes, gutter cleaning, and roof cleaning.

Planned maintenance (which includes routine servicing activities) focuses on maintaining amenity, extending useful life, or replacing amenity which is at the end of its life cycle. Work is carried out to complement the future use for each property. Such maintenance must be carried out where components fall below the standard set in Housing New Zealand's Amenity Condition Manual or to protect the asset or customer considerations make it appropriate. We ensure that any planned maintenance undertaken is consistent with the investment strategy for the property.

The existing structure by which Housing New Zealand contracts maintenance services is a regional-based contracting model, known as the Performance Based Maintenance Contract (PBMC). The next generation PBMC took effect on 1 July 2014 and has been specifically designed to meet Housing New Zealand's maintenance service requirements.

The current PBMC:

- has a greater focus on customer experience and tenant needs and ensuring contractors behave in an appropriate way

- incentivises contractors to take on additional apprentices over five years to add to the 183 existing apprenticeships
- has a greater focus on force majeure so that if required, Housing New Zealand will be able to rapidly mobilise its contractors to respond to such events
- enhances Housing New Zealand existing Key Performance Indicator structure with a focus on Management, Response Time, Quality, Cost and Health and Safety
- prioritises health and safety
- sets clearer remedies for sub-standard work and incentivises contractors to select, train and monitor good quality trade workforces
- has a longer contractor term than previous contracts, for an initial term of five years instead of two.

In 2016/17 Housing New Zealand anticipates spending around \$500 million of operating and capital funding on maintaining and upgrading the portfolio.

Warm and dry programme

Housing New Zealand's Warm and Dry Programme began in June 2015, and works to ensure that our tenants are living in warm, dry, and healthy homes. By June 2017 Housing New Zealand will have spent approximately \$62 million on the programme. Upgrades have already been carried out to 20,000 homes under the programme, and a further 11,000 properties have been upgraded between tenants. We expect to upgrade the remaining portfolio in 2017/18.

Housing New Zealand's recent focus was on upgrading properties for the highest priority tenants to the end of June 2016. High priority tenants included those over 65 or under 5 or who have a serious health condition.

The focus for 2016/17 and beyond has been to move to a planned, systematic approach targeting older homes across the portfolio, whole streets at a time.

The planned programme will upgrade properties to the following standards:

- triple weave curtains in living areas, dining rooms and bedrooms
- a fixed form of heating in the living area, where an acceptable heating source is not present
- an extraction fan in the bathroom and a range hood in the kitchen (for three bedroom properties and larger)
- no bare floors – carpet or vinyl installed over bare floors.

Other warm and dry-related work that fits into the responsive maintenance category, such as trimming back vegetation or repairing drainage, will be managed through our responsive repair programme.

Housing New Zealand is partnering with other agencies such as the Energy Efficiency and Conservation Authority, MSD, Ministry of Health, MBIE, and the New Zealand Fire Service to provide tenants with information about what they can do to help keep their homes warm, dry and healthy. Examples include opening windows, wiping away condensation, keeping curtains closed at night to keep warmth in and open during the day to let the sun in, and not drying clothes inside.

We are also contacting other organisations and advocates who have previously expressed concern about the health of Housing New Zealand properties to discuss with

them the Warm and Dry Programme and how we are actively working to improve the warmth and dryness of our properties.

Methamphetamine

Chemical contamination caused by methamphetamine use and manufacture is a New Zealand wide problem. As the country's largest landlord, Housing New Zealand has a leadership role to play in assessing how to tackle the issues around property contamination and the safety of our people.

As at 30 November 2016, the total number of Housing New Zealand properties vacant due to methamphetamine contamination was 487. This represents not only a lost opportunity to house vulnerable people but a significant number of assets not generating rental income.

Housing New Zealand has approximately 64,000 properties. Of these (as at 31 October 2016):

- 1158 properties were tested for methamphetamine
- 1105 test results received (waiting for 180)
- 493 test results above Ministry of Health guidelines
- 249 test results below Ministry of Health guidelines
- 363 clear test results.

Nationally, the average costs of cleaning a methamphetamine contaminated property are:

- Initial Test: \$2,750
- Decontamination: \$10,000
- Retest: \$1,600

This adds up to a minimum of \$14,350. In 2016/17 Housing New Zealand has budgeted \$22.5 million to deal with the costs of methamphetamine. This budget will be exceeded.

Methamphetamine Management Programme

Housing New Zealand's Methamphetamine Management Programme has been set up to develop practical, effective solutions to deal with the rising impact of methamphetamine use and manufacture in Housing New Zealand properties across the country.

Housing New Zealand has taken a number of steps in relation to methamphetamine management, including introducing a new policy and procedures for staff and working with technical experts and operators within the industry to develop smarter and more cost effective solutions to remediate contaminated properties.

Ministry of Health's guidelines

At present there is no national standard for the testing and remediation of methamphetamine contaminated properties.

Housing New Zealand and all other parties in the methamphetamine decontamination field have referred to the Ministry of Health's decontamination guidelines as a defacto standard.

The guidelines in place until October 2016 were: 0.5µg per 100 cm² and related only to the clean up of clandestine methamphetamine laboratories. The Ministry of Health has

recently introduced guidelines of: 2.0µg for contamination caused by use where carpet has been removed; 1.5µg for contamination caused by use where carpet remains; and 0.5µg for contamination caused by manufacture. Housing New Zealand will continue its current policy of applying the Ministry of Health's guidelines until the new national standard is developed.

The new standard (NZS 8510) is being developed by a cross-agency committee, led by Standards New Zealand, of which Housing New Zealand is a member. A draft of the proposed Standard was released for public consultation on 12 December with the Standard expected to be finalised in early 2017.

In the interim, Housing New Zealand has been working with the Ministry of Health to promote better information on the safe levels of methamphetamine within buildings. The recent changes to the Ministry's guidelines have allowed Housing New Zealand to release over 100 homes back into its lettable pool that would otherwise have been out of service.

An on going performance improvement from an approximate 25 percent reduction in properties testing over the new guidelines is also expected.

The programme is assessing what else can be done to tackle this growing issue. The programme will focus on continuing to develop a risk profile for Methamphetamine, ensuring staff have the right information and tools, and contributing to Government and industry standards.

Housing New Zealand has also developed partnerships with NZ Police through the Gang Intelligence Centre and has recently made an agreement with ESR to provide access to contaminated Housing New Zealand properties to help develop better techniques for understanding the dispersal of methamphetamine and better testing processes.

Energy Efficiency Retrofit Programme

Housing New Zealand's Energy Efficiency work programme was completed in 2013/14 as we met our commitment to insulate all state houses, where practical and appropriate, by the end of 2013.

Driveway safety

Housing New Zealand's driveway safety programme began in 2013, with the aim of making improvements at 13,000 properties, at a total cost of \$30 million over four years.

The improvements made at each property depend on the type of property. Examples including the installation of fencing and self-closing gates with child-resistant latches to create play areas that are separate from the driveway and easily visible from a main living area, speed restriction signs, speed humps and convex mirrors.

As at the end of 2015/16, over 13,400 properties had been upgraded under the programme. While the programme is scheduled to finish in 2016/17, this work will continue as part of our normal upgrade process.

Earthquake prone buildings

The Building Act 2004 requires local councils to adopt a policy on buildings assessed as being less than 34 percent of the New Build Standard. The Act also requires local councils to assess residential buildings comprising two or more stories with three or more units.

Housing New Zealand adopted a policy to assess all the buildings that fit the above criteria to confirm if they require a seismic upgrade. They were then categorised into four groups, with responses dependent on the percentage of the New Build Standard met. Housing New Zealand identified 1,051 buildings (not units) that were potentially

considered being earthquake prone according to the above criteria. These buildings were a mix of residential, leased, Community Group Housing and Housing New Zealand offices.

After the 2010/2011 Canterbury earthquakes the Housing New Zealand Board decided to take a proactive approach to earthquake strengthening and not await a statutory compliance regime. This resulted in the evacuation of some buildings and a comprehensive programme to strengthen or demolish buildings depending on economic feasibility.

In 2012, destructive testing was undertaken on timber-framed houses by the Ministry of Education and Housing New Zealand. The findings subsequently prompted a reassessment of buildings previously identified as earthquake prone and structural engineers completed detailed seismic assessments where required. Following the destructive testing exercise Housing New Zealand reassessed the remaining buildings in the rest of the country classified as potentially earthquake prone and this was completed in the beginning of 2015.

Remedial strengthening work included replacing internal wall linings with bracing sheets, installing frames, upgrading bolted connections between walls, floors and foundations, and lowering or bracing chimneys to below roof level and bracing unreinforced masonry within roof spaces with some heavy concrete tile roof replacement with light steel.

Funding for earthquake strengthening of buildings comes from within the planned maintenance budget with the current spend sitting at \$45 million.

All buildings to be seismically strengthened are currently contracted for completion before the end of December 2016. One shared ownership building is scheduled to be completed early 2017 under an agreement with the private owner, now being formalised.

