Kāinga Ora – Homes and Communities
Te Pūrongo ā-Tau **Annual Report 2019/2020**

A better New Zealand for all by building lives and communities together.

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This document has been formatted to allow easy accessibility for all people, as described by the Ministry of Social Development Accessibility Guide.

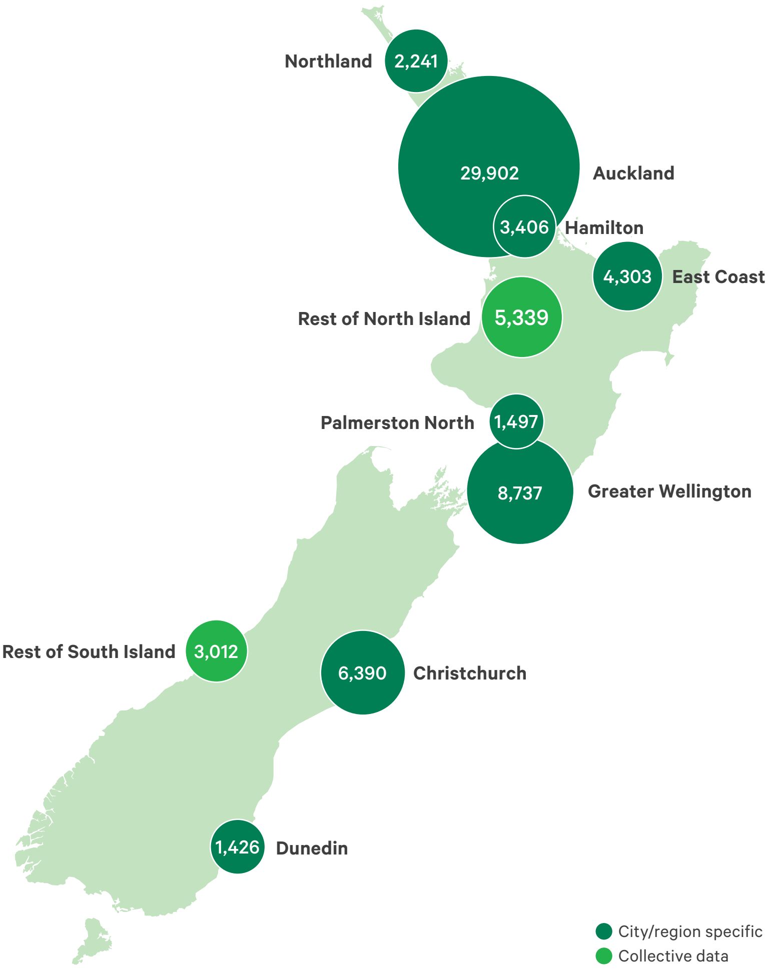
He oranga kāinga,
he oranga tangata.

Our homes

997 ▲ FY18/19

66,253

properties we own or manage



$30.8b

value of our portfolio

2.2b ▲ FY18/19

$521m

spent maintaining and improving our homes

$24m ▲ FY18/19

38%

of our homes have **three bedrooms**

45%

of our homes are located in **Auckland**

Our customers

2,000 ▲ FY18/19

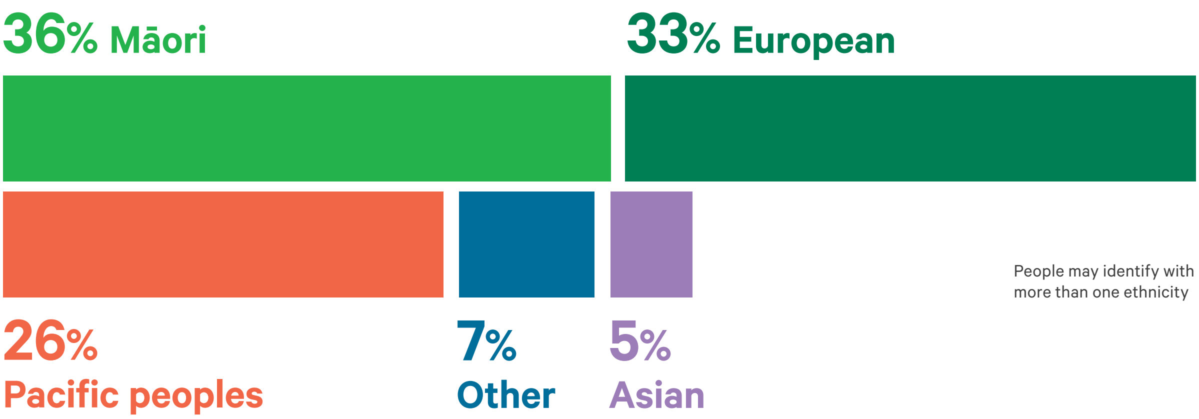
189,000

people live in our properties

39% of our tenants are **tamariki and rangatahi**

32% Our most common household type is a **single parent with children**

30% Closely followed by **single person** households



People may identify with more than one ethnicity

Kupu Whakataki **Foreword**

Starting strongly

Kāinga Ora has made a strong start since we were established late last year.

The outcomes we've been asked to achieve as Kāinga Ora go beyond being a social landlord or urban development agency, and our new legislative framework puts in place operating principles that require us to work in a very different way.

The Government wants us to have a much larger impact on New Zealand and the quality of New Zealanders' lives than the sum of our three previous organisations, the KiwiBuild Unit, Housing New Zealand and its development subsidiary, HLC.

We've been given a broader range of responsibilities, customers and stakeholders to work with, and the foundations for our success begin with a deep understanding of communities and the challenges they face right across New Zealand.

These are significant responsibilities which Kāinga Ora has embraced from the start, and this was clearly seen in our response to COVID-19. Like the rest of New Zealand, when the COVID-19 Alert Level 4 lockdown came into force in late March 2020, Kāinga Ora, along with its customers, build partners and suppliers, was significantly impacted.

Kāinga Ora's response during the lockdown demonstrated an agility and ability to respond to incredibly challenging circumstances, including the provision of high levels of ongoing support to people and sectors when it was needed most.

Despite the delays and disruption caused by the COVID-19 lockdown, Kāinga Ora delivered 1,229 newly built state houses by 30 June 2020. This was a notable performance and can be attributed to the dedication and professionalism of our people, our build partners, contractors and suppliers.

Building momentum

Our housing pipeline is continuing its upward trajectory, with 3,100 houses under construction or contracted to be built as of 30 June 2020, demonstrating the ability of Kāinga Ora to continue to deliver more, much-needed housing.

Kāinga Ora has built on and advanced the momentum of the housing pipeline set in motion by its predecessor agencies. Kāinga Ora continues to accelerate our work alongside the development community, iwi, local and central government, and others to deliver quality urban development and thousands of new public, affordable and market homes. Through our home ownership products, we also support more people into their own homes.

Despite COVID-19 lockdown, Kāinga Ora delivered

1,229 newly built state houses

With 3,100 more currently under construction or contracted to be built

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

Partnering with Māori

Partnering with Māori across the breadth of our activities is fundamental to our identity as Kāinga Ora. We have responsibilities to engage with and support Māori to realise their aspirations, protect their land and recognise their taonga. We are building our capability to fulfil our obligations and support our people to develop and maintain meaningful relationships with Māori.

Over the past year we have made good progress in partnering with Māori. This includes developing partnerships with Ngāti Toa Rangatira in Porirua, Ngāti Kahungunu in Hastings, and Ngāti Whakaue in Rotorua. Each partnership fits with the needs and aspirations of each iwi. Each partnership will deliver warm, dry, healthy homes, and contribute to stronger communities that will help to reinforce hapū, whānau and iwi wellbeing.

Kāinga Ora will continue to develop and strengthen partnerships with iwi and Māori across the country to achieve better housing and urban development outcomes.

Focusing on customers

Our focus, first and foremost, is on our customers.

Every day we work hard to contribute to the wellbeing of the 189,000 people and whānau living in Kāinga Ora homes.

Over the past year we have started to implement our Customer Programme, which improves the services and support we provide to our customers and enables us to work more closely with communities.

We also started a review of our Intensive Tenancy Management service, Te Waka Urungi. This will improve our approach to helping customers with high and complex needs to enable them to access the support they need to live well in their homes and communities.

Improving accessibility

Our focus on customers is improving the accessibility of existing and new Kāinga Ora homes. Improving accessibility makes it easier for people to live in them as their circumstances change; to have family, whānau and friends visit; and to be part of the wider community they live in without barriers.

Our Accessibility Policy sets out how we will increase the number of our homes that meet universal design standards, how our homes will be modified to meet the individual needs of customers, and how we will improve information about customers' needs and the accessibility of our properties.

We will also retrofit and maintain our portfolio of homes to ensure we provide good quality, warm, dry and healthy homes. By managing our assets proactively, we will help to enhance and sustain the wellbeing of our current and future tenants, their whānau and families.

Addressing homelessness

In Kāinga Ora's first year we became more involved in the cross-agency Government response to prevent, reduce and ultimately end homelessness.

Alongside our government and community partners, we are delivering more homes to help meet the growing need for transitional housing through the Aotearoa New Zealand Homelessness Action Plan, which was announced in February 2020.

Transitional housing is essential, short-term accommodation that provides somewhere to stay for people in urgent need, while their needs can be assessed and longer-term sustainable accommodation can be found.

In several sites Kāinga Ora and the Ministry of Housing and Urban Development (HUD) have delivered transitional housing with work continuing on multiple other sites across the country.

Supporting wellbeing

The Government expects Kāinga Ora and other public agencies to take a wellbeing approach to their strategic directions, services and activities, and holistic contribution to society.

The expansion of Kāinga Ora's Sustainability Financing Framework by $2.3 billion is a key step we took to apply a wellbeing approach to deliver positive environmental and wellbeing outcomes for our customers, neighbourhoods and communities.

We continue to work with HUD, the Treasury and others to plan, review and refine how we apply a wellbeing approach. We will continue to strengthen our capabilities and develop our strategies and investment plans to ensure that a wellbeing approach is at the centre of our work.

Enhancing our environment

In addition to the current challenges of COVID-19, New Zealand faces ongoing environmental challenges such as climate change and threats to biodiversity.

Our governing legislation requires Kāinga Ora to contribute to solutions to these environmental challenges, and to contribute to the environmental wellbeing of current and future generations.

Our Environment Strategy is an important step in responding to these responsibilities. The Strategy recognises that Kāinga Ora is uniquely placed to contribute towards the Government's environmental objectives. The scale of our construction activity and the significant number of New Zealanders we serve mean we will lead by example.

Starting the COVID recovery

One hundred and seventy-seven days after Kāinga Ora began operating, New Zealand was put into Alert Level 4 lockdown in the battle against the COVID-19 pandemic. With all but essential services and operations closed, Kāinga Ora, like countless other public and private sector organisations and the entire population, had entered into uncharted waters.

Despite the lead-in planning and preparation for operating at the different COVID-19 Alert Levels, Kāinga Ora had to adjust quickly to unprecedented circumstances. Our response demonstrated very early in our existence that we are firmly focused on supporting our people, customers and partners.

Part of our response to COVID-19 saw over 60,000 wellbeing calls made to our customers over 10 weeks – a huge effort by hundreds of our people who checked on our customers, some of whom were particularly vulnerable during the lockdown period. These calls resulted in hundreds of customers receiving vital care and support, including over 300 meal deliveries, and hundreds of referrals to other social support agencies. These wellbeing calls were welcomed by many customers, and regular check-in calls for tenants who have requested them are now part of our tenancy services.

During the Alert Level 4 lockdown, Kāinga Ora helped support and prepare its build partners for returning to work when New Zealand moved to Alert Level 3 by:

- prioritising planning work that can be undertaken remotely to ramp up future delivery and provide work to suppliers
- making daily payment runs to ensure prompt payments
- extending bond provisions to include insurance surety
- accelerating the release of retentions
- working with partners to amend contracts to make payments for costs incurred on- and off-site.

Alongside our build, development and supply partners we also moved quickly, and safely, recommencing our construction work programmes as soon as possible. By mid-May, nearly three weeks after the country moved into Alert Level 3 on 28 April, work had resumed on the nearly 300 Kāinga Ora construction sites across the country.

This effort in enabling people to recommence work quickly and safely was especially important as building and construction was one of the few sectors allowed to work at Alert Level 3. Kāinga Ora continues to work closely with the sector to progress work that involves cash flows totalling hundreds of millions of dollars to more than 100 build partners and contractors, supporting the sector as a key economic driver in the national recovery from the impacts of COVID-19.

Building on our strong start

The efforts and commitment of many thousands of people across many sectors have helped New Zealand to navigate the challenges of the lockdown period. We would like to thank everyone who played their part during that time.

This foreword has only covered a small selection of our results and achievements in our first year. There are many more which are outlined in depth in Kāinga Ora's first Annual Report. We sincerely thank all our people, and all our partners, for their contribution over the past 12 months in what's been a very memorable year, for a range of reasons. We look forward to building on our strong start to ensure we continue to improve and contribute to our communities across New Zealand.

Our Kāinga Ora values

Our organisational values guide how we work, driving the mind-sets and behaviours we believe are most important.

During 2019/20 our values were developed together – by us, for us. They reflect the best of who we are now and who we want to be for the future.

Our values are:

- Manaakitanga – People at the Heart
- Mahi Tahi – Better Together
- Whanake – Be Bold

Each value also has a whakataukī (Māori proverb), a description of why the value is important to us and a set of behaviours – what we do to live the value. These are summarised below.

Manaakitanga – People at the Heart

He aroha whakatō, he aroha ka puta mai. If kindness is sown, kindness is received.

'Manaakitanga' means hospitality, kindness, generosity, support; it's the process of showing respect, generosity and care for others. For us, this means the way we treat each other matters. Through care and empathy, we enhance the mana of all people and whānau, helping everyone to feel they belong.

Mahi Tahi – Better Together

Ki te kotahi te kākaho ka whati, ki te kāpuia e kore e whati. When reeds stand alone, they are vulnerable, but together they are unbreakable.

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

Whanake – Be Bold

Whāia te iti kahurangi, ki te tuohu koe me he maunga teitei. Pursue that which is most precious, if you should bow, let it be to a lofty mountain.

'Whanake' means to move onwards, move upwards; to grow, to develop. For us, this means we explore what's possible. With curiosity, creativity and forward thinking, we build a legacy that will allow future generations to thrive.

Our large-scale developments

Tāmaki Makaurau **Auckland**

Northcote

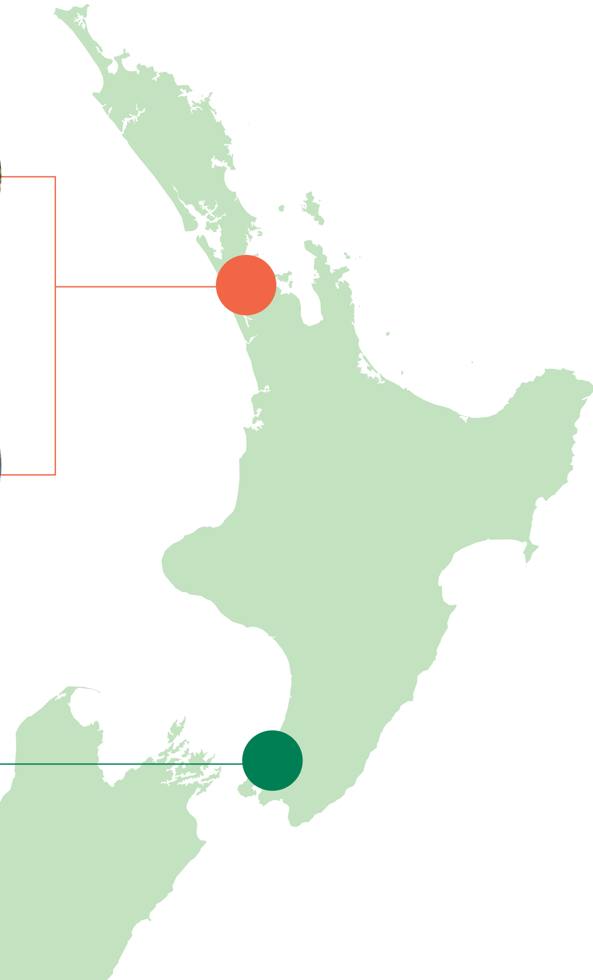
Mount Roskill

Hobsonville Point

Oranga

Māngere

Tāmaki



Whanganui-a-Tara **Wellington**

Porirua

The numbers

7 Large-scale development projects currently underway

>600ha of developable land

40,000 homes to be built over the next 15-20 years

>1,000 homes under construction or due to start soon

This year's progress

>600 older houses removed

>80% diversion of materials from landfill

Our achievements

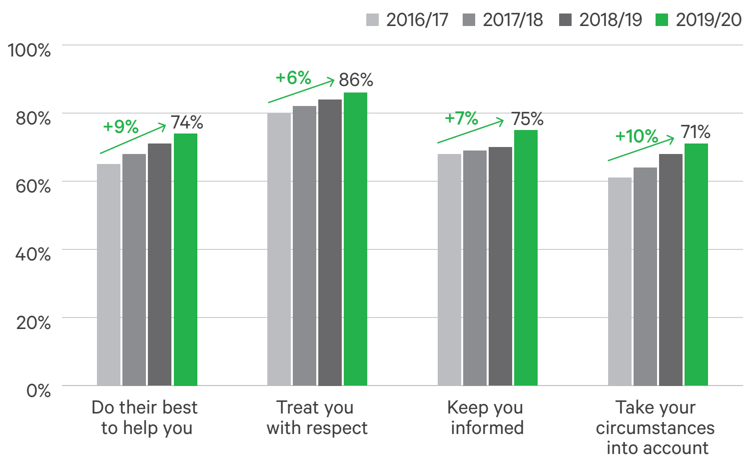
Public housing customers

Our focus is firmly on the wellbeing and welfare of all our customers.

>86%

Delivered quality tenancy services that ensured over 86% of our customers felt their tenancy manager treated them with respect. Overall tenancy manager satisfaction was 78% for FY2019/20. FY2018/19 comparative was 75%.

Customer satisfaction with tenancy services



>80%

Increased the percentage of customers satisfied with their Kāinga Ora home to over 80%.

2018/19: **79%**

>80%

Increased to 80% customer satisfaction rating with overall public housing services.

2018/19: **78%**

>89%

Satisfaction rating with our Customer Support Centre is over 89%.

2018/19: **N/A**

93%

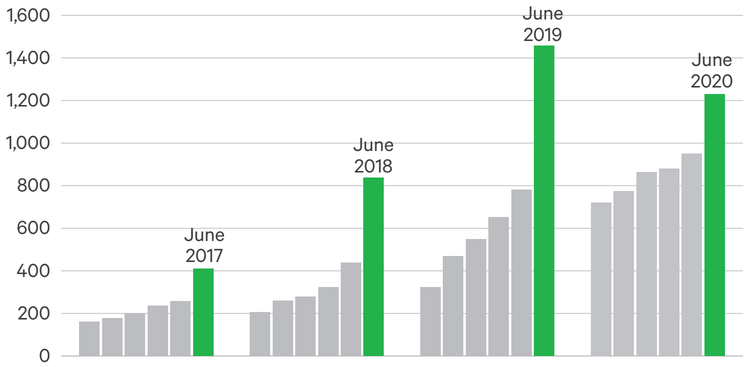
Ensured 93% of customers in need sustained their tenancy for 12 months or more.

2018/19: **93%**

1,229

Delivered 1,229 **newly built**, warm, dry, safe homes for over 2,600 people.

New public homes delivered by year (monthly cumulative)



727

Increased by 727 the overall net number of public homes in our portfolio.

98.3%

Maintained an average occupancy rate for our public homes of 98.3%.

18.6 days

Ensured our public homes were turned around from vacant to ready to let in just 18.6 days.

Our response to COVID-19 March to May 2020

Our focus is firmly on the wellbeing and welfare of all our customers.

60,000

Made over 60,000 welfare calls to our customers.

66,750

Completed over 66,750 maintenance jobs.

746

Signed up 746 new public housing tenancies.

110,000

Handled over 110,000 contacts made through our Customer Support Centre.

We also supported our suppliers.

Immediate payment

Moved to immediate payment terms with all suppliers through COVID-19.

Māori interest

Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to support the Crown to fulfil its obligations in respect of Te Tiriti o Waitangi (Treaty of Waitangi).

Progress

Over 2019/20 Kāinga Ora has taken key steps to enable progress to be made on **Māori interests in housing and urban development.**

Te Kurutao

In early 2020 **Te Kurutao was established** as the centre of excellence within Kāinga Ora tasked with leading, supporting and growing the agency's cultural capacity and capability.

Te Ariki Pihama, Chief Advisor Māori Te Ringa Raupā.

Chief Advisor

In December 2019 the **Chief Advisor Māori role was established** within Kāinga Ora. This role provides clear leadership and direction to better meet Kāinga Ora's expanded mandate. This includes how Kāinga Ora will discharge its regulatory and statutory functions in meeting Māori needs and aspirations.

Enabling

Te Kurutao will enable Kāinga Ora staff to understand what the expectations are under the Kāinga Ora–Homes and Communities Act and will assist in **building the cultural knowledge and competence** needed to do their jobs. Currently the key achievements of Te Kurutao are developing the Māori Strategy, Te Mahere Framework and the Mātauranga Māori Programme.

Housing access

Good quality, affordable housing choices meet diverse needs.

>10,600

Provided over 10,600 families with home ownership assistance products for the purchase of their own home.

$78.3m

Paid a total of $78.3m in First Home Grants to more than **14,150** applicants.

264

Developed land for the enablement of 264 market and affordable homes.

1,910

Underwritten, since the scheme's inception, 1,910 KiwiBuild homes enabling the development of a total of **3,653** market and affordable homes.

Communities

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

>40,000

Progressed Kāinga Ora's portfolio of large-scale housing and urban development projects – in total these projects will produce more than 40,000 homes over the **next 15-20 years**.

96%

Maintained a rating of 96% of residents in our Hobsonville Point urban development being satisfied with their overall living experience.

Leadership

Provided **leadership and coordination** in relation to urban development, including by supporting innovation, capability and scale within the wider urban development and construction sectors.

Environment

Environmental wellbeing is enhanced and preserved for future generations.

Zero

Committed to sustainability through the Carbon Zero and Kāinga Ora–Homes and Communities Acts, setting in legislation our commitment to achieve **carbon neutrality by 2050**.

$2.3b

Expanded our Sustainability Financing Framework by $2.3 billion to deliver positive environmental and wellbeing outcomes for New Zealanders.

210

Completed 210 new public homes to the 6 Homestar building standard, and a further **2,413** public homes were registered with the New Zealand Green Building Council in 2019/20 and will be completed to the 6 Homestar build standard.

System transformation

System transformation is catalysed and delivered.

09

Completed 9 **Construction Partnering Agreements** with suppliers to deliver homes in Auckland and Christchurch by June 2020, with four of these being completed in 2019/20.

620-630

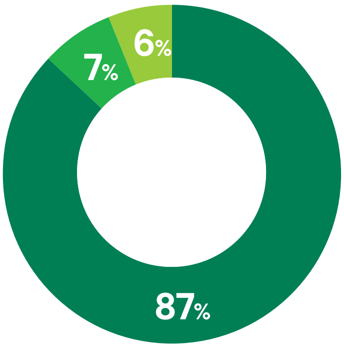
Contracted 620-630 new homes per annum from these multi-year contracts.

Building

Continued building our capability in the use of **off-site manufacturing** to provide faster, safer, more cost effective and more predictable procurement.

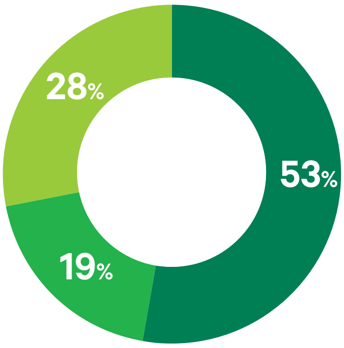
Our income

Rent Income	$1,400m
Crown Funding Appropriations from the Crown	$109m
Other Income Affordable homes, lease and other income	$105m
FY2019/20 Total Income	**$1,614m**
FY2018/19 Total Income	$1.5b



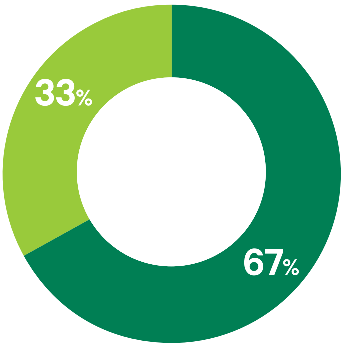
Our expenses

Direct Expenses Repairs and maintenance, rates, insurance etc.	$888m
Indirect Expenses People, accommodation, training, travel etc.	$316m
Depreciation, Interest and Tax Expense	$468m
FY2019/20 Total Expenses	**$1,672m**
FY2018/19 Total Expenses	$1.4b



Output class performance summary

We achieved or substantially achieved **14/21** of our Statement of Performance Expectations measures.



Who we are

Kāinga Ora came into existence on 1 October 2019. We have been given a clear mandate, and a broader range of responsibilities than the sum of the three previous organisations, the KiwiBuild Unit, Housing New Zealand and its development subsidiary, HLC.

The Government is now looking for Kāinga Ora to have a greater impact on the quality of New Zealanders' lives, beginning with a deep understanding of communities and the challenges they face. In addition, the economic impact of COVID-19 means we are also being asked to play a big role in helping to stimulate New Zealand's recovery.

At Kāinga Ora, we understand that a house means more than a roof over someone's head. We recognise that kāinga represents the essential foundation for lives, families and thriving communities.

That's why we measure success not merely in terms of bricks and mortar, but also in terms of the choices, mana, stability, aspirations and tino rangatiratanga of the communities we are part of. Step by step, with deliberate and thoughtful action, we will transform New Zealand's housing choices, outcomes and the entire housing sector.

A house means more than a roof over someone's head.

We cannot do this by ourselves; it is only through partnership that we will succeed. This means being a trusted partner for Māori and iwi, honouring and furthering the Crown's obligations under Te Tiriti o Waitangi (Treaty of Waitangi). It means forming strong and respectful relationships with tenants, customers and communities. It means being a true partner to our suppliers and local and central authorities, as well as a responsible steward of our lands and environment.

Over the past year we have been laying the groundwork to achieve these outcomes, founded on our values of Manaakitanga – People at the Heart, Mahi Tahi – Better Together, and Whanake – Be Bold. Building upon firm foundations and working together with our partners, we look to the future to create a legacy which will be the pride of future generations.

