Kāinga Ora
Homes and Communities

Te Pūrongo ā-Tau | Annual Report | 2020 – 2021

DELIVERING TO OUR CUSTOMERS
ACHIEVING OUR OUTCOMES
OUR PERFORMANCE
FINANCIAL STATEMENTS

Nine family homes for transitional housing at Maraenui, Napier will enable public housing customers to move out of motels and insecure living situations and into a warm, dry, safe place to stay and transition into a more permanent place to live.

Location: Maraenui, Napier

Nau Mai Haere Mai Welcome

Ngā kai o roto

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Kupu Whakataki Foreword

Image: Andrew McKenzie, Chief Executive (left) and Vui Mark Gosche, Board Chair (right)

Tēnā koutou

Tēnei mātou te tāpae atu nei i te Pūrongo ā-Tau mō 2020/21 ki mua i a koutou. Ka nui tō mātou hari ki te hora atu i ngā kōrero hou mō ngā mahi kua kawea e mātou i ngā rāngai hora whare, pāpori, whanaketanga tāone, hapori hoki hei whakapiki i te toiora o ngā tāngata o Aotearoa. Tērā tonu ngā taumahatanga i kawea i te tau ka mahue ake nei mō ēnei rāngai, i roto i te whawhai o Aotearoa ki te pānga o te mate urutā o Covid-19. Kua tino piki te matatini me te rahi o ā mātou mahi, i runga anō i te whakapikinga ake o ngā mahi a te Kāwanatanga me te huhua o ana kōkiri.

Nō te whakatūranga o Kāinga Ora i te 1 o Oketopa 2019, i horaina ki a ia te huhua rawa o ngā putanga, arā, ngā hua mahi, tae atu ki:

- te hora i tēnei mea te whare mahana, te whare maroke, te whare haumaru hoki mō te hunga e tino hiahia ana ki tēnei mea te whare
- te tautoko i ngā kāinga kia pai tō rātou noho te noho hei kōtui me ngāi Māori kia tutuki i a rātou ō rātou moemoeā whāinga whare
- te whakapiki hohoro i te maha o ngā whare e wātea ana
- te hora i ētahi ara hoko whare tuatahi ka taea te utu e te tangata, mō te hunga o Aotearoa.

Ka nui ā mātou mahi i roto i te tau ka mahue ake nei ki te whakatutuki i aua putanga, te whakapiki o ngā whare i a tātou, i ngā tāngata o Aotearoa, te whakapiki i te tū o ō tātou whare, te whakakaha ake i tā mātou whakamahinga whenua, te ahu whakamua i roto i tō mātou hōtaka ratonga kiritaki, me te tuitui hononga pakari ki te iwi Māori me ngā kaihautū hapori. Kua haere whakamua hoki ō mātou haepapa ki te tautoko i te kāwanatanga ā-rohe, me te hunga pupuru whenua, hei whakawātea whenua mō te whanaketanga, hei whakahaere hoki i ngā kaupapa kāwanatanga e tautokona ai te huhua atu o ngā tāngata o Aotearoa kia hoko whare tuatahi mō rātou.

E mahi ana mātou i tētahi ao tāpokopoko, e pūhia ana e te hau, he hūkerikeri hoki te hau

Kāore he mutunga o te hiahia o Aotearoa mō tēnei mea te whare noho, ā, he uaua mō mātou, te hunga whakapau kaha kia maha ake ngā whare, ngā mokowā noho hoki mō Aotearoa. Kua tino piki te hiahia me ngā utu mō tēnei mea whare i te tau ka hipa ake nei, nā konei kua piki te pēhanga ki te mākete whare, ki ngā kāinga me ngā hapori maha.

Welcome

Welcome to the 2020/21 Annual Report. We are pleased to provide you with an update on the work we have been doing in the housing, social, urban development and community sectors to improve the wellbeing of New Zealanders throughout Aotearoa. The last year has presented significant challenges for these sectors as New Zealand has worked to cope with and mitigate the impact of the Covid-19 pandemic. The complexity and volume of work we are involved in have increased as the government has increased its level of investment and range of interventions.

When Kāinga Ora was established on 1 October 2019 it was tasked with contributing to a very broad range of outcomes, including:

- providing warm, dry, safe homes for those most in need
- supporting those households to live well
- partnering with Māori so they can meet their housing aspirations
- increasing housing supply rapidly
- providing affordable first home ownership options for New Zealanders.

We have been working hard over the last year to deliver on those outcomes, increasing the number of homes we own, improving the condition of our homes, intensifying our use of land, taking the next steps in our customer service programme, and building close relationships with Māori and community leaders. We have also continued to grow our roles in supporting local government and land owners to enable land for development, and in administering government home ownership schemes that will support more New Zealanders into first home ownership.

We are working in a very dynamic and challenging environment

The demand for housing in New Zealand continues unabated and it is challenging all of us who are working hard to provide more places and spaces for New Zealanders to live. Housing demand and costs have risen significantly in the last year, putting significant pressure on the housing market, households and many communities.

A number of elements have been under pressure, including the availability of land, council budgets for additional infrastructure provision, labour supply, and material supply chains. Record levels of construction activity across New Zealand and intermittent community lockdowns have further

Tērā anō ngā wehenga o te ao whare kua tāmia i raro i ēnei pēhanga nui, ko te wātea mai o te whenua tōtika tērā, ko te kore wātea o ngā kaimahi tērā, ko ngā puna tuku rawa mai hei hanga whare tērā. Nā te tini noa o ngā mahi hanga whare puta noa i Aotearoa, me ngā katinga hapori nā te mate urutā, kua uaua kē atu te hora whare i roto i te rāngai. Nā konei kua piki anō ngā utu whakawhanake tāone, kua piki hoki te utu toharite mō te whare mā te 28 ōrau i te tau ka hipa ake nei *, i raru ai te hoko whare mō te tini o te tangata.

I roto anō i aua marama, kua piki ake te tokomaha o ngā tāngata o Aotearoa e hiahia ana ki te tautoko a te kāwanatanga kia tutuki ō rātou utu whare. Kua eke ngā kāinga noho i te rēhita whare tūmatanui ki te 24,000 ināianei, 32 ōrau te pikinga ake** i tō mua tau. Hei whakaturuki tēnei i te whakaaro kei te whakaraerae ētahi whānau - ki te kore he whare tōtika, e kore ngā hapori whakaraerae e noho pai, e kore hoki e ora. Ka tino pāngia te hunga Māori, te hunga hoki nō te Moana-nui-a-Kiwa, nā te mea ko rātou kei roto i ngā whare uaua. Ko te āhei kia noho i tētahi whare mahana tētahi o ngā tino take pāpori uaua kei mua i Aotearoa i tēnei wā.

Kua haumi nui tātou ki tētahi pūnaha kua tukoki. Ki te kore tētahi mea e rerekē, e kore te mākete e kaha ki te whakaputa i ngā whare me ngā hangaroto e tika ana mō ngā reanga kei te piki ake. He mea taketake ngā hiahia whare o nāianei, inā hoki, kua tata kati katoa ngā ara hanga whare hou, hoko whare mō te tangata, nā te nui o ngā taumata mahi i te rāngai waihanga whare i ēnei rā.

Kua tau te taumahatanga o te kore whare ki te iwi Māori me ngā whānau. Rima tekau ōrau o te hunga i te rēhita whare** he Māori (>12,000), he pikinga ake tēnei o te 3,100 tāngata, neke

complicated delivery within the sector. This has placed more pressure on urban development costs, with the average house price increasing over 28 percent last year*, making homes increasingly unaffordable for many people.

At the same time, the number of New Zealanders requiring government support to enable them to meet their housing costs continues to climb. The public housing register now has over 24,000 households on it, an increase of 32 percent** on the previous year. This highlights the vulnerability of some households – without good housing, vulnerable communities are less able to live a quality life. Māori and Pacific people are particularly affected as they are more likely to live in insecure housing. The ability to access a warm house to live well is one of the most significant social issues facing New Zealand at present.

We have been investing in a system that is struggling. If nothing changes, the market will fail to produce the housing and infrastructure necessary to accommodate our future generations. Current housing needs are critical, with new build and buy-in methods operating close to capacity, largely due to the significant levels of activity across the construction sector recently.

The housing shortage is taking a toll on Māori and whānau. Fifty percent of those on the housing register** are Māori (>12,000), which is an increase of more than 3,100 people on last year. We know from our cross-government partners that the need for public housing affects the livelihood of many Māori looking for stability and has a significant impact on their personal outcomes.

* https://www.blog.reinz.co.nz/blog/june-2021-statistics

** https://www.hud.govt.nz/assets/News-and-Resources/Statistics-and-Research/Public-housing-reports/Quarterly-reports/Public-housing-quarterly-report-June-2021.pdf

atu, i tērā tau. E mōhio ana mātou, nā te whakarongo ki ō mātou hoa kōtui i ētahi atu wehenga kāwanatanga, ka pā te hiahia whare ki te kaha o ngāi Māori me ā rātou mahi oranga, i a rātou e kimi nei i tētahi kāinga noho mō rātou, ā, ka tino pā hoki tēnei ki te pai o tō rātou noho i te ao nei.

Te urupare whānui

I te tau 2019 ka whakatūria a Kāinga Ora e te Kāwanatanga, nā ētahi ture e rua, arā, te Kāinga Ora–Homes and Communities Act 2019 me te Ture Whanaketanga Tāone 2020, i tākina atu ai ētahi haepapa whakahaere, i tukuna ai hoki tētahi mana tāpiri. He whānui kē atu ngā hua e tūmanakotia ana mō Kāinga Ora i ērā o ō mua hinonga, arā, e ono ngā wāhanga hua e kimihia ana: ngā kiritaki whare tūmatanui, ngā putanga mō ngāi Māori, te wātea o te whare ki te tangata, ngā hapori, te toiora taiao me te whakaumu pūnaha.

Kua tino whakapikia te whāngai tahua i roto i ngā tau e whā ka hipa ake nei. I te Tahua 2018 i horaina mai ētahi atu wāhi whare tumatanui tāpiri 6,400 (i roto i te whā tau tae atu ki 2022), ā, mā Kāinga Ora e hora tētahi 70 ōrau o tērā. I whakaaetia he pūtea i Tahua 2020 mō ētahi atu wāhi 6,000 (i te tau 2023 me 2024), me ētahi whare taurewa 3,000 (2020-2022), ā, mā Kāinga Ora e hora tētahi 70 ōrau o ia kaupapa.

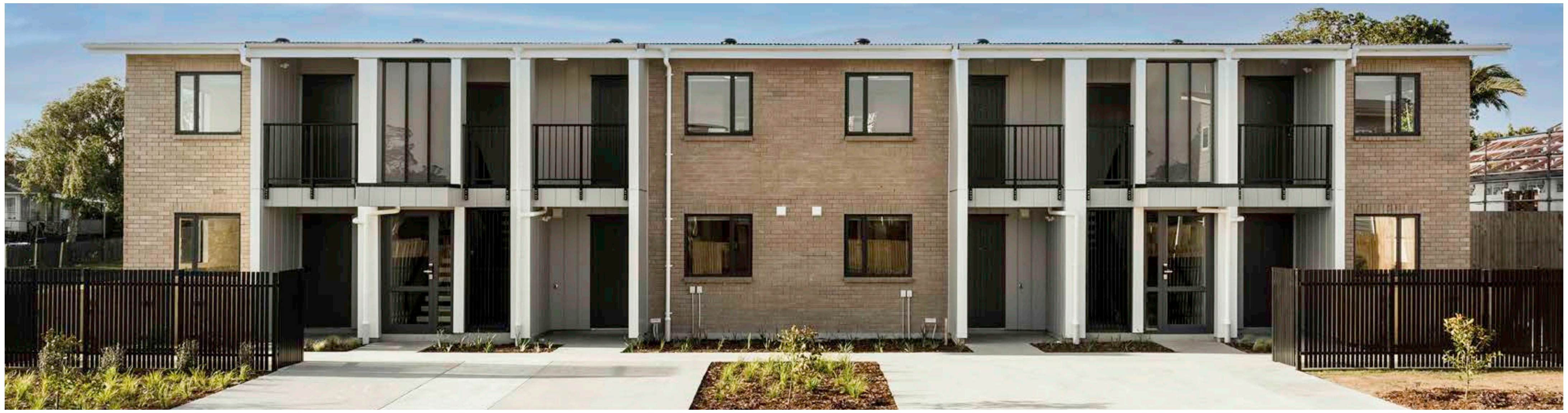
I Tahua 2021 i tino whakapikia e te Kāwanatanga te taumata o ngā pūtea me te whānui o ngā kaupapa e whakamahia nei e ia hei tautoko i te wātea mai o te whare me te hoko whare a te iwi. I whiwhi te whanaketanga whenua i tētahi $3.8 piriona, me tētahi $46 miriona moni whakahaere (mō te huamoni me ngā utunga tāpiri) hei tautoko i a Kāinga Ora kia hoko whenua, kia tīmata wawe hoki te hanga whare. I whiwhi te mahi a Kāinga Ora

Broad response

The Government established Kāinga Ora in 2019, with two pieces of legislation, the Kāinga Ora–Homes and Communities Act 2019 and the Urban Development Act 2020, setting out organisational responsibilities and providing some additional powers. The outcomes sought from Kāinga Ora are much broader than those of its predecessor organisations, with six outcome areas to deliver across: public housing customers, outcomes for Māori, housing access, communities, environmental wellbeing and system transformation.

Funding for these areas has increased significantly over the past four years. In Budget 2018 funding was provided for an additional 6,400 public housing places (over four years to 2022), with Kāinga Ora to deliver 70 percent of that. Funding was agreed in Budget 2020 for 6,000 more places (in 2023 and 2024) and 3,000 transitional houses (2020-2022), with Kāinga Ora to deliver around 70 percent of each programme.

In Budget 2021 the Government significantly increased the level of funding and range of programmes it is using to support housing supply and ownership. Land development received $3.8 billion of infrastructure funding, and $46 million per year of operational funding (for interest and associated costs), supporting Kāinga Ora to buy land and get house construction underway quickly. The Kāinga Ora work in urban development planning, Māori partnerships, environmental mitigations and supporting home ownership received $70 million in annual funding. Progressive Home Ownership programmes will commence early in the 2021/22 financial year.



14,000

of our homes meet the Healthy Homes Standards

Location: Pallant Street, Manurewa, Auckland

mō te whakamahere whanaketanga tāone, ngā pātuitanga ki te Māori, ngā wawaonga mō te taiao me te tautoko hokonga whare a te tangata i tētahi $70 miriona i ia tau. Ka tīmata ētahi kaupapa Hokonga Whare Wā Roa i ngā marama tuatahi o te tau pūtea 2021/22.

Ō mātou panonitanga

He whakahaere pūhou tonu mātou, ina whakaritea ki ētahi atu, arā, kua eke ki te 21 marama te pakeke, me te aha, e āta tārei mārire ana mātou i tō mātou āhua, i ā mātou whakaritenga mahi kia tika ai te haumi ki roto i ō mātou haepapa, me te nui o ngā mahi e kawea nei e mātou. Nā tēnei hiahia, kia tika te whakahāngai ki te rāngai nui, ki ā mātou kiritaki, ki te hunga pupuru pānga ki tēnei tari, me te horopaki tāpokopoko o waho, kua anga kē anō mātou ki te āhua o ā mātou tikanga mahi, arā, kua nekehia kētia atu ō mātou rōpū hautū, whakamahere hoki ki ngā hapori, kua whakarahia te tira kaimahi, ā mātou hātepe, ratonga hoki. Kua tino kaha kē atu tā mātou whai wāhi ki ngā mahi hautū pūnaha tāone, waihanga hoki.

Our changes

As a relatively young organisation, now just over 21 months old, we have been working to establish a new shape and ways of working that fit with our responsibilities and the volume of work we are being asked to deliver. Aligning with the sector, our customers, our stakeholders and the changing external environment has required us to rethink how we operate, basing our leadership and planning within communities, scaling up our people, processes and services, and participating much more actively in urban and construction system leadership.

Every day we see households using their home as a foundation to improve their personal wellbeing and contribute to our communities. Some people require more support than just a home, as they are challenged by health and life issues that require special attention. The Kāinga Ora Customer Programme is based on approaching those households without judgement and supporting them to work through their challenges with security and dignity.

Ia rā, ia rā, ka kitea e mātou ngā kāinga whakamahi i tō rātou whare hei tūāpapa whakapiki i tō rātou toiora, hei āwhina hoki i ō tātou hapori. Me whānui kē atu te tautoko i te whare anake mō ētahi tāngata, i te mea kei te pokea rātou e ngā raruraru hauora, raruraru kē atu rānei, e tika ana kia āta arongia atu. He mea pou te hōtaka kiritaki o Kāinga Ora ki roto i ngā mahi whakatata atu ki aua kāinga, kāore he tirotiro, kāore he whiriwhiri, kia āta mahi tahi me rātou kia whakatikangia ō rātou raruraru, i runga i te haumaru, me te tū rangatira mō rātou.

E ū ana mātou ki te whakahekenga o te korenga e ōrite mō te Māori. Hei arataki tō mātou Rautaki Māori i a mātou kia mārama kē atu ki ngā moemoeā o ngāi Māori, kia tutuki hoki ō mātou herenga. I te tau ka hipa ake nei, i whakatūria e mātou tō mātou tira Māori, Te Kurutao, kia tika ai te whakawhanaunga atu ki ngā iwi me ngā whakahaere Māori. Nā rātou i poipoi te kōtui ki te iwi Māori, e tutuki ai ō rātou moemoeā mō te whanaketanga taone, e whiwhi painga ai hoki pēnei i ngā whāinga wāhi ki te mahi i roto i tō mātou whakahaere.

We are committed to reducing the disparity for Māori in housing. Our Māori Strategy guides us to better understand Māori aspirations and helps us to fulfil our obligations. Last year, to provide for meaningful engagement with iwi and Māori organisations, we established our Māori team, Te Kurutao. They have helped to grow our partnership with Māori so they can realise their ambitions in urban development and obtain greater benefits such as employment opportunities within our own organisation.

We are making good progress on implementing our Accessibility Policy. We have put in place the systems and processes to report on our accessibility target of at least 15 percent of public housing new builds this coming year. We know that we cannot do this work on our own so will continue to work with other government agencies, such as the Ministry of Health and ACC, and to engage with accessibility organisations to inform our work and improve better outcomes for our customers and wider New Zealand.

E tika ana tō mātou ahunga whakamua ki te whakatinana i te Kaupapa Here Whakatapoko. Kua whakaurungia e mātou ngā pūnaha me ngā hātepe hei whakapūrongo i tō mātou ūnga wāteanga, kia eke te 15 ōrau o ngā hangahou whare tūmatanui hou he whare wātea, i tēnei tau. E mōhio ana mātou e kore e taea e mātou anake ēnei mahi, nā reira ka mahi tahi me ētahi atu hinonga kāwanatanga, pēnei i te Manatū Hauora me Te Kāporeihana Āwhina Hunga Whara, kia piki ai te tūhono ki ngā whakahaere wāteatanga, e pai ake ai te āhua o ā mātou mahi me ngā hua mō ā mātou kiritaki.

Ahakoa he whakahaere hou tonu mātou, he tawhito kē ētahi o ō mātou rawa, he tika kia nui ngā pūtea ka whāngaia ki roto i ngā whakatikanga, e noho mahana ai, e noho tōtika ai ngā whare. Nā te tawhito me te kounga o ngā whare, he tika kia whakahoungia ētahi whare āhua 50,000 o tō mātou kāpuinga whare 68,000 i roto i ngā tau 15 e tū mai nei – ko ētahi me whakahou katoa te whare o nāianei, me hanga whare hou mārika rānei i tōna tekihana. Mehemea ka taea te whakamātotoru i te tūnga whare, ka anga mātou ki te turaki, ki te whakahou hoki, mā te whakatū whare nui kē atu, wawaenga te tokomaha, tino tokomaha kē atu rānei te hunga noho i roto.

He rautaki mārama tonu tō mātou kia horaina ētahi atu whare – tīmata i ngā whare takitahi, ki ngā poraka paparanga maha me ngā kāinga whānau, tae atu ki ētahi hapori hou, rāhui hou e hangaia ana e mātou hei hanga wāhi noho hapori toitū. Kua whakapakaritia te pūnaha, te tira kaimahi hoki e mātou, me tōna raukaha, kia āhei te whakawhānui hohoro, te āki i te auaha, me te kakama o te rāngai hanga whare, te whakakorikori hoki i te āhei o te rāngai kia pai ake ai ngā mahi, kia nui atu ngā hua, kia hohoro kē atu hoki.

While we are a relatively new organisation, our asset base is old and requires significant investment to meet modern thermal standards and living arrangements. The age and quality of build means that in the next 15 years we need to renew around 50,000 of our portfolio of over 68,000 homes – through either a significant renovation (retrofit) or replacement with a new home. Where greater density is possible, we look to demolish and replace with new medium, or high-density developments.

We have a clear strategy to deliver more housing – from single units, multi-story blocks and family dwellings to the new communities and parks we are creating for sustainable community living. We have been building our system and people capability and capacity so we can scale up at pace, drive innovation and efficiencies in the construction sector, and challenge the sector's ability to do better and deliver more, faster than ever before.

Our results

We have achieved strong results for our public housing customers in a short amount of time. Eighty-one percent are satisfied with their Kāinga Ora home and 85 percent of customers feel their tenancy manager treats them with respect. We are developing our customer service delivery with a revitalised community place-based approach to ensure our customers receive more than just a roof over their head.

Last year Kāinga Ora delivered more than 2,400 newly built public and supported homes, and we continue to increase the number of new builds and replace our stock that is at the end of its useful life.

We are also making more of our older homes warmer, drier and healthier by retrofitting 271 houses and upgrading 14,000 (21 percent) of our homes to meet the Healthy Homes

Ngā hua o ā mātou mahi

He maha ngā hua o ā mātou mahi mō ā mātou kiritaki whare tūmatanui i roto i te wā poto. Waru tekau mā tahi ōrau o rātou e hari ana mō tō rātou whare Kāinga Ora, ā, 85 ōrau e mea ana, he pai te whakarangatira o tō rātou kaiwhakahaere rēti whare i a rātou. E whakawhanake ana mātou i ētahi tikanga whakarato kiritaki i runga anō i tētahi aronga āwhina kiritaki i tōna wāhi anō, kia nui kē atu te āwhina i te whakarato whare anake mō rātou.

I tērā tau, i horaina e Kāinga Ora 2,400 ngā whare tūmatanui, whare i tautokona rānei, ā, e hanga tonu ana i te huhua o ngā whare hou, hei whakakapi i ngā whare kua tū ā-kanukanu.

E whakatikatika ana anō hoki mātou i ētahi atu o ō mātou whare tawhito kia mahana kē atu, kia maroke kē atu, kia hauora kē atu mā te whakatikatika whakamuri i ētahi whare 271, me te whakahou i te 14,000 (21 ōrau) o ō mātou whare kia eke ki te Paerewa Kāinga Hauora. E ū ana mātou ki te whakapiki i ngā whare o nāianei, kia eke ngā paerewa kounga, ngā paerewa o ēnei rā, mō ō mātou whare katoa. Mā tō mātou hōtaka whakahou whare 10-tau te roa, e hora ētahi whare whai whakatauranga Homestar 6, ka tutuki ngā Paerewa Kāinga Hauora i aua whare, ā, kei runga noa atu i te paerewa mākete mō te Homestar of 4.5.

Kua tohua e tō mātou hōtaka whakapakari tāone mō te hōtaka 15-20 tau te roa ētahi ara e hangaia ai ētahi whare 40,000, neke atu, hei whakaea i ngā hiahia nui o ngā rohe. I tērā tau kua oti ētahi hanganga metarahi i ētahi wāhi rarahi 100 neke atu, mō ō mātou hoa whanaketanga kōtui, e taea ai te hanga i ētahi whare tūmatanui mākete 2,000, neke atu, he ngāwari te utu. Nā te hōtaka waihanga whakawhanake hoki o Kāinga Ora i āhei ai ētahi pia 119 hou i roto i te piatanga waihanga

Standards. We have committed to upgrading existing housing stock to bring quality and modern standards to all of our homes. Our 10-year renovation programme will deliver houses that have a 6 Homestar rating and meet the Healthy Homes Standards, well above the market standard of a 4.5 Homestar rating.

Our urban development programme has been paving the way for our 15-20 year build programme to enable more than 40,000 homes to be built to meet significant regional demand. Last year we completed civil construction works on more than 100 superlots for our development partners that will enable more than 2,000 public, affordable and market homes to be built. The Kāinga Ora construction and development programme enabled 119 new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme to work on our build and development projects last year.

The year ahead will see an unprecedented amount of investment in construction, together with $3.9 billion for core infrastructure and land development, which will create jobs and opportunities for more people. We finance most of this capital programme through our Wellbeing Bond Programme, which raised $1.7 billion in 2020/21.

As a first in New Zealand, we have committed to reducing waste on Auckland demolition sites by 80 percent and will be unveiling more environment-enhancing initiatives. We have made a great start but there is so much to do. 'Whanake – Be bold' is a key value that guides us to make bold decisions that will have a real impact on our customers and the market.

We are committed to enabling more New Zealanders to step onto the home ownership ladder through $2.3 billion worth of financial products. Last year more than 10,600 o Kāinga Ora kia mahi i roto i ā mātou kaupapa waihanga, whanaketanga hoki i tērā tau.

Hei te tau e tū mai nei ka kitea te huhua noa o ngā haumitanga mō te hanganga, waihoki, ka horaina tōna $3.9 piriona mō ngā hangaroto taketake me te whanaketanga whenua, e kitea ai he tūranga mahi, he whāinga wāhi mō te tangata. Ka whāngaia he moni ki tēnei kaupapa hoko rawa mā tō mātou Hōtaka Hea Moni Toiora (Wellbeing Bond Programme), i ara ake ai tētahi $1.7 piriona i te tau 2020/21.

Kua whakaūria e mātou te whāinga kia whakahekea ngā parahanga ka puta i ō tātou wāhi turaki whare i Tāmakimakaurau mā te 80 ōrau, kātahi anō ka pēnei i Aotearoa katoa, ā, meāke ka huraina anō ētahi atu kōkiri. Kua tīmata mātou, engari arā anō ngā mahi hei whakaoti. Ko tā mātou pepeha ko 'Whanake – Be bold', he kīanga ka noho hei whakaaro matua, e kaha ai ā mātou whakatau ki te kōkiri i te kaupapa, e piki ai ngā painga mō ā mātou kiritaki me te mākete nui tonu.

E ū ana mātou ki te āwhina i ngā tāngata katoa o Aotearoa kia piki ki runga i te arawhata pupuru whare mō rātou, mā te $2.3 piriona hua ahumoni. I tērā tau, neke atu te 10,600 ngā whare i hokona e ngā tāngata oAotearoa, ki tētahi, neke atu rānei o ō mātou hua pupuru whare, ā, i aromatawaitia tōna 42,000 tahua First Home mō te āheinga kia whiwhi. Mā konei ka kitea e hora ana mātou i ētahi ara tōtika mō ngā tāngata o Aotearoa, me ētahi ara whai hua ki roto i ngā mahi hoko whare, me te whakaahua i te whakahaere pakari o ngā hōtaka nā te Karauna i ārahi.

Hei wāhi o te hora i te putanga whakaumu pūnaha, e mahi ana mātou me ō mātou hoa waihanga hei whakapiki i te whāinga hua i roto i ā mātou hanganga. Tētahi o ngā tino kōkiri ko te whakatū i a Consentium, tō mātou Mana Whakaputa Whakaaetanga Hanganga

homes were purchased by New Zealanders with one or more of our home ownership products and close to 42,000 new First Home Grants were assessed for eligibility. It shows that we are providing many New Zealanders with viable pathways into home ownership and demonstrating solid administration of Crown-led programmes.

As part of delivering on our system and transformation outcome, we are working with build partners to increase productivity in our construction activity. One key initiative has been the establishment of Consentium, our new accredited and registered Building Consent Authority (BCA), which can consent Kāinga Ora-retained public, transitional and supported housing in any region in New Zealand. This function provides a cost-effective and efficient building consenting function that ensures our homes meet the requirements of the Building Act, while also operating to the tempo of our construction processes.

We recognise that the large task to build houses quickly to tackle the ever-growing demand is challenging all of us working across the system. It's important that deep, enduring relationships are at the centre of our business, as these are core to housing success. Our people, our partners, and our ability to deliver to our customers and all New Zealanders over the long term are our priority.

Kāinga Ora is committed to supporting and supplying more homes for more New Zealanders. Through our financial products and services, and investment in urban development, we will be able to support a growing number of home buyers who may require government assistance.

rēhita, arā, Building Consent Authority (BCA), e āhei ai te whakaae i ngā whare tūmatanui, whakawhiti, tautoko rānei, ka noho tonu i roto i ngā ringa o Kāinga Ora, i ngā wāhi katoa o Aotearoa. Nā tēnei mahi i hora tētahi āheinga ngāwari te utu, kakama hoki mō te whakamana hanganga whare, e tutuki ai ngā ritenga o te Ture Waihanga i ō mātou whare, me te mahi kakama kia hāngai ki te hohoro o ā mātou mahi waihanga.

E whakaae ana mātou he mahi tino nui te hanga hohoro i tēnei mea te whare hei whakaea i ngā tini hiahia, he uaua kia mātou e mahi ana puta noa i te pūnaha. He mea hira kia hōhonu, kia mauroa hoki ngā hononga i waenga pū o ō mātou mahi, hei pou matua ēnei mō te painga whare. Ko te whāinga matua ko ō mātou tāngata, ō mātou hoa kōtui, me tō mātou āhei kia hora tikanga mō ō mātou kiritaki me ngā tāngata katoa o Aotearoa mō te wā roa.

E ū ana a Kāinga Ora ki te tautoko me te hora i te huhua o ngā whare mō ngā tāngata o Aotearoa. Mā ō mātou hua me ō mātou ratonga, me te haumitanga ki te whanaketanga tāone, ka taea e mātou te tautoko te tini, e tupu haere nei te tokomaha e rapu whare ana, me te hiahia ki ētahi āwhina kāwanatanga mō rātou.

E hari ana mātou mō ngā mahi katoa o tērā tau, me te titiro whakamua ki ngā mahi auaha i roto i mahi hanga whare, hanga hapori toitū hoki mō ngā tāngata o Aotearoa hei te tau e tū mai nei.

Ka kite anō

Vui Mark Gosche
Heamana

Andrew McKenzie
Tāhuhu Rangapū

We are proud of everything we have achieved last year and look forward to delivering further innovation and housing, homes and sustainable communities for all New Zealanders in the year to come.

Ka kite anō

Vui Mark Gosche
Chairperson

Andrew McKenzie
Chief Executive

Mō Kāinga Ora About Kāinga Ora

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

Kāinga Ora brings together the people, capabilities and resources of Housing New Zealand Corporation, HLC (Hobsonville Land Company, a subsidiary of Housing New Zealand Corporation) and the KiwiBuild Unit. As the government's lead developer in urban development, we are responsible for planning, coordinating and undertaking large and small housing developments, to create a diverse mix of public, affordable and market housing. We also manage the public housing estate and are responsible for housing tenancies.

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

Overview of government housing agencies and roles

Policy + regulation | **Urban development including infrastructure** | **Building + construction sector**

PRIVATE HOME OWNERSHIP

Support for home ownership

- Ministry of Housing and Urban Development (Progressive Home Ownership Scheme)
- Kāinga Ora (home loans and grants)
- KiwiBuild

RENTAL HOUSING

- Ministry of Business, Innovation and Employment (regulation of rental system and tenancy services)
- Ministry of Social Development (provides accommodation supplements and various housing support products)
- Ministry of Housing and Urban Development and Kāinga Ora (Sustainable Tenancies Programme)

EMERGENCY HOUSING

- Ministry of Social Development
  - Assesses the need for emergency assistance
  - Pays emergency housing special needs grants
- Ministry of Housing and Urban Development and Ministry of Social Development
  - Contract transitional housing places
- Ministry of Housing and Urban Development
  - Oversees Homelessness Action Plan

PUBLIC HOUSING

- Ministry of Housing and Urban Development
  - Planning for demand and public housing purchasing
- Ministry of Social Development
  - Housing needs assessment and administration of public housing register
- Provision of public housing places:
  - Kāinga Ora
  - Local government public housing providers
  - Community housing providers, and iwi/hapū

Kāinga Ora – Homes and Communities

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

Kāinga Ora means 'wellbeing through places and communities'

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

Our role

Kāinga Ora has two key roles:

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

The Kāinga Ora–Homes and Communities Act 2019 sets out the operating principles Kāinga Ora needs to apply in the areas of:

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

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

Our vision

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

Building better, brighter homes, communities and lives.

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

Location: High and White, Rangiora – 2021
Te Kāhui Whaihanga New Zealand Institute of Architects Canterbury Awards

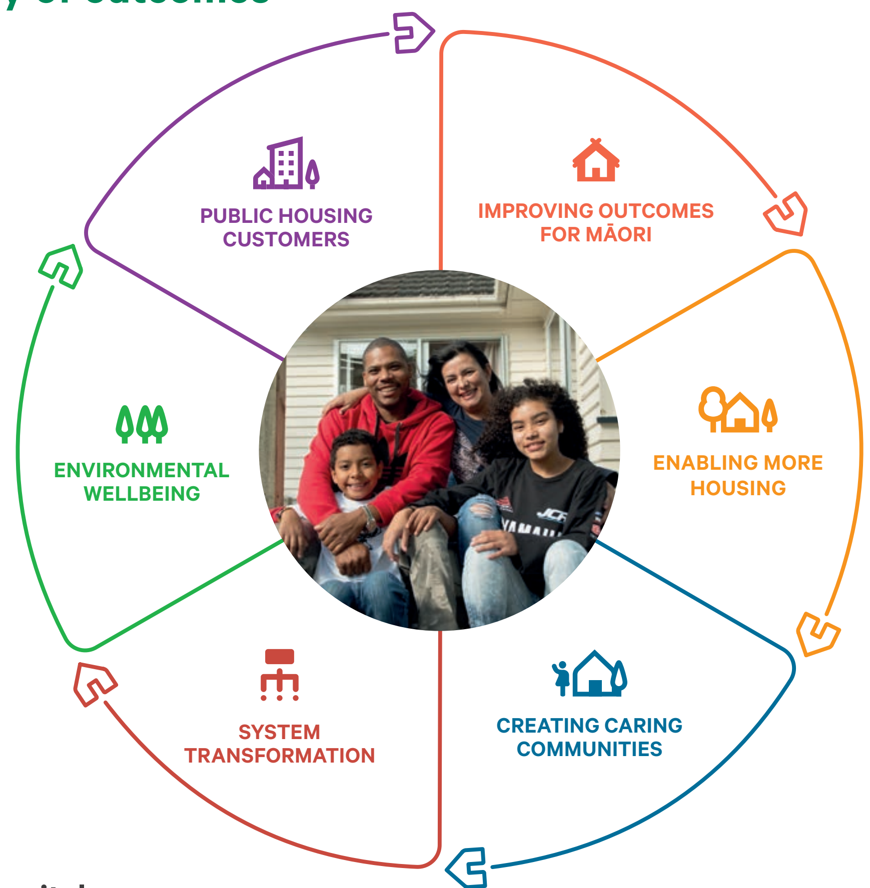
ABOUT KĀINGA ORA
DELIVERING FOR OUR CUSTOMERS
DELIVERING TO OUR CUSTOMERS
ACHIEVING OUR OUTCOMES
OUR PERFORMANCE
FINANCIAL STATEMENTS

Achieving our outcomes
Te whakatutuki i ō mātou putanga

Te whakatutuki i ō mātou putanga
Achieving our outcomes

Kāinga Ora is focused on delivering across our six outcome areas and committed to supplying more homes for more New Zealanders. As a young organisation, we are making good progress on delivering more warm, dry, healthy homes to live in.

Summary of outcomes



The Four Capitals

The Four Capitals – financial/physical, natural, human and social – are interlinked and constantly changing. Together, they all directly impact New Zealand's wellbeing.

PUBLIC HOUSING CUSTOMERS

Managing our houses

- **2,432** new homes built for public and supported living
- **1,915** net increase in public and supported homes
- **>450,000** maintenance jobs completed
- **3.9 hours** average response to urgent health and safety maintenance queries

Supporting our customers

- **81%** of customers satisfied with their Kāinga Ora home
- **85%** of customers felt treated with respect
- **82%** of customers satisfied with the service we provide
- **398** transitional housing places
- **26** beds for Corrections service providers

ENABLING MORE HOUSING

Land development

- **>34 hectares** of land completed
- **1,713 new homes** enabled
- **2,432** new public and supported houses built
- **1,915** net increase in public and supported housing

Home ownership

- **>10,000** homes purchased with our home ownership products
- **$81.6m** in funds granted for first home grants

CREATING CARING COMMUNITIES

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

IMPROVING OUTCOMES FOR MĀORI

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

SYSTEM TRANSFORMATION

- **Consentium** established, the Kāinga Ora Building Consent Authority
- **240 units** representing $65m of developments consented
- **$1.7b** of new Wellbeing Bonds issued
- **80% of demolition waste diverted from landfill** target set across our Auckland demolition pipeline

ENVIRONMENTAL WELLBEING

- **6 Homestar** rating set on all redevelopment
- **7%** national relocation target set for our site clearance activities
- **200 homes relocated** rather than being demolished and sent to landfill
- **65%** of our vehicle fleet now hybrid/EV

FINANCIAL CAPITAL

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

HUMAN CAPITAL

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

NATURAL CAPITAL

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

SOCIAL CAPITAL

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

OUTCOME 1

Ngā Kiritaki Whare Tūmatanui
Public Housing Customers

Providing warm, dry, healthy homes for our public housing customers.

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

What success will look like:

- Our public housing customers feel supported into suitable housing.
- They are able to sustain their tenancy and their wellbeing is improving.
- They feel safe and supported in their home and community.
- They are living in good quality, warm, dry and healthy homes.
- They are connected to their cultures and communities and participate in community life.
- Our customers are satisfied with our service.

We have made a good start

We achieved:

Managing our houses

2,432 new homes built for public and supported living

>450k maintenance jobs completed

3.9 hours average response to urgent health and safety maintenance queries

1,915 net increase in public and supported homes

83.8% of maintenance requests completed within the agreed service level targets[1]

1. Kāinga Ora has different service level targets for different priorities of maintenance requests. This measures the percentage of responsive repairs that meet the service level targets for completing Urgent Health and Safety work (12 hours), Urgent Responsive work (48 hours) and General repairs (10 working days).

We have contributed to the Four Capitals:

Financial Budget 2020 transitional housing supply

Human Community placed-based teams

Natural Providing warm, dry, healthy homes

Social Safe homes and communities

Supporting our customers

81% of customers satisfied with their Kāinga Ora home

85% of customers felt treated with respect

82% of customers satisfied with the service we provide

97.9% of public homes let (occupied days)

398 transitional housing places

26 beds for Corrections service providers

Kāinga Ora is committed to supporting public housing customers to successfully sustain their tenancies. We apply a customer-centred approach to tenancy management and assist our customers to access any support services they may need to sustain their tenancies, stay connected to their communities, and lead lives with dignity and the greatest degree of independence possible. We provide customers with access to warm, dry and safe homes and we are renewing our existing portfolio of homes to support this.