Status of buildings under EPB programme

Identified as potential earthquake prone	1,051
Assessed	1,010
Identified for demolition	103
Demolished	100
Divested	11
Earmarked for redevelopment	12
No assessment required as lease expiring	28
Assessments requested from private owners	13
No further work required	719
Strengthened	144

Strengthening in progress	20
Scheduled for strengthening 2017	1

Financial information

The Housing New Zealand (HNZ) Group is often referred to as Housing New Zealand. However it comprises three separate entities:

- (i) Housing New Zealand Corporation (HNZC) is a crown entity pursuant to the Crown Entities Act 2004 and is the parent entity. HNZC receives appropriations, owns the Community Group Housing (CGH) properties (funded through appropriations) and employs all staff. It on-charges most of the staff cost to Housing New Zealand Ltd (HNZL).
- (ii) HNZL is a company pursuant to the Companies Act 1993 and a wholly owned subsidiary of HNZC. HNZL is the main operating company and owns all the land except for the CGH properties.
- (iii) Hobsonville Land Company (HLC) is a company pursuant to the Companies Act 1993 and a wholly owned subsidiary of HNZC. HLC undertakes operations on behalf of the Housing Agency Account (HAA, which is a Crown account), as well as development management services for HNZ and other property consulting work.

Overview

In 2015/16, the HNZ Group:

- received **\$1,155 million** in income from rent, comprising:
 - \$403 million from tenants
 - \$739 million via income related rent subsidy for state housing
 - \$13 million Crown appropriation for community group housing

(2016/17 budget is \$1,121 million, the lower amount reflecting the full year impact of the transfer of 2,704 properties to the Tamaki Redevelopment Company and approximately 1,140 stock transfer in Tauranga in March 2017.)
- received further Crown appropriation of **\$73 million**, comprising:
 - \$66 million for KiwiSaver Homestart grants
 - \$3 million as Welcome Home Loan (mortgage insurance scheme) premium contribution
 - \$1 million interest subsidy on non market legacy loans
 - \$3 million to administer Kiwi Saver

(2016/17 budget is \$99 million.)
- spent **\$496 million** maintaining and upgrading the portfolio of which \$289 million was expensed and \$207 million capitalised.

(2016/17 Budget is \$521 million - \$323 million expensed; \$198 million capitalised)
- spent **\$115 million** on general rates and **\$34 million** on water rates

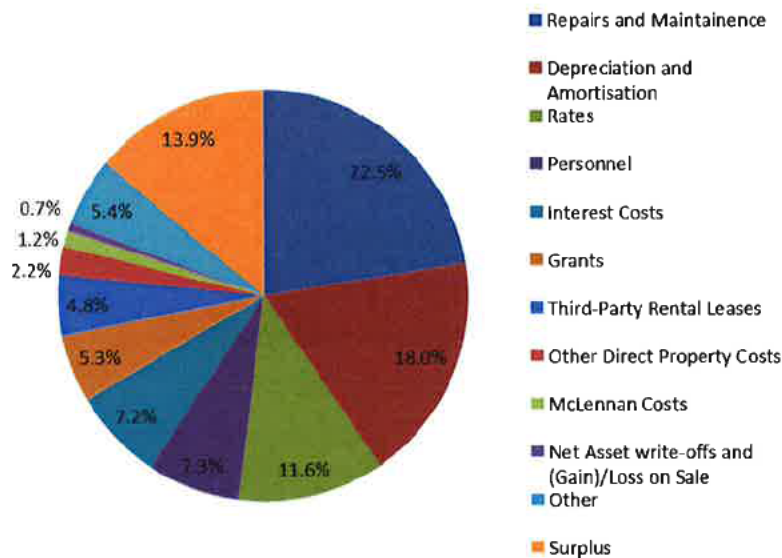
(2016/17 budget is \$116 million general rates and \$34 million water rates)
- spent **\$1,106 million** in total expenses in 2015/16 (2016/17 Budget is \$1,249 million)
- has an operating surplus before tax of **\$178 million**

(2016/17 Budget is \$14 million)

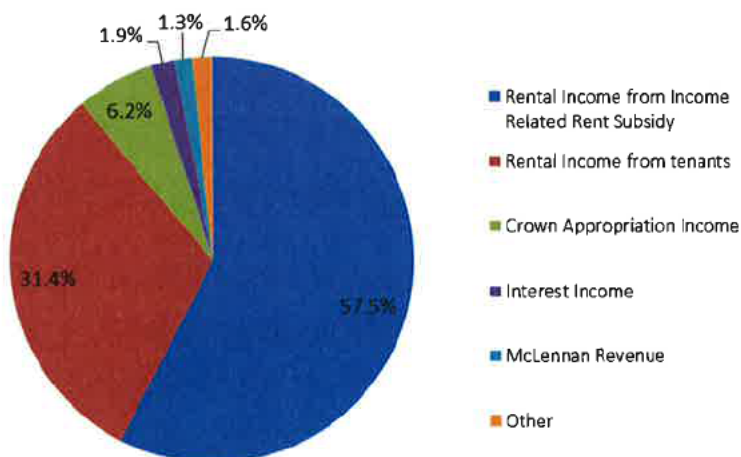
- returned a surplus distribution of **\$30 million** (surplus less current tax expense) to the Crown for 2015/16
(2016/17 Budget is \$54 million, however it has been agreed for HNZ to retain this).
- spent **\$286 million** on acquisitions and land development.
(2016/17 Budget is \$523 million)
- transferred properties and assets worth **\$1,632 million** to Tamaki Regeneration Limited. Housing New Zealand now owns a housing portfolio with a book value of **\$22,731 million** (this amount includes properties held for sale \$150 million and properties under development \$24 million), and includes a June 2016 annual revaluation increase of **\$3,450 million**.

The following diagrams set out HNZ Group revenue and expenditure for 2015/16.

Where 2015/16 HNZ Group revenue went:



Where 2015/16 HNZ Group revenue came from:



The following table summarises the HNZ Group Balance Sheet at year end.

Summary of balance sheet

\$ million	2014/15	2015/16
Property, Plant and Equipment (including properties held for and sale and properties under development)	20,966	22,731
Other Assets	850	669
Total Assets	21,816	23,400
Financed by the following liabilities, equity from the Crown:		
Debt (from the Debt Management Office)	1,858	1,859
Deferred Tax Liability	2,023	2,013
Other Liabilities	313	361
Total Liabilities	4,194	4,233
Equity from property revaluations	13,848	15,435
Other Equity	3,774	3,732
Total Equity	17,622	19,167

Returns to the Crown

Annual distribution to the Crown

Section 40(1) of the Housing Corporation Act requires HNZC to pay its annual surplus (capital and operating) for each financial year to the Crown, unless the responsible Ministers authorise HNZC to keep all or any part of it. The amount paid is the net operating surplus before tax less actual tax payable. The Minister has agreed that Housing New Zealand will not make a surplus distribution in relation to the 2015/16 year.

Crown revenue and payments

The following table sets out receipts from the Crown and payments made to the Crown since 2007/08.

(\$m)	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital Appropriation (contributed equity)	99	69	105	20	4	3	0	4	4
Interest paid to the Crown / Interest on Crown loan			(51)	(56)	(51)	(49)	(52)	(68)	(52)
Interest on Swaps (primarily to the Crown)	(131)	(124)	(62)	(56)	(58)	(54)	(44)	(28)	(41)
Tax expense	(64)	(36)	(63)	(55)	(111)	(89)	(92)	(118)	(118)
Surplus distribution to the Crown	(2)	(132)	(71)	(68)	(77)	(90)	(108)	(30)	0

Cash inflow to HNZC is positive, outflow is negative

Figures provided in the table above are from HNZC Group Annual Statements and are shown for the year they pertain to. Note the surplus distribution is paid in the financial year following; income tax is paid via provisional payments. The zero surplus distribution in 2016 reflects the recent agreement for HNZ to retain its surplus.

There are two components to interest expense: interest on loans and interest on fixed rate hedging. Over the time period shown in the table, HNZC has been party to loan and swap agreements with both the Crown and third parties. Due to differing accounting treatments over the years we have not differentiated interest payments made to the Crown versus made to third parties.

From December 2001, HNZC commenced entering into interest rate swap agreements with the New Zealand Debt Management Office. The last third party swap agreement closed April 2012. Since then all HNZ swap agreements are with the Debt Management Office.

The 2008 to 2010 financial statements net loan and swap interest and do not specify payment to the Crown.

From the 2011 financial year, the notes to the financial statements distinguish only loan interest and swap interest. Interest on swaps will be primarily paid to the Debt Management Office up to and including 2013 and all paid to the Debt Management Office 2013 to 2015.

Appropriations

Housing New Zealand receives appropriated funding from Vote Housing and Vote Social Development. The appropriation from Vote Social Development is for the Income Related Rent Subsidy, and is administered by MSD. All other appropriations are for Vote Housing, and are administered by MBIE. The Crown uses these appropriations to fund MBIE's activities, and contract with other providers.