Our role

The Kāinga Ora–Homes and Communities Act 2019 sets out the operating principles that we need to consistently apply as an organisation. They reflect the way that Kāinga Ora works: a more connected, engaged and partnership-based approach across all aspects of our work. These operating principles are put into action 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.

Our operating principles ensure that across all parts of Kāinga Ora we dedicate our effort consistently and contribute to the wellbeing of current and future generations; where there are others that we can work with, we must work together to achieve outcomes.

As a new Crown entity, we are at the beginning of a journey. In addition to our governing legislation, there are other legislative, policy and strategic settings under development that will guide the understanding of our role and how we operate. These include:

- the Urban Development Act, which provides for the establishment of 'specified development projects' that Kāinga Ora may deliver, partner on or enable, and which provides for associated regulatory and funding powers to streamline the development process
- the Government Policy Statement on Housing and Urban Development (GPS-HUD), which sets out the Government's overall direction and priorities for housing and urban development
- strategic development including working with HUD to review our current and long-term funding and financing requirements to ensure we will deliver the Government's housing priorities.

Our roles and responsibilities require us to align our multiple functions to support inclusive, integrated housing and urban development. To develop our role, we have built a strong working relationship with HUD as our monitoring agency and the Government's strategy, policy and funding lead for housing and urban development. We are committed to developing our role by partnering with other government agencies, iwi and Māori, local communities, local councils, the private sector and others committed to improving housing and urban development outcomes for current and future generations of New Zealanders.

As a new organisation, the demands on us are wide ranging and we have a lot of work to do. We have undertaken a significant amount of work to support our people to build and maintain customer-centred relationships; we have a massive land development and construction programme and project workload that we must navigate in a complex and commercially challenging sector; and our stakeholders across all aspects of the business have huge expectations of us. We are moving to meet these challenges, growing capabilities, clarifying roles, and reshaping the organisation's systems of leadership, accountability and coordination. We are continuing to make significant progress to reshape the way we are organised to reflect where we need to be and the outcomes we need to deliver.

Our outcomes

The outcomes we have a legal mandate to achieve include:[1]

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

As a new organisation, we are working to achieve these outcomes using a strategic and systematic approach.

We have worked closely with our people, our partners and HUD to apply the Treasury's Living Standards Framework, to employ an integrated framework for value creation, and to place wellbeing at the centre of all that we do.

We are employing an integrated reporting approach to present an Annual Report which moves beyond financial information to tell richer stories of the different 'capitals' – natural, social, human, financial and physical capitals – that combine to maintain and create wellbeing for New Zealanders.

We have only started weaving integrated thinking into our reporting and we still have a long way to go. Already integrated reporting is helping us to think more holistically about the broad range of resources we use, the value we deliver for our customers, and how to be more responsive to Te Ao Māori.

As a new organisation, the outcomes that Kāinga Ora seeks to achieve are set out in our Statement of Intent (SOI) 2019-2023 and Statement of Performance Expectations (SPE) 2019-2020, which were published in early 2020.

Our key deliverables for 2019/20 are also set out in our SOI, and in greater detail in our SPE. 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.

1. Kāinga Ora–Homes and Communities Act 2019.

Public housing customers

Our public housing customers live well in their homes with dignity, stability, and the greatest degree of independence possible.

We provide public housing solutions that contribute positively to wellbeing. As a public housing landlord our overarching goal is to ensure we do all that we can to help meet the diverse needs and aspirations, and improve the wellbeing, of our public housing customers, their whānau and families.

Human Capital

Social Capital

Financial/Physical Capital

Natural Capital

What success will look like:

- Our public housing customers have stable accommodation that enables them to remain in their homes for as long as they need.
- Our public housing customers feel safe and secure in their homes and communities.
- Our public housing customers are connected to their cultures and communities, and participate in community life.
- Our public housing customers have the skills, support and confidence to have greater control over their lives and wellbeing.

In 2019/20 our work with our public housing customers included:

- reviewing our Intensive Tenancy Management service, Te Waka Urungi, to improve how we help customers with high and complex needs to access the support they need to live well in their homes and communities
- working with the Ministry of Social Development to place people 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
- supplying transitional housing as part of the cross-agency Aotearoa New Zealand Homelessness Action Plan. This housing provides families with a place to stay while their needs can assessed and addressed, and longer-term sustainable accommodation can be found
- aligning our operational policies with our Customer Strategy and other organisational objectives, including work in the areas of: addiction and drug-related harm, pets, accessibility and complaints
- deploying an online tool called MyKāingaOra. This provides customers with more independence and access to their personal information at any time. MyKāingaOra enables our Customer Support Centre to make more proactive care calls and offer increased tenancy services
- building relationships between our public housing customers and their communities and partnering with community providers including rōpū Māori
- ensuring repairs and maintenance are undertaken in response to our customers' requests, undertaking planned maintenance programmes and improving amenities
- The table *Public housing solutions that contribute positively to wellbeing* in the Statement of Intent progress section (pages 72-73) provides further details.

Māori interest

Partnering with Māori ensures Māori interests are protected and their needs and aspirations are met and allows Kāinga Ora to support the Crown to fulfil its obligations in respect of Te Tiriti o Waitangi (Treaty of Waitangi).

A disproportionate number of people experiencing homelessness and housing stress are Māori. We aim to improve wellbeing outcomes for Māori in housing and urban development.

- Human Capital
- Social Capital
- Financial/Physical Capital
- Natural Capital

What success will look like:

- Māori aspirations to develop and deliver opportunities on their whenua and participate in urban development are understood, supported and enabled so as to sustain future generations.
- Whānau aspirations and wellbeing are enabled by a strengths-based approach.
- Māori are engaged with early on and in a meaningful way, and their interests are identified and protected.
- Kāinga Ora's contributes to ensuring the Crown's obligations in respect of Te Tiriti o Waitangi (Treaty of Waitangi) and related legislation are fulfilled.

In 2019/20 our work in partnering with Māori included:

- establishing the Te Kurutao group to lead Kāinga Ora in lifting its capability and capacity to engage with, understand and deliver on Māori needs and aspirations
- developing our overarching Māori strategy, to synthesise all Māori components of work within Kāinga Ora
- improving our understanding of the needs and aspirations of the 22,000 whānau Māori that live in our homes
- implementing and measuring an iwi/Māori placement policy known as the Hapori Māori policy or Strengthening Māori Communities policy
- entering into a partnership with Ngāti Toa Rangatira to deliver housing in Western Porirua. This will enable Ngāti Toa Rangatira to establish themselves as a community housing provider, to deliver tenancy and property management services for this community

- developing a partnership with Ngāti Kahungunu in Hastings
- developing a partnership with Ngāti Whakaue in Rotorua
- developing and implementing an iwi/Māori Transitional Housing Plan that supports iwi/Māori transitional housing developments
- developing, implementing and measuring new products and services that meet the needs of Māori and assist whānau into home ownership
- investigating social procurement and its benefits particularly in relation to Māori.

We continue to work with our partners in central government to align strategic priorities in relation to Māori. This includes an ongoing commitment to further developing the Māori and Iwi Housing Innovation Framework for Action, in collaboration with HUD and Te Puni Kōkiri.

Housing access

Good quality, affordable housing choices meet diverse needs.

Access to quality, affordable housing that meets people's needs is a basic human right, which provides stability for people to live well and flourish.

Human Capital

Social Capital

Financial/Physical Capital

What success will look like:

- Our homes are safe, warm, dry, healthy and designed to support a diverse range of needs and choices.
- Land is used effectively, efficiently and sustainably to provide homes and more liveable communities for Māori and all people across generations.
- New public housing supply responds to customer needs.
- People and whānau have access to homes they can afford.
- People and whānau are supported to transition to greater housing independence.

In 2019/20 we have supported housing access and affordability in a number of ways:

Home ownership and assistance

- We have provided over 10,600 families with home ownership assistance products for the purchase of their own home.
- We have paid a total of $78.3 million in First Home Grants to more than 14,150 applicants.
- We have underwritten, since the scheme's inception, 1,910 KiwiBuild homes enabling the development of a total of 3,653 market and affordable homes.

Land release for affordable housing

- Through our large-scale development programmes we released land in more neighbourhoods to the market through development agreements with builders and developers. In the development agreements we require a certain proportion of the homes to be sold at KiwiBuild price points. In the year ending 30 June 2020, we:
  - went to market for land in six neighbourhoods, three for the first time
  - released land that enabled 123 more market homes and 83 more affordable homes.
- For some sites we have directly built homes for sale at affordable price points, for example the McLennan development in South Auckland delivering 10 new homes.

Land acquisition for affordable housing

- We have built momentum in our land acquisition programme to enable us to scale up construction of good quality, affordable housing for ownership and rent that meets diverse needs.

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.

- Human Capital
- Social Capital
- Financial/Physical Capital
- Natural Capital

What success will look like:

- Communities, iwi and hapū live in high-quality homes and neighbourhoods that have access to education, employment, social infrastructure, amenity, and services that support their wellbeing.
- 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 are enabled in shaping their surrounding environments and in relation to urban development.

In 2019/20 we have:

- developed masterplans for community regeneration, including infrastructure and community amenities
- initiated, facilitated or undertaken large-scale urban development projects, either directly or in partnership, or on behalf of other agencies, in Northcote, Mount Roskill, Eastern Porirua, Hobsonville Point, Oranga, Māngere, Tāmaki and Te Kauwhata
- continued to partner with others, including local government and iwi, to explore new large-scale redevelopment projects, such as the Manukau Regeneration Project
- provided leadership and coordination in relation to urban development, including by supporting innovation, capability and scale within the wider urban development and construction sectors
- led and promoted great urban design and efficient, integrated, mixed-use urban development
- understood, supported and enabled the aspirations of communities in relation to urban development
- worked alongside tangata whenua to deliver outcomes for Māori in urban development.

Our work is not just about the numbers of homes we deliver. Our work includes the delivery of improved infrastructure and amenities that strengthen and connect neighbourhoods and communities.

Environment

Environmental wellbeing is enhanced and preserved for future generations.

We will operate in a way that recognises environmental, cultural and heritage values and the need for our activities to mitigate and adapt to the effects of climate change. This ultimately leads to improved wellbeing outcomes for all New Zealanders.

Human Capital

Social Capital

Natural Capital

What success will look like:

- Our assets and communities are resilient to environmental shocks.
- Our customers and communities are empowered to live in an environmentally sustainable way.
- Our operations are environmentally sustainable.
- Māori are recognised as Kaitiaki o Te Taiao and enabled to exercise their responsibilities in sustaining and protecting the environment.

In 2019/20 we have:

- established our Sustainability Programme, which recognises the significant impact our activities and operations have on the environment and society
- entered into partnerships with our financing stakeholders. In 2019/20 Kāinga Ora issued $2.3 billion of new Wellbeing Bonds to finance our build programme and associated programmes to deliver specific environmental and social outcomes for specific customer groups
- strengthened our understanding of Kāinga Ora's exposure to climate change risks and investigated how this can be integrated across our investment decisions
- committed to the 6 Homestar standard[2] for our new homes. This ensures we deliver warm, dry homes as well as energy savings to our customers and results in up to 80 percent less construction waste from each building site
- improved our understanding of the current performance of our property portfolio and what we need to achieve to transition to net carbon zero by 2050
- led housing research and adopted resource-efficient housing innovations
- optimised housing density and new infrastructure for transport and green amenity on existing land holdings, and set sustainability requirements for land and housing acquisitions
- investigated opportunities for urban regeneration in our existing communities and through our large-scale development projects.

2. 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 standard.

System transformation

System transformation is catalysed and delivered.

Collaboration, innovation and effective partnerships are essential for improving efficiency and creating change in housing and urban development. This ultimately leads to better wellbeing outcomes for all New Zealanders.

Human Capital

Social Capital

Financial/Physical Capital

Natural Capital

What success will look like:

- Authentic and strategic partnerships shape the system, including with iwi and Māori organisations, investors, local government and all stakeholders.
- Future-focused planning and regulation support the system to respond to market demand.
- Innovation is adopted in the housing sector.
- Capacity and resource in the system are unlocked to enable new housing delivery.
- The private sector has confidence and certainty about the public sector's contribution to urban development and how to invest and engage in opportunities.
- Sustainable master-planned development is delivered at quality, pace and scale, and catalyses ideas, insights and innovation.

In 2019/20 we have:

- agreed four Construction Partnering Agreements (CPAs) with suppliers for the delivery of standalone and terraced housing in Auckland and Christchurch with an additional five completed in 2018/19. The contracted volume of standalone and terraced housing from these multi-year contracts is 620-630 homes per annum
- continued to build our capability in the use of off-site manufacturing. Kāinga Ora is currently trialling a bathroom pod off-site manufacturing solution. This initiative allows for faster, safer and more predictable procurement and saves on the time and cost of new homes
- contributed to the Construction Sector Accord by progressing initiatives to strengthen partner relationships and provide more proactive engagement, as well as to help improve the development, health (including mental health), safety and wellbeing of those working in the sector
- continued to strengthen the Piritahi alliance – New Zealand's first land development alliance. The civil construction collaboration streamlines the delivery of build-ready residential land by planning, designing, coordinating, consenting and building infrastructure across Kāinga Ora's large-scale urban development programme
- extended the Kāinga Ora apprenticeship programme – there are more than 70 apprentices working with build partners across a number of our construction-related programmes
- worked with councils to streamline building and resource consenting processes, including a faster approval process for our standardised housing products.

Supporting the Government's priorities

Alongside the outcomes which we have a legal mandate to achieve, our work is also aligned with the Government's priorities. These include: increasing housing supply and maintaining momentum on existing large-scale housing and urban development projects; contributing to a cross-agency approach to prevent and reduce homelessness; achieving equitable housing outcomes for Māori, with immediate focus on addressing barriers to building on whenua; promoting innovation and driving transformation in the construction sector; and contributing to the whole-of-government approach to support economic recovery in response to the impacts of COVID-19.

Contributing to thriving and sustainable communities through increased housing supply and quality urban development

As the key delivery agency on the Government's public housing commitment, as well as the Government's lead developer in the planning and delivery of urban development projects of all sizes, we have a significant role to play in delivering more homes and ensuring these homes are part of thriving communities.

In 2019/20 we provided a leadership and/or enabling role in urban development in many locations across New Zealand. We engaged early and fully with local communities to understand what is special about every area where we work. We used a participatory approach alongside a place-based approach to create local solutions that meet the diverse needs and aspirations of local communities.

In 2019/20 we also developed our strategic guidance on when, where and why we would purchase land for public and supported housing and how we will collaborate with the private sector to increase housing and land supply through our urban development portfolio.

CASE STUDY

Accessible homes making a difference

For one Kāinga Ora tenant, the Hanson Street complex in Wellington with its accessible units has provided much-needed accommodation at an incredibly difficult time.

In 2019 John suffered an accident which saw him break his neck and tragically left him a tetraplegic.

The former actor and hospitality worker spent months in Christchurch's Burwood Hospital, and when getting ready to be discharged, found he couldn't secure a private rental that had accessibility features and met his requirements for being in a wheelchair.

"Overall my experience of Hanson Street has been great!"

John was assessed for the housing register and was matched in July 2019 to one of the new units at Hanson Street, Newtown, which opened earlier that year.

"Overall my experience of Hanson Street has been great," says John.

"For some reason no-one was prepared to accommodate me on leaving Burwood."

The 20 one-bedroom complex was built specifically for the elderly or people with disabilities, with every unit having accessibility features like wet room bathrooms, and wider doorways to make it easier to move around. It's also located close to shops, Wellington Hospital, social services agencies and public transport.

John is applying for a two-bedroom modified property so he can have a live-in carer 24/7, but he's found Hanson Street has been the ideal place to help him adjust to his situation and it has provided a home at a very tough time.

"It's been difficult, but since moving into Hanson Street, it's grown to a point that it feels good here."

Increasing housing supply

In 2019/20 Kāinga Ora played a leading role in implementing the Government's ambitious build programme to increase the supply of affordable housing and secure rentals in areas facing housing pressures.

Home ownership opportunities were extended through changes to the products that we administer, such as First Home Grants and loans, which meant that more New Zealanders were able to purchase their own home.

We continued to deliver more houses across New Zealand making sure that we supplied tailored development plans matched to specific need, for example tailored mixes of transitional, public and affordable housing, and realising opportunities for iwi and Māori housing projects.

727▲

net number of public homes in our portfolio

CASE STUDY

KiwiBuild homes outselling the market

For first home buyer Guido, securing a KiwiBuild apartment in Auckland was a bit like "winning Lotto".

In August 2019 the 27-year-old's name was drawn from the ballot, giving him the opportunity to purchase one of the new KiwiBuild homes in the Northcote Fraser Avenue development. He paid $650,000 for his three-bedroom apartment.

"To be honest with you it was a bit like winning Lotto. It was a great experience. I was very happy to be getting into my own home," he says.

Guido had been house hunting for several years, keen to stop spending money on rent, but was not able to find anything he could afford that was close enough to his job on the North Shore. He says he would have paid at least $800,000 on the open market for something similar.

Using his KiwiSaver and a $10,000 First Home Grant, Guido was able to arrange the deposit to secure his apartment off the plans. He received the keys and moved into his brand new home, delivered by developer NZ Living several weeks ahead of schedule.

"It's super exciting to move into a brand new home and to show my friends and family around. It's been a great outcome for me."

Guido's brand new three-bedroom KiwiBuild apartment at Fraser Avenue in the Northcote Development.

"To be honest with you it was a bit like winning Lotto. I was very happy to be getting into my own home."

The Fraser Avenue development defied all COVID-19 odds, opening ahead of schedule. All the homes in the development sold out off the plans, making it Auckland's best-selling KiwBuild project to date. The studio, one-, two- and three-bedroom apartments are the first homes available to market and KiwiBuild buyers in the Northcote Development, one of the large-scale projects led by Kāinga Ora.

Making progress on our large-scale projects

One of the key means of the Government delivering on the scale of its public and affordable housing objectives in the medium to long term is through large-scale housing and urban development projects. In addition to increasing public and affordable housing supply, these projects can help to promote urban regeneration and unlock increased investment in housing.

One of our key deliverables for 2019/20 from our Statement of Intent is creating well-functioning urban environments. To do this, we have:

- developed new approaches to fit our broad urban development role
- planned the next stages of large-scale projects including at Hobsonville, Northcote, Māngere, Mount Roskill, Oranga, Tāmaki, Eastern Porirua and Te Kauwhata
- developed a strategy to assemble large and/or strategically located land parcels, enabling the delivery of quality intensification, great urban design and affordable housing.

Working alongside mana whenua partners and our key stakeholders, we continued to make progress on our seven large-scale projects currently underway, which in total will produce more than 40,000 homes over the next 15-20 years. This includes our partnership with Tāmaki Regeneration Company (TRC) to deliver build-ready land and more homes in Point England, Panmure and Glen Innes. We also continued to partner with others, including local government and iwi, to explore new large-scale redevelopment projects, such as the Manukau Regeneration Project.

Fundamental to our large-scale projects is maintaining the support and input of local communities. These projects are outcome-focused, and are more than the delivery of high-quality housing. They will fast track the renewal of infrastructure, deliver new amenities and enable investment into connectivity and active transport. We will also focus on local economic development to strengthen communities.

Our Hobsonville Point Development.

To help provide good urban design at scale and pace, Kāinga Ora and Auckland Transport have worked together to develop a standard set of future-focused road design rules – making it faster to deliver around 1,000 quality new homes in Roskill South. We identified the need to think innovatively in streamlining the streetscape design approval processes. The result is a first-of-its-kind set of 'standard departures', providing Kāinga Ora with pre-approved variations to typical streetscape design. The Roskill South development is the first to benefit from the pre-approved variations, which can be applied development-wide, significantly improving workflow and timeframes for both parties.

Tāmaki

Tāmaki is the largest urban regeneration project in New Zealand. We are working in partnership with the local community, mana whenua, the TRC, Auckland Council and other stakeholders to ensure we have quality

CASE STUDY

Report confirms building amenities early boosts communities

Giving communities early access to amenities like parks, walkways and public artwork as part of new developments helps enhance wellbeing and land value overall, a new report on the Hobsonville Point development has found.

The report by Fresh Info, 'Understanding the relationship between social amenity, wellbeing and land values', was commissioned by Kāinga Ora – Homes and Communities to help inform future investment decisions across its portfolio of large-scale developments, with the goal of creating thriving communities. It surveyed more than 500 Hobsonville Point residents, and builder and developer partners, and analysed residential land values at Hobsonville Point compared with other greenfield developments.

The report found residents place a high value on social amenity like parks, schools, walkways and public artwork, and by providing these at an early stage, builders and developers find it easier to market and sell homes. It also noted investment in social amenity at Hobsonville Point was linked to a rise in residential land values that was shared amongst home owners, builders and Kāinga Ora.

Katja Lietz, Kāinga Ora Deputy Chief Executive of Urban Development Planning, welcomed the findings of the report. "Kāinga Ora understands, and has demonstrated, that the provision of

"Each neighbourhood we are working in has its own character, constraints and opportunities"

social amenity is a pathway to creating thriving communities. Furthermore, by providing social amenity in our developments at an early stage, Kāinga Ora has created confidence with builders and developers," Lietz says.

Lietz says the results achieved at Hobsonville Point will inform how Kāinga Ora approaches the masterplanning process and provision of amenity in other large-scale developments. "We understand that each neighbourhood we are working in has its own character, constraints and opportunities, and we'll take all the relevant learnings from Hobsonville Point to set bespoke targets and measures on the benefits of social amenity across our developments," Lietz says.

neighbourhoods that support excellent life outcomes for Tāmaki residents now and into the future.

This means demolishing 2,800 old state homes and replacing them with 10,500 new, warm and dry, healthy homes over the next 20-25 years. Together we will create mixed-tenure (social, affordable, private) neighbourhoods with good connections to transport, green spaces, quality town centres and social infrastructure. It is anticipated that the number of residents living in Tāmaki will increase from 18,000 to approximately 60,000 people by 2043.

The Tāmaki urban regeneration project will build upon the area's rich history to provide new opportunities for the residents of Glen Innes, Point England and Panmure, and create a thriving, attractive and sustainable community.

Communicating with our communities

Our four community magazines and database of e-news subscribers are critical to our commitment to understanding, supporting and enabling the aspirations of communities in relation to urban development. We currently print 146,000 magazines annually, distributed across the Northcote, Hobsonville Point, Māngere and Mount Roskill communities as well as 85,000 magazines circulated within The New Zealand Herald. Our 16,135 e-news database subscribers are kept up-to-date with community and development news, and are given priority notice of new homes for sale in their local area.

CASE STUDY

Praise for Māngere homes

In November 2019 Kāinga Ora celebrated the opening of 15 new state homes at the corner of Ventura Street and Patete Lane in the Māngere Development.

The project will see the delivery of better amenities and infrastructure to the community and Kāinga Ora is working with Auckland Council to upgrade parks and walkways too.

Over the next 10-15 years the Māngere Development will see around 10,000 homes, comprising 3,000 state and a mix of 7,000 affordable and market homes, built in Māngere.

Increasing this supply will help meet the rising demand for housing and will provide more housing options for people living in the area. The aim of the Māngere Development is to give Māngere residents the opportunity to build the future they want for themselves and their families in a place where they feel proud to belong.

10k homes
over 10-15 years

Improving accessibility

Kāinga Ora has developed an Accessibility Policy, which is built around three key outcomes and underpinned by principles and commitments.

This new policy has been developed over the last 12 months through extensive engagement with our stakeholders including our customers and their whānau.

Key outcomes

- Increase the number of our homes that meet universal design standards
- Meet the individual needs of customers
- Improve information about customers' needs and the accessibliity of our properties

Principles and commitments of the Accessibility Policy

In developing our Policy, we have been mindful of the need to commit to operating principles that will inform how we make decisions and interact with our customers.

"We commit to supporting our customers to live in a home that suits them"

To this end, Kāinga Ora:

- Recognises the need to identify and remove barriers faced by all disabled people, and will achieve greater accessibility by aligning with a culture that recognises the dignity and worth of every individual, within a household, within a community
- Will seek to find varied and flexible solutions that meet our customers' needs and allow them to live with dignity and independence for as long as they choose or are able
- Will engage, support and advocate for the development of a more inclusive and diverse community
- Will focus on removing barriers to full community participation for all our tenants and their whānau
- Will produce accessible solutions reflective of what communities need across a range of locations and types of homes
- Commits to active engagement with communities including the disability sector, and recognises the integral place the disability sector has in our communities
- Has a responsibility to meet our obligations under the United Nations Convention on the Rights of Persons with Disabilities and those contained within the New Zealand Disability Strategy 2016-2026 and its linked Disability Action Plan 2019-2023.

Key Accessibility Policy milestones

September 2019 – Board approved the Accessibility Policy.

October 2019 – New Accessibility Policy Working Group established.

2020/21 – Kāinga Ora will record and begin reporting on our public housing new builds that meet our universal design standards.

2021/22 – We will be accountable for having at least 15 percent of our public housing new builds meeting our universal design standards.

CASE STUDY

New home is just right

When Jacob first went to visit his new home, he wanted to move in right then and there. The Kāinga Ora state home just ticked all the boxes.

“The property is perfect for me,” Jacob says. “It’s light and sunny and has good ventilation. It’s also easy to heat so you don’t need to use a lot of electricity.”

Being a ground floor apartment was a big drawcard, as was the accessible bathroom.

“When I opened the bathroom door and saw the wet room shower, I was sold. I said: ‘I think I need to go and sign the paperwork’.”

The 26-year-old was offered the one-bedroom home in Avondale in May because the state home where he lived in Henderson was being refurbished because of water-tightness issues.

His old home was on the third floor, which was difficult for him to access. It required walking up stairs in order to get to the lift.

“I needed a brand new start. I had recently been made redundant and was ready to move on from my old place because it wasn’t meeting my needs.”

Jacob’s health issues include developmental delay, vision impairment, obesity and high blood pressure. He also suffers from sleep apnoea at times.

Since the move, his doctor has noticed a big improvement in his health. “The sleep apnoea has gone and the high blood pressure has reduced significantly,” Jacob says.

He’s also enjoying walking more and exploring the neighbourhood. “Everywhere you go people say: ‘Hello, good morning’.”

For Jacob, there was another unexpected benefit of the move. He struck up a friendship with Kāinga Ora staff member Sam, who he still keeps in touch with regularly.

Opening doors to accessible housing. Jacob in his new Avondale home.

“The property is perfect for me! It’s light and sunny.”

Sam is a tenancy liaison officer, which is a role dedicated to supporting tenants whose current homes are being redeveloped or significantly upgraded.

This involves early conversations about a potential move, confirming dates, finding another suitable home, and then ensuring the person, or whānau, feels settled in their new home.

