Kāinga Ora
Homes and Communities

TE PŪRONGO Ā-TAU

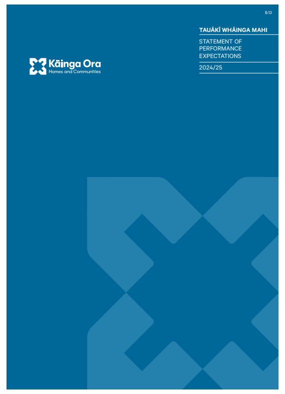
ANNUAL REPORT

2023/24

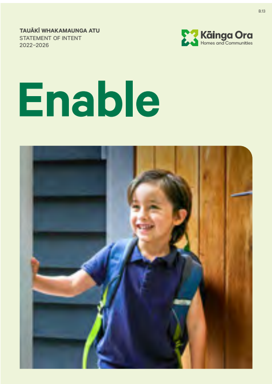
Welcome
Nau Mai Haere Mai

Purpose of this document

The Annual Report provides a comprehensive overview of the financial and organisational performance of Kāinga Ora – Homes and Communities (Kāinga Ora) for the 2023/24 financial year. It is part of a suite of key accountability documents, ensuring transparency and demonstrating the commitment of Kāinga Ora to its goals and strategic objectives while complying with regulatory requirements.



SPE
2023/24



SOI
2022-2026

The Kāinga Ora Climate Statements 2023/24 include our climate-related disclosure and our Greenhouse Gas Emissions Inventory. The Climate Statements are available here at: **https://kaingaora.govt.nz/kaingaoraclimatestatements2024**

This report refers to social and public housing throughout. The term social housing refers to both public and supported/transitional homes managed by Kāinga Ora. The term public housing refers to those homes for which Kāinga Ora receives the Income-Related Rent Subsidy (IRRS).

This report is presented to the House of Representatives pursuant to section 150(3) of the Crown Entities Act 2004 and section 19A of the Public Finance Act 1989.

CONTENTS

Chair's foreword	**02**
Who we are	**08**
Our role	08
Our organisation	09
Our vision	11
Financial performance overview	**14**
Delivering on our vision and outcomes	**17**
Contributing to our outcomes	18
Our statement of performance	50
Our governance and leadership	**66**
Our Board	66
Our Senior Leadership	68
Organisational health and capability	**69**
Health, safety, security and wellbeing	74
Organisational health performance	75
Financial statements	**78**

NGĀ KAI O ROTO

He Kupu nā Te Heamana	**05**
Ko wai mā mātou	**08**
Te wāhi ki a mātou	08
Tō mātou whakahaere	09
Tā mātou matakite	11
Tirowhānui tutukinga ahumoni	**14**
Te whakatinana i tā mātou matakite me ngā putanga	**17**
Te āwhina i ā mātou putanga	18
Tā mātou tauākī tutukinga	50
Tō mātou whakaruruhau, hautū hoki	**66**
Tō Mātou Poari	66
Ō Mātou Kaihautū Mātāmua	68
Te hauora me ngā pūmanawa o te whakahaere	**69**
Te hauora, te haumaru, te whakaita me te toiora	74
Te tutukitanga hauora o te whakahaere	75
Ngā tauākī whakahaere pūtea	**78**

Chair's foreword

Welcome

I am pleased to present the 2023/24 Annual Report.

Kāinga Ora continues to deliver on its core functions as a social housing agency by expanding housing availability and addressing the needs of our customers, ensuring they enjoy a high quality of life in their homes.

Acknowledging our former Chair and Chief Executive

In reflecting on the year's key events, I want to thank former Chair Vui Mark Gosche, who resigned in February 2024 after nearly six years of dedicated service. Other Board members also resigned during the year, and we appreciate their efforts and contributions.

I joined the Board as Chair on 1 June 2024. The government appointed six new board members at the start of July.

The Board and I would also like to take this opportunity to thank Andrew McKenzie for the significant contribution he made as Chief Executive of Kāinga Ora and its predecessor Housing New Zealand.

His calm and professional leadership steered Kāinga Ora through a number of changes. Andrew was instrumental in bringing together three different organisations in 2019 to establish Kāinga Ora, he guided the organisation through difficult events such as COVID-19, the Auckland Anniversary floods and Cyclone Gabrielle, and he was a champion of construction system transformation through the implementation of innovative programmes. His last day as Chief Executive was 30 August 2024.

New expectations

The first task for the refreshed Board is delivering the Kāinga Ora Reset Plan to Ministers following the recommendations of the Independent Review Report commissioned by the government in late 2023.

The Kāinga Ora Reset Plan will include investment scenarios, approach to treasury and liquidity management practices and detailed implementation plans.

Year in review

Supplying more new, warm dry homes

Over the next 20 years, a significant proportion of our older homes will reach the end of their economic lives and require substantial capital renewal. We renew our housing portfolio through a combination of demolishing old homes on land we own and building back new ones, buying more land and building new homes on that land, acquiring new land and home projects from the market or bringing older homes we own up to a modern standard (retrofitting).

We are also growing our portfolio in response to the government's Public Housing Plan, which sets a target number of additional homes for Kāinga Ora to provide in different regions across the country.

In 2023/24, we completed construction on 4,864 new social and supported homes and purchased 110 existing homes. After accounting for demolitions, lease expiries and sales, our net number of homes increased by 3,605 to over 75,000 homes.

We also completed retrofits on 862 of our older homes, making them warmer and healthier and extending their lifespan by over 50 years.

Our large-scale projects in Auckland and Eastern Porirua continue to deliver significant changes to the urban landscape. These long-term projects (20+ years) provide infrastructure improvements and unlock land to enable 40,000 market, social and affordable homes. Projects are funded from three main sources: revenue from land sales and transfers, Auckland Council Group contributions and Crown funds through the Housing Acceleration Fund.

System transformation – driving savings and efficiencies

Asset management and maintenance delivery system

We are transforming our asset management and maintenance delivery system to achieve $265 million in ongoing annual savings by the end of 2025/26. These initiatives include improved scheduling of planned maintenance work, an integrated national asset management function and better supply chain optimisation. Some changed ways of working have already been put in place, with $30 million in savings already achieved in 2023/24.

Simon Moutter,
Kāinga Ora Chair.

Construction productivity

In addition to the initiatives above, we are achieving improvements in our work processes due to a more systematic approach. Specifically, we have improved efficiency, reliability and working conditions and have established new commercial contracts that reflect much lower costs. These changes have also resulted in improved labour productivity, reduced waste and better coordination between tradespeople and professional services.

Supporting our customers to live well

Kāinga Ora has over 191,000 people and whānau in our homes. Every day, we support them and their wellbeing, connecting those who need it to other support services. We have partnerships with many other government agencies, iwi, community and social sector groups, which are helping some of the most vulnerable in our homes get the help they need.

The vast majority of our customers live well with dignity in communities they are connected to, and that will always be a major focus for us.

However, there are a small number of customers that are not good neighbours for a variety of reasons.

Proactively managing disruptive customers and rental arrears

Following direction from the government in March 2024, we were tasked with developing a new approach that strikes a different balance when managing our customers with disruptive behaviour. Consequently, we replaced the existing Sustaining Tenancies Framework with a new Tenancy Management Framework, effective from 1 July 2024. We have focused on proactively managing disruptive customers and increasingly used the tools available to us under the Residential Tenancies Act 1986 to address disruptive behaviour.

In addressing rental arrears, we are focused on supporting customers to better manage their financial circumstances and establish a payment arrangement that is both manageable and sustainable for the household.

Our operating environment

The 2023/24 year saw many factors influence our operating environment, driven by changing government expectations and priorities, budget pressures and market conditions.

To align the organisation to those changing requirements, funding levels and different priorities, several change processes were initiated across the organisation in the second half of the year. These have been focused on organisation optimisation, team alignment with reduced levels of budget-appropriated funding, putting in place new delivery operating models and construction volume changes.

The new ways of working have been developed to improve the level of service our customers get and the productivity of our construction and maintenance work.

The coming year

This annual report details the performance of Kāinga Ora in 2023/24. Much has been achieved and the future holds further challenges and improvement opportunities. To lead Kāinga Ora over the next 12 months from 2 September 2024, I am pleased to introduce our new Chief Executive, Matt Crockett. Matt comes to the role with considerable experience driving performance improvement in large organisations.

Noho ora mai

Simon Moutter
Chair

He Kupu nā Te Heamana

Tēnā koe

Tēnei mātou te tāpae atu nei i te Pūrongo ā-Tau mō 2023/24 ki mua i a koutou.

Tēnei a Kāinga Ora te hora nei i āna mahi hei hinonga whare pāpori, mā te whakawhānui i te wātea o ngā whare, te whakatutuki i ngā hiahia o ō mātou kiritaki, e piki ai te pai o tō rātou noho i roto i ngā kāinga ki te taumata.

Te mihi ki tō mātou Heamana me tō mātou Tumu Whakarae o mua

Tēnei a Kāinga Ora te hora nei i āna mahi hei hinonga whare pāpori, mā te whakawhānui i te wātea o ngā whare, te whakatutuki i ngā hiahia o ō mātou kiritaki, e piki ai te pai o tō rātou noho i roto i ngā kāinga ki te taumata. Te mihi ki tō mātou Heamana me tō mātou Tumu Whakarae o mua. I a tātou e titiro whakamuri nei ki ngā mahi nunui o te tau, kei te mihi ahau ki te Heamana o mua ki a Vui Mark Gosche, i tuku i tana tūranga i te Pēpuere 2024 i muri i ngā tau e ono e mahi nui ana ia mō te kaupapa.

I tukua hoki e ētahi atu mema Poari ō rātou tūranga i roto i te tau, ā, kei te mihi mō ā rātou mahi, āwhina hoki i te hinonga.

I piri mai ahau hei heamana o te Poari i te 1 Hune 2024. I kopoua ētahi mema poari hou tokoono e te kāwanatanga i te tīmatanga o te marama o Hūrae.

E hiahia ana mātou ko te poari ki te mihi ki a Andrew McKenzie mō āna mahi hira hei Tumu Whakahaere o Kāinga Ora, me tō mua tari, a Housing New Zealand.

He toka tū moana ia, he tangata ngaio, matatau hoki, ā, nāna a Kāinga Ora i whakatere mā roto i ngā panonitanga huhua. Nā Andrew tonu i whakahiato ētahi hinonga rerekē e toru i 2019 hei whakatū i Kāinga Ora, ā, nāna te hinonga i ārahi i roto i ngā tūponotanga uaua pēnei i COVID-19, ngā waipuke i te huritau o Tāmakimakaurau, me Huripari Gabrielle, nāna te wāhi nui o ngā mahi hei whakaumu pūnaha waihanga, me te whakatinanatanga o ngā kaupapa auaha. Ko tōna rā whakamutunga hei Tumu Whakarae ko te 30 Ākuhata 2024.

Ngā tūmanako hou

Ko te mahi tuatahi kei mua i te Poari kua whakahoutia nei he hora i te Mahere Aukaha Hou mō Kāinga Ora ki ngā Minita, i muri i ngā tūtohu a te Pūrongo Arotake Motuhake nā te kāwanatanga i whakarewa i ngā marama whakamutunga o 2023.

Ka uru ki te Mahere Aukaha Hou mō Kāinga Ora ētahi whakaari haumitanga, ngā tikanga taha ahumoni, ngā ritenga whakarite kia māngohe ngā huarawa, me ētahi mahere whakatinana hōhonu.

Ko te tau kua taha ake nei

Te whakarite i ētahi kāinga hou, mahana, haukū-kore hoki

I roto i ngā tau e tū mai nei, he nui tonu te ōrau o ō mātou whare ka mutu te tū hei whare whai painga, hei reira, me whakapau moni punga nui hei whakahou. Ka whakahoutia ō mātou kāpuinga whare mā te huinga o te turaki whare tawhito i ngā whenua i raro i a mātou, me te hoko i ētahi mea hou, te hoko i ētahi atu whenua me te hanga whare ki runga i aua whenua, te hoko whenua hou, kōkiri hanga whare hou mai i te mākete, te whakatikatika rānei i ō mātou whare kia eke ki ngā paerewa o te ao hou (te whakatikatika whakamuri).

E whakawhānui ana anō hoki mātou i tō mātou kāpuinga whare hei urupare ki te Mahere Whare Tūmatanui, e whakarite nei i te maha whare tūmatanui ūnga hei hora mā Kāinga Ora i ngā rohe huhua o te motu.

I te tau 2023/24 kua oti te waihanga e mātou ētahi whare pāpori, whare tautoko hou 4,864, te hoko hoki i ētahi whare 110 kua tū kē noa atu. I muri i ngā turakinga whare, paunga rīhi, hokonga hoki, 3,605 te pikinga ake o te maha more o ō mātou kāinga noho, kia eke ki te 75,000 kāinga, neke atu.

I oti hoki i a mātou ētahi whakatikatika whakamuri 862 ki ō mātou whare tawhito kē atu, me te aha, kua mahana kē atu, kua hauora kē atu, ka tū pakari ināianei mō tētahi atu 50 tau.

E haere tonu ana ā mātou hanganga rahi i Tāmakimakaurau me te rāwhiti o Porirua, me te hira o ngā panonitanga ki te horanga whenua tāone i aua rohe. Ko tā ēnei kōkiri wā roa (20+ tau neke atu) he hora pikinga tūāhanga papai hou, he wewete hoki i ngā whenua kia taea te whakatū i ētahi whare mākete, whare pāpori, ngāwari te utu 40,000 hou. E whāngaia ana ngā kaupapa mai i ētahi puna matua e toru: he moni mai i ngā hokonga whenua me ngā whakawhitinga whenua, ngā tāpaetanga nā Te Rōpū o Ngā Kaunihera o Tāmaki Makaurau, me ngā pūtea Karauna mai i te Pūtea Whakahohoro Whāinga Whare.

Te whakaumu pūnaha – te āki i ngā penapena pūtea me ngā whāomotanga

Te whakahaere rawa me te pūnaha hora whakatikatika whare

E whakaumu ana mātou i tā mātou whakahaere rawa me te pūnaha hora whakatikatika whare kia tutuki tētahi penapenatanga pūtea $265 miriona, ka kawea haeretia i roto i ngā tau, i mua i te mutunga o te tau 2025/26. Ka uru ki ēnei kōkiri ko te whakaraupapatanga pai ake o ngā mahi whakatikatika kua whakamaheretia, tētahi taumahinga whakahaere rawa tuitui ā-motu, me te whakapikinga o te ara tukutuku rawa mahi. Kua oti kē ētahi ara hou mō ngā mahi te whakarite, arā, neke atu i te $30 miriona ngā penapenatanga kua tutuki i roto i te tau 2023/24.

Te whāinga hua hanganga

I tua atu i ngā kōkiri i runga ake nei, kua tutuki i a mātou ētahi whakapikinga ki ā mātou hātepe mahi nā tētahi ara mahi nahanaha kē atu. Arā, kua whakapikia e mātou te whāomotanga, te pakari, me ngā ritenga mahi, ā, kua tomo ki ētahi kirimana arumoni hou, he pāpaku kē noa atu ngā utu. Nā ēnei panonitanga kua piki te whāinga hua kaimahi, kua heke ngā moumounga, ā, kua pai ake te kōrero tahi a ngā ringarehe me ngā ratonga ngaio.

Te tautoko i ō mātou kiritaki kia pai tonu te ora

Neke atu i te 191,000 ngā tāngata me ngā whānau i roto i ngā whare o Kāinga Ora. E tautoko ana mātou i a rātou ia rā, me tō rātou toiora me te tūhono i a rātou ki te hunga e hiahia āwhina ana ki ērā atu ratonga tautoko. He kōtuitanga ō mātou ki te huhua o ngā hinonga kāwanatanga, ki ngā iwi, ki ngā rōpū hapori, rāngai pāpori hoki, e āwhina nei i te tini o te hunga whakaraerae i roto i ō mātou whare kia whiwhi āwhina ina hiahiatia e rātou.

E noho rangatira ana te tino nuinga o ō mātou kiritaki i roto i ngā hapori i tō rātou ao, ā, ka noho tērā hei arotahi nui mā mātou i ngā wā katoa.

Ahakoa tērā, tērā tētahi wāhanga o ngā kiritaki ehara i te kiritata papai ki ētahi atu, he maha ngā take.

Te āta whakahaere mārire i ngā kiritaki tutū, me ngā nama rēti kāore i ea

I muri mai i ngā tohutohu a te kāwanatanga i te marama o Māehe 2024, i tukua mai he mahi mā mātou kia āta whakaarotia ngā taha e rua, ina whakahaere mātou i ō mātou kiritaki whanonga tutū. Nā reira, i whakakapia e mātou te Anga Whakapūmau Rīhitanga Whare ki tētahi Anga Whakahaere Rīhitanga hou, i whai mana mai i 1 Hūrae 2024. Kua aro nui mātou ki te āta whakahaere mārire i ngā kiritaki tutū, ā, kua piki haere tā mātou whakamahi i ngā ara e wātea ana ki a mātou i raro i te Residential Tenancies Act 1986 hei urupare ki te whanonga tutū.

I a mātou e urupare nei ki ngā nama rēti kīhai i ea, e aro ana mātou ki te tautoko i ngā kiritaki kia pai ake ai tā rātou whakahaere i ā rātou moni, ki te whakatau ritenga utu hoki ka taea e te whānau i ia kāinga noho, e noho toitū hoki rātou.

Tō mātou horopaki whakahaere

I puta ētahi āhuatanga maha i te 2023/24 nāna i kawe te āhua o tō mātou horopaki whakahaere, ko ētahi i takea mai i ngā tūmanako me ngā whakaarotau kāwanatanga, me ngā ākinga o te mākete.

Hei whakahāngai i te whakahaere ki ēnei ritenga rerekē, ki ēnei taumata pūtea me ēnei whakaarotau rerekē, i tīmataria ētahi hātepe panoni puta noa i te whakahaere i te haurua tuarua o te tau. I aro nui ēnei ki te whakapikinga ake o te whakahaere, te whakahāngai tira mahi me te hekenga o ngā utu mai i ngā tohanga pūtea, te whakapūmau tauira horanga whakahaere hou, me ētahi panonitanga rahinga hanganga.

I āta whakawhanaketia ai ngā ara mahi hou, hei tikanga whakapiki i te taumata āwhina mō ō mātou kiritaki, me te whāinga hua o ā mātou mahi waihanga, whakatikatika hoki.

Te tau e tū mai nei

Tā tēnei pūrongo ā-tau he whakamārama i te tutukinga o Kāinga Ora i te tau 2023/24. He maha ngā mea kua tutuki, ā, he nui ngā pīkauranga me ngā whāinga wāhi whakapiki painga mō ngā rā kei mua. Hei ārahi i Kāinga Ora i roto i te 12 marama atu i Hepetema 2024, ka nui taku hari ki te mihi ki tā mātou Tumu Whakarae hou, ki a Matt Crockett. He tautōhito a Matt mō te āki whakapikinga mahinga i roto i ngā whakahaere nunui.

Noho ora mai

Simon Moutter
Heamana

Who we are / Ko wai mā mātou

Our role / Te wāhi ki a mātou

Kāinga Ora was established as a Crown agent (for the purposes of the Crown Entities Act 2004) on 1 October 2019 under the Kāinga Ora–Homes and Communities Act 2019 (the Kāinga Ora Act).

We have two core roles of:

- delivering social housing and being a responsible landlord as an agent for the Crown
- partnering to lead and facilitate urban development projects of all sizes.

We are the largest tenancy services provider in New Zealand with a total portfolio of over 75,000 homes. We currently provide housing for over 191,000 customers and their whānau in over 70,000 public housing homes across the country. We also have almost 4,000 supported housing homes in our portfolio, and a further 900 homes have been leased since 2020 by Te Āhuru Mōwai, the community housing arm of Ngāti Toa in Porirua.

As the government's lead urban developer, we are responsible for planning, coordinating and undertaking large and small housing development projects to create a diverse mix of social, affordable and market housing.

The Urban Development Act 2020 provides us with ways of planning and funding complex or challenging urban development through the Specified Development Project (SDP) process along with powers of land acquisition for the purposes of urban development.

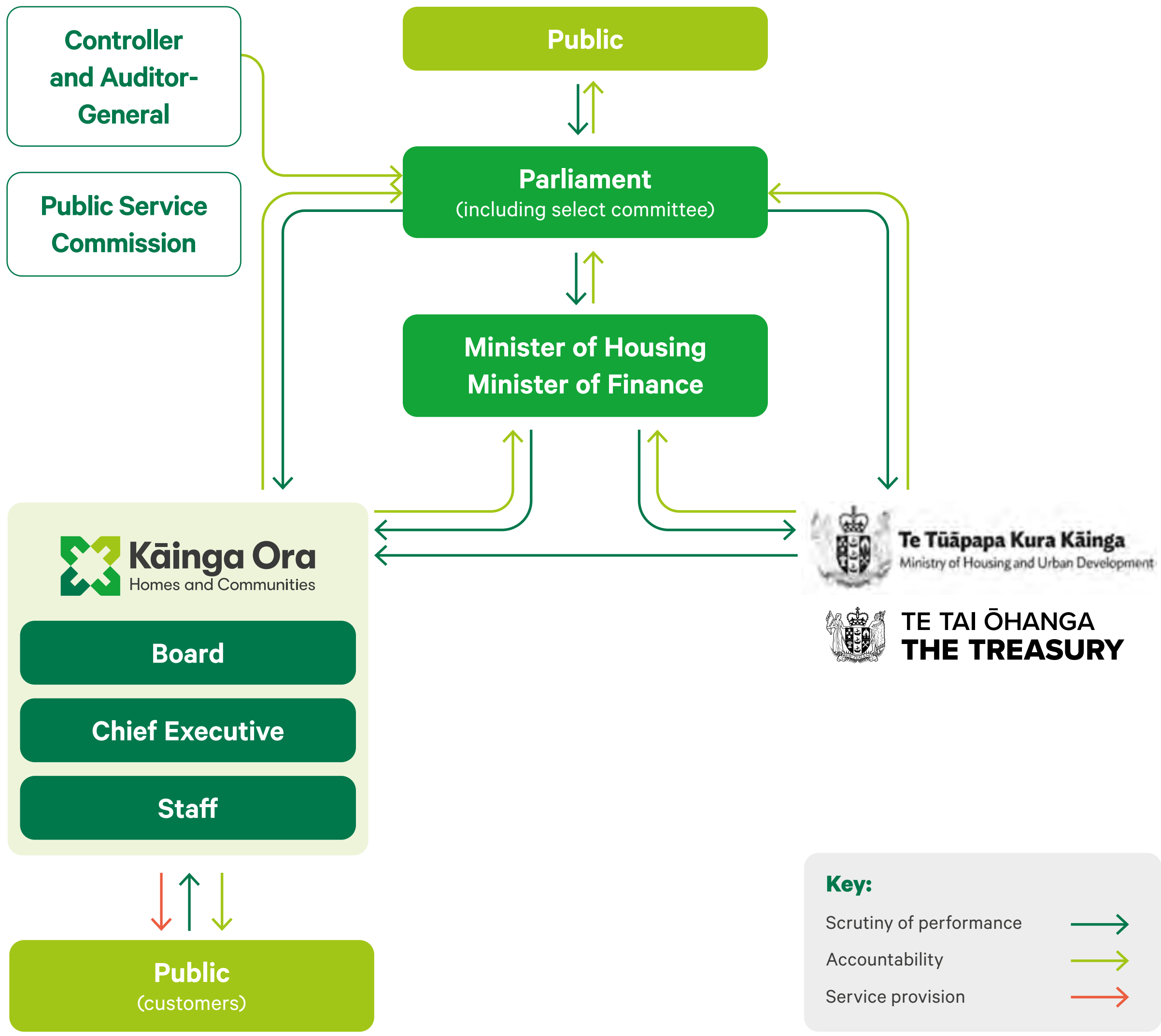
To deliver the government's housing priorities, we partner with others, including councils, government agencies, local government, Māori, iwi and hapū, infrastructure providers, private developers and community housing providers.

Kāinga Ora does not directly have obligations under te Tiriti o Waitangi (the Treaty of Waitangi). Our relationship with the Treaty of Waitangi is to recognise and respect the Crown's responsibility to consider and provide for Māori aspirations.

Our organisation / Tō mātou whakahaere

Our responsible Ministers are Minister of Housing Hon. Chris Bishop and Minister of Finance Hon. Nicola Willis. Kāinga Ora is monitored by the Ministry of Housing and Urban Development and the Treasury.

We are governed by a Board appointed by the Minister of Housing and the Minister of Finance.



Accountable: owed to the person who accesses performance and has the authority to decide on rewards and sanctions.

For more on our organisation, including governance and people, refer to pages 66 to 77.

About Kāinga Ora / Mō Kāinga Ora

He oranga kāinga, he oranga hapori, he oranga tāngata

Building better, brighter homes, communities and lives

Our vision / Tā mātou matakite

Our vision of providing housing that allows for better, brighter futures, communities and lives for all New Zealanders was created with input from our people, customers and partners:

- Our existing **customer base** is large and diverse.
- The **outputs** in our Statement of Performance Expectations (SPE) 2023/24 record the annual activities planned for our customers, their whānau and communities.
- Our **outcomes** outlined in our Statement of Intent (SOI) 2022–2026 are interlinked and collectively enable us to contribute to the people of New Zealand.

Although our work during 2023/24 was informed by our SOI 2022–2026 and SPE 2023/24 set in the previous year, we also began to evolve our work to reflect the new government's priorities for our organisation. These include:

- ensuring the financial sustainability of Kāinga Ora, including developing a credible financial performance plan to eliminate losses
- delivering on our core functions, including actively managing disruptive behaviour, rental debt and vacant homes
- continuing to deliver core functions with an enhanced focus on doing so in a fiscally responsible way and delivering on savings we have identified.

Our role → Our customers → The outputs and activities we deliver to our customers → Our outcomes describing the contributions we make to our customers

Our role

CORE FUNCTIONS

Being a responsible landlord

Partnering to lead and facilitate urban development projects of all sizes

Our customers

191,000
PEOPLE LIVE IN OUR SOCIAL HOUSING

WE CURRENTLY HAVE **MORE THAN**
75,000
PUBLIC AND SUPPORTED HOMES

71%
LIVE IN STAND-ALONE HOUSES

32%
ARE ONE PARENT AND KIDS – OF THESE, **52%** IDENTIFY AS MĀORI

32%
ARE ONE-PERSON HOUSEHOLDS – OF THESE, **50.5%** IDENTIFY AS EUROPEAN

100,734
RESIDE IN AUCKLAND

The outputs and activities we deliver to our customers

Supporting – Supporting our customers to live well with dignity, stability and connectedness

Growing – Growing, renewing and maintaining our homes

Urban planning – Delivering and facilitating urban planning and development

Home ownership – Supporting Crown housing infrastructure and home ownership initiatives

Our outcomes describing the contributions we make to our customers

Customer wellbeing
Customer wellbeing means people in our homes live well, with dignity, stability and the greatest degree of independence possible.

Housing access
Housing access means enabling homes that meet diverse needs and are safe, affordable and healthy to live in.

Thriving communities
Thriving communities are inclusive and sustainable with access to employment, education, social and cultural opportunities.

Māori aspirations
Enabling Māori aspirations means investment in housing solutions that build capability and support whānau wellbeing.

Environmental wellbeing
Environmental wellbeing means sustainable and resilient operations, assets and communities.

System transformation
System transformation means land use, infrastructure and housing supply is integrated, efficient, effective and responsive to demand.

Financial performance overview / Tirowhānui tutukinga ahumoni

Largest delivery of new homes in decades

In 2023/24, Kāinga Ora delivered the largest year of home delivery and placement in decades. We increased the availability and quality of social housing through the construction and purchase of new homes and the retrofitting of existing properties.

The scale of home delivery in 2023/24 required significant capital investment with a total of $4.5 billion full-year capital spend. Of the total capital spend, $3.6 billion was invested in new home builds and $109 million in purchasing existing homes from the market (see Table 1 below).

Table 1 – Capital investment in 2023/24

2022/23		2023/24		
Actual $m	**Description**	**Actual $m**	**Budget $m**	**Variance $m**
2,333	Home builds	3,596	3,333	(263)
308	Other home additions	109	319	210
78	Land purchases	51	105	54
335	Maintenance programmes	220[1]	259	39
202	Retrofit	264	262	(2)
301	Urban development	276	721	445
21	Business infrastructure	24	36	12
3,578	**Total capital investment**	**4,540**	**5,035**	**495**
(10)	General & vacant land sales	(10)	(61)	(51)
3,568*	**Net capital investment**	**4,530**	**4,974**	**444**

* In our 2022/23 Annual Report we incorrectly reported our total capital investment figure across all output classes on page 156 as $3,655.5m. It should have read $3,568m.

Other key programmes, including retrofit and maintenance ($484 million), urban development spend ($276 million) and land purchases for future housing ($51 million), rounded out the full-year capital spend, which was $495 million less than the original budget. Most of this variance was the result of slower delivery of our large-scale projects (urban development activity) as the government reviews funding for the programme and looks to make decisions on future activity. A significant amount of this spend relates to future years' deliveries, with over $1 billion invested in homes and redevelopments that will be completed in future years (work in progress). We currently have 3,998 homes either under construction or contracted to be completed.

The capital investment in our homes is designed to deliver benefits to New Zealanders over generations and is primarily financed through new debt totalling $4.1 billion and sales of land from our large-scale projects of $332 million in 2023/24. In total, the Kāinga Ora debt portfolio as of 30 June 2024 (comprising both Crown and market debt) was $16.5 billion (within the $22.9 billion debt limit set by the government as part of setting annual expectations) at an average interest rate of 3.72 percent.

1. The reduction in maintenance spend in 2023/24 compared to 2022/23 relates to the winding down of the multi-year Healthy Homes Programme as it came to completion during the year.

Our balance sheet

Our asset base remains solid at $48.7 billion (2022/23: $45.0 billion), made up largely of $46.7 billion of property assets (2022/23: $43.3 billion), $0.9 billion of cash and deposits (2022/23: $0.7 billion) and $0.5 billion of property under development (2023: $0.54 billion). The increase in value of our property assets was largely driven by the investment into new homes and our retrofit and maintenance programmes. This was offset in part by a reduction in the annual valuation of our homes of $0.8 billion as well as our demolition programme that supports our new home development and a small number of sales.

Cash and deposit balances were above anticipated levels due to a cash injection received late in the year to support our large scale projects operation.

Our two key balance sheet financial metrics still remain relatively stable with our debt to assets ratio at 0.34 (2022/23: 0.27) and a debt to debt-plus-equity ratio of 0.36 (2022/23: 0.29). While these have both increased during 2023/24, we expect an improvement in both ratios as we present our Kāinga Ora Reset Plan to Ministers in November 2024.

Operating financial performance in line with budget

While capital spend is focused on renewal of the housing portfolio, operating spend largely relates to the management and maintenance of our homes and frontline care for the people in them.

Reflecting on the 2023/24 year, full-year revenue came in as expected. The $26 million lower than anticipated rental revenue was offset by the $20 million Auckland floods insurance claim settlement, which was not included in the original budget.

Table 2 – Operating financial performance in 2023/24

2022/23		2023/24		
Actual $m	**Description**	**Actual $m**	**Budget $m**	**Variance $m**
1,677	Rental revenue	1,853	1,879	(26)
353	Appropriations & other income	521	531	(10)
2,030	**Total revenue**	**2,374**	**2,410**	**(36)**
565	Repairs and maintenance	543	585	42
63	Retrofit	80	72	(8)
623	Other direct property expenses	721	757	36
513	Total indirect costs	553	569	16
124	Asset write offs & (gain)/loss on sale	278	202	(76)
1,888	**Total expenses**	**2,175**	**2,185**	**10**
142	**EBITDA**	**199**	**225**	**(26)**
433	Depreciation and amortisation	439	441	2
303	Net interest	482	472	(10)
(76)	Tax	(154)	(118)	36
(518)	**Net surplus/(deficit) after tax**	**(568)**	**(570)**	**2**

Total operating expenses were $10 million lower than the original budget. Total operating expenses would have been lower but were offset by one-off costs related to construction write-downs and higher than anticipated demolition costs. Savings initiatives and cost reductions offset these extra costs in part, including reduced spend in areas funded by appropriations, a ramp-up of savings in the Asset and Maintenance Delivery Transformation Programme, removal of roles and reduced travel expenditure.

Investing in the repair and maintenance of our homes

We also invested in 2023/24 to ensure our existing homes remain warm and dry for our customers. Of the total operating expenses in 2023/24, $623 million related to our repairs and maintenance programmes.

In 2023/24, we completed our Healthy Homes Programme, with 99.8 percent of our homes now meeting the healthy homes standards introduced in 2019. This financial year, we spent $28 million on this programme, significantly less than the $187.5 million in 2022/23 when most (41 percent) of our homes underwent this work.

We invested $250 million for our planned programmes, including our roofing and paint programmes, and $374 million on responsive repairs, including ensuring that, when homes are vacated, they are brought back up to a good-quality lettable standard for new customers moving in.