The following tables detail the funding available to Housing New Zealand to deliver Crown programmes in 2016/17:

Operating funding to deliver Crown programmes 2016/17

Crown Programme \$m	Budget 2016/17
Purchase of Housing and related Services for Tenants paying Income-related Rent	721.3
Community Group Housing - Rent Relief	4.1
Community Group Housing Top-up Market Rents	9.8
Interest Subsidies and Administration for Legacy Mortgages	1.5
KiwiSaver Housing Deposit Subsidy	85.9
KiwiSaver Housing Deposit Subsidy - Administration Costs	2.5
Welcome Home Loans (Mortgage Insurance Scheme) including Administration Costs	9.0
Total Operating Funding	834.1

Capital funding to deliver Crown programmes

Crown Programme \$m	Budget 2016/17
Acquisition & Improvement of Community Houses ¹	5.8
Refinancing of HNZC and HNZL debt ²	275.8
Emergency Housing Appropriated Loan ³	100.0
Total Capital Funding	381.6

¹ The Community Houses (CGH) capital appropriation is split into an equity (payment) and a debt (new DMO funds) portion.

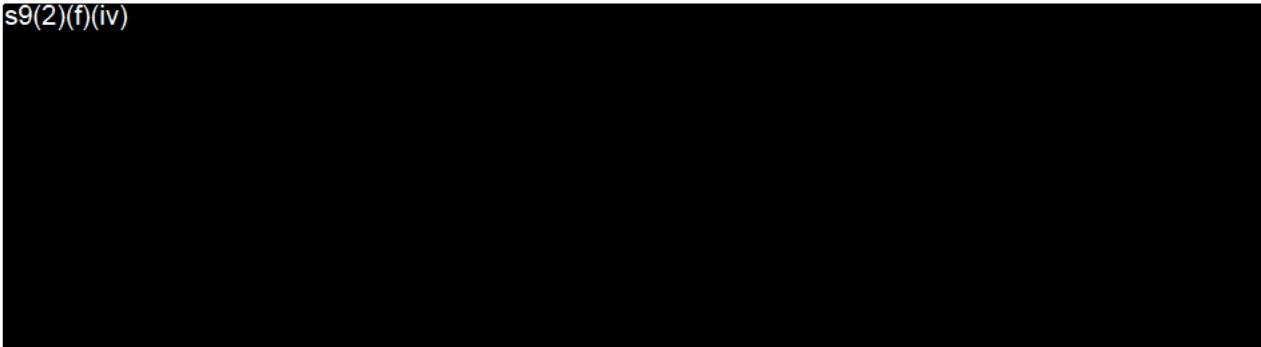
² The \$275.8 million in the table above relates to existing loan issued by the Crown (through the Debt Management Office) to Housing New Zealand and will be rolled over at maturity. This does not reflect additional capital available for Vote Housing.

³ The \$100 million in the table above was not part of the SPE, it is from a September 2016 Cabinet initiative (with the loan facility being drafted for approval).

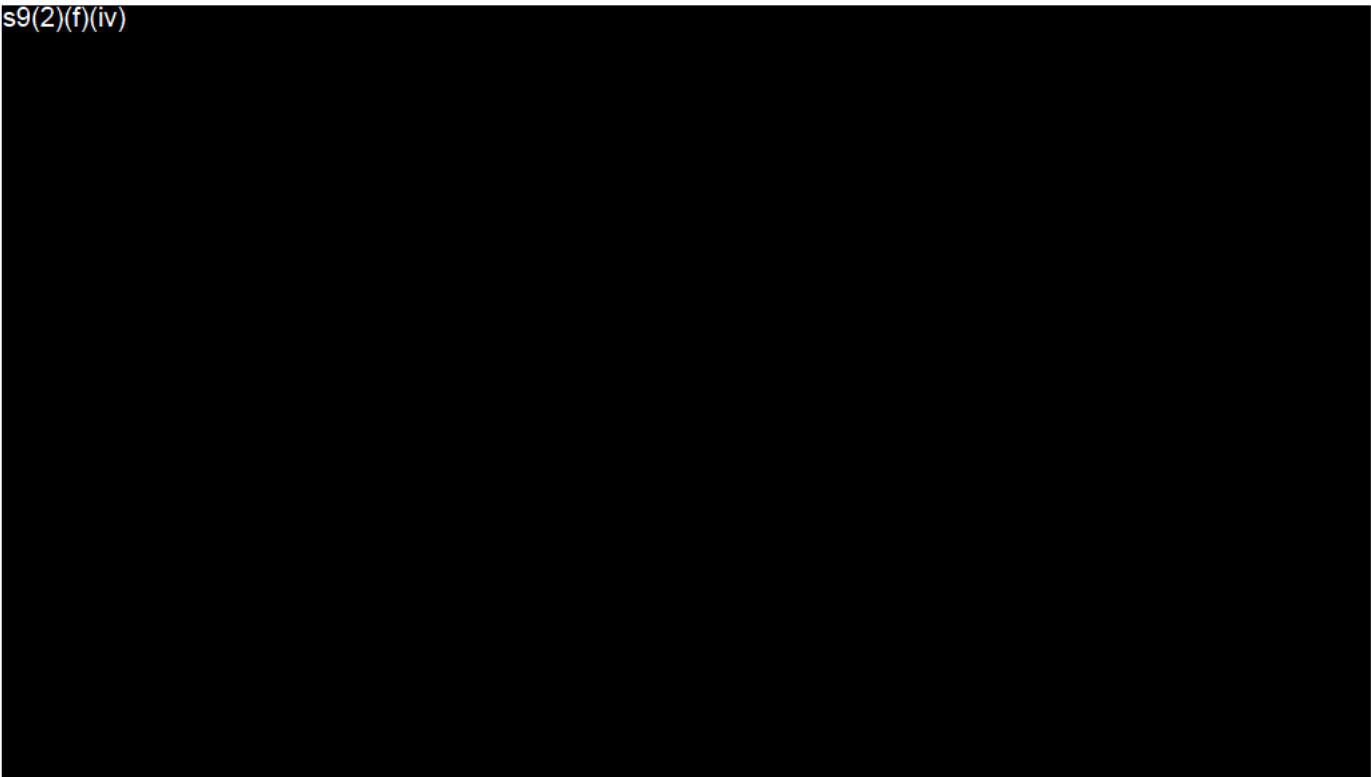
The tables include a number of non-core programmes, such as Welcome Home Loans, KiwiSaver HomeStart, Community Group Housing, and legacy loan portfolios that require on-going administration.

The tables exclude funding for the Housing Agency Account (HAA), which is accounted for separately from Housing New Zealand Group activities in a formalised agency arrangement with the Crown.