“Sam’s done a lot for me,” Jacob says. “He’s been a rock. He really took time to listen and try and find a home that met all my health needs. It meant a lot to be able to trust him.”

For Sam, the process has been equally rewarding. “Helping Jacob has been a real highlight for me. I joined Kāinga Ora to help people. The difference we’ve made to him means the world to me.

“I’m actually grateful to Jacob for allowing Kāinga Ora this opportunity to help him into a home that meets his needs.”

CASE STUDY
Upgrading and improving our homes

Through our Retrofit programme we're upgrading and improving our older homes to deliver more warm, dry and healthy homes.

Following the successful pilot in the Hutt Valley, we're expanding the work to retrofit over 1,500 homes in 30 towns across New Zealand over the next two years.

We are also looking to use contractors of all sizes to carry out the work. The programme is an investment of $500 million, which is significant for the regional economies these homes are located in.

This work aims to bring these homes up to or above new build and 6 Homestar standards, and add another 50 years to the life of the properties.

Carol, Kāinga Ora Tenancy Liaison Officer, and Barbara, Kāinga Ora customer, celebrating a newly retrofitted home.

Images taken of the lounge both during and after the retrofit was completed.

>1,500 homes

in **30** towns
over **2** years

The Retrofit programme includes full insulation of the homes (walls, ceiling and floor insulation), double glazing, improved air-tightness, ventilation and new heating to ensure a healthy indoor living environment.

We will also look at carrying out work such as upgrading bathrooms and kitchens, converting homes to a more modern, open plan living layout, and making the homes more accessible.

Te Mahi Ngātahi
Maintenance 2020 programme

The Maintenance 2020 programme concluded one of our largest procurement activities undertaken in 2019/20. Maintenance 2020 confirmed Kāinga Ora's next Maintenance Partners and our new national supply agreements.

Approximately 9,000 people – Kāinga Ora's five Maintenance Partners and trades people – work together to deliver maintenance services nationwide, 24 hours a day, seven days a week.

The Te Mahi Ngātahi contract (the name recognises our commitment to working together with our Maintenance Partners) has a possible full contract term of up to 10 years and is designed to deliver an improved customer experience with our maintenance services.

The contract is informed by what our customers said was important to them – treat them as a valued customer, match our services to their individual needs, consider their commitments as well as our own, work with them to find solutions, and act with urgency to put things right if it hasn't gone according to plan.

Following selection of our Maintenance Partners, a comprehensive programme to transition to new ways of working was delivered that covered all aspects of the contract.

9,000
people deliver maintenance

CASE STUDY
Supporting our customers

During the COVID-19 pandemic, Geane contacted Kāinga Ora about a blocked drain.

The plumber arrived two hours later to assess the problem and clear the mess. Tree roots were suspected to be causing the blockage and quick investigation was required. Getting the problem fixed was a great relief for our customer.

"Getting help quickly was so helpful, when I was racing against time to get everything set up before my baby arrived. Everyone has treated me with respect and kindness, which has been really nice."

Our Dunedin customer Geane with her baby daughter.

Addressing homelessness

The Aotearoa New Zealand Homelessness Action Plan announced in February 2020 is an important step in delivering the Government's vision that homelessness in New Zealand is prevented where possible, or is rare, brief and non-recurring.

Kāinga Ora plays a critical role in implementing the action plan through the provision of public and transitional housing supply. During the past year we worked with HUD to urgently increase the supply of transitional housing, by contributing to the Government's cross-agency delivery expectation to supply 500 transitional homes by December 2020. Transitional housing is provided to individuals and families with an urgent need for accommodation, for up to 12 weeks, and is managed by service providers, who also provide the people occupying them with wraparound support services and support to find permanent accommodation.

Alongside increasing the supply of transitional housing throughout New Zealand, we delivered more public housing at scale and pace.

CASE STUDY

A strengthening partnership between Kāinga Ora and Ngāti Whātua Ōrākei

In March 2020 Ngāti Whātua Ōrākei held a karakia whakawātea (site blessing) at 139 Greys Avenue. This karakia blessed the central Auckland site in preparation for the civil works that started later that month.

The dawn blessing celebrated the strengthening partnership between Kāinga Ora and Ngāti Whātua Ōrākei. Ngāti Whātua Ōrākei have been integral to shaping the design of the new building and this relationship and partnership was praised and celebrated by the≈speakers during the blessing.

Renders of the Greys Avenue development.

276 apartments

2,000m^2 indoor communal space

About Greys Avenue

Kāinga Ora is redeveloping its site at 139 Greys Avenue in central Auckland. It will house more people in a supportive housing environment which will help tenants live more stable and productive lives.

There will be an increase in scale and social diversity by creating 276 apartments with at least 200 retained as state homes. Up to 80 of those state apartments would be designed for higher and complex need tenants, many of whom are currently homeless. All customers will be supported by on-site support services such as health care, counselling and skill development.

There will be over 2,000m^2 of indoor communal space for community making and engagement. It will feature a shared kitchen, dining hall, recreation space and medical facilities. We have designed informal gathering spaces on each floor to help create a sense of home and community. Greys Avenue is expected to be completed in the second half of 2022.

Understanding, supporting and enabling Māori aspirations

Māori aspirations in housing and urban development are a significant and evolving area of responsibility for Kāinga Ora.

Building our capability

We will develop and implement the Te Mahere Framework and work programme to support staff in building and strengthening our organisational cultural knowledge, and to better understand the capabilities we require to discharge our statutory responsibilities to Māori. Te Mahere is an overarching framework and work programme that connects to the Kāinga Ora strategy and:

- affirms our contribution to the Crown's commitment to upholding Te Tiriti o Waitangi (Treaty of Waitangi) and its principles, and seeks to articulate how Kāinga Ora discharges its statutory responsibilities to Māori
- sets out our leadership role and responsibilities in a whole-of-government context for delivering targeted housing outcomes for Māori
- sets benchmarks for Māori participation in urban development and seeks to leverage a broad sweep of social, environmental, economic and cultural outcomes for Māori in the delivery of Kāinga Ora portfolios, programmes and projects across New Zealand
- recognises the skills, capabilities and resources required within Kāinga Ora to fulfil our role and responsibilities to Māori.

Building on our national, regional and local relationships with Māori

We will investigate innovative opportunities alongside Māori to develop and implement targeted initiatives that align with Kāinga Ora's organisational strategic documents and the needs and aspirations of identified Māori organisations. We will also implement pilot programmes with Māori that will see Te Kurutao Group Māori Operations lead across organisational teams alongside other agencies and groups to deliver identified outcomes for Māori.

The partnerships on the following pages show how Kāinga Ora has made significant progress in working with iwi to support significant projects that will strengthen Māori capabilities and outcomes across economic, social, environmental and cultural wellbeing.

CASE STUDY

Hastings place-based approach partners with iwi on housing

In December 2019 the Government announced a housing package to help address the housing challenges faced in Hastings, with a focus on partnering with iwi.

Led by the Ministry of Housing and Urban Development, the Hastings place-based approach brings together government agencies, including Kāinga Ora and local organisations to work collectively to understand how local and central government levers can be used to improve housing outcomes. This will see over 200 new homes built in Hastings, with Kāinga Ora to deliver 160 of these homes by the end of 2021.

A key element of the approach is the specific focus on increasing Māori housing for whānau who need it most, through the Māori Housing Network Papakāinga programme.

Government agencies are also working closely with Te Taiwhenua O Heretaunga to support delivery of a mix of housing through the Waingākau development in Flaxmere.

200 homes

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160 delivered by Kāinga Ora by the end of 2021

CASE STUDY

Partnering for better housing and community outcomes in Rotorua

Kāinga Ora has an in-principle agreement with Ngāti Whakaue, one of the largest land owners in Rotorua, to explore a long-term relationship to co-develop their tribal lands – between 1,500 and 3,000 hectares including Wharenui.

The Wharenui Masterplan proposes significant housing, commercial, industrial, education and retirement village development opportunities to be leveraged by a partnership agreement and underpinned through a long-term relationship between Ngāti Whakaue Tribal Lands (NWTL) and Kāinga Ora.

NWTL and Kāinga Ora will work together to:

- address the housing needs of the Ngāti Whakaue people and the wider Rotorua community
- determine the most effective pathway towards better social, economic, commercial and housing outcomes for NWTL shareholders/beneficiaries, Te Arawa iwi and the community of Rotorua
- provide employment opportunities and employment pathways through the development of the land at Wharenui
- realise the significant housing, employment, commercial, industrial, education and retirement village development opportunities across the wider Ngāti Whakaue land holdings.

Kāinga Ora is committed to partnering with local communities, government agencies and others to help advance the economic, social, cultural and environmental goals of Ngāti Whakaue.

CASE STUDY

Moving forward with community regeneration in Porirua

In November 2019 Kāinga Ora, Ngāti Toa Rangatira and the Ministry of Housing and Urban Development signed agreements to make the Western Porirua partnership a reality. This partnership is key element of the Porirua Development, which is driving the regeneration of housing across Porirua.

Kāinga Ora Chief Executive Andrew McKenzie speaking at the partnership agreement with Ngāti Toa Rangatira.

Kāinga Ora Chief Executive Andrew McKenzie and Tā Matiu Rei, Executive Director, Te Rūnanga o Toa Rangatira signing the partnership agreement between Kāinga Ora and Ngāti Toa Rangatira.

At the Takapūwāhia Marae in Porirua, contracts were finalised which will see Ngāti Toa Rangatira's new community housing provider, Te Āhuru Mōwai, carry out the tenancy management and maintenance of over 900 Kāinga Ora properties in Western Porirua from 3 October 2020 for the next 25 years. Over time Te Āhuru Mōwai will also upgrade houses in Western Porirua making them warmer and drier.

It's a very special and significant step for Kāinga Ora, the iwi and the government agencies that will be working with Te Āhuru Mōwai, to provide public housing services in Porirua and to help the people in those homes to live well and flourish.

Encouraging innovation and supporting system transformation

We are committed to innovation across many areas of our business. The scale of our land holdings, property portfolio, financial resources, and investment programme provides a significant opportunity to encourage innovation and improve efficiency in the wider housing and urban development sectors through our longer-term investment horizons.

Undertaking innovation in construction

In 2019/20 we commenced implementation of the Innovate, Partner, Build programme. This has delivered key advances such as standardised designs in new home development, particularly as part of our construction volume contracts to support more efficient delivery at scale.

We will continue to build our capability in the use of off-site manufacturing (where parts of the building are made away from the final construction site). This will enable us to undertake faster, safer and more predictable procurement, and save on the time and cost of delivering new homes.

We will also undertake research and development to continue building better homes through the use of technology and innovation. This will include collaborating closely with the building industry on optimising outcomes for timber, pilot-testing performance of manufactured bathroom pods and exploring the performance of multiple other build systems.

Innovation activity right across the build programme will be scaled up through an innovation test-bed programme. We will use the findings and successes from this to improve our delivery programme as part of a coordinated and sustainable innovation programme.

CASE STUDY

State-of-the-art building technologies

Busby Street in Blockhouse Bay in Auckland is the site of optimised Cross Laminated Timber (CLT) design and innovative new building technologies.

The development includes 18 two-bedroom state homes, six of which are fully accessible.

The project uses CLT, a building system which Kāinga Ora has been among the first to adopt extensively in New Zealand.

CLT uses timber panels which are factory cut, transported and then lifted into place on site much like precast concrete panels. At Busby Street, further innovations are incorporated by using engineered light timber frame panels and pod bathrooms and laundries.

It is the first of a four-project Kāinga Ora research and development programme which will combine these technologies to enable the delivery of homes manufactured to a factory level quality.

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

The installation process at Busby Street took about eight weeks to complete.

Kāinga Ora is working closely with industry to grow our off-site capability because we believe it has a really critical role to play in improving productivity. The off-site technologies employed at Busby Street can be assembled safely and efficiently on site, allowing Kāinga Ora to deliver homes more quickly for people in need.

The extensive use of timber products enables a long-term store of carbon, making it a more sustainable approach to building. CLT also has a low-energy use in its production and its supply chain can be tracked to ensure the timber comes from sustainable sources.

The factory-built bathrooms and laundries incorporated into the project have the potential to improve quality, while streamlining the design and delivery processes. Initial results suggest it will deliver more predictable outcomes in terms of capital and whole-of-life costs.

CASE STUDY

Piritahi alliance set for a busy year

The push to provide more quality housing around Auckland is ramping up and Kāinga Ora's Piritahi alliance is key to helping it deliver on its targets.

Piritahi is the country's first land development alliance, set up in late 2018. Piritahi brings together industry experts to deliver the civils work required for Kāinga Ora's large-scale urban development projects in Auckland.

Piritahi specialises in preparing government-owned land to build new homes on, and also designs, builds or upgrades infrastructure, parks and public spaces on behalf of Kāinga Ora.

Kāinga Ora's urban development team is the owner-participant of Piritahi and as of 1 October 2019 the alliance also comprised Dempsey Wood, Harrison Grierson, Hick Bros Group, Tonkin + Taylor, and Woods.

With infrastructure the key constraint to building more housing, Piritahi provides a strategic, long-term solution to infrastructure constraints via a design and construct model of industry experts. Piritahi is also shifting towards earlier involvement in masterplanning to identify and solve infrastructure constraints faster.

As Piritahi lays the groundwork for large-scale developments, they have a years' long presence in these communities from beginning to end. Committed to being good neighbours, and contracted to deliver upon a 'stakeholders' key result area, Piritahi is committed to keeping community members informed about civil construction/land development activities, and working closely with residents to minimise disruption wherever possible, currently averaging a total of 1,500 community touchpoints per month. Piritahi also supports and contributes to Kāinga Ora's community events.

Piritahi's successful and close collaboration with Council Controlled Organisations is expediting the delivery of infrastructure projects in large-scale development areas, such as:

- constructing Roskill South's Freeland Reserve stormwater flood attenuation upgrade for Healthy Waters
- designing and constructing the Dominion Road/Youth Street upgrade in Mount Roskill for Auckland Transport
- constructing Northcote's Lake Road water main upgrade for Watercare
- designing and constructing Northcote's Tonar Street stormwater outfall for Healthy Waters.

In 2019/20 development work started in several Auckland neighbourhoods including Roskill South, Ōwairaka, Oranga and Northcote. Civil design also started in many other neighbourhoods to lay the foundation for construction to take place through 2020 and in the coming years. Piritahi is scaling up its work programme further to provide more quality housing including state and affordable housing, and market homes.

We will apply lessons learnt through the Piritahi alliance to other large-scale urban development projects around New Zealand.

Supporting innovation in apprenticeship, skills training and pathways

We also support skills training and stimulate apprenticeships to grow the building sector and communities. We work alongside our build partners, subcontractors, sister agencies, and service providers who support rangatahi from communities to maximise the opportunities for success in apprenticeship and cadetship roles in our builds.

At our large-scale redevelopment projects, we continue promoting opportunities and construction-related health and safety issues to school communities, creating learning and development pathways into the building, construction and land development industries.

Area Manager Fraser with tenant Alison wearing her Queen's Service Medal awarded for services to conservation in the portside community of Lyttleton, where she lives.

Sustainability Financing Framework

Over 2019/20 Kāinga Ora updated its Sustainability Financing Framework including designating its financing programme as Wellbeing. In doing so, the financing objectives of Kāinga Ora are further aligned with its outcomes framework and sustainability themes.

Kāinga Ora's approach to sustainability is aligned with the New Zealand Treasury's Living Standards Framework, and Government commitments to the United Nations Paris Agreement and Sustainable Development Goals. These include (but are not limited to) wellbeing, reduced inequalities, and sustainable cities and communities.

Under these principles, Kāinga Ora enters into a partnership with its financing stakeholders to achieve specific outcomes for specific target populations delivering positive environmental and social outcomes.

Kāinga Ora issued $2.3 billion of new Wellbeing Bonds over 2019/20, including new 10-year and 20-year bonds. The 20-year issue was the first issue of an inflation-indexed bond, highlighting Kāinga Ora's ongoing innovation in integrating wellbeing and financing objectives. The inflation-indexed bond extends Kāinga Ora's financing to 20 years and provides a clear alignment between financing costs and rental revenues.

All proceeds are used to finance Kāinga Ora's build programme and associated programmes in support of achieving Kāinga Ora's outcomes framework.

Our Sustainability Financing Impact Report provides further detail on key programmes and projects we have embarked on. We outline goals, outputs, outcomes and achievements.

CASE STUDY

Building a pipeline of apprentices

Kāinga Ora helped more than 70 young people into an apprenticeship in 2019/20 with the assistance of training and pastoral care providers.

In May 2020 budding sparky Matt Sauni celebrated his first year under the Kāinga Ora apprenticeship programme, and couldn't be happier. "It's great to be in a job where I'm learning all the time," the 29-year-old says.

Based in Christchurch, Matt entered work experience early last year, and initially had his heart set on becoming a builder. "I got a two-week placement doing electrical work and found out I enjoyed it a lot more than building. After that I started an apprenticeship with Wright Wire Electrical."

His boss, Craig Wright, Director of Wright Wire Electrical, says he's extremely pleased with his apprentice. "Matt's brilliant. I think he just needed an opportunity to prove himself, and he's done that far and beyond."

"I got a two-week placement doing electrical work and found out I enjoyed it a lot more than building. After that I started an apprenticeship with Wright Wire Electrical."

Like many employers, Craig says the Alert Level 4 lockdown brought its challenges, but he prefers to look on the bright side. "It's given us a chance to pause and reflect on what's really important – family, friends and finding balance."

Matt is one of the people Kāinga Ora has helped into an apprenticeship with the assistance of training and pastoral care providers. These include the Building & Construction Industry Training Organisation, Ministry of Social Development, Ministry of Business, Innovation and Employment and the New Zealand Institute of Skills and Technology.

Now into its second year, the apprenticeship programme continues to grow, with 32 Kāinga Ora build partners and subcontractors now employing cadets and apprentices across public housing building sites.

Responding to COVID-19

COVID-19 created an unprecedented health crisis, leading to an unprecedented level of social control, and impacts on the New Zealand economy and society.

The pandemic required Kāinga Ora to live up to our foundational principles. We responded with a focus on the wellbeing of our customers, our people, and our partners, while working intensively and collaboratively as part of a coordinated national response.

Focusing on wellbeing

During the COVID lockdown Kāinga Ora's tenancy and stakeholder managers made over 60,000 welfare calls to check in on our customers while New Zealand banded together in its efforts to combat the pandemic.

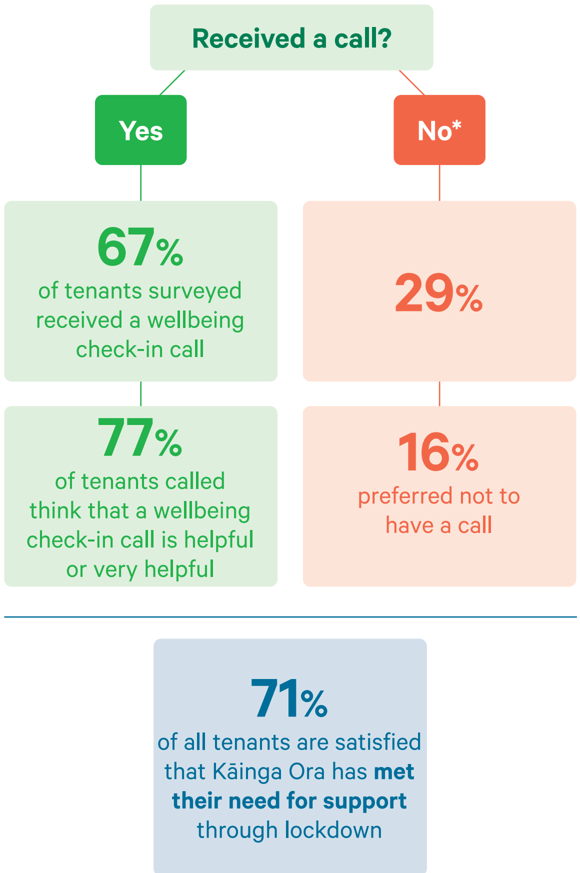
One of the tenancy managers who made those calls was Christchurch North Senior Tenancy Manager Darryl, who ensured that all of his calls were about quality rather than quantity.

"Taking the time to do thorough wellbeing checks with customers is vital," he says.

"The process can be slow, with many team members having to repeatedly call customers who haven't answered their phone. But it's important that we get it right and are there for our customers."

In June 2020 we surveyed 500 of our customers. Several questions were included to capture the satisfaction with the calls/support that customers received throughout the lockdown period.

COVID-19 support



* 4% of tenants called responded 'don't know'.

These survey results indicate the value of Kāinga Ora's focus on wellbeing. Kāinga Ora continues to work closely with our customers, people and partners to navigate the impacts of COVID-19.

Contributing to a national response

As part of the national emergency response, we will continue to prioritise the wellbeing of our people and our customers and to provide support for our suppliers and build partners. We have been working alongside other agencies through a whole-of-government approach in this crisis.

We developed six principles that have guided our responses:

1. Keeping our people and our contractors safe and healthy
2. Doing no harm to anyone we come into contact with
3. Providing regular and open communications
4. Supporting our customers to stay safe and healthy
5. Supporting our suppliers and partners to stay in business
6. Ensuring our decisions are made based on facts

COVID-19 keeping our people safe and our organisation operating

Following the Government's guidance, we have focused on the fundamentals needed to keep the organisation operating, including providing tools and guidelines to support our people to work in the COVID-19 environment. The health and safety of our people was and will continue to be of paramount importance to us.

Looking after our customers

Our focus continues to be on our customers, understanding how they have been impacted by COVID-19 and what support may be required for them to remain safe and well, and ensuring that our homes remain safe to live in.

Customer welfare and support calls

During Alert Level 4, all face-to-face tenancy management ceased and our tenancy managers shifted their focus from visits to welfare phone calls. These calls have been an opportunity to hear directly from our customers, identify how to best support them, and ensure appropriate and timely support. For example, we will continue to link our customers to appropriate support services in their area.

Through welfare calls we will continue to improve our information about our customers, including whakapapa of our Māori customers, and where appropriate refer them to iwi-affiliated support agencies.

Financial support and understanding

We will continue to work to understand our customers' financial situation and to offer support beyond the Government freeze on rent increases until October 2020. Our welfare calls have helped us understand our customers' financial situation, uncovering many households experiencing financial strain due to the impact of COVID-19.

All active debt recovery activity was paused upon entry to Alert Level 4 as we focused on supporting our customers to get through unsettling times. We have reviewed our approach and as a result a new supportive rent management approach is currently in development.

We also extended pre-approvals to 30 September 2020 for our First Home Grant customers, and extended KiwiSaver First Home withdrawal determinations until 30 September. Solicitors can now witness the First Home Grant Agreement with video conferencing, and we are planning to continue with this in the future.

Maintenance

During Alert Level 4, we continued completing only essential repairs in our homes. As we moved through Alert Levels, our planned maintenance programmes (eg, re-roofing, exterior painting), the Healthy Homes programme, and property inspections (health and safety, gas) were able to recommence, with all the appropriate safeguards to keep customers and contractors safe.

Supporting our suppliers and partners

Supporting our partners with closing and re-opening sites

At Alert Level 4 we closed and safely secured all our building sites across New Zealand. As the Alert Levels eased we re-opened our public housing sites, civil construction sites and affordable and market home sites within the large-scale projects. We have worked closely with our build and development partners and contractors to provide support and guidance, to help them adapt their health and safety processes and protocols to enable safe working conditions. Beyond the lockdown, we will continue to work alongside our partners to understand how we can help now, and in the long term.

Supporting the financial viability of our suppliers

We understand the economic impact of COVID-19 is significant. We provided immediate support for our suppliers following the COVID-19 outbreak, which included immediate payment terms and daily payments.

We also recognise the Treasury's Guidance on providing bespoke commercial support and we will work closely with HUD and the Treasury as and when required.

Supporting the construction sector

We worked closely with HUD to ensure the construction sector is well placed for economic recovery. We continued to prioritise advance planning work, including accelerating neighbourhood planning for our large-scale projects, and developing additional briefs to enable more housing development to progress.

Kāinga Ora is part of the Accord Agency Steering Group within the Government's Construction Sector Accord. The Accord seeks to maintain a viable and resilient construction sector in response to the impacts of COVID-19. Through the Accord, government agencies are working with the construction sector and industry leaders on what additional forms of support may be needed to ensure that new housing supply continues to be built. We will continue aligning our work with the goals and principles of the Accord.

Supporting a whole-of-government response to COVID-19

Supporting Government priorities

A key focus has involved liaising with the Government to ensure we can, working with our partners, take action in a timely and managed way. With the Government's focus on providing a joined-up response to homelessness, we will continue to provide other government agencies with a conduit to seek support with any additional temporary accommodation or housing supply that may be required. We also took part at the National Emergency Management Agency cross-government meetings, and have been working closely with HUD and the Ministry of Social Development as part of the cross-government response to COVID-19.

Community and agency engagement

Kāinga Ora continues to work closely with allied agencies, community and support service providers, NGOs, and other government agencies. We are aware many community and support service providers are coming under greater pressure as demand for their services increases in the current environment. We have been providing support and assistance to other organisations, including Housing First Auckland providers such as Auckland City Mission, who are housing 'rough sleepers', as well as Community Housing Aotearoa, by way of either temporarily re-deploying our staff or sharing practice guidance with these organisations.

Our frontline staff will continue to stay connected with providers at the local level to identify the support required and to work efficiently to serve those customers with the greatest need.

Most of our vulnerable customers are well connected with health providers. However, we have partnered with District Health Boards on how we can support each other, especially to enable Māori and Pacific families living in our homes to access health care and support.

Planning for economic recovery

We have been working intensively on initiatives to support the recovery of New Zealand's economy. This turns our attention firmly to what work Kāinga Ora can scale up and accelerate to bring activity and life back to businesses and communities nationwide. There will be opportunities to strengthen our partnerships with HUD, local councils, Māori and business partners – our relationships will be key to how well we succeed and how quickly we can leverage success across regions.

Priority plans are being progressed at the time of writing this Annual Report. We still need to rigorously reassess investment plans and confirm the funding and workforce requirements for delivery. We are working across the organisation and with external partners to determine areas of work to support New Zealand's economic recovery.

The impact of COVID-19 on Kāinga Ora

Kāinga Ora published its Statement of Performance Expectations 2019-2020 in February 2020. The information contained in that document had been prepared prior to the COVID-19 crisis in early 2020.

The lockdown resulting from COVID-19 had impacts across Kāinga Ora's operations. Key impacts included:

Tenants not in rental arrears were rising prior to lockdown, but dramatically decreased through lockdown and afterwards. As responsible landlords, our focus remains on supporting those tenants who have financial pressures.

