QUARTERLY REPORT

FOR THE THREE MONTHS ENDING 31 DECEMBER 2021

Kāinga Ora
Homes and Communities

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Introduction

This report is for the Minister of Housing, and provides an update for the quarter ended 31 December 2021. It reflects the Board's view on our key areas of performance and activity, showing our progress toward delivering the commitments set out in our *Statement of Performance Expectations 2021/22 (SPE)* and our public housing commitments, and summarises our achievements, challenges, risks and upcoming milestones.

A separate briefing to the Minister will detail the continuing effects of COVID-19 on our key delivery commitments.

1. Executive Summary

Like the rest of the building sector, the COVID-19 pandemic continues to affect our build partners and our own operations and work programmes. Despite this, we have continued to deliver homes and provide for our customers, but the effects of the pandemic mean that many of our SPE measures are unlikely to achieve their targets – notably in our build, development, maintenance and renewal activities.

A separate briefing to the Minister will detail the continuing effects of COVID-19 on our key delivery commitments, but our focus remains on meeting our multi-year housing commitments through to June 2024. We have a variety of improvement initiatives underway to accelerate delivery, including buying land; increasing the number of suppliers we work with; increasing the number of redevelopment sites, resource approvals, and building consent approvals, and increasing the pace of contracting for delivery of homes.

For the year to date, we have delivered 665 new public and supported homes, with a net increase of 380.

We helped more than 1,000 families off the Housing Register, with another 400 families moved within our portfolio to warmer and dryer homes. The Place Based groups have worked in their communities to support COVID-19 vaccination and testing, and our customer satisfaction continues to improve year on year.

We have approved business cases totalling 1,578 public and supported homes, higher than the last two financial years.

Our financial risk indicators are stable, due to our COVID-affected lower capital investment and subsequent lower borrowing. COVID-19 affects our short-term margin results: we are below plan for our margins and debt to margin ratios. Our long-term local currency credit ratings remain solid, and were recently reconfirmed by Standard and Poors as AAA. Our liquidity is strong (at 159 percent), and we expect it to remain so throughout the next six months.

We are managing external debt levels in accordance with the government approved borrowing protocol limit of $8.3 billion, although this will need adjustment before the end of the calendar year for us to continue accessing capital markets for the capital investment programme.

1.1. Managing Customers and communities and maintaining our homes

COVID-19 continues to affect the way we work, but our ongoing focus on the 188,000 customers in our homes has resulted in continuing improvement year on year in customer satisfaction with the homes and services we provide.

Customer satisfaction with repairs and maintenance, and with the Customer Support Centre are at all-time highs of 75 percent and 87 percent respectively for the year to date, while the measure of *my tenancy manager treats me with respect* rose by more than 4 percent to 89 percent.

The new measure of *interactions with us are culturally appropriate* is strong, with a result of 79 percent against the target of 75 percent. Meanwhile, despite media reports, customer perceptions of neighbourhood safety, home safety and home warmth all showed significant increases, each rising about 4 percent compared to the previous year.

In December we carried out 85 percent of our *Welcome Home* visits within six weeks of new customers moving in (for comparison, December 2020 result was 49 percent). This brings the year to date result up to 75 percent, although we remain short of the 85 percent target.

Total measures	Measures on track*	Improved measures**	Standout	Challenge	Mitigation
Sustaining tenancies and supporting communities					
10	7	3	New measure of *interactions are culturally appropriate* **79 percent** YTD (target 75 percent)	Calls answered in 2 minutes by CSC, **52 percent** (target 80 percent)	Our Customer Channels strategy will improve operational efficiency and customer experience and choices
Managing, maintaining, and renewing our home					
8	4	4	Repairs and maintenance satisfaction on target at **75 percent**, fourth year of year-on-year improvement	Healthy Homes compliant **33 percent percent**(full year target 60 percent)	Internal expectations for Healthy Homes were re-set after lockdowns, now at 94 percent against re-set targets. Our estimated 54 percent compliance by year-end is a change in timing only, we are still committed to Healthy Homes compliance.
Supporting first home ownership for New Zealanders					
10	10	6	Time to assess First Home Grant applications: **1.9 days** (target 5 days)	No significant challenges	

**On track means beating target or within 2 percent of year-to-date targets. Benchmarking and demand -driven measures without targets are considered on track.*

*** Improved measures may also be included in those that are on track*

COVID-19 makes it more difficult to carry out activities like tenancy inspections, preparing homes for new tenants, and site work, which affects measures like Healthy Homes and our home renewals programme.

To get back on track, we have engaged with contractors and suppliers of core materials and products, encouraging pre-ordering as far in advance as possible. Our Manukau team has trialled "person to person" video applications to carry out property visits for customers.

1.2. Housing supply

Total measures	Measures on track*	Improved measures**	Standout	Challenge
Public and Supported Housing Supply				
10	6	2	Building consents 99.7 percent within 20 days (target 98 percent)	Net increase in homes 380 (full year target 2,700), on track to meet multiyear commitments
Urban regeneration, development, and general housing supply				
6	6	2	Job through Shovel ready projects 446 (target 320 by 2024)	None

**On track means beating target or within 2 percent of year-to-date targets. Benchmarking and demand -driven measures without targets are considered on track.*

*** Improved measures may also be included in those that are on track*

We delivered 284 new homes in December, the highest of any December in at least ten years. For the year to date we have delivered 665 new public and supported homes, with a net increase of 380. We remain dedicated to achieving our multi-year Public Housing Plan commitments: we have to date delivered a net 4,540 homes (+226 since last quarter), and forecast a total of 11,804 homes (24 more than the commitment target).

We have more than 13,000 Public and Supported homes in our pipeline, with 2,600 already in construction. We have invested more than $1.7b across all the homes projects that are currently in construction, and in order to continue growth in our pipeline, we have increased the number of briefs, business case approvals, and resource and building consent approvals to match our future housing supply growth.

Several initiatives are in place to support our pipeline and commitment targets. Project Velocity has created new opportunities to speed up our end-to-end build process and reduce lead-time and costs, with a pilot in Christchurch and a wider trial to come in January. We have an off-site manufacturing (modular and panelised) plan to accelerate the delivery of homes and leveraging offshore labour to complement internal capacity. Currently, there are four projects that Kāinga Ora have combined our technology to off-sit manufacturing to enable the delivery of homes manufactured to a factory level quantity.

Our work in Capacity Partnership Agreements, Construction Accords (procurement alignment), Civils' Alliances and the expansion of Consentium will improve transparency and effectiveness in our long-term construction partnerships and provide faster and cost-efficient consent approval.

The majority of projects outside of Auckland, due to the operating supplements, will achieve the target rate of return of 2.89 percent. However, we are currently unable to access the operating supplement over 100 percent in low value markets, and these restrictions are limiting our ability in some projects under the Public Housing Plan commitments.

Full Universal Design challenges.

We have re-programmed our final quarters due to COVID-19, resulting in 303 homes eligible for full universal design. We are aiming to deliver 46-56 full universal design homes in April, May and June, achieving our 15 percent SPE target.

Although we are likely to achieve the target, the actual number of homes we will deliver is lower than anticipated, because of COVID related delays:

- We committed to 15 percent full universal design target for homes briefed from 1 October 2019, as we knew it would take several years for them to move through the pipeline and be delivered in 2021/22
- Due to COVID-19 delays, the number of homes which were briefed after October 2019 and that will be delivered this year is a relatively small share of our total deliveries for 2021/22
- We expect that eligible homes that become full universal design homes will be delivered from April this year, and will exceed the 15 percent threshold.

A paper was presented to Portfolio Governance Board, which will feed into a Briefing Note to the Minister.

1.3. Organisational performance

We completed our *Job Families* project - a review of roles and job sizing - and over the year we will build on this, reviewing our remuneration framework and principles to enhance recruitment, retention, and career progression.

With COVID-19 still affecting the way we work, in this quarter we also focused on our people's wellbeing, and promoted it through:

- Our Professional Supervision programme, which promotes professional competence and accountable and safe practices for our customer contact roles
- Working to implement the Government's Health and Safety at Work Strategy 2018-2022, to prevent work-related harm
- Working with Construction Health and Safety New Zealand (CHASNZ) on their response to safe work practices during COVID-19
- We are encouraging vaccination against COVID-19, and continue to allow access to vaccinations in work time, while promoting the benefits of vaccination through education and access to medical advice. We have also engaged in consultation with our people regarding our COVID-19 Risk Assessment and vaccination policy.

1.4. The External Environment

COVID-19 related international supply chain disruptions, labour shortages and cost pressures still impact the building sector. Kāinga Ora – like any other public or private organisation – is managing these external challenges.

COVID-19 slowed the number of house sales in New Zealand during the quarter – by more than 20 percent compared to 2020.

House prices continued to rise, hitting a median asking price of $905,000 (and an average of $1.05 million) by the end of 2021.

Prices for construction and home rentals also increased: the construction costs for new dwellings were 16 percent higher in the December 2021 quarter compared with the December 2020 quarter.

We continue to deal with the opportunities and risks these external factors present. There are several activities on the government policy and legislative environment that we are engaged that will likely to influence on our operations and deliveries, such as:

- Government Policy Statement – Housing and Urban Development
- Reform of the Resource Management Act
- Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021
- Residential Tenancies Act Change
- The Maori Housing Strategy
- Carbon Neutral Government Programme
- Building Code Review and Building supplies.

Further details on our Government Policy and Legislative Environment activities provided in Appendix 3.

House prices: ↑

The national median house price was $905,000 in December 2021. In the past year the median price has increased 21.5 percent from $745,000.

Rents: ↑

The national mean rent was $508 per week in November 2021, up 2.8 percent in the past three months and up 7.9 percent in the past year.

Affordability: ↓

Mortgage servicing is now taking up more of households' incomes, as interest rates increase.

Inflation: ↑

At the highest levels since 1990. Inflation is 5.9 percent for the year to December 2021.

Unemployment: ↓

3.2 percent for quarter ending December 2021, the lowest since records began in 1986.

2. Our Performance

The SPE set out our plans for the year ahead and how the organisation will measure success through financial and non-financial measures. It enables responsible Ministers to participate in setting annual performance expectations for Kāinga Ora, informs Parliament of those expectations, and provides a base against which our actual performance can be assessed. This section provides the results of each of our 46 measures in our SPE.

2.1. Sustaining tenancies and supporting communities

This includes all tenancy-based activities, including working with the Ministry of Social Development (MSD) to place eligible applicants from the public housing register into Kāinga Ora homes, assisting them to settle in; building relationships between our customers and their communities and partnering with community providers.