What did this mean for the bottom line?

These higher than anticipated costs offset our savings and cost reductions and resulted in earnings before interest, tax, depreciation and amortisation (EBITDA) of $199 million surplus, slightly below the original budget.

Our overall net deficit of $568 million includes net interest expense of $482 million and non-cash expenditure totalling $717 million (depreciation and amortisation of $439 million and asset write-offs of $278 million). Excluding non-cash expenditure, Kāinga Ora performance actually delivered a surplus after accounting for interest expense.

Asset write-offs and impairment of property under development primarily relates to higher demolitions of existing properties to make way for new developments. Asset write-offs under Large-Scale Projects make up $45 million of the total write-off.

Looking ahead

The Board-approved Budget for 2024/25 forecasts improving financial performance, with strong growth in rental revenue from more homes and rent inflation, relatively flat operating expenditure and higher interest costs as the capital programme stays relatively high and interest rates on refinanced debt increase. Budget forecast beyond 2024/25 is expected to be revised following agreement to the Kāinga Ora Reset Plan.

Refer to detailed financial information from page 80 and 130.

Delivering on our vision and outcomes / Te whakatinana i tā mātou matakite me ngā putanga

This section of the report provides an outline of our activities over the past year and how they have contributed to fulfilling our vision in the short, medium and long term.

The first section, *Contributing to our outcomes*, is built around our longer-term outcomes outlined in our SOI 2022–2026. This includes providing an overview of our progress across a range of activities and provides performance results against a series of outcome performance measures.

The second section, *Our statement of performance*, provides an overview of our annual performance against targets outlined in the SPE 2023/24.

Our vision

Building better, brighter homes communities and lives.

Our **long term** vision for New Zealanders

Contributing to our outcomes

Customer wellbeing	Housing access	Thriving communities
Māori aspirations	Environmental wellbeing	System transformation

Our SOI 2022-2026's interlinked outcomes show how we intend to achieve our vision over the **medium term**. The outcomes have measureable indicators.

Statement of performance

Output class 1	Output class 2	Output class 3	Output class 4
Supporting our customers to live well with dignity, stability and connectedness.	Growing, renewing and maintaining our homes.	Delivering and facilitation urban planning and development.	Supporting Crown housing infrastructure and home-ownership initiatives.

Our 2023/24 SPE records the **activities** we plan to deliver over a **single financial year**.

Contributing to our outcomes / Te āwhina i ā mātou putanga

Our outcomes

Our interconnected outcomes outlined in our SOI 2022–2026 are:

- Outcome 1: Customer wellbeing
- Outcome 2: Housing access
- Outcome 3: Thriving communities
- Outcome 4: Māori aspirations
- Outcome 5: Environmental wellbeing
- Outcome 6: System transformation

Our outcomes are supported with a series of SOI outcome measures, which can be found on pages 20, 25, 34, 38, 41 and 45.

Measuring our SOI outcome measures

We have performance measures for each of our six outcome areas that track our progress against the four-year targets outlined in our SOI. Our outcome measures reflect our longer-term contribution and provide a view of whether we are moving in the right direction.

We assess performance against our four-year targets[2] using the following:

Performance measure assessment criteria

On track	Result is heading in the direction of the desired trend outlined in the SOI
Off track	Result is not heading in the direction of the desired trend outlined in the SOI
Not applicable	There is no four-year target set or the measure is demand driven

Note: *Our statement of performance* on page 50 outlines our performance against our annual performance measures outlined in our SPE 2023/24.

2. The Kāinga Ora SOI 2022-26 included new measures to reflect our expanded mandate. Recognising the need for additional implementation work, we pledged to establish baselines and/or targets by December 2023. The SOI also noted that 4-year targets for public and supported homes (SOI measure 3.1) would be revised if new government settings beyond 2024 were provided. However, due to the external review of Kāinga Ora initiated by the incoming government in late 2023, and in consultation with the Ministry of Housing and Urban Development, it was agreed that updates to the SOI would be deferred until after the Independent Review Report and subsequent Kāinga Ora Reset Plan are completed.

1 Customer wellbeing
Te toiora kiritaki

Customer wellbeing means people in our homes live well, with dignity, stability and the greatest degree of independence possible.

As a social housing provider, we support our customers and provide them with a warm, dry, stable home that meets their needs.

A summary of our performance in 2023/24

A number of work programmes contributed to ensuring customer wellbeing during 2023/24, including:

- implementing the new customer operating model designed to ensure a holistic approach to customer wellbeing, including a balance between supporting customer wellbeing and ensuring our customers meet their obligations
- revisiting strategies for managing disruptive behaviour and addressing rental arrears while utilising tools available under the Residential Tenancies Act.

SOI Ref:	Actual 2021/22	Customer Wellbeing SOI Outcome Performance Measures	Actual 2022/23	Actual 2023/24	Four-Year Target 2022-2026
2.1	82.0%	Percentage of public housing customers who are satisfied with the services we provide	80%	80% (See note 1)	85%
2.2	80.0%	Percentage of public housing customers who are satisfied with their Kāinga Ora home	80%	73% (See note 1)	85%
2.3	92.5%	Percentage of public lettable properties that meet or exceed the asset condition baseline standard[3]	94%	94.9%	95%
2.4	95.0%	Percentage of new public housing customers who sustain their tenancy for 12 months or more	96%	96%	95%

Note 1: Customer satisfaction results (SOI 2.1 and SOI 2.2)

We have seen good progress for the main drivers for discrete items of customer satisfaction, including improved satisfaction with maintenance in the home and customers having a warm and comfortable home to live in. Comparing year on year, this is the driest and warmest our customers have felt in their homes, indicating the healthy homes interventions have supported customers to feel this way. Despite this, we have seen downward movement in the response to the question to customers regarding their overall satisfaction with their home. Further exploration and analysis are needed into the cause of this downward trend. This will help us understand the most effective actions Kāinga Ora can take to make improvements to this result.

3. Kāinga Ora uses the New Zealand Asset Management Support (NAMS) asset condition scale. Each major component of a house is rated 1–5 (where 1 is the highest score and 5 is the lowest). Where the average of the components for a house is rated at less than 3.5, the house is deemed to meet the baseline quality standard.

Implementing a new Tenancy Management Framework

Changes in government expectations from March 2024 saw us develop a new approach that strikes a different balance when managing our customers with disruptive behaviour. Consequently, we replaced the existing Sustaining Tenancies Framework with a new Tenancy Management Framework, effective from 1 July 2024.

Proactively managing disruptive customers

We have focused on proactively managing disruptive customers and increasingly used the tools available to us under the Residential Tenancies Act. Transferring customers to another Kāinga Ora property continues to be an effective tool to resolve disruptive behaviour. During 2023/24, more than 200 transfers occurred to resolve disruptive behaviour. Most transfers are through agreement with the customer.

We are ending tenancies in response to serious or persistent behaviour issues. In 2023/24, 12 tenancies were terminated by an order from the Tenancy Tribunal, with seven of those in the last three months of the year.

We doubled the number of notices issued for anti-social behaviour under section 55A of the Residential Tenancies Act in the second half of the year.

We work to understand the cause behind issues, and where a customer requires additional support from other agencies, we refer them to specialist support services.

Proactively managing rental arrears

In addressing rental arrears, we are focused on supporting customers to better manage their financial circumstances and establish a payment arrangement that is both manageable and sustainable for the household. It is important to note that those customers in rental debt make up a relatively small proportion of our customer base. Almost 90 percent of our customers are not in rental arrears.

Table 3: Rental arrears

	30 June 2022	30 June 2023	30 June 2024
Number of customers	9,722	9,518	8,633
Value of rent arrears	$16.3 million	$20.3 million	$19.4 million

We have seen an increase in debt, in part due to the policy changes and the approach taken during COVID-19 lockdown periods when Kāinga Ora was not actively pursuing rental arrears from customers.

However, during 2023/24, the number of customers with rental arrears reduced by 885 while the value of those arrears reduced by $0.9 million. The majority of the above rental debt value is already provided for in Kāinga Ora financial statements through a doubtful debt provision for current rental arrears over 30 days. Any actions from the approach to rent debt will not negatively impact our financial statements.

We aim to balance our responsibilities to our customers while ensuring their rent is paid. Where attempts to work with the customer to resolve the situation fail, we would apply to the Tenancy Tribunal for a conditional termination order. During the year, 17 tenancies were terminated due to non-payment of rent and a further 16 conditional termination orders are in place.

Further adjustments to rental debt policy are under implementation and will focus on setting clear expectations, preventing debt occurring, early action when payments are missed and addressing ongoing rental arrears.

Maintaining our ageing housing portfolio

Our maintenance programme focuses on managing our existing homes throughout their lifecycle to ensure they are fit for purpose for our customers.

At present, 94.9 percent of our properties meet or exceed our baseline condition standard[4]. This reflects our ongoing investment in our homes through maintenance work and retrofitting as well as reconfiguring our portfolio through new builds and redevelopments. With an ageing stock (54 percent of our homes are over 40 years old), this work will need to continue over the next 20 years.

Through our Te Mahi Ngātahi national maintenance contract, we work with maintenance partners and more than 8,700 different tradespeople to undertake responsive repairs and planned programme work for our customers nationwide.

During the year, we completed 536,080 maintenance jobs with 92 percent of them within agreed service level targets. In the first part of the year, our focus was on completing maintenance work that was earlier impacted by challenges facing the wider sector, including skilled labour shortages, material supply issues and global shipping and manufacturing constraints. Over the second half of the year, we saw our maintenance activity return to more normal levels.

The healthy homes standards were introduced in 2019 to help ensure all rented homes in New Zealand meet minimum requirements for heating, insulation, ventilation, dampness and drainage, and draught stopping. Table 4 below shows the number of homes and expenditure incurred to deliver our Healthy Homes Programme. This year, the programme was completed, with 99.8 percent of Kāinga Ora rental homes meeting the healthy homes standards. The remaining homes are either exempt from meeting the standards due to planned redevelopment or we are in the process of obtaining orders for possession from the Tenancy Tribunal.

Table 4: Healthy Homes Programme

	30 June 2022	30 June 2023	30 June 2024	Total
Number of homes	19,892	26,709	4,476	51,077[5]
Expenditure[6]	$153.2 million	$187.5 million	$28.0 million	$368.7 million

4. Measured on the NAMS asset condition scale.
5. This is a portion of our more than 70,000 public housing units. The remaining homes either already met the healthy homes standards when the programme began or were built to meet the standards during the programme period.
6. This is both capital and operating expenditure.

Supporting customers and providing them with access to the right support

Our Customer Support Centre located in Manukau, Porirua and Christchurch provides a freephone service for customers calling with enquiries about their tenancy, repairs, maintenance and accounts. Our team also answer questions and advise customers enquiring about a broad range of Kāinga Ora programmes.

The Customer Support Centre plays a fundamental role in delivering meaningful customer interactions, resulting in better outcomes. By ensuring the right resources are available to support customers when they need them, the Customer Support Centre contributes to improved customer wellbeing.

In 2023/24, the Customer Support Centre received over 633,600 calls and achieved an 87 percent satisfaction rating from our customers.

Our role in supported housing

Around 4,000 Kāinga Ora homes across the country are operated by over 250 supported housing providers either as transitional housing or Community Group Housing. Kāinga Ora works closely with funders and supported housing provider organisations to deliver housing that meets their requirements. These are the types of supported housing we deliver:

- **Transitional housing** – provides short-term accommodation for people and families in urgent need of housing. A provider contracted by the Ministry of Housing and Urban Development (HUD) operates the housing and provides wrap-around services. Since receiving funding through Budget 2020, we have delivered 1,411 places against our target of 1,400. A further 29 places (funded by HUD) will be delivered in 2024/25.
- **Oranga Tamariki** – we worked directly with Oranga Tamariki to provide an additional eight homes for it to lease and manage as it supports tamariki and rangatahi in its care.
- **Community Group Housing** – we used our portfolio of 1,489 Community Group Housing properties (including 49 for Oranga Tamariki) to provide safe housing solutions for organisations delivering services to support people with illnesses, disabilities or urgent needs for housing.
- **Ara Poutama Aotearoa | Department of Corrections** – people leaving prison are provided with suitable accommodation to help their reintegration into the community. Corrections service providers give support during reintegration. In March 2024, Corrections reduced the programme from 150 to 103 beds by 2026. To date, we have delivered 91 beds within 31 units.

OUTPUT 1 – Supporting our customers to live well

OUTPUT 2 – Growing, renewing and maintaining our homes

OUTPUT 3 – Delivering and facilitating urban planning and development

OUTPUT 4 – Supporting Crown housing infrastructure and home-ownership initiatives

2 Housing access

Te wātea o te whare

Housing access means enabling homes that meet diverse needs and are safe, affordable and healthy to live in.

Through our build programme, we are increasing the supply of public, affordable and market homes to address housing supply needs.

A summary of our performance in 2023/24

We delivered 4,864 new social and supported homes, completed the retrofitting of 862 homes and remediated 12 units within larger complexes. We also assisted New Zealanders entering the housing market through programmes such as the First Home Grant, First Home Loan and First Home Partner.

SOI Ref:	Actual 2021/22	Housing access SOI Outcome Performance Measures	Actual 2022/23	Actual 2023/24	Cumulative[7] total 30 June 2024	4-year target 2022–2026
3.1		Number of newly constructed Kāinga Ora public and supported homes[8]				
	1,815	Gross	2,893	**4,864**	7,757 (See note 1)	17,200
	1,340	Net	2,526	**3,605**	6,131	6,300
3.2	1.5%	Average proportion of our public housing stock renewed per annum over the 4-year period[9]	2.3%	**3.0%**	–	>2.5% p.a
3.3	5,683	Number of homes purchased by New Zealanders with one or more of our home-ownership products	9,994	**10,223**	20,217	Demand driven
3.4		Number of homes enabled through Kāinga Ora large-scale projects[10]			(See note 2)	
	571	Public homes	217	**216**	433	1,900
	725	Market homes	127	**227**	354	2,800
	505	Affordable	247	**208**	455	2,400
	1,805	Total homes	591	**651**	1,242	7,100

Note 1: Number of newly constructed public and supported homes – gross (SOI 3.1)

Despite delivering a gross number of homes within our 2023/24 target range of 4,500–5,300, we fell short of our annual target of >3,400 in 2022/23. We remain optimistic of achieving the four-year target as we had 3,998 planned homes in our construction pipeline as of 30 June 2024, which positions us well for future delivery.

Note 2: Number of homes enabled through Kāinga Ora large-scale projects (SOI 3.4)

This shortfall was due to challenging market conditions, including difficulties for developers in securing financing, rising interest rates, economic uncertainty and fluctuations in the housing market, all of which slowed land sales in both 2022/23 and 2023/24.

7. Cumulative over the SOI 2022-2026 period.
8. A newly constructed home is defined as a home that is newly built and has not previously been occupied before its use for public or supported housing purposes.
9. This includes Kāinga Ora retrofit and complex remediation programmes as well as sales and demolitions.
10. 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. This measure counts the number of homes in Lakeside, Mangere, Te Onewa, Oranga, Porirua, Pukewiwi and Tāmaki large-scale projects – these are subject to business case approvals and numbers may vary. The number of public homes is included in Statement of Intent measure 3.1 – it is not in addition to this measure.

Renewing our housing portfolio to meet the diverse needs of our customers

We have a total of more than 75,000 homes. Of these homes, more than 70,000 are public housing homes that provide housing for over 191,000 customers and their whānau. However, the renewal requirement for our housing portfolio is significant. Over the next 20 years, a significant proportion of our older homes will reach the the end of their economic lives and will require substantial capital renewal. These homes are expensive to maintain and do not meet modern standards. Since 2018/19, we have already renewed 15,800 homes – 13,200 through building a new home and 2,600 through the Retrofit Programme.

Kāinga Ora is committed to this renewal programme, which will improve the quality, economic life, and stock make-up of our homes to meet the housing needs of our customers.

In 2023/24, we completed retrofits on 862 homes and remediated 12 units within larger complexes in our housing renewals programme, representing a 16 percent increase on the previous financial year. Our Retrofit Programme exceeded its delivery target for the second financial year in a row and focused on reducing work costs to make operations more efficient. The programme which started in 2018/19 delivered the 2,000th retrofit in January 2024 and trialled adding an extra bedroom to a property in Porirua to meet local housing need. Looking ahead, the 2024/25 programme is well established with an expected budget delivery of 850 units nationally and significant preconstruction work already completed.

Kāinga Ora plays a pivotal role in delivering the government's Public Housing Plan 2019–2024 (PHP) and is required to deliver almost 80 percent of houses in the PHP, with the remainder delivered by community housing providers. We have delivered a net increase of 9,410 homes against the six-year PHP commitment, with a shortfall of 234 deliveries (including refugee public housing) to be delivered in the first quarter of 2024/25. This shortfall relates to flow-on delays, first from COVID-19 and then from the North Island weather events in January 2023.

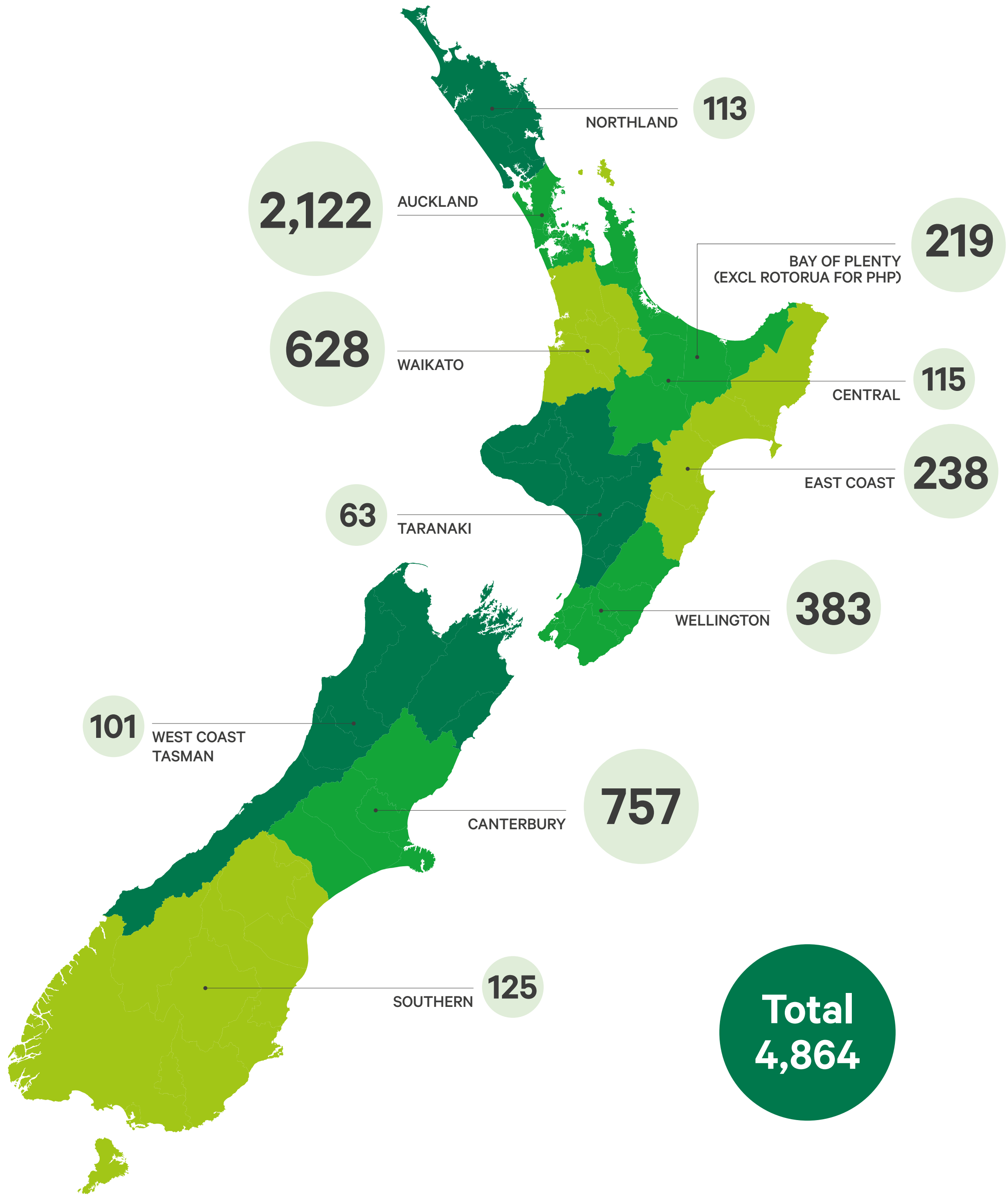
As outlined in Table 5 below, we delivered 4,864 newly built public and supported housing homes compared to 2,893 in 2022/23 in regions across New Zealand. Three-quarters of the new homes are stand-alone or semi-detached, with the remaining quarter being apartment-style living in buildings three levels or higher. By redeveloping the land we own, buying land and housing projects from private developers and purchasing or leasing a small number of existing homes from the open market, the national net increase in homes was 3,605. This was our highest net delivery figure, exceeding our previous high of 2,817 homes in 2021/22.

Table 5: 2023/24 build numbers

Kāinga Ora social and supported homes	
Built in the 12 months ending 30 June 2024 (SPE 2.1)	4,864
Plus tactical purchases of existing homes and new leases	140
Less homes cleared for development and leases ended	(1,399)
Total net number of new homes added (SPE 2.2)	**3,605**

Regional delivery of social and supported housing at 30 June 2024

Gross New Build Delivery (SPE 2.1)



OUTCOME 2 – HOUSING ACCESS

2023/24 Development Highlights

Vinegar Hill, Whangārei

8

Multi-generational family homes

Rooms: 4 two-bed, 4 five-bed

FUD*: 100%

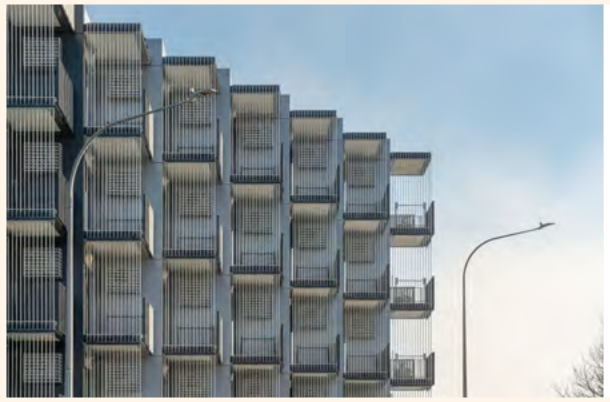
Northcote N9 and N10 Potter Ave, Auckland

88

Apartment homes

Rooms: 63 one-bed, 20 two-bed, 5 three-bed

Largest in Northcote LSP (by number of homes)



Point Chevalier and New North Road, Auckland

61

Apartment homes

Rooms: 61 one-bed

Modular OSM apartments

Peacockes Road Hamilton

14

Duplex terrace homes

Rooms: 10 two-bed, 4 five-bed

Modular OSM

* FUD = Kāinga Ora Full Universal Design

Oxford Terrace, Lower Hutt, Wellington

32

Apartment homes – award winning

Rooms: 32 one-bed

FUD*: 50%

Bevin Place, Aorangi Rd and Clyde Rd, Bryndwr, Christchurch

34

Homes, mixed typologies

Types: Single storey, duplex, 2 level walk up

Masterplan development

Church Street, Rangiora Christchurch

7

Family homes

Rooms: 3 three-bed, 3 four-bed, 1 five-bed

FUD*: 28%

Tyne and Essex Streets, Timaru

9

Two-bed homes

Rooms: 9 two-bed

FUD*: 70%

Oxford Terrace Lower Hutt
2024 Property Industry Awards: Excellence, Community and Affordable Housing category
2024 New Zealand Institute of Architects Awards: winner Wellington region, Housing—Multi Unit category

Table 6: Summary of our housing stock at 30 June 2024

	Public housing	Community Group Housing	Transitional housing	CHP lease portfolio	Non-public housing	Total homes
Opening portfolio 1 July 2023	67,175	1,522	2,374	964	–	**72,035**
Additions	4,871	11	122	–	–	5,004
Disposals	(1,302)	(18)	30	(5)	–	(1,355)
Adjustments*	(101)	(26)	(2)	9	76	(44)
Closing stock	**70,643**	**1,489**	**2,464**	**968**	**76**	**75,640**

* Adjustments include stock transfers and property movements not categorised as formal additions or disposals.

Specified Development Projects (SDPs)

Kāinga Ora has functions under the Urban Development Act, including those relating to Specified Development Projects (SDPs) for complex urban developments.

In 2023/24, Kāinga Ora assessed the Tauranga Western Corridor and the Porirua Northern Growth Area urban development projects as potential SDPs. The assessment was undertaken in accordance with the applicable statutory framework and culminated in the completion of a project assessment report for each project being provided to joint Ministers in June 2024.

Completing these project assessment reports enabled us to achieve our SPE 3.7 performance measure for 2023/24 outlined on page 57.

Leveraging our build programme to contribute to construction training opportunities

We are using the scale of our build programme to increase construction training opportunities including through cadet and apprenticeship programmes. In 2023/24, trade academies, which consist of secondary school and polytech students, delivered 45 homes.

In 2023/24, we exceeded our overall annual target for new trainees engaged in our construction programme. The number of new trainees more than doubled from 123 in 2022/23 to 262 in 2023/24 with nearly 50 percent identifying as Māori or Pacific peoples. The number of female apprentices also increased, demonstrating our commitment to gender diversity and equity in the trades industry.

Strong relationships with suppliers and subcontractors contributed to the success rate. Collaboration with Jobs and Skills Hubs and the Ministry of Social Development to provide quality training and support increased reach to trainees. The toolkit grant incentive has helped our build partners and trainees by reducing the initial financial burden and enabling them to start with essential tools and equipment. This initiative has encouraged higher retention and provides apprentices with the best start possible.

Housing Acceleration Fund driving delivery of a wide range of homes

The Housing Acceleration Fund was established by the government in 2021 to help increase the pace, scale, diversity and affordability of new housing supply for buyers and renters.

Large-scale projects

The Kāinga Ora urban development and delivery function utilises Housing Acceleration Fund funding for its large-scale projects (LSPs). We partner with councils to deliver critical infrastructure upgrades and unlock land for social, market and affordable housing development across Auckland and in Eastern Porirua. The outcome of this work when completed is the transformation of contiguous and underutilised social housing land parcels into integrated communities and broader housing supply.

There are five LSPs in Auckland (Northcote, Roskill, Oranga, Mangere and Tāmaki) and one in Eastern Porirua. Kāinga Ora is working alongside Tāmaki Regeneration Company (TRC) to enable more homes in Tāmaki and has also partnered with Ngāti Toa to deliver the Eastern Porirua development.

The Tāmaki LSP is part of the wider Tāmaki Regeneration Programme established in 2012. Our Urban Development and Delivery team (UDD) has a unique relationship with TRC whereby Kāinga Ora acts as the master developer to achieve the Tamaki Regeneration Programme, which has been masterplanned by TRC. Kāinga Ora is responsible for infrastructure and land development and overarching programme management in the Tāmaki LSP. UDD holds the relationship with TRC and brings resources from across Kāinga Ora to support the programme.

These brownfield urban development projects are a 20+ year programme of work with the potential to enable 40,000 homes across these development sites. It is funded from three main sources: revenue from land sales and transfers, Auckland Council Group contributions and Crown funds through the Housing Acceleration Fund.

In 2023/24, LSPs enabled 429 homes. To date, 102 hectares of land have been redeveloped by Kāinga Ora and 27 additional hectares of land are currently being redeveloped.

We are partnering with local councils to improve infrastructure resilience, including the delivery of critical stormwater solutions that aim to mitigate the risk and impact of climate change on communities while also providing beautiful, multi-purpose green spaces for people to enjoy.

The value of this was recognised in the Northcote LSP, which won a 2024 New Zealand Institute of Landscape Architects Award of Excellence for ensuring community resilience through "spatial structuring, connectivity, creating character neighbourhoods, celebrating cultural diversity and integrating water and landscape in design outcomes".

In Budget 2024, the Housing Acceleration Fund allocated to the LSPs was reduced from $2.3 billion to $1.86 billion, a $435 million decrease. Work is currently under way to realign the programme in line with Ministers' expectations.

Administering the Infrastructure Acceleration Fund

Kāinga Ora administers the Infrastructure Acceleration Fund (IAF) on behalf of the government. The IAF provides councils with access to funding for critical infrastructure such as transport, water or flood management to support development and new housing in high-need areas.

In 2023/24, 49 percent of infrastructure milestones were completed on time by the funding recipients against the SPE target of 80 percent. On average, milestones were achieved later than originally planned due to modelling and design work and land acquisitions and consenting processes taking councils and developers longer than they anticipated.

It is important to note, however, that 81 percent of all infrastructure milestones due for completion within 2023/24 have been completed within the year. The SPE target of 80 percent was based on the timeframes provided by councils with no contingency time built in. Project milestones were generally early stage requiring councils to make a range of assumptions about complex projects that have many unknowns. Most projects now have more detailed delivery plans in place, which we anticipate will provide more accurate timeframes going forward.

Offering pathways to home ownership

The **Buying off the Plans**[11] initiative offered an underwriting facility to private residential developers to expedite the delivery of new homes and enable more home-ownership opportunities for first-home buyers.

In 2023/24, 15 new underwriting contracts were signed with developers and 696 KiwiBuild homes were completed. Of these, 55 homes were purchased by the Crown where underwrites were exercised, and two have been on-sold. As of 30 June 2024, a total of 2,753 KiwiBuild homes have been built since the programme began and a further 1,116 homes were contracted for construction. We also processed 2,100 KiwiBuild buyer eligibility applications – a decrease of 39 percent from 2022/23, despite there being homes available to buy. New underwrites were paused in the middle of the financial year due to a change in government policy.

The **KiwiSaver first home withdrawal** saw 3,521 applications approved in 2023/24, an increase of 12 percent from 2022/23.

The **First Home Grant** provided eligible KiwiSaver members with financial assistance ranging from $3,000 to $10,000 to support the purchase of their first home. In 2023/24, 11,543 grants to a value of $69.4 million were paid to eligible KiwiSaver members. On 22 May 2024, the government made the decision to end the First Home Grant scheme, with applications ending from 22 May 2024.

The **First Home Loan** enables first-home buyers or previous homeowners in a similar financial position to borrow with only a five percent deposit. Participating lenders submit applications to us for assessment and we underwrite the loan. Over 26,000 loans have been insured since inception in 2003. In 2023/24, 2,730 loans were insured, 43 fewer than last year.

The **Kāinga Whenua Loan** facility allows owners of multiple owned Māori land to access a Kiwibank loan, underwritten by Kāinga Ora, to build, buy or relocate a property to the applicant's Māori land. In 2023/24, 32 applications were made with 12 in pre-approval stage – 10 of the 32 applications were from collectives (mostly ahu whenua trusts) and 22 were loans to individuals. Overall, enquiries and applications remained at relatively high levels.

The **First Home Partner** is a shared home-ownership scheme to help aspiring first-home buyers whose deposit and home loan are not quite enough to buy a home that meets their needs. The scheme was closed in September 2023 due to it being fully subscribed. Kāinga Ora continues to work with eligible applicants who have submitted sale and purchase agreements to ensure the remaining funding is utilised. Once the remaining settlements are complete, the scheme is expected to have assisted 1,184 households into home ownership.

11. Buying off the Plans was known as KiwiBuild and began in 2018.

3 Thriving communities

He hapori taurikura

Thriving communities are inclusive and sustainable with access to employment, education, social and cultural opportunities.

Increasing the number of homes also means supporting neighbourhoods and communities to thrive. Beyond the walls of a home, we work to ensure people are well connected to employment, transport and open spaces and our communities are accessible to those living with disabilities.

A summary of our performance in 2023/24

In the past year, we have supported government-wide frameworks such as the Pacific Wellbeing Strategy to achieve positive wellbeing outcomes for Pacific peoples and communities. We have also strengthened our community engagement by implementing our new policy on community engagement on Kāinga Ora development activities to ensure communities are engaged early on our housing development intentions.

SOI Ref:	Actual 2021/22	Thriving communities SOI Outcome Performance Measures	Actual 2022/23	Actual 2023/24		Four-Year Target 2022-2026
6.1	New measure	Number of newly constructed homes resulting from Infrastructure Acceleration Fund agreements[12]	New measure	30		No target (See page 18)
6.2	5%	Percentage of Kāinga Ora Land Fund priority locations where land has been purchased[13]	15%	20%	(See note 1)	80%
6.3	69%	Percentage of public housing customers who feel safe in their neighbourhood[14]	67%	70%		70%

Note 1: Percentage of Kāinga Ora Land Fund priority locations where land has been purchased (SOI 6.2)

In 2023/24, Kāinga Ora entered into one agreement with the landowner and developer of Plimmerton Farm for the acquisition of build-ready sections and superlots for apartments and multi-units. As the Minister has requested Kāinga Ora to pause any further investment in the Kāinga Ora Land Programme, the programme is anticipated to conclude with acquisitions completed in only 4 of our 20 priority locations.