Planned repairs and maintenance percentage: During the year we made the deliberate decision that tenants' responsive maintenance needs take precedence over meeting this target. Maintenance was also limited to health and safety responsive repairs during the lockdown, further affecting the measure. The percentage has increased from the previous year's result (60.5 percent).

State home delivery and **net increase in state homes** were directly impacted by the COVID-19 lockdown, with construction activity halted for a period and then ramped up as quickly as supply chains would allow.

Vacant to ready to let days: The COVID-19 delays pushed us over target, meaning we have Substantially Achieved (rather than Achieved).

Hobsonville Point – Land Sales revenue: The 'Te Uru 4' block of land was on-sold from one developer to another. In order to facilitate the sale, it was agreed payment would be deferred, pushing it outside the financial year and reducing the total below the year's target.

Impacts on our finances

COVID-19 Impact on Targets in Kāinga Ora Statement of Performance Expectations	Target	Result	Result excluding write-downs
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) percentage of revenue	33%	24%	34%
Interest to EBITDA	3.58	2.80	3.50

Our EBITDA was below our target as a result of both:

- the COVID-19 lockdown impacting our state home delivery numbers, and therefore our anticipated rental income
- our write-downs as a result of our large-scale programmes.

Excluding these write-downs, we were close to target on both measures.

Strategy

A better New Zealand for all by building lives and communities **together.**

Being a high-performance organisation

The outcomes we need to achieve, combined with our operating principles, begin to shape the type of organisation we need to be. We can further break this down into attributes and characteristics which include:

Our people

Our people feel empowered, that the organisation cares about them, and 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 our stakeholders want to work with us.

Te Ao Māori

We are grounded in Te Ao Māori, recognising our heritage and obligations in how we operate.

These attributes and characteristics are outlined further below.

What success looks like

Our people

Our people have 'doable' jobs. This includes clear roles and responsibilities, clear performance expectations and processes for management, clear policy frameworks within which they have defined delegations, and manageable spans of control.

Strategy driven

We have a long-term horizon, with substantial and complex inter-related financing requirements. We are closer to our communities and ensure our planning is strongly informed by their needs and aspirations. To manage risk and deliver over time, we have strengthened connections between strategy, operational policy, organisational planning, finance and performance.

Our strategies are well communicated and translate into decision making.

Operational excellence

We have role clarity, clearer processes and responsibilities, and strongly aligned performance objectives. We have filled the significant capability gaps to deliver sector leadership and lift organisation performance, including programme and portfolio management and technical skills.

Building effective long-term relationships with all our stakeholders

We aim to build effective long-term relationships with all our stakeholders, and we consistently engage with our multiple stakeholders early and meaningfully. We have a dedicated relationship management structure around each – Māori, communities, customers, suppliers – and mechanisms to translate their needs and aspirations into our operations and the way we do business.

Our people working with our stakeholders are appropriately empowered through delegated authority linked to strategy and planning.

Relationships with our tenancy customers

Our Customer Programme is supporting the building of effective relationships with our customers, by giving our people the skills and time they need to do this.

Relationships with Māori and iwi

We are engaging with and supporting Māori to realise their aspirations, protect their land and recognise their taonga.

Relationships with our suppliers and build partners

For our suppliers we have developed a coherent strategic view of how we want to work with them, and clarity around roles and responsibilities. We are managing our procurement and supplier engagement consistently across the business units who regularly face the market, to deliver that strategic objective.

Relationships with our communities

We have a mechanism for hearing and working with our communities – these channels are deliberate and designed for this purpose.

Local leadership understands the full breadth and impact of our operations in a community and their perspectives should inform planning and decision making.

CASE STUDY

Partnership and Engagement framework

In June 2020 the Kāinga Ora Board endorsed a draft Partnership and Engagement framework for external engagement, and approved the use of its interim principles to guide activity until the framework can be finalised. The interim principles are grouped in relation to either partnership or engagement activity, with additional principles that also apply when partnering and engaging with Māori specifically. By applying the principles in this framework, Kāinga Ora will demonstrate a genuine commitment to carry out our role in a way that builds mutual trust and respect and deep and enduring relationships.

The framework is a foundational, high-level document under which more specific guidance, tools and approaches can be developed. It aims to ensure:

- our customers' and stakeholders' views are understood and considered when developing housing and urban development policies, proposals and plans
- our relationships are strengthened and enhanced between Kāinga Ora and Māori, communities, customers and stakeholders by ensuring they are informed about, and participate and have their say on, matters that are important to them
- we build enduring partnerships based on trust, respect and reciprocity
- we close the 'feedback loop' by providing timely communication so that people know when and how their contribution has been considered and how it has influenced decisions.

Being a good employer

He kura te tāngata
The human being is precious as is each person's contribution to the wellbeing of the group

We are committed to being a good employer and developing and maintaining a brilliant and engaged culture.

Leadership, accountability and culture	We recognise the importance of quality leadership, accountability, and organisational culture to deliver our outcomes. Over 2019/20 we have continued to offer key leadership programmes such as our Leadership Essentials programme, which focuses on personal leadership, leading self, leading others and leading organisational impact.
Recruitment, selection and induction	As an equal opportunities employer, we value diversity and ensure our policies, practices and processes are fair, consistent and equitable for all job applicants and employees. Over 2019/20 we have focused on ensuring that our people leaders are equipped to make good selection decisions free from bias. We will continue to focus on diversity and inclusion in our attraction and recruitment processes.
Employee development, promotion and exit	Developing our people is fundamental to the success of our organisation. We will continue to provide an environment that supports our people to develop their potential and, to the best of their ability, contribute to the achievement of our goals. Over 2019/20 we continued to embed Forward Conversations, our approach to performance and development in support of our values charter, Kotahitanga.
Flexibility and work design	Over 2019/20 we continued to address work-life balance with flexible work practices wherever feasible. We have learnt from our response to new work practices resulting from COVID-19 to renew and strengthen our flexible work policies and practices.

Remuneration, recognition and conditions	We support a culture of shared purpose, trust and collaboration by paying our people fairly for their expected contribution and in a way that minimises opportunity for unconscious bias. No person working for Kāinga Ora is paid less than the living wage. We strive to pay our people fairly and in line with market relativities. We have eliminated the gender pay gap for new hires and continue to reduce the gap in other areas. We have continued to review ways to support and enhance wellbeing with the introduction of sick leave entitlements when employment commences.
Preventing harassment and bullying	Our aim is to provide a workplace environment that is a safe, engaging, caring place to work, free from harassment and workplace bullying. Over 2019/20 we continued to implement a range of ways our people can have safe conversations or report on situations where they are not feeling safe in the workplace. These include the 0508 OurPeople phone line and Forward Conversations. We are also reviewing our internal processes to continually promote a workplace that is safe and respectful. We will continue to foster a mana enhancing workplace environment.
People safety, health and wellbeing	As an employer we are obliged to prevent work-related harm to the physical and mental health and safety of the people who work for us, both employees and contractors. Professional supervision commenced in late 2019 to support the objectives of our Health and Wellbeing Plan. We are continuing to review our significant health and safety risks, their risk levels and mitigation strategies.

Our people

In 2019/20 we have focused on ensuring our workforce planning is fit for Kāinga Ora's broad purpose and evolving role. We provide equal employment opportunities and ensure our policies, practices and processes are fair and equitable for all job applicants and employees. We recognise the Crown's obligations under Te Tiriti o Waitangi (Treaty of Waitangi) and the aspirations of Māori, other ethnic or minority groups, and people with disabilities.

Kāinga Ora's people 30 June 2020	**Fixed term**	**Permanent**	**Total**
Full-time equivalents	128	1,818	1,946
Total number of our people	132	1,843	1,975

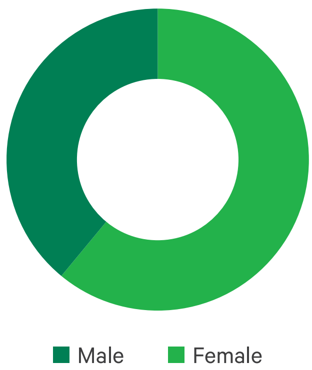
We have already made advances in promoting equal employment opportunities including minimising any differences to employee entitlements while on parental leave; increasing meaningful reporting on diversity data; and separating remuneration from performance. These are key moves to enable Kāinga Ora to become a more diverse and inclusive working environment.

Gender of our people

Our gender profile has improved across tiers 1-3 management levels, from 39 percent female and 61 percent male in 2017/18, to 41 percent female and 59 percent male in 2018/19, and to 45 percent female and 55 percent male in 2019/2020.[3] We will continue to drive organisational initiatives that positively impact our gender balance.

Gender profile of Kāinga Ora people (Tiers 1-3, Bands S1+)
30 June 2020

Gender profile of Kāinga Ora people
30 June 2020



3. Comparison is with Housing New Zealand for 2017/18 and 2018/19.

Ethnicity 30 June 2020	**Staff percentage**
Asian	8
European	8
Māori	12
Middle Eastern/Latin American/African	2
New Zealand European/Pākehā	34
Pacific peoples	16
Unknown	20
Total	**100**

Age profile 30 June 2020	**Headcount percentage**
Under 25	3.4
25 to 35 years old	23.6
35 to 45 years old	26.9
45 to 55 years old	25.9
55 to 65 years old	16.6
65 years +	3.6
Total	**100**

Disability

Wherever possible we ensure that our workplace environment is suitable for our people who experience a disability. In October 2019 we established a new Accessibility Policy Working Group. While we currently do not record information on staff disability, over the next year this group will review how to record and analyse information on disability in the workplace, and we will strengthen our focus on diversity and inclusion.

Health and Safety

Recognition

Kāinga Ora was the recipient of the Best Large Enterprise and Supreme Award at the November 2019 SAFE365 Safest Places to Work Awards. Our performance is assessed against other large organisations in both the private and state sector, and against more than 2,500 organisations in total.

Mental health

Our focus on proactive initiatives for the protection of mental health has continued with the implementation of the Wā Manaaki Professional Supervision programme. This service provides both individual and group supervision sessions for our customer-facing roles.

In addition, Kāinga Ora has committed to MATES in construction; a charity focused on the mental health of the construction industry. Working with MATES in construction is quickly becoming the default for all our construction partners.

Working with our partners

A health and safety learning framework for Kāinga Ora and our maintenance partners was developed in preparation for Te Mahi Ngā Tahi which is based on industry best practice and alignment with ISO 45001.

Implementation of this framework includes a robust assurance process to ensure we meet our obligations as prescribed by the Health and Safety at Work Act 2015 through implementing and delivering on the health and safety learning framework principles.

COVID-19 response

As noted in the Responding to COVID-19 section, our focus was on: keeping our people safe and our organisation operating; looking after our customers and partners; and contributing to a coordinated national response.

In early March, prior to the declaration of the pandemic, our Health, Safety and Security Team (HSS) focused on preparatory activities such as updating the Kāinga Ora Pandemic Guideline to align with the 2017 New Zealand Influenza Pandemic Plan, running a pandemic scenario workshop and working with our communications team to set up clear communication channels with our people.

As the levels of the COVID-19 response changed and rules were adjusted by the government, our internal advice and guidelines were updated so that the most recent, up-to-date information was always available for our people.

This included advice on handwashing and physical distancing, explanations on contact tracing requirements, personal protective equipment (PPE) guidance, and what to do if one of our people was unwell or had COVID-19.

Our HSS team worked in partnership with our People and Homes Group to produce practical guidance for our customer-facing people and maintenance partners to operate safely throughout the Alert Levels. This included protocols for accessing tenanted properties to undertake essential work, welfare checks, placement visits and compliance assurance visits. Significant work was done with our contractors to ensure the timely communication of information and the effective management of identified risks. Our HSS team also supported Kāinga Ora's construction and development activities to align site protocols and facilitate safe site re-opening.

Legislation and governance

In addition to our governing legislation setting out Kāinga Ora's role and responsibilities, the Minister of Housing's Letter of Expectations for 2019/20, 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.

Key expectations are that Kāinga Ora will:

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 state 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 they are not being provided by the private market, 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 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.

Governance

Our governance framework is based on two statutes. The first is the Kāinga Ora–Homes and Communities Act 2019, which sets out Kāinga Ora's objectives, functions and operating principles. The second is the Crown Entities Act 2004. This Act defines Crown entities and sets out the rules that govern them, similar to the way the Companies Act sets out the rules that govern companies.

The governance framework for Kāinga Ora involves three key parties: the Kāinga Ora Board, Ministers and Parliament. Our Executive Team is responsible for delivering to expectations set by these parties.

The Kāinga Ora Board

The Kāinga Ora Board is responsible and accountable for managing the organisation and setting our strategic direction.

All Board members receive, on appointment, training and guidance on their duties, responsibilities and key Kāinga Ora policies and procedures.

At 30 June 2020 the Board was made up of eight non-executive members:

Vui Mark Gosche (Board Chair) was a Member of Parliament from 1996 to 2008 and held several Cabinet posts, including Minister of Housing. Until recently he was the Chief Executive of Vaka Tautua, a Pacific-based health and social services provider, and Chairperson of Counties Manukau DHB. He was the Chair of Housing New Zealand until 30 September 2019.

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 on Ngāti Whātua Ōrākei Whai Rawa Ltd, a large property company responsible for the protection and growth of the tribe's commercial assets.

Dr Nicola (Nicki) Crauford is a professional company director with extensive governance and senior management experience and a background in infrastructure and engineering. Her governance portfolio spans energy, water and telecommunications utilities, science research and development, fire and emergency management, and environmental protection and regulation.

John Duncan has extensive management experience and experience in global financial markets, including banking and risk management. He is a director of Public Trust and an advisor to Auckland Council on funding, risk management, balance sheet and capital issues and the Executive Director for the Auckland Investment Office. He is a former Housing New Zealand Board member and Chair of HLC.

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.

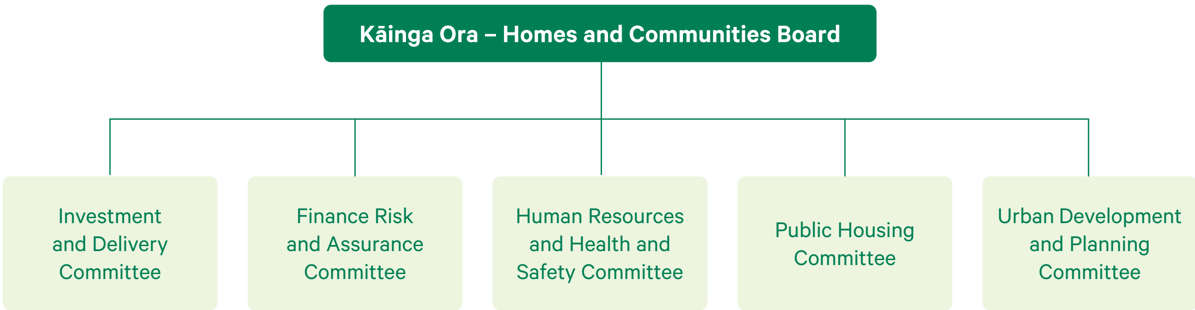
Professor Philippa Howden-Chapman, from University of Otago, Wellington has a background in public health, with a focus on housing, energy, climate change and sustainable cities. She chaired the World Health Organization Housing and Health Guidelines Group and was a member of the Independent Housing Stocktake Group. She joined the Housing New Zealand Board in July 2018.

Penelope (Penny) Hulse 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 including the role of Deputy Mayor from 2010 to 2016.

Victoria Kingi (nee Carroll) is the Managing Director of Papakainga Solutions Limited. She has a strong RMA legal background 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.

Board sub-committees

The Board has established five sub-committees, as noted below, which may include members who are not Board members but have specialist skills to support the activity of the organisation.



Executive Team

The Executive Team comprises the Chief Executive, Andrew McKenzie, and Deputy Chief Executives from the 10 business groups: People and Homes; Construction and Innovation; Urban Development – Delivery; Urban Development – Planning; Strategy and Investment; Finance; Governance; Partnerships and Community Engagement; Corporate; Business Innovation and Development; Chief Advisor Māori – Te Ringa Raupā; and Special Advisor to the Chief Executive.

Chief Executive

Andrew McKenzie became Kāinga Ora's first chief executive when the new organisation was established on 1 October 2019.

Mr McKenzie had previously served as Housing New Zealand's Chief Executive since September 2016. In that time the agency has seen major shifts in its strategic direction, significant strengthening of the support it provides to customers, and a large increase in its build programme.

Before joining Housing New Zealand, Mr McKenzie held senior finance roles in the public and private sectors, leading the finance function for the establishment of Auckland Council. In 2013 Mr McKenzie was recognised as Chief Financial Officer of the Year for New Zealand.

Kāinga Ora structure

Kāinga Ora has three main delivery arms: our People and Homes Group, which brings together our tenancy, maintenance and property ownership functions; our Construction and Innovation Group, responsible for redeveloping, purchasing, leasing and divesting our homes; and our Urban Development Group responsible for the delivery of urban development projects of all sizes.

Our delivery arms are supported by our Strategy and Investment; Finance; Corporate; Governance, Communications and Community Engagement; and Business Innovation and Development functions.

Kāinga Ora's structure was designed to bring together all components of our three legacy organisations to enable us to hit the ground running from 1 October 2019 when the new organisation was established.

Our initial structure served a key purpose in maintaining the momentum of our work. However, as a new organisation, with a broad mandate and growing volume of work we need a structure that is fit for the future. During 2019/20 we undertook significant preparatory work to plan for how best to reshape our future structure. Through extensive participation of our people this reshaping work is progressing and will be deployed by late 2020.

Responsible Ministers

The primary relationship between the government and Kāinga Ora is between the responsible Ministers and the Kāinga Ora Board. Between 1 October 2019 and 30 June 2019, 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 Jenny Salesa: Associate Minister of Housing and Urban Development
- Hon Nanaia Mahuta: Associate Minister of Housing (Māori Housing)

The Minister of Housing conveys the government's expectations to Kāinga Ora and has direct responsibility for Kāinga Ora. The Minister of Housing also has responsibility for key areas of government policy including the overall housing strategy, public housing, housing and rental market performance, and housing supply, quantity and affordability.

The Associate Minister, as delegated by the Minister of Housing, is responsible for operational issues relating to public and emergency housing, and temporary accommodation services. As Associate Minister of Housing he also has responsibility for housing responses for Pacific peoples and groups with particular needs, as well as relationships with community housing and emergency and transitional housing providers and the implementation of Housing First initiatives.

Hon Nanaia Mahuta is the Associate Minister of Housing (Māori Housing), whose functions and responsibilities include the development of a Māori Housing Work Programme with the support of HUD and Te Puni Kōkiri.

Managing risks

Our risk landscape is continually changing as the impacts of COVID-19 have starkly shown. The recovery and rebuilding phases from the ongoing impacts of COVID-19 continue to bring a range of uncertainties and risks. While Kāinga Ora has effectively navigated the impacts of COVID-19 we know it is essential for us to continue to proactively prepare and plan how to meet these ongoing risks.

Managing risk is a critical part of the way we run our business, to respond to New Zealanders' housing and urban development needs and constantly improve. Kāinga Ora manages $30.8 billion of assets on behalf of the Crown and this year we built more homes than ever, supported various Government initiatives, and delivered the services our customers need and expect.

While Kāinga Ora has made a strong start we continue to strive to improve our performance. We work to ensure our risk management processes are consistent and continue to add value to planning and decision making.

Our approach to risk

Kāinga Ora's risk management process is aligned with the best practice approach of the ISO Standard for Risk Management (ISO 31000:2018 Risk Management Guidelines). We see risk management as the identification, evaluation and prioritisation of uncertainty on objectives, and consider both the threats and opportunities related to our activities.

Key elements in our risk management practices include: being proactive; focusing on the things that matter; contributing to our organisational success; and contributing to our health and safety and other compliance obligations.

Risk governance exists at various levels across our organisation and is fully integrated into our governance structure. All Kāinga Ora people, and any person or organisation that works on our behalf, have a responsibility to participate actively in our risk management process. This allows us to make sound decisions and will lead to better outcomes for our organisation, our stakeholders and our customers.

Continuous improvement

We continue working to ensure that our risk management practices are:

Effective and efficient

Risk management protects and builds value by informing our planning and decisions. We look ahead and focus on the right priorities that enhance benefits or opportunities to Kāinga Ora and minimise or avoid unintended consequences arising from our actions. We balance our risk management effort with its intended outcomes. We communicate our risks and issues to the right stakeholder and at the right time to enable timely response and oversight of mitigation strategies.

Consistent and robust

Our risk management practices adhere to international best practices and are consistent across our various business groups, which enables risk prioritisation and informed decision making.

Structured and systematic

Our risk management practices are organised and embedded in our organisational culture. We ensure that there is proper accountability and oversight of our risks and sufficient resources and support are provided to those managing risks and issues.

Statement of Intent: Progress

Our key deliverables for 2019/20 are highlighted in the earlier Outcomes section (pages 20-27). 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[4] provide further information on our progress over the past year in achieving the objectives set out in the Kāinga Ora Statement of Intent.

Managed housing stock

Managed Housing Stock	Kāinga Ora Housing	State Housing	Community Group Housing	Emergency/ Transitional Housing
Opening stock 1 July 2019	**65,256**	**63,084**	1,500	672
Additions 2019/20	1,848	1,561	42	245
Disposals 2019/20	862	855	7	0
Adjustments net*	11	21	-5	-5
Closing balance 30 June 2020	**66,253**	**63,811**	1,530	912

* Net increase in state housing: 727 (2018/19: 1,223).

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

997 ▲ FY18/19

66,253

Properties we own or manage

This includes state, Community Group and emergency/transitional housing

727 ▲ FY18/19

63,811

State housing managed stock

4. Comparative figures for years prior to 2019/20 relate to Housing New Zealand Corporation.

Housing supply meets need

Purpose	Measure	Indicator type	Target by June 2023	Actual 2018/19	Actual 2019/20	Comment
Increase the number of Kāinga Ora homes	Grow Kāinga Ora public housing managed stock		4,480 by June 2022[5]	1,223	727	COVID-19 lockdown restrictions at the end of 2019/20 impacted on our ability to deliver on our annual new build target, which in turn impacted on our net increase in public housing stock, the proportion of housing stock renewed and our ability to reduce the average age of our homes.
Renew Kāinga Ora homes	Average proportion of our public housing stock renewed per annum over the four-year period		>2.4% per annum	1.0%	1.5%	
Contribute to the affordability and accessibility of the wider housing market	Average age of our homes		42.8 years	44.9 years	44.7 years	
	Number of new homes enabled[6] or constructed for sale on land owned or previously owned by Housing New Zealand or Kāinga Ora		>3,600	294	264	As with our public housing build programme, our development of build-ready land was also impacted by COVID-19 lockdown restrictions and the uncertainty this created in the market. Meeting the four-year target of >3,600 homes enabled will be challenging given the current environment.

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

5. Target as per the Public Housing Plan 2018-2022.
6. '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 2018/19	Actual 2019/20	Comment
Ensure our services meet our customers' needs	Percentage of customers who are satisfied with the services we provide		85%	77%	80%	Satisfaction with the services we provide customers has continued to trend up over the last three years over all service channels we provide. We are making steady progress towards our target of 85% satisfaction by June 2023. See page 77 for more details about our customer satisfaction survey results.
Our homes meet the needs of our public housing customers	Percentage of surveyed lettable properties that meet or exceed the baseline standard[7]		95%	93%	92%	This year, our Property Condition Assessment (PCA) result decreased slightly from 92.8% in 2018/19 to 92.3% in 2019/20. 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%	79%	80%	As with satisfaction with services, we have made small but steady gains towards improving the overall satisfaction of our customers with their homes.
	Homes meet tenant bedroom requirements[8]		>80%	75%	75%	Our Asset Management Strategy helps match home bedroom configuration for our new homes to our customers' needs. While our placements of new tenants are consistently matched above our target percentage, this percentage continues to be very hard to move across our entire housing portfolio and achieving the 80% target by 2023 will be challenging.

7. Each year we survey our portfolio using a desktop survey for approximately 90 percent of our portfolio and a physical survey of approximately 1,600 properties. In 2019/20 just under 60,000 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 percent 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), emergency housing and Community Group Housing properties, as they are not homogeneous and are best assessed by physical survey methods.

8. This is based on a slight variant of the Canadian National Occupancy Standard (CNOS) (considered best practice). It applies a series of criteria to assess the appropriate number of bedrooms required for a public housing applicant. No tolerance is applied to houses that are considered overcrowded or severely overcrowded. 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 their requirements).

Purpose	Measure	Indicator type	Target by June 2023	Actual 2018/19	Actual 2019/20	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%	68%	70%	Customers' perceptions of safety improved again this year, with notable increases in their perceptions of safety in their homes (up 2.5%) and safety in their neighbourhoods (up 2.7%) compared with last year.
	Percentage of customers who feel safe in their neighbourhood		75%	68%	70%	
Sustain tenancies for customers in need	Percentage of customers who sustain their tenancy for 12 months or more		95%	93%	93%	We maintained the percentage of customers who sustained their tenancy for 12 months or more. We continue to strengthen our focus on the wellbeing needs of our customers and our Intensive Tenancy Management service, Te Waka Urungi, is making a positive impact. The continued roll-out of our Customer Programme and associated Service Delivery model will positively impact on this measure in 2020/21.

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

2% ▲ FY18/19

70%

of customers feel safe and secure in their homes

Asset performance measures

The following asset performance measures apply to both Kāinga Ora's owned and leased assets in our property portfolio. Targets quoted are those agreed in either our Statement of Performance Expectations or Statement of Intent. These results are discussed in the relevant sections.

Measure	Indicator	2017/18 Target	2017/18 Actual	2018/19 Target	2018/19 Actual	2019/20 Target	2019/20 Actual
Percentage of homes that are let (occupied days)	Utilisation	97.2%	98.2%	97.5%	98.1%	97.5%	98.3%
Average number of days from a house becoming vacant to being 'ready to let'[9]	Utilisation	24 days	19 days	18 days	16 days	18 days	19 days
Percentage of surveyed lettable properties that meet or exceed the baseline standard	Condition	89%	93%* (90%)	89%	93%*	90%	92%
Percentage of our customers who are satisfied with their Kāinga Ora home	Condition	85%	79%	85%	79%	85%	80%
Percentage of homes that meet tenant bedroom requirements	Functionality	>76% By June 2021	76%	>76% By June 2021	75%	>80% By June 2023	75%

* To report comparable results with 2019/20, the 2017/18 results have been restated using the revised approach used in the 2018/19 and later model.