Location: Whites Line East, Lower Hutt, Wellington

In 2020/21 our public housing customer outcomes included:

Supporting our public housing customers

Our focus, first and foremost, is on our customers. Every day we work hard to contribute to the wellbeing of more than 186,000 people and whānau living in Kāinga Ora homes. We provide our customers with warm, dry and safe homes, but we also work with our customers to help them live well in our homes, with dignity and stability, in connected communities.

In the past year, we have introduced two significant sets of changes to our business to improve customer outcomes.

Firstly, we have reorganised our organisation around a place-based approach, which is outlined in more detail later in this report. These changes have brought together our functions dedicated to service delivery, customer and community engagement, and regional planning in 12 new regions. These regions provide a single point of contact for communities working with Kāinga Ora, across the breadth of its mandate, and a much stronger base from which to build community relationships and understanding.

Importantly, our new regions integrate decision making about our homes alongside decision making about the customers living in them and what Kāinga Ora will do with and for communities living around our customers.

Customer Programme

This year we finalised our Customer Programme, which introduces a new service delivery model, new resources, and a new way of working with customers in our homes.

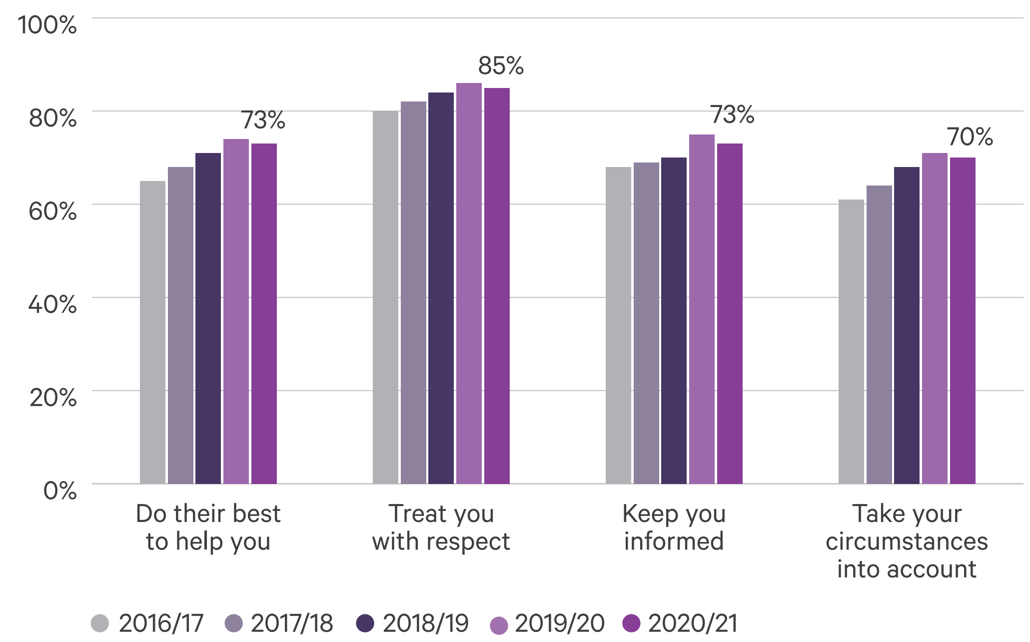
As the public housing portfolio grows, and the needs of customers seeking public housing grow in complexity, we need to grow the effectiveness of the support provided to them. The Customer Programme places the wellbeing of customers in homes at the heart of what we do, and recognises the links between housing and whole-of-life outcomes. It reshapes the roles of our tenancy managers to enable them to build much stronger relationships with our customers and draw on the broader services of government to address the specific needs of each customer.

The key elements of our new model include:

- introducing a wellbeing approach for our people and our customers
- getting to know our customers so we can adapt our response based on customer needs
- creating a positive customer experience to ensure customers feel they have a choice and control to make the best decisions for their whānau
- enabling a holistic and personalised service to address specific whānau housing and personal support needs and respond to the intensity of those
- providing a new structure that enables leadership, strengthens customer relationships and provides specialist support
- introducing new roles to deliver more for our customers and support new ways of working, placing customers at the heart of what we do.

Our Customer Programme has been informed by customers and our people. It will ensure that we have the right services to support customers at the right time, for the right duration to meet whānau needs. The programme is now being implemented.

The following shows our public housing customers' response to our service.



We must deliver more than a quality home for our customers to live in. Our services are paramount to their quality of life and satisfaction with our performance. Our goal is to deliver experiences that meet the needs of our customers and their whānau.

85%

Delivered quality tenancy services that ensured 85% of our customers felt their tenancy manager treated them with respect. Overall tenancy manager satisfaction was 75% for FYI 2020/21 vs 78% the previous year.

81%

of customers satisfied with their Kāinga Ora home

2020/21: **>80%**

82%

of customers were satisfied with our public housing services

2020/21: **>80%**

87%

of customers were satisfied with our customer support

2020/21: **>89%**

94%

ensure 94% of customers in need sustained their tenancy for 12 months or more

2019/20: **93%**

Refugee housing is resuming

Resettlement of refugees has resumed after Covid-19, with over 200 people resettled between February and June 2021. Although resettlement was on hold during lockdown, we still worked to source additional public housing to meet the refugee quota after lockdown.

Supported housing

Kāinga Ora leases or rents homes to a number of organisations who provide funded services for their customers. We define this as supported housing, and a key feature is that the coordination of housing and other support services is essential to the wellbeing of a person. The following sections provide more details on our activity this year and some of our plans for the coming year.

Community Group Housing

Last year we provided 1,525 Community Group Housing properties to ensure secure, sustainable housing solutions that meet the needs of organisations who deliver services to support:

- people who experience mental illness or psychiatric illness
- people who have physical and intellectual disabilities
- people who require residential alcohol and drug services
- women, men and children seeking refuge
- families (including those that need emergency housing)
- youth/children at risk
- prisoner reintegration.

With our partners, we support the provision of community housing and beds for those in need, to ensure customers have a safe, secure environment to live.

Responding to homelessness by contributing to increased transitional housing supply

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

Since 2016 we have provided properties to lease to service providers funded by the Ministry of Housing and Urban Development (HUD). During the past year, we worked on a cross-agency approach to deliver 1,000 transitional places by February 2021, with Kāinga Ora delivering 398 transitional housing places (within 404 units).

Budget 2020 additional transitional housing supply

Budget 2020 committed funding for 2,000 extra transitional housing places, with the expectation that Kāinga Ora will deliver 70-80 percent of these places by June 2022. We delivered more than 1,400 places to Budget 2020. Of this, 459 places had been completed to the Budget 2020 commitment, with 279 places being made available to accept referrals from the Ministry of Social Development (MSD).

Contributing supply for Corrections Housing and Support Services Programme

Work continues with the Department of Corrections to provide 150 transitional housing beds for people leaving prison, to provide suitable accommodation to help their reintegration to the community; otherwise they may go to, or remain in prison, as they have no suitable accommodation option. Corrections service providers support Corrections housing customers while they are reintegrating into the community. We delivered a further 26 beds (within eight units), increasing our total delivery to 73 beds (within 24 units) since the programme began in July 2018.

Accessibility Policy

Kāinga Ora is making good progress on implementing its Accessibility Policy in the three key areas of focus.

- **Increasing public housing that meets universal design standards:** We have put in place the systems and processes to be able to report on our accessibility target of 'at least' 15 percent of public housing new builds meeting full universal design. We also reviewed definitions of 'full universal design' and 'accessible design' and published a revised set of performance requirements and design standards.
- **Meeting the individual needs of customers:** As of June 2021 approximately 4,500 homes were modified to meet customers' needs. Kāinga Ora is continuing to survey its properties and work on its internal data systems to improve the information on its existing homes and their modification status. We have gathered further information from our Retrofit programme to inform our understanding of delivering universal design features into our existing homes. Kāinga Ora has also commenced a joint piece of work with the Ministry of Health and ACC on how to streamline and improve existing processes to ensure modifications occur more consistently, more equitably and in a timely manner.
- **Improving information about customers' needs and the accessibility of its properties:** Kāinga Ora uses Statistics New Zealand's Integrated Data Infrastructure (IDI) research database to get a better idea of our customers and families' disability needs and we are implementing our Customer Programme, which will provide a better understanding of the needs of different customer cohorts, including disabled customers. We also intend to develop a suite of disability responsiveness and awareness training modules for our employees.

A 'cultural sensitivities in design' review has been commissioned, which will specifically look at our new build standards and design requirements from a cultural perspective, namely Māori and Pasifika, to ensure that we understand any cultural considerations and/or impacts. This review will include considerations relating to the lived experiences of whānau/aiga with disabilities.

Kāinga Ora is committed to working with our accessibility stakeholders to keep them up to date with our activities and ensure good insight and understanding inform our work. Last year we held a second accessibility symposium with our stakeholders. It was conducted online and completed over two sessions, to manage Covid-19 restrictions. Our Accessibility Policy is scheduled for review in June 2022.

Managing our housing stock

Kāinga Ora manages a range of housing options in our portfolio including:

- Public housing – houses we own and manage
- Community Group Housing – houses we own, lease or rent to community-based groups
- Transitional housing – residential community housing.

This year we provided an additional 1,915 public and supported homes to our portfolio and we also continued to ensure our homes were warm, dry and safe for our customers to live in.

The table below shows our progress over the past year in managing our housing stock and achieving the objectives set out in the Kāinga Ora Statement of Intent.

	Public housing	Community Group Housing	Transitional housing	CHP lease portfolio	Total Kāinga Ora housing
Opening stock 1 July 2020	**63,811**	**1,530**	**912**	**0**	**66,253**
Additions	2,154	19	620	0	2,793
Disposals*	868	8	2	0	878
Transfers	-897	-17	12	902	0
Adjustments**	6	1	-6	0	1
Closing stock	**64,206**	**1,525**	**1,536**	**902**	**68,169**

* Disposals include sales, lease expiries and demolitions.

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

Location: Waterbank Crescent, Waterview, Auckland

Healthy Homes programme

Last year over 14,000 (21 percent) of the homes across our portfolio complied with the Healthy Homes Standards. The Healthy Homes programme continues to build momentum, with May and June being the largest delivery months to date, with approximately 1,200 homes each month completed by our maintenance partners.

Kāinga Ora has until 1 July 2023 to have all its homes meeting the Healthy Homes Standards. This deadline is a full year before all private rentals must meet the standards.

The Healthy Homes Programme continues to be the largest planned maintenance programme of its kind in New Zealand and delivering it in a post-Covid-19 environment has presented some unexpected challenges including:

- heightened customer anxiety about having multiple trades in their homes
- increased construction activity across the public and private sectors
- international and national supply chain challenges.

A range of activities are underway to meet the challenge of compliance across the balance of the portfolio by 2023 including:

- implementing a customer education programme to support awareness of the work, and buy-in to it, and to maximise benefits from the interventions provided
- increasing internal visibility and collaborating with our place-based teams and customer service centre to ensure customers are 'willing and repair ready'
- contracting thousands of trades people across the motu to deliver this massive work programme.

In addition to the Healthy Homes obligations, over half of the Kāinga Ora portfolio, of more than 37,000 homes, has already received various upgrades through the prior Warm and Dry programme, including triple-weave curtains, upgraded heating, extraction fans and range hoods, and the installation of new carpet or vinyl over bare floors.

Maintenance and repairs – Te mahi ngātahi

Our Te Mahi Ngātahi maintenance contract reached its first-year anniversary, along with the supporting National Supply Agreements.

Te Mahi Ngātahi recognises, in both name and spirit, our commitment to working together with our maintenance partners and trades to deliver an improved customer experience with maintenance services. Approximately 9,500 people, comprising Kāinga Ora maintenance teams and our five maintenance partners with their trades, work together to deliver a maintenance service nationwide, 24 hours a day, seven days a week, completing over 450,000 jobs per annum.

In the past year, we introduced more flexibility, giving customers choice on appointment times and their preferred communication channel. We have adjusted to allow trades to do similar quick and easy additional work while on-site, reducing the need for further visits and inconvenience to our customers. Customer service has been at the fore, with staff training packages delivered through the implementation phase and a framework that includes regular communication with our customers through the job lifecycle.

New technology has enabled simple maintenance requests to be automatically routed to maintenance partners so jobs are completed more quickly; and we are making transactions more visible as they move through their lifecycle.

The past 12 months has also provided many examples of maintenance partnership in action with efficient handling not only of Covid-19 but managing responses to natural crises including flooding in Northland, Hawke's Bay and Ashburton and the recent tornado in South Auckland. Our maintenance partners and their trades continue their investment into local communities with apprentices (312) and cadet programmes, leadership development programmes, and other local social and environmental initiatives.

Matty's flat is comfortable and warm for her and her cat, Princess Nom Nom. But it's also a workspace. She shares how the Kāinga Ora Accessibility Policy has made a difference for her.

From hospital bed to warm, dry home.

Matty was getting sick. A damp and mouldy home was giving her infections and eventually led to hospitalisation with a condition affecting her gall bladder.

Then things became worse. While in hospital she was also diagnosed with a neurological disorder and had to begin to learn how to walk again.

The thought of moving back to her old home, a flat up a staircase she would no longer be able to traverse, added to that stress. "There's no point putting a very sick person in a sick house," she says.

She was already on the Ministry of Social Development Housing Register, but in hospital things became more urgent. She updated her application and was given a higher priority rating, followed by a new home.

"A lot of friends made that happen and moved [my belongings] while I was on a hospital bed. When this place was set up enough I was able to be discharged here."

That place is a brand new Kāinga Ora home in Christchurch, where she lives with 12-year-old cat Princess Nom Nom. The friends – many of whom she previously only knew through an active Twitter presence – rallied to fundraise to make the new house a home. Social workers pitched in and local charities helped to clear out her old home. Many belongings had to be thrown away due to the mould.

"They raised money and spent it on stuff so when I came home from hospital I wasn't coming home to an empty house.

"I know not everyone is as lucky as I am in that respect, but I'm also glad I reached out. People were willing to help when I needed it."

Along with recovering from her hospital treatment, Matty lives with autism and anxiety. That means regular visits from support and care workers who help her live independently. Open-plan living and a parking space makes things easier for them, she said.

"That makes me very happy as well, that they're comfortable working here. I think people forget that when you have a lot of disabilities and support, the house is also a workplace for a lot of people."

Matty wants to share her story to spread awareness of the Kāinga Ora Accessibility Policy, from which – among other work programmes – at least 15 percent of all new builds will meet universal design standards. All others will meet as many of those standards as possible.

Universal design is where a space is usable and accessible to people of diverse ages and abilities; it minimises hazards and risks of accidental or unintended action and incorporates sufficient size and space to accommodate a range of mobilities, body postures and sizes.

It also means homes like Matty's are easily modified, should a resident's needs change over time.

"I'm very proud that I live independently," Matty says.

"I like to show, especially parents of young people with disabilities, that things are possible and there is support there... and that the community itself does want people like me in it, despite the feelings you sometimes get, and despite how hard it is sometimes to fight for things."

OUTCOME 2

Te Whakapiki i Ngā Putanga Hua mō Ngāi Māori
Improving Outcomes for Māori

Partnering with Māori to achieve better outcomes.

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

What success will look like:

- Māori interests across our core work are strengthened.
- Our legislative obligations are met to understand, support and enable Iwi/Rōpū Māori aspirations.
- Our people have the training and support needed to recognise and understand Iwi/Rōpū Māori interests and culture.
- We develop and implement practices that enable Māori, including formal partnerships with Iwi/Rōpū Māori entities.
- Māori are recognised as Kaitiaki of Te Taiao and are enabled to exercise this role.

We have made a good start

We achieved:

Supported the
Wai 2750 Homelessness Inquiry

Designed the
Mātauranga Māori Programme

Engaged on the design of the
Kāinga Ora Māori Strategy

Engaged and collaborated with
Iwi/Rōpū Māori

Appointed
Te Kurutao Senior Leaders

The establishment of Te Kurutao in 2019 enabled Kāinga Ora to start leading, supporting and growing our cultural capacity and capability. This meant focusing, in particular, on how Kāinga Ora could support the Crown to be an effective Treaty partner. We are working well with our partnerships to ensure real benefits for Māori are realised in housing and urban development.

We have contributed to the Four Capitals:

Financial
Mana whenua engagement in projects and development plans

Human
Contributing to training and uplift in Te Ao Māori

Natural
Natural resources are valued and respected

Social
Working together to understand Māori interests and culture

In 2020/21 Te Kurutao worked to embed Te Ao Māori across the organisation. This work included:

- leading and supporting Kāinga Ora cultural capacity and capability, and recruiting the Te Kurutao team, which has led further advocacy for increasing Māori employment across Kāinga Ora
- working to empower Kāinga Ora to achieve our Māori aspirations and commitments
- supporting our place-based teams, with a focus on undertaking early and meaningful engagement, and recognising opportunities for innovative partnerships.

Māori Strategy

Te Kurutao, iwi leaders, Māori housing experts and partner agencies co-developed a five-year Kāinga Ora Māori Strategy to address housing needs and aspirations of Iwi/Rōpū Māori, supported by an advisory group and the Board. The Kāinga Ora Māori Strategy encapsulates Iwi/Rōpū Māori aspirations for housing and seeks to improve outcomes for whānau Māori using a collective vision, goals, values, focus areas and prioritised actions which have been co-developed through our engagement groups.

Treaty Settlements

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

- participating in the establishment of the collaborative socio-economic forum with Te Korowai o Wainuiārua to provide housing solutions
- identifying land for the Settlements of Claims by Ngāti Maniapoto and by Ngāti Ruapani
- reviewing the Deed of Settlement for Ngāti Maniapoto
- participating in a cross-agency forum based on Te Tomokanga ki te Matapihi for the Whanganui Land Settlement Negotiation Trust (WLSNT).

Kaupapa Inquiry

Kāinga Ora has continued to support the Crown's response to the Housing Policy and Services Inquiry (Wai 2750), one of the Waitangi Tribunal's kaupapa (thematic) inquiries into issues of pan-Māori or national significance. The Tribunal determined that Wai 2750 would commence with Stage One – inquiring into Māori homelessness issues. It was decided to consider the development of the Crown's contemporary national strategy settings and their implementation to address Māori homelessness.

As part of the Crown evidence submitted to the Tribunal, Kāinga Ora provided 22 Evidential Factsheets that covered the major policies, strategies and services of Kāinga Ora and its legacy agencies between 2009 and the

present. Kāinga Ora submitted Briefs of Evidence from the Chief Executive and Te Ringa Raupā. Hearing the evidence from the claimants, housing experts and various Crown agencies has allowed us to participate in open and honest discussions of past and present housing policies and services, and their impacts on Māori and all New Zealanders.

Kāinga Ora is committed to the Crown approach of 'ARA' to the inquiry by:

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

Partnering with Iwi and Māori

Over the past year the Te Kurutao team has enabled Kāinga Ora to partner with Iwi/Rōpū Māori by:

- supporting Northland projects including Te Rūnanga o Whaingaroa, He Korowai Trust, Te Hauora o Ngāpuhi, and Ngāti Hine Health Trust
- supporting the completion of the 1550 Great North Road Project, in partnership with Ngāi Tai
- enabling the Māori housing aspirations of Ngāti Whātua Ōrākei by advancing assessment of options for divested land within central Tāmaki Makaurau
- establishing the Ngā Mana Whenua o Tāmaki Makaurau Kaitiaki Forum, critical to the success of Kāinga Ora development projects
- signing a Memorandum of Understanding outlining broadly how Kāinga Ora will support the housing aspirations of Te Korowai o Wainuiārua
- collaborating with Te Tūāpapa Kura Kāinga and other Crown agencies on the Development of Toitū te Whānau Strategy led by Whanganui Land Settlement Negotiation Trust
- partnering with Ngāti Toa Rangatira across the multiple facets of the Porirua Development work programme including Ngāti Toa Rangatira representation on the governance and management groups of Te Aranga Alliance Board and in the co-design process
- working strategically with Te Āhuru Mōwai on initiatives and opportunities in Porirua such as upgrades on existing housing stock and housing transfers
- supporting the Mahi Toa programme from Ngāti Toa Rangatira, through the Pa Harakeke framework, to advance career and employment opportunities through trades training and apprenticeships, and grow local capability across the trades sector.

Māori capability

The Mātauranga Māori cultural competency and capability programme at Kāinga Ora ensures we are building the capability to uphold the Treaty of Waitangi (Te Tiriti o Waitangi) and its principles and to provide for Māori interests. The programme delivers learning initiatives and modules across four key areas: Te Tiriti, Tikanga, Te Reo and Our Commitment to Māori. It will build the capability of Kāinga Ora to interact with our Māori customers and partners to enhance our relationships.

Transformative partnerships in Porirua

Image: William Pennington, Project Director; Helmut Modlik, CEO Ngāti Toa Rangatira; and Harry Alderson, Te Aranga Civils Alliance Manager

The strategic partnership with Ngāti Toa Rangatira continues to strengthen in the Porirua Development work programme.

Mana whenua are actively participating and influencing decisions reflecting the spirit of the Treaty of Waitangi and its principles of partnership and participation. One of the key milestones is the transformative approach to participatory governance, a key feature of the Porirua Development.

Te Aranga, the Civils Alliance group is responsible for a number of activities that set the foundations for development. A co-design process on shared objectives and measures has been created to achieve desired outcomes, and an approach on how we measure qualitatively to promote the holistic world view (Te Ao Māori) – culture, environment, social sustainability, health, safety and wellbeing.

The work programme for both Te Aranga and the project team takes special considerations when factoring in the environment. There has been extensive work undertaken in the design and planning for bulk infrastructure and the natural landscape.

Through the Pā harakeke framework, we are supporting and aligning with the Ngāti Toa Mahi Toa programme. The initiative will promote and enable careers and employment opportunities through trades training and apprenticeships, and grow capability across the trades sector within the local area.

OUTCOME 3

Te Whakawātea i Ētahi Atu Whare
Enabling More Housing

Location: Freeland Reserve earthworks, Mt Roskill, Auckland

Providing more developed land, for more houses, and enabling more New Zealanders to access home ownership.

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

What success will look like:

- All New Zealanders have a housing solution they can access.
- The development of affordable homes meets the needs of New Zealanders.
- Innovation is providing sustainable and affordable growth, at pace.
- More New Zealanders can access home ownership.
- Land is planned sustainably to provide homes and more liveable communities for generations to come.

We have made a good start

We achieved:

Land development

>34ha of land completed

1,713 new homes enabled

Newly built public and supported housing

2,432 new public and supported houses built last year

1,915 net increase in public and supported housing

Home ownership

>10,000 homes purchased by New Zealanders with our home ownership products

$81.6m in grant funds for First Home Grants

We have contributed to the Four Capitals:

Financial/ Physical More New Zealanders can access home ownership

Human Investing in training and apprenticeships

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

Social Housing to meet diverse customer needs

Location: Thom Street, New Lynn, Auckland

The Urban Development Act 2020 gave Kāinga Ora a wider remit to provide housing for our public housing customers, and expanded Kāinga Ora powers to build far more houses in New Zealand than ever before, by way of land acquisition and development.

Kāinga Ora has an ambitious growth plan for building houses over the next 20 plus years. We are partnering with the private sector and property developers to build housing on land we have acquired or developed.

Our land development (urban development and delivery) is focused on delivering large-scale projects across Auckland, Waikato and Wellington with new locations enabling 40,000 houses to be built over the next 15-20 years. They will deliver better quality urban development projects including land development and enable more affordable and market homes, better quality public homes and improved infrastructure and amenity across master-planned precincts and neighbourhoods of varying size.

Newly built public housing and supported housing (construction and innovation programme) builds houses on developed land and contributes to the supply of public houses for our public housing customers. Last year we exceeded the full-year target of 2,400 newly built public and supported houses and achieved 2,432. We have delivered more houses for the year to date than for any year in recent history.

Our home ownership (financial product portfolio) for first home buyers is expanding to enable more New Zealanders to access affordable homes and pathways to home ownership using one or more of our products.

Our activities include:

- purchasing land for development and house construction
- purchasing existing homes, building new homes, leasing privately-owned homes
- enabling access to housing and pathways to home ownership.

We are committed to creating a greater volume of high-quality homes in sustainable communities for more New Zealanders to access.

Urban development and delivery

Large-scale urban redevelopment projects underway

in Auckland (Mount Roskill, Tāmaki, Northcote, Oranga and Māngere) and in Eastern Porirua, together with our partners

>34ha

of land completed

1,713

new homes enabled

>100

superlots civil construction works completed

2

new parks are being completed (Linear Park and Richardson Place) in the Northcote Development

Made the first homes available to the market for sale

in Roskill and Māngere developments

Newly built public and supported housing

2,432
newly built public and supported housing

1,915
net increase in public and supported housing

119
new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme

6
developments won Institute of Architects Local Architecture Awards

10
developments nominated for New Zealand Property Industry Awards and/or New Zealand Architecture Awards, challenging the design of traditional public housing

Supporting home ownership

>10,000
homes purchased by New Zealanders with our home ownership products

>41,000
new First Home Grants assessed for eligibility

$81.6m
in funding received for First Home Grants

4.1
days to assess a completed First Home Grant application

1,272
First Home Loans underwritten

In 2020/21 our commitment to creating more homes, for more customers, included:

Urban development and delivery

We continued to make progress on delivering well-functioning, quality urban developments that connect homes with employment, transport, open spaces and the facilities that communities need to thrive. These large-scale projects are providing build-ready land for building more homes in the right places, including more public housing, and affordable and market homes, at much higher densities than currently exist. Our current projects include:

- greenfields developments at Hobsonville Point and Lakeside, Te Kauwhata (in partnership with Winton)
- brownfields urban redevelopments in Northcote, Māngere, Mount Roskill, Tāmaki (in partnership with Tāmaki Regeneration Company) and eastern Porirua (in partnership with Ngāti Toa Rangatira and Porirua City Council).

In the past year, highlights across these projects have included:

- completing civil construction works on more than 100 superlots to enable around 2,000 public, affordable and market homes to be built
- maintaining our commitment to divert at least 80 percent of materials from old homes from landfill, resulting in the relocation of 86 old public homes and the deconstruction of six homes
- completing two new parks (Linear Park and Richardson Place) in the Northcote Development, providing safe and well-connected spaces for residents and whānau to meet and foster a sense of community
- making the first homes available to the market for sale in the Roskill and Māngere developments
- starting work on a significant stormwater upgrade at Freeland Reserve in the Roskill development, in close partnership with Healthy Waters to ensure key elements are incorporated
- completing a land swap with Auckland Council in the Aorere neighbourhood of the Māngere Development to provide a new park in the heart of the community.

Over their lifetime we expect these developments to yield approximately 40,000 homes. These projects deliver more than housing – we upgrade and build physical infrastructure, develop community amenities and green spaces, and improve transport connections. Combined, our large-scale projects represent more than 600 separate infrastructure projects over the next 15-20 years, unlocking a further 20,000 homes on private land.

The Piritahi programme alliance, comprising Kāinga Ora as the owner-participant and five design, engineering and construction firms (Dempsey Wood, Hick Bros Group, Harrison Grierson, Woods, and Tonkin + Taylor), has accelerated the provision of complex and significant civil works and infrastructure upgrades in Auckland.

In 2021 we established the Te Aranga alliance with construction and infrastructure experts Higgins, Goodmans, Beca, Harrison Grierson, Brian Perry Civil, and Orogen to support the delivery of new homes in eastern Porirua. The alliance work includes site investigations, consents related to infrastructure and earthworks, asbestos removal, house demolition, land development, and upgrades to infrastructure networks including pipes and transport networks.

Additional investment

- Further investment in large-scale projects – our five large-scale projects across Auckland in Mount Roskill, Māngere, Tāmaki, Northcote and Oranga and one in eastern Porirua are significant urban redevelopment projects that invest in the development of communities and provide opportunities for intensification in strategic areas. Additional investment will accelerate the pace and scale of development and provide further housing opportunities on surrounding land.
- Funding necessary infrastructure for housing development – at least $1 billion has been allocated in a contestable Infrastructure Acceleration Fund (IAF) for infrastructure projects to enable housing development and provide a meaningful contribution to housing outcomes in areas of need. The fund is open to territorial authorities, developers and iwi to apply for transport, three waters or flood-management funding to develop new or additional housing in the short to medium term.
- Kāinga Ora land programme – the programme provides an additional $2 billion of lending to strategically acquire and develop land to increase housing supply and improve affordability.

Newly built public and supported housing

Last year Kainga Ora contributed to the largest year of construction to date.

- Gross newly built public and supported housing of 2,432 against a target of 2,400
- Net increase in public and supported housing of 1,915 against a target of 1,900

We contributed to our broader goal of supplying approximately 11,800 net additional homes for public and supported housing in the financial years 2019-2024. To increase the additional housing supply, we will build, purchase and lease more than 18,500 homes, and dispose of approximately 6,700 homes (that are unsafe, fire damaged, unsuitable, not economically viable, required for redevelopment, or of high value) over the six-year period.

Last year our accumulated delivery was 4,172 homes against our six year intentions (representing 35 percent delivery against this target), and we expect to achieve our housing commitments by June 2024. Around 90 percent of the planned gross additions are expected to be newly built homes.

Ninety three percent of our new public homes were built to a 6 Homestar standard, which is higher than our target of 90 percent. This coming year, all new public homes we build will be built to a 6 Homestar standard.

After a slow first two quarters due to the Auckland lockdown, there were 119 trainees in the Kāinga Ora construction apprenticeship/cadetship programmes which exceeded our target of 100 apprentices and cadets, and provided more people in our communities with more opportunities to gain skills and build careers with us.

The coming year will see us further scale up our construction programme and expand off-site manufacturing.

Off-site manufacturing

Garus Avenue and Cottingham Crescent, Māngere, Auckland

Kāinga Ora has been tasked with delivering significantly more transitional housing places as part of the Aotearoa/New Zealand Homelessness Action Plan. Using off-site manufacturing (OSM) has been a key factor in delivering these homes at a pace that recognises the urgency of the need.

In late 2019 Kāinga Ora identified two sites in Garus Avenue and Cottingham Crescent, Māngere, Auckland that were suitable for the delivery of two and three-bedroom homes built entirely off-site. Twenty-eight homes built at different facilities in Huntly and Cambridge were delivered to the sites and connected to services by Christmas 2020. The homes are fully Healthy Homes Guarantee compliant, ensuring the families that use them will have warm, dry, secure housing from which to transition into a permanent home. The process of converting the vacant sites to housing developments took approximately seven months, far quicker than conventional building techniques would have allowed.

Location: Lawry Street, Ellerslie, Auckland

Introducing Building Momentum

Our construction plan for future homes

Providing more houses for New Zealanders means we have to think differently to deliver quality public homes across New Zealand at a rapid pace, delivering better outcomes for our customers, communities and the construction industry.

The Building Momentum initiative outlines three priority shifts for Kāinga Ora and industry.

1. **Behaviour change** – generating a shift in behaviours towards greater trust, transparency, genuine partnership and collaboration
2. **Industry leadership** – to achieve system-wide transformation through best-practice operations and excellent knowledge sharing internally and externally
3. **Delivering more and better homes** – by focusing on key priority areas to drive real change and outcomes through Building Momentum's five key outcome areas below

Our priority shifts are:

1 Behaviour change

We have developed and released a construction intentions pipeline that displays our schedule and demand to our customers at local, regional and national levels. This enables our construction partners and stakeholders to plan, resource, and provide capacity for a more coordinated development process, building greater trust and genuine partnerships with key sector stakeholders.

Our construction intentions up to 2024

Total homes	14,000
In planning	10,770
Consenting & procurement	3,310
Under construction	2,620

Construction date		Building type	
2021	4,285	House	8,197
2022	6,025	Walkup	2,528
2023	2,510	Apartment	2,975
2024	1,180		

2 Industry leadership

Kāinga Ora will lead by example through our carbon neutral housing programme and aligning with, and providing technical assistance to, the Ministry of Business, Innovation and Employment's (MBIE's) Building for Climate Change (BfCC) targets to contribute to New Zealand's international commitments on reducing carbon in construction.

We are evaluating the performance of construction and structural systems in terms of time, cost, quality, health and safety, and carbon – to understand the technical and commercial implications of designing, specifying and procuring high-performance, yet lower-carbon, buildings.

We have delivered regional outreach events in key cities, showcasing international and local best-practice presentations. For example, a recent event in Christchurch highlighted a construction innovation eco-system (Construction Scotland Innovation Centre) as well as a case study of the largest mass-timber building in New Zealand (Homeground by Built Environs), and looked at measuring wellbeing in the built environment (BRANZ).

Building Momentum information and event presentations can be viewed at https://kaingaora.govt.nz/working-with-us/building-momentum-our-construction-plan-for-future-homes/

Image: The Building Momentum external event held in Ōtautahi (Christchurch) in May 2021

3 Delivering more and better homes

We are delivering greater numbers of homes to higher standards through our five key focus areas: partnering, innovation, design quality, delivery and sustainability. This helps us to drive change across everything we do.

Innovation

Our long-term off-site manufacturing (OSM) strategy and implementation plan will significantly increase the procurement of dwellings manufactured off-site in New Zealand.

Design quality

The Elemental Typology Suite (ETS) will deliver time and cost savings through quality, standardised design and a revised suite of performance standards.

Delivery

A new housing development system (Velocity) will improve the construction process, eliminate gaps and wastage, unlock process barriers and develop new approaches for our suppliers, our partners and ourselves.

Partnering

Evolving our Construction Partnering Agreement (CPA) programme supports the growth of Māori and Pacific businesses, including apprentice development in our projects.

Sustainability

We have begun work on a 'Five Systems' R&D pilot, trialling five walk-ups, different structural systems and evaluation of time, cost, quality, health and safety, and carbon.

Location: High and White, Rangiora – 2021 Te Kāhui Whaihanga New Zealand Institute of Architects Canterbury Awards

Supporting home ownership

The New Zealand Government is committed to supporting all New Zealanders with a home to live in and a community to grow and thrive in. Demand across our funding portfolio continues to grow for products that enable pathways to home ownership.

First Home Grant

We assess applications and provide grants of $3,000-$10,000 to first home buyers or previous home owners in a similar financial position. We provided $81.6 million in grant funds this financial year, 4 percent more than last year. The average grant size has increased from $5,543 (last year) to $5,978 (this year), as more grants have been paid for new builds, which qualify for twice the level of grant as for existing properties. The higher grant amount also reflects that applicants have been contributing to KiwiSaver for longer (and are therefore eligible for a higher level of grant).

KiwiSaver First Home Withdrawal

Eligible KiwiSaver members can access their KiwiSaver funds to buy a first home by applying directly to their KiwiSaver provider. We assess previous home owners' applications against a realisable assets test and provide applicants with a determination letter, which they take to their KiwiSaver provider to access their KiwiSaver funds. We assessed 8,399 applications this financial year, 23 percent more than last year.

First Home Loan

This allows first home buyers, or previous home owners in a similar financial position, to borrow with only a 5 percent deposit. Participating lenders submit applications to us for assessment and we underwrite the loan. We underwrote 1,272 loans this financial year, 36 percent more than last year.

Kāinga Whenua Loan

This allows owners of multiple-owned Māori land to access a Kiwibank loan, which we underwrite, to build, buy or relocate a property to the applicant's Māori land. Last year 18 applications were made and nine loans were drawn down. Five of the 18 applications were from Ahu Whenua and Whānau Trusts. Overall, applications have increased for both individuals and trusts and Kāinga Whenua loan enquiries have also increased.

Axis Series Homes

The Hobsonville Point housing development required approved building contractors to provide some homes at affordable prices for first home buyers to purchase. Applications exceed supply for these homes and buyers are selected from a ballot process we administer. These properties have a two-year residency obligation, and we manage and monitor compliance.

Tenant Home Ownership Grant

Under certain circumstances our tenants can purchase the property they live in. We provide up to $20,000 to eligible applicants to assist with their deposit. The numbers of grant applications remain steady at around 30 per year.

KiwiBuild

1,174 KiwiBuild homes have been sold in the last financial year and 2,741 homes have been underwritten since the scheme began.

New home for stately pōhutukawa

After a three-day effort to move just 150m down the road, a stately 35-year-old native pōhutukawa resettled into a new home in Winthrop Way, Māngere, giving way for a new park for local tamariki and whānau to enjoy.

Under the watchful eye of arborist Aaron Blackbourn, the beautiful native was dug up from its home on Mayflower Close, and transported 150 metres to its new home on Winthrop Way, part of the Kāinga Ora Māngere Development.

Aorere Assistant Development Manager Luke Hodgkinson says the relocation was a big win.

"The ability to save a decades-old native and keep it in the neighbourhood to be enjoyed by tamariki and whānau, in what will eventually become a new park is really rewarding," he says.

"In bringing 500 new warm, dry homes to Aorere we need to upgrade existing and construct new infrastructure.

"Sometimes this means that we need to remove or relocate trees in order to provide necessary service connections such as stormwater, which was the case for this pōhutukawa.

"It's a great achievement to successfully transplant an established native within the development without clashing with new or existing infrastructure," he says.

The eight tonne, six metre tree is taller than a house and, according to Piritahi Project Manager Dennis Moananu, has taken well to its new home despite the three-day mission to get it there.

"It basically took us a day to dig carefully around the roots, a day to lift and transport the tree, and a third day to settle it into its new home," Moananu explains.

"It will now be held in place by straps for a year, and will be regularly watered to ensure its ongoing health."

Arborist Blackbourn says pōhutukawa usually respond positively to being transplanted and this tree has coped well.

"We knew that it had a very good chance of survival. It may well go on for another 400 years and outlive us all," he says.

OUTCOME 4

Te Tuitui Hapori Atawhai
Creating Caring Communities

Sustainable, inclusive and thriving communities support good access to jobs, amenities and services.

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

What success will look like:

- Our customers and communities, iwi and hapū live in good quality homes and thriving communities that have access to education, employment, social infrastructure, amenities, and services that support their wellbeing.
- Our customers are well supported to transition to greater housing and community independence.
- Iwi, hapū and whānau develop strong Māori communities on whenua.
- Communities, iwi and hapū connect through social networks that are inclusive and diverse, sharing experiences, spaces and a sense of belonging, safety and identity.
- Communities, iwi and hapū are engaged and feel understood and supported, and can shape their surrounding environments and their place in urban development.

We have made a good start

We achieved:

Neighbourhood masterplans
for community regeneration

Place-based teams
established for improved community engagement and partnership

He Toa Takitini
our partnership and engagement framework developed

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

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

119
new trainees engaged in local employment opportunities in our construction apprenticeship/cadetship programmes

We have contributed to the Four Capitals:

Financial
Affordable and sustainable housing

Human
People are engaged and understood

Natural
Urban and community regeneration

Social
Contributing to community social infrastructure

In 2020/21 our community outcomes included:

- using a place-based approach to deliver a customer-centred service model to meet the diverse needs of our public housing customers, and support our customer-facing teams to deliver on our vision of building better, brighter homes, communities and lives. The place-based structure included three place-based regions, 12 Regional Directors, and Te Kurutao Group Māori Regional Managers all working more closely with our communities
- our customer strategy centred on the wellbeing of Kāinga Ora customers and reoriented our approach to ensure our staff have more time to spend with our customers, and to understand them and their communities
- Te Kurutao Group Māori are developing partnerships with Māori and enabling their aspirations to be realised, how they want to connect and realise benefits from their whenua together with our Māori Strategy to ensure that we partner and work more effectively with iwi, hapū, whānau and rōpū Māori
- completing multiple community engagements, community development and place-making projects and initiatives across many of our development projects, including community gardens, park enablement, partnerships with local schools to educate children about our developments and the urban development sector, Neighbours Day and other community events
- continuing to support a range of initiatives to enable local people into local employment opportunities in the construction sector, with 119 new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme last year.