Promoting and leading urban design that contributes to thriving communities

Kāinga Ora leads and promotes good urban design to deliver efficient, integrated mixed-use urban development that results in sustainable and thriving communities (which is enabled by the Kāinga Ora Act). This year, this has been demonstrated through:

- developing open-space guidelines to collaborate effectively with councils and civil construction alliances in delivering open-space parks and streets
- receiving industry recognition for urban design schemes of Puriri Park Road and Te Mātāwai, Te Ara Awataha Northcote masterplan and a top architectural design award for the Te Uru terraces in Hobsonville Point
- publishing Masterplanning for Universal Design with input from external experts to help create more accessible communities.

12. Homes enabled by the Infrastructure Acceleration Fund (IAF) could include public, market, lower-cost and papakāinga homes.
13. There are currently 20 priority locations defined in the Kāinga Ora Land Programme's Strategic Land Acquisition Plan. We aim to reassess this measure in the future if more land purchases are made.
14. By comparison, 59.6 percent of people surveyed in the New Zealand General Social Survey in 2021 reported feeling safe or very safe walking alone in their neighbourhood after dark.

In 2023/24, we focused on improving our accessibility policy, internal processes and data to create more inclusive communities and better meet our customers' needs. Key work carried out during the year included:

- **reviewing our accessibility policy** to ensure it remains fit for purpose and supports improved outcomes for disabled people
- **modifying a number of our homes to meet the accessibility needs of our customers** – for example, we have been engaging with Whaikaha – Ministry of Disabled People and the Accident Compensation Corporation (ACC) and their respective occupational therapists to assess individual housing needs and make recommendations for modifications, which are funded by Whaikaha and ACC
- **improving the information Kāinga Ora has about customers' accessibility needs** by undertaking a thorough analysis of the data we hold about our customers as well as data sourced from Stats NZ's Integrated Data Infrastructure (IDI)
- **assessing our properties to confirm the number with accessibility features and specific modifications** – this data will be used to better understand customers' needs and how these are changing over time, support informed placement decisions and inform our regional planning on the types of accessibility features needed in the future
- **hosting representatives from the disability sector at Te Mātāwai** to showcase the building and strengthen our relationships within the sector.

Strengthening our community engagement

In line with our new policy on community engagement on Kāinga Ora development activities introduced in October 2023, we have adopted a portfolio[15] engagement approach when engaging with communities on our build programme.

This approach builds on best practice and brings consistency. It represents a commitment to early and strategic engagement with communities about our development intentions. It involves sharing the comprehensive picture of our urban development and building plans for an area upfront to ensure we understand the community's needs and aspirations early. Prioritising early engagement efforts enables scene setting, awareness raising and opportunities for communities to provide feedback that we will consider. We also connect with councils, mana whenua, schools, service providers and local Members of Parliament as representatives of community interests.

We engage differently in areas with large-scale projects, which are masterplanned and developed over decades and produce thousands of homes as well as significant infrastructure upgrades. Our engagement in these areas is extensive. In this process, we collaborate with communities on the masterplan, specifically focusing on local councils, mana whenua, schools and service providers who have a presence in the community and deliver services.

15. In this context, a portfolio is a geographical area.

Supporting the Pacific Wellbeing Strategy

New Zealand is home to a diverse, vibrant range of Pacific communities, and a significant proportion of our customers identify as Pacific peoples. In 2023/24, we supported the Pacific Wellbeing Strategy, an all-of-government approach to achieve positive wellbeing outcomes for Pacific peoples. We also engaged through our use of Yavu – a Pacific engagement tool with associated training – that saw face-to-face sessions being hosted in Auckland, Wellington and Christchurch.

Working with funded Pacific financial capability providers around the country, we attended several financial capability sessions with Pacific communities. The Ministry for Pacific Peoples reports that 130 of the 3,289 attendees who accessed the sessions have purchased a home.

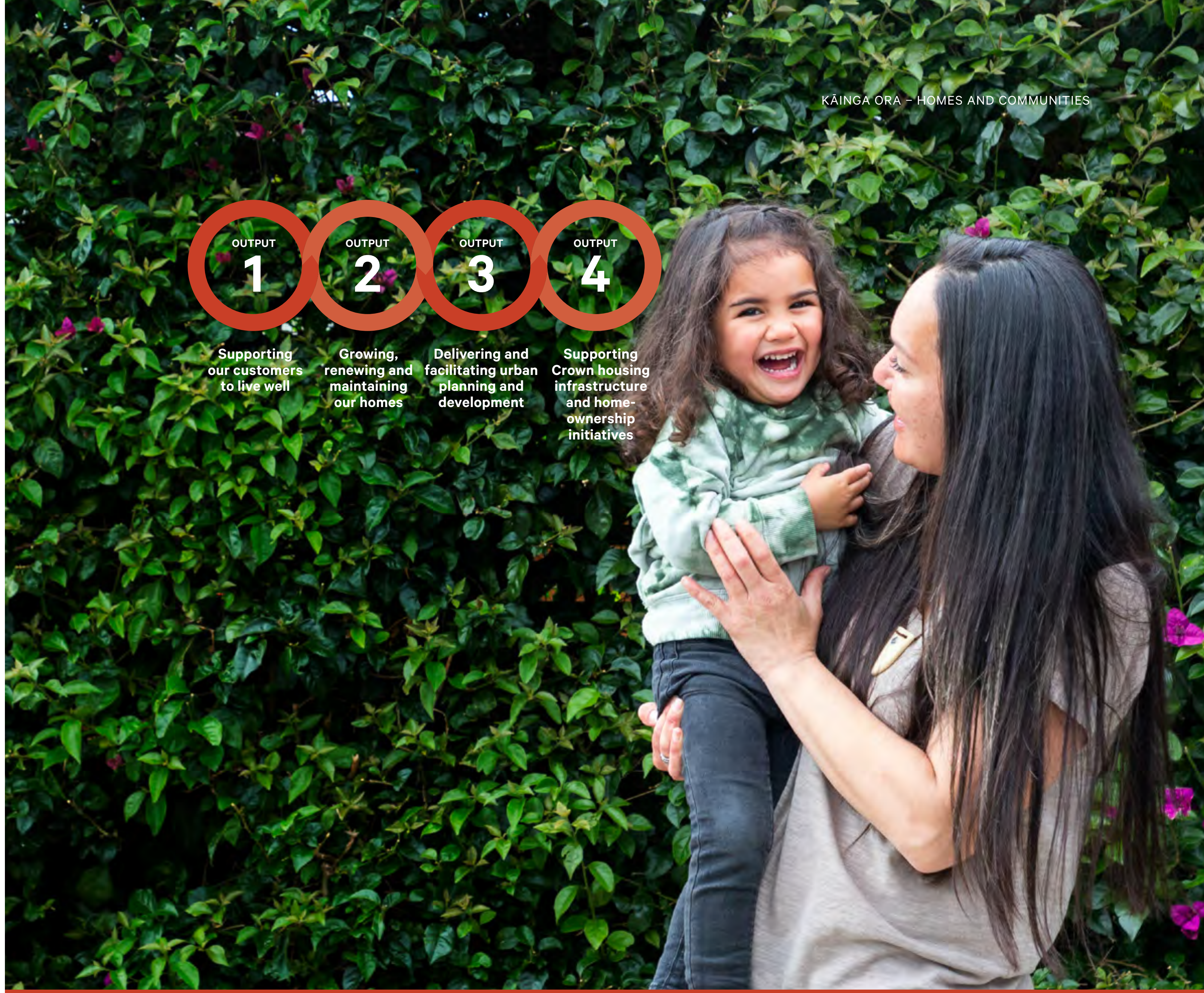
We also worked with communities, groups, and churches to help grow the Pacific community housing sector and consider housing opportunities on land they own. As an example, a Samoan church in Timaru is identifying developers to collaborate with to support the development of its land.

National Policy Statement on Urban Development

The National Policy Statement on Urban Development (NPS-UD) ensures New Zealand's urban environments meet the changing needs of diverse communities.

In 2023/24, plan changes for the implementation of both NPS-UD and Medium Density Residential Standards requirements were completed in Rotorua, Western Bay of Plenty and the wider Wellington region's local authorities. Plan changes in Auckland, Hamilton, Christchurch and Tauranga remain ongoing and are expected to be completed in 2024/25 or later.

Kāinga Ora contributed to the decision-making process through submissions to ensure medium and long-term asset management considerations were not unduly constrained and the wider district and unitary plan settings supported well-considered intensification.



4 Māori aspirations
Ngā wawata o ngāi Māori

Enabling Māori aspirations means investment in housing solutions that build capability and support whānau wellbeing.

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

A summary of our performance in 2023/24

Through the support of Te Rautaki Māori o Kāinga Ora 2021–2026, we have:

- created a Whenua Māori Development team to support iwi/rōpū Māori to better access technical advice for advancing housing development and housing supply within the Māori and Iwi Housing Innovation (MAIHI) Partnership Programme.

SOI Ref:	Actual 2021/22	Māori Aspirations SOI Outcome Performance Measures	Actual 2022/23	Actual 2023/24	Four-Year Target 2022-2026
1.1	8.0%	Percentage of homes purchased by people who identify as Māori with one or more of our home-ownership products	9%	13%	Demand Driven
1.2	New measure	Number of homes enabled through Kāinga Ora and iwi/rōpū Māori partnership activity[16]	New measure	30	No target (See page 18)
1.3	New measure	Kāinga Ora net promoter score for commercial partners who identify as Māori	New measure	Statistically invalid (Note 1)	

Note 1: Kāinga Ora net promoter score for commercial partners who identify as Māori (SOI 1.3)

We engaged Verian Group to survey 289 commercial partners regarding their experience with Kāinga Ora and received 104 responses. However, the number of Māori commercial partners in the survey was insufficient for reporting purposes. We provide results on all the commercial partners surveyed on page 45.

Partnering to deliver outcomes that support and enable Māori needs and aspirations

Kāinga Ora works together with Māori, including whānau, iwi and rōpū Māori, using a strengths-based approach to understand, support and enable the aspirations of Māori in relation to urban development.

Kāinga Ora and Ngāti Rangi relationship agreement

The relationship between Kāinga Ora and Ngāti Rangi has been strengthened by the signing of a partnership agreement in 2024. This collaboration is consistent with the Kāinga Ora Act, anchored by He Toa Takitini, and embraces rautaki Māori principles, aiming to promote integrated community development.

Helen Leahy (Ngāti Rangi) explains: "The partnership agreement outlines several key objectives. Firstly, it aims to facilitate access to home ownership for Ngāti Rangi members by providing warm, sustainable and innovative housing solutions through resource and expertise sharing. Secondly, it seeks to explore opportunities for papakāinga development, promoting communal living spaces on Māori ancestral land to align with cultural values and aspirations. Thirdly, the partnership prioritises community empowerment by enabling active participation in development initiatives for descendants, families, marae, Māori land trusts and iwi entities, fostering collaboration and inclusivity."

This partnership aligns with the Kāinga Ora Act, emphasising quality housing provision and urban development while addressing social and economic disparities. It also embraces rautaki Māori principles, promoting cultural sustainability and holistic wellbeing within Ngāti Rangi communities.

It is anticipated that this collaboration will not only create sustainable housing solutions but also enable Ngāti Rangi communities to thrive for generations to come.

16. Partnership covers a range of urban development activities, including instances where Kāinga Ora provides land development services to iwi/rōpū Māori.

Modernising the Kāinga Whenua Loan Scheme

Kāinga Ora has spent the last year working with the Ministry of Housing and Urban Development, Te Puni Kōkiri, Kiwibank and key sector experts to update the Kāinga Whenua Loan Scheme. The aim of the changes has been to improve access to the scheme to help more whānau realise their housing aspirations. Access to finance has been a key lever to support whānau to build fit-for-purpose housing on their whenua such as papakāinga.

The first phase of implementation was rolled out to the public in May 2024 and included removing the loan cap and decreasing the deposit requirements. We continue to work on implementing the next phase of changes, which include bringing relocatable and off-site manufactured homes into the scheme and broadening the security requirements for the loan to allow for flexibility in the home build types.

Whenua Māori Development

Our Whenua Māori Development team has continued to provide guidance, coordination and technical support to the regional design and delivery teams across the organisation. This team has completed over 50 preliminary site assessments for housing on whenua Māori since May 2021.

Housing Relocation Programme

For several years, Kāinga Ora has been transporting existing public homes from development areas and providing them for refurbishment to iwi and whānau. Relocating homes achieves financial savings for Kāinga Ora. The alternatives – deconstruction or the final option of demolition – can be both costly and, despite best efforts to recycle, wasteful when building materials are disposed of in landfills.

In 2023/24, through the Kāinga Ora relocation programme, we have enabled the relocation of 101 homes, providing about 400 people with a place of their own to live.

The Housing Relocation Programme was a finalist for the **Social Impactor Award, Sustainable Business Network Awards** in 2023. The programme was selected to present insights at the Australian Housing Research Institute National Housing Conference in Brisbane in October 2023.

5 Environmental wellbeing
Te toiora taiao

Environmental wellbeing means sustainable and resilient operations, assets and communities.

We have been working to ensure sustainable practices are integrated into the way we build and maintain our homes, plan our urban development areas and do business. We recognise that our actions impact the natural environment and underpin broader social, cultural and economic outcomes.

A summary of our performance in 2023/24

In the past year, we demonstrated strong performance in enhancing environmental wellbeing through several sustainability initiatives. We focused on reducing our carbon footprint by retrofitting existing homes to improve energy efficiency and incorporating sustainable materials in our new builds.

SOI Ref:	Actual 2021/22	Environmental Wellbeing SOI Outcome Performance Measures	Actual 2022/23	Actual 2023/24	4-year target 2022-2026
5.1		Percentage of uncontaminated materials produced during Kāinga Ora site-clearance works diverted from landfill			No target (See page 18)
	87%	– Auckland	85%	**85%**	
	60%	– Rest of New Zealand	79%	**78%**	
5.2	N/A	Carbon dioxide equivalent emissions resulting from the construction of new Kāinga Ora homes			Reduce buildings emissions by 14% by 2035*
		– Total emissions (tCO_2e)	89,337 tCO_2e	**163,212 tCO_2e**	
		– Emissions per occupant ($kgCO_2e$)	12,410 $kgCO_2e$	**13,060 $kgCO_2e$**	
5.3	N/A	Carbon dioxide equivalent emissions resulting from the operation of Kāinga Ora homes			Reduce buildings emissions by 14% by 2035*
		– Total emissions (tCO_2e)	48,325 tCO_2e	**50,035 tCO_2e**	
		– Emissions per occupant ($kgCO_2e$)	250 $kgCO_2e$	**250 $kgCO_2e$**	
5.4	N/A	Carbon dioxide equivalent emissions resulting from the transport activities of occupants of new public or supported housing			Reduce transport emissions by 26% by 2035*
		– Total emissions (tCO_2e)	225,131 tCO_2e	**237,558 tCO_2e**	
		– Emissions per occupant ($kgCO^2e$)	1,150 $kgCO_2e$	**1,190 $kgCO_2e$**	

* It is still too early to determine if we are on track to meet the emission targets by 2035.

Completion of our Renewable Energy Programme

Our Renewable Energy Programme finished at the end of 2023/24 having installed solar panels for over 600 homes around the country, representing over 2.9 megawatts of generation capacity. The goals of the programme were to reduce electricity bills for customers while using social housing roof space to support increased renewable energy generation.

The programme has introduced a unique product to the New Zealand market, the Allume SolShare. The SolShare takes the electricity generated from a single solar array on a common roof (such as an apartment building) and shares it equally among customers.

We have also partnered with Ara Ake to establish a multiple trading trial in Wellington. This trial allows Kāinga Ora to export electricity from our solar panels and use these funds to mitigate energy hardship for other customers.

This is the first trial of its kind operating in the live New Zealand electricity market and involved multiple electricity sector partners gaining regulatory exemptions from the Electricity Authority. It has significant potential to be scaled up across the Kāinga Ora property portfolio and also provides a blueprint for others. It may inform an update to New Zealand's electricity regulations in the future, enabling New Zealanders to unlock value and share the benefit of investments in distributed energy resources.

Our Riccarton Road, Christchurch development, equipped with SolShare PV, won **Best in Category for the Community and Affordable Housing Property Award** at the Property Council New Zealand Property Industry Awards in June 2024.

Reducing carbon emissions from our public housing

In 2023/24, our focus was on developing tools and processes to calculate and report the lifecycle carbon emissions of Kāinga Ora homes. Trials with design partners showed carbon assessment can be done in under an hour using the Kāinga Ora procured RapidLCA application from Cerclos. Improving these calculations will help us make better decisions about reducing emissions from our housing portfolio.

We are working to understand overheating risk in our homes. Around 15 percent of our housing stock is at risk of summertime overheating, which could have negative health impacts for our customers. We are developing low-cost solutions that consider the trade-offs between designing homes that are easy to heat in winter and remain cool in summer to reduce this risk.

Waste Minimisation and Site Clearance Programme

Our Kāinga Ora Waste Minimisation and Site Clearance Programme has continued to build momentum, collaborating with our relocation, deconstruction and demolition partners to achieve our outcomes. We diverted 59,000 tonnes of waste from landfill after rolling out site clearance and waste diversion targets to all regions in New Zealand. We established an information-sharing agreement with the Ministry for the Environment to contribute to a national waste database, and we collaborated with BRANZ to support its refresh of REBRI: Resource Efficiency in the Building and Related Industries.

Planting our way through the Ngahere Project

Our Ngahere Project aims to increase biodiversity and tree canopy coverage in lower-socioeconomic neighbourhoods where Kāinga Ora owns land. This will provide customers with greater health and wellbeing outcomes that come from access to ngahere and greenspace. In 2023/24, the development of a Ngahere Factor Tool, researched and conceived with The Urbanist, has been helping us set targets and measure the equitable outcomes we can make by strategically greening our developments.

We have a partnership with Auckland Council to develop a collaborative tree plan for our large-scale development neighbourhoods, increasing tree canopy cover across Kāinga Ora properties, streets and open spaces. Our pilot project in Mangere, now in its third year, has engaged 750 volunteers who have helped plant trees in the community.

Optimising our vehicle fleet

Kāinga Ora aims to reduce corporate carbon emissions by 42 percent by 2030, as set by the Carbon Neutral Government Programme. A focus on reducing fleet size and lowering corporate emissions during 2023/24 has resulted in cost savings of $1.8 million. Of our 940 cars, approximately 98 percent are either BEVs (battery electric vehicles) or hybrids. This has resulted in average fleet emissions of 40 gCO_2/km compared to the 152 gCO_2/km average across government agencies.

Managing and reporting on climate-related risks and opportunities

Flood risk management

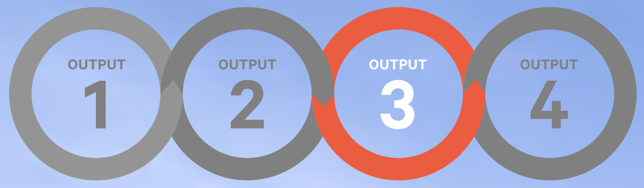
Following the January 2023 Auckland floods, we have been working with Auckland Council to progress future risk assessments of approximately 450 Kāinga Ora flood-impacted properties.

Kāinga Ora Climate Statements 2023/24

The Kāinga Ora – Homes and Communities Climate Statements 2023/24 cover two key disclosures:

- Our climate-related disclosure focuses on how we identify, assess, manage and report on climate-related risks and opportunities across our governance, strategy and risk management activities.
- Our Greenhouse Gas Emissions Inventory provides an assessment of our emissions across our areas of activity. It also includes information about our emissions reduction targets and our progress towards meeting them.

You can read the Kāinga Ora Climate Statements here: **https://kaingaora.govt.nz/kaingaoraclimatestatements2024**.



Supporting our customers to live well

Growing, renewing and maintaining our homes

Delivering and facilitating urban planning and development

Supporting Crown housing infrastructure and home-ownership initiatives

6 System transformation

Te whakaumu pūnaha

System transformation means land use, infrastructure and housing supply is integrated, efficient, effective and responsive to demand.

System transformation requires revolutionary thinking, leadership and a willingness to share risk and learnings with the construction industry.

A summary of our performance in 2023/24

In the past year, we made significant progress in advancing system transformation, focusing on improving efficiencies and scalability in housing delivery.

SOI Ref:	Actual 2021/22	Environmental Wellbeing SOI Outcome Performance Measures	Actual 2022/23	Actual 2023/24	Four-Year Target 2022-2026
4.1	New measure	Percentage of Kāinga Ora-managed redevelopment new builds of public and supported homes adopting off-site manufactured (OSM) building solutions[17]	9%	13%	No target (See page 18)
4.2	New measure	Kāinga Ora net promoter score for commercial partners	New measure	-39 (See note 1)	
4.3	New measure	Number of days to design and build a new Kāinga Ora public or supported home	New measure	25.6 months	
		– Houses			
		– Apartments		51 months (See note 2)	

Note 1: Kāinga Ora net promoter score for commercial partners (SOI 4.2)

We commissioned Verian Group to survey 289 commercial partners on working with Kāinga Ora and received 104 responses. While 64 percent of respondents were satisfied or very satisfied with their current relationship, this did not translate to promoting working with us to other organisations. The main factors contributing to the net promoter score result of -39 are lack of transparency and uncertainty in our project pipeline coupled with complex internal processes and decision making. To improve this, we are planning to implement a Relationship Management System. We will also continue to work on understanding our relationships more deeply to improve our engagements with our commercial partners.

Note 2: Number of days to design and build a new Kāinga Ora public or supported homes (SOI 4.3)

Apartments typically take longer to build and cost more than houses due to additional structural engineering requirements, stricter building codes and the need for more extensive infrastructure. Drawing on insights from the past year, we are committed to continuously improving our processes to reduce the design and build times for new Kāinga Ora homes. Our targets for 2024/25 are 24 months for houses and 49 months for apartments. For performance against annual targets, see page 54.

17. This excludes new homes acquired from the market.

Transforming our approach to asset management and maintenance

We are under way with transforming our asset management and maintenance delivery system to a best-in-class operating system, which will target $265 million annual savings by the end of 2025/26. The full savings will be realised once the following initiatives have been completed and fully embedded into the organisation:

- Improving existing maintenance controls to enable a greater level of planning and scheduling of work in the existing system.
- Planning and delivery of the Kāinga Ora Retrofit Programme.
- Introducing an integrated national asset management function focused on ownership of operating systems (national asset management plan), tools, data and asset management planning.
- Maintenance delivery, including supply chain optimisation.

In 2023/24, we have achieved 'cost out and cost avoided' savings of approximately $30 million. The work we have done through briefs, awareness sessions and general communications has contributed to a cultural shift in our approach to maintenance. Our people and partners have a greater understanding of the need for efficiency, improved productivity and better decision making, which has also contributed to these savings/benefits.

Housing Delivery System

In early 2021, we began the first phase of our Housing Delivery System (HDS). The aim of HDS was to optimise the end-to-end housing delivery system to deliver:

- accelerated end-to-end (E2E) lead-times (forecasting, planning, scheduling, managing and delivering the work) – as speed is increased, capacity is released and cost of delivery is reduced
- predictability, transparency and certainty on E2E cycle times, process times, delivery dates and costs
- a systematic approach to the E2E housing delivery process using techniques initially developed in manufacturing.

The first HDS pilot was in Christchurch in December 2021. While the early pilot results provided an initial proof of concept, another team was established in Auckland to test it further. The pilot teams were renamed Mini Business Units (MBU) and more MBUs were established in Auckland, operating Phase 1 from November 2022.

The second phase of the HDS, currently under way, is to optimise the system and reduce cost through better product selection, procurement models, contract terms, logistics planning and research programmes. The aim is to improve the transparency of costs and margins for labour and materials.

In 2023/24, a pilot was established in Rotorua under the procurement and supplier management scope to identify on-site productivity improvements and commercial agreements, which reduced wasted time and materials on the build site. The pilot participants included Kāinga Ora, two materials suppliers and five build partners. A materials delivery system is being designed that will ensure materials are on the right site at the right time to minimise on-site waste and rework. This work will eradicate rebates and other opaque margins and increase productivity on site.

Although this pilot is still under way, preliminary observations include lower project costs for the above-ground construction (not civil works) with initial projects being contracted at levels at least 30 percent below normally tendered projects.

Consentium

Consentium was set up over three years ago as an independent division of Kāinga Ora. It provides Kāinga Ora with building compliance services, including building consent processing, inspecting and Code Compliance Certification (CCC).

Consentium is the only accredited and registered building consent authority (BCA) in New Zealand that is not a territorial authority (council) and the only national BCA.

It continues to add value by reducing consenting timeframes and improving operational efficiency for consenting for Kāinga Ora properties. Consentium's scope includes consenting buildings five levels and above as well as projects where Kāinga Ora has contracted to purchase the property from approved developers.

In 2023/24, Consentium issued 2,522 consents for 3,613 homes with an average of 9 working days' processing time and 1,674 CCCs at an average of 1.8 working days.

Consentium works with architects and build partners to improve consent application quality and reduce requests for information, which can slow down the consenting process. It also supports HDS building projects with consenting and inspection services.

Transformation of the Civils and Land Development Delivery System

The transformation of the Civils and Land Development Delivery System began in May 2023. The purpose is to design a system to empower our Urban Development and Delivery Group (UDD) and its partners to deliver faster and more cost-effective large-scale, greenfield and complex urban development projects.

UDD undertakes large-scale civil infrastructure projects. It is part of a complex ecosystem of partners, including an alliance for civil design and construction, working closely with councils and council-controlled organisations (CCOs) in Auckland and Porirua to deliver critical infrastructure and assets.

The transformation is led by our Delivery Transformation Group working in partnership with UDD, LEAD Alliance, Auckland Council and CCOs. Our UDD core team is currently in the solution design phase and has not yet implemented any cost-saving or time-saving initiatives. Work is still under way to confirm current cost versus expected cost savings through the interventions.

Off-site manufacturing achievement

Off-site manufacturing (OSM) is not new to Kāinga Ora. One of its many benefits as a method of construction is a reduction in material waste and construction time, providing quality, warm homes at a faster pace than traditional builds.

OSM solutions used by Kāinga Ora include:

- volumetric modular OSM – near-finished factory-built units are transported to and craned onto a development site
- transportable OSM – single-storey homes are manufactured off site, transported by truck to site and then connected to services and landscaped
- panellised/component OSM – structural elements and components are manufactured off site for on-site assembly.

Over the last 12 months, 13 percent (374) of Kāinga Ora public housing redevelopments[18] across the country used OSM as a method of construction (176 in 2022/23). Compared to many international building industries, New Zealand's use of OSM is small, with about 10 percent of builds utilising OSM techniques compared to around 80 percent in Sweden, 50 percent in Finland, 30 percent in the USA and 25 percent in the UK.

While we are not looking to lead the use of OSM in the construction sector, we have now embedded it as part of our toolkit of construction options. Moving forward, we have not set specific targets for the use of OSM but will look to use it when and where it makes sense to do so to assist us in reducing our construction costs.

18. This relates to Kāinga Ora-led developments that are redevelopments and does not include new acquisitions.

Our performance
Ā mātou tutukinga

Our statement of performance / Tā mātou tauākī tutukinga

This section of the report includes information on our non-financial performance delivered through the year that contributed to the achievement of our outcomes. It relates to performance information set out in our SPE 2023/24, including the Vote Housing and Urban Development Estimates of Appropriations. Full details of our SPE 2023/24 are available on our website.

Our measures

Our output performance measures assess our performance against annual targets outlined in the SPE. These measures focus on activities we are funded to deliver. They collectively contribute to and support our medium-term outcomes in our SOI.

Performance reporting standard PBE FRS 48

In selecting the mix of performance measures, we have considered the Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting by the New Zealand Accounting Standards Board, effective from 1 January 2022.

We focused on measures that are meaningful to the public and reflect our core business activities. This section, covering 1 July 2023 to 30 June 2024, complies with Public Benefit Entity Standards.

Performance measure assessment criteria

Met	Result for the year is either equal to or above the target set		Sub-target met
Almost met	Result for the year has not been achieved by a slim margin (less than 2 percent)		Sub-target almost met
Not met	Result for the year has not been achieved by more than 2 percent		Sub-target not met
Not applicable	Demand driven		

OUTPUT CLASS 1

Supporting our customers to live well with dignity, stability and connectedness

Scope of output class 1

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

This output class contributes to the outcomes of:

- Customer wellbeing
- Thriving communities
- Housing access
- Māori aspirations
- Environmental wellbeing
- System transformation

How we performed

4 out of 5

Met 4 out of 5 output performance measure targets

SPE Ref:	Actual 2022/23	Performance Measure	Target 2023/24	Actual 2023/24
1.1	86%	Percentage of new customers to receive Support to Settle In within the first 12 weeks of commencing their tenancy	≥85%	96%
1.2	New measure	Tenant satisfaction with tenancy and Customer Support Centre interactions[19]	≥78%	77% (See note 1)
1.3	74%	Percentage of customers in rent arrears with a successful working repayment arrangement	≥75%	77%
1.4		Percentage of tenants who are satisfied that their interactions with Kāinga Ora are culturally appropriate:		
	79%	All tenants	≥75%	75%
	78%	Māori tenants	≥75%	77%
	74%	Pacific peoples tenants	≥75%	73% (See note 2)
1.5	3 minutes 43 seconds	Customer Support Centre average speed to answer telephone calls	≤3 minutes	50 seconds

Note 1: Tenant satisfaction with tenancy and Customer Support Centre interactions (SPE 1.2)

This measure combines three aspects of satisfaction, and success in all three is required to achieve the target. Satisfaction with the Customer Support Centre averaged 87 percent over the year. Satisfaction with Housing Support Manager improved to 76 percent, up 3 percent from the previous year. However, the average score for 'Housing Support Manager takes individual customer circumstances into account' was 69 percent, reducing the measure's overall average to 77 percent. Further exploration and analysis are needed into the cause of this downward trend. This will help us understand the most effective actions Kāinga Ora can take to make improvements to this result.

Note 2: Percentage of Pacific peoples tenants who are satisfied that their interactions with Kāinga Ora are culturally appropriate (SPE 1.4)

We are actively monitoring our individual results in this area to ensure we make the necessary improvements to achieve our target.

19. This measure is based on the following three components: satisfaction with the Customer Support Centre, overall satisfaction with Housing Support Manager and that their individual circumstances are being taken into account.

Our finances

Output class 1: Revenue and output expenses

Actual 2022/23 $m		Actual 2023/24 $m	Budget 2023/24 $m
115	Revenue Crown	126	127
53	Revenue Other	81	63
(201)	Expenses	(222)	(213)
(32)	**Net surplus/(deficit)**	**(15)**	(24)
4	Capital investment	5	7

Comment

Revenue Other is higher due to the recognition of insurance proceeds from the 2023 Auckland floods, which was not included in the original budget.

Expenses are higher than expected due to increased depreciation for business assets.

Output class revenue and expense tables may have rounding differences.

OUTPUT CLASS 2

Growing, renewing and maintaining our homes

Scope of output class 2

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

This output class contributes to the outcomes of:

- Customer wellbeing
- Thriving communities
- Housing access
- Māori aspirations
- Environmental wellbeing
- System transformation

How we performed

Met 11 out of 13 output performance measure targets

11 out of 13

SPE ref:	Actual 2022/23	Performance measure	Target 2023/24	Actual 2023/24
2.1	2,893	Number of newly constructed Kāinga Ora homes:[20]	4,500–5,300	4,864
	2,722	– Public homes	4,385–5,185	4,746
	171	– Supported homes	≥115	118
2.2	2,526	Increase in the overall number of Kāinga Ora homes (net increase):	3,500–4,300	3,605
	2,307	– Public homes	3,370–4,170	3,468
	219	– Supported homes	≥130	137
2.3	100%	Percentage of new public and supported homes built to the 6 Homestar v4.1 standard and the Kāinga Ora 6 Homestar v5 Transition standard or higher[21]	≥90%	92%

20. A newly constructed home is defined as a home that is newly built and has not previously been occupied.

21. Homestar is a comprehensive independent national rating tool, run by the not-for-profit New Zealand Green Building Council, which 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 comply with the New Zealand Building Code.