Sustaining tenancies and supporting communities results

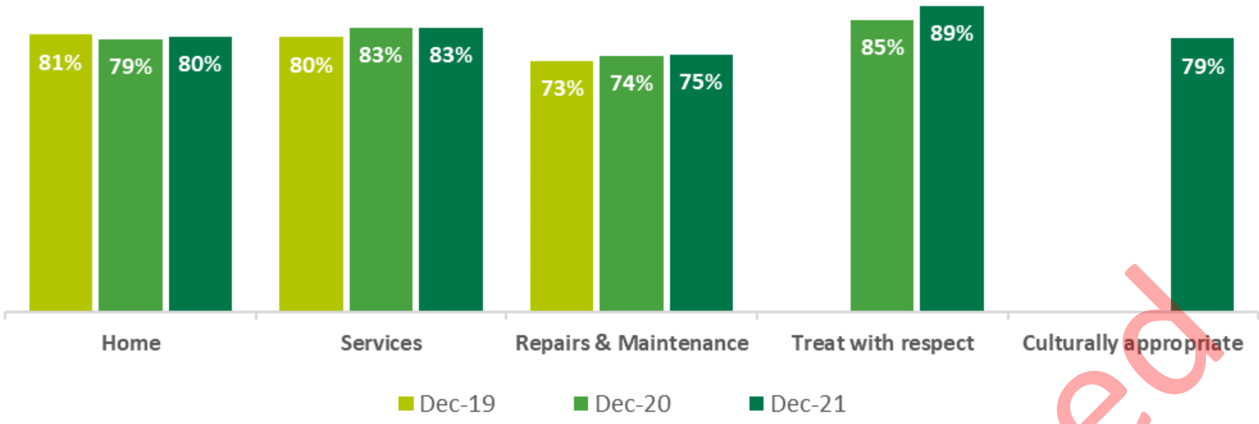
	Sustaining tenancies & communities	Original full year target	Previous quarter YTD	Current quarter YTD	Movement
1.1	Public housing customers that receive a welcome home visit within the first six weeks	85%	67%	**75%**	↑
1.2	Public housing customers satisfied with Kāinga Ora Customer Support Centre*	85%	91%	87%	↓
1.3	Calls answered in 2 minutes by Customer Support Centre	80%	64%	**52%**	↓
1.4	Customers who feel tenancy manager treats with respect*	85%	89%	89%	↔
1.5	Public homes that are let (occupied days)	97.8%	97.6%	**97.6%**	↔
1.6	New customers sustain tenancies for 12+ months	92%	94.3%	**94.9%**	↑
1.7	Customers in rent arrears with a working repayment arrangement	75%	54%	**52%**	↓
1.8	Customers who feel tenancy manager takes account of circumstances*	75%	79%	73%	↓
1.9	Tenants satisfied that interactions with us are culturally appropriate*	75%	82%	79%	↓
1.10	...and who identify as Maori*	75%	88%	82%	↓
	...and who identify as Pacific peoples*	75%	69%	71%	↑

Sustaining tenancies and supporting communities output costing

Revenue and Output Expenses	Actual YTD 2021/22 $m	Budget YTD 2021/22 $m	Comment
Revenue Crown	569.2	531.9	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	253.0	294.8	
Expenses	497.5	485.3	
Net surplus/(deficit)	324.7	341.4	

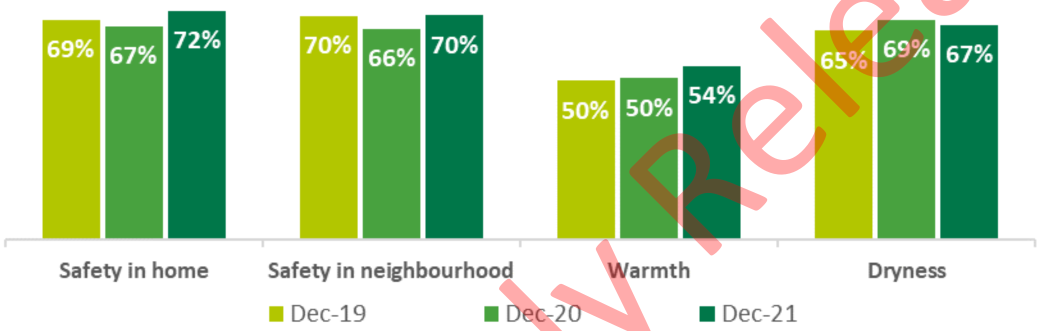
Customer satisfaction results continue to show year-on-year increases:

- Our new SPE measure *Interactions with us are culturally appropriate* is strong at 79 percent (target 75 percent)
- *Tenancy manager treats you with respect* rose by more than 4 percent, with the other



SPE measures remaining steady or showing minor increases.

- Perceptions of safety and home warmth showed significant increases.



Our measure of *Calls answered in two minutes by the Customer Support Centre* faces a challenge, with a year-to-date result of 52 percent against a target of 80 percent. COVID-19 restrictions have continually affected recruitment, and added challenges to the contact centre working environment. The complexity of enquiries has increased with our changing approach to sustaining tenancies (further compounded by COVID-19).

Despite the increasing complexity of enquiries, customer satisfaction with the CSC has increased. Work is underway to identify trends and reasons for increase in both satisfaction and the challenging calls, so that we can ensure adequate support for our people and customers. A Customer Channels strategy is in development, which will improve operational efficiency and customer experience in existing channels, and give customers further choice in how they interact with us.

We check in with our customers' wellness when booking visits. Our Housing Support Mangers restructured their approach, and now hold conversations outside customer's homes to identify areas of concern or maintenance requirements. This means our Housing Support Managers can reduce the time spent inside homes to 15 minutes or less, while still ensuring all repairs are identified and actioned.

We typically see an increase in rent arrears in the lead up to the Christmas and New Year period, and immediately after. This results in an increase in both the number of customers with rent arrears, and those already in arrears. Over the past few years, normal seasonal patterns of rental arrears have been exacerbated by the financial strain many of our customers are experiencing due to the economic and social impacts of COVID-19, including loss of employment, and being unable to work due to illness or isolation requirements for them and their whānau. Rental arrears has materially increased through the course of the pandemic. As the country emerges from the pandemic, Kāinga Ora will be placing a concentrated focus on addressing its impact on our customers, particularly in respect of rental arrears and the consequences this can have on the financial wellbeing of our customers and the sustainability of their tenancies. We expect to see the impact of this focus showing in the last quarter of the year, with an increase in the proportion of tenants in sustainable rental and debt repayment arrangements.

We took part in pop-up vaccination drives in Manurewa and Otara, and worked in partnerships (with the Northern Regional Health Co-ordination Centre, and in Wellington with Ngāti Kahungunu Whānau Services) to support and promote mobile vaccination services.

In New Plymouth we helped organise a vaccination bus to visit high state housing areas, along with a Mr Whippy ice cream truck and a visit from the Prime Minister.

Widening our sights beyond our own customers, we are looking at accommodation for Supported Isolation Quarantine (SIQ). We have already signed leases in Dunedin, which will be used as an SIQ facility before it is redeveloped for public housing.

We finalised our Customer Programme consultation, which is drawing on extensive research to introduce a new service delivery model, additional resources, and a new way of working with customers who live in our homes

This year we will continue to embed a wellbeing approach for our people and our customers, gaining deeper understanding of their needs, and adjusting our responses accordingly.

2.2. Managing, maintaining, and renewing our homes

This deals with activities around maintenance and renewal of our homes, including planned maintenance; delivering planned upgrades, retrofits, and complex remediation; and working with tenants to ensure minimal disruption to their lives.

Managing, maintaining, and renewing our homes results

	Managing & maintaining homes	Original full year target	Previous quarter YTD	Current quarter YTD	Movement
2.1	Average days from a public home becoming vacant to being 'ready to let'	≤18	23.2	**28.3**	↑
2.2	Public housing customers satisfied with repairs and maintenance*	75%	78%	75%	↓
2.3	Average time to respond to urgent health and safety queries	≤ 4 hours	2.9	**2.7**	↓
2.4	Public housing customer maintenance requests completed within agreed service level	80%	77%	**77%**	⇔
2.5	Public and supported homes that receive major planned interventions	13%	2%	6%	↑
2.6	Housing portfolio compliant with Healthy Homes Guarantee Act	60%	25%	**33%**	↑
2.7	Public houses completed in home renewal programmes	1,125	73	**139**	↑
2.8	Public lettable properties meeting the asset condition scale baseline standard	93.5%	93.0%	**93.4%**	↑

Managing, maintaining, and renewing our homes output costing

Revenue and Output Expenses	Actual YTD 2021/22 $m	Budget YTD 2021/22 $m	Comment
Revenue Crown	0.0	0.0	The expenses in this output class are in relation to maintenance of the public housing portfolio. It includes all administration and maintenance expense for public and Community Group Housing and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	0.0	0.0	
Expenses	271.0	299.8	
Net surplus/(deficit)	(271.0)	(299.8)	

Repairs and maintenance activities have improved from lockdown levels, with customer satisfaction, maintenance service levels, and our baseline asset condition all on track to meet end of year targets.

We are adapting to the challenges of lockdown: with difficulty in accessing homes, our Manukau team trialled "person to person" video applications to carry out property visits for selected customers in the area. The next phase starting at the end of February will gauge the interest and ability of further customers to use this service.

Healthy Home programme likely to achieve 54 percent compliance against 60 percent target by the end of 2021/22.

The Healthy Homes Programme has achieved significant growth, moving from 180 homes completed per week in June 2021, to 450 homes per week in December 2021. We have 21,421 homes confirmed as meeting the Healthy Homes Standards, with a 27,565 target for the next quarter.

COVID-19 has however slowed delivery, and we expect to fall short of the original pre-COVID target by over 4,200 homes. Targets and expectations have been re-set following the COVID-19 Delta lockdowns, and the programme is now achieving 94 percent against these re-phased targets. We will likely achieve compliance across 54 percent of the portfolio by 30

June 2022, 6 percent below the SPE target of 60 percent.

Retrofit programme continues to be challenging

Our Retrofit programme continues to lag, and is dealing with the same issues as our other build programmes. The nature of retrofits means that there are additional issues of customer apprehension around face-to-face contact, and lockdowns or restrictions reducing our ability to rehouse customers.

During this quarter we completed 67 Retrofit homes, and for the financial year we have completed 139 homes in the home renewals programme (97 Retrofit homes and 42 Complex Remediated homes).

For the full year, we expect to deliver 509 homes, for a total of 1,015 homes (of the targeted 1,500).