Teenagers building new Kāinga Ora homes for Northland

The Dargaville High School Building Academy has partnered with Kāinga Ora to deliver at least six new warm and dry public homes.

The partnership means students like 17-year-old Ethan can learn valuable trade skills while producing much needed housing for the community.

“The Academy has really helped me grow in confidence. I hope to gain an apprenticeship in building and construction, and eventually start my own company,” Ethan says.

Now into its tenth year, the building academy sees students gain experience in all aspects of carpentry, while working under the supervision of qualified builders and teachers.

For 18-year-old Sean, being part of the academy fills him with a sense of pride. “The homes we build are going to make a real difference in the community. I feel like I’ve achieved something special here.”

The academy is just weeks away from finishing its first Kāinga Ora home. Complete with five bedrooms and an accessible bathroom, the home is being built on the school grounds and will be transported to Kaitaia when finished.

Academy tutor and licensed builder Tim Pratt says, “These kind of opportunities are hugely important for a place like Dargaville.”

Image: Members of the Dargaville High School Building Academy

“The students finish the course with knowledge, trade skills and the ability to use tools with confidence.”

Dargaville High School is the second school to enter such a partnership with Kāinga Ora, after Massey High School started producing new public homes earlier this year.

Kāinga Ora works with a number of organisations to help increase New Zealand’s pipeline of construction workers, as part of its commitment to the Construction Sector Accord.

OUTCOME 5

Te Toiora Taiao
Environmental Wellbeing

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

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

What success will look like:

- Our public housing infrastructure and operations are net zero emissions.
- We minimise water consumed in, and waste produced by, our activities.
- Networks serving our homes support low-carbon and healthy transport options.
- Land and water systems are protected and enhanced on our assets and in our communities.
- Our homes, communities and operations are more environmentally sustainable and resilient.
- Māori are recognised as Kaitiaki of Te Taiao and are enabled to exercise this role.

We have made a good start

We achieved:

6
Homestar rating set on all redevelopment

87%
of demolition waste diverted from landfill in Auckland

7%
national relocation target set for our site clearance activities

200
homes relocated rather than being demolished and sent to landfill

65%
(440) of our vehicle fleet are now hybrid/EV

Established
dedicated sustainability function

We have contributed to the Four Capitals:

Financial
Environmental stewardship capabilities are improved among our people

Human
Sustainable homes and communities are healthier

Natural
Building sustainable homes that have reduced operation costs for our customers

Social
Emissions and waste resulting from our activities are reduced

In 2020/21 our work to improve environmental wellbeing included:

- significantly increasing our capability to deliver sustainable environmental outcomes including a new Sustainability Directorate within Strategy, Finance and Policy, and dedicated roles embedded into Construction and Innovation; Urban Planning and Design; and People, Governance and Capability
- embedding sustainability as one of five priority areas for our Building Momentum plan on how we work with the construction sector to build our future homes.

Carbon neutral housing

- investigating the impact that different structural systems, materials and thermal performance standards have on the carbon performance of a home
- developing new pilot projects that target significant operational energy or embody carbon reductions to respond to proposed changes to New Zealand's building standards and climate action-focused regulatory environment

Waste minimisation

- changing our site clearance policy from demolition as a default to a waste hierarchy approach of relocate, deconstruct, demolish
- implementing a minimum waste diversion target of 80 percent across our Auckland site clearance and achieved 87 percent of demolition waste diverted from landfill, to be expanded nationally
- targeting a minimum 7 percent national relocation target as part of our site clearance activities requiring an 80 percent waste diversion target and systematic recording of the construction waste produced on our new builds to meet our 6 Homestar commitment
- improving site data collected for demolition sites
- establishing a new site clearance panel that includes house relocation, deconstruction and demolition contractors. The deconstruction category is the first panel of its kind in New Zealand.

Location: Highbury Triangle, Avondale, Auckland.

Renewable/ decentralised energy

- leading the public housing portion of the Māori and Public Housing Renewable Energy Fund
- developing a pipeline of trials to demonstrate the integration of solar photovoltaic systems on different types of housing stock, including new developments and retrofitted homes
- working with the Electricity Authority, Transpower, Ara Ake and MBIE to investigate options for energy sharing between Kāinga Ora sites to further improve energy outcomes.

Fleet electrification and carbon reduction

- the Kāinga Ora fleet electrification project supports the government's target to achieve a carbon neutral public service by 2025. We have made good progress towards a low-emissions fleet with hybrid/EV now comprising 65 percent of our vehicle fleet.

We are also working to:

- understand and improve urban ngāhere outcomes in communities where Kāinga Ora has a significant presence
- monitor the indoor environment quality of our homes to better understand the interventions and investment that most effectively deliver warmer and drier homes
- improve our understanding of, and the process for, managing or avoiding climate-related risks
- support low-carbon infrastructure and transport outcomes across our urban development activities.

Location: Cambourne Road and Shirley Road, Papatoetoe, Auckland

Doing good through deconstruction

A Kāinga Ora project has shown how deconstruction not only creates more sustainable results than demolition, but can also be a catalyst for positive social outcomes.

Highbury Triangle in Auckland's Avondale is the site of the second public housing deconstruction project undertaken as part of a pilot programme. Deconstruction seeks to reuse and recycle as many construction materials as possible which may otherwise go to landfill.

Kāinga Ora adopted a target to divert 80 percent of materials from old homes from landfill across its large scale development projects several years ago. This target was recently extended to include small to medium sized public housing developments in Auckland.

The 236 homes planned for Highbury Triangle will predominately be made up of a public housing complex for older people, alongside a component of market homes and commercial space.

In total, 90 percent of materials at Highbury Triangle were recycled or reused by deconstruction company TROW Group. The approximately 1,337 tonnes of removed materials included about 947 tonnes of concrete, as well as 141 tonnes of general rubbish, 186 tonnes of wood, 27 tonnes of metal, 22 tonnes of green waste and 13 tonnes of materials which were reused.

A total of 8,956 hours of labour went into the deconstruction and site reinstatement and at one point there were 44 workers on site. The project was completed two weeks early and costs were comparable to traditional demolition techniques.

Saia Latu, the General Manager of TROW Group, says that by salvaging materials the company aims to assist with community development.

At Highbury Triangle, this included employing three Avondale locals and sending four shipping containers full of reusable materials to Tonga. These materials were either sold locally or donated to help rebuild schools, churches and houses in cyclone prone areas.

Some of the timber was also reused for the P.O.P-Up 828 Maketi (market) held over the duration of the Highbury deconstruction at a nearby Kāinga Ora site on Elm Street.

TROW Group offered market stalls to local businesses and services at no cost. The aim was to connect, promote and celebrate Pasifika and Māori businesses while encouraging sustainability and entrepreneurship.

Programme Director Nick Howcroft says the results of the Highbury deconstruction exceeded expectations. "While the initial driver of the pilot programme was about environmental sustainability, the social outcomes were huge value adds.

"It's about changing the way we as an industry think about demolition and other site clearance methods.

"If we consider sustainability as one of the key drivers in property development, we're going to build better communities and cities."

"We need to ensure our homes are not only robust and sustainable in how they are built, but also in terms of how they are lived in and how we will take them down one day," Nick says.

OUTCOME 6

Te Whakaumu Pūnaha
System Transformation

Location: Bader Drive, Māngere, Auckland

We are delivering system transformation in the initiatives we design and the programmes we deliver.

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

What success will look like:

- Our customers are well supported to transition to greater housing and community independence.
- Future-focused urban development and regulation support the system to respond to market demand.
- Barriers to delivery are removed so we can achieve quality, scaled development at pace, using insights and innovation, from design to delivery.
- Authentic and strategic partnerships shape the system, including with Iwi/Rōpū and Māori, investors, local government and the market.
- The private sector has confidence and certainty about the public sector's contribution to urban development and how to invest and engage in opportunities.

We have made a good start

We achieved:

Consentium
the Kāinga Ora Building Consent Authority established

240
units representing $65m of developments consented

$1.7b
of new Wellbeing Bonds issued

15yr
maturity established to secure long-term financing for the capital build programme

We have contributed to the Four Capitals:

Financial
Improved efficiencies, time and cost

Human
Authentic and sustainable partnerships

Natural
Contributing to environmental outcomes across our operations

Social
Contributing to New Zealand's future

In 2020/21 our system transformation outcomes included:

The establishment of Consentium

Consentium is a nationally accredited and registered non-territorial authority Building Consent Authority (BCA).

In 2020/21 we:

- established Consentium, the Kāinga Ora Building Consent Authority
- consented 240 units representing $65 million of developments
- completed 570 inspections.

A first of its kind in New Zealand, Consentium, as a private BCA, was designed to provide efficient consenting services at lower cost, in less time, to support the pace and scale of the Kāinga Ora public housing build programme.

Consentium is able to consent Kāinga Ora-retained public, transitional and supported houses up to and including four levels and must comply with section 12 of the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006 and meet the accreditation and registration criteria of a BCA.

Consentium commenced operations in mid-March 2021 with 35 staff across three operating centres. Since then it has issued 240 units, representing $65 million in developments. Consentium has also completed over 570 inspections on Kāinga Ora projects including working with Auckland Council, under a Building Act 2004 section 213 agreement, which helped alleviate high inspections demand across the wider Auckland region.

Previously Kāinga Ora had to work with 67 territorial authorities across New Zealand, each with different processes and systems, to have building consents processed.

Consentium has therefore enabled considerable cost savings and efficiencies and allowed construction projects to start earlier as a result.

Location: Castor Crescent Development, Eastern Porirua

Consentium is supporting the consenting regulatory industry by investing in a graduate programme working with major tertiary institutes. It is uniquely positioned to invest in training and regulatory competency development across New Zealand, benefiting the wider regulatory industry.

Off-site manufacturing

Increasing the use of off-site manufacture in buildings and components is one important way Kāinga Ora can deliver system transformation for the construction sector. Off-site manufacturing has incredible potential to deliver housing more quickly, cheaply and with more predictable quality than by conventional building methods.

Around 15 percent of our homes in design or construction utilise off-site manufacturing techniques, and we expect this to increase in the future.

A three-level, 18-home development at Busby Street in Blockhouse Bay, Auckland is a good example of Kāinga Ora using our development programme to help grow the capacity and capability of New Zealand's residential construction industry to use off-site manufacturing for superior outcomes.

The project was delivered in January 2021, less than a year after site works commenced (including the Level 4 Covid-19 response shutdown of all building sites). The true value of the project is in the quality of homes delivered, with Busby Street being the first Kāinga Ora-led off-site manufacture development to achieve New Zealand Green Building Council 7 Homestar status. This means the homes achieve a warmth and dryness well above Building Code standard. Busby Street demonstrates that reductions in time and cost can actually result in improved quality.

A number of even more ambitious off-site manufacture developments are in various stages of planning and construction on Kāinga Ora sites around the motu. These include buildings with dramatically reduced carbon footprints, and passive homes that will cost virtually zero to heat and cool, year round. By using our development as proof of concept, Kāinga Ora can increase awareness of, and demand for, high-spec off-site manufacture homes, which will raise the industry standard and help to establish locally built supply of future homes.

Off-site manufacturing consenting

Consentium is developing a consenting pathway for Kāinga Ora-retained off-site manufactured housing projects. Several local and offshore projects in progress are using prefabrication methods. Consentium is increasing the manufacturers' knowledge of what is required to comply with the Building Act 2004 and Building Code regulations to ensure they are able to demonstrate compliance prior to applying for a building consent. Consentium is required to ensure on reasonable grounds that a building component is likely to comply with the Building Act and the Building Code.

Sustainability Financing Framework

Kāinga Ora was the first organisation in New Zealand to establish a Sustainability Financing Framework to align financing with environmental and social outcomes across the organisation. It was critical not only that the construction programme was sustainable and credible, but also that the financial capital of the programme aligned with human, physical and environmental capitals.

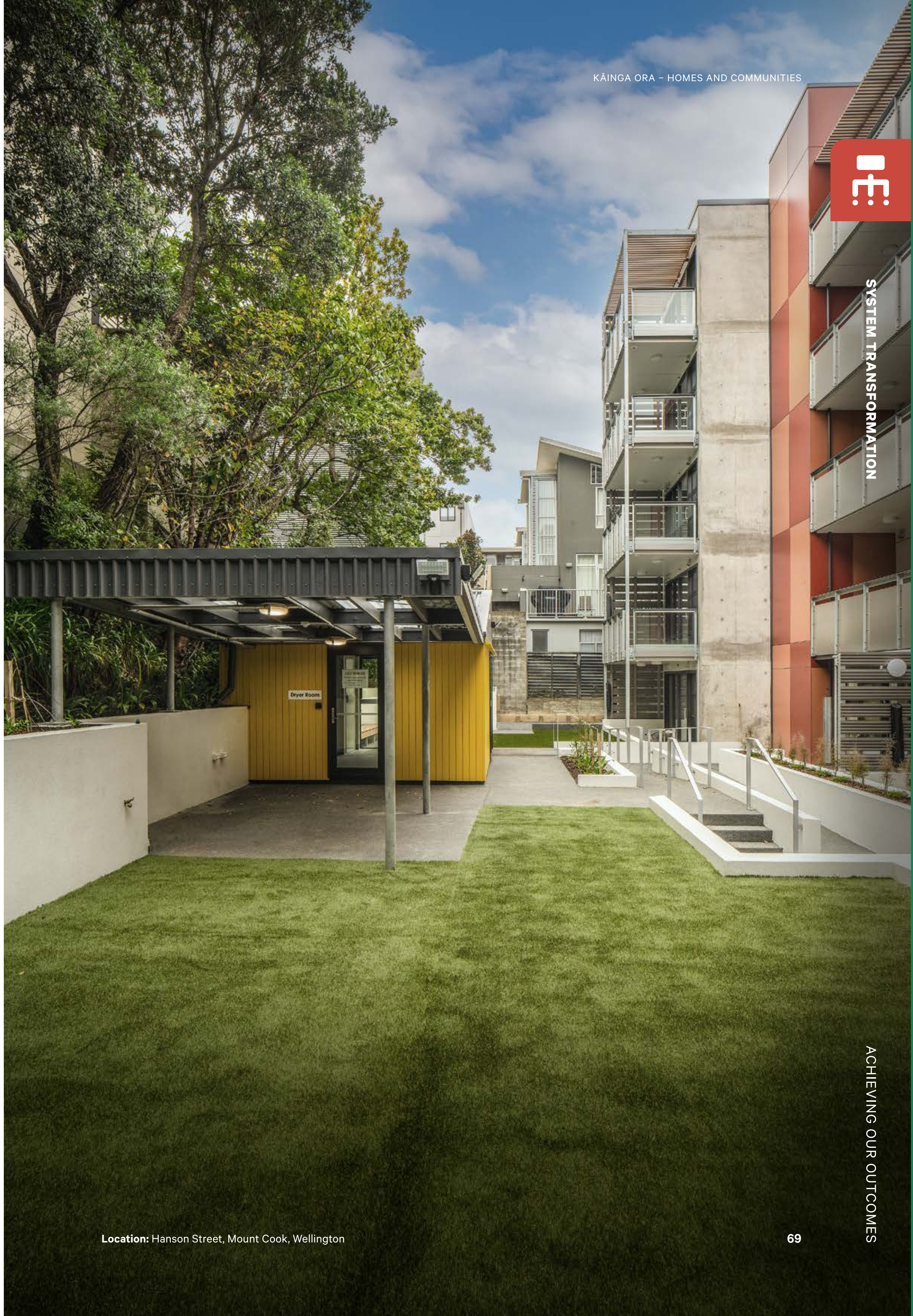
The Kāinga Ora Wellbeing Bond Programme aligns with international standards such as the International Capital Market Association (ICMA) Green and Social Bond Principles and Sustainability Bond Guidelines, the New Zealand Treasury Living Standards Framework, and the New Zealand Government's commitment to the United Nations Paris Agreement and Sustainable Development Goals.

Our Wellbeing Bonds raise financing to support our initiatives that result in positive environmental, social and wellbeing outcomes. They finance the construction of new and retrofit of existing public housing and related services, and enable a pipeline of green homes for delivery in future years through multi-year construction partnerships using Wellbeing Bonds.

Our Wellbeing Bonds are unique in the global market and attract both domestic and international investors focused on environmental and social outcomes who value the contribution we are making to New Zealand. We have seen increasing investor interest in how we will achieve our sustainability objectives amid social and climate change concerns.

A key factor in the success of the Wellbeing Bond Programme is the ability to demonstrate the use of proceeds. We use the 6 Homestar rating, which verifies that new homes are built in accordance with green building standards and result in environmental, social and wellbeing outcomes, providing positive benefits to our tenancy customers and the environment. Our Sustainability Financing Impact Report outlines the positive impact Wellbeing Bonds have.

This last year we issued $1.7 billion of new Wellbeing Bonds to deliver sustainable, warm and dry homes to New Zealanders. Under the Wellbeing Bond Programme, we developed a monthly bond tender programme to give the New Zealand debt capital markets greater access to the bonds, to cater to a growing investor base. The tender programme accounted for $600 million of the total $1.7 billion financing. We also established a new 15-year Wellbeing Bond maturity to secure long-term financing for the capital build programme. We have a unique, world-leading position supporting the development of quality homes for our communities that are more sustainable for generations to come.



Location: Hanson Street, Mount Cook, Wellington

Pushing innovation at Busby Street

Location: Busby Street, Blockhouse Bay, Auckland

Off-site manufacturing (OSM) technologies combine in this standout pilot project in Auckland's Blockhouse Bay.

Busby Street is the first of a four-project Kāinga Ora research and development programme which combines OSM technologies to enable the delivery of homes manufactured to a factory level quality.

Innovation is one of the key priorities in Building Momentum – our construction plan for future homes.

The three-level walk-up apartments contain 18 two-bedroom transitional homes built using Cross Laminated Timber (CLT). This is a building system which Kāinga Ora has been among the first to adopt extensively in New Zealand.

CLT uses timber panels which are manufactured off-site, are fast to install and are 100 percent renewable. At Busby Street, further innovations were incorporated by using engineered light timber frame panels and pod bathrooms and laundries.

The factory-built bathrooms and laundries have the potential to improve quality, while streamlining the design and delivery processes.

What's more, the homes far exceed Building Code standards for warmth, dryness and health. Since July 2019 all Kāinga Ora-built public homes have been constructed to a New Zealand Green Building Council 6 Homestar rating.

A Curzon Street development in Onehunga recently achieved a 7 Homestar rating. Busby Street is anticipated to be our first OSM development to achieve the same rating.

The development is a collaboration between XLam, the CLT manufacturer, Concision, who supply the engineered panels and bathroom and laundry pods, RM Design, the architect, and Miles Construction, the build partner.

Image: Off-site manufacturing

Our performance
Ngā māhi a kāinga ora

Te whakaruruhau me ngā ture
Governance and legislation

Governance framework

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

In addition to our governing legislation setting out the role and responsibilities Kāinga Ora has, the Minister of Housing's Letter of Expectations (issued in November 2019 and effective throughout 2020/21) and the Minister of Finance and Minister of State Services' Enduring Letter of Expectations for Statutory Crown Entities set out the Government's direction and priorities for Kāinga Ora. They embed a focus on wellbeing, taking a whole-of-government approach, looking at intergenerational outcomes, and moving beyond narrow measures to define success. The Minister of Housing issued a Letter of Expectations for 2021/22 on 16 March 2021. While this does not directly apply to 2020/21, it has been considered in the performance of our functions where relevant.

Key expectations are that we:

Support Government's key priorities

- provide world-class public housing to ensure good quality, warm, dry and healthy rental housing
- place tenants, their whānau and families at the centre of what we do, treating them with respect, integrity and honesty, and supporting them to be well connected to their communities
- prevent and reduce homelessness and reduce reliance on motels as emergency housing
- deliver quality public houses and play a key role in implementing the Government's build programme, to deliver more affordable housing and to make affordable housing more widely available through additional support to households
- facilitate large urban development projects to deliver homes where they are needed and where the private market is not providing them, to ensure a diverse mix of public, affordable and market housing
- work through partnerships and collaboration to help protect and enhance Māori interests and aspirations
- build partnerships and collaborate with others to deliver on housing and urban development opportunities, including working with iwi, Māori land owners, community housing providers, private developers, and local councils.

Build the foundations for future success

- develop a strong working partnership with the Ministry of Housing and Urban Development (HUD) and ensure our strategies and operating model are in full alignment with the Government's housing priorities
- work with HUD to review our current and long-term funding and financing requirements to ensure we will deliver the Government's housing priorities.

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

We have also been supporting the Government to develop the Government Policy Statement on Housing and Urban Development, which will set out the Government's overall direction and priorities for housing and urban development.

The Kāinga Ora Board

The governance framework involves the Kāinga Ora Board, Ministers, and Parliament. Our leadership is responsible for delivering expectations set by these parties.

The Board is responsible for governing the organisation and exercising the agency's statutory powers and functions. The Board remains responsible for decisions relating to our operations that are made under its authority. Together with the Minister, the Board sets our strategic direction, makes sure we achieve our objectives, and manages any risks to the Crown.

When they are appointed, all Board members receive induction, training and guidance on their duties, responsibilities and key Kāinga Ora policies and procedures. At 30 June 2021 the Board was made up of nine non-executive members:

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

John Duncan (Deputy Chair) has extensive experience in management and in global financial markets, including banking and risk management. He is a Deputy Chair of the Public Trust and an advisor to Auckland Council on funding, risk management, balance sheet and capital issues. He is a member of the Department of Internal Affairs Governance Board, overseeing the Three Waters Reform Programme, and a former Housing New Zealand Board member and Chair of HLC.

Ngarimu Blair has strong Māori governance experience including leading the restructuring of the Ngāti Whātua Ōrākei Group into a modern post-settlement governance entity in 2012. He is presently a director of Ngāti Whātua Ōrākei Whai Rawa Ltd, a large property company responsible for the protection and growth of the tribe's commercial assets. He is the Co-Chair of the Tāmaki Makaurau Mana Whenua Forum, and a director of Manaaki Whenua – Landcare Research and the Sir Peter Blake Trust.

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

Distinguished Professor Philippa Howden-Chapman CNZM, QSO, RSNZ has a background in public health and focuses on housing, energy, climate change and sustainable cities. She is Co-Director of He Kainga Oranga/Housing and Health Research Programme and the New Zealand Centre for Sustainable Cities. She chaired the World Health Organization Housing and Health Guideline Development Group and was a member of the Independent Housing Stocktake Group. Philippa joined the Housing New Zealand Board in 2018.

Penelope (Penny) Hulse MNZM has significant experience in local government growth and planning, including many years involved in developing the Auckland Unitary Plan. Penny has 27 years of governance experience, with much of her last nine years on Auckland Council spent in the role of Deputy Mayor from 2010 to 2016.

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

Helen O'Sullivan is a Chartered Accountant with strong financial skills and expertise in managing businesses through significant business change. She has held a number of leadership roles in the consulting and property sectors, including her current role as Chief Executive of Crockers Property Group.

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

Board sub-committees

Over time, the Board has established six sub-committees, some of which include non-Board members who have specialist skills to support particular areas of the organisation's activity.

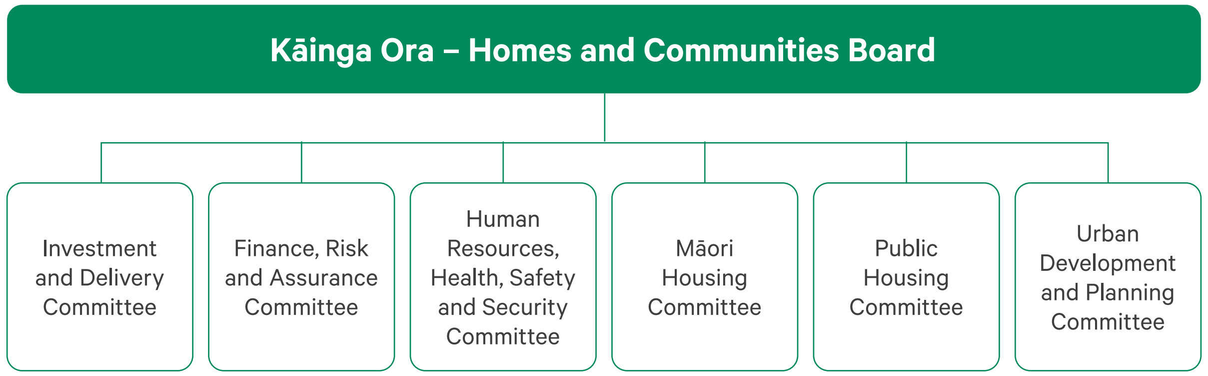
In 2021 the Board established its sixth sub-committee, the Te Toki Pou Tāngata – Māori Housing Committee, which has an important role to support the Te Toki Pou Tāngata – Māori Housing Committee, Board to drive outcomes for Māori in keeping with our legislative requirements and wider strategic focus.

Senior management

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

Chief Executive

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



Kāinga Ora structure and how we work

In early 2020 Kāinga Ora established the Shaping Kāinga Ora programme to help us reshape and scale up our organisation. This has been not just about structural change, but also how we work better together and how we organise ourselves to support New Zealanders more effectively with their housing needs. We also started shaping our purpose and reason for being, which includes our organisational characteristics, organisational story and vision statement, our values, and our leadership approach.

The new structure is underpinned by several innovative concepts or ways of working:

- A place-based approach – place-based groups bring together functions dedicated to service delivery, customer and community engagement and regional planning in defined spatial areas, as well as integrating the broader operations of Kāinga Ora in that part of New Zealand
- Centres of expertise – our new structure has been designed around the idea of centres of expertise that will work in partnership with each other and with Kāinga Ora place-based structures
- Customer at the centre – we are seeking to enable our public housing customers and their whānau to live well, with dignity and stability, in connected communities
- Distributed leadership – leadership responsibilities and accountabilities are shared by those with relevant skills and expertise, and are supported by our new delegation framework.

Ngā Pae Tātaki

'Pae' refers to the oratory bench of a marae and 'Tātaki' refers to leading by conducting. Ngā Pae Tātaki are the collaborative leadership committees of Kāinga Ora, which support and oversee our distributed leadership approach. The six Pae Tātaki were established on 31 March 2021 and each has its own terms of reference, mirroring key areas of work or function across the organisation.

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

Ngā Pae Tātaki provide input into people's thinking and guidance. They provide advice, support and endorsement for the strategies, plans, policies and frameworks our people are developing. Our Ngā Pae Tātaki ensure alignment between our strategies and plans across Kāinga Ora. They also monitor how the organisation is delivering on our outcomes and make sure we are managing risks appropriately.

Overview of Ngā Pae Tātaki

Ngā Pae Tātaki

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

Responsible Ministers

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

The primary relationship between the Government and Kāinga Ora is between our responsible Ministers and the Kāinga Ora Board. Between 1 July 2020 and the end of the parliamentary term, Kāinga Ora had five responsible Ministers:

- Hon Dr Megan Woods: Minister of Housing
- Hon Kris Faafoi: Associate Minister of Housing (Public Housing)
- Hon Phil Twyford: Minister Responsible for Urban Development
- Hon Nanaia Mahuta: Associate Minister of Housing (Māori Housing)
- Hon Grant Roberston: Minister of Finance

Following the 2020 general election, Hon Poto Williams was appointed Associate Minister of Housing (Public Housing), Hon Peeni Henare was appointed Associate Minister of Housing (Māori Housing) and Hon Marama Davidson was appointed Associate Minister of Housing (Homelessness). Responsibility for Urban Development was subsumed within the portfolio of the Minister of Housing.

The Minister of Housing conveys the government's expectations to Kāinga Ora and has direct responsibility to Kāinga Ora. The Minister of Housing's responsibilities include providing tools to further develop and implement the government's build programme, as well as having general responsibility for housing matters, tackling homelessness and providing public housing.

The Associate Minister (Public Housing) has responsibility for policy relating to public housing (other than funding settings and overall responsibility for increasing supply, which remains with the Minister of Housing); client issues that relate to public housing; and relationship management with Kāinga Ora and community housing providers with regard to their client-facing operations as public housing landlords. The Associate Minister has joint responsibility with the Minister of Housing for monitoring the activity of Kāinga Ora.

The Associate Minister's work also includes leading the reform of the Residential Tenancies Act, Healthy Homes Standards 2019, regulating property managers and improving dispute resolution. The Associate Minister is responsible for the community housing regulatory framework, including the Community Housing Regulatory Authority, and for housing responses for Pacific peoples, ex-prisoners and refugees.

The Associate Minister (Māori Housing) is responsible for Te Maihi o te Whare Māori – the Māori and Iwi Housing Innovation (MAIHI) Framework for Action and its principles, and for ensuring the Crown's approach to housing and urban systems meets the needs and aspirations of Māori and their whānau. This includes ensuring Kāinga Ora caters appropriately for Māori whānau.

The responsibilities of the Associate Minister (Māori Housing) also include supporting Māori access to, and involvement and investment in, government-funded and supported housing initiatives and partnership opportunities. In addition, the Associate Minister is responsible for procurement policies that enhance Māori community development opportunities.

The Associate Minister (Homelessness) is responsible for the Aotearoa/New Zealand Homelessness Action Plan, which sets out progress on the support, and other pillars, available to people and their whānau to sustain their tenancies. The plan helps to shape the long-term actions of relevant Ministers.

The Associate Minister (Homelessness) is also responsible for operational policy relating to transitional housing, and the Housing First, Rapid Rehousing and Sustaining Tenancies initiatives. The Minister of Housing retains responsibility for funding settings and for the delivery of new transitional housing.

Location: Seddon Street, Naenae, Wellington

Te hīkoi ki tua i te kōrero noa mō te panonitanga āhuarangi Moving beyond the climate change talk

Alec Tang
Director Sustainability

Climate change is likely to bring about rising sea levels, an increase in floods and droughts, changing weather patterns, and more pressure on our ecosystems which impacts our health, environment, food security, water supply, infrastructure, jobs, homes, and more.

We need to move beyond the talk and deliver urgent, meaningful climate action.

New Zealand must both adapt to changes in climate and contribute to a coordinated response to reduce greenhouse gas emissions.

At Kāinga Ora we are taking this climate action responsibility seriously. We are making changes to reduce our emissions and prepare for the impacts that climate change will have. We are making good progress to understand our impact, not just on the environment but also on our customers.

We accept that our plans need to be bold and that we need to lead systemic change in the construction industry and through the development of our urban environments.

We have an important role to play. Our challenge is to be bold in our emissions reduction efforts within both our construction and development pipeline and our immediate build plans.

At Kāinga Ora we need to show how we can decarbonise our activities, build more resilient infrastructure and better support our communities through the transition to a low-emissions future.

We are taking some good initial steps, from piloting solar panel installations on our new houses to increasing access to more sustainable transport options and enabling changes through the infrastructure we build. We also need to fundamentally shift our relationship with the natural environment.

Our large-scale projects allow us to create whole systems and spaces that are more conducive to better lifestyles and restore the connection between our communities and the natural environment around them. Our broader build programme lets us shift expectations on how our homes look, feel and perform, and how housing security supports the most vulnerable people in our communities.

We have identified opportunities in our houses to reduce waste by using more sustainable building materials and setting a waste reduction target on demolition of 80 percent for our Auckland site, while reducing carbon emissions in the process. We have projects underway to exploit these opportunities and have set targets to help drive our performance.

The challenge is to be bolder and integrate these new ways of working and improved performance standards into business as usual, more quickly. By working with the wider sector, we can amplify these efforts, to innovate and drive system-wide change faster and more effectively. We need to support and drive industry shifts in thinking, and embrace new construction techniques and more sustainable development approaches. It's a challenge that we are up for.

We have introduced the Kāinga Ora climate-related risk disclosures. The disclosures outline our process for managing climate-related risks, and how they inform our decision making to meet our environmental commitments.

Covid-19 has shown how important our communities are in times of crisis and change. It has reiterated that cohesive communities that come together to support one another help us navigate through these difficult times. We know that climate change is making a profound impact, but it's up to us how we respond and support our communities to be more resilient, adaptable and strong.

6 Homestar
rating on all new Kāinga Ora builds

7%
national relocation target for site clearance

200
homes relocated rather than being destroyed and sent to landfill

65%
of our vehicle fleet is now hybrid/EV

'Whanake – Be bold' is a key value that guides Kāinga Ora to make bold decisions and is at the forefront of our actions and decisions for significant and sustained change.

Climate-related risk disclosures

Preface

To fulfil our vision of building better, brighter homes, communities and lives, we are committed to acting on risks and opportunities associated with climate change.

This is our first climate-related risk disclosure. It outlines our current processes for identifying, assessing and managing climate-related risks and opportunities through governance and risk management activities. It also describes the measures we are developing to assess climate-related risks and opportunities and outlines how they inform our strategic decision making.

This disclosure is based on the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD). We will develop our climate-related risk reporting to fully align with the recommendations of the TCFD in future periods.

Governance

TCFD recommendations	Included in this disclosure?
a) Describe the board's oversight of climate-related risks and opportunities	Partially
b) Describe management's role in assessing and managing climate-related risks and opportunities	✔

We need to operate in a manner that recognises environmental, cultural and heritage values, and the need to mitigate and adapt to the effects of climate change under our legislation. It is embedded into our organisational outcomes, and the responsibility of our Board and collaborative leadership committees. We have a Sustainability Directorate responsible for implementing organisational responses to key environmental and social risks and opportunities, and we will need to comply with legislation and other requirements that set out climate responsibilities including:

Current

Kāinga Ora–Homes and Communities Act 2019

Sets out the objective of Kāinga Ora to contribute to sustainable, inclusive and thriving communities that sustain or enhance the overall economic, social, environmental, and cultural well-being of current and future generations.

Urban Development Act 2020

Sets out the mandate to facilitate urban development that contributes to sustainable, inclusive, and thriving communities.

Climate Change Response Amendment (Zero Carbon) Act

Provides a framework by which we can develop and implement clear and stable climate change policies that allow New Zealand to prepare for, and adapt to, the effects of climate change.

Carbon Neutral Government Programme

Requires us to report emissions and publish reduction plans from the 2022/23 financial year.

Upcoming

Government Policy Statement on Housing and Urban Development (GPS-HUD)

Requires us to:

- consider climate change induced natural hazards and ensure our customers and assets are not unduly exposed
- invest in a way that seeks to reduce whole of life emissions of buildings, infrastructure and enabling access and mobility through low emissions transit options.

National adaptation plan

Outlines our role amongst other public sector entities in climate adaptation.

Climate Change Adaptation Act (CAA)

This will replace the Resource Management Act 1991 (RMA). It will address complex issues associated with managed retreat and funding and financing adaptation.

Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill

This will require Kāinga Ora to produce disclosures aligned with the framework provided by the TCFD and made in accordance with standards issued by the External Reporting Board (the XRB) by 2023.

Emissions reduction plans

The government plans to decarbonise the economy in line with 1.5 degree scenario. These plans set the context in which the sectors in which Kāinga Ora operates must decarbonise.

Climate governance structure

Board

Under the Kāinga Ora–Homes and Communities Act 2019 the Kāinga Ora Board must ensure that Kāinga Ora acts in a manner that is consistent with its Operating Principles. This includes operating in a manner that recognises the need to mitigate and adapt to the effects of climate change.

↓

Ngā Pae Tātaki

Ngā Pae Tātaki are the collaborative leadership committees of Kāinga Ora. They play a key role in assessing climate-related risks.

↓

Business Groups

Our management structure is made up of various place and specialty-based business groups. Capability is built into these groups to identify and manage climate-related risks.

Delivery of outcomes

Our outcomes framework documented in the Kāinga Ora Statement of Intent 2019-2023 defines the outcomes we are aiming to support or contribute to across the organisation. While it is important for us to consider climate-related risks and opportunities for all our outcomes, it is particularly critical in achieving:

- Sustainable, inclusive and thriving communities support good access to jobs, amenities and services
- Our activities contribute to environmental wellbeing is enhanced and preserved for future generations.

Sustainability framework

We have adopted a sustainability framework that includes activities that will sustain and enhance environmental wellbeing for future generations.

Climate change mitigation: Our public housing infrastructure and operations are net zero emissions.

Efficient resource use: We minimise water consumed in, and waste produced by, our activities.

Sustainable transport: Transport systems and networks serving our homes support low-carbon and healthy transport options.

Nature enhanced: Nature and water systems are protected and enhanced on our land and in our communities.

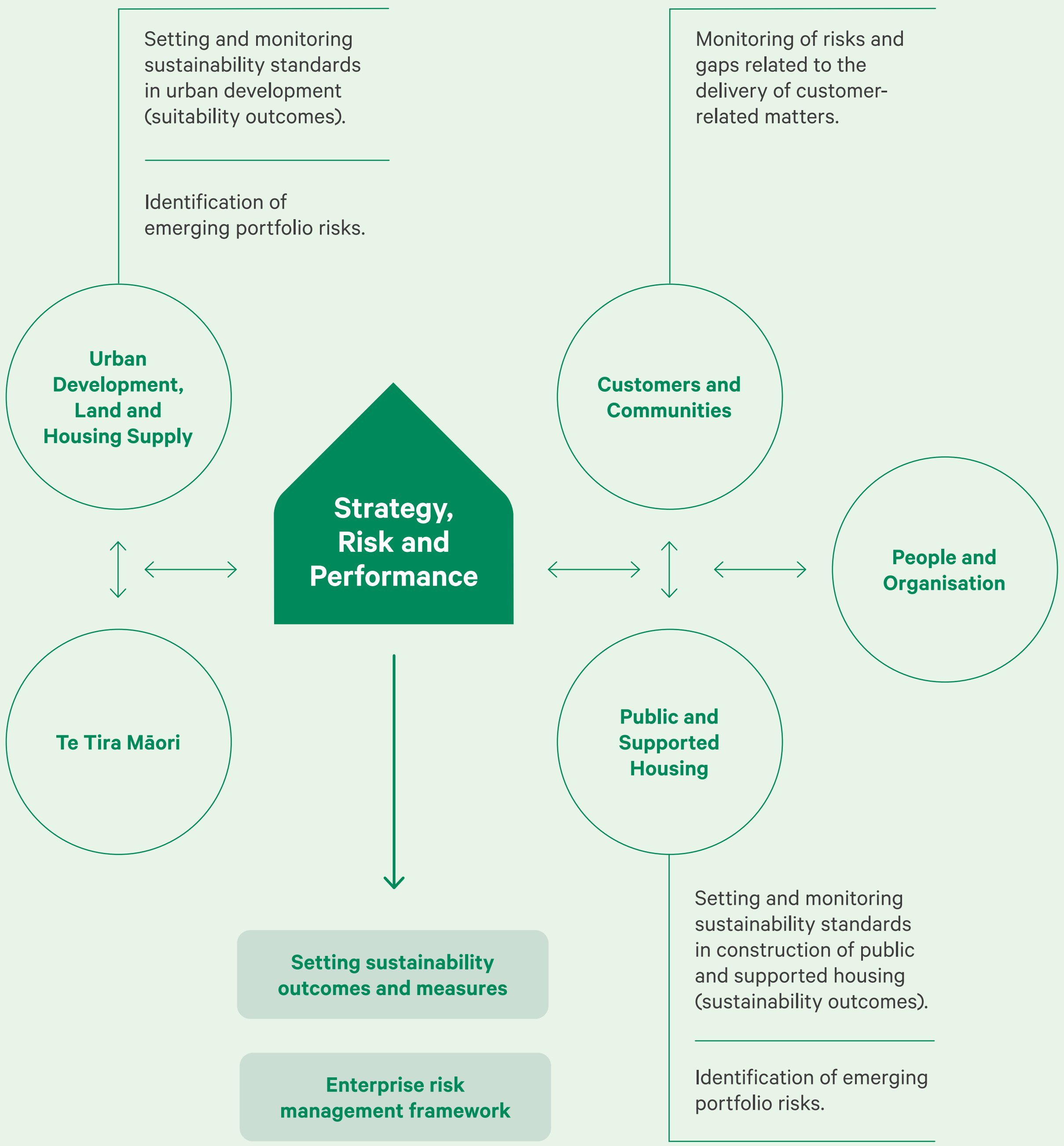
Climate change adaptation: Our homes, communities and operations are not unduly affected by climate change.