Target progress key

- Yes met
- Almost met
- Not met
- ✓ Sub-targets met
- ✗ Sub-targets not met
- Not applicable - Demand driven

SPE ref:	Actual 2022/23	Performance measure	Target 2023/24	Actual 2023/24	
2.4	19%	Percentage of eligible[22] newly constructed Kāinga Ora public homes meeting full universal design standards[23]	≥15%	20%	
2.5	10%	Percentage of newly constructed Kāinga Ora led public and supported homes adopting off-site manufactured building solutions[24]	≥12%	13%	
2.6	New measure	Time taken to design and build a new Kāinga Ora public or supported home:[25]			
		– Houses	32 months	26 months	✓
		– Apartments	46 months	51 months (See note 1)	✗
2.7		Number of new trainees engaged in our Kāinga Ora construction apprenticeship/cadetship programme:			
	123	– Total	≥125	262	
	50%	– Māori	≥25%	29%	✓
	New from 2023/24	– Pacific peoples	≥25%	21% (See note 2)	✗
2.8	17%	Percentage of public homes in areas identified for future redevelopment that are saved from demolition and relocated to non-Kāinga Ora land for home ownership and training apprenticeship pathways. Targeted groups may include:	≥10%	10%	
		– Māori rōpū or individuals, iwi or Māori community housing providers (CHPs)[26]			
		– Other CHPs, non-governmental organisations or training providers			
2.9	96.1%	Percentage of public homes that are let (occupied days)	96%	95.6% (See note 3)	
2.10	24 days	Average number of days from a public home becoming vacant to being ready to let	≤23 days[27]	21 days	

22. Given long design lead-in times, eligible homes for our universal design standard are those homes briefed on or after 1 October 2019 and contracted on or after 1 July 2020 and completed within the financial year.
23. Universal design means a property is built according to Kāinga Ora universal design standards so it is or can be fit for purpose for most customers, whether or not they have a disability. Universal design delivers homes that are more liveable for the entire population, including (but not limited to) young and growing families, people of all ages who experience temporary injury or illness, those with mobility, visual or cognitive impairments and the growing ageing population.
24. Kāinga Ora-led developments are redevelopments and do not include new acquisitions. In 2023/24, 374 Kāinga Ora public housing redevelopments used off-site manufacturing as a method of construction.
25. Average duration in months from when a project brief or work order is accepted to when construction activities have been completed to deliver a home in the Kāinga Ora redevelopment programme. Period includes site works, scoping, design, consenting, procurement and physical construction. Homes have been categorised as houses (house, terrace, duplex) or apartments (walk-up or apartment).
26. Māori iwi and Māori community housing providers will be given the first priority for these homes. However, where the offer of these is unable to be taken up by them, other CHPs, non-governmental organisations or the private sector will be offered these homes.
27. This refers to calendar days.

SPE ref:	Actual 2022/23	Performance measure	Target 2023/24	Actual 2023/24	
2.11	73%	Percentage of public housing customers satisfied with repairs and maintenance	≥75%	77%	
2.12	90%	Timeliness of maintenance response expressed as a percentage[28]	≥90%	92%	
2.13	93.0%	Percentage of our housing portfolio compliant[29] with the healthy homes standards	100%[30]	99.8%[31]	

Note 1: Time taken to design and build a new Kāinga Ora public or supported home (SPE 2.6)

The target for houses was achieved at 26 months against a target of ≤32 months, but the result for apartments did not meet the target with a result of 51 months against a target of ≤46 months. Our 46-month target for apartments was based on building approximately 700 units using the faster HDS methodology. However, we did not proceed with the HDS apartments as planned, shifting our focus to larger apartments utilising traditional build methodology. Additionally, the Auckland floods and Cyclone Gabrielle affected some of our larger sites, contributing to delays. We delivered fewer apartments than we anticipated because of increased costs for apartments, which had a flow-on impact on overall timeframes for those apartments we did deliver.

Note 2: Number of Pacific peoples trainees engaged in our Kāinga Ora construction apprenticeship/cadetship programme (SPE 2.7)

Apprenticeship enrolment/registration efforts in the last three months of the year targeted regions with smaller Pacific populations (Northland, Napier, Rotorua and Southland) rather than major centres (Auckland, Wellington and Christchurch), which directly impacted Pacific peoples' participation in apprenticeships.

Note 3: Percentage of public homes that are let (occupied days) (SPE 2.9)

Homes undergoing renewal and retrofitting are not occupied while they are being upgraded. In 2023/24, we had a significant number of homes undergoing this process. For 2024/25, we have refined our measurement approach to focus only on those homes that are available for occupancy. During 2023/24, monthly snapshots showed on average 97.7 percent of homes available for service were being utilised.

Our finances

Output class 2 – Revenue and output expenses

Actual 2022/23 $m		Actual 2023/24 $m	Budget 2023/24 $m
1,039	Revenue Crown	1,132	1,130
555	Revenue Other	641	650
(2,071)	Expenses	(2,403)	(2,302)
(477)	**Net surplus/(deficit)**	**(630)**	**(522)**
3,260	Capital investment	4,245	4,240

Comment

Revenue Other is lower than budget due to lower rental income from tenants, while total expenses were higher because of write downs and more demolitions, slightly offset by cost saving initiatives in repairs and maintenance.

Output class revenue and expense tables may have rounding differences.

28. We monitor the timeliness of maintenance response to ensure urgent issues are addressed promptly, safeguarding the wellbeing of customers. Our service level targets include responding to urgent health and safety maintenance queries within 4 hours. We aim to complete urgent health and safety work within 12 hours, urgent responsive work within 48 hours and general repairs within 10 working days.
29. This captures our housing portfolio regardless of whether a property is let or not.
30. This is a cumulative target that includes the compliant portion of our housing portfolio achieved in previous years.
31. The remaining homes are either exempt from meeting the standards due to planned redevelopment or we are in the process of obtaining orders for possession from the Tenancy Tribunal.

OUTPUT CLASS 3

Delivering and facilitating urban planning and development

Scope of output class 3

Under this output class, we facilitate and deliver urban development projects. We enable affordability and accessibility of housing, leveraging our land and scale.

This output class contributes to the following outcomes:

- Customer wellbeing
- Thriving communities
- Housing access
- Māori aspirations
- Environmental wellbeing
- System transformation

How we performed

6 out of 8

Met 6 out of 8 output performance measure targets

SPE ref:	Actual 2022/23	Performance measure	Target 2023/24	Actual 2023/24
3.1	New measure	Hectares of land developed by Kāinga Ora[32]	14.6 hectares	18.8 hectares
3.2	New measure	Number of new homes that can be enabled[33] on land developed by Kāinga Ora	≥1,400	828 (See note 1)
3.3	591	Number of new homes enabled on land developed and delivered[34] by Kāinga Ora	750	651 (See note 2)
3.4	66%	Affordable[35] homes enabled as a percentage of total market and affordable homes enabled	≥40%	48%
3.5	New measure	Percentage of project milestones met as per large-scale project plans[36]	≥80%	100%

32. Performance is assessed per annum.
33. Enabled homes refers to the number of homes that will be built on ready-to-build land as either state homes or as agreed under a signed unconditional contract or licence to occupy.
34. Land delivered refers to ready-to-build land either sold to the market (under a signed unconditional contract or licence to occupy) or ready for state home construction.
35. For the purpose of this measure, affordable means market and rental homes for lower to median income households to buy and rent.
36. This measure considers whether we started civil works on or before the baseline dates set in the business case.

Target progress key

- Yes met
- Almost met
- Not met
- Sub-targets met
- Sub-targets not met
- Not applicable - Demand driven

SPE ref:	Actual 2022/23	Performance measure	Target 2023/24	Actual 2023/24
3.6	New measure	Percentage of Kāinga Ora housing developments that meet expectations, as defined in the Kāinga Ora Urban and Landscape Design Quality Outcomes Matrix,[37] based on a representative sample of building activity	≥80%	89%
3.7	New measure	Number of projects that have been assessed as potential Specified Development Projects under the Urban Development Act 2020	2	2[38]
3.8	164	Number of newly constructed homes with delivery managed by Kāinga Ora on behalf of Tāmaki Redevelopment Company (TRC)[39]	≥180	217

Note 1: Number of new homes that can be enabled on land developed by Kāinga Ora (SPE 3.2)

During the year, we had a change in method - developments are now considered complete at full documentation handover. Previously, developments were considered complete when an interim completion certificate was issued. In practice, this means developments are now taking 2–3 months longer to be considered complete. Our target for 2024/25 has been revised to 965 homes to reflect the change in method.

Note 2: Number of new homes enabled on land developed and delivered by Kāinga Ora (SPE 3.3)

This target was reliant on land sales. We delivered 651 enabled homes, missing the 750 target primarily due to challenging market conditions. Land sales slowed due to difficulties in securing financing for developers and rising interest rates, with the measure also affected by economic uncertainty, fluctuations in the housing market and changes in government policies.

Our finances

Output class 3 – Revenue and output expenses

Actual 2022/23 $m		Actual 2023/24 $m	Budget 2023/24 $m
32	Revenue Crown	44	52
143	Revenue Other	255	292
(261)	Expenses	(381)	(489)
(86)	**Net surplus/(deficit)**	**(82)**	**(145)**
303	Capital programme expense	279	726

Comment

Revenue Other and expenses are lower than budget due to slower land sales, partly offset by CCO contributions.

Lower investment was the result of slower delivery of our large-scale projects.

Output class revenue and expense tables may have rounding differences.

37. The Kāinga Ora Urban and Landscape Design Quality Outcomes Matrix is the monitoring framework for the Urban Design and Landscape Design Guidelines and includes expectations relating to neighbourhood, site and building design outcomes.
38. In 2023/24, Kāinga Ora assessed the Tauranga Western Corridor and the Porirua Northern Growth Area urban development projects as potential SDPs.
39. Kāinga Ora is responsible for neighbourhood planning, infrastructure delivery, superlot creation, contracting of builders/developers to build TRC's public and shared equity homes on their land and management of the construction of these homes to completion. These homes are defined as completed once practical completion has been achieved.

OUTPUT CLASS 4

Supporting Crown housing infrastructure and home-ownership initiatives

Scope of output class 4

Under this output class, we administer and monitor the Infrastructure Acceleration Fund (IAF) as agents for the Crown and support New Zealanders to purchase their first home by providing financial home-ownership products.

This output class contributes to the outcomes of:

Customer wellbeing	Thriving communities	Housing access
Māori aspirations	Environmental wellbeing	System transformation

How we performed

2 out of 3

Met 2 out of 3 output performance measure targets

Note: Three measures are demand driven or do not have annual targets.

SPE ref:	Actual 2022/23	Performance measure	Target 2023/24	Actual 2023/24	
4.1	31,009	Number of new applications assessed for eligibility:	Demand driven	28,837	
	28,692	– First Home Grants		26,419	
	864	– KiwiBuild		726	
	1,453	– First Home Partner (progressive home ownership)		1,692	
4.2	1.9	Average number of days taken to assess a completed First Home Grant, KiwiBuild or First Home Partner application	≤5 working days	2.5 days	
4.3		Percentage of applicants gaining full pre-approval for First Home Partner who are part of the following targeted groups:	Monitor and report progress		
	8%	– Māori		11%	
	6%	– Pacific peoples		5%	
	58%	– Families with children		42%	

Target progress key

- Yes met
- Almost met
- Not met
- Sub-targets met
- Sub-targets not met
- Not applicable - Demand driven

SPE ref:	Actual 2022/23	Performance measure	Target 2023/24	Actual 2023/24	
4.4	2,773	Number of First Home Loan mortgages underwritten:[40]	Demand driven up to a maximum of 3,600[41]	2,730	
		– Māori		353	
		– Pacific peoples		103	
4.5	15%	The percentage[42] of completed underwritten KiwiBuild homes acquired by the Crown as part of the Buying off the Plans initiative	≤25%	13%	
4.6	New measure	Percentage of infrastructure milestones completed on time[43]	≥80%	50% (See note 1)	

Note 1: Percentage of infrastructure milestones completed on time (SPE 4.6)

The infrastructure milestones refer to key progress stages in the infrastructure project delivery, including completion of detailed design, construction tendering, commencement of construction works and practical completion of projects. In 2023/24, the target for completing these milestones on time was not achieved by the funding recipients. Delays were primarily due to prolonged land acquisition negotiations, additional geotechnical assessments and ground stabilisation works being required and consenting processes taking longer than anticipated, resulting in some milestones being delayed. These delays were often linked to the early stages of project planning where funding recipients had to navigate numerous unknowns and make assumptions that affected timelines. Moving forward, more comprehensive delivery plans have been established for most projects, which are expected to result in more accurate and achievable timeframes.

Our finances

Output class 4: Revenue and output expenses

Actual 2022/23 $m		Actual 2023/24 $m	Budget 2023/24 $m
85	Revenue Crown	85	90
7	Revenue Other	9	5
(90)	Expenses	(88)	(93)
2	**Net surplus/(deficit)**	**6**	**3**
0	Capital investment	1	1

Comment

Revenue and expenditure are demand driven.

Output class revenue and expense tables may have rounding differences.

40. This number is inclusive of Kāinga Whenua Loans.
41. Kāinga Ora is funded by an appropriation up to a maximum of approximately 3,600 First Home Loan underwrites based on an average loan value of $427,000.
42. Measured since the start of the programme.
43. Kāinga Ora is reliant on third parties to manage and complete the infrastructure projects and does not have direct control of how and when they are delivered.

Vote Housing and Urban Development

The Vote Housing and Urban Development appropriation includes assessments of Buying off the Plans (previously KiwiBuild) performance. This performance information is reported in the table below.

Estimates ref:	Actual 2022/23	Performance measure	Target 2023/24[44]	Actual 2023/24
Buying off the Plans Programme	8	Number of signed KiwiBuild developers agreements	5	17
Buying off the Plans Programme	15%	The percentage of completed underwritten KiwiBuild homes acquired by the Crown as part of the Buying off the Plans Programme since the start of the programme	<25%	14%
Investment in Infrastructure to Advance Development-Ready Land	0	The total number of houses enabled	780	681
	Baseline year	– Number of dwellings enabled as a result of the Infrastructure Acceleration Fund	30	30
Investment in Crown-owned Entities to Advance Development-Ready Land	450	– Number of new homes enabled on land developed and delivered by Kāinga Ora – Homes and Communities	750	651 (Refer to page 56)
Kāinga Ora – Homes and Communities Crown Lending Facility	Achieved	Payments are made in accordance with the terms of the agreement for notified claims[45]	Achieved	Achieved

44. Targets are consistent with the Supplementary Estimates of Appropriations 2023/24.

45. This measure pertains to Kāinga Ora debt drawdowns under the Crown Lending Facility.

Crown appropriations tables / Ngā ripanga tohanga Karauna

Output table: Crown appropriations by Kāinga Ora output class 2023/24

The following tables set out the appropriated funding Kāinga Ora received from the Crown in 2023/24. This funding is shown by appropriation and programme and is aligned with Kāinga Ora output classes.

We are expected to manage the appropriation in line with the overall budget but can offset any overspends or underspends within it between individual programmes as changes occur through the year. This is completed with the involvement and agreement of our monitoring agency to ensure alignment with ministerial priorities. These tables present the initial budget at the start of the year, which represents either the appropriated amount or the anticipated demand/activity for 2023/24.

			Kāinga Ora output classes – actual figures			
			Output class 1	Output class 2	Output class 3	Output class 4
Appropriation name and programme	**Operating or capital expenditure**	**Budget $m**	**Supporting our customers to live well with dignity, stability and connectedness**	**Growing, renewing and maintaining our homes**	**Delivering and facilitating urban planning and development**	**Supporting Crown housing infrastructure and home-ownership initiatives**
Kāinga Ora Home Ownership and administration						
Mortgage Insurance Scheme (First Home Loan)	Operating	18.473				10.896
First Home Grant – Administration	Operating	2.998				3.846
Community Owned Rural Rental Housing Loans (CORRL)	Operating	0.042				0.061
Legacy Loan Portfolios	Operating	0.118				0.178
Total Kāinga Ora Home Ownership and Administration		**21.631**	**0.000**	**0.000**	**0.000**	**14.981**

Tables may have rounding differences.

			Kāinga Ora output classes – actual figures			
			Output class 1	**Output class 2**	**Output class 3**	**Output class 4**
Appropriation name and programme	**Operating or capital expenditure**	**Budget $m**	**Supporting our customers to live well with dignity, stability and connectedness**	**Growing, renewing and maintaining our homes**	**Delivering and facilitating urban planning and development**	**Supporting Crown housing infrastructure and home-ownership initiatives**
Kāinga Ora – Homes and Communities						
Te Kurutao	Operating	10.772		1.344	6.273	1.344
Core Urban Development	Operating	36.814			27.128	
Sustainability Initiatives	Operating	5.792	1.148	3.532	0.691	0.123
Buying off the Plans	Operating	10.627				4.285
First Home Partner	Operating	2.244				2.345
Infrastructure Acceleration Fund – Administration	Operating	5.673				3.901
Total Kāinga Ora – Homes and Communities		**71.922**	**1.148**	**4.877**	**34.092**	**12.000**
Single Site Supported Housing						
Hapori Kaitiaki Function at Greys Avenue	Operating	1.941	2.197	0.116		
Function at Rolleston St	Operating	0.486	0.357	0.019		
Total Single Site Supported Housing		**2.426**	**2.554**	**0.134**	**0.000**	**0.000**
First Home Grants	Operating	64.500				68.001
Kāinga Ora Land Programme (MYA)	Operating	6.390			9.817	
Buying off the Plans Programme (MYA)	Operating				24.333	
Operating the Buying off the Plans Programme (MYA)	Operating				0.070	
Infrastructure Investment to Progress Urban Development (MYA)	Operating	56.925				36.852
Grand total		**223.794**	**3.702**	**5.011**	**68.311**	**131.834**

Tables may have rounding differences.

Output table: Multi-category appropriations (MCAs) 2023/24

			Kāinga Ora output classes – actual figures			
			Output class 1	**Output class 2**	**Output class 3**	**Output class 4**
Appropriation name and programme	**Operating or capital expenditure**	**Budget $m**	**Supporting our customers to live well with dignity, stability and connectedness**	**Growing, renewing and maintaining our homes**	**Delivering and facilitating urban planning and development**	**Supporting Crown housing infrastructure and home-ownership initiatives**
Community Group Housing MCA						
Community Group Housing Market Rent Top-Up	Operating	13.891		20.991		
Community Housing Rent Relief	Operating	4.104		3.373		
Acquisition and Improvement of Community Group Housing Properties	Capital	5.800		5.800		
Market Rent Top-Up is exempt from Crown performance reporting as the information is unlikely to be informative.						
Public Housing MCA						
Purchase of Public Housing Provision (Public Housing (MCA))	Operating	1,278.412	127.749	1,149.737		
This contains both Kāinga Ora IRRS and regional incentive appropriations.						
Earthquake-Prone Building MCA						
EPB Operating Expenses	Operating	0.750				0.312
EPB Loan Scheme – Capital Expenditure	Capital	2.500[46]				
Energy and Resources: Renewable Energy in Public and Māori Housing MCA						

Tables may have rounding differences.

46. In 2023/24, there was no spend as no loans were granted and the EPB Loan Scheme is now closed.

Appropriation name and programme	Operating or capital expenditure	Budget $m	Kāinga Ora output classes – actual figures: Output class 1 Supporting our customers to live well with dignity, stability and connectedness	Output class 2 Growing, renewing and maintaining our homes	Output class 3 Delivering and facilitating urban planning and development	Output class 4 Supporting Crown housing infrastructure and home-ownership initiatives
Energy and Resources: Renewable Energy in Public and Māori Housing – Operating Expenditure	Operating	0.864	0.261	0.802	0.157	0.028
Energy and Resources: Renewable Energy in Public and Māori Housing – Capital Expenditure	Capital	7.090	1.399	4.304	0.842	0.150
Housing Acceleration Fund MCA						
Housing Acceleration Fund – Large-Scale Programmes Capital Expenditure	Capital	804.700			408.852	
Investment in Infrastructure to Advance Development-Ready Land (IAF)	Operating	36.182				7.565
Total multi-category appropriations		**2,154.293**	**129.409**	**1,185.006**	**409.851**	**8.056**

Purchase of housing and related services for tenants paying income-related rent

This performance measure is reported by Ministry of Housing and Urban Development (HUD) in its annual report. The IRRS budget value is based on a different set of assumptions from those used by HUD for the IRRS Crown appropriation budgets, with spend managed at a total appropriated vote level.

Output table: Capital appropriations 2023/24

Appropriation name and programme	Budget $m	Kāinga Ora output classes – actual figures: Output class 1 Supporting our customers to live well with dignity, stability and connectedness	Output class 2 Growing, renewing and maintaining our homes	Output class 3 Delivering and facilitating urban planning and development	Output class 4 Supporting Crown housing infrastructure and home-ownership initiatives
Refinancing of Crown Loans to Kāinga Ora – Homes and Communities	423.103		423.103		
Kāinga Ora – Homes and Communities Crown Lending Facility (MYA)	N/A[47]		4,100.000		
Progressive Home Ownership Fund (MYA)	41.344				103.331
Total capital appropriations	**464.447**	**0.000**	**4,523.103**	**0.000**	**103.331**

47. The Crown Lending Facility is a multi-year appropriation. As of 1 July 2023, there was $10.574 billion remaining in the appropriation. In 2023/24, $5.24 billion was forecast to be drawn down as per Treasury Estimates.

Our governance and leadership / Tō mātou whakaruruhau, hautū hoki

Our Board

Kāinga Ora is governed by a Board of between 8 and 10 members appointed by the Minister of Housing and Minister of Finance.

Our Board oversees and is accountable for the overall performance of our organisation. It has wide-ranging responsibilities, including setting the organisation's strategic direction, managing risk and ensuring compliance, and maintaining relationships with key stakeholders.

The Board ensures the priorities of Kāinga Ora align with the Ministers' expectations setting out annual and long-term objectives outlined in the SPE and SOI respectively.

The Board drives and monitors the performance of Kāinga Ora, providing oversight of both financial and non-financial performance and reporting regularly on these to the Minister of Housing, Associate Minister of Housing and Minister of Finance.

Our Board during 2023/24 consisted of the following members:

- Simon Moutter, Chair, appointed 4 June 2024 – 31 May 2027
- Vui Mark Gosche, Chair, appointed 1 January 2020 – 29 February 2024, Board Member until 1 April 2024
- John Duncan, Deputy Chair, appointed 1 October 2019 – 30 September 2024
- John Bridgman, appointed 1 January 2022 – 31 December 2024
- Distinguished Professor Phillippa Howden-Chapman CNZM, QSO, RSNZ, appointed 1 October 2019 – 30 June 2024
- Robin Hapi DistFInstD, CNZM, appointed 1 January 2020 – 28 June 2024
- Major Campbell Roberts, appointed 6 February 2021 – 30 June 2024
- Sir John Hansen, appointed 15 August 2022 – 30 June 2024
- Nicole Anderson, appointed 1 January 2023 – 30 June 2024
- Fiona Mules, appointed 1 January 2023 – 9 February 2024
- Ngarimu Blair, appointed 1 January 2020 – 31 December 2023

As of 3 July 2024, Hon. Chris Bishop announced a Board refresh with six new members replacing five existing members.[48]

48. Please refer to the Kāinga Ora website for biographies of the new Board members.

Board attendance

The table below outlines the number of meetings the Board and its committees held and details the attendance by each member at the relevant Board and committee meetings for the period 1 July 2023 to 30 June 2024.

Member	Board	Investment and Delivery Committee	Public Housing Committee	Urban Development and Planning Committee	Finance, Risk and Assurance Committee	People and Culture Committee	Māori Housing Committee
		Oversight of significant capital investment decisions	Oversight of development and management of public housing	Oversight and review of urban development and planning functions[49]	Oversight of financial strategy, financial performance, and risk management	Oversight of human resources, remuneration and health and safety	Oversight of strategies and policies on matters relevant to Māori interests
Simon Moutter*	1 (Chair)						
John Duncan	10	10 (Chair)			6	4 (Chair)	4
Phillippa Howden-Chapman	8	9	8	5 (Chair)			5
Robin Hapi	8				5 (Chair)	3	5
Campbell Roberts	10		10	5			
John Bridgman	10	10			6		
Sir John Hansen	10		10	4	6		
Nicole Anderson	7	11	10		4		5 (Chair)
Fiona Mules**	4			3	3		
Vui Mark Gosche***	7 (Chair)	8	7 (Chair)	5	5	3	5
Ngarimu Blair****	2	3	2				3 (Co-Chair)
Meeting total	**10**	**11**	**10**	**5**	**6**	**4**	**5**

* Simon Moutter joined the Board on 4 June 2024.

** Fiona Mules resigned in 9 February 2024.

*** Vui Mark Gosche resigned on 1 April 2024.

**** Ngarimu Blair's term ended on 31 December 2023.

49. In June 2024, the Urban Development and Planning Committee was disestablished with responsibilities being incorporated into the Investment and Delivery Committee.

Our risk management approach

Kāinga Ora risk management practice is aligned with international best practice using BS ISO 31000:2018 *Risk management – Guidelines*. We also consider related standards such as BS EN ISO 2600:2020 *Guidance on social responsibility* and BS EN ISO 14001:2015 *Environmental management systems*. The Board approves the Kāinga Ora risk management policy and Risk Management Framework. They are reviewed regularly to reflect the operating environment and to ensure they support achievement of our organisational strategic objectives.

Our Board and subcommittees ensure:

- appropriate risk management governance structures are in place
- material risks to the organisation are considered when setting the organisational objectives
- material risks are well understood and monitored when Kāinga Ora is pursuing these objectives.

Risk roles and responsibilities are clearly set out in our Risk Management Framework and supporting risk management processes and guides. Risk governance exists at various levels. The Ngā Pae Tātaki governance process brings together the operational and strategic parts of enterprise risk management at Kāinga Ora. This governance framework helps to integrate risk management across the organisation by supporting the three lines of defence model that enables Senior Leadership and the Board to have a single view of material risks to the performance of Kāinga Ora and what is in place to manage and mitigate these.

Our Senior Leadership

Our Chief Executive Andrew McKenzie has led Kāinga Ora since its establishment on 1 October 2019, with prior appointment as the Chief Executive of Housing New Zealand from September 2016.

Our people, governance, strategy, service delivery and Māori leaders:

- Greg Groufsky, Deputy Chief Executive Government and Sector Relationships
- Te Ariki Pihama, Ringa Raupā Deputy Chief Executive Māori
- Gareth Stiven, General Manager Strategy, Finance and Policy
- Nick Maling, General Manager National Services
- Rowan Macrae, General Manager People, Governance and Capability

Our land development, construction, commercial and urban planning leaders:

- Patrick Dougherty, General Manager Construction and Innovation
- Caroline McDowall, General Manager Commercial
- Mark Fraser, General Manager Urban Development and Delivery
- Hayley Fitchett, Acting General Manager Urban Planning and Design
- Matt Hulett, General Manager Delivery Transformation

Our place-based groups leaders:

- Caroline Butterworth, Deputy Chief Executive Auckland and Northland
- Daniel Soughton, Deputy Chief Executive Central
- Paul Commons, Deputy Chief Executive South Island

The structure in our organisation is supported by:

- decision-making and actions being taken where they need to be by those who know their regions best
- place-based groups bringing together functions dedicated to service delivery, customer and community engagement and regional planning in defined areas as well as integrating the broader operations of Kāinga Ora in each region of New Zealand
- centres of expertise – working in partnership with each other and with Kāinga Ora place-based teams to support delivery.

Organisational health and capability / Te hauroa me ngā pīmanawa o te whakahaere

Ō Tātou Uara – Our Values and our characteristics

Our values and characteristics unite us as an organisation, guiding how we achieve housing outcomes. They are the foundations on which our work is built – they help us make the right decisions and anchor how we will work daily.

We developed our values to reflect the attitudes and behaviours we uphold. Ō Tātou Uara guide the way we work to achieve our vision and outcomes and our approach to navigating organisational change during the second half of the year and beyond.

Complementing our values are our characteristics. Our characteristics are the foundations our work is built upon – alongside our internal priorities, they help us make the right decisions and anchor the ways we will work every day:

- **Our organisation is strategy-driven**, and our decisions and direction are driven by deliberate and thoughtful long-term thinking.
- **Our people feel empowered.** They know that our organisation cares about them and they take personal responsibility for our work being as good as it can possibly be.
- We are outstanding at **building long-term relationships** with customers, suppliers and stakeholders wherever we operate.
- We are **grounded in te ao Māori**, recognising our heritage and obligations in how we operate.
- **Operational excellence** is not just a goal for us. It's a commitment we make in everything we do.
- We are **outstanding in working with our suppliers**, enabling them to succeed by delivering public value – and ensuring they want to continue working with us.
- **Communities are not just stakeholders to us.** They are our partners, and their trust and genuine engagement with us is a testament to our respect and appreciation for them.
- We are **leaders in the sectors** in which we operate in terms of reducing our carbon footprint.

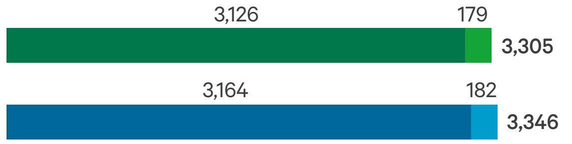
Our people

We put our people first. We aim to be a diverse, inclusive and high-performing workplace where people deliver effectively and efficiently for our customers and communities.

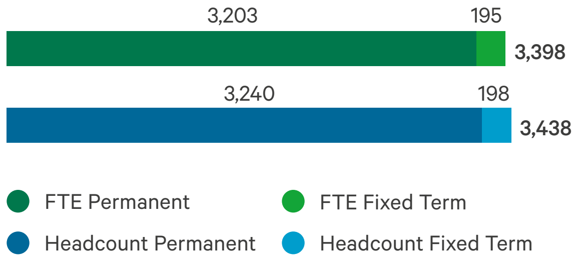
We have continued to improve our approaches to data and transparency

- Expanding options for recording personal data – for example, for people with disabilities.
- Working with our employee-led networks to encourage our people to self-identify their gender, ethnicity and disability status.
- Developing the Lalanga Fou Dashboard – a tool to create visibility of work supporting Pacific communities.

People 2022/23



People 2023/24



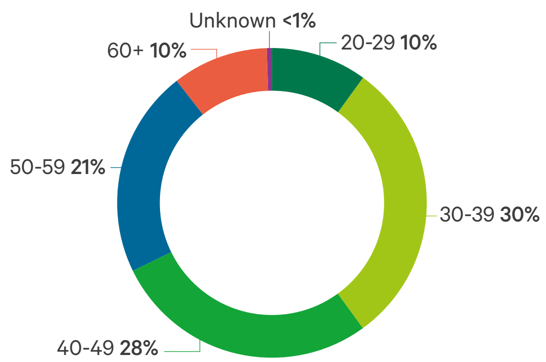
FTE refers to the number of full-time hours being worked, while headcount is the number of employees in an organisation.

Overall ethnicity proportions	2022/23	2023/24
European	51%	51%
Māori	14%	15%
Pacific peoples	18%	18%
Asian	16%	17%
Middle Eastern / Latin American / African	2%	2%
Other ethnicity	4%	4%
Unknown	5%	5%

Overall gender proportions	2022/23	2023/24
Male	38%	39%
Female	61%	61%
Another gender	<1%	<1%
Unknown	<1%	<1%

Kāinga Ora collects data on up to three ethnicities per person, which allows us to report on the full diversity of our people. Where a person identifies with more than one ethnic group, they are counted once in each of those groups. This results in the total percentage of ethnicities adding up to more than 100 percent. Our gender diverse whānau and rainbow community may be under-reported in the data. We continue to explore ways to improve our data collection to better reflect these communities.

Employees by age – 2023/24

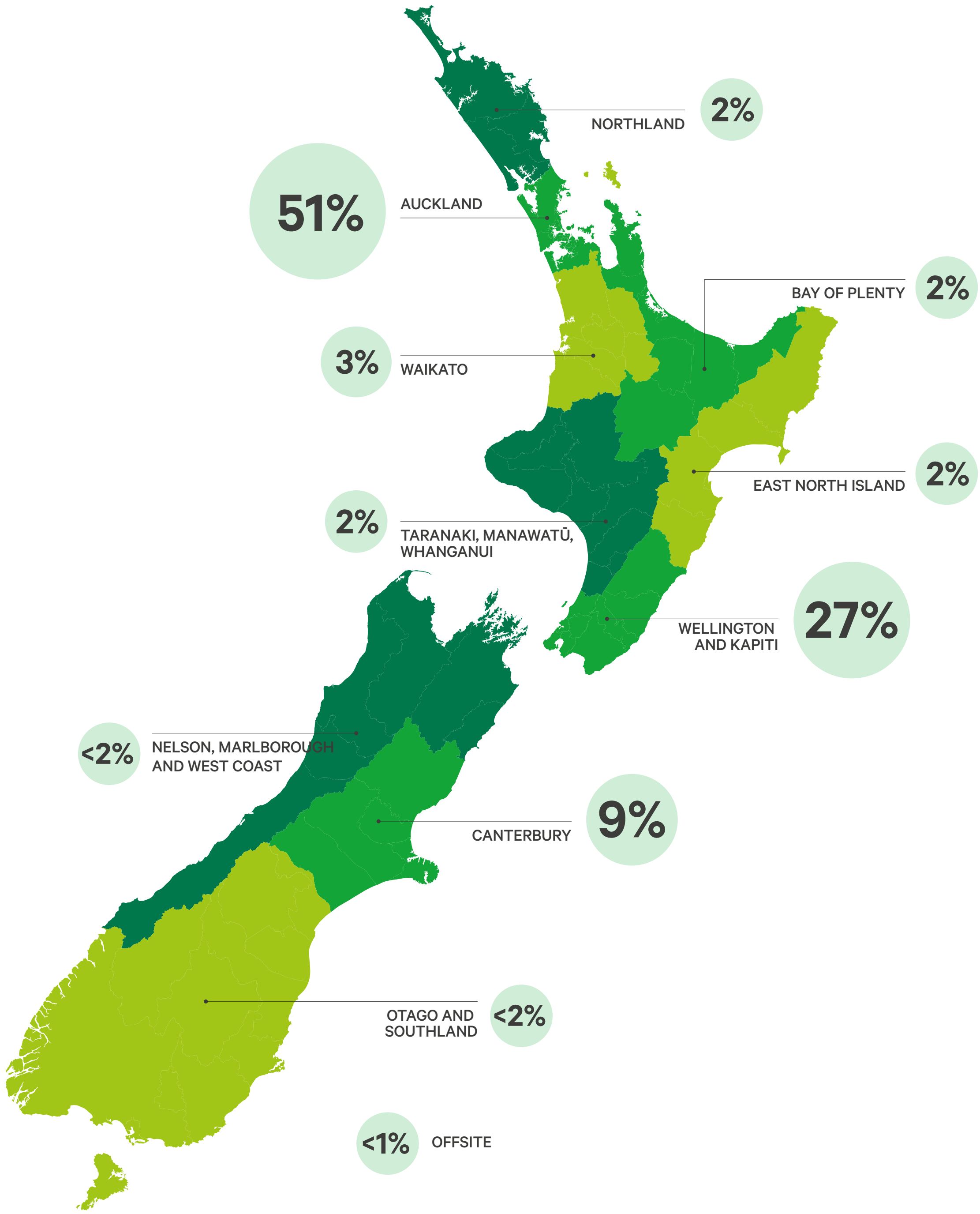


Our people by region

Kāinga Ora has several operating regions, and each region has its own plan that sets out its 10-year investment intentions reflecting community aspirations and priorities. These plans are reviewed every three years and updated annually as required.