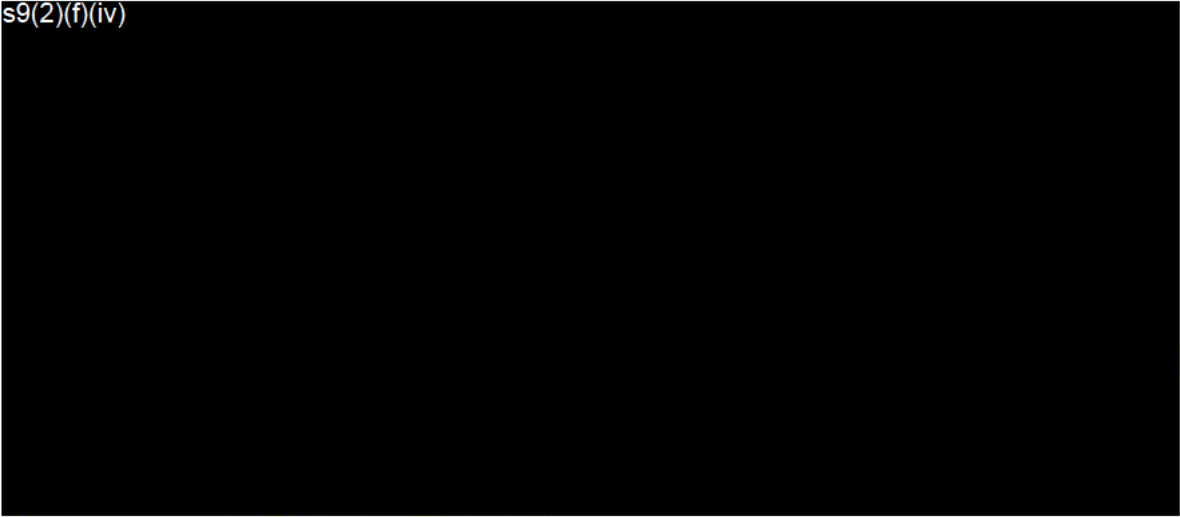
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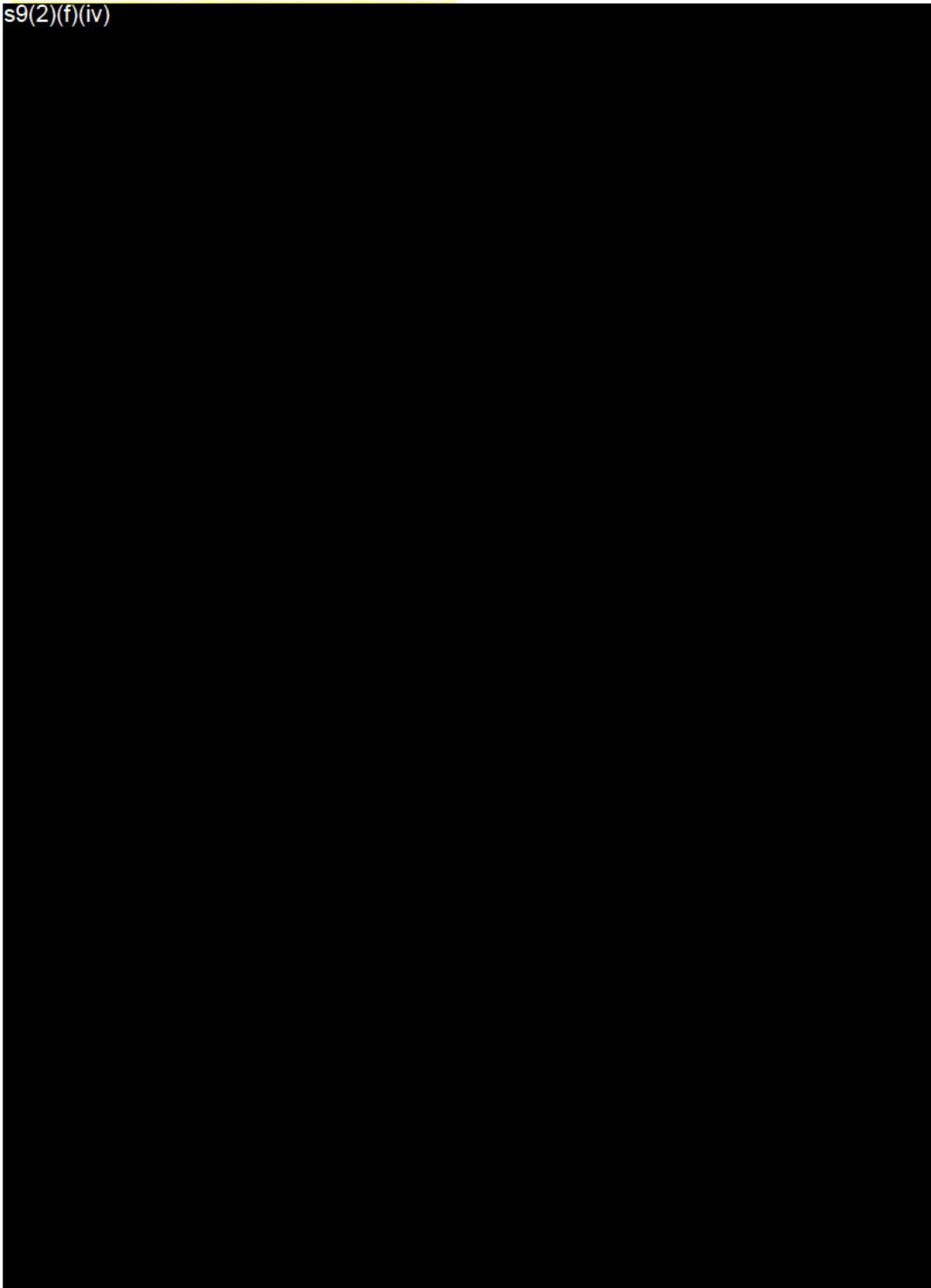
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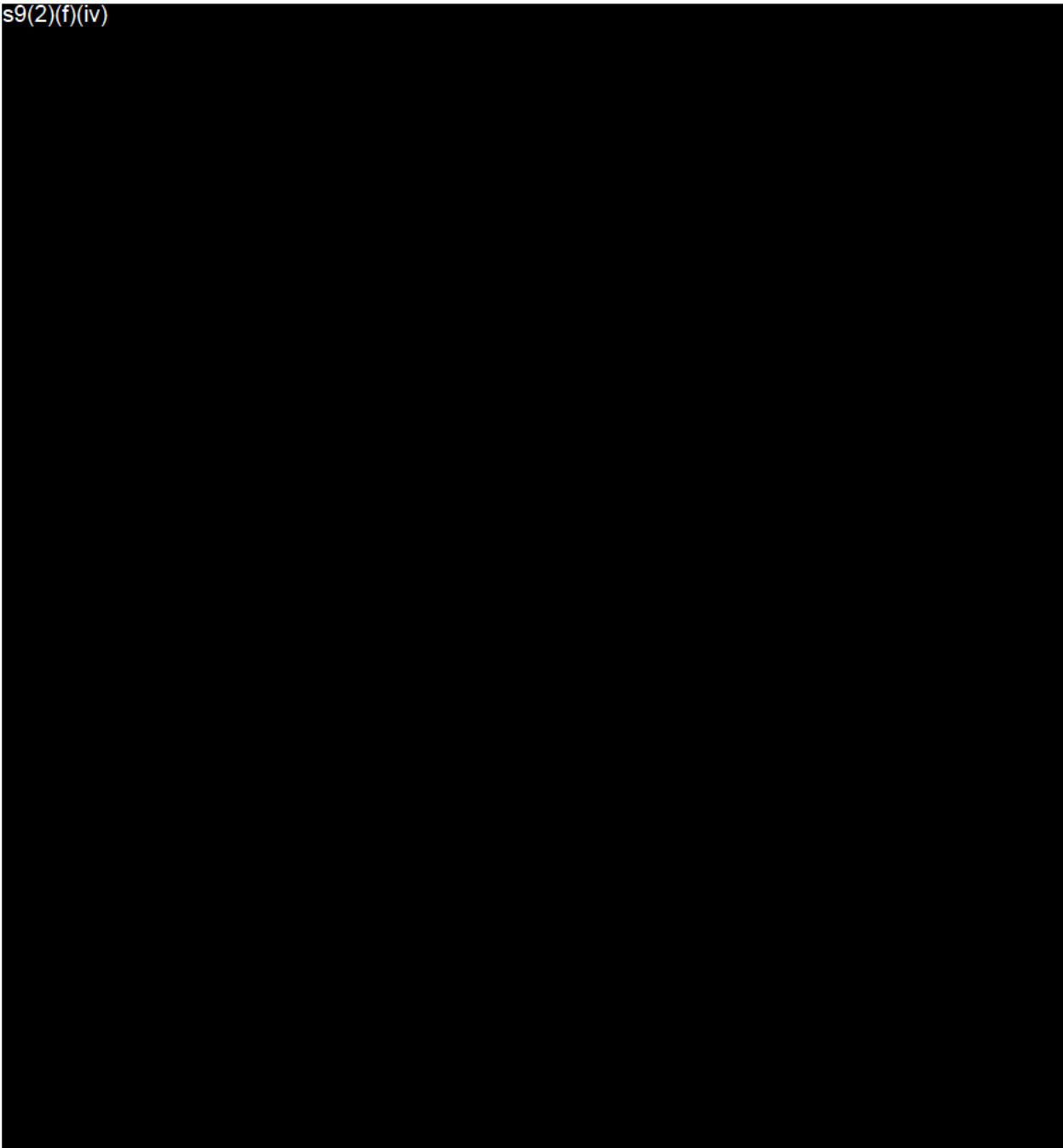
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Investor Confidence Rating

Cabinet adopted the Investor Confidence Rating (ICR) in April 2015 as part of its policy on investment management and asset performance.

For the purposes of the ICR, "investment" means:

The commitment of capital or balance sheet resources to the delivery of government services with expectations of receiving future benefits. Resources are typically delivered through projects or programmes or portfolios.

Investment activity covers:

1. *changes (additions or disposals) to asset portfolios*
2. *changes that occur from adopting "on demand" service offerings also known as services and applications accessed over the internet as opposed to being provided in-house (for example Infrastructure as a Service), and*
3. *any new lease arrangements, or renewals of lease arrangements (for example, property rentals)*

The ICR is a rating of the agency's investment management environment. It is an indicator of the confidence that investors (e.g. Cabinet, Responsible Ministers, or Investment Ministers) have in an agency's capacity and capability to deliver on investments.

The main purpose is to provide an incentive mechanism that rewards good investment management performance and proactively addresses gaps.

A subsidiary purpose is to enhance the degree of objectivity and rigour in the investment management system, compared with past practices.