Mana Whenua Kaitiaki

Māori are recognised as Kaitiaki of Te Taiao and are enabled to exercise their responsibilities in sustaining and protecting the environment.

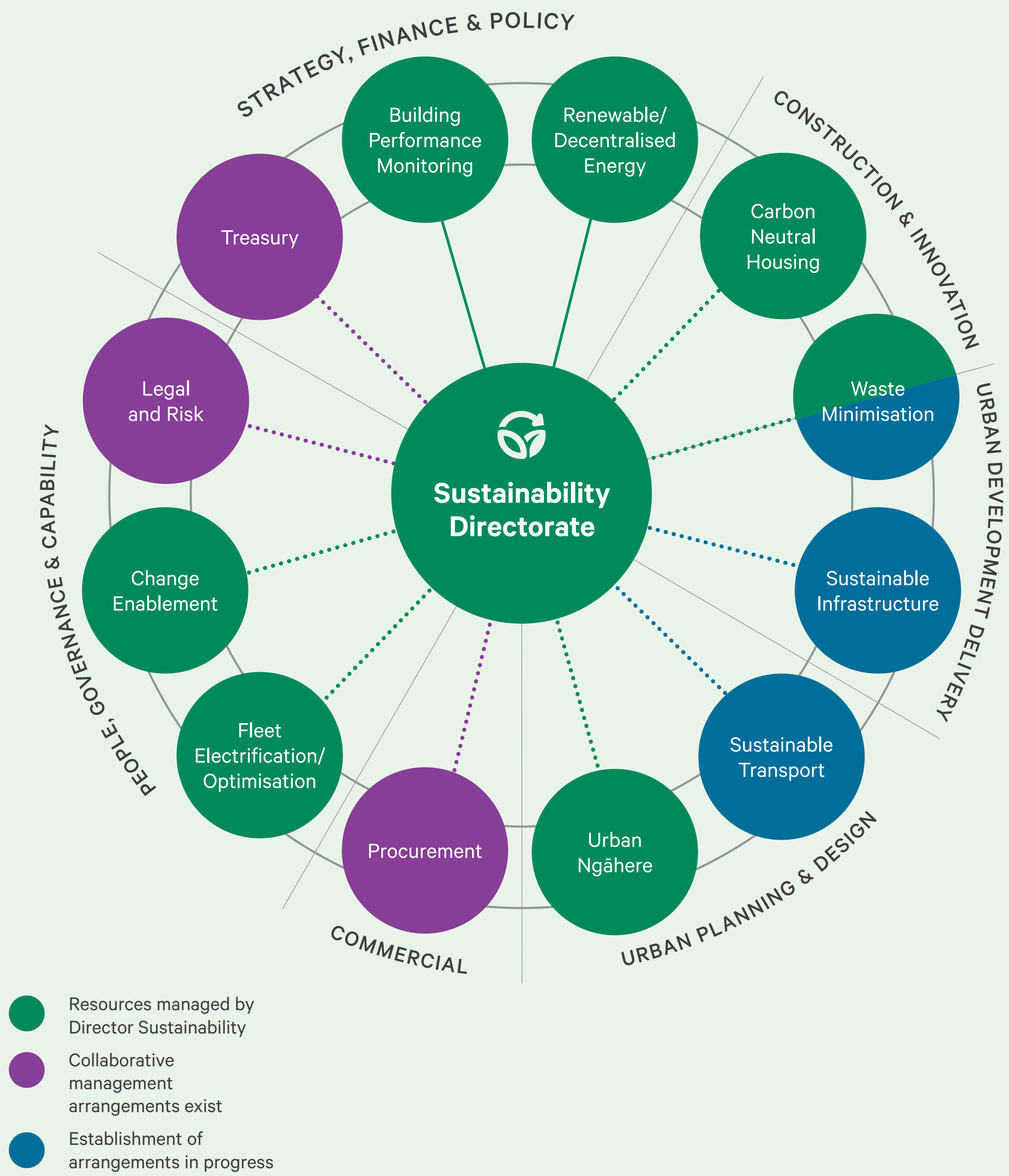
Ngā Pae Tātaki

Several of our Pae Tātaki have sustainability and climate-related risk considerations included in their terms of reference. Each Pae Tātaki meets fortnightly.



Management structure

We use a hub and spoke structure to ensure relevant parts of the organisation have oversight and ownership of the climate and sustainability issues that are most material to them.



Sustainability Directorate

Our Sustainability Directorate coordinates sustainability-related (including climate change) strategy, policy and logistics across the organisation.

Construction and Innovation

Sustainability resources in our Construction and Innovation business unit are responsible for:

- accelerating the transition of the Kāinga Ora construction and public housing portfolio to carbon neutral
- minimising the waste produced as a result of the Kāinga Ora public housing redevelopment and construction programmes.

Urban planning and design

We seek to deliver good urban development outcomes and have dedicated management resource focused on improving urban trees and water outcomes in our communities.

People, governance and capability

Business services – are responsible for transitioning Kāinga Ora cars and facilities to meet New Zealand Government requirements under the Carbon Neutral Government Programme.

Change management – we have dedicated business, IT and change management resources in place to support delivery of our climate and environmental objectives.

Strategy

TCFD recommendations	Included in this disclosure?
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	✔
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	✔
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Partially

We strive to be a strategy-led organisation. In relation to climate and environmental issues this means we need a clear understanding of both the impact that we are having on the environment and the impact the environment will have on us.

During the development of our Environment Strategy we identified a number of risks and opportunities and have recently established work programmes and capability to mitigate or leverage these. For the purposes of managing climate-related risks and opportunities we consider the short term to be less than three years, the medium term 10 years and the long term up to 60 years, as this reflects the expected life of our homes.

The following tables set out the climate-related risks and opportunities identified through the establishment and ongoing work of our Kāinga Ora sustainability programme. Physical risks resulting from climate change can be event-driven (acute) or longer-term (chronic) shifts in climate patterns. Transition risks are the risks associated with transitioning to a lower-carbon economy. These may include extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change.

Our risks

	Flooding	Drought	Temperature	Regulatory	Climate refugees	Social expectations
Risk	Increased frequency and magnitude of coastal, pluvial (rainfall) and fluvial (river) flooding events affect our customers and assets.	Periodic drought results in water shortages, which impact our customers.	Increase in mean temperature and the number of hot days (≥25°C) affects our customers and assets.	Our planned activities do not meet future climate change-related regulatory requirements.	Kāinga Ora may be expected to provide homes for people displaced by climate change.	Our planned activities do not adapt for changes in social expectations associated with climate change.
Type	Physical	Physical	Physical	Transition	Transition	Transition
Timeframe	Medium	Medium	Long	Medium	Long	Medium
Risk rating	High	High	High	High	Medium	High
Social impact	Homes that become temporarily or permanently uninhabitable may disconnect customers from whānau and community and threaten cultural connections. Events have the potential to disrupt critical and supporting infrastructure and amenities, impacting customer health and wellbeing. They can also impact our ability to deliver essential services.	Droughts could result in mandatory behaviour change for Kāinga Ora tenants, as well as stress to our landscapes. Droughts could result in our customers being cut off from a healthy freshwater source.	Exposure to high temperatures has significant health implications for elderly, children and people with respiratory conditions.	If we fail to comply with changing legislative requirements, there is a risk of litigation against Kāinga Ora for non-compliance. This could cause us to lose our social licence to operate.	Failure of the housing market to provide homes for climate refugees places additional pressure on housing and the public housing register.	Failing to adapt to changing social expectations could result in our customers being unable to adapt to and participate in a low-carbon economy. It could also lead to loss of customer and stakeholder trust.
Financial impact	There are costs associated with: • remediating/repairing damaged assets • rehousing customers • undertaking managed retreat • providing flood protection/drainage. There is also potential for loss of revenue and increased insurance costs after a significant flooding event.	There are costs associated with: • retrofitting water restrictors and efficient tapware • retrofitting rainwater capture and use systems • replanting green spaces.	There is an economic cost associated with improving building performance to ensure customer wellbeing is not compromised.	Legal fees and penalties may be incurred if we are subject to litigation for non-compliance.	There are costs associated with delivering additional housing.	There are economic costs associated with enhancing building sustainability to meet social expectations.

Our opportunities

As Kāinga Ora is a Crown agent, our opportunities analysis not only considers impacts on our organisation, but also reflects our ability to generate policy to assist New Zealanders to mitigate and adapt to climate change impacts.

	Urban renewal programme	Residential build programme	Residential renewal programme	Regulations	Energy independence/resilience
Opportunity	Leveraging the scale of our developments to catalyse change.	Nationally significant build programme.	Nationally significant build programme.	Changes in building regulations.	Decreasing cost of off-grid electricity supply solutions.
Type	Transition	Transition	Transition	Transition	Transition
Impacts	The scale of our renewal programme and level of investment enable us to reimagine our urban environment to minimise future impacts and ensure our communities and supporting infrastructure are resilient to the effects of climate change. This includes integrated transport systems, sustainable infrastructure, and enhanced urban ngāhere.	Having a centrally coordinated residential programme of nationally significant scale enables us to invest in best practice in the broader construction sector and deliver at scale.	85 percent of the Kāinga Ora public housing portfolio requires significant investment before 2050. This provides the opportunity to transition to being low carbon/carbon neutral.	Regulatory changes empower us to build future-fit homes that maximise the wellbeing of customers. We can also minimise the waste generated from construction activities.	Kāinga Ora owns a significant area of roof space, providing opportunity for rolling out a residential solar scheme that could: • reduce the operational carbon of our existing portfolio • improve energy resilience to and independence from grid disruptions • reduce energy hardship for our tenants • demonstrate the feasibility of rolling out similar schemes in the broader sector.
Our initiatives	• Urban Ngāhere • Sustainable Transport • Decentralised Energy	• Carbon Neutral Housing • Waste Minimisation • Homestar	• House Relocation Programme • Carbon Neutral Housing • Waste Minimisation	• Carbon Neutral Housing • Waste Minimisation	• Decentralised Energy • Internal Environment Monitoring

Our initiatives

Tackling Material Issues & Opportunities

Decentralised Energy	Indoor Environment Monitoring	Carbon Neutral Housing
Fleet Electrification	Waste Minimisation & Site Clearance	Urban Ngāhere

Maturing the Organisation

Embedding sustainability thinking across Kāinga Ora decision making.

Enabling staff across the organisation to identify and act on key sustainability risks, impacts and opportunities within their projects and activities.

Key activities:

- Climate-related financial disclosures and climate risk management
- Environment strategy refresh

Supporting Good Urban Development Outcomes

Recognising that our urban development activities are likely to have significant sustainability impacts, in terms of both reducing impact and reducing exposure to sustainability risks, such as climate change.

Key activities:

- Access and movement framework
- Sustainable infrastructure

Climate change-induced flooding risks

Climate change will increase the frequency and magnitude of coastal, pluvial (rainfall) and fluvial (river) flooding. Some of our assets are located in areas where climate change impacts may result in a higher risk of floods. If not managed appropriately, flooding events will have immediate and ongoing impacts on the finances and wellbeing of customers.

Using data from the National Institute of Water and Atmospheric Research – Taihoro Nukurangi (NIWA), we have assessed the exposure of our portfolio to coastal, pluvial and fluvial flooding based on a Representative Concentration Pathway (RCP) 8.5 scenario. We plan to undertake more formal scenario analysis of key physical and transition risks in the future.

NIWA flood models were overlaid with portfolio information from our Geographic Information System (GIS), which outlines the location and attributes of Kāinga Ora assets. Homes impacted by a modelled one-in-100-year flood event were highlighted and the extent of flooding for each home was determined.

It is worth noting that this modelling predicts exposure to a one-in-100-year event and is not an annual exceedance probability, which predicts the annual likelihood of flooding of our property or breach of floor level. This means that the full impact of the forecast events will only be experienced in a single financial period if the one-in-100-year event occurs once and nationally in that period. In reality, in the medium term, exceedance events will occur regionally on a less than annual frequency. In the long term, however, due to rising sea levels and increased severity of storms, some regions and properties will be impacted by exceedance events multiple times within a financial period.

Coastal flooding

Presently, 0.8 percent of our housing portfolio is exposed to a modelled one-in-100-year coastal flooding event. This equates to 506 homes affected, including 210 floor level breaches. Under an RCP 8.5 scenario, the number of houses exposed will double to 1.6 percent of our portfolio by 2050.

Assuming an RCP 8.5 pathway, 3.9 percent of our housing portfolio will be exposed to a modelled one-in-100-year coastal flooding event by 2110. Based on our current housing stock, this means 2,568 homes affected and 1,566 floor level breaches. Such an event would displace over 10,000 occupants for an average of 62 days and result in $100 million repair and clean-up costs.

By 2110 the homes that were impacted by the one-in-100-year event in 2050 are likely to experience multiple exceedance events each year under an RCP 8.5 pathway. As a result, we may need to invest in adaptation measures for these sites or forgo them.

Pluvial and fluvial flooding

Fifteen percent of our homes currently sit within an area prone to rainfall or river flood events. Of these, 46 percent are located in Auckland.

Estimation of the direct impacts of pluvial and fluvial flooding is limited by data availability. There is no standardised approach to pluvial or fluvial flood mapping in New Zealand. National flood exposure represents varied levels of accuracy, event timeframes and detail across territorial authorities. We expect to be able to improve the accuracy of our analysis as more detailed pluvial and fluvial modelling becomes available.

Our response

We use the data to plan for risk through investment activities. Early mitigation action will help us to continue to deliver on our outcomes.

Risk management

TCFD recommendations	Included in this disclosure?
a) Describe the organisation's processes for identifying and assessing climate-related risks	✔
b) Describe the organisation's processes for managing climate-related risks	✔
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	✔

Our risk management framework

Our risk management for climate and other risks is aligned with the best-practice approach of the ISO 31000:2018 Risk Management – Guidelines. Risks are identified, assessed and managed at the board, executive and business group levels.

Risk identification and assessment

The Risk and Assurance Services (RAS) team works with business groups, teams, projects and programmes to help them identify and manage their risks effectively. The team ensures Kāinga Ora risk management processes are consistent and robust and add value to planning and decision making. Risks are assessed using a likelihood and consequence matrix, allowing us to plan an appropriate response depending on risk severity.

At present, the majority of specific climate-related risks and opportunities are identified at the board level. Kāinga Ora intends to identify and assess climate-related risks through our standard risk identification and assessment process, and is working to ensure that business groups have the tools and support (from the RAS and Sustainability teams) to do this.

The Sustainability, Legal and Policy teams continuously monitor the regulatory environment to ensure that the Board and its committees are aware of any existing and emerging regulatory requirements related to climate change.

The Board and the Finance Risk and Assurance Committee (FRAC) have flagged and considered flood and other strategic risks and opportunities associated with climate change. From the beginning of 2021, key climate change-related risks and opportunities have been escalated and reported to the Board in the Chief Executive's monthly reporting.

Risk management activities

Managers across the organisation maintain registers that outline all risks in their business group, their severity and any planned mitigations. Review frequency depends on the severity of risks included in specific registers.

We have high-level physical and transition climate-related risks built into our organisation-level risk register. These are considered strategic risks and have been allocated a high residual risk rating.

Metrics and targets

TCFD recommendations	Included in this disclosure?
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Partially
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Partially
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	✘

Greenhouse gas emissions

We have measured our direct (scope 1 and 2) greenhouse gas (GHG) emissions, as well as those relating to staff travel. These make up less than 2 percent of the total direct and indirect GHG emissions attributable to Kāinga Ora. The emissions figures presented have been independently audited by Toitū Envirocare.

Scope 1	979 tCO_2e
Scope 2	392 tCO_2e
Emissions relating to staff travel (scope 3)	2,095 tCO_2e
Public housing emissions	N/A for this reporting period
Construction emissions	N/A for this reporting period
Urban development emissions	N/A for this reporting period

Our main scope 3 GHG emission sources are purchased goods and services, construction and maintenance materials, and energy used by our customers. This is difficult to calculate accurately due to limited data. We intend to report our full scope 3 emissions inventory in future annual reports.

Measuring progress towards our sustainability outcomes

We are developing metrics to measure and manage our climate-related risks and opportunities. We will develop targets once base-year metrics are established. Anticipated metrics have been agreed for measuring the impacts of the construction programme and housing portfolio. This is the area over which we have the most direct control. For other outcomes, this disclosure outlines the basis on which we will be developing our metrics for disclosure in our next annual report.

Public housing, infrastructure and operations are net zero emissions

The Kāinga Ora public and supported housing construction programme and housing portfolio make up a significant portion of our emissions and environmental impact. We are working to capture GHG emissions data across these areas to measure our progress towards effective climate change mitigation. This will help us to address the transition risks associated with New Zealand's change to a low-carbon economy. The metrics will enable:

- an understanding of the comparative efficiency of designs and solutions
- tracking of progress and performance against relevant intensity measures
- comparison of project performance against Kāinga Ora average performance
- forward portfolio modelling to understand future emissions impacts and develop strategies to reduce them
- alignment with future Building Code and consenting requirements
- alignment with other government agency measurement and reporting requirements.

The methodology we use to measure the emissions of our construction programme and portfolio follows a 'whole-of-building, whole-of-life' approach to carbon assessment. This includes emissions associated with extraction and manufacturing of materials, the construction process, operational energy use, maintenance, and material replacement over the building's life span, through to end-of-life impacts. Each phase in the lifecycle is described as a 'module' from A1 to D and will be reported on in the future.

Building Lifecycle Cradle to Cradle, including benefits and loads beyond the system boundary

Metrics

We have determined the following metrics relating to our construction programme and housing portfolio and are developing base-period measurements.

Construction programme

Phase	Annual performance metrics
Whole-of-life emissions (Modules A-D)	Total whole-of-life tCO_2e resulting from construction programme delivered
Product and construction stages (Modules A1-A5)	Embodied tCO_2e resulting from construction programme delivered
	Total construction programme waste (tonnes)
Forecasted use stage: Materials (Modules B1-B5, C1-C4, D)	Anticipated annual embodied emissions from material maintenance, replacement and demolition waste (tCO_2e)
	Total demolition waste (tonnes)
Forecasted use stage: Energy (Module B6) and Water (Module B7)	Anticipated total operational energy use per annum (kWh)
	Anticipated total operational energy-related emissions per annum (tCO_2e)
	Anticipated total operational water use per annum (L)

Portfolio

Phase	Annual performance metrics
Use stage and operational carbon emissions (Modules B1-B7)	Estimated annual operational emissions of total portfolio (tCO_2e)

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Metrics and targets to be developed for other areas

We will measure and establish targets for construction and demolition waste sent to and diverted from landfill, as well as the number of whole houses relocated through our relocation programme.

Our homes and communities will be accessed by mobility systems and networks that support low-carbon and healthy transport choices. We can measure progress towards this goal by considering how many car parking spaces are provided per unit constructed. Targets will be established to reduce the number of car parking spaces as alternative transport options (such as cycling or public transport) become more viable.

To ensure nature and water systems are protected on our land and in our communities, Kāinga Ora will establish measures and targets for increasing plant cover (particularly native cover) across our developments and increasing permeable surfaces. This includes retaining mature trees, as these provide significant ecological benefits.

We have determined the proportion of our portfolio exposed to coastal, pluvial and fluvial flood risk (based on currently available flood data). As we develop and implement adaptation strategies, we can establish targets against which to measure our progress. Other forms of resilience may include generating renewable energy capacity in our communities to mitigate storm-related energy disruption, or building homes that are not vulnerable to heat events.

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

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

Our people

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

Strategy driven

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

Operational excellence

Operational excellence is the objective in everything we do.

Relationships

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

Te Ao Māori

Kāinga Ora is committed to Te Ao Māori, recognising our culture and heritage, and obligations in how we operate. These attributes and characteristics are outlined below.

Ō Tātou Uara – Our Values

Last year we developed a new set of values for Kāinga Ora to unite our three former organisations, which had their own unique values, behavioural expectations and ways of working. We launched Ō Tātou Uara – Our Values and are focusing on making Ō Tātou Uara how we do things at Kāinga Ora, reflected in our people's actions and behaviours and the experiences they have at work. In support, we have launched resource toolkits for each team, including a conversation guide, activities and reference cards, and aligned the work with our diversity and inclusion mahi by developing resources in multiple languages (Te Reo Māori, New Zealand Sign Language, Samoan and Tongan) and working closely with our employee networks.

Ō Tātou Uara – Our Values: Manaakitanga, Mahi Tahi and Whanake describe the mind-sets and behaviours we believe are most important and guide how we work every day.

Mahi Tahi
Better Together

Whanake
Be Bold

Manaakitanga
People at the Heart

What success looks like

Our people

The focus on structural change, coupled with the impacts of Covid-19, required an agile and flexible People Strategy that enabled us to adapt to changing people trends, policy mandates, organisational strategy and government requirements. We responded by building a people framework – a modular approach to shaping our culture, embedding diversity and inclusion, and enhancing our people experience. Our work programme has four key pillars based on culture, leadership, capability and making it easy. This work will continue to bring our culture to life and support our purpose, vision, values, and organisational design.

Whakaurungia Te Whare Kanorau – diversity and inclusion

He Whāinga (our goal) is to be diverse and inclusive, where everyone feels they belong. It means valuing and celebrating diversity, and continuing to grow our diversity and enabling a culture of inclusion in everything we do. Whakaurungia Te Whare Kanorau is our diversity and inclusion (D&I) framework, which informs and guides our D&I mahi, ensuring we focus on the areas that have the biggest impact. We have developed an Addressing Bias module, Kāinga Ora Employee Network Guidelines, and supporting resources.

Leadership

Our leaders have a very important role in supporting the people they are responsible for, so that together we can achieve our vision. We want our people to have a great experience at work, and our leaders, more than anyone else at Kāinga Ora, shape that experience.

Framework design

We have worked with our leaders, listened to our people and developed a leadership development framework that is aligned with our vision and values. It reflects our commitment to diversity across the organisation, to a culture of inclusion and to Te Ao Māori.

Governance and Ngā Pae Tātaki

A development programme was delivered to support the establishment of Ngā Pae Tātaki, our new governance framework.

Leadership development framework and focus areas

The leadership development framework identifies five key areas that will make the greatest contribution to achieving our outcomes including:

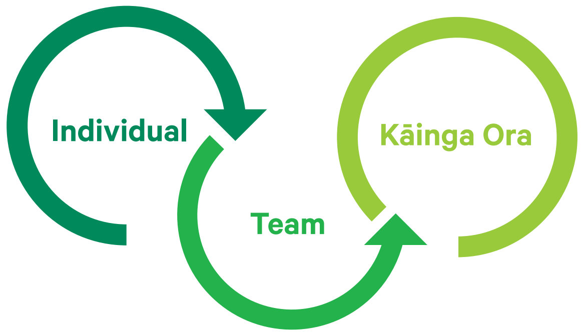
1. lead in a strategy-driven, outcomes-based way
2. lead with a people focus
3. lead using a distributed leadership mind-set
4. lead with a customer-centric lens
5. lead with a community-facing focus.

Capability

Our organisational capability framework defines the capabilities we need to deliver our mahi and provides learning pathways to support the shifts we need for the future.

Flexible ways of working

We aim to be a leader in enabling flexible working. Our Auckland and Wellington offices are activity-based working environments, which complement our collaborative and flexible work style. We have provided equipment to enable work at home and guidance on setting up a safe physical environment, and workload and workplace risks. We have developed a flexible working policy which is consistent with Public Service Commission guidance.



Our guiding principle is that flexible work needs to work three ways: for the individual, for their team and for the organisation, including our customers, stakeholders and matrix teams.

Policy refresh and people leaders' kete

Our people policies were refreshed in plain language and to reflect our values and commitment to diversity and inclusion.
A people leaders' kete is an online site for our people leaders to access tools and guidance to handle everyday leadership situations.

Holidays Act Compliance

A review of our payroll system and processes to ensure compliance with the Holidays Act was undertaken and remediation payments made to eligible current and former employees.

Remuneration framework

The first step in our programme is to identify job families, to ensure we have a consistent, transparent and easily understood remuneration framework in place. All jobs at Kāinga Ora have a rate of pay based on the comparison of job requirements and responsibilities as they relate to our outcomes.

Recruitment

We continued to recruit to key roles throughout the Covid-19 lockdowns by conducting interviews online. A new recruitment approval process removed complexity and reduced the time required by leaders, and an online campaign search drove potential applicants to our website.

Employment opportunities

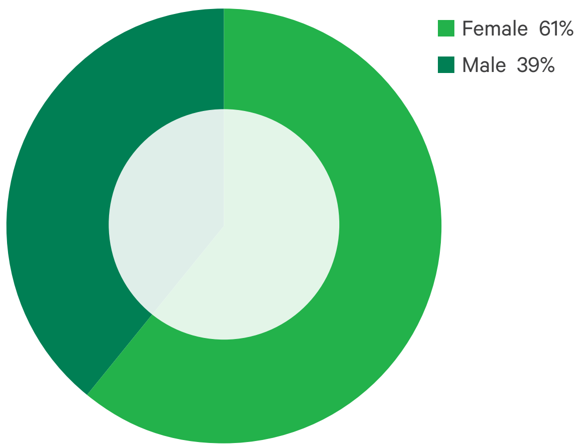
We provide equal employment opportunities and our policies and processes are fair and equitable, reflecting our values and commitment to diversity and inclusion.
We recognise the Crown's obligations under Te Tiriti o Waitangi and the aspirations of Māori, other ethnic or minority groups, and people of disabilities. With the introduction of one rate of pay for each role, we continue to ensure horizontal pay equity between women, men, Māori and ethnic minorities.

Our workforce comprises 61 percent women and more than 35 percent Māori, Pasifika and ethnic minorities. We are constantly improving our recruitment processes, both internally and externally, to promote equal employment opportunities and encourage career advancement and development. We review our data collection related to our people's diversity and inclusion (including disability) so we are positioned to track and report on ethnic minority representation at every level within the organisation.

Overall FTE and headcount

	Fixed term	Permanent	Total
FTE	142	2,144	2,286
Headcount	151	2,176	2,327

Overall gender proportions

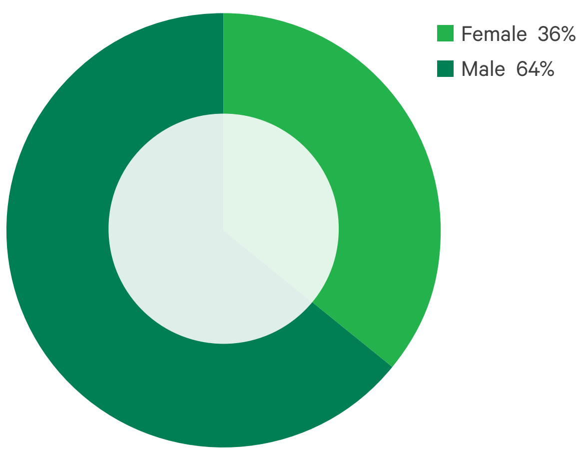


Overall ethnicity proportions*

Asian	8%
European	7%
Māori	11%
Middle Eastern/Latin American/African	2%
New Zealand European/Pākehā	30%
Pacific Peoples	14%
Unknown	27%

* Note – do not sum to 100% due to rounding

Tiers 1-3, Bands S1+ gender proportions



Overall age group proportions

Under 25	3%
25-35 years old	24%
35-45 years old	28%
45-55 years old	25%
55-65 years old	16%
65+ years	4%

Disability

We do not currently record information on disabilities. However, we ensure we adapt the workplace environment for our people who experience a disability, and provide flexible working and/or arrangements for any additional equipment needed to carry out work duties.

Progress against the five Papa Pounamu commitment areas

Cultural competence

- Established and recruited two new Pasifika Advisors and an Accessibility Advisor.
- Continued to reflect Te Ao Māori through our new organisational values, establishing wharenui in several locations, and increasing the use of Te Reo Māori in our communication.
- Built reflection rooms in our main locations for spiritual practices.
- Continued to embrace and celebrate cultural days, including Diwali, Te Wiki o te Reo Māori, and Pacific Language Weeks.

Addressing bias

- Launched an introductory learning module addressing bias.
- Reviewed all core people policies and procedures with a diversity and inclusion lens and focus on mitigating bias.
- Launched a new bullying and harassment policy and guidance for hiring leaders to mitigate bias during recruitment.
- Piloted a new tool in our graduate recruitment programme to ensure candidates are assessed objectively and to mitigate bias in the shortlisting process.

Inclusive leadership

- Launched a new Leadership Development Framework, underpinned by inclusive leadership.
- Established a new governance model to ensure we systematically include a range of perspectives in cross-organisational work.

Building relationships

- Launched a Partnership and Engagement Framework.
- Provided tools to support team relationships, including a values toolkit and refreshed ‘forward conversations’ guides.

Employee-led networks

- Supported the establishment of seven employee-led networks (ELNs) including three Māori Networks, two Pasifika Networks, a Rainbow Network and a Women’s Network, all supported by a senior leader. Three new networks are being established, a Neurodiversity Network, Accessibility Network and a Pan-Asian Network. Our networks are represented on all cross-agency forums.
- Introduced resources, including centralised funding, to support ELNs during their development and maintenance stages.

Worker engagement and participation

Engaging with our workers ensures the inclusion of our people's voice in decisions that affect the work they do. We encourage health and safety representation and have regional health and safety committees. Sharing information on health and safety matters, seeking contribution to safe practices and keeping our workers informed are all important components of our ways of working. A positive relationship with our union is key to our health and safety programme and worker engagement.

Health, safety, security and wellbeing

Kāinga Ora continues to strengthen practices in health, safety, security and wellbeing, which have been acknowledged through award nominations and successes during the year, including:

- a Safeguard New Zealand Workplace Health & Safety Award in the Wellbeing category, the award is for the best initiative to promote better wellbeing, and the team's win was for the Wā Maanaki Professional Supervision programme
- recognition for Piritahi, our alliance partner who specialises in land development, for their underground service strike idea – Ture koura ahea keri ake (Golden Rules When Digging) – in the WorkSafe Whakaiti Kino project to reduce the frequency and harm of strikes on underground services and utilities across New Zealand
- nomination as a finalist in the Supporting Workers category in the Whakaiti Kino project on evidence-based industry safety intervention.

Psychosocial risk and a mentally healthy workplace

The Employee Assistance Programme, Go Well Portal, dedicated Health and Wellbeing Advisors, and the Wā Manaaki programme support the mental health of our workers.

Worker wellbeing – MATES in Construction

We are a foundation partner of MATES in Construction and actively support and promote the programme, both throughout our supply chain and internally within the broader construction teams. The General Awareness Training programme has been delivered to most of our construction partners on work sites throughout the main centres. Last year, 99 training sessions were held, with 1,921 workers attending. Our construction teams are included in the MATES engagement drive, with successful sessions held in Auckland, Wellington and Christchurch. The coming year will focus on increasing coverage among our remaining construction partners and our large-scale civil sites, reaching smaller regional centres to raise awareness and provide practical guidance on suicide prevention.

Significant increase in security capacity

The capacity of our security function has increased significantly to include support for safer homes and communities. Place-based security resources are available to respond to, monitor and assess security risks, with a regional focus. We have worked with other agencies to identify and develop pathways to share security risk information and establish common New Zealand Government security practices around our top risks (violence and aggression in the workplace). A priority has been to make our site offices and physical security fit-outs safe and secure for our people, and we have completed reviews on our top security risks.

Construction framework

The construction health and safety framework will provide structure and consistency in managing construction risks through our supply chain. It articulates the roles and responsibilities, and delivery objectives, for key stakeholders and provides the strategic guidance to deliver these objectives.

Case data management

Ensuring the privacy and security of personal health information via a secure storage and workflow system will improve the way we manage health and wellbeing and analysis of data to target that support.

Risk management – our approach and improvements

Our risk management practice is aligned with international best practice, using BS ISO 31000:2018 Risk Management – Guidelines. We also consider related standards such as BS EN ISO 2600:2020, the standard for Social Responsibility, and BS EN ISO 14001:2015, the standard for Environmental Management. The risk management policy and framework were updated and a PricewaterhouseCoopers audit was undertaken.

Key elements

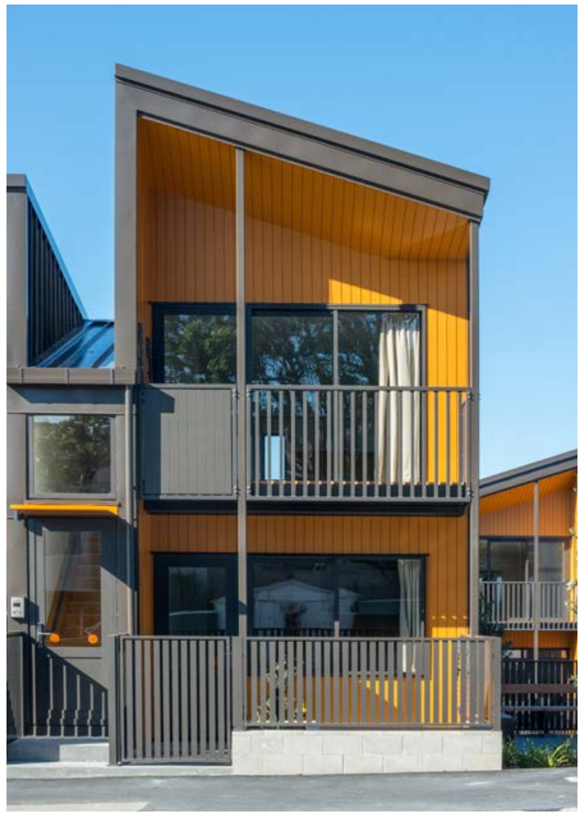
Our risk management is collaborative – we communicate and consult with internal and external stakeholders to ensure that the process is efficient and effective. This brings different areas of expertise together to facilitate risk oversight and decision making. Risk management is a responsibility for all staff, including our service partners, contractors or others who work on our behalf.

Contribution

Risk management is a key contributor to business performance, assurance and successful delivery of programmes and projects. We anticipate, detect and respond to changes and events in an appropriate and timely manner. We contribute to the fulfilment of enabling legislations, health and wellbeing and other compliance obligations.

Risk governance

Risk governance exists at various levels. The Ngā Pae Tātaki governance system brings together the operational and the strategic parts of the enterprise risk management (ERM) system.



Location: Britomart Street, Berhampore, Wellington

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

Our key deliverables for 2020/21 are highlighted in the earlier Outcomes section (pages 18–71). Our key deliverables align with the Government's housing and urban development priorities and the Minister of Housing's Letter of Expectations and are grouped to mirror our operating principles as set out in the Kāinga Ora–Homes and Communities Act 2019. The tables below show our progress over the past year in achieving the objectives set out in the Kāinga Ora Statement of Intent (SOI).

Managed housing stock

Managed housing stock	Public housing	Community Group Housing	Transitional housing	CHP lease portfolio	Total Kāinga Ora housing
Opening stock 1 July 2020	**63,811**	**1,530**	**912**	**0**	**66,253**
Additions	2,154	19	620	0	2,793
Disposals	868	8	2	0	878
Transfers	-897	-17	12	902	0
Adjustments*	6	1	-6	0	1
Closing stock	**64,206**	**1,525**	**1,536**	**902**	**68,169**

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

Location: Pallant Street & Wordsworth Road, Manurewa, Auckland

Housing supply meets need

Purpose	Measure	Indicator type	Target by June 2023	Actual 2019/20	Actual 2020/21
Increase the number of Kāinga Ora homes	Grow Kāinga Ora public housing managed stock	●	4,480 by June 2022	727	1,915
Renew Kāinga Ora homes	Average proportion of our public housing stock renewed per annum over the four-year period	●	>2.4% per annum	1.5%	1.7%
Contribute to the affordability and accessibility of the wider housing market	Average age of our homes	●	42.8 years	44.7 years	43.6 years
	Number of new homes enabled[1] or constructed for sale on land owned or previously owned by Housing New Zealand or Kāinga Ora	●	>3,600	264	1,713

Key to indicator type:

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

1. 'Enabled homes' refers to the number of homes that will be built on 'ready to build' land handed over to a third party, or as agreed to under a signed unconditional contract between Kāinga Ora and the third party.

Public housing solutions that contribute positively to wellbeing

Purpose	Measure	Indicator type	Target by June 2023	Actual 2019/20	Actual 2020/21	Comment
Ensure our services meet our customers' needs	Percentage of customers who are satisfied with the services we provide	●●	85%	80%	82%	Satisfaction with the services we provide customers has continued to trend up over the last three years. We are making steady progress towards our target of 85% satisfaction by June 2023.
Our homes meet the needs of our public housing customers	Percentage of surveyed lettable properties that meet or exceed the baseline standard[2]	●	95%	93.3%	92.7%	PCA scores are tied closely with the age of our housing portfolio and this is being addressed by our new build programme (and associated demolitions), retrofit and other planned programmes.
	Percentage of customers who feel satisfied with their Kāinga Ora home	●●	85%	80%	81%	As with satisfaction with services, over the past few years we have made small but steady gains in improving our customers' satisfaction with their homes.
	Homes meet tenant bedroom requirements[3]	●●	>80%	81%	81%	Placements for new customers are consistently matched above our target, but the portfolio-wide percentage continues to be difficult to significantly move. Achieving the 80% target by 2023 remains challenging.

2. Each year we assess our portfolio using a desktop survey for approximately 90% of our portfolio and a physical survey of approximately 1,600 properties. In 2020/21 over 59,000 properties were assessed using the desktop survey model. The baseline for this measure has been set at less than 3.5. This means that 93% of our properties are rated at less than 3.5, where 1 is the highest rating and 5 is the lowest rating. Excluded from the desktop survey are leased properties, complexes, long-term vacant properties (that are either undergoing significant maintenance or are intended to be sold or demolished), properties leased to community housing providers, emergency housing and Community Group Housing properties, as they are not homogeneous and are best assessed by physical survey methods. The baseline standard for 2019/20 was restated from 92.3% to 93.3% due to changes to the settings in the 2020/21 desktop model.