The plans:

- include our regional investments, projects and programmes
- are strategically aligned with government policies and organisational strategies
- set out how we work with key partners, including Māori, community groups, central government agencies and business.



Our gender and ethnic pay gaps

Our gender and ethnic pay gaps data is published as part of our commitment to Kia Toipoto – Pay Gaps Action Plan outlined by Te Kawa Mataaho Public Service Commission to help close gender and ethnic pay gaps across the public service.

As an organisation, we are committed to reducing our gender and ethnic pay gaps

- Improving gender and ethnic representation in specialist roles and at Senior Leadership level.
- Continuing to support the Public Service Commission/Public Service Association (PSA) pay equity work, ensuring roles that have historically been performed by women, Māori and Pacific peoples are not undervalued.

Our gender and ethnic pay gaps[50]

Average pay	2022/23	2023/24
Female pay gap to average male pay	18.30%	16.8%
Māori pay gap to average non-Māori pay	10%	9.5%
Pacific peoples pay gap to average non-Pacific peoples pay	28.40%	25.8%
Asian pay gap to average non-Asian pay	6.10%	5.3%

Leadership tiers 1–3 with direct reports by ethnicity and gender

Overall ethnicity proportions	2022/23	2023/24
European	82%	82%
Māori	13%	15%
Pacific peoples	2%	2%
Asian	3%	3%
Middle Eastern / Latin American / African	1%	1%
Other ethnicity	5%	5%
Unknown	3%	3%

Overall gender proportions	2022/23	2023/24
Male	57%	58%
Female	43%	42%

Since 30 June 2023, pay gaps for all groups have decreased. This is the result of:

- organisation-wide average pay increasing due to the public service pay adjustments in July 2023 (effective April 2023) and April 2024, which saw higher average increases for women and non-Europeans
- Māori representation slightly increasing to 14.8 percent at the organisational level from 14.4 percent
- Māori representation in tier 1–3 roles increasing by 2 percent
- Pacific peoples representation increasing to 18.4 percent at the organisational level from 17.8 percent
- changes to job sizing for administration, coordination and assistant roles in lower pay bands
- gender and ethnic representation in tier 1–3 roles remaining largely unchanged except for a small increase in Māori representation and a small decrease in female representation.

50. These results might differ slightly to the data published in Kia Toipoto in December 2023 showing our average pay rates at the end of the 2023 calendar year.

Organisational update and change processes

Kāinga Ora is focussed on continuing to embed diversity, equity and inclusion into policies and practices through mechanisms such as our remuneration policy, recruitment processes and development and career progression.

Our efforts in the first half of 2023/24 focused on improving our recruitment processes and performance and development frameworks, introducing a new organisational capabilities toolkit and continuing targeted development initiatives where appropriate.

Our new approach, Delivering and Developing, ensures everyone at Kāinga Ora has agreed delivery expectations and development goals that support organisational outcomes. This approach also emphasises regular, quality engagements between team members and their people leaders. Our organisational capabilities toolkit defines six core capabilities that we require across Kāinga Ora now and for the future, supported by learning options for our people. The toolkit will provide focus for individual development conversations and plans as part of the Delivering and Developing approach and will support future workforce planning.

The work of our employee-led networks continues to play an important role in supporting and enabling our diversity, equity and inclusion aspirations.

Employees attended targeted development programmes on inclusive leadership and inclusive practice, and te ao and te reo Māori. We also offered development opportunities for Māori and Pacific peoples, including our Māori leadership programme Te Akoranga Whakapuāwai, Te Manu Kai Miro career development programme pilot and Manulele Pasifika Mentoring Programme pilot.

The second half of the year was focused on developing and undertaking several change processes that will align the organisation with government priorities and budgets. Recruitment was paused as we reset resourcing levels to match the new operating environment. We have also worked through the preparation, consultation and implementation of several new structural and resource proposals. The proposals have been driven by organisation optimisation, alignment with budget-appropriated funding levels, changes to our delivery operating model and construction volume changes.

Each change proposal is being approached in a planned, deliberate way, and affected people are kept informed of how we will manage the consultation process as well as the support available to them.

Teams also have a clear pathway to provide feedback and ask questions and are supported throughout consultation, final decisions and implementation. We have actively engaged with the PSA throughout every consultation and change process.

As always, the wellbeing of our people remains a central focus. We have implemented specific resources and programmes such as change navigation support, financial literacy training and counselling services. We are also ensuring people leaders have the tools to support their people through change and to build cohesive and high-performing teams following change processes.

Health, safety, security and wellbeing

SafePlus

In May 2023, we measured the health and safety performance of Kāinga Ora using the SafePlus questionnaire. SafePlus was jointly developed by WorkSafe New Zealand, ACC and MBIE.

The questionnaire allowed us to hear the voices of our people across Kāinga Ora, including the perspective of our Board, the Executive Team, people leaders and our employees. Based on the responses received, Kāinga Ora was assessed as a **performing** organisation.

Protective Security Requirements self-assessment

Kāinga Ora has completed and submitted to the New Zealand Security Intelligence Service (NZSIS) a Protective Security Requirements (PSR) assessment for 2023/24. This assessment was completed on a proactive basis as Kāinga Ora is not yet a mandated reporting organisation. Subject matter experts across Kāinga Ora provided statements on the effectiveness of current protective security measures, and these were assessed against PSR levels to develop maturity scores. Building capability in line with these levels ensures our controls address the security risks of our organisation effectively and consistently with government expectations. The report was submitted to the NZSIS in April 2024.

Government Health and Safety Award

The Kāinga Ora Waikato Tari team won the inaugural Health and Safety Representative Team Award at the 2024 Government Health and Safety Awards. The award recognised the team's mahi of listening to their people and recognising a need for increased physical activity. The team started innovative activities to improve health and wellbeing habits – activities included an office-wide step challenge, new sports teams and ongoing exercise goals. Such activities can have a significant impact on both mental and physical wellbeing.

CCTV Privacy Act alignment

Kāinga Ora is actively improving and developing policies and processes to ensure compliance with the Privacy Act 2020 in locations where CCTV systems are already installed. These systems are integral to the safety of our people, customers and external contractors in offices and residential complexes, serving as a deterrent against criminal activities and negative behaviours. This initiative aligns with the commitment of Kāinga Ora to foster cohesive and secure communities where our homes are located.

Additionally, CCTV is used at selected building sites to document innovative construction processes, supporting industry advancement. Currently, Kāinga Ora manages approximately 3,000 cameras across our offices, residential complexes, vacant properties and construction sites.

Organisational health performance

The following section outlines our annual performance against the organisational health and capability measures specified in our 2023/24 SPE and SOI 2022–2026.

Performance measure assessment criteria

Met	Result for the year is either equal to or above the target set
Almost met	Result for the year has not been achieved by a slim margin (2 percent)
Not met	Result for the year has not been achieved by more than 2 percent
Not applicable	

How we performed

SPE ref:	Actual 2022/23	Organisational health and capability Performance measures	Target 2023/24	Actual 2023/24
Org_1.1	New measure	Health and safety maturity assessment (internal) score	Establish baseline	Achieved a performing level status
Org_1.2	75%	Overall percentage of people leaders who completed Waka Tangata leadership programme by June 2024	>70%	65% (See note 1)
Org_1.3	99.5%	Ministerial correspondence, parliamentary questions and Official Information Act requests delivered to meet the agreed deadline	>95%	97%
Org_1.4	99.5%	Ministerial services delivered meet the quality criteria	≥95%	100%
Org_1.5	N/A	Percentage of supplier contracts and agreements with Māori businesses by volume	≥8%	8%
Org_1.6	1,074	Number of Kāinga Ora staff who have participated in and completed Mātauranga Māori programmes	≥1,200	1,145 (See note 2)
Org_1.7	100%	Percentage of Māori businesses and suppliers who are satisfied or very satisfied with their ongoing commercial relationship with Kāinga Ora	≥75%	38% (See note 3)
Org_1.8 and SOI 7.4	Establish baseline	Tonnes of carbon dioxide equivalent emissions (tCO_2e) resulting from corporate activities – gross	8,500 tCO_2e	7,526 tCO_2e (See note 4)
Org_1.9	Establish baseline	Tonnes of carbon dioxide equivalent emissions (tCO_2e) resulting from corporate activities – per FTE	2.65 tCO_2e per FTE	2.17 tCO_2e per FTE
Org_1.10	Pass	2025 and 2030 gross emissions reduction targets established in line with the Carbon Neutral Government Programme requirements	Pass	Established

SPE ref:	Actual 2022/23	Organisational health and capability Performance measures	Target 2023/24	Actual 2023/24	
SOI 7.1	No result available (See note 5)	Asset management maturity internal assessment score[51]	No annual 2023/24 target	No result available (See note 5)	
SOI 7.2	No result available (See note 6)	Land development and housing portfolio maturity external assessment score[52]	No annual 2023/24 target	No result available (See note 6)	
SOI 7.3	New measure (See note 7)	Percentage of internal staff members who have completed Mātauranga Māori programmes	No annual 2023/24 target	30%	

Note 1: Overall percentage of people leaders who completed Waka Tangata leadership programme (Org_1.2)

This programme was paused while we consider the future learning and development needs for people leaders across our organisation.

Note 2: Staff participation in Mātauranga Māori programmes (Org_1.6)

This was due to the impact of change across the organisation and the subsequent change of people's priorities.

Note 3: Percentage of Māori businesses and suppliers who are satisfied or very satisfied with their ongoing commercial relationship with Kāinga Ora (Org_1.7)

We did not meet the target for the measure with six of eight respondents not being satisfied with their ongoing commercial relationship with Kāinga Ora.

Note 4: Tonnes of carbon dioxide equivalent emissions resulting from corporate activities – gross (Org_1.8 and SOI 7.4)

Kāinga Ora reduced its corporate emissions in 2023/24 through targeted initiatives such as our Travel Optimisation Programme. This programme is ongoing and involves electrifying and optimising our vehicle fleet as well as reducing business travel. Kāinga Ora also expects average FTE to be lower in 2024/25 than 2022/23. Therefore, it is likely the organisation is on track to meet its 2024/25 and 2029/30 emissions targets, which are mandatory under the Ministry for the Environment's Carbon Neutral Government Programme.

Note 5: Asset management maturity internal assessment score (SOI 7.1)

This metric is reported every 5 years.

Note 6: Land development and housing portfolio maturity external assessment score (SOI 7.2)

We did not assess our performance in 2023/24 as we are in the process of realigning our investment priorities to better match ministerial priorities.

Note 7: Percentage of internal staff members who have completed Mātauranga Māori programmes

There was no result for this new measure for 2022/23 as the target had not been finalised at the time the Annual Report was produced.

51. Our internal assessment has five categories of capability: aware (score 1–20), basic (21–40), core (41–60), intermediate (61–80) and advanced (81–100).
52. This assessment uses the AXELOS P3M3® model to assess the level of organisational project management maturity of Kāinga Ora. The scoring scale ranges from 1 to 5, and the Kāinga Ora target (3.6) is appropriate to the size and complexity of our organisation. We are investing in improvements to this score by implementing portfolio management and benefits, using a statistical parametric mapping (SPM) tool and standardising centralised approaches, assurance and risk management.

Financial sustainability

As expected, the financial metrics have been impacted by the substantial growth in our asset renewal and public housing growth programmes. We have reached the tail end of delivering on the Public Housing Plans 1 and 2 and the extension in Government Budget 2023. Over the next year, the financial metrics will see significant improvements as Kāinga Ora reduces the volume of redevelopments focusing on delivering to the asset renewal programme.

SPE ref:	Actual 2022/23	Financial sustainability and stewardship	Target 2023/24	Actual 2023/24	
Fin_1.1	$18,895	Net operating costs of managing our housing portfolio per housing unit (excludes depreciation)	$21,467	$21,669	
Fin_1.2	14%	Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) as a percentage of total income[53]	≥18%	20%	
Fin_1.3	41.7	Total debt to non-sales adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) ratio	≤38.2	36.5	
Fin_1.4	0.8	Non-sales adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) to interest costs	≥0.8	0.8	

Information communication and technology asset performance

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

Previous Actuals	Information communication and technology asset portfolio indicators	Indicator	Target 2023/24	Actual 2023/24	
89.26%	Incidents resolved on first contact by ICT service desk	Condition	≥80.00%	74.18% (See note 1)	
0.2	Priority 1 incidents per 100 ICT users	Condition	≤7.0	0.26	
99.80%	Core systems availability – Kotahi	Availability	≥99.90%	91.79% (See note 2)	
99.90%	Core systems availability – Oracle EBS	Availability	≥99.90%	91.36% (See note 2)	
99.93%	Core systems availability – websites	Availability	≥99.90%	99.57% (See note 2)	
86.00%	Infrastructure as a service resource utilisation	Utilisation	≥90.00%	74.35% (See note 3)	

Note 1: Incidents resolved on first contact by ICT service desk

A new service management tool has been implemented during the financial year, including new capabilities that will lift this result in future years.

Note 2: Core systems availability – Kotahi, Oracle EBS, websites

This year's results are only lower than previous years as the actuals for 2023/24 also include downtime for planned after-hours maintenance. No additional impact has been experienced by our customers.

Note 3: Infrastructure as a service resource utilisation

This measures the percentage of storage available versus provisioned. A higher percentage shows effective utilisation of storage resources. Upgrades have been implemented recently with work in progress to decommission legacy systems to lift this actual to 90.50 percent by the end of December 2024.

53. For the purpose of this calculation, adjusted excludes asset write-offs. Non-sales adjusted EBITDA excludes asset write-offs and affordable products contribution. These metrics have been updated to be aligned with S&P Global Ratings guidance for stand-alone credit profile rating (treatment of asset impairments and asset renewal programmes updated).

Ngā tauākī whakahaere pūtea
Financial statements

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 wholly owned subsidiaries, Housing New Zealand Limited and Housing New Zealand Build Limited, which are Crown entity-controlled 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 2024 fairly reflect the financial position and operations of Kāinga Ora – Homes and Communities at that date.

For and on behalf of the Board.

Simon Moutter
Chair

24 September 2024

John Duncan
Deputy Chair

24 September 2024

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2024

	Notes	Group Actual 2024 $M	Group Actual 2023 $M	Budget Unaudited 2024 $M
Revenue from non-exchange transactions				
Rental revenue – Crown income-related rent subsidy		1,281	1,151	1,283
Rental revenue – tenant income-related rent		515	469	536
Crown appropriation revenue	5(a)	160	142	166
Grant revenue	5(b)	21	–	–
Revenue from exchange transactions				
Sale of developments	12(d)	230	141	291
Lease income		72	61	65
Rental revenue from tenants at market rent		57	57	60
Interest revenue	7	56	42	43
Mortgage Insurance Scheme	5(c)	8	7	5
Other revenue	5(d)	30	2	4
Total operating revenue		**2,430**	**2,072**	**2,453**
Expenses				
Repairs and maintenance		623	628	657
Interest expense	7	538	344	515
Depreciation and amortisation	14(a)	439	433	441
People costs	6(a)	372	340	375
Rates		247	231	246
Cost of land sold	12(c)	206	146	291
Grants		69	63	65
Third-party rental leases		57	73	59
Other expenses	6(b)	323	284	290
Total expenses		**2,874**	**2,542**	**2,939**
Other gains/(losses)				
(Loss) on asset write-offs	14(b)	(233)	(100)	(147)
Impairment of property under development	12(b)	(45)	(15)	(55)
Gain/(loss) on disposal of assets		–	(9)	–
Total other losses		**(278)**	**(124)**	**(202)**
Operating surplus/(deficit) before tax		**(722)**	**(594)**	**(688)**
Current tax (expense)/benefit		36	42	40
Deferred tax (expense)/benefit		118	34	78
Income tax (expense)/benefit	**8(a)**	**154**	**76**	**118**
Net surplus/(deficit) after tax		**(568)**	**(518)**	**(570)**
Other comprehensive revenue and expense				
Items that could be reclassified to surplus/(deficit)				
Hedging reserve gains/(losses)	18	(6)	8	–
Income tax (expense) on other comprehensive items	8(a)	1	(2)	–
Items that will not be reclassified to surplus/(deficit)				
Revaluation reserve gains/(losses)		(391)	(6,075)	(1,146)
Fair value reserve gains/(losses)		1	3	–
Income tax (expense)/benefit on other comprehensive items	8(a)	90	635	(544)
Other comprehensive revenue		**(305)**	**(5,431)**	**(1,690)**
Total comprehensive revenue and expenses		**(873)**	**(5,949)**	**(2,260)**

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 2024

	Notes	Group Actual 2024 $M	Group Actual 2023 $M	Budget Unaudited 2024 $M
Total equity at 1 July		**30,348**	**36,078**	**30,888**
Net surplus/(deficit) for the year		(568)	(518)	(570)
Revaluation of property, plant and equipment				
Revaluation reserve gains/(losses)		(391)	(6,075)	(1,146)
Deferred tax benefit/(expense) on land and building revaluations	8(a)	90	635	(544)
Financial assets at fair value through other comprehensive revenue and expense				
Hedging reserve gains/(losses)	18	(6)	8	–
Fair value reserve gains/(losses)		1	3	–
Deferred tax (expense)/benefit on other comprehensive items	18	1	(2)	–
Total comprehensive revenue and expense for the period		**(873)**	**(5,949)**	**(2,260)**
Net capital contributions (to)/from the Crown		420	219	810
Total changes in equity		**(453)**	**(5,730)**	**(1,450)**
Total equity at 30 June		**29,895**	**30,348**	**29,438**
Equity attributable to the Crown				
Equity attributable to the Crown at 1 July		3,781	3,562	3,775
Net capital contributions (to)/from the Crown		420	219	810
Equity attributable to the Crown at 30 June		**4,201**	**3,781**	**4,585**
Retained earnings				
Retained earnings at 1 July		405	779	482
Surplus/(deficit) for the year		(568)	(518)	(570)
Net transfers from asset revaluation reserve		232	144	118
Retained earnings at 30 June		**69**	**405**	**30**
Revaluation reserve				
Revaluation reserve at 1 July		26,157	31,741	26,626
Asset revaluations on property, plant and equipment		(391)	(6,075)	(1,146)
Deferred tax benefit/(expense) on property, plant and equipment	8(c)	90	635	(544)
Net transfers to retained earnings		(232)	(144)	(118)
Revaluation reserve at 30 June		**25,624**	**26,157**	**24,818**
Hedging reserve				
Hedging reserve at 1 July		6	–	5
Fair value gains/(losses)	18	(6)	8	–
Deferred tax benefit/(expense) on derivative fair value movement	8(c)	1	(2)	–
Hedging reserve at 30 June		**1**	**6**	**5**
Fair value reserve				
Fair value reserve at 1 July		(1)	(4)	–
Fair value reserve gains/(losses)		1	3	–
Fair value reserve at 30 June		**–**	**(1)**	**–**
Total equity at 30 June		**29,895**	**30,348**	**29,438**

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

Statement of Financial Position

As at 30 June 2024

	Notes	Group Actual 2024 $M	Group Actual 2023 $M	Budget Unaudited 2024 $M
Assets				
Cash and cash equivalents	9	545	39	100
Investments	10	400	790	474
Interest rate derivatives	18	3	8	9
Receivables from non-exchange transactions	11(a)	110	44	102
Receivables from exchange transactions	11(b)	329	351	485
Income tax payable/(receivable)	8(b)	32	48	6
Properties held for sale		13	19	44
Properties under development	12(a)	520	525	826
Other assets	13	29	36	45
Property, plant and equipment	14	46,688	43,264	47,559
Total assets		**48,669**	**45,124**	**49,650**
Liabilities				
Payables and other liabilities from non-exchange transactions	15(a)	22	30	48
Payables and other liabilities from exchange transactions	15(b)	569	550	413
Mortgage Insurance Scheme	16(a)	60	51	78
Interest rate derivatives	18	23	23	26
Borrowings – Crown	19	8,862	4,630	8,626
Borrowings – market notes	19	7,664	7,673	7,664
Deferred tax liability	8(c)	1,574	1,819	3,357
Total liabilities		**18,774**	**14,776**	**20,212**
Net assets		**29,895**	**30,348**	**29,438**
Equity				
Equity attributable to the Crown		4,201	3,781	4,585
Retained earnings		69	405	30
Revaluation reserve		25,624	26,157	24,818
Hedging reserve	18	1	6	5
Fair value reserve		–	(1)	–
Total equity		**29,895**	**30,348**	**29,438**

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

For and on behalf of the Board, who authorised the issue of the financial statements on 24 September 2024.

Simon Moutter
Chair

24 September 2024

John Duncan
Deputy Chair

24 September 2024

Cash Flow Statement

For the year ended 30 June 2024

	Notes	Group Actual 2024 $M	Group Actual 2023 $M	Budget Unaudited 2024 $M
Cash flows from/(used in) operating activities				
Rent receipts – Crown income-related rent subsidy		1,291	1,151	1,297
Rent receipts – tenant		481	526	592
Crown appropriation revenue		233	142	192
Interest received		56	42	48
Income tax (paid)/received		14	(24)	47
Other receipts		162	70	53
Payments to suppliers and employees		(1,550)	(1,633)	(1,688)
Interest paid		(523)	(231)	(531)
Net cash flows from/(used in) core operating activities		**164**	**43**	**10**
Sales of developments		54	142	208
Land development costs		(247)	(21)	(721)
Net cash flows from/(used in) operating activities	20	**(29)**	**164**	**(503)**
Cash flows from/(used in) investing activities				
Net short-term investments (made)/realised		390	507	46
Sale of rental properties and other property plant and equipment		10	16	61
Mortgage and other lending repayments/(advances)		(1)	27	–
Purchase of rental property assets		(4,493)	(3,502)	(4,278)
Purchase of other property, plant and equipment		(23)	(63)	(22)
Purchase of intangible assets		–	(12)	(14)
Net cash flows from/(used in) investing activities		**(4,117)**	**(3,027)**	**(4,207)**
Cash flows from/(used in) financing activities				
Net capital contributions (to)/from the Crown		420	219	809
Crown debt drawndown/(repaid)		4,232	2,645	3,901
Market notes issued/(repaid)		–	(136)	–
Net cash flows from/(used in) financing activities		**4,652**	**2,728**	**4,710**
Net cash flows		506	(135)	–
Opening cash and cash equivalents		39	174	100
Closing cash and cash equivalents	9	**545**	**39**	**100**

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 2024

1. Reporting entity

Kāinga Ora – Homes and Communities is domiciled and operates in New Zealand. The relevant legislation governing the operations of Kāinga Ora and its subsidiaries Housing New Zealand Limited and Housing New Zealand Build Limited (the Kāinga Ora Group) is the Crown Entities Act 2004 and the Kāinga Ora – Homes and Communities Act 2019. The ultimate parent of Kāinga Ora – Homes and Communities 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. We have two key roles:

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

We manage public housing and are responsible for housing tenancies. As the Government's lead developer in urban development, we are responsible for planning, coordinating and undertaking large and small housing developments to create a diverse mix of public, affordable and market housing.

The Urban Development Act 2020 provides us with ways of planning and funding complex or challenging urban development through the Specified Development Project (SDP) process along with land acquisition powers for the purposes of urban development.

With these legislative tools, we aim to contribute to sustainable, inclusive and thriving communities that provide people with good-quality, affordable housing choices that meet diverse needs; support access to jobs, amenities and services; and otherwise sustain or enhance the overall community and wellbeing of current and future generations.

The Kāinga Ora – Homes and Communities Act 2019 outlines the key functions and operating principles of the Kāinga Ora Group. These are summarised below:

- **Housing solutions** – provide people with good-quality, affordable housing choices that meet diverse needs.
- **Urban development** – lead and facilitate urban development activity to develop public housing, affordable housing, community housing and market housing.
- **Protecting Māori Interests** – identifying and protecting Māori interests in land and recognising and providing for the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu and other taonga.
- **Communities** – sustainable, inclusive and thriving communities support good access to jobs, amenities and services.
- **Collaboration and effective partnership** – partnering and engaging with Māori, other persons and organisations affected by urban development to grow capability and the supply of housing across the sector. Maximising alignment and synergies to support an inclusive and integrated approach to urban development and housing.

Just before balance date, Ministers issued a new letter of expectations for the Kāinga Ora Group. The letter sets out expectations and areas of focus for the Kāinga Ora Group Board of Directors, with an emphasis on focusing on core tenancy management functions. The letter can be read here: 21-June-2024-Kainga-Ora-Letter-of-Expectations-2024-25.pdf (kaingaora.govt.nz).
On 14 August 2024 Ministers issued an updated letter of expectations, which clarifies the Kāinga Ora Group's housing delivery requirements to June 2026.

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

Kāinga Ora – Homes and Communities and its subsidiaries are designated public benefit entities (PBEs) for the purposes of complying with generally accepted accounting practice (NZ GAAP). A PBE is defined as "a reporting entity 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 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 24 September 2024.

2. Summary of significant accounting policies

(a) Basis of preparation

The unaudited budget numbers for the financial year 2023/24 are taken from the Statement of Performance Expectations 2023/24 approved by the Board of Directors on 30 June 2023.

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.

The financial statements have been prepared on a going-concern basis, and the accounting policies adopted are consistent with those of the previous financial year except where stated otherwise.

The statement of financial position is presented on a liquidity basis. The Kāinga Ora Group's development business has been largely financed by Crown and market bond issues. Presenting on a liquidity basis provides the users of our financial statements with a faithful representation and more relevant information on the financial statements.

Comparatives

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

(b) Statement of compliance

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

The financial statements have been prepared in accordance with Tier 1 Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS).

(c) New accounting standards and interpretations

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

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

2022 Omnibus Amendment to PBE Standards –The main change relevant to the Group from these amendments is the accounting for any net proceeds earned while bringing an asset into use. It requires the proceeds and relevant costs to be recognised in the statement of comprehensive revenue and expense rather than being deducted from the assets cost.

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

Amendments to PBE IFRS 17 *Insurance Contracts in the Public Sector* – these amendments are mandatorily effective for periods beginning on or after 1 January 2026. The Kāinga Ora Group has yet to assess the effects of this amendment on its financial statements.

iii. ***Accounting standards and interpretations issued and early adopted***

Amendments to PBE IPSAS 1 *Disclosure of Fees for Audit Firms' Services* – the amendments are required for periods on or after 1 January 2024. These amendments required the Kāinga Ora Group to separate out audit fees of financial statements from other audit fees, other assurance services, taxation services and other services.

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

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

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

(e) Rental property land and buildings

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

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

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

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

Any revaluation deficit is recognised in the statement of comprehensive revenue and expense 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 statement of comprehensive revenue and expense 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 Group applies the following estimates of economic lives to the components of its rental properties:

Buildings	40–60 years
Improvements	25 years
Chattels	10 years

(f) Work in progress

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

(g) Provision for future development costs

Future development costs are recognised for large-scale developments where some lots have been sold and are no longer held in properties under development but shared development costs attributable to those lots are yet to be incurred.

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 the significant risks and rewards of ownership have transferred to the purchaser when determining whether a sale has occurred.

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

(h) Properties held for sale

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

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

(i) Properties under development

The Group subdivides large pieces of land, for some of which 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 property under development when it is available for sale. An asset is considered available for sale when one counterparty 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 statement of comprehensive revenue and expense under impairment of property under development.

(j) Other property, plant and equipment

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

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

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

(k) Intangible assets

The majority of Intangible assets are comprised of 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 Group's way of working, structures, processes, products and systems.

Eligible computer software is capitalised on the basis of the costs incurred to acquire and bring the software into use and amortised over a 4–7 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 and any impairment loss is recognised as an expense in the statement of comprehensive revenue and expense.

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.

Fees associated with the access to software as a service (SaaS) arrangements and the configuration and customisation costs of the software are recognised as an expense in the statement of comprehensive revenue and expense.

Gains or losses arising from derecognition of computer software are recognised in the statement of comprehensive revenue and expense when the asset is derecognised. They are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

(l) Impairment of non-financial assets

Where an asset's recoverable amount is less than its carrying amount, it is reported at its recoverable amount and an impairment loss is recognised.

The primary objective of the Group 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 assets.

The Group's property assets are accounted for using the revaluation model and losses from impairment are treated as a revaluation decrease.

Other non-financial assets that the Group holds include plant, equipment and intangible assets such as software. These assets are held at cost less impairment losses.

The assets recoverable amount is the higher of the amount that could be recovered by sale (after deducting the costs of sale) or the amount that will be generated by using the asset through its useful life.

If the asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. The total impairment loss is recognised in the statement of comprehensive revenue and expense.

Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The reversal of an impairment loss is recognised in the statement of comprehensive revenue and expense.

(m) Financial assets

Initial recognition

At initial recognition, financial assets within the scope of PBE IPSAS 41 *Financial Instruments* are measured at their fair value or, in the case of a financial asset not measured at fair value through surplus or deficit, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

The fair value of a financial instrument at initial recognition is normally the transaction price (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.

Subsequent recognition

Financial assets are classified as either subsequently measured at amortised cost, fair value through other comprehensive revenue and expense or fair value through surplus or deficit. 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. Financial assets at fair value through surplus or deficit (FVSD)

Financial assets are subsequently measured at FVSD if they are held for trading and if the contractual cash flows are not solely payments of principal and interest. Specific financial assets held at FVSD include the following:

- Derivatives – in fair value hedges or not in effective hedge relationships.

ii. Financial assets at amortised cost

Financial assets subsequently measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

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 held at amortised cost include the following:

- Cash and cash equivalents – includes funds held at bank and term deposits with original maturities of less than 3 months.
- Mortgages and housing-related lending – includes Housing Innovation Fund mortgage advances and other loan products.
- Receivables – exchange and contractual non-exchange transactions.
- Term deposits.

iii. Financial assets at fair value through other comprehensive revenue (FVOCRE)

Subsequent measurement at FVOCRE is for financial assets that are held for the purpose of both collecting contractual cash flows and selling assets, and those cash flows are solely related to payments of principal and interest. Specific financial assets at FVOCRE include the following:

- Derivatives – effective interest rate swaps in cash flow hedge relationships.
- Registered certificates of deposit and enhanced rate certificates of deposit – held for trading in the short term and to collect contractual cash flows.
- Corporate bonds – fixed-term debt securities issued by the Local Government Funding Agency held for trading in the short and long term and to collect contractual cash flows.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either the Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates whether and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all assets not held at fair value through surplus or deficit. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The Group's receivables from non-exchange transactions are held with departments and agencies of the Crown and therefore no credit loss is expected. The Group applies a simplified approach to calculating ECLs on its mortgage advances and receivables from exchange transactions.

PBE IPSAS 41 *Financial Instruments* allows an operational simplification for calculating ECLs whereby entities can use a provision matrix to determine their ECLs under the impairment model. A provision matrix method uses past and forward information to estimate the probability of default of trade receivables.

Under the provision matrix approach, the outstanding receivables balance apportioned into appropriate ageing buckets and provided for as a doubtful debt. A historical default rate percentage is calculated and applied to each time bucket. The default rate for each bucket is the quotient of the defaulted receivables at each bucket over the outstanding receivable for that period. This method results in the Group recognising a loss allowance based on lifetime ECLs for its receivables at each reporting date. It is the Group's policy to fully provide for rent receivables that are past 30 days due and impaired and receivables that are past 360 days due. ECLs recognised on receivables are provided for as a doubtful debt (refer to note 4(g) for the calculation of ECLs for receivables).