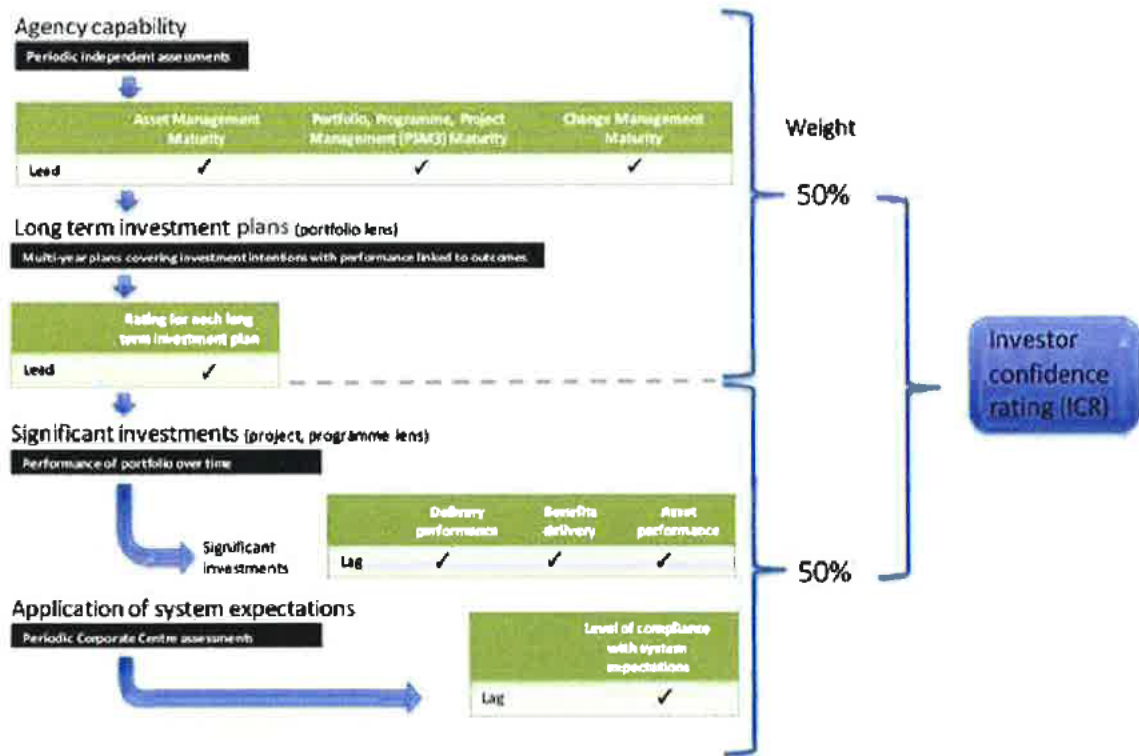
The ICR is targeted at "Investment Intensive Agencies", of which Housing New Zealand is a Tier One agency principally due to the social housing portfolio value being more than \$1 billion.

The ICR is structured around eight elements divided into two groups: lead and lag indicators. The table below itemises each of the elements and their weighting in the overall agency result.

Indicator Type	Element	Value (%)
Lead	Asset Management Maturity	20
	Project, Programme and Portfolio Management Maturity (P3M3)	15
	Quality of the Long Term Investment Plan (LTIP)	10
	Organisational Change Management Maturity	5
Lag	Benefits Delivery Performance	20

	Project Delivery Performance	15
	Asset Performance	10
	System Performance	5

The figure below illustrates how the ICR elements work together:



Housing New Zealand will be undertaking its ICR assessment from July to December 2016, and the final Cabinet approved results are expected to be made public in approximately March 2017.

Appendix A

Governance and structure

The governance framework for Housing New Zealand involves three key parties: Parliament, Ministers, and Housing New Zealand's Board.

Parliament and legislation

The **Housing Corporation Act 1974** established Housing New Zealand as a statutory corporation with its own governing Board. Together with the Crown Entities Act 2004, it governs how Housing New Zealand relates to the Crown and its Ministers. The Housing Corporation Act was significantly amended in 2016 by the Housing Corporation (Social Housing Reform) Amendment Act 2016 which gave Ministers enabling powers to enter into and implement social housing transactions in respect of HNZ housing stock and services.

The **Crown Entities Act 2004** is the principal Act governing the relationship between Housing New Zealand and the Crown. Housing New Zealand is described in Schedule 1 of the Act as a 'Crown Agent'. Crown Agents are the least autonomous category of Crown entities in that they must give effect to Government policies. The Crown Entities Act provides for Housing New Zealand to produce a Statement of Intent, permits the Minister to give directions to Housing New Zealand, and restricts how it may borrow, invest, and establish subsidiaries. The Act also regulates how Housing New Zealand's Board functions, including the appointment and termination of members, conflicts of interest, quorums for meetings, and Board committees.

The **Housing Restructuring and Tenancy Matters Act 1992**. This Act introduced income-related rents for state house tenants and the Social Allocation System. It has been amended several times, including:

- by the Housing Restructuring (Income-Related Rents) Amendment Act 2000
- by the **Social Housing Reform (Housing Restructuring and Tenancy Matters Amendment) Act 2013** which provided a statutory basis for community housing providers to apply for government funding for income-related rents for eligible new tenants, alongside Housing New Zealand; for needs assessment and associated functions to be transferred from HNZ to MSD; and for a regulatory framework to govern community housing providers. While Housing New Zealand is not subject to the regulatory framework governing registered community housing providers, it is expected to meet equivalent standards relating to tenancy and property management, governance, and financial management and
- by the Housing Restructuring and Tenancy Matters (Social Housing Reform) Amendment Act 2016 with respect to future social housing transactions.

The **Housing Act 1955** provides Housing New Zealand with specific powers in relation to land. It allows the Governor General to take land for housing purposes under the Public Works Act 1981, for the Minister of Lands to set apart any Crown land as state housing land, and for Housing New Zealand to purchase land, dwellings or buildings for state housing purposes. The **Housing Agency Account** was established to monitor Crown-owned land managed by Housing New Zealand on behalf of the Crown. The Housing Act was amended in 2016 to give Ministers greater powers in respect of the management and disposal of Crown land held for state housing purposes.

The **Residential Tenancies Act 1986** governs all residential tenancies in New Zealand, including all state house tenancies. It defines the rights and obligations of landlords (including Housing New Zealand) and tenants, established the **Tenancy Tribunal** to hear disputes between landlords and tenants, and established a fund to hold all tenants' bonds. The Ministry of Business, Innovation and Employment administers the Act.

Housing New Zealand is also subject to **other relevant New Zealand legislation**, including the State Sector Act 1988, Public Finance Act 1989 (applies in part only), Official Information Act 1982, Privacy Act 1993, Bill of Rights Act 1990, Resource Management Act 1991, Building Act 2004, Property Law Act 1952, Public Works Act 1981, and Employment Relations Act 2000.

Several treaty settlement Acts place particular obligations on Housing New Zealand when it is seeking to divest surplus state housing. For example, the Waikato Raupatu Claims Settlement Act 1995; Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009 and more recently the Ngati Porou Claims Settlement Act 2012 are significant examples of Treaty settlement legislation that Housing New Zealand must consider before it may dispose of surplus housing assets.

Role of the Minister

The primary relationship between the Government and Housing New Zealand is between Ministers and Housing New Zealand's Board.

Responsible Ministers are jointly responsible for:

- conveying the Government's expectations to Housing New Zealand
- overseeing the Statement of Intent and agreeing the use of any operating surplus
- appointing and dismissing members of Housing New Zealand's Board and monitoring its performance
- monitoring Housing New Zealand's financial performance.

Role of Treasury and MBIE

The Treasury's Commercial Operations Group has the lead role as the responsible Minister's agent in monitoring the Crown's ownership and service delivery interests in Housing New Zealand, including all matters related to its financial, service delivery, and operational performance. This monitoring includes ensuring Housing New Zealand's strategic direction is aligned with the interests of government and fits within the statutory framework; monitoring against the accountability and performance reporting framework and managing the performance cycle; and providing assurance on the capability of Housing New Zealand and advice on the quality of the Board's systems for managing risk.

MBIE has the lead role for providing housing policy advice, specifically the policy Housing New Zealand is required to implement, including evaluating and advising on how well Housing New Zealand delivers on its policy objectives.

Role of Housing New Zealand's Board

Housing New Zealand's Board is responsible for the overall governance of Housing New Zealand and for managing it according to its legal mandate. The Board provides leadership and sets Housing New Zealand's strategic direction. It also selects, appoints, and monitors the performance of the Chief Executive.

The Board comprises eight non-executive members. Each appointment is for a fixed term with the possibility of further reappointment. The Board Chair and Chief Executive meet with the Minister monthly or as required.

Housing New Zealand Board



Adrienne Young-Cooper (Chairperson)

Adrienne is a professional director with substantial experience on Crown, business and not for profit boards. She previously was a foundation director of specialist resource management consultancy Hill Young Cooper Limited based in Wellington and Auckland.

Until her appointment as HNZC Chair Adrienne was Deputy Chair since 2010.

Mrs Young-Cooper is a Director of Hobsonville Land Company Limited, Wairaka Land Company Limited, Member of the New Zealand Transport Agency Board and a Trustee of Cornwall Park. She is a former Deputy Chair of Auckland Waterfront Development Agency Limited and Auckland Regional Transport Authority.

Adrienne holds an MSc from the University of Canterbury, is a qualified Planner and is a Chartered Fellow of the Institute of Directors.