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

Purpose	Measure	Indicator type	Target by June 2023	Actual 2019/20	Actual 2020/21	Comment
Ensure our public housing customers feel safe and secure in their homes and communities	Percentage of customers who feel safe in their home	●●●	75%	70%	68%	Movement in our customers' perceptions of safety remained within the margin of error (2.2%). Perception of safety remains difficult for us to influence.
	Percentage of customers who feel safe in their neighbourhood	●●●	75%	70%	68%	
Sustain tenancies for customers in need	Percentage of customers who sustain their tenancy for 12 months or more	●●	95%	93%	94%	

Key to indicator type:

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

Asset performance measures

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

Measure	Indicator	2018/19 Target	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual
Percentage of homes that are let (occupied days)	Utilisation	97.5%	98.1%	97.5%	98.3%	98.7%	97.9%
Average number of days from a house becoming vacant to being 'ready to let'	Utilisation	18 days	16 days	18 days	19 days	18 days	21 days
Percentage of surveyed lettable properties that meet or exceed the baseline standard	Condition	89%	93%	90%	93.3%	93.5%	92.7%
Percentage of our customers who are satisfied with their Kāinga Ora home	Condition	85%	79%	85%	80%	85% by June 2023	81%
Percentage of homes that meet tenant bedroom requirements	Functionality	>76% By June 2021	75%	>80% By June 2023	75%	>80% By June 2023	75%

Location: Pallant Street, Manurewa, Auckland

Our information communication and technology (ICT) asset portfolio

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

Measure	Indicator	2018/19 Target	2018/19 Actual	2019/20 Target	2019/20 Actual	2020/21 Target	2020/21 Actual
Percentage of incidents resolved on first contact by ICT Service Desk	Condition	>80.00%	>85.42%	>80.00%	86.02%	>80.00%	89.51%
Priority 1 incidents per 100 ICT users	Condition	<7.0	<1.5	<7.0	0.2	<7.0	0.2
Core systems availability – Kotahi	Availability	>99.90%	>99.75%	>99.90%	99.99%	>99.90%	99.98%
Core systems availability – Oracle EBS	Availability	>99.90%	>99.36%	>99.90%	99.93%	>99.90%	99.97%
Core systems availability – websites	Availability	>99.90%	>99.70%	>99.90%	99.72%	>99.90%	99.71%
Infrastructure as a service resource utilisation*	Utilisation	>90.00%	>93.00%	>90.00%	96.00%	>90.00%	76.00%

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

Infrastructure as a service resource utilisation

To cater for several large projects such as Kia Hoko (procurement system), and upgrades of several core systems (such as Kotahi/Northgate and EBS), we needed to procure a significant volume of computing resources. Upgrade projects especially require high resources, with their existing versions expected to run in parallel with the new versions for at least a year. Once these projects are completed, we will return to the target utilisation.

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

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

For the full year, our SPE results were 20 measures achieved or substantially achieved (where we are less than 2 percent behind target).

Our benchmarking SPE measure *Percentage of demolition waste diverted from landfill* achieved 87 percent in its starting area of Auckland. For the next financial year, this measure has a target of 80 percent set for Auckland, with the measure also widened to include the rest of the country in order to set a benchmark outside Auckland.

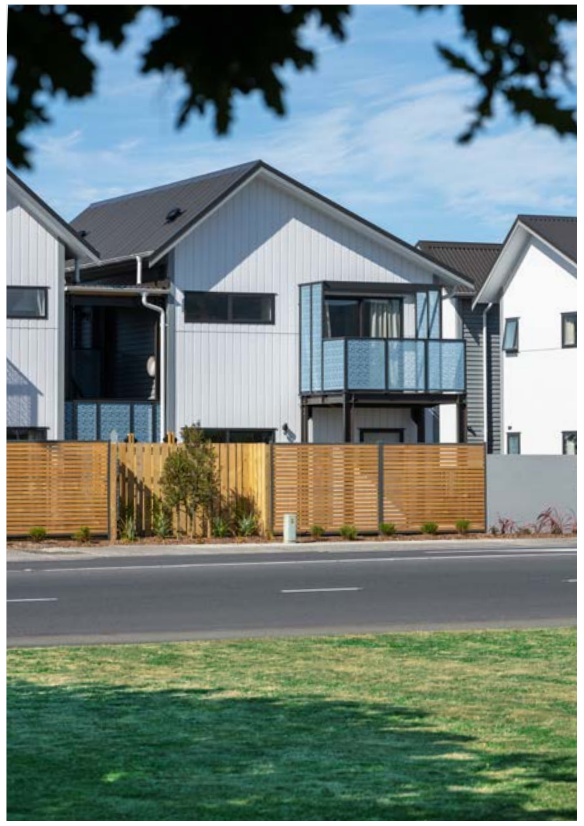
The other benchmarking measure, *Residents in current areas of development that are aware of the wider benefits delivered by Kāinga Ora regeneration activities*, has no result this year. This new measure was intended to establish a benchmark for us to measure the community's awareness of the benefits of our regeneration activities. Delays in our large-scale projects, the timing of the business cases for these, and delayed community engagement activities mean that communities cannot be surveyed prior to being made aware of development.

Nine measures did not achieve or substantially achieve target, and are discussed briefly in each section.

Output Class 1: Sustaining tenancies and supporting communities

Scope

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



Activities

The activities undertaken in this output class include:

- working with the Ministry of Social Development to place eligible applicants from the public housing register into Kāinga Ora homes and sustaining these tenancies, while ensuring these homes continue to meet the changing needs of our customers
- inducting tenants into their new homes and assisting them to settle in
- organising community development events and activities
- linking public housing customers with specialist support services if they require support
- providing public housing customers with access to information about their homes, rights and communities
- managing existing tenancies
- undertaking debt collection activities for overdue rent, property damage, and residual income-related rent arrears
- setting and reviewing market rents
- building relationships between our public housing customers and their communities
- partnering with community providers including Iwi/Rōpū Māori.

Location: Whites Line East, Lower Hutt

Summary of performance

Measure	Measure type	Actual 2019/20	Standard 2020/21	Actual 2020/21
Percentage of public housing customers that receive a welcome home visit within the first six weeks of their tenancy starting	●	New measure	85%	54%
Percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre	●●	89%	85%	87%
Percentage of calls answered within two minutes by the Customer Support Centre	●	81%	80%	77%
Percentage of customers who feel their tenancy manager treats them with respect	●●	New measure	85%	85%
Percentage of public homes that are let (occupied days)	●●	98.3%	97.8%	97.9%
Percentage of new customers who sustain their tenancy for 12 months or more	●●	New measure	>92%	94%
Percentage of public housing customers that are not in rental arrears	●●	88%	>93%	89%

Key to measure type

● Direct Kāinga Ora performance output measure

●● Performance indicator that Kāinga Ora has strong influence over

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

Percentage of public housing customers that receive a welcome home visit within the first six weeks of their tenancy starting

The target is 85 percent and our year-end result was 54 percent. This measure was affected by the Covid-19 lockdowns, where visits were halted and we prioritised welfare calls, especially to existing highly vulnerable customers. Beyond the Covid-19 effects, we have analysed our results to further improve our training, time and process management, and resourcing levels during higher concentrations of activity.

Percentage of calls answered within two minutes by the Customer Support Centre

The target for this is 80 percent and our year-end result was 77 percent. The disruption in recruitment caused by lockdowns in late 2020 had a flow-on effect to mid-2021. A higher-than-forecast number of people also started secondments or extended their existing secondments to cover the Kāinga Ora restructure and expansion (the Shaping Kāinga Ora programme). With the completion of the programme and a recruitment induction early in the new financial year, we expect performance to reach the target.

Percentage of public housing customers that are not in rental arrears

The target for this is 93 percent and our year-end result was 89 percent. As part of our response to Covid-19 we ceased all debt recovery activities and introduced a welfare approach to support our customers. Although rent debt increased substantially over this time, the number of customers in debt stayed fairly static, indicating that those who were already in debt experienced higher levels of financial hardship. Supporting our customers to regularly pay rent can be a sensitive and time-consuming task and we are committed to providing a respectful and compassionate response. When we restarted debt activities, we introduced a new debt approach, with a new set of principles for conversations on rent debt, a focus on early intervention and prevention, and new payment arrangement thresholds to ensure repayments are sustainable. From 2021/22 we will measure the working repayment plans of our customers, rather than debt dollar totals or volumes.

Revenue and output expenses

Revenue and Output Expenses	Budget 2020/21 $m	Actual 2020/21 $m	Comment
Revenue Crown	1,019.3	1,066.2	The revenue and expenses of this output class are in relation to management of the public and supported housing portfolio. It includes all rent revenue and administration and tenant servicing expense for public and Community Group Housing, and revenue and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	510.7	465.2	
Expenses	933.8	935.8	
Net surplus/(deficit)	**596.1**	**595.6**	

Output class revenue and expense tables may have rounding differences.

Output Class 2: Managing, maintaining and renewing our homes

Scope

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

Activities

The activities undertaken in this output class include:

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

Location: Gwendoline Avenue, Te Atatū, Auckland

Summary of performance

Measure	Measure type	Actual 2019/20	Standard 2020/21	Actual 2020/21
Average number of days from a public home becoming vacant to being 'ready to let'	●	19 days	18 days	21 days
Percentage of public housing customers satisfied with repairs and maintenance	●●	74%	75%	74%
Average time taken to respond to urgent health and safety maintenance queries	●	2.5 hours	4 hours	3.9 hours
Percentage of public housing customer maintenance requests completed within the agreed service level targets*	●	New measure	80%	84%
Percentage of actual spend on planned repairs and maintenance programmes against budget target	●	New measure	95%	94%
Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act**	●	New measure	30%	21%
Number of public houses completed as part of the house retrofit programme	●	New measure	>500	271
Percentage of public lettable properties that meet or exceed the asset condition scale baseline quality standard***	●	93.3%	93.5%	92.7%

* Kāinga Ora has different service level targets for different priorities of maintenance requests. This measures the percentage of responsive repairs that meet the service level targets for completing Urgent Health and Safety work (12 hours), Urgent Responsive work (48 hours) and general repairs (10 working days).

** Kāinga Ora is rolling out a four-year programme of work aimed at ensuring all of our housing portfolio is compliant with the Healthy Homes Guarantee Act by 30 June 2023.

*** Kāinga Ora uses the National Asset Management Support (NAMS) Asset Condition Scale. Each major component of a house is rated 1-5 (where 1 is the highest score and 5 is the lowest). Where the average of the components for a house is rated at less than 3.5, the house is deemed to meet the baseline quality standard.

Key to measure type

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

Average number of days from a public home becoming vacant to being 'ready to let'

Several factors contributed to our final result of 21 days against the target of 18 days. The Covid-19 lockdowns in Auckland had immediate and ongoing effects, increasing the average of the months in which there were lockdowns, raising the overall year's average and making it difficult to recover from. We also saw more homes that required greater-than-normal remedial work (often the result of our Healthy Homes activities) and a higher proportion of homes requiring asbestos and lead-based paint remediation. Despite these, our performance over the last several months has been trending towards the target.

Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act

Delivering the Healthy Homes programme in an ongoing Covid-19 environment presented some unexpected challenges, including heightened customer anxiety about having maintenance and upgrade work carried out by multiple people in their homes, the increase in construction activity in both the public and private sectors, and international supply chain challenges.

Overall, 21 percent (14,000 homes) received the work needed to confirm compliance with the Healthy Homes Standards, against the target of 30 percent. To ensure all our homes are compliant by July 2023, we have simplified the scoping process for each home that requires work, we are bulk scoping homes for better efficiency, and we are working closely with our maintenance partners to ensure there is both capacity and coordination in the work that is to be undertaken.

Number of public houses completed as part of the house retrofit programme

We completed 271 homes in the Retrofit programme, against the target of 500. We also completed another 49 renewals through our complex remediation programme. Completion of many retrofit homes was delayed past the end of the financial year, with several factors contributing, such as uncertainty in the pipeline, capacity of designers and our build partners, and finding temporary accommodation for tenants while their homes are being worked on.

There is a renewals efficiency project underway which aims to increase the delivery forecast by finding and applying improvements in our processes and systems, increasing the capacity of designers and build partners, and more proactively identifying regions where finding temporary accommodation for tenants is challenging (and managing the programme accordingly).

Percentage of public lettable properties that meet or exceed the asset condition scale baseline quality standard

Our Property Condition Assessment (PCA) result decreased slightly from 93.3 percent in 2019/20 to 92.7 percent in 2020/21. PCA scores are tied closely with the age of our housing portfolio and this is being addressed by our new build programme (and associated demolitions), retrofit and other planned programmes.

Revenue and output expenses

Revenue and Output Expenses	Budget 2020/21 $m	Actual 2020/21 $m	Comment
Revenue Crown	0.0	0.0	The expenses in this output class are in relation to maintenance of the public housing portfolio. It includes all administration and maintenance expense for public housing and Community Group Housing and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	0.0	0.0	
Expenses	465.2	458.3	
Net surplus/(deficit)	**(465.2)**	**(458.3)**	

Output class revenue and expense tables may have rounding differences.

Location: Seddon Street, Naenae, Lower Hutt

Output Class 3: New public and supported housing supply

Scope

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

Activities

The activities undertaken in this output class include:

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

Location: Britomart Street, Berhampore, Wellington

Summary of performance

Measure	Measure type	Actual 2019/20	Standard 2020/21	Actual 2020/21
Number of newly constructed Kāinga Ora public and supported homes*	●	New measure	>2,400	2,432
Increase in the overall number of Kāinga Ora public and supported homes (net increase)	●	New measure	>1,900	1,915
Percentage of new public homes (redevelopments) built to a 6 Homestar standard**	●	New measure	>90%	93%
Percentage of demolition waste diverted from landfill	●	New measure	Benchmark to be established	87%
Number of new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme	●	New measure	>100	119

* A newly constructed home is defined as a home that is newly built and has not previously been occupied before its use for public or supported housing purposes. Of this total, 77% (1,866) were public homes and 23% (566) were supported housing (including transitional housing and Community Group Housing).

** Homestar is a comprehensive, independent national rating tool, run by the not-for-profit Green Building Council, that measures the health, warmth and efficiency of New Zealand houses. A 6 Homestar rating or higher provides assurance that a house will be better quality – warmer, drier and healthier, and cost less to run – than a typical new house built to the Building Code.

Key to measure type

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

Revenue and output expenses

Revenue and output expenses	Budget 2020/21 $m	Actual 2020/21 $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to public housing supply, housing divestment and land development.
Revenue Other	0.0	0.0	
Expenses	145.8	106.7	
Net surplus/(deficit)	**(145.8)**	**(106.7)**	

Output class revenue and expense tables may have rounding differences.

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

Scope

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

- development of land to enable or facilitate public, affordable and market housing in areas of high demand
- development and renewal of urban environments, whether or not this includes housing development
- development of related commercial, industrial, community, or other amenities, infrastructure, facilities, services or works.

This output class also includes the leadership or coordination role described below that we take in relation to urban development.

Activities

The activities undertaken in this output class include:

- developing masterplans for community regeneration, including infrastructure and community amenities
- initiating, facilitating or undertaking urban development projects, either directly or in partnership, or on behalf of other agencies
- developing land to enable or facilitate public, affordable and market housing in areas of high demand
- selling land or housing assets that are no longer fit for purpose and reinvesting the proceeds in new housing
- providing leadership and coordination in relation to urban development, including by supporting innovation, capability and scale within the wider urban development and construction sectors
- leading and promoting great urban design and efficient, integrated, mixed-use urban development
- understanding, supporting and enabling the aspirations of communities in relation to urban development
- working alongside tangata whenua to deliver outcomes for Māori in urban development.

Summary of performance

Measure	Measure type	Actual 2019/20	Standard 2020/21	Actual 2020/21
Number of new homes enabled* through Kāinga Ora urban development activities[1]	●	264	>500	1,713
Percentage of affordable** homes enabled as a percentage of total homes enabled	●	35%	>40%	53%
Percentage of enabled homes under construction by third parties within agreed timeframes***	●●	100%	95%	81%
Percentage of new affordable or general homes enabled to the 6 Homestar standard	●	New measure	>90%	100%
Percentage of residents surveyed in current areas of development that are aware of the wider benefits delivered by Kāinga Ora regeneration activities	●	New measure	Benchmark to be established	No result

1 In previous years, we have not included Tamaki Regeneration Company (TRC) public homes in either this measure or the measure *Percentage of affordable homes enabled as a percentage of total homes enabled.* For this year we are recognising them, although targets were set prior to this decision. This means we have substantially exceeded our original target for this measure, and the different mix of homes delivered through TRC also affects the percentage for the affordable homes measure.

* 'Enabled homes' refers to the number of homes that will be built on 'ready to build' land transitioned to a third party, or as agreed to under a signed unconditional contract between Kāinga Ora and the third party.

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

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

Key to measure type

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

Percentage of enabled homes under construction by third parties within agreed timeframes

The full-year result is 81 percent (target 95 percent). Twenty of the 26 superlots (large sections of build-ready land) that make up this measure were on time; however, delays in our lead work on some Tāmaki superlots pushed construction for these into the next financial year.

As noted earlier, the benchmarking measure *Percentage of residents surveyed in current areas of development that are aware of the wider benefits delivered by Kāinga Ora regeneration activities* has no result this year. This new measure was intended to establish a benchmark to measure the community's awareness of the benefits of our regeneration activities. Delays in our large-scale projects, the timing of the business cases, and delayed community engagement activities mean that communities cannot be surveyed prior to being made aware of development.

Revenue and output expenses

Revenue and output expenses	Budget 2020/21 $m	Actual 2020/21 $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class relate to activities associated with urban development activities and increasing general and affordable housing supply.
Revenue Other	129.8	78.3	
Expenses	183.4	223.0	
Net surplus/(deficit)	**(53.6)**	**(144.8)**	

Output class revenue and expense tables may have rounding differences.

Output Class 5: Supporting first home ownership for New Zealanders

Scope

The scope of this output class is limited to activities associated with the management of Kāinga Ora financial home ownership products, and enabling more New Zealanders to purchase a home by improving access to housing products that meet their individual needs.

Activities

Activities in this output class include the proactive management of financial home ownership products that assist individuals and households to purchase their first home. It includes administering the following programmes on behalf of the Crown and Kāinga Ora-initiated programmes:

- First Home Loan and Kāinga Whenua loans (Crown appropriated)
- First Home Grant (Crown appropriated)
- KiwiBuild eligibility criteria on behalf of the Crown
- Kāinga Ora Tenant Home Ownership Scheme
- Residential Earthquake-Prone Building Financial Assistance Scheme (Crown appropriated).

Summary of performance

Measure	Measure type	Actual 2019/20	Standard 2020/21	Actual 2020/21
Number of homes purchased by New Zealanders with one or more of our home ownership products*		New measure	>16,000*	10,618
Number of new First Home Grants assessed for eligibility		New measure	Demand driven	41,984
Average number of days taken to assess a completed First Home Grant application		3.4 working days	5 working days	4.1 working days
Number of new KiwiBuild applications assessed for eligibility		New measure	Demand driven	5,279
Average number of days taken to assess a completed KiwiBuild eligibility application		New measure	5 working days	1.4 days

* Includes successful KiwiBuild purchases.

Key to measure type

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

Number of homes purchased by New Zealanders with one or more of our home ownership products

This measure is demand driven, with the target set prior to Covid-19 and our understanding of the effects it would have on the home ownership market.

Revenue and output expenses

Revenue and output expenses	Budget 2020/21 $m	Actual 2020/21 $m	Comment
Revenue Crown	122.3	108.5	The revenue and expenses of this output class are in relation to products that are managed on the Crown's behalf and expenses associated with these first home ownership products.
Revenue Other	1.7	1.0	
Expenses	113.9	95.9	
Net surplus/(deficit)	**10.1**	**13.5**	

Output class revenue and expense tables may have rounding differences.

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

Scope

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

Activities

Most activity within this output class relates to the services provided by Kāinga Ora for the management and development of Hobsonville Point (under control of the Housing Agency Account). The project is a large-scale, integrated urban development project in northwest Auckland on land formerly used by the New Zealand Defence Force.

Kāinga Ora is responsible for facilitating housing development at Hobsonville Point, with at least 20 percent of the housing constructed over the next 10 years to be sold as affordable housing.

It also includes activity where Kāinga Ora is required to buy or sell properties as part of the KiwiBuild Buying off the Plans initiative. The transaction and financial recognition will be processed within the Housing Agency Account, not within the Kāinga Ora Group.

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

Location: Bledisloe Road, Maraenui

Summary of performance

Measure	Measure type	Actual 2019/20	Standard 2020/21	Actual 2020/21
Revenue generated from the sale of Hobsonville land	●	$15.5 million	>$10 million	$0.0million
Percentage of homes delivered that are long-term rental or affordable housing as a percentage of total homes delivered	●	27.4%	>20%	28%
Percentage of surveyed residents that are satisfied with the overall living experience at Hobsonville Point	●●	96%	>75%	96%

Key to measure type

● Direct Kāinga Ora performance output measure

●● Performance indicator that Kāinga Ora has strong influence over

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

Revenue generated from the sale of Hobsonville land

This measure was not due to generate revenue until late in the financial year. However, delays meant there had been no revenue generated for this measure by the end of the financial year. Note that this revenue is not lost – the delays have moved it into the next financial year.

Revenue and output expenses

Revenue and Output Expenses	Budget 2020/21 $m	Actual 2020/21 $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to management and development services for Crown-controlled land and property.
Revenue Other	2.0	1.2	
Expenses	2.0	1.2	
Net surplus/(deficit)	**0.0**	**0.0**	

Output class revenue and expense tables may have rounding differences.

Reporting against Vote Housing and Urban Development appropriation – estimates measures

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

Assessment of performance	2021 Actual	2021 Target
Number of First Home Loan mortgages underwritten by Kainga Ora–Homes and Communities	1,272	Up to a maximum of 1,650
Percentage of applications to Buying off the Plans assessed against the agreed criteria	100%	100%
Percentage of Relation and Option Agreements including delivery milestones monitored by the KiwiBuild Unit	100%	100%
Percentage of KiwiBuild purchasers monitored for compliance with minimum home ownership requirements	100%	100%
Percentage of KiwiBuild purchases paid within contractual terms	100%	100%
Average number of days taken to assess a completed KiwiBuild eligibility application	1.4 working days	5 working days

Ngā Wehenga Pūtea Mahi 2020/21
Crown Appropriations 2020/21

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

The following table details the funding initially budgeted as reported in our 2020/21 Statement of Performance Expectations and compares this with the actual funding provided.

Output Table: Operating Appropriations 2020/21

		Kāinga Ora Output Classes					
		Output class 1	Output class 2	Output class 3	Output class 4	Output class 5	Output class 6
Appropriation and programme	Funding in SPE $m	Sustaining tenancies and supporting communities $m	Managing, maintaining and renewing our homes $m	New public and supported housing supply $m	Urban regeneration, development and general housing supply $m	Supporting first home ownership for New Zealanders $m	Transactions relating to Crown-owned land (HAA) $m
Kāinga Ora Housing Support Services							
Mortgage Insurance Scheme (First Home Loan)	7.700	–	–	–	–	6.933	–
First Home Grant – Administration	2.998	–	–	–	–	2.998	–
Total Kāinga Ora Housing Support Services	**10.698**	**0.000**	**0.000**	**0.000**	**0.000**	**9.931**	**0.000**
Housing Assistance							
Community Owned Rural Rental Housing Loans Interest Subsidy	0.072	–	–	–	–	0.047	–
Housing Innovation Fund Interest Subsidy	0.370	–	–	–	–	0.000	–
Other Legacy Loan Costs	0.700	–	–	–	–	0.300	–
Nat/WPT Portfolio – Loss of Interest SPOB	0.010	–	–	–	–	0.004	–
SHAZ Bridging Finance	0.007	–	–	–	–	0.000	–
Total Housing Assistance	**1.159**	**0.000**	**0.000**	**0.000**	**0.000**	**0.351**	**0.000**

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

		Kāinga Ora Output Classes					
		Output class 1	Output class 2	Output class 3	Output class 4	Output class 5	Output class 6
Appropriation and programme	Funding in SPE $m	Sustaining tenancies and supporting communities $m	Managing, maintaining and renewing our homes $m	New public and supported housing supply $m	Urban regeneration, development and general housing supply $m	Supporting first home ownership for New Zealanders $m	Transactions relating to Crown-owned land (HAA) $m
Purchase of Housing and Related Services for Tenants Paying Income-Related Rent (*)	1,011.391	1,043.733	0.000	0.000	0.000	0.000	0.000

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

* The Income-Related Rent Subsidy (IRRS) budget value is based on a different set of assumptions from those used by the Ministry of Housing and Urban Development for the IRRS Crown appropriation budgets, with spend managed at a total appropriated vote level.

First Home Grant	97.085	0.000	0.000	0.000	0.000	80.693	0.000

First Home Grant (KiwiSaver) is exempt from Crown performance reporting as the information is unlikely to be informative.

KiwiBuild Unit Operating	18.691	0.000	0.000	0.000	0.000	13.464	0.000

The Crown performance reporting for this KiwiBuild appropriation is under review.

Residential Development Response Fund	0.000	0.000	0.000	0.000	0.000	0.312	0.000

The RDRF was re-purposed as Affordable Housing Fund as part of Crown Budget 2021.

Progressive Home Ownership Scheme	0.000	0.000	0.000	0.000	0.000	2.678	0.000
Western Porirua Transfer	0.000	0.000	0.000	0.000	0.000	0.075	0.000
Wellington Solar Energy Pilot – Renewable Energy Fund	0.000	0.000	0.000	0.000	0.000	0.576	0.000
Apprenticeship Programme – Social Development Support	0.000	0.000	0.000	0.000	0.000	1.000	0.000
Total Operating Appropriations	1,139.024	1,043.733	0.000	0.000	0.000	109.080	0.000

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

		Kāinga Ora Output Classes					
		Output class 1	Output class 2	Output class 3	Output class 4	Output class 5	Output class 6
Appropriation and programme	Funding in SPE $m	Sustaining tenancies and supporting communities $m	Managing, maintaining and renewing our homes $m	New public and supported housing supply $m	Urban regeneration, development and general housing supply $m	Supporting first home ownership for New Zealanders $m	Transactions relating to Crown-owned land (HAA) $m
Community Group Housing MCA							
Community Group Housing Market Rent Top-Up (**)	16.591	13.891	–	–	–	–	–
Community Housing Rent Relief	4.104	3.679	–	–	–	–	–
Acquisition and Improvement of Community Group Housing Properties – Non-Departmental Capital Expenditure	5.800	–	–	5.800	–	–	–
Earthquake Prone Building MCA							
EPB Operating Expenses	0.800	–	–	–	–	0.546	
EPB Loan Advances – Capital Expenditure	5.000	–	–	–	–	0.000	
Total Multi-Category Expenses and Capital Expenditure	**32.295**	**17.570**	**0.000**	**5.800**	**0.000**	**0.546**	**0.000**

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

Market Rent Top-Up is exempt from Crown performance reporting as the information is unlikely to be informative.

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

** Market Rent Top-Up SPE value was set before the final Vote Crown budget was confirmed, which is $13.891m.

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

		Kāinga Ora Output Classes					
		Output class 1	Output class 2	Output class 3	Output class 4	Output class 5	Output class 6
Appropriation and programme	Funding in SPE $m	Sustaining tenancies and supporting communities $m	Managing, maintaining and renewing our homes $m	New public and supported housing supply $m	Urban regeneration, development and general housing supply $m	Supporting first home ownership for New Zealanders $m	Transactions relating to Crown-owned land (HAA) $m
Refinancing of Kāinga Ora and HNZL Debt	143.010	0.000	0.000	141.434	0.000	0.000	0.000

Location: Gwendoline Avenue, Te Atatū, Peninsula, Auckland

Financial statements
Ngā tauākī whakahaere pūtea

Investing in our future – a reflection on our performance

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

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Matthew Needham
Chief Financial Officer

$30.3b
Equity

$7.63b
Total borrowings

$412m
Repairs and maintenance

>14k
homes meet Healthy Homes Standards

$1,721m
Total operating revenue

Last year Kāinga Ora experienced a year of change in the face of a challenging marketplace. The ongoing impact of Covid-19, the escalating cost of housing, and the ever-increasing demand for homes required a different approach in how we responded to providing more housing.

Against this backdrop, Kāinga Ora delivered positive financial performance over the past year. Our balance sheet remains strong, with total equity increasing from $23.9 billion in 2020 to $30.3 billion in 2021. This was largely due to the revaluation of our property portfolio to $38.8 billion, which reflects the growth in property prices across New Zealand.

Our strengthening balance sheet positions us well to achieve our borrowing programme and to support our ambitious investment targets.

Our operational activities resulted in an after-tax loss of $152 million, while our core operations are breaking even the loss is driven by costs associated with various asset write-offs. However, our net cash flows from operating activities were positive at $231 million, up from $184 million the previous year. This was largely due to various non-cash expenses such as depreciation and amortisation of $337 million being recognised.

We finished the 2021 financial year with a total operating revenue of $1,721 million, up from $1,614 million the previous year. This was driven by our property portfolio of more than 68,000 public houses, which generated $1,434 million in rental income, up from $1,349 million last year.

Central Government support also guarantees revenue by generating an income-related rent subsidy of $1,044 million and revenue from tenants was $390 million. This underpins the support Government provides to Kāinga Ora customers. The $64 million we made from the sale of developed land reflects our new mandate to accelerate the overall supply of housing.

Operating costs were largely driven by repairs and maintenance and property depreciation costs. Repairs and maintenance increased by 15 percent to $412 million, reflecting our ageing portfolio and our commitment to provide warm, dry, healthy homes, and contributed to over 14,000 Kāinga Ora homes meeting the Healthy Homes Standards.

Last year we invested $1,857 million of capital. This capital investment covered building new public housing, retrofitting existing properties, and enabling, through urban development, the construction of more homes by spending $222 million developing land. This supports our long-term investment plan to enable more than 40,000 homes to be built over the next 15-20 years.

We have made good progress and realise that bold, innovative changes at Kāinga Ora and across the system are required to meet our short and long-term goals. Significant capital investment is needed to complete the renewal and build programmes for public houses, and to provide developed land ready for construction.

Our Long-term Investment Plan indicates a planned capital spend of more than $60 billion over the next 30 years, which will require a committed borrowing programme.

Kāinga Ora has one of the most significant treasury functions in New Zealand. We were the first organisation in New Zealand to establish a Sustainability Financing Framework to align financing with environmental and social outcomes.

Our Wellbeing Bonds raise financing to support our initiatives that result in positive environmental, social and wellbeing outcomes, such as our commitment to build all new Kāinga Ora homes to a minimum 6 Homestar standard. We have won New Zealand Debt Issuer of the Year for the last three years.

Kāinga Ora was the first organisation in New Zealand to establish a Sustainability Financing Framework.

The Wellbeing Bond Programme is a global-first, New Zealand innovation that allows Kāinga Ora to fund our build programmes and provide homes to customers. Last year we issued $1.7 billion of new Wellbeing Bonds, totalling $5.3 billion of bonds issued to the financial markets to date.

We are the only AAA rated Environmental, Social and Governance (ESG) issuer in New Zealand, providing a point of difference for our Wellbeing Bond issuance programme.

We are innovative in our approach for capital, and leaders in New Zealand and globally, in wellbeing and sustainable financing. It's all part of our approach to transform the sector and the way we work, and accelerate the provision of new houses.

Managing an investment programme of this size is not without its challenges. The well publicised shortages of land, labour and materials have seen relentless pressure put on the construction sector.

We are working to deliver more housing, for more people in need, fast. Our new financial products are providing better access for New Zealanders to climb onto the home ownership ladder, in addition to our efforts to provide more homes for our customers.

The Wellbeing Bond Programme is a global-first New Zealand innovation that allows Kāinga Ora to fund our build programmes and provide warm, dry homes to customers.

We have geared our financial capability to scale the financial requirements as Kāinga Ora gains momentum.

We will continue to build our treasury function and maintain our focus on improving core financial functions, which has seen us lower our average time to pay suppliers to below five days, a real achievement providing a positive benefit for our suppliers and partners nationally.

We are facing head-on the huge financial challenges with changing the business direction and delivering a large capital programme.

We are in a strong financial position but will need to keep a relentless focus on improving, reducing the costs of construction and managing our costs if we are to meet the challenges ahead.

Location: Seddon Street, Naenae, Lower Hutt

Statement of responsibility

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

The Board is responsible for the preparation of the financial statements and statement of performance and the judgements used therein.

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

The Board is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Board, the financial statements and statement of performance for the year ended 30 June 2021 fairly reflect the financial position and operations of Kāinga Ora–Homes and Communities at that date.

For and on behalf of the Board.

Signed

Vui Mark Gosche
Chair on behalf of the Board
28 September 2021

Countersigned

John Duncan
Deputy Chair
28 September 2021

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

	Notes	Group Actual 2021 $M	Group Actual 2020 $M	Budget Unaudited 2021 $M
Revenue from non-exchange transactions				
Rental revenue - income-related rent subsidy		1,044	959	1,001
Rental revenue - tenants receiving income-related rent subsidy		390	390	425
Crown appropriation revenue	5(b)	115	103	127
Revenue from exchange transactions				
Sale of developments		64	58	130
Rental revenue from tenants at market rent		41	51	49
Interest revenue	5(a)	25	21	5
Mortgage Insurance Scheme	5(c)	13	10	10
Other revenue	5(d)	29	22	40
Total operating revenue		**1,721**	**1,614**	**1,787**
Expenses				
Repairs and maintenance		412	359	422
Depreciation and amortisation	6(a)	337	301	322
Personnel	6(b)	201	176	218
Rates		182	171	183
Interest expense	5(a)	162	135	151
Grants	6(e)	80	78	90
Third-party rental leases		70	67	69
Cost of land sold		63	59	126
Other expenses	6(c)	180	147	194
Total expenses		**1,687**	**1,493**	**1,775**
Other gains/(losses)				
(Loss) on asset write-offs	6(f)	(81)	(84)	(70)
Impairment of property under development	6(f)	(62)	(70)	–
Gain/(loss) on disposal of assets	6(f)	9	7	–
Total other losses		(134)	(147)	(70)
Operating surplus/(deficit) before tax		(100)	(26)	(58)
Current tax expense		(112)	(87)	(96)
Deferred tax (expense)/benefit		60	55	70
Income tax (expense)/benefit	7(a)	(52)	(32)	(26)
Net surplus/(deficit) after tax		(152)	(58)	(84)
Other comprehensive revenue and expense				
Revaluation of property, plant and equipment				
Revaluation reserve gains		6,912	1,201	333
Financial assets at fair value through other comprehensive revenue and expense				
Hedging reserve gains/(losses)	17	55	1	(6)
Income tax (expense) on other comprehensive items	7(a)	(439)	(104)	(66)
Other comprehensive revenue		6,528	1,098	261
Total comprehensive revenue and expenses		6,376	1,040	177

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

Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	Group Actual 2021 $M	Group Actual 2020 $M	Budget Unaudited 2021 $M
Total equity at 1 July 2020		**23,970**	**22,924**	**23,134**
Revaluation of property, plant and equipment				
Revaluation reserve gains/(losses)		6,912	1,201	333
Deferred tax (expense) on property, plant and equipment revaluations	7(a)	(423)	(104)	(72)
Financial assets at fair value through other comprehensive revenue and expense				
Hedging reserve gains/(losses)	17	55	1	(6)
Deferred tax (expense)/benefit on hedging reserve gains/(losses)	17	(16)	–	6
Net surplus/(deficit) for the year		(152)	(58)	(84)
Total comprehensive revenue and expense for the period		**6,376**	**1,040**	**177**
Net capital contributions (to)/from the Crown		3	6	–
Total changes in equity		**6,379**	**1,046**	**177**
Total equity at 30 June 2021		**30,349**	**23,970**	**23,311**
Equity attributable to the Crown				
Equity attributable to the Crown at 1 July 2020		3,561	3,555	3,555
Net capital contributions (to)/from the Crown		3	6	–
Equity attributable to the Crown at 30 June 2021		**3,564**	**3,561**	**3,555**
Retained earnings				
Retained earnings at 1 July 2020		697	712	651
Surplus/(deficit) for the year		(152)	(58)	(84)
Net transfers from asset revaluation reserve		359	43	21
Retained earnings at 30 June 2021		**904**	**697**	**588**
Revaluation reserve				
Revaluation reserve at 1 July 2020		19,793	18,739	19,010
Asset revaluations on property, plant and equipment		6,912	1,201	333
Deferred tax on property, plant and equipment	7(c)	(423)	(104)	(72)
Net transfers to retained earnings		(359)	(43)	(21)
Revaluation reserve at 30 June 2021		**25,923**	**19,793**	**19,250**
Hedging reserve				
Hedging reserve at 1 July 2020		(81)	(82)	(82)
Fair value gains/(losses)	17	55	1	(6)
Deferred tax on derivative fair value movement	7(c)	(16)	–	6
Hedging reserve at 30 June 2021		**(42)**	**(81)**	**(82)**
Total equity at 30 June 2021		**30,349**	**23,970**	**23,311**

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

Statement of Financial Position

As at 30 June 2021

	Notes	Group Actual 2021 $M	Group Actual 2020 $M	Budget Unaudited 2021 $M
Assets				
Cash and cash equivalents	8	233	421	388
Investments	9	1,136	1,296	1,107
New Zealand Government Bonds		50	200	–
Interest rate and derivatives	17	29	–	–
Receivables and prepayments	10	134	84	13
Properties held for sale		45	14	278
Properties under development	11	365	191	119
Other assets	12	45	43	56
Property, plant and equipment	13	38,868	30,685	33,579
Total assets		**40,905**	**32,934**	**35,540**
Liabilities				
Accounts payable and other liabilities	14	249	188	261
Income tax payable	7(b)	22	–	(176)
Mortgage Insurance Scheme	15(a)	30	31	32
Interest rate derivatives	17	58	114	114
Borrowings	18	7,627	6,439	9,581
Deferred tax liability	7(c)	2,570	2,192	2,417
Total liabilities		**10,556**	**8,964**	**12,229**
Net assets		**30,349**	**23,970**	**23,311**
Equity				
Equity attributable to the Crown		3,564	3,561	3,555
Retained earnings		904	697	588
Revaluation reserve		25,923	19,793	19,250
Hedging reserve	17	(42)	(81)	(82)
Total equity		**30,349**	**23,970**	**23,311**

For and on behalf of the Board, who authorised the issue of the financial statements on 28 September 2021.