The Group also applies the simplified provision matrix approach to its mortgage advances. Since the carrying value of the Group's mortgage advances are immaterial to the Group, this was the most cost-effective and reasonable approach to calculating ECLs. The default rate for each time bucket is the quotient of the defaulted receivables at each bucket over the outstanding receivable for that period. ECLs calculated on mortgage advances using the simplified approach are treated as an impairment expense (refer to note 13(b) for the calculation of ECLs for mortgage advances).

Financial assets at FVOCRE and term deposits are quoted securities with counterparties that are rated A or higher by S&P Global or equivalent and therefore are considered to be low credit risk investments. The Group uses the credit ratings to determine whether the financial assets have significantly increased in credit risk.

(n) Accounts payable and other liabilities

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

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.

Inflation-indexed bonds are held at amortised cost in accordance with the above but are also adjusted for the quarterly movement in the consumers price index (CPI). The indexation adjustment is recognised against the carrying value of the bond.

The carrying value of interest-bearing borrowings in effective fair value hedge relationships is adjusted for changes in fair value attributable to the hedged risk. The fair value adjustment is recognised in the statement of comprehensive revenue and expense and offset against the change in fair value of the hedging instrument to the extent that it is effective.

(o) Financial guarantees

A provision is recognised for amounts that may be payable under the Mortgage Insurance Scheme. The carrying value of these guarantees approximates the fair value of the likely amount of payments under the Mortgage Insurance Scheme, which is subjected to an actuarial reassessment each year. Refer to notes 2(p) and 16 for further information on the Mortgage Insurance Scheme.

(p) Mortgage insurance liabilities

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

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

At each reporting date, the 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 statement of comprehensive revenue and expense for the year by establishing a provision for liability adequacy.

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

(q) Derivative financial instruments

The 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 and subsequently remeasured at fair value. Changes in fair value are charged to the statement of comprehensive revenue and expense unless they are in an effective cash flow hedge relationship. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

i. *Fair value*

The fair value of derivative financial instruments is determined on a monthly basis by discounting the future expected cash flows based on the New Zealand dollar swap borrowing curve as reported by Bloomberg, which is an active market interest rate benchmark.

ii. *Hedge accounting*

The Group designates interest rate swap derivatives as hedging instruments to hedge interest rate risk. The Group has designated interest rate swaps in fair value and cash flow hedge relationships.

The Group has two types of hedges:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

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

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

- *Fair value hedges*

  The fair value change on qualifying hedging instruments is recognised in the statement of comprehensive revenue and expense as other expense.

  The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk and is also recognised in the statement of comprehensive revenue and expense as other expense.

- *Cash flow hedges*

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

  The effective portion of changes in the fair value of interest rate swaps designated in cash flow hedge relationships is recognised in the hedging reserve and is limited to the cumulative change in fair value of the hedged item from inception of the hedge.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

Any gain or loss recognised in other comprehensive revenue and expense under the hedging reserve gains/(losses) at that time remains in equity and is reclassified to the statement of comprehensive revenue and expense when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the hedging reserve gains/(losses) is reclassified immediately to the statement of comprehensive revenue and expense.

Refer to note 18 for more information on the Group's interest rate derivatives.

(r) Employee benefits

Employee benefits include wages and salaries (including non-monetary benefits such as medical, trauma, life and income continuance insurance), annual leave, long-service leave and redundancy and restructuring costs. 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 in accordance with instructions from the New Zealand Treasury. Employee benefits expected to be settled within 12 months of the balance date are recognised as current liabilities at 30 June. Long-service leave, where entitlements are not vested at balance date, is treated as a non-current liability. Refer to note 6(a) for information on people costs and note 15(b) for information on employee benefit liabilities.

(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. ***The 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. ***The Group as a lessor***

Leases in which the 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.

Expenses yet to be incurred on non-cancellable operating leases are disclosed as commitments (refer to note 22).

(t) Revenue

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

i. Revenue from non-exchange transactions

Revenue from non-exchange transactions is where the 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 and the fair value of the assets can be measured reliably.

Revenue generated from non-exchange transactions is represented below:

- Tenant income-related rent and Crown income-related rent subsidies are recognised on a straight-line basis over the term of the tenants' lease.
- Crown operating appropriation and grant revenue are recognised when the right to receive the funds 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 Group and a third party.

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

- Revenue from the sale of developments is recognised when all of the risks and rewards of ownership pass to the third party.
- Rental revenue from tenants at market rent is recognised on a straight-line basis over the term of the tenants' lease.
- Lease income is recognised on a straight-line basis over the term of the lease.
- Mortgage Insurance Scheme revenue – 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 on financial assets classified as amortised cost of fair value through other comprehensive revenue (FVOCRE) is recognised using the effective interest rate method*. Interest revenue is otherwise recognised as the interest accrues.
- Management fee revenue – the Group receives a management fee from the Housing Agency Account for acting as Crown agent to the Account.

* The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest revenue each period. The effective interest rate method is applied to financial assets measured at amortised cost and FVOCRE.

(u) Borrowing costs

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

The interest expense on financial liabilities measured at amortised cost is accrued using the effective interest rate method. Refer to note 2(t) for information on the application of the effective interest rate method.

(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 applies.

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

Under PBE IAS 12 *Income Taxes*, the initial recognition exemption 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 Group's buildings is nil.

Therefore, the tax and accounting bases differ for buildings and the initial recognition exemption applies on initial recognition. The initial recognition exemption only applies to the acquisition of buildings and to some additions on all buildings post 1 July 2010.

Deferred income tax assets are amounts of income tax 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.

Interest deductibility on borrowings to purchase residential rental properties

On 30 March 2022, the Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Act 2022 received Royal assent. The Act limits deductibility of interest paid on borrowings to purchase residential rental property.

An exemption from the interest deductibility limitation rules for Kāinga Ora – Homes and Communities and its subsidiaries is embodied in the legislation. Therefore, these rules do not apply to the Group of entities and the entities can continue to claim a full deduction for any interest paid on borrowings.

(w) Other taxes

The Group is mainly an exempt supplier in relation to goods and services tax (GST). GST on the majority of inputs cannot be reclaimed. Therefore, it is included in expenditure. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

(x) Service concession arrangements – grantor

Service concession arrangements are recognised as assets within property, plant and equipment until the in-service date, at which time they are recognised as a separate asset class. As such, service concession arrangements are accounted for in accordance with the policies, which comply with PBE IPSAS 17 *Property, Plant and Equipment*.

(y) Contingent assets and contingent liabilities

Contingent liabilities and contingent assets are reported at the point at which the contingency is evident or when a present liability is unable to be measured with sufficient reliability to be recorded in the financial statements (unquantifiable liability). Contingent liabilities, including unquantifiable liabilities, are disclosed if the possibility that they will crystallise is more than remote. Contingent assets are disclosed if it is probable that the benefits will be realised. Refer to note 22(e) for information on contingencies.

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 Group manages 75,640 residential properties (2023: 72,035), 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 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***

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

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

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

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

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

The 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 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 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 Group as lessee has exercised its judgement on the appropriate classification of all its leases and determined that they are all operating leases.

vi. ***Classification of assets as property under development***

Management reclassifies assets from property, plant and equipment to properties under development when there is a change in use evidenced by the commencement of development with a view to sell.

Assets are transferred to properties under development 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 Group revalues rental properties annually. Fair value is determined by reference to market-based evidence from independent valuer Quotable Value New Zealand. Market-based evidence provides an indication of value by comparing the asset with identical or comparable traits for which price information is available. Market evidence is compared either on a direct comparison or on the summation approach after adjustments for material differences such as size, location, quality and condition.

The Group manages 75,640 properties around New Zealand (2023: 72,035). 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 to note 14).

ii. ***Fair value of derivatives and financial instruments held at fair value***

The fair value of the Group's interest rate derivatives and other financial instruments held at fair value is adjusted to fair value on a daily basis using current market interest rates (bank bill benchmark rate (BKBM) or swap pricing curve).

iii. ***Mortgage guarantee provision***

The mortgage guarantee provision is an actuarially assessed amount likely to be payable under that guarantee. The value of the provision depends on various factors, some of which are the value of the loans expected to default, the number of active mortgages and the average loan balance (refer to note 16).

iv. ***Impairment of properties under development***

All inventory items are valued at the 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 among others.

v. ***Impairment of non-financial assets***

As at each balance date, all assets are assessed for impairment by evaluating conditions specific to the 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 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. Therefore, 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 statement of comprehensive revenue and expense for the year.

vii. Estimation of useful lives of assets

The 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 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 statement of comprehensive revenue and expense for the year and the carrying amount of the asset in the statement of financial position.

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

Buildings	40–60 years
Improvements	25 years
Chattels	10 years

Depreciation rates are set out in notes 2(e) and 2(j) and amortisation rates are set out in note 2(k).

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. Refer to note 2(m) for the Group's policy on applying expected credit losses.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

4. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise Crown loans, market bonds, Government and corporate bonds and bills, term deposits, registered certificates of deposit and on-call cash. These financial instruments are used to manage liquidity and finance the Group's operations.

The Group's mortgage portfolio is managed in-house and the processes of mitigating losses to the portfolio are monitored via monthly reports.

Derivative instruments include New Zealand dollar interest rate swaps, which are used to manage the interest rate risk on our borrowings.

The Group's other financial instruments are trade debtors, trade creditors and mortgage advances.

The main risks arising from the 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 Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. The Group has a treasury policy for the management of interest rate risk that requires compliance with a modified duration (weighted average term to maturity/repricing) range of 4–6 years.

Management monitors interest rate levels on an ongoing basis and, when appropriate, will lock in fixed rates within Board-approved interest rate risk policy parameters or lock in a floating rate on longer-term instruments to manage compliance with modified duration. Forward rate agreements, interest rate swaps and interest rate options are instruments available for use.

(b) Interest rate sensitivity

The following sensitivity analysis is based on the interest rate risk exposures in existence at 30 June 2024.

If interest rates had been 1% higher or lower than the year-end market rate, the following table sets out movements in the statement of comprehensive revenue and expense after tax for the year and the equity balance (after tax adjustments) at 30 June.

	2024 ($M)	2023 ($M)
Net surplus higher/(lower)		
Interest rates +1%	(9)	(10)
Interest rates -1%	9	10
Equity higher/(lower)		
Interest rates +1%	14	3
Interest rates -1%	(15)	(4)

The difference in the statement of comprehensive revenue and expense 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 Group had no foreign currency borrowings during the year.

It is the Group's policy to mitigate foreign currency risks on all foreign exposures over $250,000 by hedging the volatility of foreign currency through forward foreign exchange contracts and/or spot foreign exchange contracts along with maintaining accessible foreign currency reserves.

(d) Credit risk

Credit risk is the risk that a third party will default on its obligations to the 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 S&P Global credit rating of A or better (or equivalent rating agency). Treasury policy limits the amount of credit exposure to any one institution. Maximum credit exposure for the classes of financial instrument is primarily represented by the carrying amount of cash, investments, derivative financial assets, receivables and mortgage advances. There is no collateral held as security against these financial instruments.

Concentration of credit risk exists in relation to investments, but this risk is mitigated by the fact that the counterparties are Board-approved and have a high credit rating (refer to note 4(f)). Other than this, no exposure to any material concentration of credit risk exists as the Group has only a small number of credit customers and has treasury exposure only with the Crown and Board-approved counterparties with specified S&P Global credit ratings.

All individuals/organisations are assessed for creditworthiness 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 17.

Credit quality of financial assets not impaired or not yet due

The Group does not rate its individual debtors as it has a large number of customers with minimal debtor balances. The incidence of default on financial assets not impaired or not yet due is minimal. The 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 the Group may encounter difficulty in accessing Crown financing at short notice to meet its financial commitments as they fall due.

The Group has an unsecured bank overdraft facility of $10 million (2023: $10 million) with an interest rate of 8.94% (2023: 8.89%).

The Group has a $12.7 billion Crown lending facility, which provides the financing for the Government's housing initiatives. The Group was appropriated $4.7 billion for the financial year 2023/24, with the Group utilising $4.1 billion (2023: $2.15 billion). The Group retains unutilised facility of $6.5 billion.

The Group's policy is that not more than 25% of borrowings should mature in any 12-month period. As at 30 June 2024, 13% of the Group's debt will mature in less than 1 year (2023: 3%).

As at 30 June 2024 the contractual maturity (undiscounted principal and interest cash flow) of the 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)
At 30 June 2024						
Crown loans floating interest rate	291	352	371	298	831	2,143
Crown loans fixed interest rate	319	321	418	340	8,112	9,510
Market bonds	2,150	161	1,387	1,013	3,853	8,564
Accounts payable and other liabilities	591	–	–	–	–	591
Interest rate derivatives - net settled	9	5	4	3	–	21
Total	**3,360**	**839**	**2,180**	**1,654**	**12,796**	**20,829**

	0–1 year ($M)	1–2 years ($M)	2–3 years ($M)	3–5 years ($M)	5+ years ($M)	Total ($M)
At 30 June 2023						
Crown loans floating interest rate	517	232	256	602	329	1,936
Crown loans fixed interest rate	106	115	115	191	2,843	3,370
Market bonds	223	2,083	160	2,009	3,833	8,308
Accounts payable and other liabilities	495	–	–	–	–	495
Interest rate derivatives – net settled	6	6	4	5	–	21
Total	**1,347**	**2,436**	**535**	**2,807**	**7,005**	**14,130**

(f) Concentration of risk

The Group has substantial deposits with six different banks that total $776 million (2023: $691 million).

		2024		2023	
		0–1 year ($M)	Credit rating S&P Global/ Moodys	0–1 year ($M)	Credit rating S&P Global/ Moodys
WBCW	Westpac Banking Corporation	185	AA-	130	AA-
ANZNB	ANZ National Bank Limited	155	AA-	125	AA-
ASB	ASB Bank	155	AA-	150	AA-
BNZW	Bank of New Zealand Limited	125	AA-	107	AA-
MUFG	MUFG Bank Limited	95	A	90	A
KIWIBANK	Kiwibank Limited	61	A1	89	A1
		776		**691**	

(g) Ageing of receivables

Ageing analysis and expected credit losses for rental and other receivables as at 30 June

	Neither past due or impaired ($M)	Past due but not impaired 0–30 days ($M)	Impaired 30 days plus ($M)	Total ($M)
At 30 June 2024				
Rent	1	7	17	25
Damages	–	–	6	6
Other receivables	384	6	5	395
Expected credit loss rate	0%	0%	89%	–
Expected credit loss	–	–	(25)	(25)
Total	**385**	**13**	**3**	**401**
At 30 June 2023				
Rent	25	7	17	49
Damages	–	–	4	4
Other receivables	321	–	1	322
Expected credit loss rate	0%	0%	100%	
Expected credit loss	–	–	(22)	(22)
Total	**346**	**7**	**–**	**353**

Rental receivables and damages that are impaired and past 30 days due are fully provided for as a doubtful debt.

Other receivables are fully provided for when they are past 360 days due or when it is unlikely the debtor will pay the due amount.

For further information on the Group's policy for accounting for expected credit losses, refer to note 2(m).

Refer to note 13(b) for the expected credit losses calculation for mortgage advances.

(h) Capital management

The Group's capital is in equity, which comprises accumulated funds contributed by the Crown, retained earnings, revaluation reserves, hedging reserves and fair value reserves. Equity is represented by net assets.

The 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 Group has complied with the financial management requirements of the Crown Entities Act 2004 during the year.

The 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 Group's capital management during the year.

5. Revenue

Revenue from non-exchange transactions

(a) Crown appropriation revenue

	2024 ($M)	2023 ($M)
First Home Grants	68	62
KiwiBuild appropriations	4	5
Other housing-related appropriations	88	75
Total Crown appropriation revenue	**160**	**142**

Total Crown appropriation income is $161 million (2023: $135 million), including Crown appropriation premium receipts of $1 million (2023: $(7 million)) shown under note 5(c).

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, First Home Loans).

(b) Grant revenue

	2024 ($M)	2023 ($M)
Funding from council-controlled organisations	21	–
Total Grant revenue	**21**	**–**

Grant revenue comprises funding from council-controlled organisations (CCOs) for large-scale projects in Auckland that the Group is delivering of $21 million (2023: $0 million). The Group recognises grant revenue when it is responsible for delivering an asset under a large-scale project, and it receives revenue from CCOs that contributes to the cost of the delivery of that asset. It recognises the asset as property under development until it is completed and vests with the CCO.

Revenue from exchange transactions

(c) Mortgage Insurance Scheme revenue

	2024 ($M)	2023 ($M)
Third-party premium receipts	7	14
Crown appropriation premium receipts	1	(7)
Recognised insurance premium revenue	**8**	**7**
Claims expense	–	–
Net surplus/(deficit) for Mortgage Insurance Scheme	**8**	**7**

The Group provides mortgage insurance to commercial lenders for loans issued under the First Home Loan Scheme. For further information on the Mortgage Insurance Scheme, refer to note 16. Refer to note 2(t) for the Group's accounting policy for recognising premium revenue from the Mortgage Insurance Scheme.

(d) Other revenue

	2024 ($M)	2023 ($M)
Net proceeds from insurance claim	20	–
Management fees from related parties	2	2
Other revenue	8	–
Total other revenue	**30**	**2**

Proceeds from insurance claims of $20 million relates to damage caused to properties as a result of the January 2023 Auckland floods.

6. Expenses

(a) People costs

	2024 ($M)	2023 ($M)
Wages and salaries	333	308
Employee benefits	39	32
Total people costs	**372**	**340**

Included in employee benefit costs above are redundancy costs of $6 million in relation to those business groups which have been restructured or have started consultation during the year. Expenditure is only recognised in relation to restructuring when a detailed plan is in place and the details of that plan has been communicated with those impacted, creating a valid expectation that the restructure will be carried out.

The amounts above include remuneration for key management personnel (excluding directors). Refer to note 23(d) for key management personnel remuneration.

(b) Other expenses

	2024 ($M)	2023 ($M)
Professional services*	73	77
Demolition costs	65	29
Computer costs and software maintenance fees	50	43
Insurance	36	28
Other property-related costs	34	18
Property acquisition and development costs	14	17
Travel costs	9	10
Net loss on fair value hedge	8	3
Other	34	59
Total other expenses	**323**	**284**

* Professional services expenditure is a combination of outsourced business activities (including cost associated with the delivery of new properties), and business improvement activities.

For information about the Group's accounting on fair value hedges, refer to note 2(q).

Included in other expenses are the following fees paid to external auditors

	2024 ($M)	2023 ($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	0.79	0.75
(ii) Other assurance services		
- Limited assurance over scope 1, 2 and 3 GHG emissions	–*	–*
Total amounts paid or payable to the auditors	**0.79**	**0.75**

* Actual cost was $54,000 (2023: $54,000).

7. Interest income and expense

	2024 ($M)	2023 ($M)
Interest revenue		
Investments measured at amortised cost	25	13
Investments measured at fair value through other comprehensive income	17	14
Bank accounts	14	15
Total interest revenue	**56**	**42**
Interest expense		
Interest on borrowings measured at amortised cost	523	316
Indexation expense on inflation indexed bond	14	23
Interest on derivatives	1	5
Total interest expense	**538**	**344**

For the Group's policy on the recognition of interest revenue and expense, refer to notes 2(t) and 2(u).

8. Income tax

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

(a) Income tax expense/(benefit)

	2024 ($M)	2023 ($M)
Net surplus/(deficit)		
Current income tax	(36)	(43)
Prior period adjustments	(18)	11
Deferred income tax relating to temporary differences	(99)	(44)
Income tax expense/(benefit) reported in net surplus/(deficit)	**(153)**	**(76)**
Statement of changes in equity		
Deferred income tax		
Net change in deferred tax due to revaluation of buildings	(90)	(635)
Net change in deferred tax due to hedged financial derivatives from The Treasury – Capital Markets	(2)	2
Income tax expense/(benefit) reported in other comprehensive revenue and expense	**(92)**	**(633)**

The reconciliation between the tax expense recognised in the statement of comprehensive revenue and expense for the year and tax expense calculated on pre-tax accounting profit at the statutory rate is as follows:

	2024 ($M)	2023 ($M)
Accounting surplus/(deficit) before tax from continuing operations	**(722)**	**(596)**
Taxation at the statutory income tax rate of 28%	(202)	(166)
Plus tax effect of:		
Permanent/temporary differences		
Non-deductible expenses	90	46
Deferred tax adjustments in relation to disposal of rental properties	46	21
Other	(69)	8
Non-deductible losses on disposal of rental properties	–	4
Prior period adjustments	(18)	11
Income tax expense/(benefit) reported in net surplus/(deficit)	**(153)**	**(76)**

Income tax expense/(benefit) reported in the statement of comprehensive revenue and expense is at an effective rate of 22% (2023: 11%).

(b) Current income tax liability

	2024 ($M)	2023 ($M)
Net current tax liability/(asset) at 1 July	(48)	(6)
Current year tax charge to net surplus/(deficit)	(36)	(43)
Transfer to deferred tax asset	37	43
Prior period adjustment	(1)	(18)
Income tax paid	–	(54)
Income tax credits sold through pooling account	16	30
Net current tax liability/(asset) at 30 June	**(32)**	**(48)**

(c) Net deferred tax liability

	2024 ($M)	2023 ($M)
Deferred tax liabilities		
Rental property building revaluations	1,574	1,785
Other property, plant and equipment	6	13
Other differences relating to other property improvements	107	97
Gross deferred tax liabilities	**1,687**	**1,895**
Deferred tax assets		
Tax losses	–	(43)
Provisions – employee entitlements	(79)	(11)
Provisions – other	(11)	(24)
Financial derivatives	(23)	2
Gross deferred tax assets	**(113)**	**(76)**
Net deferred tax liability	**1,574**	**1,819**

The net deferred tax liability movements were as follows:

	2024 ($M)	2023 ($M)
Net deferred tax liability/(asset) at 1 July	1,819	2,510
Recognised through other comprehensive revenue and expense:		
Rental property building revaluations	(90)	(635)
Financial derivatives	(2)	2
Recognised through net surplus/(deficit):		
Disposal of other properties BAU - reversal of deferred tax on cost	19	–
Deferred tax on temporary differences	(118)	(44)
Prior period adjustment	(18)	28
Tax losses	(35)	(43)
Other	(1)	1
Net deferred tax liability/(asset) at 30 June	**1,574**	**1,819**

(d) Imputation credits

	2024 ($M)	2023 ($M)
Imputation credits available for use in subsequent reporting periods	1,323	1,339

9. Cash and cash equivalents

	2024 ($M)	2023 ($M)
Cash at bank	110	39
Registered certificate of deposit	375	–
Term deposits	50	–
Corporate bills	10	–
Total cash and cash equivalents	**545**	**39**

Cash and cash equivalents represents cash available for working capital purposes. Other than cash at bank, it includes liquid investments with original maturities of 3 months or less.

The cash and cash equivalents balance includes approximately $314 million of the $389 million equity injection received from the Crown on 26 June 2024 for the large-scale projects programme. Some of the funds received have been invested in deposits with original maturities of more than 3 months, and these are shown under note 10.

Cash at bank earns interest at a floating rate of 5.55% (2023: 5.55%) on the deposits.

The weighted average effective interest rate for term deposits and securities held as at 30 June with original terms of up to 3 months was 4.34% (2023: 0.0% because no term deposits classified as cash and cash equivalents were held at balance date).

Cash at bank includes cash held in foreign bank accounts. Foreign currency bank accounts are converted to New Zealand dollars at the end of the reporting period using the spot rate.

10. Investments

	2024 ($M)	2023 ($M)
Short-term investments	400	692
Long-term investments	–	49
Total investments (excluding cash and mortgage advances)	**400**	**741**

Short-term and long-term investments are funds that have been invested for a term of longer than 3 months or 12 months, respectively, to ensure an optimal return on investment and that funds are available for meeting obligations as they fall due.

Included within investments is $61 million (2023: $51 million) held to meet obligations for the Mortgage Insurance Scheme. Also included is approximately $75 million of the $389 million equity injection received from the Crown on 26 June 2024 for the large-scale projects programme.

Investments include term deposits, registered certificates of deposit and corporate bonds. For further information on investments, refer to note 17.

11. Receivables and prepayments

(a) Receivables from non-exchange transactions

	2024 ($M)	2023 ($M)
Current receivables from non-exchange transactions		
Rental debtors	31	29
Expected credit losses	(23)	(21)
Rent subsidy	78	24
Sub-total	**86**	**32**
Receivables with related parties	19	5
Other receivables	5	7
Total receivables from non-exchange transactions	**110**	**44**

A provision of $23 million (2023: $21 million) relating to the credit risk associated with rental debtors and the recovery of the cost of damages has been recognised at year end. This equates to 1.3% of the $1.8 billion rental revenue for the year (2023: 1.4%).

Receivables from related parties relate to funds owing from the Housing Agency Account and the Ministry of Housing and Urban Development.

These debtors are considered current and are generally on terms of 30–90 days. Terms and conditions with related parties are disclosed in note 23(c). Refer to note 4(g) for the ageing analysis of receivables and calculation of expected credit losses.

(b) Receivables and prepayments from exchange transactions

	2024 ($M)	2023 ($M)
Current receivables from exchange transactions		
Land development activity debtors	214	128
Interest receivable	3	122
Other receivables	76	59
Expected credit losses	(2)	(1)
Total receivables from exchange transactions	**291**	**308**

	2024 ($M)	2023 ($M)
Current prepayments from exchange transactions		
Prepayments	38	43
Total prepayments from exchange transactions	**38**	**43**
Total receivables and prepayments from exchange transactions	**329**	**351**

Other receivables relate to loans and advances, and general receivables. An allowance for expected credit losses has been provided for this balance of $2 million (2023: $1 million).

All receivables are considered current and are generally on terms of 30–90 days except for land development activity debtors because revenue is recognised as the developments are completed (refer to note 2(t) for the Group's accounting policy on recognising revenue from the sale of developments).

Refer to note 4(g) for the ageing analysis of receivables and calculation of expected credit losses.

12. Properties under development

(a) Properties under development

Projects	2024 ($M)	2023 ($M)
Large-scale projects	313	326
Market delivery	125	115
Kāinga Ora Land Programme	81	83
Other projects	1	1
Total properties under development	**520**	**525**

(b) Impairment of property under development

Properties under development were written down by $45 million (2023: $15 million) to their net realisable value in accordance with the Group's accounting policy (refer to notes 2(i) and 3(b)iv). This was recognised as impairment of property under development in the statement of comprehensive revenue and expense.

(c) Cost of land sold

Cost of land sold of $206 million has been recognised in the statement of comprehensive revenue and expense in relation to the sale of developments (2023: $146 million). This largely relates to the sale of large-scale development lots and progress made on large-scale developments for which revenue has been recognised to date.

(d) Sales of developments

Sales of developments of $230 million was recognised during the year in the statement of comprehensive revenue and expense in accordance with the Group's accounting policy (2023: $141 million) (refer to note 2(t)ii).

13. Other assets

	2024 ($M)	2023 ($M)
Mortgage advances	12	13
Intangible assets	17	23
Total other assets	**29**	**36**

(a) Mortgage advances

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, an impairment loss encompassing the unwind of the loan and any expected credit losses are recognised in the statement of comprehensive revenue and expense.

During the 30 June 2024 year, the Group engaged Melville Jessup Weaver to conduct an actuarial valuation of the mortgage portfolio to ascertain their fair value. The mortgage advances have been adjusted to their fair value in line with the valuation, which included an assessment of credit risk. The valuation difference is recognised in the statement of comprehensive revenue and expense as an impairment expense and detailed below as expected credit loss.

Fair value of mortgage advances portfolio as at 30 June

	2024 ($M)	2023 ($M)
Non-current mortgage advances	13	14
Expected credit losses	(1)	(1)
Net non-current mortgage advances	**12**	**13**
Current mortgage advances	–	–
Total net mortgage advances	**12**	**13**

These loans consist of Housing Innovation Fund loans of $6 million (2023: $7 million) and historical loan products such as general and residual lending of $6 million (2023: $6 million). Maturity periods of the mortgages range from 1 year 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) 2024 (%)	Weighted average interest rate (excl 0% loans) 2024 (%)	2024 ($M)	Weighted average interest rate (all loans) 2023 (%)	Weighted average interest rate (excl 0% loans) 2023 (%)	2023 ($M)
Up to 1 year	–	–	–	–	–	–
1 to 5 years	6.22	6.40	2	4.48	4.53	2
Over 5 years	5.66	6.55	11	3.72	4.26	12
Total weighted average	**5.90**	**6.48**	**13**	**3.98**	**4.36**	**14**

Interest rates on mortgages range from 0.00% to 8.50% (2023: 0.00% to 7.25%). The mortgages on land and improvement assets and deeds are held as security against these loans.

(b) Expected credit losses

	Neither past due or impaired ($M)	Past due but not impaired 0–60 days ($M)	Past due but not impaired 60–90 days ($M)	Impaired 90+ days ($M)	Total ($M)
As at 30 June 2024					
Mortgage advances					
Expected credit loss rate	0%	0%	0%	33%	
Estimated total gross carrying amount at default	8	1	1	3	13
Expected credit loss	–	–	–	(1)	(1)
Total mortgage advances impaired as at 30 June 2024	**8**	**1**	**1**	**2**	**12**
As at 30 June 2023					
Expected credit loss rate	0%	0%	0%	33%	
Estimated total gross carrying amount at default	10	1	–	3	14
Expected credit loss	–	–	–	(1)	(1)
Total mortgage advances impaired as at 30 June 2023	**10**	**1**	**–**	**2**	**13**

For the Group's policy on accounting for expected credit losses, refer to note 2(m).

Movements in provision for expected credit losses of mortgage advances:

	2024 ($M)	2023 ($M)
At 1 July	(1)	(2)
(Provision) / Release for expected credit loss	–	1
Write-off	–	–
Balance at 30 June	**(1)**	**(1)**

(c) Intangible assets

	Software external ($M)	Software internal ($M)	Work in progress ($M)	Total ($M)
Year ended 30 June 2024				
At 1 July 2023, book value	**10**	**13**	**–**	**23**
Additions	–	–	–	–
Capitalised from work in progress	–	–	–	–
Impairment	–	–	–	–
Amortisation for the year	(1)	(5)	–	(6)
At 30 June 2024, book value	**9**	**8**	**–**	**17**
Year ended 30 June 2023				
At 1 July 2022, book value	**8**	**14**	**–**	**22**
Additions	4	2	6	12
Capitalised from work in progress	–	–	(6)	(6)
Impairment	–	–	–	–
Amortisation for the year	(2)	(3)	–	(5)
At 30 June 2023, book value	**10**	**13**	**–**	**23**

Intangible assets are tested for impairment where an indicator of impairment arises. There was $0 million impairment charged to the statement of comprehensive revenue and expense for the year (2023: $0 million).

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.

Work in progress additions include other intangibles as well as software.

Refer to note 2(k) for the Group's accounting policy on accounting for intangible assets.