Retrofit programme mitigations

In response to the issues, we have:

- recruited more staff
- we are simplifying the build partner agreement to attract more tender submissions
- we are investigating more flexible options for finding temporary accommodation for our customers.

2.3. New Public and Supported Housing Supply

We redevelop our current homes, build new homes and purchase properties and land for building homes, and work with the market in a range of different ways to achieve this. The activities include: building new homes, purchasing existing homes, leasing privately-owned homes; purchasing and leasing land for building homes that meet the current and forecast demand for public and supported housing; and delivering public and supported housing developments on greenfield and brownfield sites.

Home Delivery

(units)	Year to Date Actual	Full Year Forecast_Jan	Full Year Budget	Full Year 2020/21
Public Housing				
Redevelopments	293	1,040	2,235	1,586
New Builds	113	200	400	280
New Public Homes	406	1,240	2,635	1,866
Supported Housing				
Redevelopments	152	325	705	247
New Builds	107	300	400	319
New Supported Homes	259	625	1,105	566
SPE 3.1 Newly built Public and Supported Homes	665	1,865	3,740	2,432
Public & Supported				
Public Buy Ins	61	150	275	277
Supported Buy Ins	52	61	30	73
New Leases	4	41	14	11
Total Other additions	117	252	319	361
Demolitions	(332)	(725)	(1,050)	(750)
Sales	(17)	(55)	(70)	(38)
Leases Expired or Terminated	(49)	(174)	(174)	(90)
Total Disposals	(398)	(954)	(1,294)	(878)
Adjustments[1]	(4)	(5)	0	0
SPE 3.2 Net increase in Public and Supported Homes	380	1,158	2,765	1,915

New Housing Supply results

	New housing supply	Original full year target	Previous quarter YTD	Current quarter YTD	Movement
3.1	Newly constructed homes	*3,400*	*264*	**665**	↑
	...that are public homes	*2,400*	*177*	**406**	↑
	...that are supported homes	*1,000*	*87*	**259**	↑
3.2	Net increase in homes	*2,700*	*153*	**380**	↑
	...that are public homes	*1,600*	*20*	**60**	↑
	...that are supported homes	*1,100*	*133*	**303**	↑
3.3	New public homes (redevelopments) built to 6 Homestar standard	*90%*	*100%*	**100%**	↔
3.4	Newly constructed homes meet full Universal Design standards	*15%*	*0%*	**0%**	↔
3.5	Demolition waste diverted from landfill		*91%*	**89%**	↓
	...in Auckland	*80%*	*91%*	**89%**	↓
	...in the rest of New Zealand	*Benchmark*	*n/a*	*n/a*	
3.6	New trainees in our construction apprenticeship and cadetship programme	*100*	*13*	**46**	↑
3.7	... percentage who identify as Maori or Pacific peoples	*Benchmark*	*85%*	**48%**	↓
3.8	Formal construction partners satisfied with partnership with Kāinga Ora	*Benchmark*	*60%*	*64%*	↑
3.9	Iwi partners satisfied with partnership with Kāinga Ora	*Benchmark*	*n/a*	*40%*	
3.10	Building consents granted by Consentium within 20 working days	*98%*	*99.7%*	**99.7%**	↔

New Housing Supply output costing

Revenue and Output Expenses	Actual YTD 2021/22 $m	Budget YTD 2021/22 $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. Note that this spend mainly contributes to maintaining the future pipeline, and will not reflect solely homes that have been delivered.
Revenue Other	0.0	0.0	
Expenses	98.5	99.0	
Net surplus/(deficit)	(98.5)	(99.0)	

This year we delivered 284 new homes in the month of December, the highest of any December in recent history, despite the ongoing effects of COVID-19. We have delivered 665 new public and supported homes for the year to date, a net increase of 380.

Although we will not meet our SPE targets for new homes this year, we remain dedicated to achieving our multi-year Public Housing Plan commitments, and we continue to work with the market in a range of different ways to achieve this.

We have a plan in place, which includes buying land; increasing the number of suppliers we work with; increasing the number of redevelopment sites and resource and building consent approvals. In our six-year Public Housing Plan commitment beginning in July 2018, we have to date delivered a net increase of 4,540 homes (+226 since last quarter), and we forecast a total of 11,804 homes (24 more than the commitment target) by the end of 2023/24.

Through the *Building Momentum* programme, we are establishing a number of preferred supplier relationships for construction consultancy services. This provides benefits to both ourselves and our suppliers by giving those preferred suppliers visibility of our pipeline; building greater understanding; and improving the social and environmental effects of our work. By making use of the size and certainty of our order book, we show how a partnering approach can help our partners develop. For instance, we have a partnership style contract with Placemakers (part of Fletcher Building), and a significant amount of our products go through the Fletcher Building distribution model. We have spent $14.5 million with PlaceMakers this financial year.

Across all the homes that are currently in construction, we have invested more than $1.7 billion on work-in-progress activity for these projects which are yet to deliver their outcomes. In order to continue growth in our pipeline, we have been increasing the number of briefs, business case approvals, and resource & building consent approvals to match our future housing supply growth.

For the future, we have more than 13,000 Public and Supported homes in our pipeline, with 2,600 already in construction; 900 that are cntracted; 2,400 in Procurement; and 7,200 in planning or feasibility stages.

Increasing the use of Offsite Manufacturing

We are increasing the use of offsite manufacturing (OSM) to support growth in the capacity and scale of the wider urban development and construction sectors.

While we intend to deliver the 1,000 homes (initially targeted for this financial year), we estimate completion will now be towards the end of 2022/23, with offsite manufacturing experiencing the same three to six months delay as our other build programmes. During this quarter a supply agreement with our first offshore OSM supplier (Ecotech) was signed, while supply and install agreements with three local OSM suppliers were also executed.

We are sourcing OSM homes from both onshore and offshore suppliers, with all homes meeting our quality standards. We are also working closely with a number of onshore suppliers to build capacity in the market at a managed pace, in order to give them the greatest chances of success. Kāinga Ora has an agreement with Iconiq Group to build four OSM homes each year at their Gisborne relocatable housing facility. Canal Road is the second of a four-project (add Busby street, Taramea street and Woodward road) Kāinga Ora developed which combine off-site manufacturing technologies to enable the delivery of homes manufactured to a factory level quantity and quality. All of these homes have been factored into the delivery of our 2023/24 commitments.

In this quarter 128 Transitional housing places were made available to MSD for referral

Transitional Housing provides short-term accommodation for people and families in urgent need of accommodation. Our targeted contribution towards the Budget 2020 commitment is 1,400 to 1,600 places (i.e. 70 to 80 percent of 2,000 places).

During this quarter, we physically completed 176 homes, and 128 places were made available to MSD for referral (which is the point at which the Ministry of Housing and Urban Development (HUD) counts them).

771 units have been completed to date, with 613 of those so far made available to MSD. This bring the number of places made available to date to 603. For the remainder of this financial year there are 292 places (within 299 units) under contract, and another 29 places (within 29 units) under investigation or negotiation.

We continue to work with the Department of Corrections to provide 150 transitional housing beds for people who would otherwise go to, or remain in, prison because they have no suitable accommodation. This quarter, 18 beds (within 6 units) were delivered. We have a further 71 beds (within 38 units) currently under investigation or negotiation, with all beds to be provided by March 2024.

We will deliver an estimated 1,100 places when the current commitment is met in approximately September 2022 – about 300 fewer homes than we had committed to deliver.

HUD requested that these remaining homes be delivered as part of an additional 300 to 500 places (which have been requested by June 2024). We have been asked to prioritise half of these homes in Hamilton; the Bay of Plenty; Wellington; Northland; Nelson; or the East Coast. This means we need to source more homes in these priority regions and seek to transfer (where possible) homes that we had in our transitional housing pipeline for locations outside the priority areas into our public housing portfolio. There is a risk that some of this housing may not meet public housing requirements, and we are working through how to manage this.

We continue to see the benefits of our place-based structure

The re-development of 139 Greys Ave (which will see the creation of a 276-unit complex in central Auckland with a mix public housing and market rentals) has progressed well. The Minister for Social Development and Employment agreed to amend to the Social Security Act 2018 to extend the Accommodation Supplement to private tenants residing at Greys Avenue, via Regulation. We are working with HUD on a Cabinet paper to enable a decision ahead of the legislation. Additional hours are being worked to mitigate lost time due to COVID-19 lockdowns and inclement weather, but the original contract completion date has still moved out by two months. Like other developments, there are some risks around supply chain and labour supply, but we are working to mitigate these.

We continue work at Bader Ventura, the first Passive House pilot development for Kāinga Ora, and the first in our carbon neutral housing aspirations. This development is set to become Australasia's first Passive House funded by central government, delivering 18 three-storey homes with a reduced carbon footprint, heated and cooled for as little as $1 per day. For our customers this means around an 85 percent reduction in heating costs. The project is a pilot development and still in progress, so practical comparisons with traditional homes regarding construction and ongoing costs will be carried out only after completion.

In order for Kāinga Ora to meet its responsibilities under the Climate Change Response Amendment (Zero Carbon) Act and its own Carbon Neutral Housing aspirations, the life cycle carbon pollution of our new buildings must decrease by around five times. Bader Ventura is a big step towards meeting MBIE's Building for Climate Change 2035 proposed final thermal performance cap.

Regional Engagement

Nelson

We have signed an agreement with the Nelson Marlborough Institute of Technology to take the homes that are produced by students in the building and construction programme.

Kaikohe

We engaged Māori-owned construction firm Yakas Construction to build six new state homes in Kaikohe

Ngāti Toa

Ngāti Toa were successful in their application for three packages of the Infrastructure Accelerated Fund (IAF)

We engaged Māori-owned construction firm Yakas Construction to build six new state homes in Kaikohe. Yakas, who are Amotai registered, will be constructing the six homes across two separate sites. A number of Māori and Pasifika apprentices will gain experience on these sites. Delivery is due in stages from July 2022.

We met with Sheeran and Associates Ltd, a Māori Building Organisation that specialises in Papakāinga houses, to discuss opportunities for it to become a Kāinga Ora build partner.

Ngāti Toa were successful in their application for three packages of the Infrastructure Accelerated Fund (IAF). We are working with Ngāti Toa, partners and other stakeholders to move to the next phase.

Significant engagement with Papatipu Rūnanga in Otago and Southland with senior leaders of Te Rūnanga o Ōtākou, with a vision to develop a "village" of Papakāinga housing in Dunedin, centred on facilities such as health services.