Vui Mark Gosche
Chairperson
28 September 2021

John Duncan
Deputy Chairperson
28 September 2021

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

Cash Flow Statement

For the year ended 30 June 2021

	Notes	Group Actual 2021 $M	Group Actual 2020 $M	Budget Unaudited 2021 $M
Cash flows from/(used in) operating activities				
Rent receipts - income-related rent subsidy		999	963	1,005
Rent receipts - tenants		426	398	470
Crown appropriation revenue		115	103	127
Interest revenue		25	21	5
Mortgage Insurance Scheme revenue		13	10	10
Sales of developments		64	46	130
Other receipts		29	34	4
Payments to suppliers and employees		(1,125)	(1,093)	(1,154)
Interest paid		(162)	(135)	(151)
Cost of goods sold		(63)	(59)	(126)
Income tax paid		(90)	(104)	(102)
Net cash flows from/(used in) operating activities	19	**231**	**184**	**218**
Cash flows from/(used in) investing activities				
Sale of rental properties and other property plant and equipment		35	–	37
Mortgage and other lending repayments		8	5	–
Net short-term investments (made)/realised		281	(1,461)	153
Purchase of rental property assets		(1,887)	(1,410)	(2,889)
Purchase of other property, plant and equipment		(33)	(102)	(28)
Purchase of intangible assets		(14)	–	(11)
Movement in inventory		–	–	(107)
Net cash flows from/(used in) investing activities		(1,610)	(2,968)	(2,845)
Cash flows from/(used in) financing activities				
Net capital contributions (to)/from the Crown		3	6	–
Market Notes issued		1,188	2,903	2,628
Net cash flows from/(used in) financing activities		**1,191**	**2,909**	**2,628**
Net cash flows		(188)	125	–
Opening cash and cash equivalents		421	296	388
Closing cash and cash equivalents	8	**233**	**421**	**388**

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

Notes to the Financial Statements

For the year ended 30 June 2021

1. Reporting entity

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

The core business of the Kāinga Ora Group is to enhance New Zealanders' wellbeing for current and future generations. This guides our strategy, decision making and services in the interim as we continue to develop our roles, while being open to feedback and further development. Our six strategic outcomes are:

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

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

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

The financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 28 September 2021.

2. Summary of significant accounting policies

(a) Basis of preparation

The unaudited budget numbers for the financial year 2020/21 are taken from the revised Statement of Performance Expectations 2020/21 signed by the Chairman of the Board 24 June 2020.

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

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

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

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

Comparatives

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

(b) Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

(c) New accounting standards and interpretations

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

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

- Going Concern Disclosures (Amendments to PBE IPSAS 1)
- The amendments require specific disclosures in relation to the going concern assumption to help preparers provide relevant and transparent information to the users. Specific disclosures are required when management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.
- Uncertainty over Income Tax Treatments (Amendments to PBE IAS 12)

  The amendment requires an entity to determine whether uncertain tax positions are assessed separately or as a group (depending on which approach gives a better prediction of the resolution of the uncertainty), and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

  If it is probable a tax authority will accept the treatment, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, the entity should reflect the effect of uncertainty in determining its accounting tax position by estimating the tax payable (or receivable), using either the most likely amount or the expected value method.
- PBE Interest Rate Benchmark Reform (Amendments to PBE IPSAS 41, PBE IFRS 9, PBE IPSAS 29 and PBE IPSAS 30)

  The objective of the amendments is to provide temporary relief to enable hedge accounting to continue during a period of uncertainty before the replacement of an existing interest rate benchmark, such as interbank offered rates (IBORs), with an alternative nearly risk-free interest rate. The amendments affect PBE IPSAS 29, PBE IPSAS 30, PBE IPSAS 41 and PBE IFRS 9 and modify some specific hedge accounting requirements.

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

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

  The new standard, when applied, supersedes PBE IFRS 3 *Business Combinations*. PBE IPSAS 40 has a broader scope than PBE IFRS 3 since it establishes requirements for accounting for both acquisitions and amalgamations. PBE combination is the bringing together of separate operations into one public benefit entity, which might occur by mutual agreement or by compulsion. Kāinga Ora has not yet assessed the effect of the new standard.
- PBE Interest Rate Benchmark Reform – Phase 2 (Amendments to PBE IPSAS 41, PBE IFRS 9, PBE IPSAS 29 and PBE IPSAS 30) effective for periods beginning 1 January 2021:

  This is the second part of the two-phase project on interest rate benchmark reform. These amendments enable PBEs to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. Kāinga Ora has not yet assessed the effect of the new standard.
- 2018 Omnibus Amendments to PBE Standards (PBE IPSAS 2) effective for periods beginning 1 January 2021:

  The amendments require disclosures that allow users of financial statements to evaluate changes in liabilities which arise from financing activities. Kāinga Ora has not yet assessed the effect of the new standard.
- PBE FRS 48 *Service Performance Reporting*. In recognition of the impact of COVID-19 on PBEs, on 13 August 2020 the NZASB issued 2020 Amendments to PBE FRS 48 for periods beginning on or after 1 January 2022:

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

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

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

  Kāinga Ora has not yet assessed the effect of the new standard.
- PBE IPSAS 41 *Financial Instruments* effective for periods beginning 1 January 2022:

  PBE IPSAS 41 will supersede PBE IFRS 9 and PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IPSAS 41 introduces a new classification and measurement regime for financial instruments and will need to be carefully considered by each entity. Kāinga Ora has not yet assessed the effect of the new standard.

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

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

The financial statements for the comparative year comprise the results of Housing New Zealand Corporation (the former Parent) for the three months 1 July 2019 to 30 September 2019 plus Kāinga Ora – Homes and Communities (the Parent) for the nine months 1 October 2019 to 30 June 2020 and their subsidiaries for the full year to 30 June 2020.

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

(e) Rental property land and buildings

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

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

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

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

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

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

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

Rental properties	10-60 years

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

Buildings	40-60 years
Improvements	25 years
Chattels	10 years

(f) Work in progress

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

(g) Provision for future development costs

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

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

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

(h) Properties held for sale

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

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

(i) Properties under development

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

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

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

(j) Other property, plant and equipment

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

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

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

(k) Intangible assets

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

Intangible assets include software that has been externally purchased as well as software that has been internally developed. Software is developed to meet Board-approved changes and improvements to the Kāinga Ora Group's way of working, structures, processes, products and systems.

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

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

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

(l) Impairment of plant, equipment and intangible assets

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

Non-cash-generating plant and equipment and intangible assets

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

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

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

(m) Financial assets

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

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

(i) Initial recognition and de-recognition

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

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

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

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

Derivatives – not in hedge relationships

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

(iii) Financial assets at amortised cost

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

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

Specific financial assets at amortised cost include the following:

Cash and cash equivalents

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

Mortgages and housing-related lending

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

Receivables (exchange and contractual non-exchange transactions)

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

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

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

Investments

Investments consist of money market deposits, commercial paper, registered certificates of deposit and treasury bills. These investments meet the Solely Payments of Principal and Interest (SPPI) test and are managed on a hold to collect business model. These debt investments are carried at amortised cost using the effective interest method or FVPL depending on the type of investment. Expected credit losses, using the general approach, are recognised in accordance with the accounting policy for impairment of financial assets. See the accounting policy 'impairments' for more detail.

New Zealand Government Bonds

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

Impairment

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

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

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

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

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

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

(n) Accounts payable and other liabilities

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

Interest-bearing borrowings

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

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

(o) Financial guarantees

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

(p) Mortgage insurance liabilities

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

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

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

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

(q) Derivative financial instruments

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

(i) Fair value

The fair value of derivative financial instruments is determined by referencing to current rates for similar instruments with similar maturity profiles, and is calculated as the net discounted estimated cash flows of the instrument and based on the NZ Dollar swap borrowing curve, as reported by Bloomberg, which is an active market interest rate benchmark.

(ii) Hedge accounting

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

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

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

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

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

(r) Employee benefits

Employee benefits include wages and salaries (including non-monetary benefits such as medical, trauma, life and income continuance insurance), annual leave, long-service leave and sick leave. They are measured as the amounts expected to be paid when the liabilities are settled. A present value model is used for calculating long-service leave and accumulated sick leave in accordance with instructions from the New Zealand Treasury. Employee benefits expected to be settled within 12 months of the balance date are recognised as current liabilities at 30 June 2021. Long-service leave, where entitlements are not vested at balance date, is treated as a non-current liability.

(s) Leases

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

(i) Kāinga Ora as a lessee

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

(ii) Kāinga Ora as a lessor

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

(t) Revenue

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

(i) Revenue from non-exchange transactions

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

Revenue generated from non-exchange transactions is represented below:

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

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

Crown operating appropriations

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

(ii) Revenue from exchange transactions

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

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

Rental revenue from tenants at market rent

Rental revenue received from those tenants who pay market rent is recognised on a straight-line basis over the term of the lease.

Mortgage Insurance Scheme revenue

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

Interest revenue

Interest revenue on mortgages, including interest subsidies from the Crown, and investments is recognised as the interest accrues (using the effective interest rate method), to the net carrying amount of the financial asset.

Management fees

The Kāinga Ora Group receives management fees, on a cost recovery basis, from the Housing Agency Account for managing the development of land.

(u) Borrowing costs

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

(v) Income tax

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

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

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

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

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

(w) Other taxes

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

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

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

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

(x) Service concession arrangements – Grantor

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

(y) Contingent assets

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

3. Critical judgements, assumptions and estimates in applying accounting policies

(a) Judgements

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

(i) Classification of rental properties as property, plant and equipment

The Kāinga Ora Group manages 68,169 residential properties (2020: 66,253), from each of which it receives revenue based on a level of rent equivalent to that which the property could be expected to generate in the open rental market. In most circumstances a portfolio of rental properties would be classified as investment properties. The Crown, however, subsidises the balance between the level of market rent and that deemed affordable from the tenant based on the tenant's level of income. Management therefore considers the prime strategic purpose for holding rental properties is for public housing, and as such, according to PBE IPSAS 16 *Investment Property*, they are to be accounted for under PBE IPSAS 17 *Property, Plant and Equipment*.

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

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

(iii) Classification of assets as held for sale

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

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

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

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

(v) Classification of leases as operating or finance leases – Kāinga Ora Group as lessee

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

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

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

(vi) Classification of assets as property under development

Management reclassifies assets from PPE to properties under development (PUD) when there is a change in use evidenced by the commencement of development with a view to sell. Assets are transferred to PUD when the purpose for which the property is held changes, which in this case is to sell at market or affordable pricing. This transfer occurs at the time a term sheet is completed with a developer evidencing the intention to sell the assets.

(b) Key assumptions applied and other sources of estimation uncertainty

(i) Fair value of rental properties

The Kāinga Ora Group revalues rental properties annually. Fair value is determined by reference to market-based evidence from independent valuers Quotable Value New Zealand. Market-based evidence provides an indication of value by comparing the asset with identical or comparable traits for which price information is available. Market evidence is compared either on a direct comparison or on the summation approach after adjustments for material differences such as size, location, quality and condition.

The Kāinga Ora Group manages 68,169 properties around New Zealand (2020: 66,253). In performing the valuation, the entire portfolio has not been individually inspected due to its size. A market indexation approach has been adopted for the remaining uninspected properties within the portfolio due to the homogeneous nature of the portfolio. Properties are valued based inherently on their 'highest and best use' (refer note 13).

(ii) Fair value of derivative financial instruments and investments

The value of the Kāinga Ora Group's interest rate derivatives is adjusted to their fair values on a daily basis using current market interest rates (bank bill mid-rate, swap pricing curve).

(iii) Mortgage guarantee provision

The mortgage guarantee provision is an actuarially assessed amount, likely to be payable under that guarantee. The value of the provision depends on various factors, some of which are the value of the loans expected to default, the number of active mortgages, and the average loan balance (refer note 15).

(iv) Impairment of properties under development

All inventory items are valued at lower of cost or net realisable value, determined principally by the expected sale price less the carrying amount and the expected cost to put the property into a state that is ready for sale. The expected cost to put the property into a state that is ready for sale is calculated based on costs to completion including headworks, selling costs, demolition costs and future development costs amongst others.

(v) Impairment of non-financial assets

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

(vi) Taxation

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

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

(vii) Estimation of useful lives of assets

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

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

Buildings	40-60 years
Improvements	25 years
Chattels	10 years

Depreciation rates are set out in notes 2(e) and 2(j) and amortisation rates are set out in note 2(k) above.

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

(viii) Estimation of expected credit losses

The measurement of expected credit losses requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Elements of the ECL models that are considered accounting judgements and estimates include:

- the internal credit grading model that is applied to similar assets based on historical information, which assigns probabilities of default to groups of assets
- the criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment.

It is the Kāinga Ora Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Kāinga Ora has considered the effect of COVID-19 on its expected credit losses. Given the conservative approach that the Kāinga Ora Group takes towards expected credit losses, it is not anticipated these will be more than normally expected.

4. Financial risk management objectives and policies

The Kāinga Ora Group's principal financial instruments, other than derivatives, comprise Crown loans, market bonds, commercial paper, cash and short-term deposits. These financial instruments are used to finance the Kāinga Ora Group's operations.

The Kāinga Ora Group's mortgage portfolio is managed in-house by Kāinga Ora and the processes of mitigating losses to the portfolio are monitored via monthly reports.

Derivative transactions consist of NZ Dollar interest rate swaps, which are used to manage interest rate risk arising from Crown floating rate borrowings.

The Kāinga Ora Group's other financial instruments are trade debtors and trade creditors arising directly from its operations.

The main risks arising from the Kāinga Ora Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks. They are summarised below.

(a) Interest rate risk

The Kāinga Ora Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations.

Management monitors interest rate levels on an ongoing basis and, when appropriate, will lock in fixed rates within Board-approved interest rate risk policy. Forward rate agreements, interest rate swaps and interest rate options are instruments available for use. During 2020 and 2021 interest rate swaps designated to hedge underlying debt obligations were the primary financial instrument used.

(b) Interest rate sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at 30 June 2021.

If interest rates had been 1% higher or lower than the year-end market rate, the following table sets out movements in net surplus/(deficit) after tax for the year, and the equity balance (after tax adjustments) at 30 June 2021.

	2021 ($M)	2020 ($M)
Net surplus higher/(lower)		
Interest rates +1%	(8)	(5)
Interest rates -1%	10	6
Equity higher/(lower)		
Interest rates +1%	13	21
Interest rates -1%	(13)	(22)

The difference in net surplus/(deficit) would arise as a consequence of changes in interest costs from variable rate debt from variable interest rates being 1% higher or lower (based on reference to the forward interest rate yield curve as at year end). The difference in equity would arise from the effect that a 1% higher or lower interest rate yield curve at year end would have on the fair value of derivative instruments designated as cash flow hedges.

(c) Foreign currency risk

The Kāinga Ora Group had no foreign currency borrowings during the year.

It is the Kāinga Ora Group's policy to mitigate foreign currency risks as they arise and not to enter into forward contracts until a firm commitment is in place. The Kāinga Ora Group does not hedge account for foreign currency risks.

(d) Credit risk

Credit risk is the risk that a third party will default on its obligations to the Kāinga Ora Group, resulting in a loss being incurred. Due to the timing of its cash inflows and outflows, surplus cash is invested only with Board-approved counterparties with a specified Standard & Poor's credit rating of A or better. Treasury Policy limits the amount of credit exposure to any one institution. Maximum credit exposure for the classes of financial instrument is primarily represented by the carrying amount of cash, investments, derivative financial assets, receivables and mortgage advances. There is no collateral held as security against these financial instruments.

Further, the Kāinga Ora Group has made commitments to advance Housing Innovation Fund (HIF) loans (that are yet to be disbursed) to third parties of $1.6 million (2020: $1.6 million). This commitment extends the potential maximum credit exposure. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 16.

Concentration of credit risk exists in relation to investments, but this risk is mitigated by the fact that the counterparties are Board-approved and have a high credit rating (note 4(f)). Other than this, no exposure to any material concentration of credit risk exists as the Kāinga Ora Group has only a small number of credit customers and has Treasury exposure only with the Crown and Board-approved counterparties with specified Standard & Poor's credit ratings.

All individuals/organisations are assessed for credit worthiness and affordability before a mortgage is approved. In addition, receivable balances are monitored on an ongoing basis.

An impairment analysis is performed at each reporting date to measure expected credit losses. The impairment analysis is based on days past due for groupings of various customer segments with similar loss patterns. Where necessary, the calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 16.

Credit quality of financial assets not impaired or not yet due

The Kāinga Ora Group does not rate its individual debtors as it has a large number of customers with minimal debtor balance. The incidence of default on financial assets not impaired or not yet due is minimal. The Kāinga Ora Group has no other significant exposure to credit risk from financial assets not impaired or not yet due, nor has there been any renegotiation of terms on any of these assets.

(e) Liquidity risk

Liquidity risk is the risk that Kāinga Ora may encounter difficulty in raising funds at short notice to meet its financial commitments as they fall due. The Borrowing Protocol with the Crown allows Kāinga Ora to borrow a principal amount up to $8.3 billion from sources other than the Crown to deliver the increased level of redevelopment activities required to assist with the Government's public housing objectives.

Kāinga Ora has an unsecured bank overdraft facility of $10 million (2020: $10 million) with an interest rate of 3.37% (2020: 3.95%). In addition, Kāinga Ora has a $1 billion standby facility with The Treasury – Capital Markets.

The Kāinga Ora Group's policy is that not more than 25% of borrowings should mature in any 12-month period. As at 30 June 2021, 6.22% of the Kāinga Ora Group's debt will mature in less than one year (2020: 13.89%).

Discounted cash flows include principal and interest only. Undiscounted cash flows include principal amounts only.

As at 30 June 2021 the contractual maturity (discounted cash flow) of the Kāinga Ora Group's financial liabilities was as follows:

	0-1 Years ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
At 30 June 2021						
Crown loans floating interest rate	313	216	323	299	722	1,873
Crown loans fixed interest rate	–	–	–	–	112	112
Market bonds	–	300	–	1,375	3,631	5,306
Commercial paper	150	–	–	–	–	150
Total	**463**	**516**	**323**	**1,674**	**4,465**	**7,441**

	0-1 Years ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
At 30 June 2020						
Crown loans floating interest rate	143	313	216	363	851	1,886
Crown loans fixed interest rate	–	–	–	–	99	99
Market bonds	–	–	300	1,175	2,127	3,602
Commercial paper	735	–	–	–	–	735
Total	**878**	**313**	**516**	**1,538**	**3,077**	**6,322**

As at 30 June 2021 the contractual maturity (undiscounted cash flow) of the Kāinga Ora Group's financial liabilities is as follows:

	0-1 Years ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
At 30 June 2021						
Crown loans floating interest rate	4	4	6	21	440	475
Crown loans fixed interest rate	2	2	2	4	35	45
Market bonds	77	78	78	156	1,273	1,662
Commercial paper	–	–	–	–	–	–
Accounts payable and other liabilities	–	–	–	–	–	–
Interest rate derivatives - net settled	34	19	11	2	–	66
Total	117	103	97	183	1,748	2,248

	0-1 Years ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
At 30 June 2020						
Crown loans floating interest rate	147	316	220	374	880	1,937
Crown loans fixed interest rate	2	2	2	4	117	127
Market bonds	77	78	377	1,312	2,540	4,384
Commercial paper	735	–	–	–	–	735
Accounts payable and other liabilities	168	–	–	–	–	168
Interest rate derivatives - net settled	45	37	23	16	2	123
Total	1,174	433	622	1,706	3,539	7,474

The Kāinga Ora Group does not consider the discounted cash flow in relation to short-term liabilities to be material for disclosure purposes.

(f) Concentration of risk

The Kāinga Ora Group has substantial deposits with seven different banks that in total exceed $1,196 million.

		0-1 Years ($M)	Credit rating S&P
ANZNB	ANZ National Bank Limited	247	AA-
ASB	ASB Bank	230	AA-
BOCNZ	Bank of China	50	A
BNZW	Bank of New Zealand Ltd	260	AA-
KIWIBANK	Kiwibank Limited	74	A
MUFG	MUFG Bank Ltd	90	A
WBCW	Westpac Banking Corporation	245	AA-

(g) Ageing of receivables and loans

(i) Ageing analysis of receivables

	Neither past due or impaired ($M)	Past due but not impaired 0-30 Days ($M)	Past due vacated impaired 0-30 Days ($M)	Impaired 30 Days plus ($M)	Total ($M)
At 30 June 2021					
Rent	41	3	–	7	51
Damages	–	–	–	3	3
Other receivables	61	–	–	1	62
Expected credit loss rate	0%	0%	100%	100%	
Expected credit loss	–	–	–	(11)	(11)
Total	102	3	–	–	105
At 30 June 2020					
Rent	17	4	–	5	26
Damages	–	–	–	3	3
Other receivables	39	–	–	1	40
Expected credit loss rate	0%	0%	100%	100%	
Expected credit loss	–	–	–	(9)	(9)
Total	56	4	–	–	60

(ii) Ageing analysis of mortgage advances

	Neither past due or impaired ($M)	Past due but not impaired 0-60 Days ($M)	Past due but not impaired 60-90 Days ($M)	Impaired 90 Days plus ($M)	Total ($M)
At 30 June 2021					
Mortgage advances past due not impaired	–	–	–	–	–
Other mortgage advances	17	1	–	2	20
Expected credit loss	–	–	–	(2)	(2)
Total	**17**	**1**	**–**	**–**	**18**
At 30 June 2020					
Mortgage advances past due not impaired	–	–	–	–	–
Other mortgage advances	25	2	–	2	29
Expected credit loss	–	–		(2)	(2)
Total	**25**	**2**	**0**	**0**	**27**

* Loan arrears that are over 90 days are reviewed for impairment but are not automatically treated as impaired or provided for.

(h) Fair value hierarchy

The Kāinga Ora Group uses various methods in estimating the fair value of its financial instruments.

Depending on the inputs used in these methods, a financial instrument measured at fair value is categorised as one of the following levels:

Level 1 the fair value is calculated using quoted prices in active markets

Level 2 the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data

The fair value of the financial instruments, as well as the methods used to estimate the fair value, is summarised in the table below. No Level 1 or 3 financial instruments are held at 30 June 2021 (2020: nil).

	30 June 2021 Valuation technique - market observable inputs (level 2) ($M)	30 June 2020 Valuation technique - market observable inputs (level 2) ($M)
Financial assets		
Securities	100	168
Registered Certificate of Deposit	295	455
New Zealand Government Bonds	50	200
Corporate Bonds	29	108
Total financial assets	**474**	**931**
Financial liabilities		
Interest rate derivatives	58	114
Total financial liabilities	**58**	**114**

Quoted market price represents the fair value determined based on prices quoted on active markets as at the reporting date without any deduction for transaction costs.

For financial instruments not quoted in active markets, the Kāinga Ora Group uses valuation techniques such as present value techniques, comparison with similar market observable prices that exist, and other relevant models used by market participants. These include observable market inputs.

Kāinga Ora Group financial instruments revalued to fair value have been deemed to be Level 2.

For all other financial assets and liabilities, except for mortgages and investments, the fair value equates to carrying value.

(i) Capital management

The Kāinga Ora Group's capital is in equity, which comprises accumulated funds contributed by the Crown, retained earnings, revaluation reserves and hedging reserves. Equity is represented by net assets.

The Kāinga Ora Group is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing of guarantees and indemnities, and the use of derivatives.

The Kāinga Ora Group has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

The Kāinga Ora Group manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure it effectively achieves its objectives and purpose while remaining a going concern.

There has been no change in the Kāinga Ora Group's capital management during the year.

5. Revenue

(a) Interest income and expense

	2021 ($M)	2020 ($M)
Interest income		
Interest on temporary investments and bank accounts	24	20
Interest on mortgage advances	1	1
Total interest income	**25**	**21**
Interest expense		
Interest on short-term borrowing	3	9
Interest on long-term borrowing	113	85
Interest on derivatives	46	41
Total interest expense	**162**	**135**

(b) Crown appropriation income

	2021 ($M)	2020 ($M)
KiwiSaver deposit subsidy/HomeStart	80	77
Other housing-related appropriations	19	16
KiwiBuild appropriations	16	10
Total Crown appropriation income	**115**	**103**

Total Crown appropriations were $122 million (2020: $109 million); however, $7 million (2020: $6 million) has been classified as 'Crown appropriation premium receipts' in note 5(c) below.

(c) Mortgage Insurance Scheme revenue

	2021 ($M)	2020 ($M)
Third-party premium receipts	5	3
Crown appropriation premium receipts	7	6
Premium revenue deferred and actuarial (increase)/decrease in premium reserve	–	1
Recognised insurance premium revenue	**12**	**10**
Claims expense	1	–
Net surplus/(deficit) for MIS	**13**	**10**

(d) Other revenue

	2021 ($M)	2020 ($M)
Lease income	26	15
Management fees from related parties	2	3
Release of HIF impairment	0	1
Other revenue	1	3
Total other revenue	**29**	**22**

6. Expenses

(a) Depreciation and amortisation

	2021 ($M)	2020 ($M)
Depreciation – rental properties	323	290
Depreciation – other property, plant and equipment	11	6
Amortisation of intangible assets	3	5
Total depreciation and amortisation	**337**	**301**

(b) Personnel

	2021 ($M)	2020 ($M)
Wages and salaries	182	159
Employee benefits	15	12
Other personnel costs	4	5
Total personnel	**201**	**176**

(c) Other expenses

	2021 ($M)	2020 ($M)
Professional services*	64	59
Property acquisition and development costs	26	6
Computer costs and software maintenance fees	21	14
Insurance	20	18
Other property-related costs	11	8
Travel costs	6	6
Bad debts	5	7
Vehicle costs	4	4
Selling costs	3	3
Communication	3	3
Stationery and publications	2	2
Other	15	17
Total other expenses	**180**	**147**

* Professional services expenditure is a combination of outsourced business activities (including cost associated with the delivery of new properties), and business improvement activities.

(d) Included in other expenses are the following fees paid to external auditors

	2021 ($M)	2020 ($M)
(i) Amount paid or payable to Ernst & Young (acting on behalf of the Auditor-General) for:		
- Auditing the financial report of the entity and any other entity in the Kāinga Ora Group	0.72	0.73
(ii) Other assurance services*	0.21	0.10
Total amounts paid or payable to the auditors	**0.93**	**0.83**

* Amounts paid to Ernst & Young in 2021 related to other professional services related to the Holiday Pay Quality Assurance Process.

(e) Grants

	2021 ($M)	2020 ($M)
KiwiSaver deposit/First Home Grants	80	78
Total grant expenses	**80**	**78**

(f) Realised losses on sales, write-off and impairment of assets

	2021 ($M)	2020 ($M)
Assets impairment, write-off/demolition	(81)	(84)
Impairment of property under development	(62)	(70)
Gain/(loss) on asset sales	9	7
Total realised gains/(losses) on sales, write-off and impairment of assets	**(134)**	**(147)**

The large-scale developments will enable over 40,000 new homes over the next 15–20 years. Through these large-scale developments Kāinga Ora is seeing benefits extending to other builders and residents in the wider neighbourhood through the investment in improved infrastructure and amenities serving the wider community. The investment in these large-scale projects, particularly in infrastructure, is helping future-proof these areas and will ensure that the provision of homes can continue apace.

7. Income tax

The major components of income tax expense for the year were:

(a) Income tax expense/(benefit)

	2021 ($M)	2020 ($M)
Net surplus/(deficit)		
Current income tax	99	87
Prior period adjustments	13	–
Deferred income tax relating to temporary differences	(60)	(55)
Income tax expense/(benefit) reported in net surplus/(deficit)	**52**	**32**
Statement of changes in equity		
Deferred income tax		
Net change in deferred tax due to revaluation of buildings	423	104
Net change in deferred tax due to hedged financial derivatives from The Treasury - Capital Markets	16	–
Income tax expense/(benefit) reported in other comprehensive revenue and expense	**439**	**104**

The reconciliation between the tax expense recognised in the net surplus/(deficit) for the year and tax expense calculated on pre-tax accounting profit at the statutory rate is:

	2021 ($M)	2020 ($M)
Accounting surplus/(deficit) before tax from continuing operations	**(101)**	**(27)**
Taxation at the statutory income tax rate of 28%	(28)	(8)
Plus tax effect of:		
Permanent/temporary differences		
Non-deductible expenses	55	28
Deferred tax adjustments in relation to disposal of rental properties	12	8
Other	2	–
Non-deductible losses on disposal of rental properties	(2)	4
Prior period adjustments	13	–
Income tax expense/(benefit) reported in net surplus/(deficit)	**52**	**32**

Income tax expense/(benefit) reported in net surplus/(deficit) is at an effective rate of 51% (2020: 119%).

(b) Current income tax liability

	2021 ($M)	2020 ($M)
Net current tax liability/(asset) at 1 July	–	17
Current year tax charge to net surplus/(deficit)	99	87
Prior period adjustment	14	(1)
Income tax paid	(90)	(103)
Net current tax liability/(asset) at 30 June	**23**	**–**

(c) The net deferred tax liability relates to the following

	2021 ($M)	2020 ($M)
Deferred tax liabilities		
Rental property building revaluations	2,520	2,154
Other property, plant and equipment	6	4
Other differences relating to other property improvements	83	75
Gross deferred tax liabilities	**2,609**	**2,233**
Deferred tax assets		
Provisions – employee entitlements	(7)	(5)
Provisions – other	(16)	(4)
Financial derivatives	(16)	(32)
Gross deferred tax assets	**(39)**	**(41)**
Net deferred tax liability	**2,570**	**2,192**

The net deferred tax liability movements were:

	2021 ($M)	2020 ($M)
Net deferred tax liability/(asset) at 1 July	2,192	2,142
Recognised through other comprehensive revenue and expense:		
Rental property building revaluations	423	104
Financial derivatives	16	–
Recognised through net surplus/(deficit):		
Disposal of other properties BAU - reversal of deferred tax on cost	–	(3)
Deferred tax on temporary differences	(60)	(52)
Prior period adjustment	(1)	1
Net deferred tax liability/(asset) at 30 June	**2,570**	**2,192**

(d) Imputation credits

	2021 ($M)	2020 ($M)
Imputation credits available for use in subsequent reporting periods	**1,262**	**1,295**

8. Cash and cash equivalents

	2021 ($M)	2020 ($M)
Cash at bank	78	78
Term deposits	55	175
Securities	100	168
Total cash and cash equivalents	**233**	**421**

Cash and cash equivalents, other than term deposits, represent cash available for working capital purposes. Term deposits are deposits with original maturities of three months or less and include funds restricted for payments of MIS claims of $31 million (2020: $33 million).

Cash at bank earns interest at floating rates of 0.05% (2020: 0.3%) on the deposits.

The weighted average effective interest rate for term deposits and securities at 30 June was 0.46% (2020: 0.63%) with a term of up to three months.

9. Investments

	2021 ($M)	2020 ($M)
Short-term investment on money market	1,111	1,296
Long-term investment on money market	25	–
Total investments on money market	**1,136**	**1,296**

Bank registered certificates of deposit, and short- and long-term investments are funds which have been set aside to support the provisions relating to the Housing Innovation Fund, sold mortgage loans, the Mortgage Insurance Scheme and funds not required for meeting obligations over the next three months.

10. Receivables and prepayments

(a) Receivables from non-exchange transactions

	2021 ($M)	2020 ($M)
Rental debtors	54	29
Expected credit losses	(10)	(8)
Sub-total	**44**	**21**
Other receivables	1	7
Total receivables from non-exchange transactions	**45**	**28**

A loss of $10 million (2020: $8 million) relating to the credit risk associated with rental debtors and the recovery of the cost of damages has been recognised at year end.

Non-exchange other receivables relate to funds owing from the Ministry of Social Development. These debtors are all current.

(b) Receivables from exchange transactions

	2021 ($M)	2020 ($M)
Current receivables from exchange transactions		
Interest receivable	7	6
Receivable from related parties	7	8
Other receivables	47	19
Expected credit losses	(1)	(1)
Total receivables from exchange transactions	**60**	**32**

All interest receivables (The Treasury – Capital Markets) relate to interest rate swaps. These receivables are all current and we have assessed that no material impairment of these debtors is required.

Other receivables relate mostly to land transactions. These have been assessed and impairment for expected credit losses has been applied to the balance.

(c) Expected credit losses – from non-exchange transactions

	Neither past due nor impaired ($M)	Past due but not impaired 0-30 days ($M)	Past due vacated impaired 0-30 days ($M)	Impaired 30 days plus ($M)	Total ($M)
At 30 June 2021					
Rent	41	3	–	7	51
Damages	–	–	–	3	3
Estimated total gross carrying amount at default	41	3	–	10	54
Expected credit loss rate	0%	0%	100%	100%	
Expected credit loss	–	–	–	(10)	(10)
Total	**41**	**3**	**–**	**–**	**44**

(d) Prepayments

As at 30 June 2021 prepayments amounted to $29 million (2020: $23 million).

11. Properties under development

	2021 ($M)	2020 ($M)
Current		
Properties under development	7	11
Non-current		
Properties under development	358	180
Total properties under development	**365**	**191**

Properties under development held by the Kāinga Ora Group are recognised as non-current assets. The carrying value of land, buildings and improvements held in inventory is $365 million (2020: $191 million), of which $208 million is held at net realisable value (and the rest is carried at costs incurred). In the current year, properties under development have been written down by $62 million (2020: $70 million), to reflect the fact that they are valued at net realisable value.

12. Other assets

(a) Mortgage advances

	2021 ($M)	2020 ($M)
Non-current mortgage advances	20	29
Expected credit losses	(2)	(2)
Net non-current mortgage advances	**18**	**27**
Current mortgage advances	**–**	**–**
Total net mortgage advances	**18**	**27**

These loans consist of HIF loans of $11 million (2020: $18 million) and historical loan products such as general and residual lending of $8 million (2020: $9 million). Maturity periods of the mortgages range from 1 to 25 years. Borrowers may settle loans at any time; however, expected cash flows, based on contractual maturity dates, are as follows:

	Weighted average interest rate (all loans) 2021 (%)	Weighted average interest rate (excl 0% loans) 2021 (%)	2021 ($M)	Weighted average interest rate (all loans) 2020 (%)	Weighted average interest rate (excl 0% loans) 2018 (%)	2020 ($M)
Up to 1 year	–	–	–	–	4.59	2
1 to 5 years	4.26	4.46	1	1.42	5.35	2
Over 5 years	3.63	4.38	16	2.71	4.60	23
Total weighted average	**3.71**	**4.60**	**17**	**2.45**	**4.62**	**27**

Interest rates on mortgages range from 0.00% to 7.85% (2020: 0.00-7.85%). The mortgages on land and improvement assets and deeds are held as security against these loans. For the purposes of allocating the net mortgage balance between current and non-current, all of the allowance for expected credit losses is assumed to relate to the non-current mortgages.

Housing Innovation Fund mortgage advances

At 30 June 2021 the HIF mortgage advances are recognised at fair value upon inception. The fair value is calculated as the present value of the estimated future cash flows discounted at the effective interest rate. In subsequent years the discount unwind for each loan is recognised in the net surplus/(deficit).

At the end of the financial year, the total fair value of HIF mortgage advances was $11 million (2020: $18 million).

(b) Expected credit losses (general approach)

	Current up to 1 year ($M)	1–5 years ($M)	Over 5 years ($M)	Total ($M)
At 30 June 2021				
Mortgage advances				
Expected credit loss rate	0%	0%	100%	–
Estimated total gross carrying amount at default	17	1	2	20
Expected credit loss	–	–	(2)	(2)
Total mortgage advances impaired as at 30 June 2021	**17**	**1**	**–**	**18**
At 30 June 2020				
Expected credit loss rate	0%	0%	100%	–
Estimated total gross carrying amount at default	25	2	3	30
Expected credit loss	–	–	(3)	(3)
Total mortgage advances impaired as at 30 June 2020	**25**	**2**	**–**	**27**

Kāinga Ora monitors the credit risk of the counterparties to determine if the credit risk has changed since initial adoption. Indicators of a significant change in credit risk include actual or expected changes in:

- performance and behaviour of the borrower (for example, an increase in the number or extent of delayed contractual payments)
- business, financial or economic conditions that could change the borrower's ability to meet its debt obligations, for example increases in interest rates or changes in unemployment rates
- loan documentation including breaches of contract that may lead to covenant waivers or interest payment holidays, interest step-ups or additional collateral required
- past due information of debtors.

The presumption that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due has been rebutted, and therefore the 12-month ECL model has been applied. Loan arrears that are over 90 days are reviewed for impairment but are not automatically treated as impaired or provided for.

Movements in provision for expected credit losses of mortgage advances

	2021 ($M)	2020 ($M)
As at 1 July 2020	(4)	(1)
Provision for expected credit losses	(2)	(3)
Write-off	–	–
Balance at 30 June 2021	**(6)**	**(4)**

(c) Intangible assets

	Software external ($M)	Software internal ($M)	Projects work in progress ($M)	Total ($M)
Year ended 30 June 2021				
At 1 July 2020, net of accumulated amortisation	**8**	**5**	**3**	**16**
Additions	–		14	14
Capitalised from projects work in progress		3	(3)	–
Amortisation for the year	–	(3)	–	(3)
At 30 June 2021, net of accumulated amortisation	**8**	**5**	**14**	**27**
Year ended 30 June 2020				
At 1 July 2019, net of accumulated amortisation	**4**	**10**	**6**	**20**
Additions	2	–	–	2
Capitalised from projects work in progress	3	–	(3)	–
Amortisation for the year	(1)	(5)	–	(6)
At 30 June 2020, net of accumulated amortisation	**8**	**5**	**3**	**16**

Intangible assets are tested for impairment where an indicator of impairment arises. There was no impairment write-down charged to the net surplus/(deficit) for the year (2020: nil).

External software is purchased from a third party and is usually implemented as an 'off the shelf' product. Internally generated software is developed for specific applications.

The projects work in progress additions includes other intangibles as well as software.

13. Property, plant and equipment

Revaluation cost

	Rental properties operating assets				Other property, plant and equipment				
	Freehold land ($M)	Rental properties ($M)	Capital work in progress* ($M)	Service concession properties ($M)	Leasehold improve-ments ($M)	Furniture and fittings ($M)	Computer equipment ($M)	Vehicles ($M)	Total property plant and equipment ($M)
Year ended 30 June 2021									
At 1 July 2020, Revaluation cost	**18,363**	**11,184**	**1,215**	**–**	**50**	**20**	**53**	**5**	**30,890**
Additions/Adjustment	(8)	22	1,815	–	8	5	14	6	1,862
Transfer to Service Concession	(192)	(190)		382	–	–	–	–	–
Capitalisation to PPE	257	1,234	(1,492)	1	–	–	–	–	–
Disposals	(12)	(80)	–	–	–	–	–	–	(92)
Revaluations	5,307	1,300	–	29	–	–	–	–	6,636
Transfer from PPE to properties under development	(105)	–	(30)	–	–	–	–	–	(135)
Transfer from PPE to properties held for sale	(34)	–	–	–	–	–	–	–	(34)
At 30 June 2021, Revaluation cost	**23,576**	**13,470**	**1,508**	**412**	**58**	**25**	**67**	**11**	**39,127**
Year ended 30 June 2020									
At 1 July 2019, Revaluation cost	**17,420**	**10,177**	**880**	**–**	**38**	**18**	**39**	**–**	**28,572**
Additions	–	26	1,465	–	12	2	14	5	1,524
Capitalisation to PPE	217	897	(1,114)	–	–	–	–	–	–
Disposals	(30)	(56)	–	–	–	–	–	–	(86)
Write-off	–	–	(16)	–	–	–	–	–	(16)
Revaluations	813	142	–	–	–	–	–	–	955
Transfer from PPE to properties under development	(48)	–	–	–	–	–	–	–	(48)
Transfer from PPE to properties held for sale	(9)	(2)	–	–	–	–	–	–	(11)
At 30 June 2020, Revaluation cost	**18,363**	**11,184**	**1,215**	**–**	**50**	**20**	**53**	**5**	**30,890**

* Capital work in progress additions/(disposals) are shown net of costs capitalised to freehold land and rental properties during the year.