John Duncan (Deputy Chair)

John is the executive director of the Auckland Investment Office, and has extensive management experience with a focus on global financial markets, banking and risk management. He brings financial transaction and investment skills as well as a solid understanding of the public sector environment at both a national and local level.



Michael Schur

Michael Schur is a finance and procurement specialist with over 20 years' international experience. He is experienced in both the public and private sectors, in economics, public policy, public sector governance, infrastructure, finance and microeconomic reform.

Michael has broad board experience as a chairperson, non-executive director and as a chief executive.



Tau Henare

Tau Henare is the former Maori Affairs Minister and spent five terms as an MP in parliament. In addition to his comprehensive political experience, Tau has a strong background in community development and will bring a community-based perspective to the board.



Jeff Meltzer

Jeff is a Chartered Accountant, whose career began in the audit area and in 1987 moved into the insolvency field. He served as an insolvency partner with Ernst & Young until 1992, when he formed his own specialist insolvency practice. Jeff is an experienced commercial mediator and facilitator for dispute resolution. Jeff has served as Chairman of the Auckland branch of the New Zealand Institute of Chartered Accountants (1997-

1998), and is a current member of the Institute's Disciplinary Tribunal, as well as being a director of Fidelity Life Assurance Company Limited, a New Zealand owned and controlled life assurance company.



Peter Dow

A Wellington-based consultant with a 45-year career in the property sector. He is currently a partner in iD Property, a boutique property consultancy that provides advice to property investment funds and developers. Prior to this, he was founder and director of Dow Group Ltd from 1990 to 2010, a property consultancy specialising in strategic asset management and property optimisation for commercial and public sector clients. His work involved a range of property transactions including acquisition, capital works planning and procurement, disposal of surplus properties, and project directorship of major initiatives. Mr Dow has housing experience through his work with agencies that have housing portfolios, including the New Zealand Defence Force, Police and Telecom, as well as past work he has carried out for Tamaki Redevelopment Company Ltd. He also has a strong interest in tenants' perspectives and social assistance through his work as a volunteer in addiction counselling. Mr Dow was a founding member of the Property Management Institute and has served on its board, as well as others in the not for profit sector. He is a qualified property valuer.



Alick Shaw

Alick is a former Councillor and Deputy Mayor of Wellington City Council (1998-2007).

He is a member of the New Zealand Parole Board and a certified commissioner and chair for hearings convened under the RMA and the legislation covering activity in NZ's Exclusive Economic Zone. Alick has served on the board of the New Zealand Transport Agency, the Wellington District Licensing Trust and the the Alcohol Advisory Council of New Zealand, and is the deputy chair of Creative New Zealand. He is a former Chair of NOSH Management Ltd and the NZ School of Music and Orchestra Wellington, and is a Trustee of Wellington Museums Trust and Director of Wellington Water Management Ltd.

Alick has experience in the governance of public asset management and sector reform through his experience in local government and as a Board member of the NZ Transport Agency.



Sandra Aloffivae

Mrs Aloffivae has extensive experience in the legal and social sectors and is currently appointed to represent children and young people in both the Youth Court and Family Court. She is also Counsel in the pilot Alcohol and Other Drug Treatment Court.

Sandra is currently serving her second term on the Board of Counties Manukau DHB. She is also Director of Pasifika Futures Ltd, the Pacific Whanau Ora Commissioning Agency, and Fonua Ola, a Pacific Social Service Provider. She is a former member of the Auckland Social Policy Forum and former Commissioner of the Families Commission.

Role of Housing New Zealand's Chief Executive

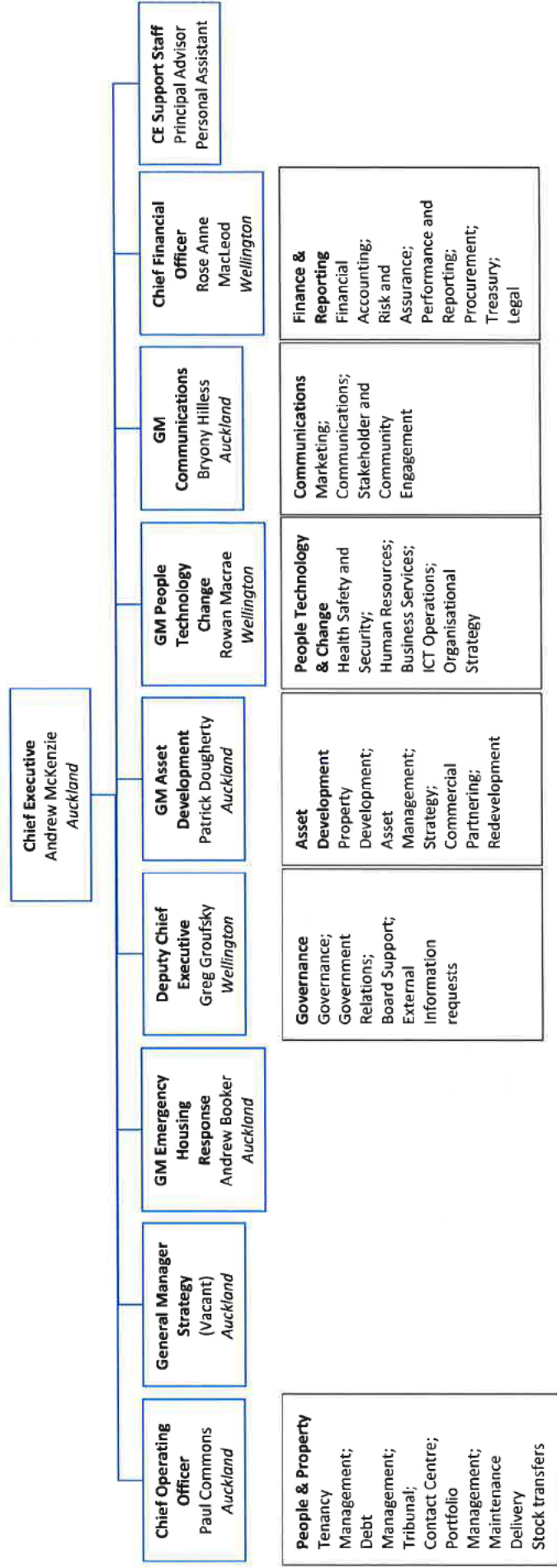
Housing New Zealand's Chief Executive is Andrew McKenzie. The Chief Executive reports to the Board and is responsible for:

- the efficient and effective day-to-day running of Housing New Zealand
- ensuring the implementation of Housing New Zealand's strategic direction
- developing and maintaining strategic relationships with Chief Executives from other government agencies and other key stakeholders.

The Chief Executive leads an Executive Team of 7 senior managers:

- Greg Groufsky, Deputy Chief Executive
- Paul Commons, Chief Operating Officer
- Rose Anne MacLeod, Chief Financial Officer
- Patrick Dougherty, General Manager Asset Development
- Bryony Hilless, General Manager Communications and Business Transition
- Rowan Macrae, General Manager People, Technology and Change
- Andrew Booker, General Manager Emergency Housing
- (Vacant) General Manager Strategy.

Housing New Zealand's organisational structure



Housing Agency Account

The Housing Agency Account (HAA) is used by the Crown to account for land declared surplus by other agencies and redesignated for state housing purposes. This land remains in Crown ownership but is managed by Housing New Zealand.

Currently the HAA contains 45 residential properties and a number of development sites, the largest of which is Hobsonville. Hobsonville Point consists of approximately 167 hectares that includes HNZC land, Panuku Development Auckland land and Ministry of Education land, with 69.6 hectares at 30 June 2016 still in HNZC Crown ownership. It also includes approximately 130 former New Zealand Defence Force houses, currently rented out on a short term basis, which will ultimately be removed from the site by 30 June 2017.

Activities that can be undertaken on behalf of the Crown are specified by the Housing Act 1955 and the Housing Agency Account Accountability Agreement between Housing New Zealand and the Minister of Housing.

Housing New Zealand is unable to fund these activities so all funding must be either appropriated or generated from revenues within the account.

Monitoring and accountability

The following table summarises Housing New Zealand's key accountability documents and reports you will receive regularly.

Title	Brief description of content
Statement of Intent	The Statement of Intent sets the Housing New Zealand's strategic direction for the next four years and identifies how outcomes will be achieved and measured. It also outlines Housing New Zealand's contribution to the Crown's objectives.
Statement of Performance Expectations	Housing New Zealand's Statement of Performance Expectations sets out the organisation's annual performance measures, targets, and annual forecast financial statements.
Annual Report	The Annual Report provides is an account of Housing New Zealand's outcomes and output delivery, and financial and non-financial performance.
Quarterly reporting	Housing New Zealand's quarterly reporting provides you with a snapshot of performance to date against the work programme outlined in the current Statement of Intent and Statement of Performance Expectations.