1% ▲ FY18/19

80%

of customers satisfied with their home

9. Vacant to being 'ready to let' measures how long it takes from when a property is empty to when it is ready to be occupied. The measure covers the period of vacancy that we can control and covers the period when we schedule planned maintenance along with any unplanned maintenance as well as administrative action associated with the end of one tenancy and the instigation of another tenancy.

Our information communication and technology (ICT) asset portfolio

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

Measure	Indicator	2017/18 Target	2017/18 Actual	2018/19 Target	2018/19 Actual	2019/20 Target	2019/20 Actual
Percentage of incidents resolved on first contact by ICT Service Desk	Condition	>80.00%	87.36%	>80.00%	>85.42%	>80.00%	86.02%
Priority 1 incidents per 100 ICT users	Condition	<7.0	3.3	<7.0	<1.5	<7.0	0.2
Core systems availability – Kotahi	Availability	>99.90%	99.91%	>99.90%	>99.75%	>99.90%	99.99%
Core systems availability – Oracle EBS	Availability	>99.90%	99.87%	>99.90%	>99.36%	>99.90%	99.93%
Core systems availability – websites	Availability	>99.90%	99.97%	>99.90%	>99.70%	>99.90%	99.72%
Infrastructure as a service resource utilisation*	Utilisation	>90.00%	93.00%	>90.00%	>93.00%	>90.00%	96.00%*

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

0.6% ▲ FY18/19

86.02%

of ICT incidents resolved on first contact

Statement of Performance Expectations: Progress

We measure our annual non-financial performance with our Statement of Performance Expectations (SPE) measures. We have five output classes with targets for each measure.[10]

The COVID-19 lockdown impacted on our ability to achieve some of our SPE targets (as noted below and in the earlier section 'Impact of COVID-19 on Kāinga Ora').

Output Class 1: Sustaining tenancies and managing our homes

Scope

The scope of this output class is limited to the allocation and management of state housing tenancies and maintenance of these homes, including Community Group Housing, and the management of housing provided for 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:

- working with the Ministry of Social Development to place eligible applicants from the public housing register into Kāinga Ora homes and sustain these tenancies
- managing existing tenancies
- undertaking planned maintenance programmes and improving amenities
- ensuring repairs and maintenance are undertaken in response to customers' requests
- undertaking debt collection activities for overdue rent, property damage, and residual income-related rent arrears
- setting and reviewing market rents
- responding to Government health and safety objectives
- linking customers with specialist support services if they require support.

10. Comparative figures for years prior to 2019/20 relate to Housing New Zealand Corporation.

Summary of performance

Measure	Actual 2018/19	Standard 2019/20	Actual 2019/20	Comment
Customer satisfaction with Customer Support Centre	78%	85%	89%	
Percentage of Customer Support Centre calls answered in two minutes	83%	80%	81%	
Percentage of tenants who are not in rental arrears	92%	93%	88%	Not achieved
Percentage of properties that are let (occupied days)	98.1%	97.5%	98.3%	
Average number of days from a house becoming vacant to being 'ready to let'	16 days	18 days	19 days	Not achieved
Percentage of surveyed lettable properties that meet or exceed the baseline standard[11]	93%	90%	92%	
Percentage of customers satisfied with repairs and maintenance	71%	75%	74%	Not achieved
Average time to respond to urgent health and safety queries	2.1 hours	4 hours	2.5 hours	
Percentage of repairs and maintenance spend on planned activity	60%	65%[12]	62%	Not achieved

Our customer satisfaction results are showing significant improvement

Each quarter, we measure our tenants' satisfaction with their homes and the services we provide, with 2,000 people asked for their opinions. Satisfaction improved once again across all our measures:

- Satisfaction with our Customer Support Centre increased by more than 10 percent: from 78 percent last year to 89 percent, against the target of 85 percent.
- At 74 percent, satisfaction with maintenance also improved, and was substantially achieved, missing the target by just 1 percent. The significant 2.9 percent improvement (and more than 7 percent over the last two years) reflects our strong and continuing focus on this area.

11. The baseline target for this measure is set at less than 3.5.
12. This target has been reduced to 65 percent as we no longer include our Retrofit programme budget as planned expenditure. Retrofit is considered part of our renewal activity. We have also reduced the budget required for our methamphetamine reinstatement programme as a result of the revised contamination standards for residential properties leading to fewer meth reinstatements being required.

We have more tenants in debt

Tenants not in rental arrears was rising prior to lockdown, but dramatically decreased through lockdown and afterwards. As responsible landlords, our focus remains on supporting those tenants who have financial pressures.

We did less planned maintenance than anticipated

During the year we made the deliberate decision that tenants' responsive maintenance needs take precedence over meeting this target. Maintenance was also limited to health and safety responsive repairs during the lockdown, further affecting the measure. The percentage has increased from the previous year's result (60%).

Revenue and output expenses

Description	Actual 2018/19 $m	Budget 2019/20 $m	Actual 2019/20 $m	Comment
Revenue Crown	897.3	957.6	975.3	All rental revenue from standard Kāinga Ora houses and Community Group Housing is recognised as part of this output class. The expenses include the costs of administering state house tenancies, maintaining and upgrading state houses (including Community Group Houses) and other tenancy services.
Revenue Other	415.8	472.1	482.8	
Expenses	1,135.4	1,241.9	1,224.1	
Net surplus/(deficit)	**177.7**	**187.8**	**234.0**	

3% ▲ FY18/19

74%

of customers satisfied with repairs and maintenance

2% ▲ FY18/19

62%

of repairs and maintenance spend on planned activity

Output Class 2: New state housing supply

Scope

The scope of this output class is limited to activities associated with asset development and reconfiguration programmes aimed at increasing the supply of state 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 also 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:

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

Summary of performance

Measure	Actual 2018/19	Standard 2019/20	Actual 2019/20	Comment
Number of newly constructed state houses (gross)[13]	1,461	>1,500	1,229	Not achieved
Increase the overall number of Kāinga Ora's state housing managed stock	1,223	>1,175	727	Not achieved

Our state home delivery was impacted by COVID-19 lockdown

Both of the measures in this output class were directly impacted by the COVID-19 lockdown, with construction activity halted for a period and then ramped up as quickly as supply chains would allow. This impacted our ability to meet our targets for the year.

Revenue and output expenses

Description	Actual 2018/19 $m	Budget 2019/20 $m	Actual 2019/20 $m	Comment
Revenue Crown	0.0	0.0	0.0	Rental revenues are recognised under Output Class 1. Expenses include all costs related to new housing supply or divestment.
Revenue Other	0.0	0.0	7.0	
Expenses	123.8	163.8	259.1	
Net surplus/(deficit)	**(123.8)**	**(163.8)**	**(252.1)**	

13. A newly constructed home is defined as a home that is newly built and has not previously been occupied before its use for state housing purposes.

Output Class 3: Public accountability and ministerial support

Scope

The scope of this output class includes ministerial services provided to the Minister of Housing and the Associate Ministers of Housing.

Activities

The activities undertaken in this output class include:

- maintaining relationships with Ministers, the Ministry of Social Development, the Ministry of Housing and Urban Development, Te Puni Kōkiri, Te Arawhiti, the Treasury, the Ministry of Business, Innovation and Employment, iwi, community housing providers, and other stakeholders
- working with key government agency stakeholders on joint initiatives (eg, Corrections, Te Puni Kōkiri, and the Ministry of Health)
- contributing to the development of policy, strategic and legislative initiatives led by other agencies
- providing ministerial services, supporting select committee appearances, and providing external reporting
- providing Board and executive support
- answering Official Information Act requests and drafting ministerial responses.

Summary of performance

Measure	Actual 2018/19	Standard 2019/20	Actual 2019/20	Comment
Ministerial correspondence, parliamentary questions, and Official Information Act requests delivered meet the agreed deadline	98%	95%	100%	
Ministerial services delivered meet the quality criteria	100%	95%	100%	

We continue to show good results in servicing our Minister

The quality and timeliness of ministerial services results exceeded our target of 95 percent, with our delivery within agreed timelines also improving over last year.

Revenue and output expenses

Description	Actual 2018/19 $m	Budget 2019/20 $m	Actual 2019/20 $m	Comment
Revenue Crown	0.0	0.0	0.0	Expenses include all costs associated with ministerial services, including supporting the Government's Social Housing Reform Programme, Board and Executive support, and government accountability functions.
Revenue Other	0.0	0.0	0.0	
Expenses	19.1	23.2	22.9	
Net surplus/(deficit)	**(19.1)**	**(23.2)**	**(22.9)**	

Output Class 4: Enabling housing supply and home ownership

Scope

The scope of this output class is limited to activities associated with the release of surplus Kāinga Ora land or on land owned by third parties that enables or facilitates the development of affordable and market housing. It also includes the management of financial home ownership products that assist individuals and households to purchase their first home.

Activities

Activities associated with increasing general and affordable housing supply include:

- releasing land to enable or facilitate affordable and general housing supply in areas of high demand
- selling land or housing assets that are no longer required
- administering the KiwiBuild programme on behalf of the Crown.

Activities also include the proactive management of financial home ownership products that assist individuals and households to purchase their first home, and 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)
- Kāinga Ora Tenant Home Ownership Scheme.

Summary of performance

Measure	Actual 2018/19	Standard 2019/20	Actual 2019/20	Comment
Number of new homes enabled[14] or constructed for sale on land owned or previously owned by Housing New Zealand or Kāinga Ora	294	>500	264	Not achieved
Affordable[15] homes enabled or constructed for sale as a percentage of total homes enabled or constructed	54%	>40%	35%	Not achieved
Proportion of enabled homes under construction by third parties within agreed timeframes[16]	67%	95%	100%	
Average number of days taken to assess a completed First Home Grant application[17]	2.8 working days	5 working days	3.4 working days	

Our affordable home delivery was also impacted by COVID-19 lockdown

The number of new homes enabled or constructed during the year was directly impacted by the COVID-19 lockdown, with activity halted for a period and then ramped up as quickly as supply chains would allow.

The final result of affordable homes enabled as a percentage of total homes enabled was impacted by the inclusion of 48 public homes enabled for the Tāmaki Regeneration Company. If these homes were excluded from the calculation (as they are neither affordable or market homes) we would have achieved the 40 percent target for affordable homes enabled.

Revenue and output expenses

Description	Actual 2018/19 $m	Budget 2019/20 $m	Actual 2019/20 $m	Comment
Revenue Crown	93.4	111.5	95.8	This output class delivers products that are managed on the Crown's behalf.
Revenue Other	36.2	206.1	57.0	
Expenses	126.2	310.3	137.7	
Net surplus/(deficit)	**3.4**	**7.3**	**15.1**	

14. 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.
15. For the purpose of this measure, affordable means homes produced for sale at KiwiBuild price points or other affordable housing products produced at KiwiBuild price points.
16. Note that this measure in 2018/19 was the 'Proportion of homes delivered by third parties within agreed timeframes'. It has now been changed to 'under construction' in line with development agreements.
17. During 2019/20 Kāinga Ora received 39,166 KiwiSaver First Home Grant applications and approved 15,365.

Output Class 5: Development services provided to the 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 Zealand and the Minister who was responsible for Housing New Zealand at that time.

Activities

The activities undertaken in this output class include:

- 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 HAA 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.

Summary of performance

Measure	Actual 2018/19	Standard 2019/20	Actual 2019/20	Comment
Revenue generated from land sales	$31.2m	>$20m	$15.5m	Not achieved
Value of HAA-led capex projects delivered	$14.0m	>$2m	$2.2m	
Units delivered that are long-term rental or affordable housing as a percentage of total units delivered	23.4%	>20%	27.4%	
Percentage of residents satisfied with the overall living experience at Hobsonville Point	93%	>75%	96%	

Our land sales revenue was lower than forecast

Land sales revenue was lower than forecast as a result of one block of land being on-sold from one developer to another. Payment was deferred, pushing it outside the financial year and reducing the total below the year's target.

Our residents continue to be satisfied with living at Hobsonville Point.

- The results for satisfaction with the Hobsonville Point development increased year on year, from 93 percent to 96 percent this year, against a target of 75 percent.

Revenue and output expenses

Description	Actual 2018/19 $m	Budget 2019/20 $m	Actual 2019/20 $m	Comment
Revenue Crown	0.0	0.0	0.0	Kāinga Ora provides services to the Crown, for which it earns a management fee.
Revenue Other	3.0	14.9	3.1	
Expenses	3.0	14.9	3.1	
Net surplus/(deficit)	**0.0**	**0.0**	**0.0**	

3% ▲ FY18/19

96%

of residents satisfied with living at Hobsonville Point

Operating appropriations 2019/20

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 through Vote Housing and Urban Development, Vote Building and Construction and Vote Social Development.

The income-related rent subsidy amounts (from the Ministry of Social Development) noted below are Kāinga Ora's portion of a wider appropriation that includes appropriated funds for community housing. The appropriation from Vote Building and Construction is for the Earthquake Prone Building Scheme that is in the establishment phase, and is administered by the Ministry of Business, Innovation and Employment. All other appropriations are for Vote Housing and Urban Development, and are administered by HUD.

The following table details the funding initially budgeted as reported in our 2019/20 Statement of Performance Expectations and compares this with the actual funding provided.

Operating appropriations 2019/20

Appropriation and programme	$m	Kāinga Ora's Output Classes: Sustaining Tenancies & Managing our Homes	New State Housing Supply	Public Accountability & Ministerial Support	Enabling Housing Supply & Home Ownership	Services to the Housing Agency Account
Kāinga Ora Housing Support Services						
First Home Loan	8.700	–	–	–	5.318	–
First Home Grant – Administration	2.998	–	–	–	2.998	–
Total Kāinga Ora Housing Support Services	**11.698**	**0.000**	**0.000**	**0.000**	**8.316**	**0.000**
Housing Assistance						
Community Owned Rural Rental Housing Loans interest subsidy	0.091	–	–	–	0.079	–
Housing Innovation Fund Interest Subsidy	0.700	–	–	–	0.275	–
Other Legacy Loan costs	0.370	–	–	–	0.000	–
Nat/WPT Portfolio – Loss of interest SPOB	0.010	–	–	–	0.001	–
SHAZ Bridging Finance	0.001	–	–	–	0.001	–
Total Housing Assistance	**1.172**	**0.000**	**0.000**	**0.000**	**0.356**	**0.000**
Housing Assistance is exempt from Crown performance reporting as it is less than $5m.						
KiwiBuild Operating Appropriation	**10.758**	**0.000**	**0.000**	**0.000**	**9.720**	**0.000**
Western Porirua Transfer	**0.000**	**0.000**	**0.000**	**0.000**	**0.361**	**0.000**
Administration of Earthquake Prone Building Loan Scheme	**0.000**	**0.000**	**0.000**	**0.000**	**0.292**	**0.000**
Purchase of Housing and Related Services for Tenants Paying Income-Related Rent (*)	**939.694**	**958.762**	**0.000**	**0.000**	**0.000**	**0.000**
The IRR performance measure is reported by the Ministry of Social Development in its Annual Report.						
First Home Grant	**90.734**	**0.000**	**0.000**	**0.000**	**77.765**	**0.000**
First Home Grant is exempt from Crown performance reporting as the information is unlikely to be informative.						
Total Operating Appropriations (excl MCA)	**1,054.056**	**958.762**	**0.000**	**0.000**	**96.810**	**0.000**

* The Income-Related Rent Subsidy (IRRS) budget value is based on a different set of assumptions from those used by the Ministry of Social Development for the IRRS Crown appropriation budgets, creating a difference from the values reported by the Ministry of Social Development.

Output Table: Multi-Category Appropriations (MCA) 2019/20

		Kāinga Ora's Output Classes				
Appropriation and programme	**$m**	**Sustaining Tenancies & Managing our Homes**	**New State Housing Supply**	**Public Accountability & Ministerial Support**	**Enabling Housing Supply & Home Ownership**	**Services to the Housing Agency Account**
Community Group Housing MCA						
Community Group Housing Market Rent Top-Up	14.791	13.990	–	–	–	–
Community Housing Rent Relief	4.104	3.839	–	–	–	–
Acquisition and Improvement of Community Group Housing Properties – Non-Departmental Capital Expenditure	5.800	–	5.800	–	–	–
Total Multi-Category Expenses and Capital Expenditure	**24.695**	**17.829**	**5.800**	**0.000**	**0.000**	**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.

Output Table: Capital Appropriations 2019/20

		Kāinga Ora's Output Classes				
Appropriation and programme	**$m**	**Sustaining Tenancies & Managing our Homes**	**New State Housing Supply**	**Public Accountability & Ministerial Support**	**Enabling Housing Supply & Home Ownership**	**Services to the Housing Agency Account**
Refinancing of Kāinga Ora and HNZL Debt	**251.683**	**0.000**	**251.683**	**0.000**	**0.000**	**0.000**
Performance is reported by the Minister of Finance and appended to the Treasury's Annual Report.						
Total Kāinga Ora Capital Appropriations (excl MCA)	**251.683**	**0.000**	**251.683**	**0.000**	**0.000**	**0.000**

Financial statements

A better New Zealand for all by building lives and communities together.

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 2020 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
29 September 2020

Countersigned

John Duncan

Deputy Chair
29 September 2020

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020

	Notes	Group Actual 2020 $M	Group Actual 2019 $M	Budget Unaudited 2020 $M
Revenue from non-exchange transactions				
Rental revenue - income-related rent subsidy		959	880	940
Rental revenue - tenants receiving income-related rent subsidy		386	368	397
Crown appropriation revenue	5(b)	103	102	119
Rent relief fund revenue		4	4	4
Revenue from exchange transactions				
Rental revenue from tenants at market rent		51	49	51
Sales of developments		58	15	201
Interest revenue	5(a)	21	14	8
Mortgage Insurance Scheme	5(c)	10	10	9
Other revenue	5(d)	22	22	16
Total operating revenue		**1,614**	**1,464**	**1,745**
Expenses				
Repairs and maintenance		359	366	386
Depreciation and amortisation	6(a)	301	287	291
Personnel	6(b)	176	152	173
Rates		171	160	171
Interest expense	5(a)	135	106	142
Grants	6(e)	78	84	91
Lease expenses		67	64	50
Other expenses	6(c)	206	133	359
Total expenses		**1,493**	**1,352**	**1,663**
Other gains/(losses)				
Gain/(loss) on disposal of assets	6(f)	7	(6)	–
Impairment of property under development	6(f)	(70)	–	–
(Loss) on asset write-offs	6(f)	(84)	(70)	(74)
Total other losses		**(147)**	**(76)**	**(74)**
Operating surplus/(deficit) before tax		**(26)**	**36**	**8**
Current tax expense		(87)	(89)	(91)
Deferred tax (expense)/benefit		55	113	68
Income tax (expense)/benefit	7(a)	**(32)**	**24**	**(23)**
Net surplus/(deficit) after tax		**(58)**	**60**	**(15)**
Other comprehensive revenue and expense				
Revaluation of property, plant and equipment				
Revaluation reserve gains		1,201	616	327
Financial assets at fair value through equity				
Hedging reserve gains/(losses)	20	1	(22)	–
Income tax (expense) on other comprehensive items	7(a)	(104)	(49)	(70)
Other comprehensive revenue		**1,098**	**545**	**257**
Total comprehensive revenue and expense		**1,040**	**605**	**242**

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 2020

	Notes	Group Actual 2020 $M	Group Actual 2019 $M	Budget Unaudited 2020 $M
Total equity at 1 July 2019		**22,924**	**22,319**	**22,561**
Revaluation of property, plant and equipment				
Revaluation reserve gains/(losses)		1,201	616	327
Deferred tax (expense) on property, plant and equipment revaluations		(104)	(55)	(70)
Financial assets at fair value through other comprehensive revenue and expense				
Hedging reserve gains/(losses)	20	1	(22)	–
Deferred tax (expense)/benefit on hedging reserve gains/(losses)		–	6	–
Net surplus/(deficit) for the year		(58)	60	(15)
Total comprehensive revenue and expense for the period		**1,040**	**605**	**242**
Net capital contributions (to)/from the Crown		6	–	(2)
Total changes in equity		**1,046**	**605**	**240**
Total equity at 30 June 2020		**23,970**	**22,924**	**22,801**
Equity attributable to the Crown				
Equity attributable to the Crown at 1 July 2019		3,555	3,555	3,553
Net capital contributions (to)/from the Crown		6	–	(2)
Equity attributable to the Crown at 30 June 2020		**3,561**	**3,555**	**3,551**
Retained earnings				
Retained earnings at 1 July 2019		712	596	649
Surplus/(deficit) for the year		(58)	60	(15)
Net transfers from asset revaluation reserve		43	56	68
Retained earnings at 30 June 2020		**697**	**712**	**702**
Revaluation reserve				
Revaluation reserve at 1 July 2019		18,739	18,234	18,425
Asset revaluations on property, plant and equipment		1,201	616	327
Deferred tax on property, plant and equipment	7(c)	(104)	(55)	(70)
Net transfers to retained earnings		(43)	(56)	(68)
Revaluation reserve at 30 June 2020		**19,793**	**18,739**	**18,614**
Hedging reserve				
Hedging reserve at 1 July 2019		(82)	(66)	(66)
Fair value gains/(losses)	20	1	(22)	–
Deferred tax on derivative fair value movement	7(c)	–	6	–
Hedging reserve at 30 June 2020		**(81)**	**(82)**	**(66)**
Total equity at 30 June 2020		**23,970**	**22,924**	**22,801**

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

Statement of Financial Position

As at 30 June 2020

	Notes	Group Actual 2020 $M	Group Actual 2019 $M	Budget Unaudited 2020 $M
Assets				
Cash and cash equivalents	8	421	296	2
Short-term investments	11	1,296	35	15
New Zealand Government Bonds		200	–	–
Receivables	10	60	21	49
Prepayments		24	10	–
Properties held for sale	12	14	27	5
Properties under development	13	191	144	55
Mortgage advances	9(a)	27	33	35
Intangible assets	14	16	20	17
Property, plant and equipment	15	30,685	28,410	29,980
Total assets		**32,934**	**28,996**	**30,158**
Liabilities				
Accounts payable and other liabilities	16	168	218	274
Income tax payable	7(b)	–	17	5
Provisions	17	20	14	11
Mortgage Insurance Scheme	18(a)	31	32	32
Interest rate derivatives	20	114	114	95
Borrowings	21	6,439	3,536	4,732
Deferred tax liability	7(c)	2,192	2,141	2,208
Total liabilities		**8,964**	**6,072**	**7,357**
Net assets		**23,970**	**22,924**	**22,801**
Equity				
Equity attributable to the Crown		3,561	3,555	3,551
Retained earnings		697	712	702
Revaluation reserve		19,793	18,739	18,614
Hedging reserve	20	(81)	(82)	(66)
Total equity		**23,970**	**22,924**	**22,801**

For and on behalf of the Board, who authorised the issue of the financial statements on 29 September 2020.

Vui Mark Gosche
Chair
29 September 2020

John Duncan
Deputy Chair
29 September 2020

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 2020

	Notes	Group Actual 2020 $M	Group Actual 2019 $M	Budget Unaudited 2020 $M
Cash flows from/(used in) operating activities				
Rent receipts - tenants		398	410	444
Rent receipts - income-related rent subsidy		959	880	940
Crown appropriation revenue		103	101	143
Rent relief fund revenue		4	4	4
Interest revenue		21	12	8
Mortgage Insurance Scheme revenue		10	10	11
Other receipts		80	47	216
Payments to suppliers and employees		(1,152)	(992)	(1,129)
Interest paid		(135)	(101)	(143)
Income tax paid		(104)	(77)	(91)
Net cash flows from/(used in) operating activities	22	**184**	**294**	**403**
Cash flows from/(used in) investing activities				
Sale of rental properties and other property plant and equipment		–	19	43
Mortgage and other lending repayments		5	7	–
Net short-term investments (made)/realised		(1,461)	116	3
Purchase of rental property assets		(1,410)	(1,523)	(1,716)
Purchase of other property, plant and equipment		(102)	(12)	(20)
Purchase of intangible assets		–	(11)	(8)
Net cash flows from/(used in) investing activities		(2,968)	(1,404)	(1,698)
Cash flows from/(used in) financing activities				
Net capital contributions (to)/from the Crown		6	(1)	(2)
Loans drawn down from The Treasury – Capital Markets		–	33	37
Market Notes issued		2,903	851	1,260
Net cash flows from/(used in) financing activities		**2,909**	**883**	**1,295**
Net cash flows		125	(227)	–
Opening cash and cash equivalents		296	523	2
Closing cash and cash equivalents	8	**421**	**296**	**2**

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 2020

1. Reporting entity

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

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

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

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

The registered office of Kāinga Ora – Homes and Communities is Level 10, 80 Boulcott Street, 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 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 29 September 2020.

2. Summary of significant accounting policies

(a) Basis of preparation

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

The Kāinga Ora Group financial statements are presented for the full 12 months, which comprise the combined results for HNZC Group for the revised period 1 July 2019 to 30 September 2019, plus the results for Kāinga Ora Group for the nine months of the financial year from the date of commencement of 1 October 2019 to 30 June 2020. The results for HNZC Group are used as prior year comparatives on the basis that the business objectives and operations have not substantially changed from HNZC to Kāinga Ora. The unaudited budget numbers for financial year 2019/20 are taken from the Revised Statement of Performance Expectations 2019-2020 published on 7 February 2020.

The Financial Statements for HNZC Parent for the three months from 1 July 2019 to 1 October 2019 (when it was disestablished) have been prepared and are presented in Note 28. It presents the operational results, cash flow, changes in equity and the value of assets and liabilities that were transferred from HNZC (parent) to Kāinga Ora – Homes and Communities (Parent) on 1 October 2019.

The accounting policies used by HNZC Group have been adopted by the Kāinga Ora Group and have been applied consistently throughout the year. 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 Board has considered the effects of COVID-19 on the business and given that almost 90% of the Group's revenue comes from social housing rental and Crown appropriations, it considers that adopting a going concern basis is appropriate.

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.

In the current year, the presentation of items in the statement of financial position have been changed from a having a current / non-current distinction, to being presented in order of their liquidity.

The primary basis for the change in presentation of the statement of financial position is the significantly increased level of activity that Kāinga Ora is doing in its development business. This is largely financed by market bond issues and therefore in our view, presentation of the statement of financial position on a liquidity basis provides the users of our financial statements with a faithful representation and more relevant information on the financial statements.

(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) Changes in accounting policies and disclosures

There were no new accounting standards that were issued by the External Reporting Board affecting Public Benefit Entities for the financial year ended 30 June 2020.