Accumulated depreciation

	Rental properties operating assets				Other property, plant and equipment				
	Freehold land ($M)	Rental properties ($M)	Capital work in progress* ($M)	Service concession properties ($M)	Leasehold improve-ments ($M)	Furniture and fittings ($M)	Computer equipment ($M)	Vehicles ($M)	Total property plant and equipment ($M)
Year ended 30 June 2021									
At 1 July 2020, Accumulated depreciation	**–**	**126**	**–**	**–**	**29**	**14**	**35**	**1**	**205**
Transfer to service concession		(2)	–	2	–	–	–	–	–
Disposals	–	(4)	–	–	–	–	–	–	(4)
Depreciation charge for the year	–	318	–	5	3	1	6	1	334
Revaluation write-back	–	(271)	–	(5)	–	–	–	–	(276)
At 30 June 2021, Accumulated depreciation	**–**	**167**	**–**	**2**	**32**	**15**	**41**	**2**	**259**
Year ended 30 June 2020									
At 1 July 2019, Accumulated depreciation	–	90	–	–	27	13	32	–	162
Disposals	–	(3)	–	–	–	–	–	–	(3)
Depreciation charge for the year	–	290	–	–	2	1	3	1	297
Revaluation write-back	–	(251)	–	–	–	–	–	–	(251)
At 30 June 2020, Accumulated depreciation	**–**	**126**	**–**	**–**	**29**	**14**	**35**	**1**	**205**
Net book value 2021	**23,576**	**13,303**	**1,508**	**410**	**26**	**10**	**26**	**9**	**38,868**
Net book value 2020	**18,363**	**11,058**	**1,215**	**–**	**21**	**6**	**18**	**4**	**30,685**

* Capital work in progress additions/(disposals) are shown net of costs capitalised to freehold land and rental properties during the year.

Service concession properties

During the year, Kāinga Ora entered into a service concession arrangement with Te Āhuru Mōwai (TAM) to carry out tenancy management and maintenance of 902 Kāinga Ora properties in Western Porirua from the 3rd October 2020 for a period of 25 years.

TAM will earn revenue from the rental collected for these properties and upon expiry of the agreement TAM will have the option to purchase these properties. If the option to purchase is not exercised by TAM Kāinga Ora will retain the properties.

Valuation

Freehold land and rental properties in the portfolio were revalued as at 30 June 2021 at fair value in accordance with PBE IPSAS 17 *Property, Plant and Equipment*. The valuation was performed by Quotable Value New Zealand, a company employing registered and qualified valuers, with the principal registered valuer for the valuation being Andrew F Parkyn (B Com (VPM), PG Dip Com, SPINZ, ANZIV).

In conducting the current year valuation, the valuer has taken into consideration the effects of COVID-19 on the value of property, plant and equipment. The valuer noted in their report that sufficient market information existed at 30 June 2021 to allow for a similar process as used in prior years to be followed and that there was little if any noticeable change in prices being achieved at sale.

The total gross amount of the valuation, excluding properties held for sale, and excluding selling and other costs, was $36,879 million (2020: $29,421 million).

Right of First Refusal for sale of surplus Kāinga Ora land

Treaty settlement legislation has granted rights of first refusal (RFR) over some of the Kāinga Ora Group's properties. RFR restricts the disposal of properties and gives the relevant iwi/hapū (RFR holder) the right to purchase properties first, before they can be disposed of to anyone else. Previously, the Board (or in some cases, the Minister) could override the RFR if the disposal was to achieve any of the Crown's social objectives in relation to housing (commonly known as public housing exemption).

The Kāinga Ora–Homes and Communities Act 2019 (2019 Act), created the Kāinga Ora Group. The RFR obligations owed by Housing New Zealand passed to Kāinga Ora. New obligations owed to Māori include engaging with Māori, upholding the Treaty of Waitangi and its principles, understanding Māori perspectives and recognising and providing for the relationship of Māori with their lands. As a result Section 20 of the 2019 Act prohibits Kāinga Ora from exercising the public housing exemption.

Furthermore, with the passing of the Urban Development Act 2020, the RFR obligation has been expanded so that, where Kāinga Ora is to initiate, facilitate or undertake an urban development project on RFR land, Kāinga Ora must offer the RFR holder the opportunity to undertake the development on specified terms and obtain the agreement of the RFR holder for the development being undertaken. The RFR holder may either agree to undertake the development themselves or agree for someone else (including Kāinga Ora) to do it. The RFR obligation does not apply to maintaining or upgrading Kāinga Ora housing, or a project that is only to develop or redevelop public housing on land owned by Kāinga Ora.

The broader RFR obligation targets commercial (market) and/or affordable housing being developed on RFR land.

If the RFR land is also former Māori Land a new urban development obligation owed to Māori arises in respect to a new category of land – being former Māori Land. In much the same way as the development of RFR land by Kāinga Ora requires the RFR holder participation and agreement, similarly, former Māori land owners or the hapū associated with the land must be engaged with so that the land is offered for sale back to them or the land is retained and their aspirations incorporated into any development.

The following Acts grant RFR over various Kāinga Ora Group properties:

- Waikato Raupatu Claims Settlement Act 1995
- Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009
- Ngati Porou Claims Settlement Act 2012
- Ngati Toa Rangatira Claims Settlement Act 2014
- Raukawa Claims Settlement Act 2014
- Ngāti Kōata, Ngāti Rārua, Ngāti Tamaki Te Tau Ihu, and Te Ātiawa o Te Waka-a-Māui Claims Settlement Act 2014
- Ngāti Apa ki te Rā Tō, Ngāti Kuia, and Rangitāne o Wairau Claims Settlement Act 2014
- Ngāti Kuri Claims Settlement Act 2015
- NgāiTakoto Claims Settlement Act 2015
- Te Rarawa Claims Settlement Act 2015
- Te Aupouri Claims Settlement Act 2015
- Iwi and Hapū of Te Rohe o Te Wairoa Claims Settlement Act 2018
- Ngāti Rangi Claims Settlement Act 2019
- Ngati Hinerangi Claims Settlement Act 2021

Provided the Treaty settlement negotiations with the Crown include RFR legislation acceptable to the Kāinga Ora Group Board, RFR over Kāinga Ora Group properties will be granted to the following iwi:

- Ngāti Ranginui (Tauranga)
- Te Tira Whakaemi (Wairoa)
- Hauraki Collective (Thames, Coromandel)
- Ngāti Maru (Taranaki)

- Ngāti Maniapoto (Waikato-Waitomo)
- Te Korowai O Wainuiārua (Central Whanganui)
- Whanganui Lands (Lower Whanganui)
- Ngāti Hauā (Upper Whanganui)
- Ngāti Ruapani (Waikaremoana)

The Crown signed a Deed of Settlement with Ngāti Tūrangitukua in 1998 and agreed that a Deed be signed with the Kāinga Ora Group defining the terms and conditions of an RFR over Kāinga Ora Group properties in Tūrangi. The form of the Deed has yet to be agreed. Properties subject to the RFR are being offered for sale.

Discussions with other iwi interested in securing a similar Right of First Refusal will proceed along similar lines.

14. Accounts payable and other liabilities

	2021 ($M)	2020 ($M)
Project and maintenance accruals	79	68
Provision for future development costs	41	8
Interest payable	33	21
Rent received in advance	29	28
Employee provisions	29	18
Accounts payable	28	28
Rates accrual	9	8
Other payables and accruals	1	9
Total accounts payable and other liabilities	**249**	**188**

(a) Provision for future development costs

The additional provisions recognised are those costs estimated as required to complete the development process associated with those properties that have been sold to 30 June 2021. The increase in estimates relates to the effect of applying revised estimates to those amounts previously provided for in prior years that still remain at the latest balance date and those additional amounts relating to current year sales.

In the year to 30 June 2021 an additional provision of $33 million was made based on estimates provided by Kāinga Ora management (2020: $8 million).

(b) Mortgage guarantee provision

As part of the agreements to sell mortgages to Westpac Banking Corporation in 1996, 1998 and 1999, a certain number of mortgages were guaranteed. In particular, guarantee agreements indemnified the purchaser against credit losses and, with respect to the 1998 sale, against interest rate movements under an Interest Rate Adjustment Agreement. These indemnities last for as long as the underlying loan remains outstanding. The Crown has in turn indemnified the Kāinga Ora Group for its payment obligations in respect of these sales up to an agreed capped liability between the Kāinga Ora Group and the Crown. Westpac have advised that these loans will be closed off in July 2021, and as a result there will no longer be any legal obligation on Kāinga Ora or the Crown to indemnify Westpac in respect of these loans.

The mortgage guarantee provision is an actuarially assessed amount, likely to be payable under that guarantee. The actuarial assessment was made, as at 30 June 2021, by Michael Clarke of Taylor Fry, a Fellow of the New Zealand Society of Actuaries and of the Institute of Actuaries of Australia. The value of the provision depends on various factors, some of which are the value of loans expected to default, the number of active mortgages, and the average loan balance. Liability exposure under this guarantee is currently estimated to continue until 2026 (being the latest repayment date of the guaranteed mortgages). The maximum combined liability under the insurance scheme at 30 June 2021 was $1.07 million (2020 $2.06 million), being the outstanding amount owed under the guaranteed mortgages. The actuaries have expressed their satisfaction as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims provision.

The probability of sufficiency and risk margin used is between 75% and 95% (2020: 75-90%).

The Crown's exposure is the lower of total remaining outstanding loan balances or the amount of the insured capped liability between the Kāinga Ora Group and the Crown.

To minimise its guarantee obligations under the 1998 sale to Westpac Banking Corporation, the Kāinga Ora Group obtained an indemnity on losses of more than $23.3 million from Raukura Whare Limited (a wholly-owned subsidiary of Waikato Raupatu Lands Trust). The Raukura Whare Limited indemnity does not, however, relieve the Kāinga Ora Group from its primary liability to Westpac Banking Corporation under the guarantee. The Trustee of the Waikato Raupatu Lands Trust has guaranteed (capped at $20 million) Raukura Whare Limited's liability to the Kāinga Ora Group. The Kāinga Ora Group's maximum liability under the above guarantee as at 30 June 2021 was $1.28 million (2020: $1.53 million), being the amount owed under the 195 guaranteed mortgages as at 30 June 2021. Subsequent to balance date, Westpac have advised that these loans will be closed off in July 2021, and as a result there will no longer be any legal obligation on Kāinga Ora or the Crown to indemnify Westpac in respect of these loans.

Sold mortgages	Original sold amount ($000)	Corporation's exposure ($000)	Provision made ($000)	Sufficiencey margin (%) Kāinga Ora 2021	Kāinga Ora 2020
September 1998	196,000	109	39	80	80
December 1998	98,000	1,244	230	90	90
November 1999	34,500	514	51	75	75
1996 portfolio	250,000	192	30	80	80
	578,500	**2,059**	**350**		

(c) Employee leave provision

Employee leave provision is made up of outstanding employee benefits including wages and salaries, annual leave, and long-service leave. They are measured as the amounts expected to be paid when the liabilities are settled. A provision for outstanding employee benefits expected to be settled within 12 months of the balance date are recognised as current liabilities at 30 June 2021. Long-service leave, where entitlements are not vested at balance date, is treated as a non-current liability.

15. Mortgage Insurance Scheme

The Kāinga Ora Group provides mortgage insurance to 11 (2020: 11) commercial lenders for loans issued under the First Home Loans scheme. The insurance premium is 2.2% of the loan value, of which 1% is paid by the borrower and 1.2% by the Government. The total value of amounts originally lent, and which remained insured under the scheme at 30 June, was $1,787 million (2020: $1,705 million).

The MIS was assessed at 30 June 2021 by an independent actuary to ensure that the mortgage insurance liability is sufficient to cover any future claims. The outstanding claims liability is determined at that point and is factored into determining the total insurance liability.

The actuarial assessment of the MIS insurance liability was made as at 30 June 2021 by Jeremy Holmes of Melville Jessup Weaver, Fellow of the New Zealand Society of Actuaries.

The assessment reports comply with professional standards applicable to actuarial reports on technical liabilities for general insurance operation and requirements of PBE IFRS 4 *Insurance Contracts*. The actuaries have expressed their satisfaction as to the nature, sufficiency and accuracy of the data used to perform the actuarial valuation of the scheme.

The insured underlying loans have a maturity period of between 9 and 30 years. The cash flows relating to the claims are expected to fall mainly in the first 7 years of the insured loans; however, there is a degree of uncertainty as to the exact timing (see note 15(b) for estimated timing of future cash outflows).

(a) Reconciliation of MIS unearned premium reserve

	2021 ($M)	2020 ($M)
MIS unearned premium reserve at 1 July	31	32
Premiums written (to reserve)	10	7
Premiums released (to profit)	(9)	(9)
Insurance claims paid out	–	–
Actuarially assessed increase/(decrease) in premium reserve	(2)	1
MIS unearned premium reserve at 30 June	**30**	**31**

(b) Estimated timing of net cash outflows

The following shows the estimate of timing of net cash outflows arising from claims:

	2021 ($M)	2020 ($M)
0–1 years	1	1
1–2 years	–	1
2–3 years	–	1
3–4 years	–	–
4–6 years	–	–
6+ years	–	–
Total estimated liability	**1**	**3**

(c) Mortgage insurance risk

The principal risk under insurance contracts is that the actual timing of claims and claims payment differs from expectations. This is influenced by the frequency of claims, severity of claims, actual claims paid and subsequent development of long-term claims. Claims frequencies and sizes could be significantly impacted by any of the following:

- A downturn in the New Zealand housing market
- A change in interest rates
- An increase in unemployment

The objective of the Kāinga Ora Group is to ensure that sufficient reserves are available to cover these liabilities and it has set aside funds specifically to support its insurance liability obligations (refer to note16). The present value of the estimated future claims is invested in short-term bank securities in accordance with Board-approved Kāinga Ora Treasury Policies.

The Kāinga Ora Group does not reinsure its risk through third parties. The risk exposure is mitigated by the insured lending agencies establishing and actively maintaining prudent lending standards through their credit policies and procedures established for the product. Claims analysis allows periodic adjustments to the credit policy to lower the risk. The Kāinga Ora Group is working closely with the lending organisations to proactively manage mortgage holders, with the intention to minimise mortgage failure and subsequent insurance claims from the lending institutions. Cases that are under management are reviewed closely and regularly by both the lender and the Kāinga Ora – Homes and Communities Financial Products Unit team.

Although approximately 36% of the original value of settled loans as at 30 June 2021 (2020: 34%) is with one bank, Kiwibank, there is no material concentration of risk at individual mortgage holder level.

(d) Sensitivity analysis

The actuarial assessment of the MIS includes an assessment of the sensitivity of the valuation to changes in the valuation assumptions.

This is completed separately for the assessment of unearned premiums, and the assessment of claims risk, which collectively make up the unearned premium/claims reserve balance, summarised in the tables below.

Sensitivity analysis – Premium liabilities as at 30 June 2021

	Probability of adequacy (%)	Discounted central estimate ($000)	Risk margin ($000)	Outstanding claims liabilities ($000)
Baseline	75%	142	61	203
Risk margin				
85% Probability of adequacy	85%	142	132	274
95% Probability of adequacy	95%	142	258	399
Unemployment rate projections				
+1 percentage point	75%	143	71	214
-1 percentage point	75%	122	65	187
Housing inflation				
+1 percentage point	75%	138	58	196
-1 percentage point	75%	130	64	194
Repayment probability assumptions				
+10 percentage point	75%	138	67	204
-10 percentage point	75%	136	60	197
Default probability assumptions				
+0.1 percentage point	75%	278	112	390
-0.1 percentage point	75%	50	25	75
Mortgage fees				
+10 percentage point	75%	128	64	192
-10 percentage point	75%	125	65	190
Sale price to loan value ratio				
+10 percentage point	75%	173	79	252
-10 percentage point	75%	93	56	149

Sensitivity analysis – Outstanding claims liabilities as at 30 June 2021

	Probability of adequacy (%)	Discounted central estimate ($000)	Risk margin ($000)	Outstanding claims liabilities ($000)
Baseline	75%	381	172	553
Risk margin				
85% Probability of adequacy	85%	381	288	669
95% Probability of adequacy	95%	381	509	891
Unemployment rate projections				
+1 percentage point	75%	469	194	663
-1 percentage point	75%	315	141	457
Housing inflation				
+1 percentage point	75%	346	143	489
-1 percentage point	75%	430	198	628
Repayment probability assumptions				
+10 percentage point	75%	316	142	457
-10 percentage point	75%	465	197	663
Default probability assumptions				
+0.1 percentage point	75%	750	302	1,052
-0.1 percentage point	75%	145	78	223
Mortgage fees				
+10 percentage point	75%	399	182	581
-10 percentage point	75%	375	173	548
Sale price to loan value ratio				
+10 percentage point	75%	499	206	705
-10 percentage point	75%	269	120	389

(e) Liability adequacy test

At each reporting date, an assessment is made of whether the recognised insurance liabilities are adequate by using an existing liability adequacy test (LAT) as laid out under PBE IFRS 4 Insurance Contracts. The liability value is adjusted to the extent that it is insufficient to meet future claims and expenses. In performing the adequacy test, current best estimates of expected future contractual cash flows, relating to future claims arising from the rights and obligations under the MIS contract, are assessed.

The discount rates used were risk-free rates determined based on spot rates provided by the New Zealand Treasury with an average of 2.98% (2020: 1.60%).

The probability of sufficiency associated with the risk margin used is 75%. Under Reserve Bank insurance regulations, provisions are required to be at a 75% probability adequacy level. The Kāinga Ora Group has deemed that MIS has a similar risk profile and that this adequacy level is appropriate.

The actuarial assessment of the LAT for MIS as at 30 June 2021 was $0.60 million (2020: $3.0 million). This is the present value of the amount that will be sufficient for future claims arising from the rights and obligations under the MIS insurance contracts plus an additional risk margin.

The risk margin used in calculating the present value of the expected future payments for claims incurred as at 30 June was 45.1% (2020: 36.3%) to allow for the inherent uncertainty in the central estimate. The risk margin determination included uncertainty or risks which are a combination of the random or process risk and the systemic risk.

The process risk is estimated by using stochastic models to estimate future claims costs involving a number of simulations for each of the outstanding claims and premium liabilities. Estimating systemic risk is a subjective process. The estimate for systemic risk has been expressed as an additional coefficient of variation (CoV), which is the ratio of standard deviation of a distribution to the average of the distribution.

The table below shows the details of the LAT performed:

	2021 ($M)	2020 ($M)
Central estimate claims (undiscounted)	1	2
Discounting	–	–
Central estimate claims (discounted)	1	2
Risk margin at 75% probability of sufficiency	–	1
Premium liabilities based on LAT	1	3

(f) Outstanding claims liability

The outstanding claims liability (OCL) relates to the future cost of claims already incurred. From the simulation described above, any loan estimated to have defaulted in the period prior to the valuation date is included as part of the outstanding claims liability. The OCL have decreased since the previous valuation. This is mostly due to updated claim frequency assumptions given the very low number of claims over the last few years.

The table below sets out the components of the outstanding claims liabilities as at 30 June 2021:

	2021 ($M)	2020 ($M)
Approved claims incurred	–*	–*
Central estimate IBNR claims (undiscounted)	–*	1
Discounting	–*	–*
Central estimate claims (discounted)	–*	1
Risk margin at 75% probability of sufficiency	–*	–*
Claims handling expenses	–*	–*
OCL at 75% probability of adequacy	–*	1

* Below $500K.

When determining the risk margin, the risk components included in the assumption were the random or process risk and the systemic risk. In determining the random or process and the systemic risks, the same methodology was adopted as when the LAT was performed. The only difference was that the additional CoV used for systemic risk in calculating the OCL was lower than that used for the LAT. This is due to the fact that the OCL represents a much shorter-term obligation than the premium liabilities in the LAT.

The discount rate used was a series of interest rates dependent upon term to payment. The rates used were risk-free rates determined based on spot rates provided by the New Zealand Treasury. The weighted average rate used in determining the OCL at 30 June was 0.20% (2020: 1.43%).

(g) Claims history

Actual claims under the Mortgage Insurance Scheme are lower than those projected by the actuarial assessment at the 75% level (2020: lower than those projected by the actuarial assessment at the 75% level).

Projected claim liabilities 2021 ($M)	Actual claims 2021 ($M)	Projected claim liabilities 2020 ($M)	Actual claims 2020 ($M)
0.20	0.01	0.86	0.17

The date on which a bank first advises that a loan is in arrears is treated as the date for determining when a claim has been incurred.

The total of claims paid out under the MIS from the start of the scheme to 30 June 2021 was $13.1 million (to 30 June 2020: $13.1 million).

(h) Credit rating

Both the Kāinga Ora Group (which manages the MIS) and HNZL have a long-term credit rating of AAA from credit rating agency Moody's.

16. Categories and fair value of financial assets and liabilities

At 30 June the carrying amounts of financial assets and liabilities in each of the categories of financial instruments were as follows:

	2021 ($M)	2020 ($M)
Financial assets at amortised cost		
Cash and cash equivalents	55	175
Receivables (exchange and non-exchange)	105	60
Mortgage advances	18	27
Investments	746	707
Total financial assets at amortised cost	924	969
Financial assets at fair value through net surplus/(deficit)		
Securities	100	168
Registered Certificate of Deposit	295	455
Interest rate swaps – in hedge relationships	29	–
New Zealand Government Bonds	50	200
Corporate Bonds	29	108
Total financial assets at fair value through net surplus/(deficit)	503	931
Financial liabilities		
Financial liabilities – fair value		
Interest rate swaps – in hedge relationships	58	114
Financial liabilities – financial guarantees		
Total financial liabilities at fair value	58	114
Financial liabilities measured at amortised cost		
Crown loans – floating interest rate	1,873	1,886
Crown loans – fixed interest rate	112	99
Market bonds	5,492	3,719
Commercial paper	150	735
Accounts payable and other liabilities	249	168
Total financial liabilities measured at amortised cost	7,876	6,607

For all categories of financial assets and liabilities, the carrying value approximates fair value, except for the following:

	Carrying amount 2021 ($M)	2020 ($M)	Fair value 2021 ($M)	2020 ($M)
Financial assets				
Mortgage advances	18	27	19	27
Total	**18**	**27**	**19**	**27**

17. Interest rate derivatives

The Kāinga Ora Group has interest-bearing borrowings that incur a floating rate of interest, and uses interest rate swaps to hedge its exposure to changes in the floating interest rate applying to its Crown borrowings. All derivatives are entered into with the Crown and have been designated as hedging instruments.

At 30 June 2021 there were 58 interest rate swap agreements that had commenced (2020: 114), with a notional amount of $1,280 million (2020 $1,157 million), paying a weighted average fixed rate of interest of 3.26% (2020: 4.13%) and receiving a variable rate equal to the 90-day bank bill rate.

Set out below are the fair values of interest rate derivatives at 30 June 2021:

	2021 ($M)	2020 ($M)
Interest rate derivatives – assets		
Interest rate derivatives – current assets	7	–
Interest rate derivatives – non-current assets	22	–
Interest rate derivatives – total assets	**29**	**–**
Interest rate derivatives – liabilities		
Interest rate derivatives – current liabilities	27	36
Interest rate derivatives – non-current liabilities	31	78
Interest rate derivatives – total liabilities	**58**	**114**

The table below shows the maturity analysis of interest rate derivative assets and liabilities at 30 June 2021:

	0-1 Years ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
Kāinga Ora – Year ended 30 June 2021						
Interest rate derivatives – net settled						
Assets	7	6	5	6	5	29
Liabilities	(27)	(19)	(10)	(2)	–	(58)
Net assets/(liabilities)	**(20)**	**(13)**	**(5)**	**4**	**5**	**(29)**
Kāinga Ora – Year ended 30 June 2020						
Interest rate derivatives – net settled						
Liabilities	(37)	(36)	(23)	(16)	(2)	(114)
Net assets/(liabilities)	**(37)**	**(36)**	**(23)**	**(16)**	**(2)**	**(114)**

Notional principal amounts and period of expiry of interest rate swap contracts in effect at 30 June 2021 were:

	2021 ($M)	2020 ($M)
0-1 years	340	177
1-2 years	261	340
2-3 years	263	261
3-5 years	80	307
5+ years	336	72
Total notional principal	**1,280**	**1,157**

The interest rate swaps require settlement of net interest receivable or payable every 90 days. The settlement date coincides with the dates on which interest is payable on the underlying debt. All swaps are matched directly against the appropriate loans and interest expense and measured for effectiveness. They are settled on a net basis. The swaps are measured at fair value and all gains and losses attributable to the hedged risk (other than any ineffective portion) are recognised in other comprehensive revenue and expense.

Movement in interest rate swaps contract cash flow hedge reserve

	2021 ($M)	2020 ($M)
Balance at 1 July	(81)	(82)
Fair value movement of interest rate swaps	14	(40)
Interest expense charged to net surplus/(deficit)	41	41
Amount included in other comprehensive revenue and expense	55	1
Hedging reserve deferred tax	(16)	–
Balance at 30 June	**(42)**	**(81)**

18. Borrowings

Interest-bearing borrowings

	Carrying amount	
	2021 ($M)	2020 ($M)
Loans – current		
Commercial paper	150	735
Crown loans – floating interest rate	313	143
Total loans – current	**463**	**878**
Loans – non-current		
Market bonds	5,492	3,719
Crown loans – floating interest rate	1,560	1,743
Crown loans – fixed interest rate	112	99
Total loans – non-current	**7,164**	**5,561**
Total loans	**7,627**	**6,439**

Commercial paper

As at 30 June 2021 the Kāinga Ora Group had a Note Issuance Facility Agreement allowing for a facility limit of $1.5 billion on its commercial paper programme.

The amount of commercial paper on issue at 30 June 2021 was $150 million, a decrease of $585 million from the prior year (2020: $735 million), paying a weighted average interest rate of 0.33% (2020: 1.08%).

The Kāinga Ora Group has given a negative pledge that it will not, subject to certain exceptions, create or permit any charge or lien over any of its assets.

Medium-term notes

The Kāinga Ora Group has a Medium-Term Notes Facility Agreement dated 17 January 2018 for the issue of unsubordinated, unsecured medium-term notes to wholesale investors.

At 30 June 2021 Kāinga Ora Group had on issue $5.3 billion of medium-term notes (2020: $3.7 billion), in seven tranches, with $300 million maturing on 12 June 2023, $1,375 million maturing on 12 June 2025, $950 million maturing on 5 October 2026, $1,125 million maturing on 18 October 2028, $600 million maturing on 24 April 2030, $650 million maturing on 10 September 2035 and $306 million maturing on 20 September 2040 paying a weighted average fixed rate of interest of 1.98% (2020: 2.15%).

Crown funding

As at 30 June 2021 the Kāinga Ora Group had borrowed $1,985 million from the Crown, with maturity dates ranging from 2021 to 2037 (2020: $1,985 million maturing from 2021 to 2037), paying a weighted average fixed rate of interest of 0.44% (2020: 0.39%).

The Kāinga Ora Group has given a negative pledge that, while any Crown borrowing remains outstanding, it will not, subject to certain exceptions, create or permit any charge or lien over any of its assets.

The current portion of loans represents those maturing within the next 12 months.

Bank overdraft facility

As at 30 June 2021 the Kāinga Ora Group had an unsecured bank overdraft facility of $10 million (2020: $10 million) at an interest rate of 3.37% (2020: 3.95%).

The Kāinga Ora Group's policy is that not more than 25% of borrowings should mature in any 12-month period. As at 30 June 2021, 21.66% of the Kāinga Ora Group's debt will mature in less than one year (2020: 13.89%).

19. Reconciliation of net surplus/(deficit) after tax with cash flows from operating activities

	2021 ($M)	2020 ($M)
Net surplus/(deficit) after tax	**(152)**	**(58)**
Adjustments for non- cash items:		
Depreciation and amortisation	337	301
Asset impairments and write-offs	82	154
(Gains)/losses on asset disposals	(9)	(7)
Taxation	(38)	(55)
Other non-cash items and non-operating items	(122)	–
Total non-cash and non-operating items	**250**	**393**
Increase/(decrease) in receivables	50	(53)
Increase/(decrease) in accounts payable and other liabilities	61	(81)
Increase/(decrease) in tax liabilities	22	(17)
Total working capital movements	**133**	**(151)**
Net cash from operating activities	**231**	**184**

20. Commitments and contingencies

Operating lease commitments – Kāinga Ora Group as lessee

The Kāinga Ora Group enters into various operating leases for premises it occupies, motor vehicles and office equipment.

These leases have an average term of between three and six years with renewal options included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2021 were as follows:

	2021 ($M)	2020 ($M)
Within 1 year	205	304
After 1 year but not more than 5 years	96	165
More than 5 years	104	7
Total	**405**	**476**

(a) Operating lease commitments – Kāinga Ora Group as lessor

The Kāinga Ora Group has entered into property leases for its property portfolio. These properties held under operating leases are measured under the fair value model in accordance with PBE IPSAS 17 *Property, Plant and Equipment* as their primary purpose is to provide a social benefit rather than being held solely to provide rental income.

There are no non-cancellable leases executed by the Kāinga Ora Group (2020: nil).

(b) Capital commitments

At 30 June 2021 capital commitments amounted to $1,420 million (2020: $895 million) for property projects.

(c) Lending commitments

At 30 June 2021 the Kāinga Ora Group had lending commitments approved but not yet paid amounting to $1.6 million (2020: $1.6 million).

(d) Contingencies

Housing New Zealand Limited

The Crown has provided a warranty in respect of title to the assets transferred to HNZL. HNZL was incorporated into the Kāinga Ora Group as a subsidiary in 2001 as part of the legislated consolidation of government housing functions.

The Crown has indemnified HNZL against any breach of this warranty. In addition, the Crown has indemnified HNZL against third-party claims that are a result of acts or omissions prior to 1 November 1992. It has also indemnified the directors and officers of HNZL against any liability arising from the assets not complying with statutory requirements, provided it is taking steps to rectify any non-compliance.

21. Related party disclosure

The Kāinga Ora Group financial statements include the financial statements of Kāinga Ora – Homes and Communities and the Crown entity subsidiaries listed in the following table:

(a) Crown entity subsidiaries

Name	Country of incorporation	2021	2020	Investment 2021 ($M)	Investment 2020 ($M)
Housing New Zealand Limited	New Zealand	100%	100%	3,415	3,415
Housing New Zealand Build Limited	New Zealand	100%	100%	–	–
				3,415	**3,415**

(b) Terms and conditions of transactions with related parties

- Sales to and purchases from related parties are made in arm's length transactions at normal market prices and at normal commercial terms.
- Outstanding balances as at both 30 June 2021 and 30 June 2020 were unsecured, with settlement being in cash.
- There have been no guarantees provided or received for any related party receivables.
- Based on their excellent payment history, no expected credit losses relating to amounts owed by related parties have been necessary at 30 June 2021. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

(c) Key management personnel

Key management personnel are defined as senior management of the Kāinga Ora Group and all directors. During the year ended 30 June 2021, 25 employees were key management personnel (2020: 33 employees).

Key management personnel compensation

	2021 FTEs	2020 FTEs	2021 ($000)	2020 ($000)
Board members				
Remuneration			475	467
Full-time equivalent members	9.0	9.5		
Leadership team				
Remuneration			5,705	8,644
Full-time equivalent members	15.0	20.5		
Total key management personnel remuneration			**6,180**	**9,111**
Total full-time equivalent personnel	**24.0**	**30.0**		

The table below includes all remuneration paid or payable to each director during the year.

	2021 ($)	2020 ($)
Kāinga Ora, HNZC and HLC Directors		
Vui Mark Gosche	98,000	92,440
John Duncan	61,250	65,300
Philippa Howden-Chapman	49,000	50,885
Nicola Crauford	32,604	36,939
Penelope Hulse	49,000	24,500
Ngarimu Blair	49,000	24,500
Robin Hapi	49,000	24,500
Victoria Kingi	49,000	24,500
Helen O'Sullivan	19,223	–
Campbell Roberts	19,223	–
Huhana Hickey	–	13,946
Leigh Auton	–	13,946
Mark Ratcliffe	–	13,946
Pat Snedden	–	12,439
Michael Schur	–	12,250
Adrienne Young-Cooper	–	22,332
Matthew Harker	–	4,899
Peter Alexander	–	4,899
Brian Roche	–	24,877
Total Board members' remuneration	**475,300**	**467,098**

* Kāinga Ora was established as a Crown Entity on 1 October 2019. Prior to this date directors served on HNZC and HLC Board of Directors.

Incoming new appointments to the Kāinga Ora Board of Directors during the year were:

Helen O'Sullivan, appointed on 6 February 2021.

Major Campbell Roberts, appointed on 6 February 2021.

Outgoing members of the HNZC/Kāinga Ora Board of Directors during the year were:

Dr Nicola Crauford, resigned in February 2021.

Helen O'Sullivan was an independent member of the Investment and Delivery Committee prior to becoming a Board member in February 2021. She has been paid $14,889 relating to this committee.

Graeme Mitchell, who is not on the Board of Directors, has been paid $31,100 (2020: $15,577) as a specialist to the Kāinga Ora Finance, Risk and Assurance Committee.

Bruce Baillie, who is not on the Board of Directors, has been paid $24,500 (2020: $3,298) as a specialist to the Finance Risk and Assurance Committee.

Jacqueline (Jackie) Paul, who is not on the Board of Directors, has been paid $24,500 (2020: $6,785) as a specialist to the Urban Development and Planning Committee.

Lale Ieremia, who is not on the Board of Directors, has been paid $24,500 (2020: $6,785) as a specialist to the Kāinga Ora Investment and Delivery Committee.

Directors' insurance

Kāinga Ora acquired directors' and officers' liability and professional indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

The total annual premium for the directors' and officers' liability insurance was $188,261 (2020: $183,940).

22. Remuneration of employees – $100,000 and over

	2021	2020
$100,000-$110,000	92	133
$110,001-$120,000	227	82
$120,001-$130,000	85	173
$130,001-$140,000	83	68
$140,001-$150,000	74	58
$150,001-$160,000	17	17
$160,001-$170,000	59	45
$170,001-$180,000	44	39
$180,001-$190,000	17	22
$190,001-$200,000	35	21
$200,001-$210,000	12	13
$210,001-$220,000	13	10
$220,001-$230,000	10	7
$230,001-$240,000	11	6
$240,001-$250,000	4	10
$250,001-$260,000	11	6
$260,001-$270,000	8	4
$270,001-$280,000	2	9
$280,001-$290,000	3	1
$290,001-$300,000	–	1
$300,001-$310,000	2	1
$310,001-$320,000	1	–
$330,001-$340,000	2	1
$340,001-$350,000	–	2
$350,001-$360,000	2	–
$360,001-$370,000	2	3
$370,000-$380,000	2	1
$380,001-$390,000	4	1
$390,000-$400,000	3	3
$410,001-$420,000	–	2
$420,001-$430,000	–	2
$430,001-$440,000	1	–
$450,001-$460,000	1	–
$460,001-$470,000	–	1
$480,001-$490,000	–	1
$680,001-$690,000	1	–
$820,001-$830,000	–	1
$830,001-$840,000	–	1
Total employees with remuneration of $100,000 and over	**828**	**745**

Where remuneration bands are not shown in the table above, this represents that no employees were paid within those bands during the financial year.

During the year ended 30 June 2021 six employees (2020: 4) received benefits in relation to cessation, totalling $279,471 (2020: $375,490).

23. Events subsequent to balance date

After 30 June 2021 the following events occurred subsequent to balance date (2020: 1):

On 17 August 2021 the country was placed under COVID-19 Alert Level 4. While the Kāinga Ora Group continues to operate at these COVID-19 Alert Levels, the construction part of the business has experienced a reduction in building capacity as a result. The Kāinga Ora Group is unable to quantify what effect this will have on its business for the financial year ended 30 June 2022.

24. Budgeted comparison analysis

(a) 2021 significant variations from budget

The unaudited budget figures reported in these financial statements are the financial performance targets that were included in the Kāinga Ora Group's 2020/21 Statement of Performance Expectations (SPE).

In 2020/21 there was still a flow-on impact from the nationwide pandemic lockdown in March 2020 particularly on purchases of rental property assets. The Auckland lockdowns in September 2020 and March 2021 added to the delays.

(b) Net surplus/(deficit)

Operating revenue

- Sales of developments combined were $66 million lower than budget, due to lower affordable and market sales.

Operating expenses

- Cost of land sold combined was $63 million lower than budget, due to lower affordable and market sales.
- Other gains/losses were $64 million lower than budget, primarily due to higher write-offs from affordable and market sales.

(c) Statement of Financial Position

- Overall total assets of $40,905 million were $5,365 million above the budget level, primarily due to higher revaluations on rental properties.
- Overall total liabilities of $10,556 million were $1,673 million below the budget level, primarily due to lower market debt than expected.

(d) Statement of Changes in Equity

The total equity at 30 June 2021 was $30,349 million, which is $7,038 million higher than budget. This variance is due to the opening reserve position being $783 million higher than budget due to larger revaluation gains in prior years than anticipated, and a higher 30 June 2021 asset revaluation of $6,579 million more than that expected in the budget.

(e) Cash Flow Statement

Net cash flows from operating activities were broadly in line with budget.

Net cash flows used in investing activities was $1,174 million lower than budget due to $1,002 million less spent on purchase of rental property assets than budget. As noted above this was due to ongoing COVID-19 lockdowns as well as lower strategic land buy-ins.

Net cash flow received from financing activities was $1,440 million lower than budgeted due to the lower spend on rental property assets.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF KĀINGA ORA – HOMES AND COMMUNITIES' GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of Kāinga Ora – Homes and Communities Group (the "Group" or "Kāinga Ora"). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements and the performance information of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 147 to 200, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Group on pages 112 to 135.

In our opinion:

- the financial statements of the Group on pages 147 to 200:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the performance information on pages 112 to 135:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2021, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - with generally accepted accounting practice in New Zealand.

Our audit was completed on 28 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board Members and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and performance information of the current year. These matters were addressed in the context of our audit of the consolidated financial statements and performance information as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements and performance information section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements and performance information. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements and performance information.

Valuation of Rental Properties Operating Assets

Why significant	How our audit addressed the key audit matter
Kāinga Ora rental property operating assets have a fair value of $38.8 billion and make up 95% of total assets. Kāinga Ora engages an external registered valuer to determine the fair value of these assets at each balance date in accordance with PBE IPSAS 17 *Property, Plant and Equipment*. Properties are valued based on their 'highest and best use'. The external valuer used market-based evidence to provide an indication of the value of relevant assets by comparing the asset with similar assets for which price information is available. A market indexation approach was adopted for the uninspected properties within the portfolio due to the homogeneous nature of the portfolio, i.e. the external valuer assessed a proportionate increase or decrease for similar assets and applied this to all uninspected assets of that type. The highly judgemental and subjective nature of the valuation coupled with the significance to the financial statements results in this being an area of significant audit focus. Disclosures in relation to rental properties are included Note 15 Property plant and equipment,	To address the key audit matter, we: • Assessed the appropriateness of the valuation methodology applied by the valuer. • Assessed the competence, qualifications and objectivity of the external valuer. • Assessed whether the indexation had been properly calculated and correctly applied to a sample of properties. • Tested a sample of costs that have been capitalised during the year against the criteria in PBE IPSAS 17 *Property, Plant and Equipment* to assess whether they were capital in nature. • Tested the information provided to the external valuer for consistency with the information held in Kāinga Ora's fixed asset register for a sample of assets. • Performed a recalculation of the movement recorded within the revaluation reserve. • Reviewed and challenged the highest and best use assumption applied for the assets, in particular in relation to areas where Kāinga Ora has demolished rental housing stock and has a plan to redevelop the land to accommodate higher density housing units. • Assessed the adequacy of the disclosures relating to property plant and equipment in accordance with PBE IPSAS 17 *Property, Plant and Equipment*.