Health, Safety and Security

Housing New Zealand is committed to providing a healthy, safe and secure environment for its employees, contractors and customers. The organisation operates within a robust health, safety and security framework, which includes processes to address compliance with the recently introduced legislative safety changes and to support the wellbeing of employees, tenants and contractors.

During 2015/16, a significant change to the structure, priorities and projects in the Health, Safety and Security team occurred. An external review in early 2015 identified six areas that HNZ should concentrate on, these were:

- Implement a reliable, cohesive, supported software based Management System for health, safety and security related data and information management.
- Carry out a comprehensive review of published and available documented policies, procedures, guidelines and forms, with the impending legal changes in mind.
- Complete the Capability curriculum relating to Health, Safety and Security, and review the curriculum relating to Leadership, People and Teams.
- Improve both the capability and capacity of the HSS Team.
- Review the stated aim of zero work related injuries on a sustainable basis
- Draw together the currently disparate ways that contractors are managed across different parts of HNZ, and apply best practice across the organisation.

These recommendations have been accepted and are significantly progressed.

A new role was created for a Security Manager and this role is charged with progressing our involvement in the Protective Security Requirements as well as bringing in-house some of the security functions that were out sourced.

The ability for us to robustly report on incident data has been a topical issue and we have recently entered into a contract with Australian company Noggin to provide us with an incident management system.

Lone workers and safety in the field are significant hazards in our work place and an upgrade of our mobile duress system is also a current project of work. We are looking for superior functionality, ease of use and enhanced reporting. This new system is looking like being functional at the end of 2016.

Our audit and assurance activities include the ACC Workplace Safety Management Programme, a range of internal audits of our practices, a Contractor Management assessment by BHS Ltd and most recently we have participated in the Pilot of the Safety Star Rating System that WorkSafe NZ, MBIE and ACC have jointly initiated.

Operational Technology Transition (OTT)

The OTT programme involves moving Housing New Zealand's ICT infrastructure to an All of Government Infrastructure as a Service (IaaS) offering.

The Government Chief Information Officer (GCIO) mandated HNZ to move to Government IaaS by 2017. Housing New Zealand decided to move early based on an aging ICT infrastructure, with assets fully depreciated by 30 June 2016, and expiring outsource ICT support contracts. OTT comprises five main streams of work:

IaaS involved moving off our existing ICT infrastructure to an All of Government cloud solution hosted within a Government sanctioned data centre.

Desktop as a Service (DaaS) involved moving from our exiting virtualised desktop environment to an All of Government solution, providing new flexibilities in the way we deliver desktop services to our staff.

Adjust ICT Operations operating model involved a review of the team structure, and the in-sourcing of selected functions that were previously outsourced, with a view to bringing IP back in house and better managing our own systems and costs.

Rationalise Outsourced ICT Supplier Contracts involved the review and consolidation of ICT outsourced contracts in line with the new operating model, terminating some contracts for service and renegotiating others to deliver better managed services at significantly lower cost.

Disaster Recover (DR) involves establishing and testing DR capabilities for HNZ's core systems, to ensure continuity of service in a disaster situation.

Housing New Zealand ran a procurement process to select the All of Government IaaS and DaaS providers from the Government sanctioned panel, with Datacom being the successful candidate for both of these services. HNZ is now running both IaaS and DaaS for all our infrastructure and desktop requirements.

The ICT team was restructured in October 2015, with some redundancies. New positions were filled as outsource contracts expired

Disaster Recovery planning was tested in October 2016.

Alongside this work a Technology Roadmap is under development to inform future technology investment.

Non-appropriated programmes and initiatives

Home Lease programme

Initiative Leasing homes from the private sector allows Housing New Zealand to respond strategically to housing demand.

Background Under the Home Lease Programme, Housing New Zealand leases privately-owned homes in areas where there is priority demand where it may not be viable to buy or build additional properties allowing Housing New Zealand to respond to increased demand for housing in those specific areas.

Mechanism Housing New Zealand prioritises lease properties that offer the best match to customers needs. Leased properties must also meet Housing New Zealand Property Quality Standards.

Leases are usually for a period of between five and 15 years but increasingly for shorter periods as a tactical response to supply challenges. Housing New Zealand is responsible for managing the tenancy at the property. Depending on the version of the lease agreement, the owner may be responsible for some general maintenance. Housing New Zealand deducts a lease margin from its regular lease payments to cover the average cost of tenancy management, bad debt, and vacancies. This margin is usually 10 percent of the lease payment. Increasingly in the Auckland market we are having to remove the margin in order to encourage landlords to renew lease agreements.

Housing New Zealand's Asset Management Strategy forecasts a decrease in lease numbers over time as new supply is delivered in areas where demand exists and leases are exited in low or no demand areas.

Funding 2016/17 Housing New Zealand has budgeted approximately \$53 million in lease payments to private property owners, and anticipates receiving approximately \$59 million in rental income from leased properties (approximately 2,779 / 4.5 percent of total stock).

Tenant Home Ownership programme

Initiative	The Tenant Home Ownership programme offers state house tenants the opportunity to buy the home they live in.
Background	The Tenant Home Ownership programme is a Government initiative launched in September 2009. It encourages tenants into home ownership, and helps fund Housing New Zealand to buy or lease more houses in high-demand areas.
Mechanism	<p>State house tenants who wish to purchase their home can apply to Housing New Zealand. If the tenant's home is not available for sale, they are advised to contact local real estate agents for properties available to purchase. Housing New Zealand also advise the tenant of other Housing New Zealand-administered assistance programmes that may assist them into home ownership.</p> <p>Around 40,000 state houses are potentially for sale to tenants. However, not many tenants are in a position to buy and the programme was always expected to be small.</p> <p>The purchase price is set according to an independent valuation. If the tenant is eligible, they may access a Welcome Home Loan and/or KiwiSaver home ownership assistance to help them purchase their home.</p>
Results	<p>As at 30 November 2015, 202 state houses had been sold to tenants since the programme restarted, raising just over \$48.1 million for Housing New Zealand to reinvest in areas of high need.</p> <p>On 1 December 2015 the FirstHome Grant was made available to tenant purchasers who meet the FirstHome eligibility criteria. As at 30 November 2016 a further 89 properties have been sold to their tenants raising a further \$18,255,500 for reinvestment.</p>

FirstHome Ownership Scheme

Initiative	FirstHome is a home ownership initiative assisting eligible buyers to purchase selected state houses.
Background	<p>The FirstHome Scheme began in October 2013 and incentivises people in mainly provincial areas of New Zealand to enter into homeownership.</p> <p>The scheme allows Housing New Zealand to divest of properties in areas where there is less demand. Sales occurring in locations of high demand are ineligible for grant assistance under the FHO scheme.</p> <p>In December 2015 the FHOS grant was extended to include HNZ tenants wishing to purchase the house they are living in through the Tenant Home Ownership scheme – this is not available to tenants in Auckland, Hamilton, Tauranga, Wellington and Christchurch.</p>
Mechanism	<p>The initiative is designed to support first-home buyers to achieve home ownership by assisting with the deposit. The scheme provides eligible buyers with a grant of 10 percent of the purchase price of the property, capped at \$20,000, payable on settlement. Buyers may also be eligible for other first home ownership assistance, such as Welcome Home Loan, and the KiwiSaver HomeStart grant and/or savings withdrawal.</p> <p>From 1 August 2016 to be eligible for the FirstHome initiative, applicant/s, including HNZ tenants, must be a first time home buyer and not currently own property or land (previous home owners may be eligible in some circumstances). Applicants must have a gross annual income of \$85,000 or less (before tax) for one buyer, or a combined gross annual income of \$130,000 or less (before tax) for two or more buyers.</p> <p>Previous home owners may be eligible if their income, assets and liabilities represent a financial position that would be expected of a person who has never owned a property. They are permitted to have realisable assets of up to \$80,000 in total.</p> <p>Each property Housing New Zealand is considering for divestment is matched to the programme criteria. All normal divestment approvals are progressed before the property is placed on the market, or offered to a tenant, under each sales programme.</p> <p>Vacant property sales are available exclusively for first home buyers for a minimum three months. If the house is not sold through FirstHome during the exclusive offer period, it will ultimately be placed on the open market.</p>
Results	As at 30 November 2016, 418 properties had been sold with a grant, and 7 properties were under offer under the programme. This has resulted in Housing New Zealand being able to raise \$46.254 million to reinvest in areas of high housing demand.
Funding	Housing New Zealand meets the cost of administering the programme.

Appropriated programmes and initiatives

Hobsonville Point Development

Initiative The Hobsonville Point development contributes to the accelerated supply of urban land for a growing Auckland and the supply of social and affordable housing.

Background The Hobsonville Point development includes an area of approximately 167 hectares of land adjacent to Waitemata Harbour in north-west Auckland. This land was formerly an air force base and was declared surplus in 2000/01.

In October 2012, Cabinet approved a high-level divestment strategy. This comprises:

- an accelerated phase over three years, with the development of the Buckley A Precinct of land and house packages to enhance value and increase market interest in the development
- the disposal of larger parcels of land over the following two years to enable the private sector to develop entire precincts.