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

The following standards and amendments have been issued but are not yet effective:

- PBE IPSAS 41: The XRB issued PBE IPSAS 41 *Financial Instruments* in March 2019. This standard supersedes PBE IFRS 9 *Financial Instruments*, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Kāinga Ora has not yet assessed the effect of the new standard.
- PBE IPSAS 40: This standard was issued in July 2019 and replaces PBE IFRS 3 *Business Combinations*. PBE IFRS 3 excludes combinations under common control and combinations arising from local authority reorganisations from its scope. The new standard has a broader scope, and establishes requirements for accounting for both acquisitions and amalgamations (using the modified pooling of interests method). In general, the Standard is to be applied prospectively to PBE combinations for which the amalgamation date or acquisition date is on or after 1 January 2021. Kāinga Ora has not yet assessed the impact of this standard.
- PBE IAS 12: The XRB issued amendments to PBE IAS 12 Income Taxes addressing the uncertainty over income tax treatments based on NZ IFRIC 23. Kāinga Ora has not yet assessed the effect of the new standards
- Interest Rate Benchmark Reform: This amending standard is based on amendments issued by the International Accounting Standards Board. 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. Kāinga Ora has yet to assess the impact of this standard.

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

The Kāinga Ora Group financial statements for the current 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. The comparatives comprise the results for HNZC Group for the year 2018/19.

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 of subsidiaries are prepared for the same period 1 July 2019 to 30 June 2020, using consistent accounting policies.

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 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.

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

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

Any revaluation deficit is recognised in the net surplus/(deficit) for the year except to the extent that it offsets 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 derecognition of an asset is included in the net surplus/(deficit) for the year, in the period the item is derecognised. Gain or loss on derecognition is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

Depreciation is calculated on a straight-line basis over the estimated useful life of 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) 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.

(h) 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).

(i) 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.

(j) Intangible assets

The Kāinga Ora Group has computer software, a non-monetary asset without physical substance, which is therefore classified as an intangible asset. 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.

(k) Impairment of plant and equipment and intangible assets

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

Non-cash-generating plant and equipment and intangible assets

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

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

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

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

(l) 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 derecognition

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 (ie, 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.

Trade and other 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.

Short-term investments

Short-term investments consist of money market deposits, commercial paper, registered certificate 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.

Impairment

The impairment requirements of PBE IFRS 9 apply to Kāinga Ora’s financial assets that are carried at amortised cost and are based on a forward-looking expected credit loss model. 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.

(m) Accounts payable and other liabilities

Due to their short-term nature, accounts payable and other liabilities are not discounted.

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

(n) Financial guarantees

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

(o) 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, short-term investments, equivalent to at least the total value of the Mortgage Insurance Scheme liabilities, to meet any claims under the scheme.

(p) 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 Thomson Reuters, which is an active market interest rate benchmark.

(ii) Hedge accounting

The Kāinga Ora Group uses financial instruments, such as interest rate swaps, to hedge its risks associated with interest rate fluctuations.

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

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

The cash flow reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument from inception of the hedge, and the cumulative change in fair value (present value) of the hedged item from inception of the hedge.

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

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

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

(q) Employee benefits

Employee benefits include wages and salaries (including non-monetary benefits such as medical, trauma, life and income continuance insurance), annual leave, long-service leave and sick leave. They are measured as the amounts expected to be paid when the liabilities are settled. A present value model is used for calculating long-service leave and accumulated sick leave in accordance with instructions from the Treasury. Employee benefits expected to be settled within 12 months of the balance date are recognised as current liabilities at 30 June 2020. Long-service leave, where entitlements are not vested at balance date, is treated as a non-current liability.

(r) Provisions

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

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

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

(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) Group 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) Group 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 (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

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 large-scale programmes is recognised when control passes to 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.

Interest revenue

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

Management fees

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) 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 66,253 residential properties (2019: 65,256), 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 social 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 social housing, rather than to generate a commercial return.

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

Management reclassifies assets, or any group of assets, as held for sale or held for distribution to the owner, upon determining that it has become highly probable that the carrying amount of those assets, or group of assets, will, in their present condition, be recovered through a respective sale or distribution transaction within the next 12 months. For a sale or distribution transaction to be highly probable, the assets, or group of assets, must be available for immediate sale or distribution and the Kāinga Ora Group committed to the impending sale or distribution transaction (refer note 8).

(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 short-term 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 lessor

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 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 PP&E 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 on either 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 66,253 properties around New Zealand (2019: 65,256). 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 15).

(ii) Fair value of derivative financial instruments and short-term 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). The derivatives are measured at fair value; no adjustment is required.

(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 18).

(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(i) and amortisation rates are set out in note 2(j) 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 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 nature 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.

The Kāinga Ora Group's policy is to limit the portion of floating rate debt. To achieve this, it has entered into interest rate swaps to convert floating rate borrowings (85% – 100%) to fixed rate borrowings.

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 2019 and 2020 interest rate swaps designated to hedge underlying debt obligations were the primary financial instrument used.

At 30 June 2020, after taking into account the effect of interest rate swaps, approximately 84% of borrowings were at a fixed rate of interest (2019: 71%).

(b) Interest rate sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at 30 June 2020.

The following table sets out the respective differences in the annual net surplus/(deficit) after tax, and the equity balance (after tax adjustments) at 30 June 2020, had interest rates been 1% higher or lower than the year-end market rate:

	2020 ($M)	2019 ($M)
Net surplus higher/(lower)		
Interest rates +1%	(5)	(4)
Interest rates -1%	6	4
Equity higher/(lower)		
Interest rates +1%	21	30
Interest rates -1%	(22)	(31)

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, short-term 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 new Housing Innovation Fund loans (that are yet to be disbursed) to third parties of $1.6 million (2019: $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 19.

Concentration of credit risk exists in relation to money market investments, but this risk is mitigated by the fact that the counterparties are Board-approved and have a high credit rating (note 3(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 19.

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 $7.1 billion from sources other than the Crown to deliver the increased level of redevelopment activities required to assist with the Government's social housing objectives.

Kāinga Ora has an unsecured bank overdraft facility of $10 million (2019: $10 million) with an interest rate of 3.95% (2019: 4.88%). 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 2020, 13.89% of the Kāinga Ora Group's debt will mature in less than one year (2019: 14.20%).

Discounted cash flows include principal and interest only. Undiscounted cashflows includes principal amounts only.

As at 30 June 2020 the contractual maturity (discounted cash flow) of the Kāinga Ora Group's financial liabilities was as follows:

	0-1 Year ($M)	1-2 Years ($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
Financial guarantees - sold loans	–	–	–	–	–	–
Interest rate derivatives - net settled	45	37	23	16	2	123
Total	**1,174**	**433**	**622**	**1,706**	**3,539**	**7,474**

	0-1 Year ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
At 30 June 2019						
Crown loans floating interest rate	278	165	334	524	845	2,146
Market bonds	37	37	37	365	1,075	1,551
Commercial paper	250	–	–	–	–	250
Accounts payable and other liabilities	185	–	–	–	–	185
Financial guarantees - sold loans	–	–	–	–	1	1
Interest rate derivatives - net settled	29	33	25	25	2	114
Total	**779**	**235**	**396**	**914**	**1,923**	**4,247**

As at 30 June 2020 the contractual maturity (undiscounted cash flow) of the Kāinga Ora Group's financial liabilities is as follows:

	0-1 Year ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
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**

	0-1 Year ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
30 June 2019						
Crown loans floating interest rate	252	143	313	489	733	1,930
Crown loans fixed interest rate	–	–	–	–	56	56
Market bonds	–	–	–	300	1,000	1,300
Commercial Paper	250	–	–	–	–	250
Total	**502**	**143**	**313**	**789**	**1,789**	**3,536**

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 in excess of $1,663 million with six different banks, of which $500 million is maintained with the Bank of New Zealand, $352 million with ANZ Bank, $310 million with Westpac New Zealand Limited, $6 million with Kiwibank, $400 million with ASB Bank, and $95 million with MUFG Bank. These are reputable banks and have a Standard & Poor's long-term credit rating of AA-, except for MUFG Bank, which has a credit rating of A (positive).

(g) Ageing of receivables and loans

(i) Ageing analysis of receivables

	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 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**
At 30 June 2019					
Rent	4	3	–	1	8
Damages	–	–	–	2	2
Other receivables	14	–	–	–	14
Expected credit loss rate	0%	0%	100%	100%	
Expected credit loss	–	–	–	(3)	(3)
Total	**18**	**3**	**–**	**–**	**21**

(ii) Ageing analysis of mortgage advances

	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 2020					
Mortgage advances past due not impaired	–	–	–	–	–
Other mortgage advances	25	2	–	2	29
Expected credit loss	–	–	–	(2)	(2)
Total	**25**	**2**	**–**	**–**	**27**
At 30 June 2019					
Mortgage advances past due not impaired	–	–	–	–	–
Other mortgage advances	31	–	–	1	32
Expected credit loss	–	–		(1)	(1)
Total	**31**	**–**	**–**	**–**	**31**

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 2020 (2019: nil).

	30 June 2020 Valuation Technique - Market Observable Inputs (Level 2) ($M)	30 June 2019 Valuation Technique - Market Observable Inputs (Level 2) ($M)
Financial Assets		
Securities	168	–
Registered Certificate of Deposit	455	–
New Zealand Government Bonds	200	–
Corporate Bond	108	–
Total Financial Assets	**931**	**–**
Financial Liabilities		
Interest rate derivatives	114	114
Financial guarantees – sold loans	–	1
Total Financial Liabilities	**114**	**115**

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 short-term 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

	2020 ($M)	2019 ($M)
Interest income		
Interest on temporary investments and bank accounts	20	13
Interest on mortgage advances	1	1
Total interest income	**21**	**14**
Interest expense		
Interest on short-term borrowing	9	4
Interest on long-term borrowing	85	64
Interest on derivatives	41	38
Total interest expense	**135**	**106**

(b) Crown appropriation income

	2020 ($M)	2019 ($M)
KiwiSaver deposit subsidy/HomeStart	77	84
Other housing-related appropriations	16	18
KiwiBuild appropriations	10	–
Total Crown appropriation income	**103**	**102**

Total Crown appropriations were $109 million (2019: $108 million); however, $6 million (2019: $6 million) has been classified as 'Crown appropriation premium receipts' in note 5(c) below.

(c) MIS revenue

	2020 ($M)	2019 ($M)
Third-party premium receipts	3	4
Crown appropriation premium receipts	6	6
Premium revenue deferred and actuarial (increase)/decrease in premium reserve	1	–
Recognised insurance premium revenue	**10**	**10**
Claims expense	–	–
Net surplus/(deficit) for MIS	**10**	**10**

(d) Other revenue

	2020 ($M)	2019 ($M)
Lease income	15	13
Management fees from related parties	3	3
Release of HIF impairment	1	1
Other revenue	3	5
Total other revenue	**22**	**22**

6. Expenses

(a) Depreciation and amortisation

	2020 ($M)	2019 ($M)
Depreciation – rental properties	290	265
Depreciation – other property, plant and equipment	6	5
Amortisation of intangible assets	5	17
Total depreciation and amortisation	**301**	**287**

(b) Personnel

	2020 ($M)	2019 ($M)
Wages and salaries	159	137
Employee benefits	12	9
Other personnel costs	5	6
Total personnel	**176**	**152**

(c) Other expenses

	2020 ($M)	2019 ($M)
Professional services*	59	36
Cost of properties held for sale	59	15
Insurance	18	15
Computer costs and software maintenance fees	14	11
Other property-related costs	8	6
Bad debts	7	4
Property acquisition and development costs	6	11
Accommodation, travel and allowances	6	6
Vehicle costs	4	4
Selling costs	3	2
Communication	3	3
Stationery and publications	2	2
Other	17	18
Total other expenses	**206**	**133**

* 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

	2020 ($M)	2019 ($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	0.73	0.66
(ii) Other assurance services*		
– Other professional services relating to provision of remuneration and available market data	0.02	0.02
Total amounts paid or payable to the auditors	**0.75**	**0.68**

* Amounts paid to Ernst & Young in 2020 related to other professional services for performance based maintenance contract review, Holiday Pay Quality Assurance Process and Tahi – Manu Whenua Governance.

(e) Grants

	2020 ($M)	2019 ($M)
KiwiSaver deposit/First home ownership grants	78	84
Total grant expenses	**78**	**84**

(f) Realised losses on sales, write-off and impairment of assets

	2020 ($M)	2019 ($M)
Assets impairment, write-off/demolition	(84)	(70)
Impairment of property under development	(70)	–
Gain/(loss) on asset sales	7	(6)
Total realised gains/(losses) on sales, write-off and impairment of assets	**(147)**	**(76)**

Kāinga Ora has incurred losses of $70 million resulting from the treatment of properties under development to third parties as inventory, which must be valued at the lower of cost and net realisable value. Net realisable value is discussed in more detail in note 3(b)(iv).

Kāinga Ora has an increased mandate over its three predecessor organisations and a number of these activities aren't fully funded. One such example is our large scale land development. Land development and the costs of remediating land and improving infrastructure in our large scale programmes (LSP) is higher than anticipated.

This has resulted in Kāinga Ora incurring losses of approximately $70 million for the write down of land associated with LSP.

The LSP will deliver more than 40,000 homes over the next 15-20 years and the scale and pace at which homes are being completed are increasing. Through these LSPs, Kāinga Ora is seeing benefits extending to other builders and residents in the wider neighbourhoods through the investment in improved infrastructure and amenities serving the wider community. The investment in these LSP's particularly in infrastructure, is helping future-proof these areas and will continue that the provision of home can continue apace.

7. Income tax

The major components of income tax expense for the year were:

(a) Income tax expense/(benefit)

	2020 ($M)	2019 ($M)
Net surplus/(deficit)		
Current income tax	87	95
Prior period adjustments	–	(6)
Deferred income tax relating to temporary differences	(55)	(113)
Income tax expense/(benefit) reported in net surplus/(deficit)	**32**	**(24)**
Statement of changes in equity		
Deferred income tax		
Net change in deferred tax due to revaluation of buildings	104	55
Net change in deferred tax due to hedged financial derivatives from 'The Treasury – Capital Markets'	–	(6)
Income tax expense/(benefit) reported in other comprehensive revenue and expense	**104**	**49**

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:

	2020 ($M)	2019 ($M)
Accounting profit/(loss) before tax from continuing operations	**(27)**	**36**
Taxation at the statutory income tax rate of 28%	(8)	10
Plus tax effect of:		
Permanent/temporary differences		
Non-deductible expenses	28	27
Deferred tax adjustments in relation to disposal of rental properties	8	(3)
Reversal of deferred tax relating to earthquake insurance proceeds now applied	–	(52)
Non-deductible losses on disposal of rental properties	4	–
Prior period adjustments	–	(6)
Income tax expense/(benefit) reported in net surplus/(deficit)	**32**	**(24)**

Income tax expense/(benefit) reported in net surplus/(deficit) is at an effective rate of 119% (2019: 67%).

(b) Current income tax liability

	2020 ($M)	2019 ($M)
Net current tax liability/(asset) at 1 July	17	5
Current year tax charge to net surplus/(deficit)	87	95
Prior period adjustment	(1)	(6)
Income tax paid	(103)	(77)
Net current tax liability/(asset) at 30 June	**–**	**17**

(c) The net deferred tax liability relates to the following:

	2020 ($M)	2019 ($M)
Deferred tax liabilities		
Rental property building revaluations	2,154	2,107
Other property, plant and equipment	4	3
Earthquake insurance proceeds	–	1
Other differences relating to other property improvements	75	66
Gross deferred tax liabilities	**2,233**	**2,177**
Deferred tax assets		
Provisions – employee entitlements	(5)	(3)
Provisions – other	(4)	(2)
Financial derivatives	(32)	(31)
Gross deferred tax assets	**(41)**	**(36)**
Net deferred tax liability	**2,192**	**2,141**

The net deferred tax liability movements were:

	2020 ($M)	2019 ($M)
Net deferred tax liability/(asset) at 1 July	2,141	2,206
Recognised through other comprehensive revenue and expense:		
Rental property building revaluations	104	55
Financial derivatives	–	(6)
Recognised through net surplus/(deficit):		
Reversal of deferred tax relating to earthquake insurance proceeds now applied	–	(52)
Disposal of other properties BAU - reversal of deferred tax on cost	(3)	(3)
Deferred tax on temporary differences	(51)	(59)
Prior period adjustment	1	–
Net deferred tax liability/(asset) at 30 June	**2,192**	**2,141**

(d) Imputation credits

	2020 ($M)	2019 ($M)
Imputation credits available for use in subsequent reporting periods	**1,295**	**1,191**

8. Cash and cash equivalents

	2020 ($M)	2019 ($M)
Cash at bank	78	52
Term deposits	175	244
Securities	168	–
Total cash and cash equivalents	**421**	**296**

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 HIF loans, grants and MIS claims of $33 million (2019: $35 million).

Cash at bank earns interest at floating rates of 0.3% (2019: 1.50%) on the deposits.

The weighted average effective interest rate for term deposits and securities at 30 June was 0.63% (2019: 2.57%) with a term of up to six months.

9. Mortgages

(a) Mortgage advances

	2020 ($M)	2019 ($M)
Non-current mortgage advances	30	31
Expected credit losses	(3)	(1)
Net non-current mortgage advances	**27**	**30**
Current mortgage advances	–	3
Total net mortgage advances	**27**	**33**

These loans consist of Housing Innovation Fund (HIF) loans of $18 million (2019: $20 million) and historical loan products such as general and residual lending of $9 million (2019: $13 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) 2020 (%)	Weighted Average Interest Rate (Excl 0% Loans) 2020 (%)	2020 ($M)	Weighted Average Interest Rate (All Loans) 2019 (%)	Weighted Average Interest Rate (Excl 0% Loans) 2019 (%)	2019 ($M)
Up to 1 year	0.00	4.59	2	3.77	6.44	3
1 to 5 years	1.42	5.35	2	0.20	5.95	14
Over 5 years	2.71	4.60	23	2.67	5.25	16
Total weighted average	**2.45**	**4.62**	**27**	**2.52**	**5.25**	**33**

Interest rates on mortgages range from 0.00% to 7.85% (2019: 0.00% to 7.90%).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 (HIF) mortgage advances

At 30 June 2020 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 $18 million (2019: $20 million).

(b) Expected credit losses (general approach)

	Current up to 1 year ($M)	1 to 5 years ($M)	Over 5 years ($M)	Total ($M)
Mortgage advances				
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**
At 30 June 2019				
Expected credit loss rate	0%	0%	5%	–
Estimated total gross carrying amount at default	3	14	17	34
Expected credit loss	–	–	(1)	(1)
Total mortgage advances impaired as at 30 June 2020	**3**	**14**	**16**	**33**

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.

The Kāinga Ora Group has reviewed the effect of COVID-19 on its expected credit losses. Given the conservative approach the Group takes, it is not expected that COVID-19 will have a material effect on the amount of losses.

(c) Movement in provision for expected credit losses of mortgage advances

	2020 ($M)	2019 ($M)
As at 1 July	(1)	(1)
Provision for expected credit losses	(3)	–
Write-off	–	–
Balance at 30 June	**(4)**	**(1)**

10. Receivables

(a) Receivables from non-exchange transactions

	2020 ($M)	2019 ($M)
Rental debtors	29	10
Expected credit losses	(8)	(3)
Sub-total	**21**	**7**
Other receivables	7	6
Total receivables from non-exchange transactions	**28**	**13**

A loss of $8 million (2019: $5 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

	2020 ($M)	2019 ($M)
Current receivables from exchange transactions		
Interest receivable	6	5
Receivable from related parties	8	–
Other receivables	19	3
Expected credit losses	(1)	–
Total receivables from exchange transactions	**32**	**8**

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 2020					
Rent	17	4	–	5	**26**
Damages	–	–	–	3	**3**
Estimated total gross carrying amount at default	**17**	**4**	**–**	**8**	**29**
Expected credit loss rate	0%	0%	100%	100%	
Expected credit loss	–	–	–	(8)	**(8)**
Total	**17**	**4**	**–**	**–**	**21**

11. Current short-term investments

	2020 ($M)	2019 ($M)
Short-term investment on money market	1,296	35

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.

12. Properties held for sale

	2020 ($M)	2019 ($M)
Properties held for sale	14	27

Properties held for sale are 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.

13. Properties under development

	2020 ($M)	2019 ($M)
Current		
Properties under development	12	26
Non-current		
Properties under development	179	118
Total properties under development	**191**	**144**

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 $191 million (2019: $144 million), of which $45 million is held at net realisable value (and the rest are carried at costs incurred). In the current year properties under development have been written down by $70 million to reflect the fact that they are valued at net realisable value.

14. Intangible assets

	Software External ($M)	Software Internal ($M)	Projects Work In Progress ($M)	Total ($M)
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**
Year ended 30 June 2019				
At 1 July 2018, net of accumulated amortisation	**1**	**22**	**3**	**26**
Additions	4	4	3	11
Capitalised from projects work in progress	–	–	–	–
Amortisation for the year	(1)	(16)	–	(17)
At 30 June 2019, net of accumulated amortisation	**4**	**10**	**6**	**20**

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 (2019: 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.

15. 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* ($M)	Leasehold Improvements ($M)	Furniture and Fittings ($M)	Computer Equipment ($M)	Vehicles ($M)	Total Property, Plant and Equipment ($M)
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)
Other 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**
Year ended 30 June 2020								
At 1 July 2018, Revaluation Cost	**16,771**	**9,446**	**472**	**34**	**16**	**34**	**–**	**26,773**
Additions	348	742	1,469	4	2	5	–	2,570
Disposals	(24)	(68)	–	–	–	–	–	(92)
Transfers from work in Progress	–	–	(1,061)	–	–	–	–	(1,061)
Other revaluations	326	57	–	–	–	–	–	383
Transfer to PPE from PUD	17	3	–	–	–	–	–	20
Transfer from PPE to held for sale	(18)	(3)	–	–	–	–	–	(21)
At 30 June 2019, Revaluation Cost	**17,420**	**10,177**	**880**	**38**	**18**	**39**	**–**	**28,572**

* 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* ($M)	Leasehold Improvements ($M)	Furniture and Fittings ($M)	Computer Equipment ($M)	Vehicles ($M)	Total Property, Plant and Equipment ($M)
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**
Year ended 30 June 2019								
At 1 July 2018, Accumulated Depreciation	**–**	**61**	**–**	**25**	**13**	**29**	**–**	**128**
Disposals	–	(3)	–	–	–	–	–	(3)
Depreciation charge for the year	–	265	–	2	–	3	–	270
Revaluation write-back	–	(233)	–	–	–	–	–	(233)
At 30 June 2019, Accumulated Depreciation	**–**	**90**	**–**	**27**	**13**	**32**		**162**
Net book value 2020	**18,363**	**11,058**	**1,215**	**21**	**6**	**18**	**4**	**30,685**
Net book value 2019	**17,420**	**10,087**	**880**	**11**	**5**	**7**	**–**	**28,410**

* Capital work in progress additions/(disposals) are shown net of costs capitalised to freehold land and rental properties during the year.

Valuation

Freehold land and rental properties in the portfolio were revalued as at 30 June 2020 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 2020 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 $29,421 million (2019: $27,597 million).

Right of First Refusal for sale of surplus Kāinga Ora land

Treaty settlement legislation has granted Right of First Refusal (RFR) over some of the Kāinga Ora Group's properties. RFR restricts the disposal of properties and gives iwi/hapū (RFR holder) the right to purchase properties first, before they can be disposed of to anyone else. The Board (or in some cases, the Minister) can override the RFR if the disposal is to achieve any of the Crown's social objectives in relation to housing (commonly known as social 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 Te Tiriti o Waitangi (Treaty of Waitangi) and its principles and understanding Māori perspectives. As a result, section 20 of the 2019 Act prohibits Kāinga Ora from exercising the social housing exemption. 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 Kāinga Ora RFR land. This doesn't apply to maintaining or upgrading Kāinga Ora houses.

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 Tama ki Te Tau Ihu, and Te Ātiawa o Te Waka-a-Maui 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

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)
- Ngāti Rangi (Ohakune)
- Ngāti Hinerangi (Matamata)
- Hauraki Collective (Thames, Coromandel)
- Ngāti Maru (Taranaki)
- Ngāti Maniapoto (Waikato-Waitomo)
- Te Korowai O Wainuiārua (Central Whanganui)
- Whanganui Lands (Lower Whanganui)
- Ngāti Hauā

The Crown signed a Deed of Settlement with Ngāti Turangitukua 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 Turangi. 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.

16. Accounts payable and other liabilities

	2020 ($M)	2019 ($M)
Interest payable	21	20
Accounts payable	28	88
Rent received in advance	28	33
Rates accrual	8	5
Maintenance accrual	4	5
Contract retentions	3	15
Payroll accrual	1	7
Other payables and accruals	75	45
Total accounts payable and other liabilities	**168**	**218**

17. Provisions

	Mortgage Guarantee Provision ($M)	Housing Innovation Fund Provisions ($M)	Warranty Stock Transfer ($M)	Employee Leave Provision ($M)	Total ($M)
At 1 July 2019	1	1	–	12	14
Release of unused amounts	1	(1)	–	6	6
Provision released and spent	–	–	–	–	–
At 30 June 2020	**2**	**–**	**–**	**18**	**20**
Current	–	–	–	16	16
Non-current	2	–	–	2	4
At 30 June 2020	**2**	**–**	**–**	**18**	**20**
HNZC					
At 1 July 2018	1	1	2	9	13
Release of unused amounts	–	–	–	3	3
Provision released and spent	–	–	(2)		(2)
At 30 June 2019	**1**	**1**	**–**	**12**	**14**
Current	–	1	–	11	12
Non-current	1	–	–	1	2
At 30 June 2019	**1**	**1**	**–**	**12**	**14**

(a) 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.

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 2020, by Luke Fields of PricewaterhouseCoopers, 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 2020 was $2.06 million (2019: $3.73 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 90% (2019: 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.

Sold mortgages	Original Sold Amount ($000)	Corporation's Exposure ($000)	Provision Made ($000)	Sufficiency Margin (%)	
				Kāinga Ora 2020	HNZC 2019
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	75
	578,500	**2,059**	**350**		

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 of 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 2020 was $1.53 million (2019: $2.2 million), being the amount owed under the 300 guaranteed mortgages as at 30 June 2020.

(b) 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 is recognised as current liabilities at 30 June 2020. Long-service leave, where entitlements are not vested at balance date, is treated as a non-current liability.

18. Mortgage Insurance Scheme

The Kāinga Ora Group provides mortgage insurance to 11 (2019: 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 $1,705 million (2019: $1,719 million).

The Mortgage Insurance Scheme (MIS) was assessed at 30 June 2020 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 2020 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.