2.4. Urban regeneration, development, and general housing supply

This Output Class includes urban development activities initiated, facilitated, or undertaken by Kāinga Ora either on its own, in partnership, or on behalf of others. Activities include developing land to enable or facilitate public, affordable and market housing; developing and renewing urban environments; developing related commercial, industrial, community or other amenities, infrastructure, services or works; and leading, partnering or facilitating specified development projects (SDPs) as set out in the Urban Development Act 2020.

Urban regeneration, development, and general housing supply results

	Urban development	Original full year target	Previous result YTD	December YTD	Movement
4.1	New homes enabled	*1,600*	451	**541**	↑
4.2	Affordable homes enabled	*40%*	48%	**48%**	⇔
4.3	Enabled homes under construction within agreed timeframes	*95%*	100%	**100%**	⇔
4.4	New public, shared equity, and built-to-rent pilot homes on behalf of TRC	*95*	36	**57**	↑
4.5	New market, affordable and TRC public homes enabled to 6 Homestar standard	*90%*	100%	**100%**	⇔
4.6	Jobs through Shovel Ready Projects (YTD average) *Target three year total ≥320 by June 2024*	*Tracking*	93	**89**	↓

Urban regeneration, development, and general housing supply output costing

Revenue and Output Expenses	Actual YTD 2021/22 $m	Budget YTD 2021/22 $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class relate to activities associated with urban development activities and increasing general and affordable housing supply.
Revenue Other	130.4	142.9	
Expenses	153.3	149.2	
Net surplus/(deficit)	(22.9)	(6.3)	

COVID-19 affected our urban regeneration and development programmes, particularly our large-scale projects. While all of our development sites are back up and running, industry-wide supply and resource constraints will have further impacts. We have a number of significant initiatives already underway to mitigate the effects and accelerate the supply of affordable homes in regions with high demand.

The *Infrastructure Acceleration Fund* is designed to allocate funding to new or upgraded infrastructure (such as transport, water, and flood management) that unlocks housing development in the short- to medium- term. 77 successful applicants submitted Request for Proposal Responses in December, and these are being evaluated to move to the negotiation stage. Most negotiations will occur later this financial year and the first half of 2022/23.

Large Scale Projects (LSP) - draft business cases approved by our Board

We have six current LSPs: five in Auckland (Northcote, Oranga, Tāmaki, Roskill and Mangere), and one in Porirua. These projects are in areas with large numbers of public houses that are reaching the end of their useful life, no longer match the needs of our customers, and sit on poorly used, yet strategically located land. Our Board approved the draft business cases for the continuation of funding support for the Auckland large scale programmes in December, with a copy of these provided to the Minister over Christmas. We are working with HUD and Treasury feedback on these, with the finalised programme business cases to be provided to the Minister in February 2022, prior to taking them to Cabinet in March.

Broader reporting requirements to track LSP outcomes outlined in the business cases are being developed with HUD.

Kāinga Ora Land Programme (KOLP) established

The Land Programme team have established the programme and the reporting framework necessary to meet the expectations that have been set out.

The Ferncliffe Farm property was acquired in November 2021, the first acquisition made under the KOLP. A business case with strong rationale, detailed project development planning, and a recommended model for project delivery is being work on by the team. It is the first business case under the Investment Management Framework consulted on with HUD, Treasury and Ministers for the KOLP, and we expect a significant amount of time will need to be spent with key stakeholders to ensure there is agreement on the process, format, content and level of analysis.

The team is working with Kiwirail to reach a conditional contract for purchase of a site earmarked as the location for the Drury South train station. The site presents the opportunity to work with Kiwirail on the planning and enablement of a Transit Oriented Development to support the station, as well as the wider Drury South precinct.

KiwiBuild partnering activity declines

Partnering with private sector developers through the Buying Off the Plans programme has substantially declined, reflecting the reduced number of KiwiBuild homes available for sale. Interest from private sector development partners has reduced because of reluctance to deliver KiwiBuild homes at the current price caps. Developers dropped 112 homes from existing agreements because they could not supply the homes under the existing price caps.

In this quarter we sold 25 KiwiBuild homes, significantly lower than the 57 in the September quarter and the 234 in the June quarter. This brings the total number of KiwiBuild homes sold to eligible purchasers to 1,902.

We completed construction of 54 KiwiBuild homes in partnership with developers, a decrease from 101 in the Sept quarter and 175 in the June quarter. This brings the total number of completed homes to 1,260.

As well as internal collaboration with our Large Scale Projects and Market Delivery teams, we are also working with HUD in their review of the KiwiBuild programme settings, which attempts to address the current challenges with the KiwiBuild price caps.

2.5. Supporting first home ownership for New Zealanders

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, including KiwiBuild eligibility criteria; First Home Loan and Kāinga Whenua loans; First Home Grant; Kāinga Ora Tenant Home Ownership Scheme; Progressive Home Ownership (Crown appropriated).

Supporting first home ownership for New Zealanders results

	First home ownership	Original full year target	Previous quarter YTD	Current quarter YTD	Movement
5.1	New First Home Grants assessed for eligibility	*Demand driven*	6,832	**11,925**	↑
5.2	Average days to assess completed First Home Grant applications	*≤ 5.0*	1.9	**1.9**	↔
5.3	New KiwiBuild applications assessed for eligibility	*Demand driven*	340	**623**	↑
5.4	Average days to assess completed KiwiBuild applications	*≤ 5.0*	1.3	**1.5**	↑
5.5	New Progressive Home Ownership applications assessed for eligibility	*Demand driven*	No data	**645**	
5.6	Average days to assess completed Progressive Home Ownership applications	*≤ 5.0*	No data	**4.5**	
5.7	Applicants gaining full pre-approval for the Progress Home Ownership scheme who:				
	...identify as Maori	*Benchmark*	No data	**15%**	
	...identify as Pacific peoples	*Benchmark*	No data	**6%**	
	...are families with children	*Benchmark*	No data	**42%**	
5.8	First Home Loan mortgages underwritten	*Demand driven*	240	**428**	↑
5.9	Homes purchased with our home ownership products	*Demand driven*	1,868	**3,472**	↑
5.10	...where the purchasers identify as Maori	*Benchmark*	9%	**9%**	↔
	...where the purchasers identify as Pacific peoples	*Benchmark*	5%	**4%**	↓

Supporting first home ownership for New Zealanders output costing

Revenue and Output Expenses	Actual YTD 2021/22 $m	Budget YTD 2021/22 $m	Comment
Revenue Crown	39.4	70.0	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	7.3	3.1	
Expenses	36.0	59.3	
Net surplus/(deficit)	10.8	13.8	

This output class is largely demand driven, however, in many parts of the country price caps have begun to limit the number of houses that can be purchased using a Kāinga Ora financial product. Record house prices, Credit Contract and Consumer Finance Act changes, new lending restrictions and people experiencing increased financial strain due to COVID-19 further compound this situation.

First Home Partner launches

First Home Partner is a shared ownership scheme to help first home buyers whose deposit and home loan are not enough to buy a home that meets their needs. First Home Partner successfully launched on the 5 October 2021. As of 17 January 2022 there have been 306 eligible applications, with the first settlement expected in January. The next phase, which enables shared home owners to purchase the Kāinga Ora share of the home, is underway, and we expect completion in February or March.

2.6. Transactions relating to Crown-owned land

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

This Output Class is limited to property management and development services delivered on behalf of the Crown in relation to land and buildings that have been transferred to direct Crown control and are accounted for in the Crown's Housing Agency Account.

Transactions relating to Crown-owned land and Housing Agency account results

	Housing Agency Account	Original full year target	Previous quarter YTD	Current quarter YTD	Movement
6.1	Residents satisfied with overall living experience at Hobsonville Point	*75%*		*Annual*	
6.2	Completed underwritten KiwiBuild homes acquired by Crown as part of the Buying Off the Plans Programme	*≤ 25%*	21%	**20%**	⬇

Transactions relating to Crown-owned land and Housing Agency account output costing

Revenue and Output Expenses	Actual YTD 2021/22 $m	Budget YTD 2021/22 $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	0.5	0.5	
Expenses	0.5	0.5	
Net surplus/(deficit)	0.0	0.0	

This year to date, no completed underwritten KiwiBuild homes have had to be acquired by the Crown. The percentage that have been acquired for lifetime of the programme to date continues to decrease, and is now at 20 percent against a target of 25 percent or less.

Our biannual survey on residents' opinion of the living experience at Hobsonville Point will be carried out at the end of this financial year.

3. Our organisational performance

To be successful in our new role and deliver the important outcomes we seek to achieve, we need to be an organisation that has the right capability and is functioning well. This section outlines our approach and progress towards success.

Our strategic plans centre on our customers, and we have continued progress with these. For example:

- The *Information and Intelligence Strategic Work Plan*, approved by our Board in October. When implemented, the multi-year strategy will deliver intelligence-based initiatives, which will initially focus on the well-being of our customers, then scale up to increase focus on sector and customer outcomes.
- The *2022-2025 Digital Strategy*, endorsed by our Board in November, which will implement new ways of delivering our services and providing a better experience for our customers. Our strategy aligns with the wider government approach to embed digital into our agencies and for our customers.

Our people

An increased focus on wellbeing has been important this quarter due to the recent COVID-19 outbreaks. We have focused on promoting this through internal programmes such as:

- Our Professional Supervision programme – Wā Manaaki, which promotes professional competence and accountable and safe practices for our customer contact roles.
- Work to implement the Government's Health and Safety at Work Strategy 2018-2022 to prevent work-related harm
- Work with Construction Health and Safety New Zealand (CHASNZ) on their response to safe work practices during COVID-19
- Following the Government's direction and messaging to encourage vaccination against COVID-19, and continue to allow access to vaccinations in work time. We are promoting the benefits of vaccination through education and access to medical advice, and have engaged in consultation with our people regarding our COVID-19 Risk Assessment and vaccination policy
- Development of an interim Protection Framework to guide our employees, contractors and partners on how we need to operate under this new system. This framework is an interim measure until we are able to consult with our people and partners on a proposed COVID-19 policy
- We have launched an application, COVID19 Register, which will assist Kāinga Ora when responding to notification of COVID-19 cases, or isolation because of possible COVID-19 exposure, at Kāinga Ora properties
- We have launched a Vaccination Record application, as an interim measure, to allow us to collect and verify vaccination records, for staff requiring full vaccination (in undertaking roles covered by the Public Health Order) or third parties. This is a voluntary process, and employees have the option to choose not to disclose their status.

Kāinga Ora reached 2,526 full time equivalent employees, WITH 225 coming on board in the second quarter. We still have 476 roles to recruit for this year, to provide the capacity and capabilities needed by our business groups to deliver on our commitments.