14. Property, plant and equipment

(a) Property, plant and equipment

Revaluation cost

	Rental properties operating assets				Other property, plant and equipment					Total
	Freehold land ($M)	Rental properties ($M)	Capital work in progress* ($M)	Service concession properties ($M)	Progressive Home Ownership properties ($M)	Leasehold improve-ments ($M)	Furniture and fittings ($M)	Computer equipment ($M)	Vehicles ($M)	Property, plant and equipment ($M)
Year ended 30 June 2024										
At 1 July 2023, revaluation cost	**26,473**	**12,818**	**3,698**	**432**	**48**	**62**	**30**	**81**	**32**	**43,674**
Additions/adjustment	–	37	4,501	–	107	5	2	3	14	4,669
Transfer to service concession	–	–	–	–	–	–	–	–	–	–
Capitalisation to PPE	827	3,183	(4,020)	13	–	–	–	–	–	3
Disposals and demolitions	(9)	(144)	–	–	(2)	–	–	–	(1)	(156)
Revaluations	(149)	(677)	(70)	23	1	–	–	–	–	(872)
Transfer from PPE to properties under development	(70)	(72)	19	–	–	–	–	–	–	(123)
Transfer from PPE to properties held for sale	4	2	–	–	–	–	–	–	–	6
At 30 June 2024, revaluation cost	**27,076**	**15,147**	**4,128**	**468**	**154**	**67**	**32**	**84**	**45**	**47,201**
Year ended 30 June 2023										
At 1 July 2022, revaluation cost	**29,908**	**14,052**	**2,046**	**557**	**6**	**58**	**27**	**76**	**27**	**46,757**
Additions/adjustment	–	65	3,429	–	46	4	3	5	5	3,557
Transfer to service concession	–	(2)	–	2	–	–	–	–	–	–
Capitalisation to PPE	379	1,152	(1,470)	5	–	–	–	–	–	66
Disposals and demolitions	(25)	(104)	–	–	–	–	–	–	–	(129)
Revaluations	(3,740)	(2,345)	(288)	(132)	(4)	–	–	–	–	(6,509)
Transfer from PPE to properties under development	(46)	–	(19)	–	–	–	–	–	–	(65)
Transfer from PPE to properties held for sale	(3)	–	–	–	–	–	–	–	–	(3)
At 30 June 2023, revaluation cost	**26,473**	**12,818**	**3,698**	**432**	**48**	**62**	**30**	**81**	**32**	**43,674**

*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					Total
	Freehold land ($M)	Rental properties ($M)	Capital work in progress* ($M)	Service concession properties ($M)	Progressive Home Ownership properties ($M)	Leasehold improve-ments ($M)	Furniture and fittings ($M)	Computer equipment ($M)	Vehicles ($M)	Property, plant and equipment ($M)
Year ended 30 June 2024										
At 1 July 2023, accumulated depreciation	**–**	**282**	**–**	**4**	**–**	**38**	**18**	**59**	**9**	**410**
Transfer to service concession	–	–	–	–	–	–	–	–	–	–
Disposals	–	(9)	–	–	–	–	–	–	–	(9)
Depreciation charge for the year	–	408	–	6	–	4	1	12	8	439
Revaluation write-back	–	(322)	–	(5)	–	–	–	–	–	(327)
At 30 June 2024, accumulated depreciation	**–**	**359**	**–**	**5**	**–**	**42**	**19**	**71**	**17**	**513**
Year ended 30 June 2023										
At 1 July 2023, accumulated depreciation	**–**	**218**	**–**	**3**	**–**	**35**	**16**	**48**	**5**	**325**
Transfer to service concession	–	–	–	–	–	–	–	–	–	–
Disposals	–	(3)	–	–	–	–	–	–	–	(3)
Depreciation charge for the year	–	404	–	7	–	3	2	11	4	431
Revaluation write-back	–	(337)	–	(6)	–	–	–	–	–	(343)
At 30 June 2023, accumulated depreciation	**–**	**282**	**–**	**4**	**–**	**38**	**18**	**59**	**9**	**410**
Net book value 2024	**27,076**	**14,788**	**4,128**	**463**	**154**	**25**	**13**	**13**	**28**	**46,688**
Net book value 2023	**26,473**	**12,536**	**3,698**	**428**	**48**	**24**	**12**	**22**	**23**	**43,264**

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

Service concession properties

The Group entered into a service concession arrangement with Te Āhuru Mōwai to carry out tenancy management and maintenance of 920 (2023: 923) Kāinga Ora properties in Western Porirua from 3 October 2020 for a period of 25 years.

First Home Partner properties

The First Home Partner product offers households a means of attaining home ownership through a shared ownership model with the Group whereby the Group provides an equity stake in the properties. The fair values of these properties are revised quarterly using data provided by Valocity, with the most recent valuation date of 31 May 2024.

These properties are treated as property, plant and equipment per PBE IPSAS 17 *Property, Plant and Equipment*. The net book of these properties was $154 million at 30 June 2024 (2023: $48 million).

Disposals represent the purchase of equity shares by First Home Partner participants. First Home Partner participants purchased $2 million of equity from the Group in 2024 (2023: $0.002 million).

As the Group is not responsible for the day-to-day maintenance or upkeep of these properties, no depreciation is charged.

The Group is acting as agent carrying out the administration of the scheme on behalf of the Crown. The Group has received funding from the Crown through the Ministry of Housing and Urban Development by way of an interest-free loan (refer to note 19 for further information on the loan).

The loan agreement with the Ministry of Housing and Urban Development allows for the Group to retain revaluation gains to the extent that they offset any previously recognised revaluation losses. Therefore, the Group will only recognise revaluation increases in property, plant and equipment and in the revaluation surplus to the extent that they offset any loss previously recognised. Surplus capital gains or accumulated losses, are recognised as a receivable or payable to the Crown. As at 30 June 2024, the Group has recognised a net loss of $3 million (2023: net loss of $4 million).

Details regarding the rights and obligations of the scheme can be found at: https://kaingaora.govt.nz/home-ownership/first-home-partner/

Valuation

Freehold land and rental properties in the portfolio were revalued as at 30 June 2024 at fair value in accordance with PBE IPSAS 17 *Property, Plant and Equipment*. The valuation was performed by Quotable Value New Zealand (QV), a company employing registered and qualified valuers, with the principal registered valuer for the valuation being Andrew Parkyn (BCom(VPM), PGDipCom, SPINZ, ANZIV).

In conducting the current-year valuation, the valuer has taken into consideration the effects of the flooding in Auckland from 27 January to 2 February 2023 on the value of land. QV provided a methodology to reflect damage caused by the weather events on the fair value of the land. The valuer noted in their report that sufficient market information existed at 30 June 2024 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.

There are approximately 400-500 properties that have been affected by flooding in Auckland. Of these properties, there is significant valuation uncertainty around 355 of these properties valued at $262 million. This valuation is based on as if the properties were not damaged because further information is not available because the condition of these properties is yet to be assessed and flood categorised by Auckland City Council.

QV provided a valuation for 92 of the most impacted properties categorised as category 2 and 3 flood damaged. The land for these properties was revalued to its fair value as assessed by QV. The value of the buildings and improvements for these properties was written off to the statement of comprehensive revenue and expense.

The total gross amount of the valuation, excluding properties held for sale and excluding selling and other costs, was $41,864 million (2023: $39,190 million).

Right of first refusal for sale of surplus Kāinga Ora – Homes and Communities land

Treaty settlement legislation has granted a right of first refusal (RFR) over some of the Group's properties. This prohibits the disposal of RFR land without first giving the relevant iwi/hapū (RFR holder) the right to purchase the RFR land before the land can be disposed of to anyone else. Previously, the Board (or in some cases the Minister) could override the RFR if the disposal was to achieve any of the Crown's social objectives in relation to housing (commonly known as the 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 – Homes and Communities. The 2019 Act also created new Māori interest obligations owed to Māori, including engaging with Māori, upholding the Treaty of Waitangi and its principles, understanding Māori perspectives and recognising and providing for the relationship of Māori with their lands and other taonga. As a result, section 20 of the 2019 Act was introduced and prohibits the Group from exercising the social housing exemption.

Furthermore, with the passing of the Urban Development Act 2020, the RFR obligation has been expanded, preventing the Group from initiating, facilitating or undertaking an urban development project on RFR land without first offering the RFR holder the opportunity to undertake the development on specified terms and obtaining the agreement of the RFR holder to the development being undertaken by the Group or anyone else. The RFR obligation does not apply to maintaining or upgrading public housing or a project that is only to develop or redevelop public housing on land owned by the Group.

The broader RFR obligation targets commercial (market) and/or affordable housing being developed on RFR land.

If the RFR land is also former Māori land, a new urban development obligation owed to Māori arises. In much the same way as the development of RFR land by the Group requires the RFR holder's participation and agreement, similarly, former Māori landowners or the hapū associated with the land must be engaged with so that the land is offered for sale back to them or their aspirations incorporated into the development.

The following Acts grant RFR over various Kāinga Ora Group properties:

- Waikato Raupatu Claims Settlement Act 1995
- Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009
- Ngati Porou Claims Settlement Act 2012
- Ngāti 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-Māui Claims Settlement Act 2014
- Ngāti Apa ki te Rā Tō, Ngāti Kuia, and Rangitāne o Wairau Claims Settlement Act 2014
- Ngāti Kuri Claims Settlement Act 2015
- NgāiTakoto Claims Settlement Act 2015
- Te Rarawa Claims Settlement Act 2015
- Te Aupouri Claims Settlement Act 2015
- Iwi and Hapū of Te Rohe o Te Wairoa Claims Settlement Act 2018
- Ngāti Rangi Claims Settlement Act 2019
- Ngāti Hinerangi Claims Settlement Act 2021
- Ngāti Maru (Taranaki) Claims Settlement Act 2022
- Maniapoto Claims Settlement Act 2022.

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)
- Hauraki Collective (Thames, Coromandel)
- Te Korowai o Wainuiārua (Central Whanganui)
- Whanganui Land Settlement (Lower Whanganui)
- Ngāti Hauā (Upper Whanganui)
- Ngāti Ruapani (Waikaremoana)
- Waikato-Tainui remaining claims (Waikato, Auckland Region)
- Ngāti Maru (Hauraki)
- Te Whānau-a-Āpanui (Ōpōtiki)
- Mōkai Pātea (Taihape/Hunterville).

In addition, the Crown signed a Deed of Settlement with Ngāti Tūrangitukua in 1998 and agreed that a Deed be signed with the Kāinga Ora Group defining the terms and conditions of an RFR over Kāinga Ora Group properties in Tūrangi. The form of the Deed has yet to be agreed. Properties subject to the RFR are being offered for sale.

Treaty negotiation discussions with other iwi/hapū interested in securing RFR will (with the relevant Board approval) proceed along similar lines.

(b) Asset write-offs / impairment

	2024 ($M)	2023 ($M)
Redevelopment write-offs	142	66
Buildings and improvements write-offs	92	30
Progressive Home Ownership property loss/(gain)	(1)	4
Loss on asset write-offs	**233**	**100**

Redevelopment write-offs of $142 million (2023: $66 million) represents sunk costs, and non-capital costs incurred on property redevelopment projects.

Building and improvements write-offs of $92 million (2023: $30 million) includes the write-off of buildings, improvements and other non-current assets. Included in the $92 million is the write-off of properties that are considered category 3 flood damaged. For further information see 14 (a) *Valuation*.

A gain of $1 million was recognised on Progressive Home Ownership properties during the year, which offsets the loss recognised in 2023 of $4 million. For further information, see note 14(a) *First Home Partner properties*.

15. Accounts payable and other liabilities

(a) Payables and other liabilities from non-exchange transactions

	2024 ($M)	2023 ($M)
Rent charged in advance	22	30
Total accounts payable and other liabilities	**22**	**30**

(b) Payables and other liabilities from exchange transactions

	2024 ($M)	2023 ($M)
Project and maintenance accruals	175	87
Interest payable	112	192
Accounts payable	107	77
Other payables and accruals	63	65
Employee benefits liability	56	68
Provision for future development costs	44	45
Rates accrual	12	16
Total accounts payable and other liabilities	**569**	**550**

All payables and other liabilities are considered current (due to settle within 12 months of balance date) except for the below.

Provision for future development costs

The revision to the provision recognised are those costs estimated as required to complete the development process associated with those properties that have been sold to 30 June 2024.

In the year to 30 June 2024, a reduction to the provision of $1 million was made based on estimates provided by management (2023: reduction of $37 million).

For further information on the Group's accounting policy for future development costs, refer to note 2(g).

Employee benefits liability

Employee benefits liability is made up of outstanding employee benefits, including wages and salaries, annual leave and long-service leave. It also includes a provision for redundancy costs of $6 million in relation to those business groups which have been restructured or have started consultation during the year. A provision is only recognised in relation to restructuring when a detailed plan is in place and the details of that plan has been communicated with those impacted, creating a valid expectation that the restructure will be carried out.

The employee benefits liability is measured as the amounts expected to be paid when the liabilities are settled. Of the total employee benefits liability, $4 million is considered non-current, with the remaining considered current.

Refer to note 2(r) for further information on accounting for employee benefits.

16. Mortgage Insurance Scheme

The Group provides mortgage insurance to 13 (2023: 13) commercial lenders for loans issued under the First Home Loan Scheme. The insurance premium is 1.2% of the loan value, of which 0.5% is paid by the borrower and 0.7% by the Government. The total value of amounts originally lent and that remained insured under the scheme at 30 June 2024 was $4.041 billion (2023: $2.798 billion).

The Mortgage Insurance Scheme was assessed at 30 June 2024 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 in to determining the total insurance liability.

The actuarial assessment of the Mortgage Insurance Scheme insurance liability was made as at 30 June 2024 using data provided as at 31 May 2024 by Jeremy Holmes (FNZSA) of Melville Jessup Weaver.

The assessment reports comply with professional standards applicable to actuarial reports on technical liabilities for general insurance operation and requirements of PBE IFRS 4 *Insurance Contracts*. The actuaries have expressed their satisfaction as to the nature, sufficiency and accuracy of the data used to perform the actuarial valuation of the scheme.

The insured underlying loans have a maturity period of between 5 years 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.

(a) Reconciliation of Mortgage Insurance Scheme unearned premium reserve

	2024 ($M)	2023 ($M)
Mortgage Insurance Scheme unearned premium reserve at 1 July	51	25
Premiums written (to reserve)	18	32
Premiums released (to profit)	(8)	(7)
Actuarially assessed increase/(decrease) in premium reserve	(1)	1
Mortgage Insurance Scheme unearned premium reserve at 30 June	**60**	**51**

(b) Estimated timing of net cash outflows

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

	2024 ($M)	2023 ($M)
0–1 year	–*	–*
1–2 years	–*	–*
2–3 years	–*	–*
3–4 years	–*	–*
4–6 years	–*	–*
6+ years	–*	–*
Total estimated liability	**–***	**–***

* Below $500,000

(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. Claim frequency and size could be significantly impacted by any of:

- a downturn in the New Zealand housing market
- a change in interest rates
- an increase in unemployment.

The objective of the 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. The present value of the estimated future claims is invested in short-term bank securities in accordance with Board-approved Kāinga Ora Group treasury policies (refer to notes 9 and 10).

The 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 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 97% of the original value of settled loans as at 30 June 2024 is with four banks (Kiwibank, Southland Building Society, The Co-operative Bank and Westpac), there is no material concentration of risk at individual mortgage holder level.

(d) Sensitivity analysis

The actuarial assessment of the Mortgage Insurance Scheme 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 2024

	Discounted central estimate ($000)	Risk margin ($000)	Premium liabilities ($000)	Difference from baseline ($000)
Baseline	490	226	716	
Unemployment rate projections				
+1 percentage point	495	223	718	+2
-1 percentage point	480	224	704	-12
Housing inflation				
+10 percentage point shock	492	229	721	+5
-10 percentage point shock	486	223	709	-7
Interest discount rates				
+1 percentage point	477	220	697	-18
-1 percentage point	503	232	735	+19

Sensitivity analysis – outstanding claims liabilities as at 30 June 2024

	Discounted central estimate ($000)	Risk margin ($000)	Premium liabilities ($000)	Difference from baseline ($000)
Baseline	162	91	253	
Unemployment rate projections				
+1 percentage point	159	88	246	-7
-1 percentage point	161	93	253	+1
Housing inflation				
+10 percentage point shock	152	89	241	-12
-10 percentage point shock	166	102	268	+15
Interest discount rates				
+1 percentage point	161	91	252	-1
-1 percentage point	163	92	254	+1

(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 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 Mortgage Insurance Scheme 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 5.11% (2023: 4.51%).

The probability of sufficiency associated with the risk margin used is 75%. Under Reserve Bank of New Zealand insurance regulations, provisions are required to be at a 75% probability adequacy level. The Group has deemed that the Mortgage Insurance Scheme has a similar risk profile and that this adequacy level is appropriate.

The actuarial assessment of the liability adequacy test for the Mortgage Insurance Scheme as at 30 June 2024 was $0.72 million (2023: $0.69 million). This is the present value of the amount that will be sufficient for future claims arising from the rights and obligations under the Mortgage Insurance Scheme 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 2024 was 46.2% (2023: 48.9%) 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, which is the ratio of standard deviation of a distribution to the average of the distribution.

The table below shows the details of the liability adequacy test performed:

	2024 ($M)	2023 ($M)
Central estimate claims (undiscounted)	1	1
Discounting	–*	–*
Central estimate claims (discounted)	–*	–*
Risk margin at 75% probability of sufficiency	–*	–*
Premium liabilities based on liability adequacy test	**1**	**1**

* Below $500,000.

(f) Outstanding claims liability

The outstanding claims liability relates to the future cost of claims already incurred. From the simulation described above, any loan estimated to have defaulted in the period prior to the valuation date is included as part of the outstanding claims liability.

As at 30 June 2024, the total outstanding claims liability and its components are less than $1 million (2023: less than $1 million) and therefore the detail of these has not been provided.

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 risk and the systemic risk, the same methodology was adopted as when the liability adequacy test was performed. The only difference was that the additional coefficient of variation used for systemic risk in calculating the outstanding claims liability was lower than that used for the liability adequacy test. This is due to the fact that the outstanding claims liability represents a much shorter-term obligation than the premium liabilities in the liability adequacy test.

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 outstanding claims liability at 30 June 2024 was 5.35% (2023: 5.34%).

(g) Claims history

Actual claims under the Mortgage Insurance Scheme are lower than those projected by the actuarial assessment at the 75% level (2023: lower than those projected by the actuarial assessment at the 75% level).

Projected claim liabilities 2024 ($M)	Projected claim liabilities 2023 ($M)	Actual claims 2023 ($M)
0.25	0.18	0.08

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 Mortgage Insurance Scheme from the start of the scheme in July 2003 to 30 June 2024 was $13.1 million (to 30 June 2023: $13.1 million).

(h) Credit rating

Both the Group (which manages the Mortgage Insurance Scheme) and Housing New Zealand Limited have a long-term credit rating of AAA from credit rating agency S&P Global.

17. Categories and fair value of financial assets and liabilities

Financial instruments held at fair value are adjusted to fair value on a daily basis using level 1 quoted market prices determined as at the reporting date without any deduction for transaction costs (i.e. BKBM or swap pricing curve). The fair value gain/(loss) is less than $1 million for each category of financial instrument and is therefore not disclosed separately except for interest rate swaps for which the carrying value represents the fair value gain/(loss).

At 30 June, the carrying amounts of financial assets and liabilities in each of the categories of financial instruments were as follows:

	Carrying value 2024 ($M)	Carrying value 2023 ($M)
Financial assets at amortised cost		
Cash and cash equivalents	160	39
Receivables (exchange and non-exchange)	439	395
Term deposits	301	741
Mortgage advances	12	13
Total financial assets at amortised cost	**912**	**1,188**
Financial assets at fair value through other comprehensive revenue and expense		
Cash and cash equivalents	385	–
Registered Certificate of Deposit	50	616
Corporate Bond	49	511
Interest rate swaps – in hedge relationships	3	(8)
New Zealand Government Bond	–	1,417
Enhanced Rate Certificate of Deposit	–	250
Total financial assets at fair value through other comprehensive revenue and expense	**487**	**2,786**
Financial liabilities		
Financial liabilities at fair value through other comprehensive revenue and expense		
Interest rate swaps – in hedge relationships	3	8
Total financial liabilities at fair value through other comprehensive revenue and expense	**3**	**8**
Financial liabilities at fair value through net surplus/(deficit)		
Interest rate swaps – in hedge relationships	20	14
Total financial liabilities at fair value through net surplus/(deficit)	**20**	**14**
Financial liabilities measured at amortised cost		
Market bonds (net of discount/premium)	7,664	7,673
Crown loans – fixed interest rate	6,938	2,655
Crown loans – floating interest rate	1,747	1,929
Crown loan - First Home Partner	177	46
Accounts payable and other liabilities	591	495
Total financial liabilities measured at amortised cost	**17,117**	**12,798**

The above table includes bonds with a carrying value of $283 million that are financial liabilities measured at amortised cost but are in a fair value hedge relationship. While they are measured at amortised cost, the carrying amount of the bond is adjusted for the change in fair value attributable to the hedged risk.

The table shows accrued interest under receivables/accounts payable and other liabilities.

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

	Outstanding loan balance 2024 ($M)	2023 ($M)	Fair value 2024 ($M)	2023 ($M)
Financial assets				
Mortgage advances	13	14	12	13
Total	**13**	**14**	**12**	**13**

18. Interest rate derivatives

The Group uses interest rate swaps to hedge the interest rate risk associated with its interest-bearing bonds. All derivatives are entered into with the Crown and have been designated as hedging instruments.

The below table shows the fair value movement of hedging instruments and hedged items at 30 June 2024:

	2024 (#) instruments	2024 ($M)	2023 ($M)
Interest rate derivatives in cash flow hedge relationships (in gain)	11	3	8
Interest rate derivatives in cash flow hedge relationships (in loss)	2	(2)	–
Bonds (hedged item) in cash flow hedge relationships	13	(1)	(8)
Net fair value movement of cash flow hedges	**–**	**–**	**–**
Interest rate derivatives in fair value hedge relationships (in loss)	1	(20)	(23)
Bonds (hedged item) in fair value hedge relationships	1	36	46
Net fair value movement of fair value hedges		**16**	**23**

All of the Group's cash flow hedge relationships were fully effective during the financial year.

The net fair value movement on the fair value hedge is included under other expenses in the statement of comprehensive revenue and expense.

The table below shows the maturity analysis of interest rate derivatives at 30 June 2024:

	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 2024						
Interest rate derivatives in cash flow hedge relationships	9	2	(1)	(2)	(7)	1
Interest rate derivatives in fair value hedge relationships	(9)	(5)	(4)	(3)	–	(21)
Net settled interest rate derivatives	**–**	**(3)**	**(5)**	**(5)**	**(7)**	**(20)**
Kāinga Ora - Year ended 30 June 2023						
Interest rate derivatives in cash flow hedge relationships	5	1	1	1	––	8
Interest rate derivatives in fair value hedge relationships	(6)	(6)	(4)	(5)	(2)	(23)
Net settled interest rate derivatives	**(1)**	**(5)**	**(3)**	**(4)**	**(2)**	**(15)**

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

	2024 ($M)	2023 ($M)
Cash flow hedge		
0-1 year	44	263
1-2 years	36	44
2-3 years	36	36
3-5 years	-	36
5+ years	400	-
Total notional principal of cash flow hedges	**516**	**379**
Fair value hedge		
5+ years	300	300
Total notional principal of fair value hedges	**300**	**300**
Total notional principal	**816**	**679**

The interest rate swaps in cash flow hedge relationships pay a weighted average fixed rate of interest of 4.26% (2023: 4.95%) and receive a variable rate equal to the 90-day BKBM. The interest rate swap in a fair value hedge relationship pays a floating rate equal to the 90-day BKBM and receives a fixed rate of 3.42%.

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 fair value movement of swaps in cash flow hedge relationships attributable to the hedged risk (other than any ineffective portion) are recognised in other comprehensive revenue and expense under hedging reserve gains/(losses). The fair value movement of swaps in fair value hedge relationships attributable to the hedged risk and the fair value movement of the underlying hedged item are offset and recognised directly in the statement of comprehensive revenue and expense under other expenses.

Movement in interest rate swap contracts and cash flow hedge reserve

	2024 ($M)	2023 ($M)
Balance at 1 July	**6**	**–**
Fair value movement of interest rate swaps included in other comprehensive revenue and expense	(6)	8
Hedging reserve deferred tax	1	(2)
Balance at 30 June	**1**	**6**

No amounts relating to the fair value movement of interest rate swaps in cash flow hedge relationships was reclassified to the statement of comprehensive revenue and expense during the year. The amount included in other comprehensive revenue and expense is shown under hedging reserve gains/(losses).

19. Borrowings

	Carrying amount	
	2024 ($M)	2023 ($M)
Loans – current		
Market bonds (net of discount/premium)	1,947	–
Crown loans – floating interest rate	199	423
Total loans – current	**2,146**	**423**
Loans – non-current		
Market bonds (net of discount/premium)	5,717	7,673
Crown loans – floating interest rate	1,548	1,506
Crown loans – fixed interest rate	6,938	2,655
Crown loans – First Home Partner	177	46
Total loans – non-current	**14,380**	**11,880**
Total loans	**16,526**	**12,303**

Market bonds

Medium-term note facility

The Group previously maintained a medium-term note facility, with an Information Memorandum dated 30 September 2021, for the issue of unsubordinated, unsecured medium-term notes to wholesale investors. The programme was brought to a close in November 2022.

At 30 June 2024, the Group had on issue medium-term notes with a face value of $7.3 billion, excluding a premium of $0.3 billion (2023: $6.8 billion). The bonds were issued in six tranches paying a weighted average fixed rate of interest of 2.52% (2023: 2.46%), with the following maturity dates:

- $1,925 million – June 2025
- $1,240 million – October 2026
- $900 million – October 2027
- $1,425 million – October 2028
- $1,150 million – April 2030
- $650 million – September 2035

Inflation-indexed bond

The Group has on issue an inflation-indexed bond with an issue price of $303 million, including a premium of $3 million. It is paying a quarterly fixed coupon rate of 2.4%p.a and the amount repayable on its maturity date in September 2040 will be dependent on the CPI. As at 30 June 2024, the indexed carrying value of the bond is $366 million.

Crown funding

As at 30 June 2024, the Group has borrowed $8.9 billion from the Crown, with maturity dates ranging from 2024 to 2038 (2023: $5.5 billion maturing from 2023 to 2038). Of the $8.9 billion Crown funding, $6.9 billion is paying a weighted average fixed rate of interest of 4.64% (2023: 4.47%), $1.7 billion is paying a floating interest rate linked to the 3-month BKBM and $0.177 billion is an interest-free loan to administer the First Home Partner Ownership Scheme.

The Group received funding from the Crown by way of an interest-free loan to administer the First Home Partner Ownership Scheme (refer to note 14 for further information). The loan will be repaid at the end of the 15-year maturity with the proceeds from recipients buying out the Group's equity stake in their property.

The loan is recognised at its face value because the Group is acting as agent on behalf of the Crown to administer the scheme, merely resulting in the pass-through of cash flows. The Crown will cover any risk associated with a market downturn and credit risk associated with recipients not buying out the Group's equity share within the 15 years. The Group will recognise capital gains to the extent that they offset any capital loss and then recognise the net capital gain as a payable to the Crown.

The 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.

Bank overdraft facility

As at 30 June 2024, the Group had an unsecured bank overdraft facility of $10 million (2023: $10 million) at an interest rate of 8.94% (2023: 8.89%).

20. Reconciliation of statement of comprehensive revenue and expense after tax with cash flows from operating activities

	2024 ($M)	2023 ($M)
Net surplus/(deficit) after tax	**(541)**	**(518)**
Adjustments for non-cash items and non-operating activities:		
Depreciation and amortisation	439	433
Asset impairments and write-offs	251	115
(Gains)/losses on asset disposals	–	9
Taxation	(154)	(76)
Other non-cash items and non-operating items	68	155
Total non-cash and non-operating items	**604**	**636**
(Increase)/decrease in receivables	(44)	43
Increase/(decrease) in accounts payable and other liabilities	11	–
Increase/(decrease) in tax liabilities	(64)	24
(Increase)/decrease in Inventory	5	(21)
Total working capital movements	**(92)**	**46**
Net cash from operating activities	**(29)**	**164**

21. Changes in liabilities arising from financing activities

2024	30 June 2023 $M	Cash inflows/ (outflows) $M	Non-cash changes $M	30 June 2024 $M
Short-term borrowings	423	1,723	–	2,146
Long term borrowings	11,880	2,509	(9)	14,380
Assets held to hedge long term borrowings	(8)	–	5	(3)
Liabilities held to hedge long term borrowings	23	–	–	23
Total liabilities from financing activities	**12,318**	**4,232**	**(4)**	**16,546**

2023	30 June 2022 $M	Cash inflows/ (outflows) $M	Non-cash changes $M	30 June 2023 $M
Short–term borrowings	686	(263)	–	423
Long–term borrowings	9,108	2,772	–	11,880
Assets held to hedge long term borrowings	(5)	–	(3)	(8)
Liabilities held to hedge long term borrowings	22	–	1	23
Total liabilities from financing activities	**9,811**	**2,509**	**(2)**	**12,318**

22. Commitments and contingencies

(a) Operating lease commitments – Kāinga Ora Group as lessee

The Group enters into various operating leases for premises it occupies and for its motor vehicles and office equipment.

These leases have an average term of 3–6 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. The amounts disclosed as future commitments are based on current lease payments.

Expenses yet to be incurred on non-cancellable lease agreements that have been entered into as at balance date are disclosed as operating lease commitments.

Future minimum rentals payable under non-cancellable operating leases as at 30 June were as follows:

	2024 ($M)	2023 ($M)
Within 1 year	63	71
After 1 year but not more than 5 years	113	175
More than 5 years	116	122
Total	**292**	**368**

(b) Operating lease commitments – Kāinga Ora Group as lessor

The Group has entered into property leases for its property portfolio. These properties held under operating leases are measured under the fair value model, in accordance with PBE IPSAS 17 *Property, Plant and Equipment* as their primary purpose is to provide a social benefit rather than being held solely to provide rental income.

There were no new non-cancellable leases executed by the Group during the financial year (2023: nil).

(c) Capital commitments

At 30 June 2024, capital commitments amounted to $2,728 million (2023: $4,041 million) for property projects.

(d) Lending commitments

At 30 June 2024, the Group had no lending commitments approved but not yet paid (2023: nil).

(e) Contingencies

Housing New Zealand Limited (HNZL)

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.

Commerce Act litigation

Winton Land Limited and its subsidiary Sunfield Developments Limited (Winton) have filed a claim in the High Court alleging that the Group has breached section 36 of the Commerce Act 1986 in relation to its urban development functions, causing loss and damage to Winton. Winton seeks damages, including at least $138 million in relation to its proposed Sunfield development and further unquantified damages in relation to Ferncliffe Farm and other activities. The Group denies the allegations and is defending the claim. A hearing date has been set for 1 September 2025.

23. Related-party disclosure

The Group's 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	2024	2023	Investment 2024 ($M)	Investment 2023 ($M)
Housing New Zealand Limited	New Zealand	100%	100%	3,646	3,646
Housing New Zealand Build Limited	New Zealand	100%	100%	231	211
				3,877	**3,857**

(b) Other related parties

The Group administers the Housing Agency Account (HAA) as an agent of the Crown under the Housing Act 1955. As at 30 June 2024, the balance of the total amount owed to the Group by the HAA was $2.7 million (2023: $4.4 million).

In its capacity as agent for the HAA, the Group manages the rental income and expenses of the HAA's rental properties. No fee is charged for this service.

In the year to 30 June 2024, the Group provided management services to the HAA. A management fee of $2 million (2023: $2 million) was charged by the Group for these services. No management fee has been charged for other services provided to the HAA as this requires ministerial approval under the Housing Agency Accountability Agreement.

(c) 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 2024 and 30 June 2023 were unsecured, with settlement being in cash. There have been no guarantees provided or received for any related party receivables. Based on their excellent payment history, no expected credit losses relating to amounts owed by related parties have been necessary at 30 June 2024. 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.

(d) Key management personnel

Key management personnel are defined as senior management of the Group and all directors. During the year ended 30 June 2024, there were a total of 24 key management personnel (2023: 26 key management personnel).

Key management personnel compensation

Prior to balance date, Andrew McKenzie the former chief executive resigned. He will receive his contractual entitlements including a payment of approximately $352,000 as compensation for notice and redundancy which is in accordance with the agreement in place for the Chief Executive. This has been provided for as part of the employee benefits liability as at 30 June.

The below table shows the number of key management personnel full-time equivalent (FTE) as at 30 June 2024 and the amount paid to key management personnel for the year ended 30 June 2024.

	2024 FTEs	2023 FTEs	2024 ($000)	2023 ($000)
Board members				
Remuneration			549	536
Full-time equivalent members	9	12		
Leadership team				
Remuneration			6,079	5,800
Full-time equivalent members	15	14		
Total key management personnel remuneration			**6,628**	**6,336**
Total full-time equivalent personnel	**24**	**26**		

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

Remuneration information of Kāinga Ora Group Board members

	2024 $	2023 $
Current Directors:		
Simon Moutter (appointed June 2024)	6,031	–
John Duncan	61,250	61,250
John Bridgman	49,000	49,000
Fiona Mules (director to February 2024, reappointed subsequent to balance date)	30,719	23,935
Former Directors:		
Vui Mark Gosche (April 2024)	75,008	98,000
Distinguished Professor Philippa Howden-Chapman (June 2024)	53,844	49,000
Robin Hapi (June 2024)	53,844	49,000
Nicole Anderson (June 2024)	50,828	23,935
Sir John Hansen (June 2024)	49,000	42,781
Campbell Roberts (June 2024)	49,000	49,000
Ngarimu Blair (December 2023)	27,515	49,000
Victoria Kingi (September 2022)	–	12,815
	506,039	**507,716**

Remuneration information of Kāinga Ora Group independent committee members

	2024 $	2023 $
Current Committee Members:		
Lale Leremia (Investment and Delivery committee member)	24,500	24,500
Former Committee Members:		
Penelope Hulse (Urban Development and Planning committee member to March 2024)	18,658	28,175
Jacqueline (Jackie) Paul (Urban Development and Planning committee member to June 2023)	283	24,500
Graeme Mitchell (Finance, Risk and Assurance Committee member to 10 February 2023)	–	12,499
Bruce Baillie (Finance, Risk and Assurance Committee member to 8 February 2023)	–	24,308
	43,441	**113,982**

Current members of the Kāinga Ora – Homes and Communities Board

Following the release of the Government review, the Kāinga Ora Group's Board of Directors as at the date of publishing this Annual Report are:

- Simon Moutter (Chair)
- John Duncan (Deputy Chair)
- John Bridgman
- Arihia Bennett
- Jenn Bestwick
- Alan Dent
- Peter Jeffries
- Ceinwen McNeil
- Fiona Mules

Directors' insurance

The Group 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 $315,818 (2023: $269,050).