COVID-19 has had a dramatic effect on the world economy, including New Zealand. The impacts of COVID-19 may affect First Home Loans in many ways, including:

- increased unemployment
- reduced housing inflation or increased housing deflation
- reduced interest rates
- tightening of bank lending criteria
- large numbers of home loan borrowers are on repayment holidays or interest-only payments.

The model that the actuaries have used to estimate Kāinga Ora's insurance liabilities at previous valuations does not readily incorporate the effects of COVID-19. The model was based on long-term average claim frequencies observed over the lifetime of the scheme, rather than the specific circumstances of the scheme at one point in time.

It was therefore decided to build a new model which more explicitly allows for the effects of COVID-19. Rather than modelling a general claims frequency based on past averages the actuaries developed a model which relates claims directly to unemployment, mortgage defaults and whether or not a mortgage is fully recovered under a mortgagee sale.

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 16(b) for estimated timing of future cash outflows).

(a) Reconciliation of MIS unearned premium reserve

	2020 ($M)	2019 ($M)
MIS unearned premium reserve at 1 July	32	32
Premiums written (to reserve)	7	10
Premiums released (to profit)	(9)	(10)
Insurance claims paid out	–	–
Actuarially assessed increase/(decrease) in premium reserve	1	–
MIS unearned premium reserve at 30 June	**31**	**32**

(b) Estimated timing of net cash outflows

The following shows the estimate of timing of net cash outflows arising from claims:

	2020 ($M)	2019 ($M)
0 – 1 year	1	1
1 – 2 years	1	1
2 – 3 years	1	1
3 – 4 years	–	1
4 – 6 years	–	1
6+ years	–	1
Total estimated liability	**3**	**6**

(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 note 7). 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 34% of the original value of settled loans as at 30 June 2020 (2019: 37%) 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 2020

	Probability of Adequacy (%)	Discounted Central Estimate ($000)	Risk Margin ($000)	Outstanding Claims Liabilities ($000)
Baseline	75%	2,177	791	2,969
Risk margin				
85% Probability of adequacy	85%	2,177	1,255	3,432
95% Probability of adequacy	95%	2,177	2,011	4,188
Unemployment rate projections				
+1 percentage point	75%	2,511	852	3,363
-1 percentage point	75%	1,845	661	2,506
Housing Inflation				
+1 percentage point	75%	2,045	719	2,764
-1 percentage point	75%	2,338	849	3,187
Repayment probability assumptions				
+10 percentage points	75%	2,011	692	2,704
-10 percentage points	75%	2,396	882	3,279
Default probability assumptions				
+0.1 percentage point	75%	2,544	919	3,463
-0.1 percentage point	75%	1,795	666	2,461
Mortgage fees				
+10 percentage points	75%	2,230	807	3,038
-10 percentage points	75%	2,051	778	2,828
Sale price to loan value ratio				
+10 percentage points	75%	2,872	994	3,866
-10 percentage points	75%	1,541	535	2,077

Sensitivity analysis – Outstanding claims liabilities as at 30 June 2020

	Probability of Adequacy (%)	Discounted Central Estimate ($000)	Risk Margin ($000)	Outstanding Claims Liabilities ($000)
Baseline	75%	661	195	856
Risk margin				
85% Probability of adequacy	85%	661	339	1,000
95% Probability of adequacy	95%	661	617	1,279
Unemployment rate projections				
+1 percentage point	75%	717	218	935
-1 percentage point	75%	612	198	811
Housing Inflation				
+1 percentage point	75%	640	194	834
-1 percentage point	75%	710	205	915
Repayment probability assumptions				
+10 percentage points	75%	683	204	887
-10 percentage points	75%	684	205	888
Default probability assumptions				
+0.1 percentage point	75%	850	236	1,086
-0.1 percentage point	75%	483	144	627
Mortgage fees				
+10 percentage points	75%	680	195	875
-10 percentage points	75%	624	181	805
Sale price to loan value ratio				
+10 percentage points	75%	858	219	1,078
-10 percentage points	75%	469	147	616

(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 1.60% (2019: 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 2020 was $3.0 million (2019: $4.7 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 36.3% (2019: 36.9%) 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:

	2020 ($M)	2019 ($M)
Central estimate claims (undiscounted)	2	4
Discounting	–	–
Central estimate claims (discounted)	2	4
Risk margin at 75% probability of sufficiency	1	1
Premium liabilities based on LAT	**3**	**5**

(f) Outstanding Claims Liability

Outstanding Claims Liability (OCL) is measured at the present value of expected future payments or claims incurred, including a risk margin. This includes a liability for claims handling costs and a liability for incurred but not yet reported (IBNR) claims.

The table below sets out the components of the outstanding claims liabilities as at 30 June 2020:

	2020 ($M)	2019 ($M)
Approved claims incurred	–*	–*
Central estimate IBNR claims (undiscounted)	1	1
Discounting	–*	–*
Central estimate claims (discounted)	1	1
Risk margin at 75% probability of sufficiency	–*	–*
Claims handling expenses	–*	–*
OCL at 75% PoA	1	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 1.43% (2019: 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 (2019: lower than those projected by the actuarial assessment at the 75% level).

Projected Claim Liabilities 2020 ($M)	Actual Claims 2020 ($M)	Projected Claim Liabilities 2019 ($M)	Actual Claims 2019 ($M)
0.86	0.17	0.86	-0.01

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 2020 was $13.1 million (to 30 June 2019: $12.9 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.

19. 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:

	2020 ($M)	2019 ($M)
Financial assets at amortised cost		
Cash and cash equivalents	175	296
Receivables (exchange and non-exchange)	60	21
Mortgage advances	27	33
Short-term investments	707	35
Total financial assets at amortised cost	**969**	**385**
Financial assets at fair value through net surplus/(deficit)		
Securities	168	–
Registered Certificate of Deposit	455	–
New Zealand Government Bond	200	–
Corporate Bond	108	–
Total financial assets at fair value through net surplus/(deficit)	**931**	**–**
Financial liabilities		
Financial liabilities – fair value		
Interest rate swaps – in hedge relationships	114	114
Financial liabilities – financial guarantees		
Financial guarantees – sold loans	–	1
Total financial liabilities at fair value	**114**	**115**
Financial liabilities measured at amortised cost		
Crown loans – floating interest rate	1,886	1,930
Crown loans – fixed interest rate	99	56
Market bonds	3,719	1,300
Commercial paper	735	250
Accounts payable and other liabilities	168	123
Total financial liabilities measured at amortised cost	**6,607**	**3,659**

For all categories of financial assets and liabilities, the carrying value approximates fair value, except for the following:

	Carrying Amount		Fair Value	
	2020 ($M)	2019 ($M)	2020 ($M)	2019 ($M)
Financial assets				
Mortgage advances	27	33	27	29
Total	**27**	**33**	**27**	**29**

20. 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 2020 there were 114 interest rate swap agreements that had commenced (2019: 114), with a notional amount of $1,157 million (2019: $1,406 million), paying a weighted average fixed rate of interest of 4.13% (2019: 4.42%) and receiving a variable rate equal to the 90-day bank bill rate.

After taking into account the effect of interest rate swaps, approximately 84% of borrowings at 30 June 2020 were effectively at a fixed rate of interest (2019: 85%).

Set out below are the fair values of interest rate derivatives at 30 June 2020:

	2020 ($M)	2019 ($M)
Interest rate derivatives – liabilities		
Interest rate derivatives – current liabilities	36	29
Interest rate derivatives – non-current liabilities	78	85
Interest rate derivatives – total liabilities	**114**	**114**

The table below shows the maturity analysis of interest rate derivative assets and liabilities at 30 June 2020:

	0-1 Year ($M)	1-2 Years ($M)	2-3 Years ($M)	3-5 Years ($M)	5+ Years ($M)	Total ($M)
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)**
HNZC – Year ended 30 June 2019						
Interest rate derivatives – net settled						
Liabilities	(29)	(33)	(25)	(25)	(2)	(114)
Net assets/(liabilities)	**(29)**	**(33)**	**(25)**	**(25)**	**(2)**	**(114)**

Notional principal amounts and period of expiry of interest rate swap contracts in effect at 30 June were 2020:

	2020 ($M)	2019 ($M)
0 – 1 year	177	249
1 – 2 years	340	177
2 – 3 years	261	340
3 – 5 years	307	524
5+ years	72	116
Total notional principal	**1,157**	**1,406**

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

	2020 ($M)	2019 ($M)
Balance at 1 July	**(82)**	**(66)**
Fair value movement of interest rate swaps	(40)	(60)
Interest expense charged to net surplus/(deficit)	41	38
Amount included in other comprehensive revenue and expense	**1**	**(22)**
Hedging reserve deferred tax	–	6
Balance at 30 June	**(81)**	**(82)**

21. Borrowings

Interest-bearing borrowings

	Carrying Amount	
	2020 ($M)	2019 ($M)
Loans – current		
Commercial paper	735	250
Crown loans – floating interest rate	143	252
Total loans – current	**878**	**502**
Loans – non-current		
Market bonds	3,719	1,300
Crown loans – floating interest rate	1,743	1,678
Crown loans – fixed interest rate	99	56
Total loans – non-current	**5,561**	**3,034**
Total loans	**6,439**	**3,536**

Commercial paper

As at 30 June 2020 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 2020 was $735 million, an uplift of $485 million from the prior financial year (2019: $250 million), paying a weighted average interest rate of 1.08% (2019: 1.65%).

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

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 2020 Kāinga Ora Group had on issue $3.7 billion of medium-term notes (2019: $1.3 billion), in four tranches, with $300 million maturing on 12 June 2023, $1,175 million maturing on 12 June 2025, $900 million maturing on 5 October 2026, $425 million maturing on 18 October 2028, $500 million maturing on 24 April 2030 and $300 million maturing on 20 September 2040 paying a weighted average fixed rate of interest of 2.15% (2019: 2.84%).

Crown funding

As at 30 June 2020 the Kāinga Ora Group had borrowed $1,985 million from the Crown, with maturity dates ranging from 2021 to 2037 (2019: $1,986 million maturing from 2020 to 2037), paying a weighted average fixed rate of interest of 0.39% (2019: 1.65%).

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 2020 the Kāinga Ora Group had an unsecured bank overdraft facility of $10 million (2019: $10 million) at an interest rate of 3.95% (2019: 4.88%).

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 2020, 13.89% of the Kāinga Ora Group's debt will mature in less than one year (2019: 14.2%).

22. Reconciliation of net surplus/(deficit) after tax with cash flows from operating activities

	2020 ($M)	2019 ($M)
Net surplus/(deficit) after tax	**(58)**	**60**
Adjustments for non-cash items:		
Depreciation and amortisation	301	287
Asset impairments and write-offs	154	60
(Gains)/losses on asset disposals	(7)	6
Taxation	(55)	(113)
Other non-cash items and non-operating items	–	(20)
Total non-cash and non-operating items	**393**	**220**
Increase/(decrease) in receivables	(39)	19
Increase/(decrease) in prepayments	(14)	2
Increase/(decrease) in accounts payable and other liabilities	(81)	(19)
Increase/(decrease) in tax liabilities	(17)	12
Total working capital movements	**(151)**	**14**
Net cash from operating activities	**184**	**294**

23. 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 2020 were as follows:

	2020 ($M)	2019 ($M)
Within 1 year	304	320
After 1 year but not more than 5 years	165	427
More than 5 years	7	15
Total	**476**	**762**

(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 Equipmen*t 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 (2019: nil).

(b) Capital commitments

At 30 June 2020 capital commitments amounted to $895 million (2019: $534 million) for property projects.

(c) Lending commitments

At 30 June 2020 the Kāinga Ora Group had lending commitments approved but not yet paid amounting to $1.6 million (2019: $1.6 million).

(d) Contingencies

Home Equity Scheme

At 30 June 2020 there was no contingent liability (2019: nil) recognised in relation to properties underwritten for the Home Equity Scheme, a community-based home ownership programme to assist more people into their first home. In the event of any part of this amount translating to an actual liability in future, the amount in the property acquisition budget is expected to be sufficient to fund settlement of the liability without material effect on the financial position.

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.

Holiday Act Entitlements

Kāinga Ora has commenced a review of calculations of Holiday Pay in previous years in order to ensure compliance with the Holidays Act 2003. As yet the extent of any obligation cannot reasonably be quantified at 30 June 2020 and as such there is an unquantified contingent liability. Further work continues to be undertaken by Kāinga Ora to calculate any potential liability.

24. 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	2020	2019	Investment 2020 ($M)	Investment 2019 ($M)
Housing New Zealand Limited	New Zealand	100%	100%	3,415	3,415
Housing New Zealand Build Limited	New Zealand	100%	100%	–	–
HLC (2017) Limited	New Zealand	–	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 2020 and 30 June 2019 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 loses relating to amounts owed by related parties has been necessary at 30 June 2020. 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 2020, 33 employees were key management personnel (2019: 21 employees), and two directors were employed as interim Board members (2019: nil).

Key management personnel compensation

	2020 FTEs	2019 FTEs	2020 ($000)	2019 ($000)
Board members				
Remuneration			467	535
Full-time equivalent members	9.5	11.82		
Leadership team				
Remuneration			8,644	3,702
Full-time equivalent members	20.5	9.00		
Total key management personnel remuneration			**9,111**	**4,237**
Total full-time equivalent personnel	**30.0**	**20.82**		

(d) Remuneration details of Board members and directors of subsidiaries

	2020 $	2019 $
Kāinga Ora, HNZC and HLC Directors		
John Duncan	65,300	83,520
Adrienne Young-Cooper	22,332	112,433
Matthew Harker	4,899	17,260
Peter Alexander	4,899	17,260
Kāinga Ora Directors		
Vui Mark Gosche	92,440	63,512
Philippa Howden-Chapman	50,885	47,116
Nicola Crauford	36,939	–
Brian Roche	24,877	–
Penelope Hulse	24,500	–
Ngarimu Blair	24,500	–
Robin Hapi	24,500	–
Victoria Kingi	24,500	–
Huhana Hickey	13,946	47,116
Leigh Auton	13,946	47,116
Mark Ratcliffe	13,946	49,000
Pat Snedden	12,439	–
Michael Schur	12,250	48,996
Peter Dow	–	942
Sandra Alofivae	–	942
Total Board members' remuneration	**467,098**	**535,213**

Incoming new appointments to the Kāinga Ora Board of Directors during the year were:

Sir Brian Roche, appointed chair of the Interim Board from 1 October 2019 to 31 December 2019
Pat Snedden MNZM, appointed to the Interim Board from 1 October 2019 to 31 December 2019
Ngarimu Blair, appointed on 1 January 2020
Dr Nicola Crauford, appointed on 1 October 2019
Penelope Hulse, appointed on 1 January 2020
Robin Hapi CNZM, appointed on 1 January 2020
Victoria Kingi, appointed on 1 January 2020

Outgoing members of the HNZC/Kāinga Ora Board of Directors during the year were:

Adrienne Young-Cooper, resigned in September 2019
Huhana Hickey, resigned in September 2019
Leigh Auton, resigned in September 2019
Mark Ratcliffe, resigned in September 2019
Michael Schur, resigned in September 2019
Peter Alexander, resigned in September 2019
Matthew Harker, resigned in March 2020

The above table includes all remuneration paid or payable to each director during the year.

Matthew Harker, who was a member of the HLC Board of Directors, was also a member of the HNZC Investment and Delivery Committee until March 2020. HNZC has paid $19,694 to this committee member.

Peter Alexander, who was a member of the HLC Board of Directors, was also a member of the HNZC/Kāinga Ora Investment and Delivery Committee until September 2019. HNZC has paid $6,973 to this committee member.

Graeme Mitchell, who is not on the Board of Directors, has been paid $15,577 (2019: $15,000) to be a member of Kāinga Ora/HNZC Finance and Assurance Committee, and $4,582 (2019: $16,000) to be chair of the HLC Audit Committee.

Bruce Baillie, who is not on the Board of Directors, has been paid $3,298 to be a member of the Kāinga Ora Finance Risk and Assurance Committee since May 2020.

Helen O'Sullivan, who is not on the Board of Directors, has been paid $6,785 to be a member of the Kāinga Ora Investment and Delivery Committee since March 2020.

Jackie Paul, who is not on the Board of Directors, has been paid $6,785 to be a member of the Kāinga Ora Investment and Delivery Committee since March 2020.

Lale Ieremia, who is not on the Board of Directors, has been paid $6,785 to be a member of the Kāinga Ora Investment and Delivery Committee since March 2020.

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 $183,940 (2019: $148,500).

25. Remuneration of employees – $100,000 and over

	2020	2019
$100,000-$110,000	133	69
$110,001-$120,000	82	110
$120,001-$130,000	173	62
$130,001-$140,000	68	41
$140,001-$150,000	58	30
$150,001-$160,000	17	33
$160,001-$170,000	45	32
$170,001-$180,000	39	18
$180,001-$190,000	22	15
$190,001-$200,000	21	10
$200,001-$210,000	13	7
$210,001-$220,000	10	5
$220,001-$230,000	7	8
$230,001-$240,000	6	4
$240,001-$250,000	10	4
$250,001-$260,000	6	2
$260,001-$270,000	4	5
$270,001-$280,000	9	3
$280,001-$290,000	1	1
$290,001-$300,000	1	–
$300,001-$310,000	1	–
$310,001-$320,000	–	2
$320,001-$330,000	–	1
$330,001-$340,000	1	2
$340,001-$350,000	2	2
$360,001-$370,000	3	–
$370,000-$380,000	1	–
$380,001-$390,000	1	3
$390,000-$400,000	3	–
$400,001-$410,000	–	3
$410,001-$420,000	2	2
$420,001-$430,000	2	–
$460,001-$470,000	1	–
$480,001-$490,000	1	–
$490,001-$500,000	–	2
$610,001-$620,000	–	1
$820,001-$830,000	1	–
$830,001-$840,000	1	–
$910,001-$920,000[1]	–	1
Total employees with remuneration of $100,000 and over	**745**	**478**

[1] In 2019 this employee received two years' back pay and a change in structure consolidating bonus payments into base pay that were applied retrospectively. This has resulted in remuneration for the year ended 30 June 2020 being higher than otherwise would have been reported.

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 2020 four employees (2019: 4) received benefits in relation to cessation, totalling $375,490 (2019: $120,675).

26. Events subsequent to balance date

After 30 June 2020 the following events occurred subsequent to balance date (2019: nil):

On 12 August 2020, the Auckland region was placed under COVID-19 Alert Level 3 and the remainder of New Zealand was placed at COVID-19 Alert Level 2. 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 2021.

27. Budgeted comparison analysis

(a) 2020 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 2019/20 Statement of Performance Expectations (SPE).

Most of the revenues and expenses variances were due to the impact of COVID-19.

(b) Net surplus/(deficit)

Operating revenue

- **Crown appropriation revenue** was $16 million lower than budget, largely due to a lower uptake of First Home Grants (previously KiwiSaver HomeStart Grant) being provided to first home buyers than had been anticipated when the budget was established.
- **Sales of developments** were $143 million lower than budget, due to slower affordable and market sales as a result of COVID-19.

Operating expenses

- **Repairs and maintenance** were $27 million lower than budget primarily due to a reduced ability to do repairs and maintenance in the last quarter of the year as a result of the COVID-19 Alert Level restrictions.
- **Grants** were $13 million lower than budget, largely due to a lower uptake of First Home Grants being provided to first home buyers than had been anticipated when the budget was established.
- **Other expenses** were $153 million lower than budget, largely due to slower affordable and market sales.

(c) Statement of Financial Position

- Overall total assets of $32.9 billion were $2.8 billion above the budget level, primarily due to higher cash and cash equivalents and short-term investments from debt issuances, and higher revaluations on rental properties.
- Overall total liabilities of $9.0 billion were $1.6 billion above the budget level, primarily due to higher than budgeted market debt than expected.

(d) Statement of Changes in Equity

The total equity at 30 June 2020 was $23,970 million, which is $1,169 million higher than budget. This variance is due to the opening reserve position being $314 million higher than budget due to larger revaluation gains in prior years than anticipated, and a higher 30 June 2020 asset revaluation of $874 million more than that expected in the budget.

(e) Cash Flow Statement

Net cash flows from operating activities were $303 million lower than budget due to other receipts from the Crown being $40 million lower mainly due to lower First Home Grant uptake; other receipts (which includes proceeds from market and affordable sales) being $200 million lower than budgeted; and payments to suppliers and employees being $49 million higher as a result of reduced activity in the last quarter due to COVID-19.

Net cash flows used in investing activities was $1,069 million higher than budget due to $1,464 million more cash being invested into short-term investments, offset by a $311 million lower purchase of rental property assets than budget due to lower activity in the last quarter as a result of COVID-19.

Net cash flow received from financing activities was $1,497 million higher than budgeted due to more market debt being issued than anticipated.

28. HNZC Parent Financial Statements

These disestablishment parent accounts are prepared in accordance with the Public Finance Act 1989. Housing New Zealand Corporation was disestablished by the Kāinga Ora–Homes and Communities Act 2019 on 1 October 2019.

Housing New Zealand Corporation – Parent

Statement of Comprehensive Revenue and Expense

For the 3-month period to 1 October 2019

	PARENT 3 months to 1 October 2019 $M
Revenue	
Rental revenue from tenants	5
Rent relief fund revenue	1
Interest income	–
Crown appropriation income	27
Mortgage Insurance Scheme	2
Sales of developments	–
Other revenue	54
Total operating revenue	**89**
Expenses	
Repairs and maintenance	3
Rates on properties	1
Third-party rental leases	–
Depreciation and amortisation	3
Personnel	36
Interest expense	1
Grants	23
Other expenses	20
Total expenses	**87**
Operating surplus before tax	2
Current tax expense	1
Deferred tax expense/(benefit)	–
Income tax expense/(benefit)	**1**
Net surplus after tax	**1**
Other comprehensive revenue and expense	
Revaluation of property, plant and equipment	
Revaluation reserve gains	–
Financial assets at fair value through other comprehensive revenue and expenses	
Revaluation gains/losses taken to equity net	(1)
Other comprehensive expense net of tax	**(1)**
Total comprehensive revenue and expense net of tax	**–**

Housing New Zealand Corporation – Parent

Statement of Changes in Equity

For the 3-month period to 1 October 2019

	PARENT 3 months to 1 October 2019 $M
Total equity at 1 July 2019	**4,143**
Revaluation of property, plant and equipment	
Revaluation reserve gains/(losses)	–
Deferred tax (expense) on property, plant and equipment revaluations	–
Financial assets at fair value through other comprehensive revenue and expense	
Hedging reserve gains/(losses)	(1)
Net surplus for the period to 30 September 2019	1
Total comprehensive revenue and expense for the period	**–**
Contributions from and distributions to the Crown	
Net capital contributions (to)/from the Crown	2
Total net contributions from/(distributions to) the Crown	**2**
Total changes in equity	**2**
Total equity at 30 September 2019	**4,145**
Equity transferred to Kāinga Ora – Homes and Communities	**(4,145)**
Total equity at 1 October 2019	**–**
Equity attributable to the Crown	
Equity attributable to the Crown at 1 July 2019	5,182
Net capital contributions (to)/from the Crown	1
Total equity attributable to the Crown at 30 September 2019	**5,183**
Equity transferred to Kāinga Ora – Homes and Communities	**(5,183)**
Equity attributable to the Crown at 1 October 2019	**–**
Retained earnings	
Retained earnings at 1 July 2019	(1,462)
Surplus for the period to 30 September 2019	1
Net transfers from asset revaluation reserve on disposal of properties	–
Retained earnings at 30 September 2019	**(1,461)**
Retained earnings transferred to Kāinga Ora – Homes and Communities	**1,461**

Housing New Zealand Corporation – Parent

Statement of Changes in Equity (continued)

For the 3-month period to 1 October 2019

	PARENT 3 months to 1 October 2019 $M
Retained earnings as at 1 October 2019	**–**
Revaluation reserve	
Revaluation reserve at 1 July 2019	436
Asset revaluations on property, plant and equipment	1
Deferred tax on property, plant and equipment	–
Transferred to Kāinga Ora – Homes and Communities	(437)
Closing Revaluation reserve as at 1 October 2019	**–**
Hedging reserve	
Hedging reserve at 1 July 2019	(13)
Fair value gains/(losses)	(1)
Deferred tax on derivative fair value movement	–
Hedging reserve at 30 September 2019	**(14)**
Hedging reserve transferred to Kāinga Ora – Homes and Communities	**14**
Closing Hedging reserve as at 1 October 2019	**–**
Total equity at 1 October 2019	**–**

Housing New Zealand Corporation – Parent

Statement of Financial Position

As at 1 October 2019

	PARENT As at 1 October 2019 $M
Assets	
Current assets	
Cash and cash equivalents	–
Mortgage advances	–
Receivables from non-exchange transactions	–
Receivables from exchange transactions	–
Prepayments	–
Short-term investments	–
Total current assets	**–**
Non-current assets	
Property, plant and equipment	–
Properties under development	–
Properties held for sale	–
Mortgage advances	–
Interest rate derivatives	–
Software	–
Total non-current assets	**–**

Housing New Zealand Corporation – Parent

Statement of Financial Position (continued)

As at 1 October 2019

	PARENT As at 1 October 2019 $M
Total assets	**–**
Liabilities	
Current liabilities	
Rent received in advance from non-exchange transactions	–
Accounts payable and other liabilities from exchange transactions	–
Income tax payable	–
Crown loans	–
Market debt - commercial paper	–
Provisions	–
Employee entitlements	–
Interest rate derivatives	–
Total current liabilities	**–**
Non-current liabilities	
Crown loans	–
Market debt - bonds	–
Deferred tax liability	–
Interest rate derivatives	-
Mortgage Insurance Scheme unearned premium reserve	-
Provisions	-
Employee entitlements	-
Total non-current liabilities	**-**
Total liabilities	**-**
Net assets	**-**
Equity	
Equity contributed by the Crown	-
Retained earnings	-
Revaluation reserve	-
Hedging reserve	-
Total equity	**-**

Housing New Zealand Corporation – Parent

Cash Flow Statement

For the 3-month period to 1 October 2019

	PARENT 3 months to 1 October 2019 $M
Cash flows from/(used in) operating activities	
Rent receipts - tenants	4
Rent relief fund income	1
Other receipts from the Crown	28
Mortgage Insurance Scheme (MIS) income	1
Interest received from customers and investments	2
Other receipts	54
Payments to suppliers and employees	(87)
Income tax paid	(34)
Interest paid	–
Net cash flows from/(used in) operating activities	**(31)**
Cash flows from/(used in) investing activities	
Mortgage and other lending repayments	1
Net short-term investments (made)/realised	
Purchase of rental property assets	(5)
Purchase of other property, plant and equipment	–
Purchase of intangible assets	(3)
Repayments to/(advances from) Housing Agency Account	38
Net cash flows from/(used in) investing activities	**31**
Cash flows from/(used in) financing activities	
Net capital contributions (to)/from the Crown	1
Loans drawn down from The Treasury – Capital Markets	–
Net cash flows from/(used in) financing activities	1
Net cash flows	1
Opening cash and cash equivalents	–
Closing cash and cash equivalents	**1**
Cash transferred to Kāinga Ora – Homes and Communities	**(1)**
Closing cash and cash equivalents as at 1 October 2019	**–**

29. HNZC Group

Assets and liabilities transferred upon the establishment of Kāinga Ora – Homes and Communities.