During the quarter we completed our Job Families project which included a review of relativities and sizing of job roles. This year we will review our remuneration framework and principles to enhance recruitment, retention, and career progression.

We have drafted our first set of organisational capabilities and provided associated learning and development resources so that our people can build their skills to match. We began delivering our leadership development programme, Waka Tangata, in October 2021. We expect the majority of our leaders will complete this programme by the end of 2022.

Forty-seven participants have taken part in the six-week introduction to Maori language course, with 82 percent strongly agreeing that they would be recommending the course to their colleagues.

4. Our investment decisions and financing performance

Market Commentary

Inflationary pressures are a concern domestically and around the world. In December, our annual inflation was 5.9 percent, the highest since 1990. In the US annual inflation rose to 7.0 percent in December 2021, its highest rate since the 80s, and the US Federal Reserve is expected to raise its policy rate rapidly in 2022. New Zealand has not been immune to the inflationary pressures, with consumer prices up 5.9 percent annually in the December quarter. The New Zealand dollar has also declined, with the NZD/USD cross rate falling to 0.6550 at the end of January, which will contribute to further price increases for imported goods in the future.

In response to the growing inflation and tight labour market, the Reserve Bank of New Zealand continued to tighten monetary policy settings, raising the Official Cash Rate (OCR) by 0.25 percentage points to 0.75 percent in early November. Ongoing OCR increases are expected throughout 2022, with some banks now expecting the OCR to reach 3 percent by 2023.

The higher bond yields globally have also impacted the yields for Kāinga Ora bonds on issue. Higher yields will mean future bond issuance will be at a higher cost. This is expected, and comes after a prolonged period of low interest rates, where we could lock relatively low rates resulting in future low average debt costs.

Our six-year commitments and our investment pipeline

We have multiple housing commitments due in June 2024, with total delivery expectation of a net additional supply of 11,804 homes. To date, we have delivered a net of 4,540 homes (+226 since last quarter) against our intentions. We are dedicated to meeting these multi-year public housing commitments, a Briefing Note to Minister details how we intend to achieve these commitments.

Six-Year housing plans (net volume)	Commitment FY19 - FY24	Delivered FY19-FY21	Delivered YTD - FY22	Total Delivered	Remaining deliveries
Public Housing Plan 1: July 2018 to June 2022	4,480	2,890	48	2,938	1,561
Public Housing transfer: Tenanted	142	142	0	142	0
Public Housing: Refugee Housing	364	215	12	227	137
Public Housing Plan 2: July 2022 to June 2024	4,800	0	0	0	4,800
Transitional Housing: PERM 530-650	404	404	0	404	0
Transitional Housing: Budget 2020	1,400	465	306	771	546
Community Group Housing	126	20	4	24	116
Corrections Department	64	24	10	34	30
Total	**11,780**	**4,160**	**380**	**4,540**	**7,190**
Public Housing	**9,786**	**3,247**	**60**	**3,307**	**6,498**
Supported Housing	**1,994**	**913**	**320**	**1,233**	**692**

In order to continue growth in our pipeline, we have been increasing the number of briefs, business case approvals, and resource & building consent approvals to match our future housing supply growth. The six-year gross target of 14,746 has been refreshed to a higher target of 15,320. The net forecast target remains unchanged at 11,804.

Although it takes time to reshape our organisation and building capability, there are key initiatives underway to face this unprecedented challenge, including: Project Velocity, Off-site Manufacturing, Capacity Partnership Agreement, Consentium, Customer Programme implementation, Engagement and Partnership Framework, Recruiting and developing new employees and their capabilities.

Our investment decision making

Year to date, we have approved business cases totalling 1,578 homes across Public and Supported portfolios. This is higher than the last two financial years and indicates increased pre-construction activities that will help meet our housing targets over the next four years. For Public homes outside of Auckland, due to the benefit from operating supplements, the vast majority of projects achieve the target rate of return of 2.89 percent. However, Auckland projects do not achieve the required target rate. The operating supplement for Auckland is under review and is likely to be available from 2022/23. We are currently unable to access the operating supplement over 100 percent in a low value market. These restrictions are limiting our ability to move on some projects for delivery under our commitments. The latest increase (and future trends) of house prices; construction cost inflation; labour scarcity, and interest rates will all add challenges to our business cases.

Average IROI per Approved BC			Public			Supported		
DCE	Operating Region		FY21	FY22 Dec YTD		FY21	FY22 Dec YTD	
AKL & Northland	Central & East AKL	New Build	2.56%		N/A	2.86%	2.09%	▼
		Redev	2.16%	2.10%	▼			N/A
	Counties-Manukau	New Build	2.24%	2.11%	▼	2.36%	2.22%	▼
		Redev	1.93%	1.98%	▲	2.04%		N/A
	North & West AKL	New Build	2.18%		N/A	2.27%	2.15%	▼
		Redev	2.12%	2.21%	▲	2.21%		N/A
	Northland	New Build			N/A	2.30%	2.09%	▼
		Redev		2.89%	N/A			N/A
Central	Bay of Plenty	New Build	2.89%	2.89%	▬	2.39%	2.08%	▼
		Redev	2.89%	2.89%	▬			N/A
	Waikato	New Build	2.89%	2.89%	▬	2.27%	2.09%	▼
		Redev	2.89%		N/A			N/A
	East North Island	New Build	2.89%	2.89%	▬		2.09%	N/A
		Redev	2.88%	2.89%	▲	2.32%		N/A
	Taranaki, Manawatu, Whanganui	New Build	2.89%	2.89%	▬			N/A
		Redev	2.78%	2.89%	▲		2.09%	N/A
	Wellington/Kapiti	New Build	2.89%		▬			N/A
		Redev	2.89%	2.89%	▬	1.98%		N/A
South Island	Canterbury	New Build	2.89%	2.89%	▬	2.24%	2.08%	▼
		Redev	2.88%	2.89%	▲	1.93%		N/A
	Nelson, Marlborough & West Coast	New Build	2.89%		N/A			N/A
		Redev			N/A			N/A
	Otago & Southland	New Build	2.89%		N/A			N/A
		Redev			N/A			N/A

▲ IROI improve ▼ IROI decrese ▬ no change N/A no data available

[1] LTIP key performance requirement is to generate avg. IROI across all investment of 2.89%.
[2] Supported Housing IROIs are calculated based on the higher of the approved lease rent or market rent.
[3] Operating Supplements apply to all Public Housing outside of Auckland.

The performance of our completed projects against original approved business cases indicates we are improving the quality of our investments decision-making. At an overall portfolio level, we delivered on target (average gross yield), although, there are some variances at the project level. The unit costs approved by the Board in November 2019 are significantly above the Long-term Investment Plan (LTIP) cost assumptions, indicating long-term cost pressure. The LTIP is under review to reflect significant movements in building process efficiency, materials and labour inflation and enhancement in build quality (e.g. Homestar 6, Healthy Homes, Universal Design, Retrofits).

Over the next few years many of our larger scale projects will be delivered, with projects that deliver more than 40 homes set to triple. As we use our land more efficiently, our projects will grow in scale and increase the importance of effectively managing our projects.

Long-term financial sustainability

Our balance sheet risk indicators (debt to asset and debt to equity ratios) are performing better than planned, due to our COVID-affected lower capital investment and subsequent lower borrowing. COVID-19 also affects our short-term margin results, and our full year forecasts are below target in our margins and debt to margin ratios. Appendix 1 provides our financial statements. Our long-term local currency credit ratings remain solid, and was recently reconfirmed by Standard and Poors as AAA.

Balance Sheet Indicator	FY22 Target	FY22 YTD actuals	FY22 Forecast
SPE measure - EBITDA/Income %	>= 29%	22.0%	25.7%
SPE measure - Debt / EBITDA ratio	<= 17.4	33.3	21.0
SPE measure - EBITDA / Interest ratio	>= 3.6	2.5	2.4
Debt to Asset ratio	<= 24.0%	17.7%	24.0%
Debt to Equity ratio	<= 34.4%	24.1%	34.4%

Our liquidity is strong (at 159 percent), and we expect it to remain so throughout the next six months. The Board-approved liquidity policy requires financial assets and committed standby facilities to be a minimum 100 percent of net cash outflows over a four-month period. Pre-financing ahead of key geopolitical events and ongoing underspends within the business means that our liquidity position has remained strong.

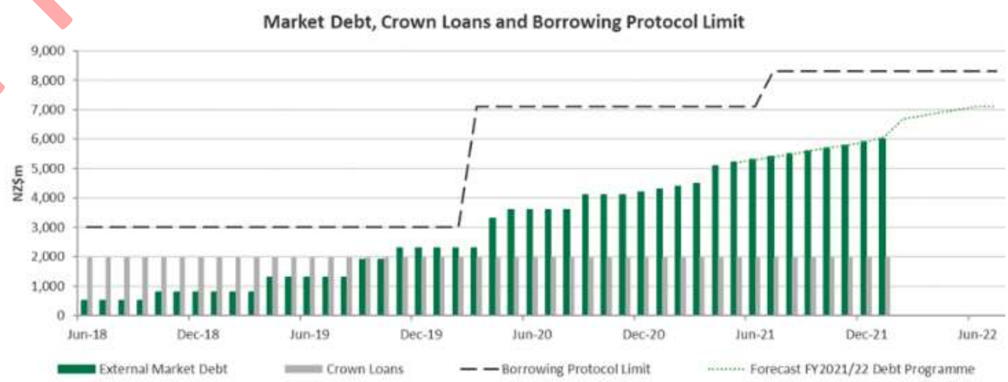
Treasury Policy Compliance

Metric	Measure	Compliance (Y/N)	Position 30 November 2021
Credit Risk	All exposures within approved counterparty and concentration limits	Y	All exposures within limit.
Funding Maturity Risk	Total debt maturing in any 12-month period, less than 25% of total debt	Y	22.21%
FX Risk	No foreign currency exposure above $250k	Y	All exposures covered when advised.
Liquidity Risk	Greater than 100% cover for anticipated expenditure on a forward rolling 4-month basis	Y	221%

Out of Scope

We are managing our external debt levels in accordance with the Government approved borrowing protocol limit of $8.3 billion (see Appendix 2 for more details), although this will need to increase before the end of the calendar year so that we can continue to access capital markets for the capital investment programme. This limit only applies to external debt, which comprises bills and bonds issued by us. As of 31 January 2021, total external debt is $6.0 billion, leaving a residual headroom of $2.3 billion. For 2021/22, we anticipate our annual Wellbeing Bond programme will be around $2.3 billion.