Cabinet Committee approvals allowed for a review of the five year divestment timeframe assessing if returns to the Crown could be enhanced by a different timeframe. That review was completed during 2015.

In December 2015, the Minister of Building and Housing and Minister of Finance agreed to:

- note that HLC has reviewed the business plan for the divestment of Hobsonville Point.
- extend the divestment timeline of the Hobsonville project by two years to 2019 to deliver 3,520 homes and have the overall project complete earlier, and
- HLC exploring options to expand its activities to other Crown development projects subject to appropriate approvals and business planning.

HLC has been mandated by Housing New Zealand and the Treasury to expand its activities beyond the Hobsonville Point land site.

Specifically HLC is now working on HNZC's "North Shore" land release strategy centred on Northcote redevelopment – taking 350 HNZC houses and reconfiguring to deliver 435 social houses and 800 market houses.

s9(2)(f)(iv) s9(2)(i)

In addition, HLC's Board has resolved (with Housing New Zealand's support) to build its capability and capacity to delivery renewal programmes at scale on Housing New Zealand land.

Mechanism The Hobsonville Land Company was formed as a wholly-owned subsidiary of Housing New Zealand to manage the Hobsonville development.

It has been partnering with the private sector to provide capital essential for

infrastructure and the delivery of new housing at the site. The delivery of the project's objectives agreed by Cabinet (the state housing objectives), including the affordable housing objectives, are secured through contractual mechanisms with development and builder partners, and supported by Hobsonville Land Company working proactively with these and other parties.

Funding The project became self funding from 1 July 2014 through funds received from land sales which are held in the Housing Agency Account.

Issues The Crown land at Hobsonville is held for 'state housing purposes' under the Housing Act 1955, which is a public work for the purposes of the Public Works Act 1981. Should the land no longer be required for a public work, it must be offered back to the successors of the original owners. To minimise risk to the development, it is important to establish that the land will continue to fulfil a state housing purpose once it has been divested.

Management of this risk is inherent in the structure of the Divestment Plan.

The Crown has Treaty Settlement obligations at Hobsonville, with settlement with Ngāti Whātua o Kaipara completed and Te Kawerau ā Maki. The settlement with Ngāti Whātua o Kaipara gives it a Right of First Refusal over Crown land within the Hobsonville area. The agreement with Te Kawerau ā Maki provides cultural redress at Bomb Point/Onekiritea and land for a marae, which is within the Hobsonville development site.

Community Group Housing

Initiative	The Community Group Housing (CGH) programme provides housing to community groups that provide residential services for people with high and complex needs.
Background	The CGH portfolio currently consists of 1,485 properties across 264 providers and is valued at around \$619 million.
Mechanism	<p>To be eligible for a CGH property, a provider must have a funding contract with the Crown to provide residential services for people affected by the following:</p> <ul style="list-style-type: none">• mental illness• physical and intellectual disabilities• alcohol and drug addiction• woman who require refuge• families who require emergency housing• youth at risk• prisoners requiring reintegration <p>Once a provider's eligibility is confirmed, CGH will source a suitable, fit for purpose housing solution that meets the needs of the provider, and their service provision.</p> <p>CGH offers a rent support subsidy to eligible providers to assist them in meeting their rent charge.</p>
Funding	<p>In 2015/16 \$3.8 million was appropriated for rent support subsidy to providers, and \$9.4 million for the market rent shortfall.</p> <p>In 2015/16, \$5.8 million was appropriated for Housing New Zealand to acquire new or upgrade CGH properties.</p> <p>In 2016/17, \$4.1 million had been appropriated for rent support subsidy to providers.</p> <p>A further \$9.4 million was appropriated in 2015/16 for the market rent shortfall. (The shortfall is the difference between the rents received from providers including the rent relief subsidy, and the market rent for the portfolio).</p> <p>In 2016/17, \$5.8 million has been appropriated for Housing New Zealand to acquire new or upgrade CGH properties.</p>

Welcome Home Loan

Initiative Welcome Home Loans help first-home buyers on modest incomes to access home loans with a 10 percent deposit.

Mechanism With a Welcome Home Loan, a 10 percent deposit is required.
The house price caps and income threshold were revised in August 2016. The house price caps are as follows.

Region	House price cap for existing/older properties	House price cap for new properties		
Auckland	\$600,000	\$650,000		
Hamilton City				
Tauranga City				
Western Bay of Plenty District				
Kapiti Coast District				
Porirua City				
Upper Hutt City				
Hutt City				
Wellington City			\$500,000	\$550,000
Tasman District				
Nelson City				
Waimakariri District				
Christchurch City				
Selwyn District				
Queenstown Lakes District				
Rest of New Zealand	\$400,000	\$450,000		

From 1 August 2016, to be eligible for a Welcome Home Loan combined household income for the last 12 months must have been \$85,000 or less (before tax) for a sole borrower, or for multiple purchasers, combined

household income can be up to \$130,000 (before tax).

Housing New Zealand provides mortgage insurance to participating lenders so they can make these loans. The income and loan caps are regularly reviewed to ensure they reflect market conditions.

Results

In 2015/16 a total of 993 Welcome Home Loans were settled. In the five months to 30 November 2016 a further 420 loans have been settled.

Funding

In 2015/16, \$8.9 million was appropriated for the Welcome Home Loan, including administration costs. This would fund 2,700 Welcome Home Loans; actual results are depended on demand.

Kāinga Whenua

Initiative	Kāinga Whenua loans enable Māori to access loans for housing on multiple-owned Māori land.
Background	Kāinga Whenua is a Government initiative launched in February 2010 as a targeted product within the Welcome Home Loan programme. It was designed to give Māori the opportunity to access finance to build on multiple-owned Māori land. In late 2012 the Government extended the eligibility criteria for Kāinga Whenua, included making loans available to Māori Trusts, increasing income caps for individual borrowers (later removed altogether), and allowing current and previous home-owners to apply. The changes took effect on 1 December 2012 for individuals and on 1 June 2013 for trusts.
Mechanism	With a Kāinga Whenua loan, Kiwibank can lend 100 percent of house building costs or the purchase price of a house on multiple-owned Māori land, up to \$200,000. Housing New Zealand provides mortgage insurance to Kiwibank so it can make Kāinga Whenua loans. This is set at 2.2 percent of the loan value, of which 1 percent is paid by the borrower and 1.2 percent by Housing New Zealand.
Results	Demand for Kāinga Whenua has been relatively modest. As at 30 November 2016 16 Kāinga Whenua loans had been settled and a further 39 had been pre-approved, 18 of which have now expired.
Funding	Kāinga Whenua is funded through the Welcome Home Loan appropriation.

KiwiSaver HomeStart Grant

- Initiative** The KiwiSaver home ownership features assist first-home buyers with the deposit on their first home.
- Background** KiwiSaver is primarily a retirement savings initiative, but also has two features to help its members buy a home or land to build a house on: the KiwiSaver HomeStart grant, which replaced the first-home deposit subsidy from 1 April 2015 and the KiwiSaver first-home withdrawal. Both KiwiSaver features can be used together.
- Housing New Zealand administers the HomeStart grant, while individual KiwiSaver providers administer the first home withdrawal.
- Mechanism** The HomeStart grant is a tax-free grant available after three years of contributing to KiwiSaver. The grant is \$1,000 for each year of contributions, up to a maximum of \$5,000, when buying an older/existing property. If the member is buying a new property, property off the plans or land on which they will build a new home, then the grant is calculated at \$2,000 for each year of contributions. This means that for new property, the member can get a grant of \$6,000, \$8,000 or \$10,000. Two or more KiwiSaver members can combine their grants to put toward buying a house together. A maximum of \$10,000 worth of grants can be awarded for the purchase of an older/existing dwelling or a maximum of \$20,000 for the purchase of a brand new single dwelling, regardless of the number of eligible purchasers buying the property.
- The savings withdrawal allows KiwiSaver members, after three years of membership, to withdraw all the contributions, including Government contributions, (\$1,000 must remain in the savings) to put toward buying a home.
- The eligibility criteria for the grant and the savings withdrawal are regularly reviewed to ensure they reflect market conditions. The same income and house price caps that are used for Welcome Home loans are also used for HomeStart eligibility and came into effect on 1 August 2016.
- Results** In 2013/14, 5,862 KiwiSaver members received the deposit subsidy. Due to the criteria change and the move to the HomeStart grant in April 2015, 7,513 members received grants and subsidies in 2014/15. In 2015/16 the number of grant payments increased to 14,110 by year end. At the end of November 2016, 6,422 grants had been paid out.
- Funding** The following table sets out the appropriated funding for the KiwiSaver first-home deposit subsidy for 2013/14, 2014/15, 2015/16 and 2016/17.

Appropriation (\$m)	2013/14	2014/15	2015/16	2016/17
Grants	22.269	26.351	78.268	85.863
Administration	1.416	1.594	2.614	2.544
Capital injection	0.027	0.027	0	0
Total	23.712	27.972	80.882	88.407