Housing New Zealand Corporation

Statement of Financial Position

As at 30 September 2019

	GROUP ACTUAL 30 September 2019 $M
Assets	
Current assets	
Cash and cash equivalents	366
Receivables	59
Prepayments	11
Short-term investments	623
Inventory	51
Total current assets	**1,110**
Non-current assets	
Crown - Investments	–
Properties under development	124
Mortgage advances	29
Intangible assets	20
Property, plant and equipment	28,744
Total non-current assets	**28,917**
Total assets	**30,027**
Liabilities	
Accounts payable and other liabilities	215
Income tax payable	11
Deferred tax liability	2,121
Borrowings	4,479
Mortgage Insurance Scheme	31
Provisions	14
Interest rate derivatives	123
Total liabilities	**6,994**
Net assets	**23,033**
Equity	
Equity attributable to the Crown	3,556
Retained earnings	727
Revaluation reserve	18,838
Hedging reserve	(88)
Total equity	**23,033**

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 2020

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 consolidated financial statements of the Group on pages 91 to 148, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expenses, statement of changes in equity and cashflow 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 70 to 84.

In our opinion:

- the consolidated financial statements of the Group on pages 91 to 148:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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; and
- the performance information on pages 70 to 84:
  - presents fairly, in all material respects, the Group's performance for the year ended 30 June 2020, 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
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 29 September 2020. 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 consolidated financial statements and the performance information, we comment on other information, and we explain our independence.

Building a better working world

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 of the current year. These matters were addressed in the context of our audit of the consolidated financial statements 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.

Valuation of Rental Properties Operating Assets

Why significant	How our audit addressed the key audit matter
Kāinga Ora's rental property operating assets have a fair value of $30.6 billion which make up 96% 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.	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. • Engaged our real estate valuation specialists to assist us in analysing and challenging the valuations for a sample of properties and to evaluate the underlying assumptions used across the portfolio against available market-based evidence available. • Considered the market-sales evidence available to support the 30 June 2020 valuation on a sample basis and, given the impact of the COVID-19 pandemic on the real estate market and economy, the timing of the relevant market sales evidence.

Why significant	How our audit addressed the key audit matter
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. The 30 June 2020 valuation was prepared during a period of increased market uncertainty arising from the impacts of COVID-19. Disclosures in relation to rental properties are included Note 15 Property plant and equipment.	• 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. • 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 Inventory. Total Properties under development as at 30 June 2020 are $191m. 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. • 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 to the specific properties under development. • Assessed the adequacy of the disclosures relating to properties under development in accordance with PBE IPSAS 12 Inventory

Performance reporting

Why significant	How our audit addressed the key audit matter
New Zealand's housing issues continue to be a key area of focus for the Government and members of the public. Kāinga Ora has a key role in housing through: • providing tenancy services to some of New Zealand's most vulnerable people, • maintaining the condition of the social housing portfolio; and • its role in contributing to the growth in the availability of social and affordable housing. We consider reporting the group's achievements against performance expectations in these significant areas to be a key audit matter due to the public interest in these aspects of the group's performance. COVID-19 has impacted Kāinga Ora's performance in many areas as disclosed in the annual report on pages 54 and 55.	To address the key audit matter, we: • Considered the performance measures and accompanying narrative about tenancy management, managing the condition of the social housing portfolio and supporting growth in housing supply. • Identified the aspects of performance that we consider to be material to readers of the group's annual report and focused our work on these aspects. Our work included: – Understanding the processes Kāinga Ora has in place to capture service performance information in relation to significant performance measures in a consistent and accurate manner. – Testing supporting evidence for reported performance on a sample basis. This included inspection of a sample of supporting documentation, re-performance of calculations and testing the integrity of a sample of underlying data. • Understood the impact of COVID-19 on the performance of Kāinga Ora and the specific measures impacted during the year including consideration of the adequacy of the related disclosure. • Where information on tenancy management, managing the condition of the social housing portfolio and supporting growth in housing supply was included in the annual report but outside the statement of service performance, we reviewed the information for consistency with the audited financial statements and statement of service performance and our knowledge obtained in the audit of the group. This knowledge included information from: – Our consideration of relevant group reports, meeting minutes, and supporting evidence and – Discussions with governing bodies and management of the group. • Assessed the performance disclosures in the annual report against the requirements of the Crown Entities Act 2004.

Building a better working world

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.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- 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.

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 2 to 69 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.

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 provided governance advice for generation projects, an assurance review over the performance based maintenance contracts and 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
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand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Financial statements

A better New Zealand for all by building lives and communities **together.**

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 2020.

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 2020 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
29 September 2020

John Duncan
Deputy Chair
Kāinga Ora – Homes and Communities
29 September 2020

HOUSING AGENCY ACCOUNT

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020

	Notes	2020 $000	2019 $000
REVENUE			
Revenue from non-exchange transactions			
Rental income from tenants		18	19
Rental income from income-related rent subsidy		717	677
Crown appropriation income	11	8	8
Total revenue from non-exchange transactions		**743**	**704**
Revenue from exchange transactions			
Rental income from tenants		43	47
Interest income		1,138	2,211
Sale of inventory		24,869	–
Gain on sale of properties		1,823	22
Other income		128	427
Total revenue from exchange transactions		**28,001**	**2,707**
Total revenue		**28,744**	**3,411**
EXPENSES			
Loss on sale of properties		–	5,288
Management fee		3,055	3,000
Property maintenance		632	722
Cost of inventory		24,701	–
Write-down of inventory		2,146	–
Provision for underwrite of KiwiBuild properties		2,178	–
Operating expenses	2	1,936	445
Total expenses		**34,648**	**9,455**
Net operating surplus/(deficit)		**(5,904)**	**(6,044)**
Other comprehensive income			
Revaluation reserve gains/(losses) on property, plant and equipment	5	1,207	578
Total comprehensive income		**(4,697)**	**(5,466)**

HOUSING AGENCY ACCOUNT

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	2020 $000	2019 $000
Total equity at 1 July		**169,236**	**174,702**
Net surplus/(deficit) for the year		(5,904)	(6,044)
Revaluation reserve gains/(losses)		1,207	578
Total comprehensive income for the period		**(4,697)**	**(5,466)**
Contributions from and distributions to the Crown			
Contributions from the Crown		85,137	–
Return of capital to the Crown		(4,557)	–
Total contributions from and distributions to the Crown		**80,580**	**–**
Total changes in equity		**75,883**	**(5,466)**
Total equity at 30 June		**245,119**	**169,236**
Equity attributable to the Crown			
Opening balance		179,349	179,349
Contributions from the Crown		85,137	–
Return of capital to the Crown		(4,557)	–
Closing equity attributable to the Crown		**259,929**	**179,349**
Retained earnings			
Opening retained earnings		(16,463)	(10,419)
Net surplus/(deficit) for the year		(5,904)	(6,044)
Net transfers from asset revaluation reserve on disposal		–	–
Net transfers from asset revaluation reserve on disposal		**(22,367)**	**(16,463)**
Revaluation reserve			
Opening revaluation reserve		6,350	5,772
Asset revaluations - property, plant and equipment		1,207	578
Closing revaluation reserve		**7,557**	**6,350**
Total equity at 30 June		**245,119**	**169,236**

HOUSING AGENCY ACCOUNT

Statement of Financial Position

As at 30 June 2020

	Notes	2020 $000	2019 $000
ASSETS			
Current assets			
Cash at bank		114,577	124,734
Receivables	9	76,917	19,637
Advances from related parties	11	–	1,032
Inventories held at net realisable value	8	51,573	–
Total current assets		**243,067**	**145,403**
Non-current assets			
Long-term receivables from exchange transactions	9	8,668	4,096
Mortgage advances	13	518	641
Land under development	3	7,888	7,830
Work in progress	4	2,029	2,029
Rental properties	5	16,494	14,452
Plant and equipment	6	341	491
Properties intended for sale	7	23,550	22,936
Total non-current assets		**59,488**	**52,475**
Total assets		**302,555**	**197,878**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities from exchange transactions	10	16,732	1,810
Amount due to related parties	11	1,386	–
Provision for future development costs	12	26,156	24,372
Provision for underwrite of KiwiBuild properties	12	2,178	–
GST Payable		9,420	(155)
Total current liabilities		**55,872**	**26,027**
Non-current liabilities			
Provision for future development costs	12	1,564	2,615
Total non-current liabilities		**1,564**	**2,615**
Total liabilities		**57,436**	**28,642**
Net assets		**245,119**	**169,236**
EQUITY			
Crown funds		259,929	179,349
Retained earnings		(22,367)	(16,463)
Revaluation reserve		7,557	6,350
Total equity		**245,119**	**169,236**

For and on behalf of the Board, who authorised the issue of the financial statements on 29 September 2020.

Vui Mark Gosche
Chair
Kāinga Ora – Homes and Communities
29 September 2020

John Duncan
Deputy Chair
Kāinga Ora – Homes and Communities
29 September 2020

HOUSING AGENCY ACCOUNT

Statement of Cash Flows

As at 30 June 2020

	2020 $000	2019 $000
Cash flows from operating activities		
Rent receipt	693	1,368
Crown operating appropriation receipts	8	8
Receipts from sale of developed assets	12,838	25,730
Receipt from sales of properties in inventory	26,354	–
Interest received	1,138	2,211
Development costs paid	62	(8,750)
Purchases of property inventory	(46,628)	–
Other payments to suppliers	(1,596)	(3,229)
Management fee paid to related party	(2,196)	(3,000)
Net cash flows from operating activities	**(9,327)**	**14,338**
Cash flows from Investing activities		
Sale of property, plant and equipment	–	22
Purchases of property, plant and equipment	(1,017)	(190)
Mortgage advances (issued)/repayment	187	230
Net flows from investing activities	**(830)**	**62**
Cash flows from financing activities		
Capital contributions from the Crown	–	–
Net cash flows from financing activities	**–**	**–**
Net cash flows	(10,157)	14,400
Opening cash and cash equivalents	124,734	110,334
Closing cash and cash equivalent	**114,577**	**124,734**

HOUSING AGENCY ACCOUNT

Notes to the Financial Statements

For the year ended 30 June 2020

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 state housing purposes.

HAA does not form part of the Kāinga Ora Financial Statements.

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. HAA applies the New Zealand PBE Standards Tier 2 Reduced Disclosure Regime (RDR) and HAA qualifies for PBE Standards RDR. These PBE standards are similar to International Public Sector Accounting Standards, with amendments for the New Zealand environment.

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 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.

Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice and comply with PBE Accounting Standards RDR. All disclosure concessions allowed by the RDR have been applied.

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.

Buy 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 Buy off the Plans Initiative (BOTP) from the Ministry of Housing and Urban Development (HUD). Any property inventory acquired under BOTP and held by the Crown on that date were transferred to the HAA. All subsequent purchases/sales of property and the holding/on-selling costs associated with BOTP from that date are now recognised within the 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.

Accounting Policies

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 are measured at their fair value plus or minus, in the case of a financial asset or financial liability not at 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 amortised cost and FVSD.

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.

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.

Inventories held at net realisable value

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 sale price less the cost of the property acquired from the developer and selling costs.

PBE IPSAS 12 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.

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. Mortgage advances are independently valued at the end of the year by reference to market-based evidence by PricewaterhouseCoopers.

To determine an appropriate discount rate at which to value the loans, the standard bank mortgage and personal lending rates were used as the starting point. These were then adjusted to reflect the average quality and security for the loans. A cap valuation model within Bloomberg was used to estimate the value of the embedded derivative.

As it is closely related to the host agreement, the embedded derivative is not accounted for separately to the host agreement.

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.

Provision for future development costs

HAA estimates future development costs expected to be incurred by each precinct within Hobsonville Point. 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 Comprehensive 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.

Rental property

Rental properties are initially recorded at historical 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 derecognition of an asset is included in net surplus/(deficit) in the year the item is derecognised. Gain or loss on derecognition is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

Depreciation is calculated on a straight-line basis over the estimated useful life of rental properties as follows:

Buildings	60 years
Improvements	25 years
Chattels	10 years

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.

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.

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.

(i) Revenue from non-exchange transactions

Revenue from non-exchange transactions is when HAA receives resources for which it provides either no, or nominal, consideration directly in return. 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, and the fair value of the assets can be measured reliably.

Revenue generated from non-exchange transactions is income-related rental revenue received from tenants, income-related rent subsidies received from the Crown, and Crown operating appropriation.

(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.

Revenue shown in net surplus/(deficit) for the year comprises the amounts received and receivable by HAA for sale of properties under the BOTP Government initiative, providing rental properties to tenants at market value, gains on sale of land and buildings, and interest on bank balances. Any non-cash gains in the fair value of investment properties and reversal of previous impairment of assets are recognised in net surplus/(deficit) for the year.

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.

Gains or losses on financial instruments are recognised in the net surplus/(deficit) in the period in which they occur.

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 within 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 state 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 agent of the Crown. Whilst funds in these bank accounts may be invested, the principal and proceeds of the investment must be credited to the bank account the funds were sourced from originally.

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 Hobsonville 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 Hobsonville 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 Hobsonville 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 Hobsonville 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 value of the provision for the underwrite of KiwiBuild BOTP properties includes an estimation of the valuation of the property at the time of sale. Given the many economic factors influencing these and the inherent uncertainty underlying all valuations, only the properties due to be delivered in the six months following balance date are considered in the provision.

For properties that are due to be delivered in the next six months, management uses judgement based on current sales data at each development, the knowledge of the developer/development, the costs incurred to sell the property and the overall size of the potential write-down per property suggested by the registered independent valuations to determine the value of the provision.

2. Operating expenses

	2020 ($000)	2019 ($000)
Consultants	63	31
Depreciation on rental property	182	175
Depreciation on property, plant and equipment	99	84
Premises security	3	1
Insurance	–	2
Land rates	368	388
Water rates	14	26
Communal property costs	5	5
Audit fees	84	42
Legal fees	132	–
Rental expense	111	117
Agents' Commission	447	–
Valuations	21	18
Community development costs	–	5
Net discount on deferred settlement debtors and future development costs*	34	(492)
Other expenses	373	43
Operating expenses	**1,936**	**445**

* Future cash flows associated with deferred settlement debtors and future development costs have been discounted to their net present values accordingly.

3. Land under development

	2020 ($000)	2019 ($000)
Land under development for resale	**7,888**	**7,830**

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 2020 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, with the principal registered valuer for the valuation being William Liew (BProp, SPINZ, ANZIV). The fair value less cost to sell is $7.97 million (2019: $8.54 million).

Movements in land under development

	2020 ($000)	2019 ($000)
Land under development for resale at 1 July	7,830	8,260
Transfer to property, plant and equipment	(569)	–
Development costs incurred during the year	2,185	(430)
Disposal	(1,558)	–
Land under development for resale at 30 June	**7,888**	**7,830**

4. Work in progress

	2020 ($000)	2019 ($000)
Work in progress 1 July	2,029	2,029
Impairment	–	–
Disposal	–	–
Work in progress at 30 June	**2,029**	**2,029**

Work in progress (land under development for purposes of the state) is held at cost and is tested annually for impairment. Land value comprises properties transferred from various sections of the Crown under the Public Works Act 1981.

5. Rental properties

	2020 ($000)	2019 ($000)
Land	8,229	7,758
Buildings	8,265	6,694
Rental properties at 30 June	**16,494**	**14,452**

	MOVEMENTS			
	2020		2019	
	LAND ($000)	BUILDINGS ($000)	LAND ($000)	BUILDINGS ($000)
Rental properties at 1 July	7,758	6,694	7,476	6,517
Additions during the year	–	1,017	–	56
Revaluation	471	736	282	296
Depreciation for the year	–	(182)	–	(175)
Transfer to property, plant and equipment	–	–	–	–
Rental properties at 30 June	**8,229**	**8,265**	**7,758**	**6,694**

Rental properties comprising land and buildings were revalued to fair value as at 30 June 2020.

The valuation was carried out by an independent valuer, Quotable Value New Zealand, a company employing registered and qualified valuers.

The revaluation effect relating to rental properties was a net increase of $1.21 million (2019: $0.58 million). This net increase has been recognised in the revaluation reserve.

6. Plant and equipment

	Equipment ($000)	Furniture ($000)	Leasehold Improvements ($000)	Software ($000)	Total ($000)
2020					
COST					
Balance at 1 July	76	176	459	72	783
Disposals	–	–	–	(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 charges for the year	(14)	(18)	(51)	(17)	(100)
Balance at 30 June	**(73)**	**(86)**	**(211)**	**–**	**(370)**
2020 Net carrying amount	**3**	**90**	**248**	**–**	**341**
2019					
COST					
Balance at 1 July	75	176	398	–	649
Additions	1	–	61	72	134
Balance at 30 June	**76**	**176**	**459**	**72**	**783**
LESS:					
ACCUMULATED DEPRECIATION					
Balance at 1 July	(44)	(50)	(114)	–	(208)
Depreciation charges for the year	(15)	(18)	(46)	(5)	(84)
Balance at 30 June	(59)	(68)	(160)	(5)	(292)
2019 Net carrying amount	**17**	**108**	**299**	**67**	**491**

7. Properties intended for sale

	2020 ($000)	2019 ($000)
Properties intended for sale at 1 July	22,936	22,268
Disposals during the year	(855)	(121)
Transferred development costs	1,469	789
	23,550	**22,936**

For the purposes of testing whether an impairment has occurred to the properties intended for sale as at 30 June 2020, a valuation was carried out by Quotable Value New Zealand, a company employing registered and qualified valuers, with the principal registered valuer for the valuation being William Liew (BProp, SPINZ, ANZIV).

As at 30 June 2020 the fair value less cost to sell was $50.98 million (2019: $56.69 million).

8. Inventories held at net realisable value

	2020 ($000)	2019 ($000)
Properties held at 1 July	–	–
Purchases during the year	78,420	–
Properties disposed of during the year	(24,701)	–
Net realisable value loss	(2,146)	
	51,573	**–**

Inventory comprises properties purchased under the KiwiBuild Buying off the Plans initiative (BOTP), 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.

9. Receivables

(a) Receivables from exchange transactions

	2020 ($000)	2019 ($000)
Current receivables		
Account receivables	6,881	19,637
Net realisable value of current accounts receivable	**6,881**	**19,637**
Non-current receivables		
Long-term accounts receivable	8,668	4,096
Total non-current receivables	**8,668**	**4,096**
Total receivables from exchange transactions	**15,549**	**23,733**

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. Long-term receivables associated with deferred settlement debtors have been discounted to their net present value accordingly with an impact of $0.026 million gain recognised directly in the net surplus/(deficit) for the year (2019: $0.63 million gain). Treasury-published discount rates ranging from 0.21% to 0.32% (2019: 1.00% to 1.38%) were used to calculate the net present value.

(b) Receivables from non-exchange transactions

	2020 ($000)	2019 ($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.

10. Accounts payable and other liabilities

	2020 ($000)	2019 ($000)
Current accounts payable and other liabilities		
Trade creditors	16,713	82
Accrued expenses and other liabilities	19	1,728
Total current accounts payable and other liabilities	**16,732**	**1,810**

11. Transactions with related parties

HAA is an account 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 (2019: nil) and $0.008 million in operating appropriations (2019: $0.008 million) from the Crown.

In the year to 30 June 2020 Kāinga Ora – Homes and Communities provided management services to HAA. A management fee of $3.0 million (2019: $3.0 million was charged by HLC (2017) Limited) 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 2020 the balance of the total amount owed by HAA to Kāinga Ora and its subsidiaries was $1.4 million (2019: $1.03 million was owed by Kāinga Ora and its subsidiaries to HAA resulting in a net movement of $2.43 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 2020 HAA has recognised $70 million (2019: nil) of funding from the Ministry of Housing and Urban Development (MHUD) for the KiwiBuild BOTP Government initiative.

12. Provisions

	2020 ($000)	2019 ($000)
Current provisions		
Provision for development costs	26,156	24,372
Provision for underwrite of KiwiBuild properties	2,178	–
Total current provisions	**28,334**	**24,372**
Non-current provisions		
Provision for development costs	1,564	2,615
Total non-current provisions	**1,564**	**2,615**
Total provisions for development costs	**29,898**	**26,987**

	Movements			
	2020		2019	
	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	26,987	–	30,211	–
Additional provisions recognised	2,292	2,178	9,136	–
Development expenditure incurred	(1,559)	–	(12,360)	–
Total carrying amount at 30 June	**27,720**	**2,178**	**26,987**	**–**

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 2020. An additional 2,121 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 771,775 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.

The non-current portion of the provision has been discounted accordingly with an impact of $0.06 million loss recognised directly in the net surplus/(deficit) for the year (2019: $0.135 million loss). Treasury-published discount rates ranging from 0.21% to 0.92% (2019: 1.00% to 1.76%) were used to calculate the non-current provision.

In the year to 30 June 2020 site remediation costs of $3.34 million are included in the future development costs provision based on estimates provided by Kāinga Ora management (2019: $3.53 million).

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 (BOTP)) for the Crown to purchase these properties.

13. Mortgage advances

	2020 ($000)	2019 ($000)
Beginning of year	641	871
Fair value gain/(loss)	38	316
Increase/(Repayment) of advances	(161)	(546)
Total provisions for development costs	**518**	**641**

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 to 5 – 3%
- Years 6 to 7 – 1% or market rate, whichever is lower

- Years 8 to 9 – 3% or market rate, whichever is lower
- Year 10 – 5% or market rate, whichever is lower

Gateway loans are designated at fair value through net surplus/(deficit). Any movement in fair value is taken to net surplus/(deficit).

The Gateway loans were revalued independently by Luke Fieldes of PricewaterhouseCoopers, a member of the New Zealand Society of Actuaries and the Institute of Actuaries of Australia.

14. Financial instruments

	LOANS & RECEIVABLES ($000)	FAIR VALUE THROUGH NET SURPLUS/ (DEFICIT) ($000)	AMORTISED COST ($000)	TOTAL ($000)
30 June 2020				
Financial assets				
Cash at bank	114,577	–	–	114,577
Receivables	85,585	–	–	85,585
Mortgage advances	–	518	–	518
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**
30 June 2019				
Financial assets				
Cash at bank	124,734	–	–	124,734
Receivables	23,733	–	–	23,733
Mortgage advances	–	641	–	641
Advances from related parties	–	1,032	–	1,032
Total financial assets	**148,467**	**1,673**	**–**	**150,140**
Financial liabilities				
Accounts payable and other liabilities	–	–	1,810	1,810
Advances from related parties	–	–	–	–
Total financial liabilities	**–**	**–**	**1,810**	**1,810**

15. Right of First Refusal for sale of land

Right of First Refusal (RFR) restricts the disposal of Crown properties except in accordance with legislation. Iwi/hapū granted RFR have the right to refuse to purchase properties held for disposal first, before they can be disposed of to anyone else.

The following are examples of Acts that grant RFR over Crown lands set aside for a state 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 Business, Innovation and Employment administers the RFR development opportunity offers in accordance with the Redevelopment Protocol
- Waikato-Tainui 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)

16. Commitments

Capital commitments

As at 30 June 2020 there is a commitment to pay $0.62 million in relation to the completion of civil project works within the Hobsonville development site (2019: $0.507 million).

17. Contingencies

Contingent assets

Venture sale proceeds Hobsonville Point Development

Buckley B

The sale agreement for the Buckley B precinct superblocks, identified as Stage 2, Stage 3a and Stage 3b, to AVJ Hobsonville Ltd, provides for venture proceeds that are due in the event that the net saleable per-square-metre value of the land being on-sold to builder partners and end purchasers exceeds the agreed minimum on-sale per-square-metre price of that land. In such circumstances, a 50% share of the additional revenue would be due to HAA. As at 30 June 2020, AVJ has paid $2.556 million of venture proceeds for Stage 2; and $8.213 million of venture proceeds for Stage 3a and Stage 3b is accrued.

Catalina Bay

The sale agreement for Catalina Bay to The Landing Holdings Limited Partnership (TLHLP) provides for venture proceeds to be shared equally for the profits achieved from the sale and/or leasing of Catalina Bay calculated as follows:

Venture proceeds for each stage shall be the balance over and above that calculated based on gross sales prices and market value of dwellings and commercial units respectively on Catalina Bay that results in a gross return to TLHLP (inclusive of its cost of capital calculated monthly) of 12.5% (excluding any GST, if payable) as at the Venture Proceeds Calculation Date of the relevant Stage. The cost of capital charge is an amount equal to the then five-year swap rate plus 5%, on debt and equity contributed in respect of each stage, and is calculated monthly.

Any amount of venture proceeds that may arise from sales will be recognised as a gain on sale in net surplus/(deficit) but the respective amounts can only be determined when sale negotiations are completed.

As at 30 June 2020 there are no venture proceeds payable for Catalina Bay Stage 1.

Contingent liabilities

KiwiBuild Buying off the Plans initiative (BOTP) underwritten by the Crown

As at 30 June 2020 there are 1,273 properties across 35 developments that may be completed within the next 6 months that have a valid underwrite option. Should a valid option notice be received from a developer for unsold properties, the Crown as underwriter is required to purchase them. This amount is unable to be quantified.

18. COVID-19

On 11 March 2020 the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, on Wednesday 25 March 2020 the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) for an initial four-week period. HAA has performed an impact assessment on the financial statements as a result of COVID and concludes there is no material impact to its financial statements.

19. Subsequent events after balance date

On 12 August 2020 the Auckland region was placed under COVID-19 Alert Level 3 and the remainder of New Zealand was placed at COVID-19 Alert Level 2. 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.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF HOUSING AGENCY ACCOUNT'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2020

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 159 to 176, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expenses, 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 159 to 176:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; 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 29 September 2020. 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.

Emphasis of Matter – Impact of COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Account as set out in note 18 to the financial statements.

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 audit opinion.

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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 pages 158 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
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand


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Te Pūrongo ā-Tau Annual Report 19/20

Kāinga Ora – Homes and Communities