To maintain liquidity policy compliance and based on current Capital Expenditure forecast (January 2022), Kāinga Ora is expecting reach the $8.3b Protocol Limit by October. However, given potential movements in forecast or LSP appropriation (LSP not included within this projection), the timeframe could range between October and December 2022. The chart below provides an overview of our debt.



5. Appendices

The following appendices are primarily for reference use by HUD as our monitoring agency, and consist of:

- **Appendix 1** - Our financial statements for the quarter, along with brief discussion of any significant variances from forecast.
- **Appendix 2** - How we are meeting all our expectations under debt protocol reporting requirements.
- **Appendix 3** - Details on our Government Policy and Legislative Environment report and activity.

6. Appendix 1: Financial performance

This appendix provides some financial statements for the quarter, along with brief discussion of any significant variances from forecast.

Note that the full year forecasts in these statements are indicative only and are not currently finalised nor signed-off. The "year-to date" forecasted values are described as Forecast_Dec (version created in November 2021). The "full year" forecasted values are described as Forecast_Jan, which is created and reported at the start of January 2022 for December 2021 onwards.

Balance Sheet

$m	As at 31 Dec 21	Full Year Forecast_Jan	Full Year Budget
ASSETS			
Cash and Cash Equivalents	114	100	1,483
Short Term Investments	925	616	1,267
Prepayments & Receivables	145	258	175
Properties held for sale	45	56	14
Properties under development	471	566	817
Mortgage advances	15	15	28
Interest rate derivatives	6	(10)	0
Income tax receivable	0	0	0
Intangible Assets	60	65	49
Property, plant and equipment	39,455	42,737	39,919
TOTAL ASSETS	**41,235**	**44,404**	**43,852**
LIABILITIES			
Accounts payable and other liabilities	234	244	118
Income tax payable	10	9	11
Provisions	1	0	34
Mortgage insurance scheme	29	28	112
Interest rate derivatives	8	9	37
Crown borrowings	1,985	1,986	1,988
Market borrowings	6,204	7,693	10,325
Deferred tax liability	2,531	2,614	2,390
TOTAL LIABILITIES	**11,001**	**12,583**	**15,015**
EQUITY			
Equity attributable to the Crown	3,562	3,656	4,490
Retained earnings	894	816	911
Revaluation reserve	25,799	27,369	23,451
Hedging reserve	(20)	(20)	(25)
TOTAL EQUITY	**30,235**	**31,822**	**28,827**

Capital Expenditure

$m	Actual Year-to-date	Forecast_Jan Full year	Budget ($m) Full year	Budget ($m) Variance	2021/22 Homes Budget	2021/22 Homes Forecast
Redevelopments	319	1,133	1,480	347	2,235	1,040
New Build Owned Programme	85	147	236	89	400	200
New Supported Housing	108	305	465	160	1,105	625
State Home Builds	512	1,586	2,182	596	3,740	1,865
Buy in Programme	55	139	249	110	275	150
Buy-In Transitional Housing	19	28	23	(5)	27	52
Buy-in Corrections	4	4	3			
Buy In Community Group Housing	4	5	-	(5)	3	3
Strategic Land Purchases	30	300	301	1	0	0
Other Programmes	24	54	32	(22)	14	41
Construction and Innovation Total	136	2,115	2,789	674	319	246
National Retrofit	40	109	237	128	970	411
Other Maintenance Programmes	14	30	40	9		
Construction Innovation Maintenance Programmes	54	139	277	138		
Capitalised Maintenance and PBMC	28	50	40	(9)		
Unoccupied Repairs	6	17	22	5		
Healthy Homes Programme	42	124	133	9		
Roof Replacement	12	32	30	(2)		
Other Programmes	8	37	52	15		
People and Homes Maintenance Programmes	*96*	*259*	*277*	*18*		
Property Maintenance Total	*150*	*398*	*555*	*156*		
Infrastructure Assets & Projects Total	18	40	47	6		
CAPITAL EXPENDITURE	816	2,553	3,390	837		
Urban Development Land (State and Market)*	111	380	604	224		
Urban Development Tamaki	18	70	57	(13)		
Land Purchase Fund ($2b over 10 years)	70	70	-	(70)		
KiwiBuild (Construction & Innovation)	67	79	7	(72)		
TOTAL CAPITAL EXPENDITURE	1,083	3,153	4,058	905	5,029	2,522

Capital Expenditure

$m	Actual	Forecast_Dec	Variance
	Quarter 2, 2021/22		
Redevelopments	193	142	(50)
New Build Owned Programme	52	36	(16)
New Supported Housing	54	41	(14)
State Home Builds	299	219	(80)
Buy in Programme	28	30	1
Buy-In Transitional Housing	10	10	(1)
Buy-in Corrections	0	1	1
Buy In Community Group Housing	4	2	(2)
Strategic Land Purchases	18	42	24
Other Programmes	16	13	(2)
Construction and Innovation Total	76	98	21
National Retrofit	25	23	(2)
Other Maintenance Programmes	6	5	(1)
Construction Innovation Maintenance Programmes	*31*	*28*	*(3)*
Capitalised Maintenance and PBMC	14	14	1
Unoccupied Repairs	3	3	(0)
Healthy Homes	23	23	(0)
Roof Replacement	8	7	(1)
Other Programmes	5	5	(0)
People and Homes Maintenance Programmes	*53*	*52*	*(1)*
Property Maintenance Total	*84*	*80*	*(5)*
Infrastructure Assets & Projects Total	9	8	(1)
CAPITAL EXPENDITURE	469	404	(65)
Urban Development Land (State and Market)	57	36	(21)
Urban Development Tamaki	9	10	1
Land Purchase Fund ($2b over 10 years)	63	70	7
KiwiBuild (Construction and Innovation)	36	22	(14)
TOTAL CAPITAL EXPENDITURE	633	542	(91)

Debt Profile

$m	Year to Date Actual	Full Year Forecast_Jan	Full Year Budget
Crown Debt	1,985	1,986	1,988
Market Debt	6,204	7,693	10,325
Total Debt	8,189	9,679	12,313

Statement of Financial Performance

m$	Year to Date Actual	Year to Date Forecast_Dec	Year to Date Variance	Full Year Budget	Full Year Forecast_Jan	Full Year Variance
INCOME						
Rental Income	794.6	790.9	3.7	1,603.7	1,605.6	1.9
Crown Appropriation Income	39.4	42.8	(3.4)	152.0	101.6	(50.3)
Affordable Homes Revenue	118.3	121.3	(3.0)	209.9	263.5	53.6
Lease Income	23.7	24.1	(0.4)	67.5	49.4	(18.1)
Other Income (excl. interest)	16.5	5.5	11.0	19.3	22.8	3.5
Total Income	**992.5**	**984.6**	**7.9**	**2,052.4**	**2,042.9**	**(9.5)**
DIRECT EXPENSES						
Repairs and Maintenance	217.3	207.7	(9.6)	494.1	483.6	10.5
Rates	100.4	100.1	(0.3)	201.3	201.0	0.3
Third-Party Rental Leases	27.8	27.8	0.0	56.1	55.3	0.8
Other Direct Property Costs	30.2	27.8	(2.4)	63.4	58.8	4.6
Bad Debts	2.9	2.7	(0.2)	4.8	5.3	(0.6)
Direct Mortgage expenses	0.7	0.7	(0.0)	0.5	0.9	(0.4)
Grants	23.6	24.2	0.7	94.6	58.5	36.1
Insurance	5.4	9.2	3.8	19.2	15.2	3.9
Affordable Homes Cost of Sales	117.0	123.4	6.3	210.1	262.2	(52.1)
Total Direct Expenses (excl. depreciation, (gain) loss on sale, asset write-offs)	**525.3**	**523.6**	**(1.8)**	**1,144.1**	**1,141.0**	**3.2**
INDIRECT EXPENSES						
People costs	140.6	129.7	(10.9)	247.1	284.2	(37.1)
Office Accommodation	7.4	7.6	0.2	16.6	15.5	1.1
Travel	2.6	3.5	0.8	14.1	9.4	4.7
Computer & Communication	16.1	14.6	(1.5)	33.7	34.4	(0.7)
Professional Fees	3.5	3.5	(0.1)	9.3	8.9	0.4
Consultants/ Contractors	30.4	31.1	0.7	63.8	72.4	(8.6)
Other Expenses	13.7	13.2	(0.5)	21.5	24.3	(2.8)
Total Net Indirect Expenses (excluding interest)	**214.3**	**203.0**	**(11.3)**	**406.2**	**449.2**	**(43.0)**
(Gain) / loss on sale	7.1	3.8	(3.2)	0.0	7.1	(7.1)
Asset Write offs	26.9	37.0	10.1	78.3	82.9	(4.6)
Impact of Asset Write offs & (Gain) / Loss on Sale	**34.0**	**40.8**	**6.8**	**78.3**	**90.0**	**(11.7)**
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION (EBITDA)	**218.8**	**217.2**	**1.7**	**423.8**	**362.7**	**(61.1)**
Depreciation and Amortisation (Rental Properties)	189.7	189.0	(0.7)	356.1	376.0	(19.9)
Depreciation (Infrastructure)	7.7	8.8	1.2	17.4	16.1	1.2
EARNINGS BEFORE INTEREST, TAX (EBIT)	**21.4**	**19.3**	**2.1**	**50.3**	**(29.4)**	**(79.7)**
Interest Expense	86.0	79.9	(6.2)	178.2	191.8	(13.6)
Interest Income	(7.7)	(7.2)	0.6	(9.7)	(16.8)	7.1
NET OPERATING SURPLUS BEFORE TAX	**(56.9)**	**(53.4)**	**(3.5)**	**(118.2)**	**(204.4)**	**(86.3)**
Income Tax Expense/(Benefit)	11.2	11.0	(0.2)	11.8	(8.0)	19.9
NET OPERATING SURPLUS AFTER TAX	**(68.1)**	**(64.3)**	**(3.8)**	**(130.0)**	**(196.4)**	**(66.4)**

Total Maintenance Spend

$m	Year to Date Actual	Year to Date ForecastDec Variance	Full Year Forecast	Full Year Budget
Capex	150	(1)	398	555
Opex	217	(10)	484	494
Total	368	(11)	882	1,049

Major Indirect Expenses Variances:

People Cost: $37.1 million, with the material changes from:

- $6.7 million - Accounting correction CapEx/OpEx (No new activity/no effect on Cash Flow/ no additional FTE) most of this occurred at Urban Planning and Design.
- $14.1 million - Primarily additional backfill contractors (to cover until permanent staff are recruited) across almost all areas of the business. Note there is a difficult market for Construction and Innovation backfill contract staff (and permanent staff) with significant pressure on pay rates.
- $16.0 million - Additional 269 FTEs forecast as proposed by Business Groups (BG) but still under discussions internally – not approved - distributed as:
    - People Governance and Capability: 99 FTE project portfolio work programmes and business growth driven increase for support functions, hiring people rather than contractors for projects
    - Construction and Innovation: 46 FTE to support growth in transitional housing, complex remediation, and retrofits, OSM fast track programme and alignment of delivery teams to better service place-based regions
    - Urban Development and Delivery and Urban Planning & Design: 35 FTE growth driven by increasing Large Scale Programmes and government led initiatives
    - Te Kurutao Group: 29 FTE to facilitate all Māori liaisons across Kāinga Ora and for better engagement with other Government and Iwi Organisations
    - All other BGs: 60 FTE for Sustainability, Investment Management Office, Commercial and our 3 Placed Based Regions for more and better support services, community engagement and partnership roles.
- $0.3 million - Others

Consultants and Contractors Costs: $8.6 million, with the material changes from

- $8.6 million – Accounting correction CapEx / OpEx : There was no effect on our activities nor on our Cash Flow. Most of this occurred at Urban Planning and Develop group. These costs are related to: National Planning, Strategic Engagement and Partnership development and BAU (Area Development Strategy and Urban Design Activities) which were incorrectly allocated in the Budget.
    - $4.0 million Urban Development and Delivery - this is due to Piritahi Alliance KRA bonus not being included in the budget ($2.2 million) plus ytd project overspends.
    - $3.5 million Commercial - $1.5 million relates to IAF's contractors and consultants' expense was not included in our Budget (compiled pre IAF implementation planning and funded) and the rest primarily relates to miscoded backfill contractor cost. Overall allowing for the backfill contractor overspend miscoded to Consultants and Contractor costs there is net underspend on Personnel expenses.

$1.1 million Others

Build Programme Spend	Year to Date Actual	Year to Date Forecast_Dec	Full Year Forecast_Jan	Full Year Budget
$m				
Public Redevelopments	319	288	1,133	1,480
Public New Builds	85	70	147	236
New Supported homes	108	107	305	465
Total New Homes	512	464	1,586	2,182
Public Buy Ins	55	56	139	249
Supported Buy Ins	27	25	36	25
Public Strategic Land Purchases	30	51	75	75
Supported Strategic Land Purchases	(0)	23	225	226
Capitalised Overhead	24	23	54	32
Public & Supported Housing total	648	642	2,115	2,789

Cash Flow

$m	Year to Date Actual	Full Year Forecast_Jan	Full Year Budget
OPERATING ACTIVITIES			
Rent receipts - tenants	224	474	524
Rent receipts - income-related rent subsidy	574	1,139	1,060
Other receipts from Crown	41	125	189
Other receipts	106	107	76
Payments to suppliers and employees	(653)	(1,345)	(1,602)
Income tax & Interest paid	(148)	(264)	(265)
Net cash flows from/(used in) core operating activities	144	236	(18)
Sale of developments	30	78	80
Cost of land sold	(117)	(262)	(210)
Net inventory	(150)	(337)	(438)
Net cash flows from/(used in) land development activities	**(238)**	**(522)**	**(568)**
NET OPERATING ACTIVITIES	(94)	(285)	(586)
INVESTING ACTIVITIES			
Sale of rental properties and management assets	16	38	37
Mortgage and other lending repayments	6	6	0
Net short-term investment (made)/realised	261	570	0
Purchase of rental property assets	(870)	(2,585)	(3,396)
Purchase of other property, plant and equipment and	(18)	(40)	0
Intangible assets	0	0	0
NET INVESTING ACTIVITIES	(605)	(2,012)	(3,359)
FINANCING ACTIVITIES			
Net capital contributions (to)/from the Crown	(2)	92	926
Loans drawn down from The Treasury - Capital Markets	0	1	0
Market Notes issued	582	2,070	3,947
NET FINANCING ACTIVITIES	580	2,164	4,873
Net cash flows	(119)	(133)	928
Opening cash and cash equivalents (as at 1 July 2021)	233	233	556
CASH AND CASH EQUIVALENTS	114	100	1,483
Short Term Investments (as reported in the Balance Sheet)	638	616	1,267
Investments - Non-Current	287	287	100
TOTAL INVESTMENTS	1,039	1,003	2,850
Less - Treasury Reserve Fund Investments	29	30	31
TOTAL INVESTMENTS AVAILABLE TO BUSINESS	1,011	973	2,820

7. Appendix 2: Investment performance

The purpose of this appendix is to provide details of how we are meeting all our expectations under debt protocol reporting requirements.

YTD Approved Business Case Summary up to Q2 FY2022

The summary table below shows the total number of new homes approved YTD up to Q2 and its financial impacts on Kāinga Ora. Total approved units of 1,578 from July to December 2021 across Public and Supported portfolios indicate the strong volume of pre-construction activities to contribute towards housing targets over the next four years. For Public Housing outside of Auckland, due to the benefit from operating supplements, the vast majority of projects achieve the target rate of return of 2.89 percent. However, Auckland projects do not achieve the required target rate. The OS for Auckland is currently under review and is more likely to be available from FY23. The approved typologies address the current demand of smaller units. The no. of approved 1-bed and 2-bed homes are 459 (29.1 percent) and 625 (39.6 percent) respectively.

Please note that New Build programmes generally include also purchasing the land the homes are to be built on, while Redevelopments are built on land that we already own.

	Approved		Net Balance	Weighted	Typology						Delivery Year			
	Unit	Spend	Sheet Impact	Avg. IROI	1Bed	2Bed	3Bed	4Bed	5Bed	6Bed	FY22	FY23	FY24	FY25
Public														
Redevelopment	1109	$838.6M	($204.2M)	2.58%	374	422	158	103	44	8	50	463	233	363
New Build	341	$234.9M	($10.1M)	2.73%	78	164	60	29	10	0	37	218	36	50
	1450	$1,073.6M	($214.3M)	2.61%	452	586	218	132	54	8	87	681	269	413
Supported														
Redevelopment	8	$5.9M	($2.5M)	2.09%	0	4	2	2	0	0	0	8	0	0
New Build	120	$95.7M	($0.5M)	2.13%	7	66	34	7	0	6	51	69	0	0
	128	$101.6M	($3.0M)	2.13%	7	70	36	9	0	6	51	77	0	0
Total	1578	$1,175.1M	($217.2M)	2.57%	459	656	254	141	54	14	138	758	269	413

[1] *Unit counts are based on the approved YTD business cases upto Q2 being extracted from IDP report.*

[2] *Operating Supplement (OS) is provided to Public Housing outside of Auckland. OS to Auckland is currently under review and more likely to be available from FY23. Supported Housing is not part of the scheme.*

[3] *In Q2, Supported Housing IROIs are calculated on the approved lease rents by HUD when the market rents are lower than the calculated lease rents. The YTD data has been rectified, as the IROIs were calculated on market rents in Q1.*

[4] *The negative balance sheet impacts are due to completed projects generally being valued at less than the cost to deliver. However, as projects are for long term rental properties, the balance sheet impacts are considered acceptable.*

Quarterly Movement by Region – Public vs. Supported Housing Volume

Just shy of 797 units approved to proceed in Q1, 781 units are approved in Q2, including 717 for Public Housing and 64 for Supported Housing. Redevelopment is to deliver the majority of the Public Housing units (over 70 percent in both quarters), while New Build acquisition is to deliver almost all of Supported Housing units (over 90 percent in both quarters).

*Fig 1. No.of approved **Public Housing** units by Region Q1 vs. Q2*

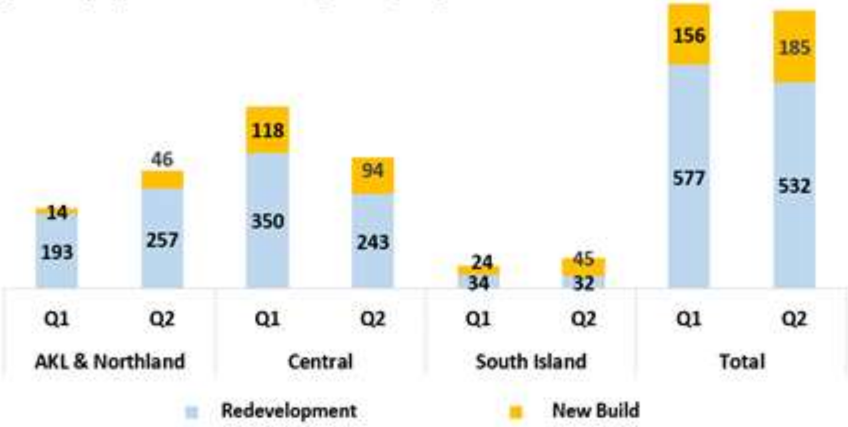
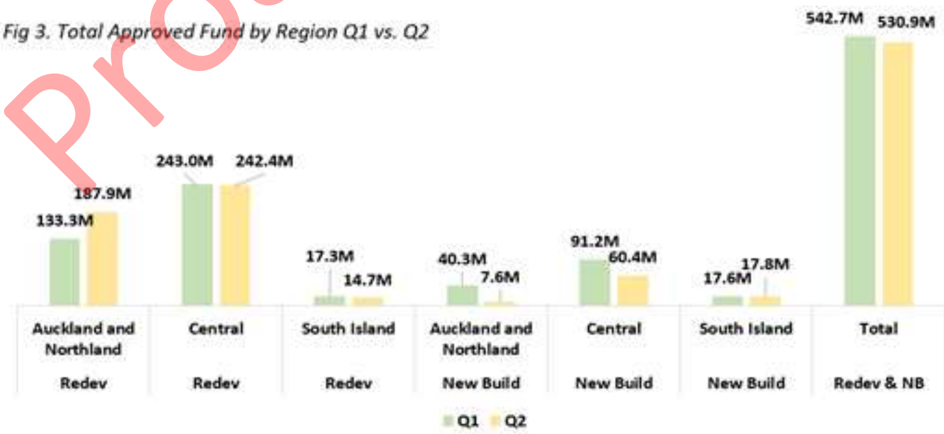


*Fig 2. No.of approved **Supported Housing** units by Region Q1 vs. Q2*

Quarterly Movement by Region – Total and Unit Costs

The approved budget in Q2 is almost on par with Q1, with only $11.8 million (2.17 percent) less. Over 50 percent of approved funding has gone to DCE Central to address the public and supported housing demand. There is no sign of easing cost pressure in Q2. The unit costs nationally are still gradually increasing, mainly due to the material and labour shortages in housing construction as well as price inflation.