Properties under development

Why significant	How our audit addressed the key audit matter
Kāinga Ora has commenced a number of large scale housing developments. Some of the land being developed is intended to be sold to private sector property developers for development of affordable houses. Properties held for future development are disclosed as properties under development in accordance with PBE IPSAS 12 *Inventories*. Total Properties under development as at 30 June 2021 are $365m. Inventory is required to be recorded at the lower of cost or net realisable value. Net realisable value is the estimated selling price less the sum of estimated future costs to bring the land into a saleable condition and the costs of sale. Disclosures in relation to Properties under development are included in note 13 to the consolidated financial statements.	To address the key audit matter, we: • Considered the carrying value of a sample of properties under development to consider whether they were held at the lower of cost and their assessed net realisable value. • Assessed the nature of a sample of project costs against the requirements of IPSAS 12 *Inventories* to determine if they met the criteria to be treated as inventory. • Understood the process of estimating future costs and agreed a sample of future costs to Board approved business cases. • Assessed whether, for a sample of land parcels, the total estimated costs had been apportioned based on the total land area relative to the specific properties under development. • Assessed whether, for a sample of land parcels, the criteria for recognition as inventory had been met. • Assessed the adequacy of the disclosures relating to properties under development in accordance with PBE IPSAS 12 *Inventories*.

Performance reporting

Why significant	How our audit addressed the key audit matter
Kāinga Ora is required under the Crown Entities Act 2004 to report performance achievements against the measures and targets included in its statement of performance expectation. Kāinga Ora provides tenancy services focusing on prioritising tenants' wellbeing, and providing tenants with good quality, warm, dry and healthy homes. Reporting its achievements against performance expectations established through negotiation between the Kāinga Ora Board and the responsible Ministers is a key aspect of Kāinga Ora's accountability framework. Given the significance of the non-financial performance reporting aspects of the annual report explaining Kāinga Ora's progress towards its accountabilities, this is a key focus of our audit.	To address the key audit matter, we: • Identified performance measures that in our view are significant to ensuring the annual report as a whole provides a sufficiently complete and balanced view of Kāinga Ora's performance against expectations contained in the Statement of Performance Expectations. • Understood the processes Kāinga Ora has in place to seek to capture service performance information in relation to significant performance measures in a consistent and accurate manner. • Tested supporting evidence for reported performance on a sample basis. This included inspection of supporting documentation, re-performance of calculations and testing the integrity of underlying data. • Assessed the performance disclosures in the annual report against the requirements of the Crown Entities Act 2004.

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Responsibilities of the Board Members for the consolidated financial statements and the performance information

The Board Members are responsible on behalf of the Group for preparing consolidated financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board Members are responsible for such internal control as they determine necessary to enable them to prepare consolidated financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the performance information, the Board Members are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board Members are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board Member's responsibilities arise from the Crown Entities Act 2004 and the Kāinga Ora – Homes and Communities Act 2019.

Responsibilities of the auditor for the audit of the consolidated financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these consolidated financial statements and the performance information.

For the budget information reported in the consolidated financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the consolidated financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.

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- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We evaluate whether the service performance criteria are suitable so as to result in service performance information that is in accordance with the applicable financial reporting framework.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board Members and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements and the performance information, including the disclosures, and whether the consolidated financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the consolidated financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board Members, we determine those matters that were of most significance in the audit of the consolidated financial statements and performance information of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board Members are responsible for the other information. The other information comprises the information included on pages 1 to 111, 136 to 146 and page 207 but does not include the consolidated financial statements and the performance information, and our auditor's report thereon.

Our opinion on the consolidated financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have independent quality assurance in respect of the Holidays Act remediation and go-forward compliance projects. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Grant Taylor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

Financial statements
Ngā tauākī whakahaere pūtea


Location: Pallant Street, Manurewa, Auckland

HOUSING AGENCY ACCOUNT
Statement of responsibility

The Housing Agency Account is administered by Kāinga Ora – Homes and Communities (Kāinga Ora) on behalf of the Crown. It does not form part of the Kāinga Ora Group.

The Board of Kāinga Ora is pleased to present the financial statements of the Housing Agency Account for the year ended 30 June 2021.

a) The Board is responsible for the preparation of the financial statements and the judgements used.

b) The Board is responsible for establishing and maintaining a system of internal control to provide reasonable assurance as to the integrity and reliability of financial reporting.

c) In the opinion of the Board, the financial statements for the year ended 30 June 2021 fairly reflect the financial position, financial performance and service potential of the Housing Agency Account at that date.

For and on behalf of the Board of Kāinga Ora – Homes and Communities

Vui Mark Gosche
Chair
Kāinga Ora – Homes and Communities
28 September 2021

John Duncan
Deputy Chair
Kāinga Ora – Homes and Communities
28 September 2021

HOUSING AGENCY ACCOUNT
Statement of Revenue and Expense

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Revenue			
Revenue from non-exchange transactions			
Rental income from income-related rent subsidy		536	717
Rental income from tenants		244	18
Crown appropriation income	2	–	8
Total revenue from non-exchange transactions		780	743
Revenue from exchange transactions			
Sale of inventory		94,513	24,869
Other income		2,565	128
Interest income		526	1,138
Rental income from tenants		18	43
Gain on sale of properties		–	1,823
Total revenue from exchange transactions		**97,622**	**28,001**
Total operating revenue		**98,402**	**28,744**
Expenses			
Cost of inventory		93,921	24,701
Loss on sale of properties		17,828	–
Operating expenses	3	3,944	1,936
Management fee		2,061	3,055
Property maintenance		675	632
Provision for underwrite of KiwiBuild properties		126	2,178
Write down of inventory		(4,324)	2,146
Total operating expenses		**114,231**	**34,648**
Net operating surplus/(deficit)		**(15,829)**	**(5,904)**
Other comprehensive income			
Revaluation reserve gains/(losses) on property, plant and equipment	9	3,961	1,207
Total comprehensive income		**(11,868)**	**(4,697)**

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

HOUSING AGENCY ACCOUNT

Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Total equity at 1 July		**245,119**	**169,236**
Net surplus/(deficit) for the year		(15,829)	(5,904)
Revaluation reserve gains/(losses)		3,961	1,207
Total comprehensive income for the period		**(11,868)**	**(4,697)**
Contributions from and distributions to the Crown			
Contributions from the Crown		41,957	85,137
Return of capital to the Crown		(119,380)	(4,557)
Total contributions from and distributions to the Crown		**(77,423)**	**80,580**
Total changes in equity		**(89,291)**	**75,883**
Total equity at 30 June		**155,828**	**245,119**
Equity attributable to the Crown			
Opening balance		259,929	179,349
Contributions from the Crown		41,957	85,137
Return of capital to the Crown		(119,380)	(4,557)
Closing equity attributable to the Crown		**182,506**	**259,929**
Retained earnings			
Opening retained earnings		(22,367)	(16,463)
Net surplus/(deficit) for the year		(15,829)	(5,904)
Net transfers from asset revaluation reserve on disposal		–	–
Net transfers from asset revaluation reserve on disposal		**(38,196)**	**(22,367)**
Revaluation reserve			
Opening revaluation reserve		7,557	6,350
Asset revaluations – property, plant and equipment	9	3,961	1,207
Closing revaluation reserve		11,518	7,557
Total equity at 30 June		**155,828**	**245,119**

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

HOUSING AGENCY ACCOUNT

Statement of Financial Position

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Assets			
Current assets			
Cash at bank	4	200,572	114,577
Receivables	5	16,274	76,917
Inventory	6	16,625	51,573
Mortgage advances	7	439	–
Total current assets		**233,910**	**243,067**
Non-current assets			
Long-term receivables	5	–	8,668
Mortgage advances	6	–	518
Land under development	8	7,962	7,888
Work in progress		2,029	2,029
Property, plant and equipment	9, 10	20,628	16,835
Properties intended for sale	11	3,183	23,550
Total non-current assets		**33,802**	**59,488**
Total assets		**267,712**	**302,555**
Liabilities			
Current liabilities			
Accounts payable and other liabilities	12, 13	76,359	18,118
Provisions	14	35,295	29,898
GST payable		230	9,420
Total current liabilities		**111,884**	**57,436**
Total liabilities		**111,884**	**57,436**
Net assets		**155,828**	**245,119**
Equity			
Crown funds		182,506	259,929
Retained earnings		(38,196)	(22,367)
Revaluation reserve		11,518	7,557
Total equity		**155,828**	**245,119**

For and on behalf of the Board:

Vui Mark Gosche
Chair
Kāinga Ora – Homes and Communities
28 September 2021

John Duncan
Deputy Chair
Kāinga Ora – Homes and Communities
28 September 2021

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

HOUSING AGENCY ACCOUNT

Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Cash flows from operating activities			
Rent receipt		988	693
Crown operating appropriation receipts		–	8
Receipts from sale of developed assets		3,314	12,838
Receipt from sales of properties in inventory		91,916	26,354
Interest received		526	1,138
Development costs paid		(74)	62
Purchases of property inventory		(44,563)	(46,628)
Other payments to suppliers		(50,978)	(1,596)
Management fee paid to related party		(1,885)	(2,196)
Net cash flows from operating activities	19	**(756)**	**(9,327)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(113)	(1,017)
Mortgage advances (issued)/repayment		166	187
Net cash flows from investing activities		**53**	**(830)**
Cash flows from financing activities			
Net Capital contributions to the Crown		(21,697)	–
Net Capital contributions from the Crown		108,395	–
Net cash flows from financing activities		**86,698**	**–**
Net cash flows		85,995	(10,157)
Opening cash and cash equivalents		114,577	124,734
Closing cash and cash equivalents		**200,572**	**114,577**

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

HOUSING AGENCY ACCOUNT

Notes to the Financial Statements

For the year ended 30 June 2021

1. Statement of accounting policies

Reporting entity

The Housing Agency Account (HAA) is administered by Kāinga Ora – Homes and Communities (Kāinga Ora) acting as an agent of the Crown under the Housing Act 1955 (Housing Act). This Act empowers Kāinga Ora to carry out the Crown's decisions in relation to the acquisition, setting apart and development of land, and the acquisition of assets for public housing purposes. HAA does not form part of the Kāinga Ora Group.

HAA has designated itself as a public benefit entity (PBE) for financial reporting purposes. PBEs are defined as "reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view of supporting that primary objective rather than for a financial return to equity holders".

The financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 28 September 2021.

Accounting standards and interpretations

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

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

- **Going Concern Disclosures (Amendments to PBE IPSAS 1)**

  The amendments require specific disclosures in relation to the going concern assumption to help preparers provide relevant and transparent information to the users. Specific disclosures are required when management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

- **Uncertainty over Income Tax Treatments (Amendments to PBE IAS 12)**

  The amendment requires an entity to determine whether uncertain tax positions are assessed separately or as a group (depending on which approach gives a better prediction of the resolution of the uncertainty), and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

  If it is probable a tax authority will accept the treatment, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, the entity should reflect the effect of uncertainty in determining its accounting tax position by estimating the tax payable (or receivable), using either the most likely amount or the expected value method.

- **PBE Interest Rate Benchmark Reform (Amendments to PBE IPSAS 41, PBE IFRS 9, PBE IPSAS 29 and PBE IPSAS 30)**

  The objective of the amendments is to provide temporary relief to enable hedge accounting to continue during a period of uncertainty before the replacement of an existing interest rate benchmark, such as interbank offered rates (IBORs), with an alternative nearly risk-free interest rate. The amendments affect PBE IPSAS 29, PBE IPSAS 30, PBE IPSAS 41 and PBE IFRS 9 and modify some specific hedge accounting requirements.

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

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

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

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

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

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

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

- **PBE FRS 48 *Service Performance Reporting*. In recognition of the impact of Covid-19 on PBEs, on 13 August 2020, the NZASB issued 2020 Amendments to PBE FRS 48 for periods beginning on or after 1 January 2022**

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

  - The reason for the entity's existence, what the entity aims to achieve over the medium to long term (in broad terms), and how it will go about achieving this
  - What the entity has done in order to achieve its broader aims and objectives, as stated above

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

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

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

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

In the prior year, HAA applied the New Zealand PBE (Public Benefit Entity) Standards Tier 2 Reduced Disclosure Regime (RDR). In the current year, the financial statements have been prepared in accordance with New Zealand PBE Standards Tier 1.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

The financial statements comprise the Statement of Financial Position, Statement of Comprehensive Revenue and Expense, Statement of Changes in Equity, Statement of Cash Flows, accounting policies and explanatory notes. They have been prepared on a historical cost basis, except where otherwise stated in the relevant accounting policy, and are presented in New Zealand dollars with all values rounded to the nearest thousand dollars ($000) unless otherwise stated.

Comparatives

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

Significant judgements and estimates

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

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and reasonable current assumptions, the results of which form the basis of the carrying values for assets and liabilities that are not readily apparent from other sources.

Rental properties

HAA revalues rental properties on an annual basis. Fair value is determined by reference to market-based evidence from independent valuers Quotable Value New Zealand.

In performing the valuation, the entire portfolio has not been individually inspected. A market indexation approach has been adopted for the remaining uninspected portfolio due to the homogeneous nature of the portfolio. 'Highest and Best Use' scenario was used in the property valuation.

Impairment of plant and equipment, work in progress and land under development

HAA's primary objective from its non-financial assets is to develop land for housing rather than to generate a commercial return.

Plant and equipment, work in progress and land under development are held at the lower of cost or net realisable value and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be fully recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. Reversal of an impairment loss is recognised in the surplus or deficit.

Provision for future development costs

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

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

An apportionment of site-wide costs is allocated to each individual development based on the proportion of that development's area to the total site area.

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

Estimation of useful lives of assets

HAA reviews the useful lives and residual values of its property, plant and equipment annually.

Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires HAA to consider a number of factors such as the physical condition of the asset, expected period of use and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the net surplus/(deficit) for the year and the carrying amount of the asset in the Statement of Financial Position.

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

Provision for underwrite of KiwiBuild properties

The KiwiBuild Buying off the Plans initiative involves the Crown underwriting homes in new residential developments led by the construction sector on privately owned or HAA land.

The KiwiBuild Buy off the Plans Initiative (BOTP) supports developers to increase the supply of quality affordable houses by underwriting part or all of a development. This enables affordable homes to be built that would otherwise not be built, or accelerates the construction of affordable homes. KiwiBuild homes must be priced at or below specified price caps and must be offered, in the first instance, to eligible KiwiBuild buyers. To the extent that developers exercise these options and depending on the value of the properties relative to the agreed underwrite price, HAA is exposed to potential losses.

The value of the provision for which HAA has exposure to KiwiBuild underwrite-related losses largely depends on property values and includes an estimation of the valuation of the property at the time of sale.

The relativity of a BOTP property's market value to the agreed price that the developer can sell it to HAA at affects:

- The likelihood that a developer will exercise the option to sell the property to HAA
- The potential loss (if any) to HAA if the developer does exercise the option.

At each reporting date, an assessment is made of whether the recognised insurance liabilities are adequate by using a Liability Adequacy Test (LAT). The insurance liability value is adjusted to the extent that the unearned premiums are insufficient to meet future claims and expenses.

The key component is the central estimate of potential losses as part of the LAT which is the significant estimate.

The KiwiBuild underwrite provision has been independently valued by Dan Stoner of Taylor Fry, a member of the New Zealand Society of Actuaries and the Institute and Faculty of Actuaries (UK).

Impairment

The impairment requirements apply to financial assets that are carried at amortised cost, debt instruments that are carried at fair value through surplus or deficit (FVSD) and lease receivables. The impairment requirements under PBE IFRS 9 are based on a forward-looking expected credit loss model.

When applying the PBE IFRS 9 impairment model to its asset, HAA has identified possible future defaults by the counterparty to make a payment in full and/or on time. Impairment is recognised based on possible defaults expected. The expected credit loss (ECL) arising from the possible defaults is recognised based on the possibility of default over the next 12 months, based on the 'general approach' or the 'simplified approach' to impairment being applied. Exchange receivables and contractual non-exchange receivables apply the simplified approach. Mortgage advances and short-term investments apply the general approach.

Buying off the Plans initiative

On 1 October 2019 Kāinga Ora was appointed as agent of the Crown by Ministerial approval to take over administration of the KiwiBuild Buying off the Plans (BOTP) initiative from the Ministry of Housing and Urban Development (HUD). Any property inventory acquired under BOTP and held by the Crown on that date was transferred to HAA. All subsequent purchases/sales of property and the holding/on-selling costs associated with BOTP from that date are now recognised within HAA.

BOTP supports developers to increase the supply of quality, affordable houses by underwriting part or all of a development. This enables affordable homes to be built that would otherwise not be built, or accelerates the construction of affordable homes. KiwiBuild homes must be priced at or below specified price caps and must be offered, in the first instance, to eligible KiwiBuild buyers.

Revenue

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

(i) Revenue from non-exchange transactions

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

Revenue generated from non-exchange transactions is represented below:

Income-related rental from tenants and income-related rent subsidies (IRRS)

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

Crown operating appropriations

HAA receives revenue from the Crown as operating appropriations. Crown appropriation revenue is received to reimburse the Group for expenses incurred by operating programmes associated with Crown land.

All Crown appropriation revenue is recognised when the right to receive the asset has been established.

(ii) Revenue from exchange transactions

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

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

Rental revenue from tenants at market rent

Rental revenue received from those tenants who pay market rent is recognised on a straight-line basis over the term of the lease.

Mortgage Insurance Scheme revenue

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

HOUSING AGENCY ACCOUNT

Interest income

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

Sale of inventory and gain on sale of properties

Revenue earned from sale of properties under the BOTP Government initiative is recognised when risks and rewards passes to a third party.

Cash at bank

Cash comprises cash at bank and short-term liquid investments with original maturities up to 90 days held specifically for working capital purposes.

Due to the short-term nature, and the fact that balances are held with institutions with high credit ratings, no impairment allowances are recognised on cash balances.

Financial instruments

HAA is party to a number of financial instruments including cash at bank, accounts receivable, Crown debtors, mortgage advances, contract deposits, accounts payable, and other liabilities plus advances to/(from) related parties.

At initial recognition, financial assets or financial liabilities in the scope of PBE IFRS 9 Financial Instruments are measured at their fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus/ (deficit) (FVSD), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Gains or losses on financial instruments are recognised in net surplus/(deficit) in the period in which they occur.

For all categories of financial assets and liabilities measured at amortised cost, the carrying value approximates fair value.

Financial assets

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

Accounts receivable

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any expected credit losses (ECL).

HAA applies a simplified approach in calculating ECLs. Therefore, HAA does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date, using a provision matrix. This is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Bad debts are written off when identified. Financial difficulties of the debtor and/or default payments are considered objective evidence of the receivable being credit impaired.

Receivables are recorded as current, except for those expected to be received beyond the next 12 months, which have been recorded as non-current.

Financial liabilities

Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortised cost.Due to their short-term nature they are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. They represent liabilities for goods and services provided to HAA prior to the end of the financial year that are unpaid and arise when HAA becomes obliged to make future payments in respect of the purchase of these goods and services.

Accounts payable and other liabilities are recorded as current, except for those expected to be settled beyond the next 12 months, which have been recorded as non-current.

Provision for future development costs

HAA estimates future development costs expected to be incurred by each precinct. A provision for future development costs is recognised in the Statement of Financial Position for those costs estimated as required to complete the development process associated with properties sold at the time a sale is recognised.

The net movement in the provision for the year is recognised as net gains or losses on the sale of properties in the Statement of Revenue and Expense.

Those costs within the provision expected to be incurred within 12 months after the balance date are classified as current liabilities, with the remaining balance of the provision classified as non-current liabilities.

HOUSING AGENCY ACCOUNT

Mortgage advances

Mortgage advances are designated at fair value through net surplus/(deficit).

Fair value is determined by reference to market-based evidence. Independent valuations are performed annually to ensure the carrying amount does not differ materially from the asset's fair value at balance date. Movements in fair value are recognised in the net surplus/(deficit) during the year.

Mortgage advances are included in non-current assets as their maturities are greater than 12 months after balance date.

An embedded derivative was identified from this financial instrument due to the existence of a prepayment option and the interest rate cap within the mortgage agreements.

Cash-flows are discounted at market mortgage rates. All remaining loans are now in year 10.

As it is closely related to the host agreement, the embedded derivative is not accounted for separately from the host agreement.

Mortgage advances were independently valued at the end of the year by reference to market-based evidence by Michael Clarke of Taylor Fry, a member of the New Zealand Society of Actuaries and the Institute of Actuaries of New Zealand.

Inventories

Inventories comprise properties acquired under the KiwiBuild BOTP initiative and held by HAA for subsequent sale.

All inventory items are valued at lower of cost or net realisable value, determined principally by the expected sale price less the cost of the property acquired from the developer and selling costs.

PBE IPSAS 12 Inventories requires the estimates to take into consideration the purpose for which the property is held, which in this case is to sell at market or affordable pricing.

Land under development

Land and related developments that are held for further development and sale in the ordinary course of business are classified as inventory.

Land under development is recorded at the lower of cost or net realisable value (selling price less cost to complete and sales cost). Any write-downs to net realisable value are charged to net surplus/(deficit) for the year.

Work in progress

Land and related developments for eventual sale to market are classified as work in progress. Work in progress is held at cost, which is defined as all costs incurred that are directly related to the development of these assets and are annually reviewed for any impairment.

Rental property

Rental properties are initially recorded at cost and subsequently measured to fair value on an annual basis. Where an asset is acquired for nominal or zero consideration, the asset is recognised at fair value as at the date of acquisition, with a corresponding recognition of revenue in net surplus/(deficit).

Fair value is determined by reference to market-based evidence and is the amount for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date. Independent valuations are performed annually to ensure that the carrying amount does not materially differ from the asset's fair value at the balance date.

Unrealised gains and losses arising from changes in the fair value of rental property are recognised at balance date. Where a gain reverses a loss previously charged to net surplus/(deficit) for the same asset class, the gain is credited to net surplus/(deficit). Otherwise gains are credited to an asset revaluation reserve in other comprehensive income for that asset class.

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

Depreciation is calculated on a straight-line basis over the estimated useful life of rental properties as follows:

- Buildings 60 years
- Improvements 25 years
- Chattels 10 years

HOUSING AGENCY ACCOUNT

Property, plant and equipment

Office equipment and furniture and fittings are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Office equipment 5 years
- Furniture & fittings 10 years
- Leasehold improvements the shorter of the period of lease or estimated useful life

An item of property, plant or equipment is derecognised upon disposal or when future economic benefits are not expected to arise from its use. Any gain or loss is included in net surplus/(deficit) for the year in which the item is derecognised. Gain or loss on sale is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

Properties intended for sale

Properties intended for sale comprises:

- superlots from the Hobsonville development
- land that is regarded as surplus to the Crown and is no longer required.

A property is classified as intended for sale when its carrying amount will be recovered principally through sale, it is available for immediate sale in its present condition and the sale is highly probable.

Properties intended for sale are recorded at the lower of the carrying amount and fair value less costs to sell. Any write-downs to fair value are charged to net surplus/(deficit) for the year.

Taxation

HAA is not liable for income tax by virtue of section CW 38(2) of the Income Tax Act 2007. However, HAA is subject to Goods and Services Tax (GST).

All amounts in the financial statements are stated exclusive of GST, except for accounts receivable and accounts payable, which are GST inclusive.

Capital management

HAA's capital is in equity, which comprises accumulated funds generated from its operating and investment activities, Crown appropriation and other reserves. These funds will be held by HAA in order to meet its public housing objectives, and will only be held for the purposes for which they were originally appropriated. Any residual accumulated funds that are not utilised by HAA will be returned to the Crown.

Equity is represented by net assets. HAA manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings, to ensure it effectively achieves its objectives and purpose, while remaining a going concern.

Kāinga Ora operates several bank accounts as an agent of the Crown. While funds in these bank accounts may be invested, any of the principal and proceeds of the investment must be credited to the bank account the funds were sourced from originally.

2. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to HAA and the revenue can be reliably measured.

Crown appropriation revenue

HAA is an agent of the Crown. It undertakes some transactions with statutory corporations, state-owned enterprises and government departments on an arm's length basis.

In the current financial year, HAA received nil capital appropriations (2020: nil) and nil in operating appropriations (2020: $0.008 million) from the Crown.

3. Other expenses

	2021 ($000)	2020 ($000)
Agents' commission	2,417	447
Land and water rates	388	382
Selling expenses	277	46
Depreciation on rental property	201	182
Legal fees	194	132
Other expenses	93	384
Audit fees	88	84
Depreciation on property, plant and equipment	79	99
Property surveys	66	–
Rental expense	66	111
Consultants	39	63
Power and heating	36	6
Operating expenses	**3,944**	**1,936**

4. Cash and cash equivalents

Cash and cash equivalents comprises solely cash at bank.

HOUSING AGENCY ACCOUNT

5. Receivables

(a) Receivables from exchange transactions

	2021 ($000)	2020 ($000)
Current receivables		
Account receivables	16,274	6,881
Net realisable value of current accounts receivable	**16,274**	**6,881**
Non-current receivables		
Account receivables	–	8,668
Total non-current receivables	**–**	**8,668**
Total receivables from exchange transactions	**16,274**	**15,549**

Long-term receivables relate to sales of developments subject to deferred settlement terms. Deferred settlements arise from sales being recognised when management considers that the risks and rewards of ownership have transferred to a purchaser/developer prior to completion of the development.

(b) Receivables from non-exchange transactions

	2021 ($000)	2020 ($000)
Current receivables		
Account receivables	–	70,036
Total receivables from non-exchange transactions	**–**	**70,036**

All receivables have been assessed and impaired for expected credit losses with the impairment being applied to the balance. The amount of the impairment is immaterial.

6. Inventories

	2021 ($000)	2020 ($000)
Inventories held at 1 July	51,573	–
Inventories purchased during the year	54,530	78,420
Inventories disposed of during the year	(95,878)	(24,701)
Transferred from properties intended for sale	14,410	–
Write-down of inventory to net-realisable value	(8,010)	(2,146)
	16,625	**51,573**

Inventory comprises properties purchased under the KiwiBuild Buying off the Plans initiative, which involves the Government underwriting or purchasing new homes off the plans to de-risk suitable developments led by the private sector or others in exchange for accelerating a greater number of affordable KiwiBuild dwellings.

7. Mortgage advances

	2021 ($000)	2020 ($000)
Beginning of year	518	641
Fair value gain/(loss)	58	38
Increase/(Repayment) of advances	(137)	(161)
Total provisions for development costs	**439**	**518**

Gateway Housing is an initiative approved by Cabinet in 2009 to assist community housing organisations by selling surplus Crown land to build houses for home ownership for first home owners. Where there is no demand for sections by housing organisations or no suitable proposal for land use, land may be offered to individual moderate-income households. The sale price of the land is treated as a loan to the buyer, secured by a second mortgage on the title. The interest rates charged on the loan are as follows:

- Years 1-5 – 3% annually capitalised with no compounding
- Years 6-7 – the lesser of the then floating interest rate or 1%
- Years 8-9 – the lesser of the then floating interest rate or 3%
- Year 10 – the lesser of the then floating interest rate or 5%

Gateway loans are designated at fair value through net surplus/(deficit). Any movement in fair value is recognised in net surplus/(deficit). The Gateway loans were independently valued by Michael Clarke from Taylor Fry, a fellow of the New Zealand Society of Actuaries and the Institute of Actuaries of Australia.

HOUSING AGENCY ACCOUNT

8. Land under development

	2021 ($000)	2020 ($000)
Land under development for resale	7,962	7,888

Land under development is measured at the lower of cost or net realisable value. This relates to purchases of land at the former Hobsonville Airbase from the New Zealand Defence Force, Ministry of Education and Auckland Council, and those costs associated with the development of the Hobsonville site.

For the purposes of assessing the net realisable value of this property, land under development for resale has been valued as at 30 June 2021 as part of the overall Hobsonville site valuation.

The valuation was carried out by Quotable Value New Zealand, a company employing registered and qualified valuers.

Movements in land under development

	2021 ($000)	2020 ($000)
Land under development for resale at 1 July	7,888	7,830
Transferred to properties intended for sale	(4,955)	(569)
Development costs incurred during the year	7,751	2,185
Disposal	(2,722)	(1,558)
Land under development for resale at 30 June	**7,962**	**7,888**

9. Rental properties

	2021			2020		
	LAND ($000)	BUILDINGS ($000)	TOTAL ($000)	LAND ($000)	BUILDINGS ($000)	TOTAL ($000)
Rental properties at 1 July	8,229	8,265	**16,494**	7,758	6,694	**14,452**
Additions during the year	–	101	**101**	–	1,017	**1,017**
Disposals	–	–	**–**	–	–	**–**
Revaluation	2,857	1,104	**3,961**	471	736	**1,207**
Depreciation for the year	–	(201)	**(201)**	–	(182)	**(182)**
Transfers from work in progress	–	2	**2**	–	–	**–**
Rental properties at 30 June	**11,086**	**9,271**	**20,357**	**8,229**	**8,265**	**16,494**

Rental properties comprising land and buildings were revalued to fair value as at 30 June 2021.

The valuation was carried out by an independent valuer, Quotable Value New Zealand, a company employing registered and qualified valuers.

HOUSING AGENCY ACCOUNT

10. Plant and equipment

	Equipment ($000)	Furniture ($000)	Leasehold Improvements ($000)	Software ($000)	Total ($000)
2021					
COST					
Balance at 1 July	76	176	458	–	710
Disposals	–	–	–	–	–
Transfers	–	2	–	–	2
Balance at 30 June	**76**	**178**	**458**	**–**	**712**
LESS:					
ACCUMULATED DEPRECIATION					
Balance at 1 July	(73)	(86)	(211)	–	(370)
Reversal of disposals	–	–	–	–	–
Depreciation for the year	(2)	(18)	(51)	–	(71)
Balance at 30 June	**(75)**	**(104)**	**(262)**	**–**	**(441)**
2021 Net carrying amount	**1**	**74**	**196**	**–**	**271**

	Equipment ($000)	Furniture ($000)	Leasehold Improvements ($000)	Software ($000)	Total ($000)
2020					
COST					
Balance at 1 July	76	176	459	72	783
Additions	–	–	–	(72)	(72)
Balance at 30 June	**76**	**176**	**459**	**–**	**711**
LESS:					
ACCUMULATED DEPRECIATION					
Balance at 1 July	(59)	(68)	(160)	(5)	(292)
Reversal of disposals	–	–	–	22	22
Depreciation for the year	(14)	(18)	(51)	(17)	(100)
Balance at 30 June	**(73)**	**(86)**	**(211)**	**–**	**(370)**
2020 Net carrying amount	**3**	**90**	**248**	**–**	**341**

HOUSING AGENCY ACCOUNT

11. Properties intended for sale

	2021 ($000)	2020 ($000)
Properties intended for sale at 1 July	23,550	22,936
Properties transferred to Land intended for sale	(5,957)	(855)
Transferred development costs	–	1,469
Transferred to inventory held at net realisable value	(14,410)	–
	3,183	**23,550**

For the purposes of testing whether an impairment has occurred to the properties intended for sale as at 30 June 2021, a valuation was carried out by Quotable Value New Zealand, a company employing registered and qualified valuers.

12. Accounts payable and other liabilities

	2021 ($000)	2020 ($000)
Current accounts payable and other liabilities		
Trade creditors	16	2,440
Accrued expenses and other liabilities	12	19
Total current accounts payable and other liabilities	**28**	**2,459**

13 .Related parties

HAA is an agent of the Crown. It undertakes some transactions with state-owned enterprises and government departments on an arm's length basis.

In the year to 30 June 2021 the Kāinga Ora provided management services to HAA. A management fee of $2 million (2020: $3 million) was charged by Kāinga Ora – Homes and Communities for services relating to the Hobsonville development. No management fee has been charged for other services provided to HAA since this requires ministerial approval under the Housing Agency Accountability Agreement.

Kāinga Ora administers HAA as an agent of the Crown under the Housing Act 1955. As at 30 June 2021 the balance of the total amount owed by HAA to Kāinga Ora and its subsidiaries was $1.9 million (2020: $1.4 million was owed by Kāinga Ora and its subsidiaries to HAA resulting in a net movement of $0.5 million).

In its capacity as agent for HAA, Kāinga Ora manages the rental income and expenses of HAA's rental properties. No fee is charged for this service.

In the year to 30 June 2021 HAA has recognised $77 million (2020: $70 million) of funding from the Ministry of Housing and Urban Development for the KiwiBuild BOTP Government initiative.

Amounts owed to related parties at year end is $76.3million (2020: $15.7 million).

14. Provisions

	2021 ($000)	2020 ($000)
Current provisions		
Provision for development costs	35,169	27,720
Provision for underwrite of KiwiBuild properties	126	2,178
Total current provisions	**35,295**	**29,898**
Total provisions for development costs	**35,295**	**29,898**

MOVEMENTS

	2021		2020	
	Future development cost ($000)	Underwrite of KiwiBuild properties ($000)	Future development cost ($000)	Underwrite of KiwiBuild properties ($000)
Movement in carrying amounts				
Provisions for development costs				
Carrying amounts at 1 July	27,720	2,178	26,987	
Additional provisions recognised	19,487	126	2,292	2,178
Development expenditure incurred	(12,038)	(2,178)	(1,559)	
Total carrying amount at 30 June	**35,169**	**126**	**27,720**	**2,178**

Provision for future development costs

The additional provisions recognised are those costs estimated as required to complete the development process associated with those properties that have been sold to 30 June 2021.

An additional 8,960 square metres of land was sold during the year bringing the total land area for which future costs have been included in the provision to 780,735 square metres.

The increase in estimates relates to the effect of applying revised estimates to those amounts previously provided for in prior years that still remain at the latest balance date and those additional amounts relating to current year sales.

In the year to 30 June 2021 site remediation costs of $1.54 million are included in the future development costs provision based on estimates provided by Kāinga Ora management (2020: $3.34 million).

HOUSING AGENCY ACCOUNT

Provision for underwrite of KiwiBuild properties

The provision represents the expected cost of purchasing properties off developers who have exercised their right (under the KiwiBuild Buying off the Plans initiative) for the Crown to purchase these properties.

Liquidity adequacy test	($000)
Central Estimate	85
Discounting	(2)
Central estimate claims (discounted)	83
Administration expenses (discounted)	4
Risk margin at 75% probability of sufficiency %	45.1%
Risk margin at 75% probability of sufficiency $	39
Premium liability based on the LAT	**126**

Sensitivity analysis	Liability based on the LAT ($000)	Change in liability ($000)
Provision	126	
House price standard deviation +1 %	273	147
House price standard deviation -1 %	45	(181)
House price mean increase +1 %	66	(60)
House price mean increase -1 %	224	98
Discount rates +0.5 %	124	(2)
Discount rates -0.5 %	128	2

15. Financial instruments

	Loans and receivables ($000)	Fair value through net surplus/ (deficit) ($000)	Amortised cost ($000)	Total ($000)
30 June 2021				
Financial assets				
Cash at bank	200,572	–	–	200,572
Receivables	16,274	–	–	16,274
Mortgage advances	–	439	–	439
Total financial assets	**216,846**	**439**	**–**	**217,285**
Financial liabilities				
Accounts payable and other liabilities	–	–	97,538	97,538
Advances from related parties	–	–	1,902	1,902
Total financial liabilities	**–**	**–**	**99,440**	**99,440**
30 June 2020				
Financial assets				
Cash at bank	114,577	–	–	114,577
Receivables	85,585	–	–	85,585
Mortgage advances	–	518	–	518
Advances from related parties	–	–	–	–
Total financial assets	**200,162**	**518**	**–**	**200,680**
Financial liabilities				
Accounts payable and other liabilities	–	–	16,732	16,732
Advances from related parties	–	–	1,386	1,386
Total financial liabilities	**–**	**–**	**18,118**	**18,118**

HOUSING AGENCY ACCOUNT

16. Right of First Refusal for sale of land

Treaty of Waitangi settlement legislation granted Right of Refusal (RFR) over some properties. RFR restricts the disposal of Crown properties and gives iwi/hapū (RFR holder) the right to purchase properties first, before they can be disposed of to anyone else.

New obligations owed to Māori include engaging with Māori, uphold the Treaty of Waitangi and its principles and understanding Māori perspectives. Furthermore, with the passing of the Urban Development Act 2020, the RFR obligation has been expanded so that RFR holders must now be given the opportunity to develop RFR land.

The following are examples of Acts that grant RFR over Crown lands set aside for a public housing purpose and administered by Kāinga Ora under the Housing Act:

- Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014 (Minister of Housing exemption is available for the sale of Crown land for housing. If housing is to be built on the land by a third party (and no exemptions apply), the Limited Partnership is to be offered the opportunity to submit a proposal to be the developer). The Ministry of Housing and Urban Development administers the RFR development opportunity offers in accordance with the Redevelopment Protocol
- Waikato Raupatu Claims Settlement Act 1995 (some exemptions available)
- Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009 (some exemptions available)
- Ngāi Tahu Claims Settlement Act 1998 (some exemptions available)

17. Commitments

Capital commitments

As at 30 June 2021 there is a commitment to pay $2.3 million in relation to the completion of the Hobsonville development site (2020: $0.62 million).

18. Contingencies

As at 30 June 2021 there are no identified commitments and contingencies.

19. Cash generated from operations

	2021 ($000)
Net deficit	(15,829)
Adjusted for	
Depreciation	97
Asset write-off	(4,324)
Loss of disposal of assets	17,828
Total non-cash and non-operating items	**13,601**
(Increase) Decrease in Receivables	29,421
Increase (Decrease) in Payables	(27,948)
Total working capital movements	**1,472**
Net cash from operating activities	**(756)**

20. Subsequent events after balance date

On 17 August 2021 New Zealand was placed under Covid-19 Alert Levels. While HAA continues to operate at these Covid-19 Alert Levels, HAA is unable to quantify what effect this will have on its business for the financial year ended 30 June 2021.

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF HOUSING AGENCY ACCOUNT'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The Auditor-General is the auditor of Housing Agency Account (the Account). The Auditor-General has appointed me, Grant Taylor, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Account on his behalf.

Opinion

We have audited:

- the financial statements of the Account on pages 211 to 232, that comprise the statement of financial position as at 30 June 2021, the statement of revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion:

- the financial statements of the Account on pages 211 to 232:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards with disclosure concessions.

Our audit was completed on 28 September 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board Members of Kāinga Ora – Homes and Communities and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

Responsibilities of the Board Members for the financial statements

The Board Members are responsible on behalf of the Account for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board Members are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board Members are responsible on behalf of the Account for assessing the Account's ability to continue as a going concern. The Board Members are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Account, or there is no realistic alternative but to do so.

The Board Member's responsibilities arise from the Housing Act 1955.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board Members and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Account's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Account to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board Members are responsible for the other information. The other information comprises the information included on page 210 but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Account in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Account.

Grant Taylor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

Location: Hobsonville Point, Auckland

Kāinga Ora
Homes and Communities

New Zealand Government