Fig 3. Total Approved Fund by Region Q1 vs. Q2



Total by Region	Auckland and Northland	Central	South Island
	369.1M	637M	67.4M

Fig 4. Unit Development (Redev) & Acquisition Cost (New Build) Q1 vs. Q2

These two tables below compare the average unit cost from the approved business cases with the unit cost benchmark in the Long-Term Investment Plan (LTIP) approved by the Board in November 2019. LTIP 2019 includes cost assumptions for Redevelopments and New Build acquisitions for public housing deliveries by typology at a national level. The unit costs approved are significantly above the LTIP cost assumptions, which indicates the long-term cost pressure. The LTIP is currently under review for significant movements in materials/labour inflation, and increases in build quality (e.g., Homestar 6, Healthy Homes). The quarterly report will apply the updated LTIP benchmark once approved by the Board.

Q2 YTD Redevelopment (Public Housing) – approved forecast investment (avg. per unit)

Delivery Type	FY22	FY23	FY24	FY25
Redevelopment (avg. unit cost)	716,278	667,379	763,060	870,609
Number of Units	50	463	233	363
Avg. Typology	2.88	2.25	2.50	1.67
LTIP (avg. unit cost)	589,065	548,922	582,029	521,022
Avg. Typology	2.10	2.10	2.10	2.10

Q2 YTD New Build (Public Housing) - approved forecast investment (avg. per unit)

Delivery Type	FY22	FY23	FY24	FY25
New Build (avg. unit cost)	873,219	665,635	693,899	684,960
Number of Units	37	218	36	50
Avg. Typology	2.84	2.08	2.03	2.40
LTIP (avg. unit cost)	544,401	552,488	531,512	542,330

**FY22 to FY25 (Approved BC)" are based on all approved Project Business Cases in FY22 with the expected delivery dates within these financial years.*

Significant project decisions, funding and prioritising

Significant projects reported here are individual projects valued at $50 million or more, or otherwise classified as significant due to their degree of complexity or nature of partnerships involved. It is important to highlight:

- Funding: there is a gap across key outcome areas and discussion on prioritization based on Urban Development Strategy and Regional Plan ("partly funded" and "unfunded") to be updated based on our recent discussions with HUD on the Growing Local Places programme proposal, and this will be detailed in a future briefing for Minister.

- Land leasing and partnerships: noting the volume of proposals we are working through with iwi and other potential partners – work underway to assess the risk and opportunity and provide recommendations on the volume we should take.

Significant Track Project Decisions Q2:

Gate	Project	Description	Homes	Approved Investment $	Decision
1 Opportunity Memo	Cameron Rd - 1170-76 Cameron Road, Tauranga	Public Housing development. Will unlock potential of other sites in the city. Brent & Darren supporting.	100 - 150	N/A	December 2021 Approved to prepare Project Brief G2
1 Opportunity Memo	Shirley Neighbourhood, Christchurch	Renewal and minor uplift of existing Kāinga Ora owned properties or new builds	0-50	N/A	October 2021 Approved to Prepare Project Brief G2
1 Opportunity Memo	Middlemore, Auckland	Comprehensive regeneration of communities, including a mix of housing, economic and community development. Possible SDP.	>500	N/A	October 2021 Approved to Prepare Project Brief G2
1 Opportunity Memo	Ōtangarei, Whangarei, Northland	Master planning and long-term redevelopment.	> 500	N/A	October 2021 Approved to Prepare Project Brief G2
2 Project Brief	Workotel Site, Riccarton, Christchurch	Redevelopment of Kāinga Ora owned property into either all PH (c85 homes) or mixed tenure (c115 homes) depending on ability to acquire two privately owned properties	100 - 150	50 - 100	November 2021 Approved to Prepare Business Case

Upcoming Significant Track Decisions Q3:

Gate	Project	Description	Homes	Investment $
1 Opportunity Memo	Kenepuru Landing	Land acquisition, Kainga Ora build/manage and sell back	TBC	N/A
1 Opportunity Memo	Te Awamutu Church St 512-518, Hokowhitu, Palmerston North	Public Housing likely but has possible joint venture with Council	100-150	N/A
1 Opportunity Memo	Bates St. Papakura (formerly Smiths/Bates/Calvert), Auckland	Neighbourhood / LSP mini scale 17/09: NR - Opportunity is divided into distinct contiguous land parcels, broken up by roads and privately owned homes. Based on a crude development yield calc there's the potential for 300-500 units based on a medium and high density assumption. Assuming 1/3rd public housing takeout Estimated investment of c$76 million - $130 million. This will be offset by revenue from superlot sales. Per M S-D 15 Sept 2021.	400 - 450	N/A
3 Business Case	Cranbrook Pl & Crossfield Rd, Glendowie (5 Systems), Auckland	5 x 3-level walk ups (R&D project). To build to Passive House standards. To assess different technologies domestically available - how well do they perform.	TBC	TBC
3 Business Case	Church St 512-518, Hokowhitu, Palmerston North	Redevelopment	50-100	TBC
3 Business Case	Elm St 18 & Racecourse Parade 17, Avondale, Auckland	162 units/apartments Investment circa 100 million Mixed tenure, BTR component All buildings CLT/Mass Timber option preferred Homestar 7 Version 5 – Sustainability Pilot ECI contractor delivery/procurement method H32 Elm street draft business case on the CIG review. We will want to formalise by 10Feb. Then PGB 25 Feb (paper due 16 Feb) and then IDC/Board 21 March (papers due 10 March)	TBC	TBC
3 Business Case	Jordan Ave 4 & Mt Smart Rd 97-117, Onehunga (North)	Approx $140 million, 180 apartments over 12 towers. Old project now at Resource consent stage	TBC	TBC
3 Business Case	Osterley Way 9, Manukau, Auckland	Land Acquisiton	100 - 150	90

8. Appendix 3: Government Policy and Legislative Environment

This appendix contains details on our Government Policy and Legislative Environment report, which contains several activities that will likely have an influence on our operations and deliverables. These are:

- *Government Policy Statement – Housing and Urban Development*: HUD is working on a framework for the GPS Implementation Plan. Key dates are the end of February 2022 for testing the plan with stakeholders, and the end of March 2022 to publish the plan. The plan was provided to Minister Woods over summer for comment, although we have not yet seen the proposed framework.

- *Measures to increase housing supply and affordability* (alongside activity already mentioned in the body of the Quarterly report):
    - Affordable Housing Fund – Ministers have agreed HUD will administer the fund and Kainga Ora will no longer be involved.
    - Renting to non-public housing tenants – In December, the Minister for Social Development and Employment agreed to amend to the Social Security Act 2018 to extend the Accommodation Supplement to private tenants residing at Greys Ave, via Regulation. We are working with HUD to progress a Cabinet paper to enable a decision ahead of the legislation's introduction.

- *Reform of the Resource Management Act.* The Ministerial Oversight Group considered papers on:
    - Key themes from the Select Committee Inquiry into the Natural and Built Environments exposure draft
    - The role of central government in the NBA and SPA
    - A stocktake of Ministerial decisions on the design of the new resource management system and how they will achieve the reform objectives.
- In March they will consider:
    - Institutional arrangements for central government in the new resource management system
    - The role of Māori in the new resource management system
    - Transitional and implementation issues.

- *Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021:* We are focussed on planning for the implementation of the Act. We will continue to work with HUD, the Ministry for the Environment, and councils to ensure that any transitional issues arising from the Act are well understood and that implementation planning is moving ahead.

- *Residential Tenancies Act Changes:* Healthy Homes Regulations - Cabinet agreed changes to the regulations on 15 November and they were publicly announced. We are providing input on the drafting to ensure the regulations are practicable.

- *Family violence and assault regulation:* We provided input on a briefing setting out evidence requirements for the new provisions. A Cabinet decision is expected in April 2022 with regulations to take effect in August 2022.

- *Accessibility Policy:*
  - *Disability Action Plan*: In December, work began on coordinating the organisation's six-monthly update on progress made against the Disability Action Plan. The update is due to be considered by the Public Housing Committee in February 2022.
  - *Government Property Group – Universal Design Guidelines:* At the end of October, through the "We Enable Us" Disabled Employees Network, MBIE called together a working group from multiple agencies and ministries to look into developing a set of comprehensive guidelines for government facilities. We are supporting this and sharing our extensive research and knowledge base.
  - *Master Planning for Universal Design and Accessibility*: This will likely be incorporated as a future outcome of the next iteration of the Accessibility Policy following a review in 2022.
  - *Principal Advisors – Disability & Accessibility Group Established*: At the end of October, MSD hosted the first meeting to discuss our various work programmes and areas of focus.

- *Homeless Action Plan:* In December, Cabinet considered a paper outlining key findings from the 18-month HAP review. HUD intend to prioritise the following:
  - Strengthening Kaupapa Māori approaches to prevent and reduce Māori homelessness
  - Delivery of housing supply
  - Support for young people experiencing or at risk of homelessness
  - Improving access to health and mental health and addiction support for people experiencing homelessness
  - Emergency housing system reforms
  - A public report on the HAP Review is due to be released early this year.

- *Maori Housing:* Te Rautaki Māori (the Māori Strategy) was launched on 8 November 2021 and the implementation plan is under development. We are working with HUD and MSD on options for priority placement for iwi.

- *Carbon Neutral Government Programme*: Measurement of emissions will start no later than 1 July 2022, verified emissions for 2022/23 and targets and reduction plans will submit to the Ministry for the Environment by 1 December 2023, and summarised in our 2022/2023 annual report. At the Board meeting a decision was supported to integrate consideration of carbon emissions in all significant business cases. A paper is being prepared regarding the transition to Homestar version 5, including the possibility of increasing performance target to 7-star rating.

- *National Adaptation Plan*: We provided input into the draft NAP chapter for resilient homes, buildings and places and provided feedback on a briefing to Minister Shaw on managed retreat in advance of the Climate Response Ministerial Group and NAP consultation. We continue work with HUD to provide flooding case studies for the National Adaptation Plan.

- *Building Code Review and Building supplies.* In September and October, MBIE consulted on the draft of the next iteration of The Transforming Operational Efficiency Framework, and we provided technical feedback on this draft. The commerce commission began a study of competition in the market for some residential building supplies and has requested information on the costs of the 15 main products that we use in our build projects. The study focuses on supplies needed for foundations, flooring, roofs, walls (structural and non-structural, interior and exterior) and insulation. The Commission has said it will assess industry structure, the nature of competition, and impediments to entry or expansion including new and innovative supplies.