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

	2024	2023
$100,001 – $110,000	141	327
$110,001 – $120,000	286	139
$120,001 – $130,000	163	355
$130,001 – $140,000	376	105
$140,001 – $150,000	216	242
$150,001 – $160,000	164	52
$160,001 – $170,000	137	121
$170,001 – $180,000	42	113
$180,001 – $190,000	152	74
$190,001 – $200,000	47	29
$200,001 – $210,000	83	54
$210,001 – $220,000	18	14
$220,001 – $230,000	13	37
$230,001 – $240,000	37	23
$240,001 – $250,000	18	10
$250,001 – $260,000	15	5
$260,001 – $270,000	7	30
$270,001 – $280,000	28	5
$280,001 – $290,000	8	4
$290,001 – $300,000	2	1
$300,001 – $310,000	2	2
$310,001 – $320,000	1	3
$320,001 – $330,000	6	1
$330,001 – $340,000	-	3
$340,001 – $350,000	1	1
$360,001 – $370,000	-	3
$370,000 – $380,000	2	-
$390,000 – $400,000	2	2
$400,001 – $410,000	-	1
$410,001 – $420,000	-	2
$420,001 – $430,000	3	-
$430,001 – $440,000	-	1
$440,001 – $450,000	3	2
$460,001 – $470,000	-	1
$470,001 – $480,000	1	-
$690,001 – $700,000	-	1
$720,001 – $730,000	1	-
Total employees with remuneration of $100,000 and over	**1,975**	**1,763**

The above table represents amounts paid to employees during the year.

Where remuneration bands are not shown in the table above, this represents that no employees were paid within those bands during the current or previous financial year.

During the year ended 30 June 2024, 22 employees (2023: 4) received benefits in relation to cessation, totalling $582,552.49 (2023: $330,617).

25. Events subsequent to balance date

Chief Executive

Post balance date, a new interim Chief Executive, Matt Crockett has been appointed on a fixed term for 12 months and started on the 2 September 2024.

Finesse Residential

On 29 July 2024 one of the Group's development contractors went into voluntary receivership. Finesse owed the Kāinga Ora Group approximately $38 million as at 30 June 2024. No provision for doubtful debts has been allowed for this debtor because the receivership process is currently underway and clarification on an outcome will be known once this is complete. Additionally, the Group has the legal rights to recover the assets in relation to these sales.

26. Budget comparison analysis

(a) 2024 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's 2023/24 Statement of Performance Expectations.

The operating financial performance, overall, was in line with the Budget while the full-year capital spend of $4.5 billion, was less than the Budget by $480 million. Most of this variance is owing to slower delivery of Large-Scale Projects (urban development activity) as the Government reviews funding for the programme and looks to make decisions on future activity.

(b) Statement of comprehensive revenue and expense

Operating revenue ($23 million lower than budget)

Full-year total operating revenue was closely aligned to Budget, topping $2 billion in operating revenue. Rental revenue was slightly lower than anticipated, while other income received included a $20 million insurance claim for losses incurred in the Auckland Floods.

Operating expenses ($65 million lower than budget)

Operating expenses were slightly lower than the Budget as we delivered on the cost reduction initiatives in line with our Transformation programme and direction from the new coalition government. These included reducing activity to align appropriation funds with activity, the ramp-up of savings in the Asset and Maintenance Delivery Transformation programme, further removal of roles through restructures, and reduced travel expenditure.

Asset write-offs and impairment of property under development totalling $278 million was higher than budget due to higher demolition of existing properties to make way for new developments. Asset write-offs for Large Scale Projects make up $45m of the total write-off.

(c) Statement of Financial Position

Overall total assets of $48,669 million were $1 billion below the budget due to a combination of, year-end revaluations on rental properties lower than anticipated, lower levels of land and properties under development from revised government direction, offset by much higher cash balance due to unanticipated capital injection received in the final week of the financial year.

Overall total liabilities of $18,774 million and $1,438 million below budget is primarily due to deferred tax liability being lower from lower asset revaluations than anticipated, offset by higher debt levels than expected due to delays in capital injections from the Crown towards supporting the Large Scale Projects.

(d) Statement of changes in equity

The total equity on 30 June 2024 is $29,895 million, which is $457 million higher than budget. This variance is largely due to a combination of movements in Revaluation Reserve of $755 million due to reduced deferred tax and lower Equity attributable to the Crown due to partial payment of that budgeted.

(e) Cash flow statement

Net cash outflows from operating activities is $474 million lower due to a combination of higher cash inflows from core operating activities and lower land development costs relating to Large Scale Projects. A number of these projects are currently on hold as projects are reassessed for alignment with government directions.

Net cash outflows from investing activities is $90 million lower due to higher payments for purchase of rental property assets of $215 million driven by higher than ever volume of capital activity offset by higher short term investments realised of $344 million and lower sale of rental properties of $51 million than Budget.

Net cash inflows from financing activities is $58 million lower due to higher Crown Debt Draw down of $331 million offset by capital contributions from Crown of $389 million. Timing of the debt drawdown and capital contribution has resulted in higher cash balance than anticipated.

Overall closing cash and cash equivalents is $445 million higher than budget primarily driven by the unanticipated $389 million late capital injection from the Crown toward Large Scale Projects.

EY
Building a better working world

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 2024

The Auditor-General is the auditor of Kāinga Ora – Homes and Communities Group (the Group or "Kāinga Ora"). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 80 to 130, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive revenue and expenses, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information which reports against the Group's statement of performance expectations for the year ended 30 June 2024 on pages 50 to 60.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - » its financial position as at 30 June 2024; 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 Group's performance information for the year ended 30 June 2024:
  - presents fairly, in all material respects, 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;
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 24 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board Members and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EY
Building a better working world

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements and performance information of the current year. These matters were addressed in the context of our audit of the consolidated financial statements and performance information as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements and performance information section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements and performance information. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements and performance information.

Valuation of Rental Property Operating Assets

Why significant	How our audit addressed the key audit matter
The Group's rental property operating assets have a recorded fair value of $42.5 billion, accounting for 86% of total assets. To determine the fair value of these assets at each balance date, the Group engages an external registered valuer. In accordance with PBE IPSAS 17 *Property, Plant and Equipment*, the properties are valued based on their 'highest and best use'. The external valuer uses market-based evidence to value a sample of properties that are physically inspected. These valuations help the valuer assess market value changes by geographic area. Due to the similarity of assets within the portfolio, the valuer applies an indexation approach to estimate the market value of properties that were not directly inspected. Following last year's weather events in the North Island, the Group, in collaboration with QV, completed an impact assessment on the properties and their valuations. The results from this assessment have been incorporated into the 2024 asset. Included in the assessment were 355 properties valued at $262 million which were subject to significant valuation uncertainty. The nature of this uncertainty is disclosed in Note 14 Property, Plant and Equipment. Given the highly judgmental and subjective nature of the valuation, combined with its significance to the financial statements, this area is a key focus of the audit. Disclosures related to rental property operating assets are detailed in Note 14.	In obtaining sufficient appropriate audit evidence, we: • Tested the information provided to the external valuer for consistency with the information held in the Group's fixed asset register for a sample of assets. • Assessed the competence, capabilities and objectivity of the external valuer. • Considered and challenged the highest and best use assumption applied for the assets, in particular in relation to areas where the Group has demolished rental housing stock and has a plan to redevelop land to accommodate higher density housing units. • Held discussions with QV and obtained an understanding of the methodology and assumptions adopted for the properties that have significant valuation uncertainty. • Engaged our internal real estate valuation specialists to: – assess the results of a sample of valuations of inspected properties, including the methodology and assumptions used; – assess the methodology and assumptions included in the valuation of the properties impacted by the 2023 weather events; – compare a sample of individual property values to available independent databases of market value; and – consider whether the indexation applied to the remaining property portfolio was an appropriate valuation methodology and had been correctly applied to a sample of properties. • Tested a sample of costs capitalised during the year against the criteria in PBE IPSAS 17 *Property, Plant and Equipment* to assess whether they were capital in nature. • Performed a recalculation of the movement recorded in the revaluation reserve. • Assessed the adequacy of the disclosures relating to property plant and equipment. As a result of the above procedures, we considered the valuation techniques and key assumptions reasonable in forming our opinion on the financial statements as a whole.

EY
Building a better working world

Properties under Development

Why significant	How our audit addressed the key audit matter
The Group is currently engaged in several major housing projects. Properties earmarked for future development with a high probability of sale to the private sector are classified as "properties under development" in accordance with PBE IPSAS 12 *Inventories*. As of 30 June 2024, the total value of properties under development amounted to $520 million. Inventory must be recorded at the lower of cost or net realisable value. For properties under development, net realisable value is determined by estimating the expected selling price and deducting the anticipated costs to prepare the land for sale as well as the costs associated with the sale itself. Estimating these values involves significant judgment due to uncertainties surrounding future selling prices and development costs. Further details regarding properties under development can be found in Note 12 of the financial statements.	In obtaining sufficient appropriate audit evidence, we: • Assessed whether, for a sample of land parcels, the criteria for recognition as inventory had been met. • 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 to complete the development prior to sale and agreed a sample of future costs to approved business cases. • Assessed the nature of a sample of project costs against the requirements of IPSAS 12 *Inventories* to determine if the costs met the criteria to be recorded as inventory. • Assessed whether, for a sample of land parcels, the total estimated costs had been apportioned to specific properties on an appropriate basis. • Assessed the adequacy of the disclosures relating to properties under development. As a result of the above procedures, we considered the results satisfactory in forming our opinion on the financial statements as a whole.

EY
Building a better working world

Property Work in Progress

Why significant	How our audit addressed the key audit matter
The Group recognised $4.1 billion of property work in progress as at 30 June 2024. The management of a large number of capital improvement, construction or acquisition projects associated with the Group's rental property portfolio represents a significant activity for the Group and underpins its ability to deliver on managed stock targets. The Group capitalises costs related to this development and construction work in accordance with PBE IPSAS 17 *Property, Plant and Equipment*. Costs incurred include the costs of purchasing land or completed properties, construction of new properties, renewing properties that are approaching the end of their economic life and the Group's direct costs in managing these activities. The Group undertakes regular reviews of projects to consider the costs incurred compared to physical progress, to identify projects that may be discontinued or re-designed (and so which may need to be expensed in whole or part) and projects that are completed and have been made available to tenants (and so which should be transferred to rental property operating assets). The number and value of properties acquired and fully or partially completed in the year to 30 June 2024, the significance of processes associated with the capitalisation of external and internal costs and the judgement associated with both the amounts capitalised and considering possible impairment of projects together mean that this is a significant area of focus in our audit.	In obtaining sufficient appropriate audit evidence, we: • Reconfirmed our understanding of the processes utilised by the Group to manage property development and property work in progress. • Assessed a sample of costs recognised as property work in progress to consider whether they were capital in nature. • Tested a sample of property acquisitions to assess whether they were authorised in line with the required internal delegations. • Assessed and tested the cost allocation processes used to calculate the apportionment of costs to developments and to allocate directly associated payroll costs to projects. • Tested a sample of staff costs to underlying support and considered the appropriateness of the amounts capitalised to projects from construction focused business units of the Group. • Assessed the ageing of property work in progress to identify projects which are at higher risk of either being discontinued or not being capitalised as completed at the expected point in time. • Considered the Group's assessment of projects which have been or are likely to be discontinued, which will require significant amendments or which have incurred costs above expectations given the progress of the project at 30 June 2024. We also considered whether appropriate adjustments to project work in progress had been recorded in relation to these projects. As a result of the above procedures, we considered the results satisfactory in forming our opinion on the financial statements as a whole.

EY
Building a better working world

Performance Reporting against Statement of Performance Expectations

Why significant	How our audit addressed the key audit matter
The Group is mandated by the Crown Entities Act 2004 to assess and report its performance based on the measures and targets outlined in its Statement of Performance Expectations. Central to its responsibilities is the provision of tenant services aimed at prioritizing wellbeing and offering high-quality, warm, dry and healthy homes. Reporting on these achievements, aligned with performance expectations set through negotiations between the Kāinga Ora Board and relevant Ministers, forms a crucial part of its accountability framework. Given the importance of reporting non-financial performance against these expectations detailed in the Statement of Performance Expectations, which reports the Group's progress in meeting its obligations, this area represents a key focus of our audit.	In obtaining sufficient appropriate audit evidence, we: • Identified performance measures that in our view are significant to ensuring the performance reporting provides a sufficiently complete and balanced view of the Group's performance against expectations contained in the Statement of Performance Expectations. • Understood the processes the Group has in place to seek to capture service performance information in relation to significant performance measures in a consistent and accurate manner. • For performance measures that we considered to be significant, tested supporting evidence on a sample basis. This included inspection of supporting documentation, re-performance of calculations and testing the integrity of underlying data. • Assessed the presentation of all performance measures for appropriateness and completeness against our knowledge of the Group's financial performance, operations and performance framework. • Tested the integrity of the Output Activity costings attributed to each output. • Assessed the performance disclosures in the annual report against the requirements of the Crown Entities Act 2004 and PBE FRS 48 *Service Performance Reporting*. As a result of the above procedures, we considered the results satisfactory in forming our opinion on the performance information as a whole.

Responsibilities of the Board Members for the financial statements and the performance information

The Board Members are responsible on behalf of the Group for preparing 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 financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Building a better working world

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the 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 financial statements and the performance information.

For the budget information reported in the 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 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 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 performance information which reports against the Group's statement of performance expectations.
- 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 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 financial statements and the performance information, including the disclosures, and whether the 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 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 are 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.

Building a better working world

Other information

The Board Members are responsible for the other information. The other information comprises the information included on pages 1 to 49 and 61 to 79, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the 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 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 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 (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out a limited assurance engagement over the Greenhouse Gas Emissions inventory, which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with, or interests, in the Group

Stuart Mutch
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

HOUSING AGENCY ACCOUNT
TE PŪRONGO Ā-TAU ANNUAL REPORT 2023/24

Ngā tauākī whakahaere pūtea
Financial statements

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 and performance information of the Housing Agency Account for the year ended 30 June 2024.

(a) The Board is responsible for the preparation of the financial statements and performance information and the judgements used therein.

(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 and performance information.

(c) In the opinion of the Board, the financial statements for the year ended 30 June 2024 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:

Simon Moutter
Chair
Kāinga Ora – Homes and Communities

24 September 2024

John Duncan
Deputy Chair
Kāinga Ora – Homes and Communities

24 September 2024

HOUSING AGENCY ACCOUNT

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2024

	Notes	2024 $000	2023 $000
Revenue			
Revenue from non-exchange transactions			
Rental revenue – Crown income-related rent subsidy		626	586
Rental revenue – Tenants income-related rent		335	318
Crown appropriation income	2	8	16
Total revenue from non-exchange transactions		**969**	**920**
Revenue from exchange transactions			
Interest income		6,624	5,595
Gain on sale of properties		117	–
Other income		75	100
Total revenue from exchange transactions		**6,816**	**5,695**
Total revenue		**7,785**	**6,615**
Expenses			
Write-down of inventory	3	6,915	1,247
Management fee	12	2,000	2,000
Property maintenance		797	602
Operating expenses	4	595	653
Depreciation		341	344
Provision for underwrite of KiwiBuild properties	13	(3,213)	6,495
Total expenses		**7,435**	**11,341**
Net operating surplus/(deficit)		**350**	**(4,726)**
Other comprehensive revenue and expense			
Gain/(loss) on land and property revaluation	8	(361)	(960)
Total comprehensive revenue and expense		**(11)**	**(5,686)**

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

HOUSING AGENCY ACCOUNT

Statement of Changes in Equity

For the year ended 30 June 2024

	Notes	2024 $000	2023 $000
Total equity at 1 July		**148,255**	**153,941**
Net surplus/(deficit) for the year		350	(4,726)
Asset revaluation gain/(loss)	8	(361)	(960)
Total comprehensive income for the period		**(11)**	**(5,686)**
Contributions from and distributions to the Crown			
Capital contribution from the Crown		24,333	–
Total contributions from and distributions to the Crown		**24,333**	**–**
Total changes in equity		**24,322**	**(5,686)**
Total equity at 30 June		**172,577**	**148,255**
Equity attributable to the Crown			
Opening balance		180,057	180,057
Capital contribution from the Crown		24,333	–
Closing equity attributable to the Crown		**204,390**	**180,057**
Retained earnings			
Opening retained earnings		(45,182)	(40,456)
Net surplus/(deficit) for the year		350	(4,726)
Net transfers from asset revaluation reserve on disposal		**(44,832)**	**(45,182)**
Revaluation reserve			
Opening revaluation reserve		13,380	14,340
Asset revaluation gains/(loss)	8	(361)	(960)
Closing revaluation reserve		**13,019**	**13,380**
Total equity at 30 June		**172,577**	**148,255**

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

HOUSING AGENCY ACCOUNT

Statement of Financial Position

As at 30 June 2024

	Notes	2024 $000	2023 $000
ASSETS			
Current assets			
Cash at bank		99,731	138,317
Inventory	5	77,412	14,509
Receivables	6	550	676
GST receivable		132	216
Total current assets		**177,825**	**153,718**
Non-current assets			
Land under development	7	8,145	8,063
Work in progress		–	1,783
Property, plant and equipment	8,9	21,264	22,330
Properties held for sale	10	6,834	4,900
Total non-current assets		**36,243**	**37,076**
Total assets		**214,068**	**190,794**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	11,12	18,922	8,976
Provisions	13	22,569	33,563
Total current liabilities		**41,491**	**42,539**
Total liabilities		**41,491**	**42,539**
Net assets		**172,577**	**148,255**
EQUITY			
Crown funds		204,390	180,057
Retained earnings		(44,832)	(45,182)
Revaluation reserve		13,019	13,380
Total equity		**172,577**	**148,255**

For and on behalf of the Board:

Simon Moutter
Chair
Kāinga Ora – Homes and Communities

24 September 2024

John Duncan
Deputy Chair
Kāinga Ora – Homes and Communities

24 September 2024

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

HOUSING AGENCY ACCOUNT

Statement of Cash Flows

For the year ended 30 June 2024

	2024 $000	2023 $000
Cash flows from operating activities		
Interest received	6,624	5,595
Receipts from sale of developed assets	254	5,185
Rent receipt	955	905
Other income	75	96
Crown operating appropriation receipts	8	16
Management fee paid to related party	(2,000)	(2,000)
Other payments to suppliers	(6,208)	(2,821)
Purchases of property inventory	(62,903)	(36)
Interest paid and bank charges	(87)	(161)
Net cash flows from operating activities	**(63,282)**	**6,779**
Cash flows from investing activities		
Sale of property, plant and equipment	363	–
Purchases of property, plant and equipment	–	(276)
Net flows from investing activities	**363**	**(276)**
Cash flows from financing activities		
Capital contributions from the Crown	24,333	–
Net cash flows from financing activities	**24,333**	**–**
Net cash flows	(38,586)	6,503
Opening cash and cash equivalents	138,317	131,814
Closing cash and cash equivalent	**99,731**	**138,317**

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

HOUSING AGENCY ACCOUNT

Notes to the Financial Statements

For the year ended 30 June 2024

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 Group.

HAA has designated itself as a public benefit entity (PBE) for financial reporting purposes. PBEs are defined as "reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view of supporting that primary objective rather than for a financial return to equity holders".

The financial statements for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 24 September 2024.

Accounting standards and interpretations

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

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

2022 Omnibus Amendment to PBE Standards

This standard has been issued, which amends the following PBE standard:

- PBE IPSAS 17 *Property, Plant and Equipment* includes changes to the accounting for any net proceeds earned while bringing an asset into use by requiring the proceeds and relevant costs to be recognised in the statement of comprehensive revenue and expense rather than being deducted from the asset cost recognised.

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

- Amendments to PBE IFRS 17 *Insurance Contracts in the Public Sector*. These amendments are mandatorily effective for periods beginning on or after 1 January 2026. HAA has yet to assess the effects of this amendment on its financial statements.

(iii) Accounting standards and interpretations issued and early adopted

- Amendments to PBE IPSAS 1 *Disclosure of Fees for Audit Firms' Services*. The amendments are required for periods on or after 1 January 2024. This amendment will require HAA to separate out audit fees of financial statements from other audit fees, other assurance services, taxation services and other services.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with Tier 2 PBE Standards Reduced Disclosure Regime (RDR). HAA is eligible and has elected to apply the PBE Standards RDR because its expenses are less than $30 million and it does not have public accountability as defined by XRB A1 *Application of the Accounting Standards Framework*.

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.

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.

HOUSING AGENCY ACCOUNT

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. The '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. The reversal of an impairment loss is recognised in the surplus or deficit.

Provision for future development costs

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

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

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

Estimation of useful lives of assets

HAA reviews the useful lives and residual values of its property, plant and equipment annually.

Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment requires HAA to consider a number of factors such as the physical condition of the asset, expected period of use and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact the depreciation expense recognised in the net surplus/(deficit) for the year and the carrying amount of the asset in the statement of financial position.

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

Buying off the Plans initiative

Kāinga Ora was appointed as agent of the Crown by Ministerial approval to administer the KiwiBuild Buying off the Plans (BOTP) initiative. The Crown's obligations under the scheme include funding all aspects of BOTP. All purchases/sales of property and the holding/on-selling costs associated with BOTP from that date are recognised within HAA.

Provision for underwrite of KiwiBuild properties

The KiwiBuild BOTP initiative involves the Crown underwriting homes in new residential developments led by the construction sector on privately owned or HAA land.

KiwiBuild BOTP supports developers to increase the supply of quality affordable houses by underwriting part or all of a development. This enables affordable homes to be built that would otherwise not be built or accelerates the construction of affordable homes. KiwiBuild homes must be priced at or below specified price caps and must be offered in the first instance to eligible KiwiBuild buyers. To the extent that developers exercise these options and depending on the value of the properties relative to the agreed underwrite price, HAA is exposed to potential losses.

The value of the provision for which HAA has exposure to KiwiBuild underwrite-related losses largely depends on property values and includes an estimation of the valuation of the property at the time of sale.

The relativity of a BOTP property's market value to the agreed price that the developer can sell it to HAA at affects:

- the likelihood that a developer will exercise the option to sell the property to HAA
- the potential loss (if any) to HAA if the developer does exercise the option.

At each reporting date, an assessment is made of whether the recognised insurance liabilities are adequate by using a liability adequacy test. The insurance liability value is adjusted to the extent that the unearned premiums are insufficient to meet future claims and expenses.

The key component is the central estimate of potential losses as part of the liability adequacy test, which is a significant estimate.

The KiwiBuild underwrite provision has been independently valued by Dan Stoner of Taylor Fry, a member of the New Zealand Society of Actuaries and the Institute and Faculty of Actuaries (UK).

Revenue

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

(i) Revenue from non-exchange transactions

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

Revenue generated from non-exchange transactions is represented below:

Crown income-related rent subsidy and tenant income-related rent

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

Crown operating appropriations

HAA receives revenue from the Crown as operating appropriations. Crown appropriation revenue is received to reimburse HAA for expenses incurred by operating programmes associated with Crown land.

All Crown appropriation revenue is recognised when the right to receive the asset has been established.

(ii) Revenue from exchange transactions

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

The following represents the revenue of HAA 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.

Interest income

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

Sale of inventory and gain on sale of properties

Revenue earned from sale of properties under the BOTP government initiative is recognised when risks and rewards pass to a third party. The gain on sale of properties is recognised when the risk and rewards of ownership have passed to the third party.

Accounts receivable

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any expected credit losses (ECLs).

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.

Accounts payable and other liabilities

Accounts payable and other liabilities are carried at amortised cost. Due to their short-term nature, they are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. They represent liabilities for goods and services provided to HAA prior to the end of the financial year that are unpaid and arise when HAA becomes obliged to make future payments in respect of the purchase of these goods and services.

Accounts payable and other liabilities are recorded as current except for those expected to be settled beyond the next 12 months, which have been recorded as non-current.

Provision for future development costs

HAA estimates future development costs expected to be incurred by each precinct. A provision for future development costs is recognised in the statement of financial position for those costs estimated as required to complete the development process associated with properties sold at the time a sale is recognised.

The net movement in the provision for the year is recognised as net gains or losses on the sale of properties in the statement of 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.

Inventories

Inventories comprise properties acquired under the KiwiBuild BOTP initiative and held by HAA for subsequent sale, superlots from the Hobsonville development and other land held for resale.

All inventory items are valued at the lower of cost or net realisable value, determined principally by the expected sale price less the cost of the property acquired from the developer and selling costs.

PBE IPSAS 12 *Inventories* requires the estimates to take into consideration the purpose for which the property is held, which in this case is to sell at market or affordable pricing.

Land under development

Land and related developments that are held for further development and sale in the ordinary course of business are classified as inventory.

Land under development is recorded at the lower of cost or net realisable value (selling price less cost to complete and sales cost). Any write-downs to net realisable value are charged to net surplus/(deficit) for the year.

Work in progress

Land and related developments for eventual sale to market are classified as work in progress. Work in progress is held at cost, which is defined as all costs incurred that are directly related to the development of these assets, and is annually reviewed for any impairment.

Rental property

Rental properties are initially recorded at cost and subsequently measured to fair value on an annual basis. Where an asset is acquired for nominal or zero consideration, the asset is recognised at fair value as at the date of acquisition, with a corresponding recognition of revenue in net surplus/(deficit).

Fair value is determined by reference to market-based evidence and is the amount for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date. Independent valuations are performed annually to ensure that the carrying amount does not materially differ from the asset's fair value at the balance date.

Unrealised gains and losses arising from changes in the fair value of rental property are recognised at balance date. Where a gain reverses a loss previously charged to net surplus/(deficit) for the same asset class, the gain is credited to net surplus/(deficit). Otherwise, gains are credited to an asset revaluation reserve in other comprehensive income for that asset class.

An item of property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of this asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Any gain or loss arising on 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 and 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 held for sale

Properties held 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 held 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 held for sale are recorded at the lower of the carrying amount and fair value less costs to sell. Any write-downs to fair value are charged to net surplus/(deficit) for the year.

Taxation

HAA is not liable for income tax by virtue of section CW 38(2) of the Income Tax Act 2007. However, HAA is subject to goods and services tax (GST).

All amounts in the financial statements are stated exclusive of GST except for accounts receivable and accounts payable, which are GST inclusive.

Capital management

HAA's capital is in equity, which comprises accumulated funds generated from its operating and investment activities, Crown appropriation and other reserves. These funds will be held by HAA in order to meet its 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 an agent of the Crown. While funds in these bank accounts may be invested, any of the principal and proceeds of the investment must be credited to the bank account the funds were sourced from originally.

2. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to HAA and the revenue can be reliably measured.

Crown appropriation revenue

HAA is an agent of the Crown. It undertakes some transactions with statutory corporations, state-owned enterprises and government departments on an arm's length basis.

In the current financial year, HAA received $8,000 in operating appropriations (2023: $16,000) from the Crown.

3. Write-down of inventory

	2024 ($000)	2023 ($000)
Redevelopment write-offs	2,343	1,247
Inventory net realisable value write-down	4,572	–
Write-down of inventory	**6,915**	**1,247**

4. Operating expenses

	2024 ($000)	2023 ($000)
Land and water rates	157	153
Interest expense	88	161
Community development costs	74	2
Audit fee	60	71
Property surveys	49	–
Rental expenses	39	86
Consultants	35	34
Premises security	31	–
Insurance	23	17
Selling and facility expenses	14	9
Agents' commission	–	36
Other expenses	25	84
Operating expenses	**595**	**653**

	2024 ($000)	2023 ($000)
(i) Amount paid or payable to Ernst & Young (acting on behalf of the Auditor-General) for:		
– Auditing the financial report of the entity	60	71
(ii) Other assurance services	–	–
Total amounts paid or payable to the auditors	**60**	**71**

5. Inventories

	2024 ($000)	2023 ($000)
Properties held at 1 July	14,509	14,473
Purchases during the year	67,475	36
Write-down of inventory to net-realisable value	(4,572)	–
Properties held at 30 June	**77,412**	**14,509**

HOUSING AGENCY ACCOUNT

6. Receivables

	2024 ($000)	2023 ($000)
Current receivables		
Account receivables	1,049	1,171
Allowance for expected credit losses	(499)	(495)
Net realisable value of current accounts receivable	**550**	**676**

7. Land under development

	2024 ($000)	2023 ($000)
Land under development for resale	8,145	8,063

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 2024 as part of the overall Hobsonville site valuation.

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

Movements in land under development

	2024 ($000)	2023 ($000)
Land under development for resale at 1 July	8,063	7,988
Development costs incurred during the year	82	75
Land under development for resale at 30 June	**8,145**	**8,063**

8. Rental properties

	2024			2023		
	Land ($000)	Buildings ($000)	Total ($000)	Land ($000)	Buildings ($000)	Total ($000)
Rental properties at 1 July	12,019	10,178	22,197	12,388	10,768	23,156
Additions during the year	–	549	549	–	276	276
Revaluation	(348)	(13)	(361)	(369)	(591)	(960)
Depreciation for the year	–	(272)	(272)	–	(275)	(275)
Disposals	–	(912)	(912)	–	–	–
Rental properties at 30 June	**11,671**	**9,530**	**21,201**	**12,019**	**10,178**	**22,197**

Rental properties comprising land and buildings were revalued to fair value as at 30 June 2024.

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

HOUSING AGENCY ACCOUNT

9. Plant and equipment

	Equipment ($000)	Furniture ($000)	Leasehold improvements ($000)	Total ($000)
2024				
Cost				
Balance at 1 July	76	178	458	712
Balance at 30 June	**76**	**178**	**458**	**712**
Less:				
Accumulated depreciation				
Balance at 1 July	(75)	(140)	(364)	(579)
Depreciation charges for the year	(1)	(18)	(51)	(70)
Balance at 30 June	**(76)**	**(158)**	**(415)**	**(649)**
2024 net carrying amount	**–**	**20**	**43**	**63**
2023				
Cost				
Balance at 1 July	76	178	458	712
Balance at 30 June	**76**	**178**	**458**	**712**
Less:				
Accumulated depreciation				
Balance at 1 July	(75)	(122)	(313)	(510)
Depreciation charges for the year	–	(18)	(51)	(69)
Balance at 30 June	**(75)**	**(140)**	**(364)**	**(579)**
2023 net carrying amount	**1**	**38**	**94**	**133**

10. Properties held for sale

	2024 ($000)	2023 ($000)
Properties held for sale at 1 July	4,900	4,384
Net additions	1,934	516
Properties held for sale at 30 June	**6,834**	**4,900**

For the purposes of testing whether an impairment has occurred to the properties held for sale as at 30 June 2024, a valuation was carried out by Quotable Value New Zealand, a company employing registered and qualified valuers.

11. Accounts payable and other liabilities

	2024 ($000)	2023 ($000)
Current accounts payable and other liabilities		
Trade creditors	5,404	4,274
Accrued expenses and other liabilities	114	118
Total current accounts payable and other liabilities	**5,518**	**4,392**

12. Related parties

	2024 ($000)	2023 ($000)
Kāinga Ora	149	123
Housing New Zealand Limited	13,862	4,223
Housing New Zealand Build Limited	(812)	33
Other	205	205
Total owed to/(receivable from) related parties by HAA	**13,404**	**4,584**

HAA is an agent of the Crown. It undertakes some transactions with state-owned enterprises and government departments on an arm's length basis.

In the year to 30 June 2024, Kāinga Ora provided management services to HAA. A management fee of $2 million (2023: $2 million) was charged by Kāinga Ora 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 2024, the balance of the total amount owed by HAA to Kāinga Ora and its subsidiaries was $13.4 million (2023: $4.6 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 2024, HAA has not made any repayment to the Ministry of Housing and Urban Development. (2023: nil).

13. Provisions

	2024 ($000)	2023 ($000)
Current provisions		
Provision for future development costs	18,500	26,281
Provision for underwrite of KiwiBuild BOTP properties	4,069	7,282
Total current provisions	**22,569**	**33,563**
Total provisions for development costs	**22,569**	**33,563**

	MOVEMENTS			
	2024		2023	
	Future development cost ($000)	Underwrite of KiwiBuild properties ($000)	Future development cost ($000)	Underwrite of KiwiBuild properties ($000)
Movement in carrying amounts				
Carrying amounts at 1 July	26,281	7,282	28,661	787
Additional provisions recognised/(reversed)	2,343	(3,213)	1,247	6,495
Development expenditure (incurred)/reversed	(10,124)	–	(3,627)	–
Total carrying amount at 30 June	**18,500**	**4,069**	**26,281**	**7,282**

HOUSING AGENCY ACCOUNT

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 2024.

Total land area for which future costs have been included in the provision remained as 780,735 square metres as at 30 June 2024.

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.

Provision for underwrite of KiwiBuild properties

The provision represents the expected loss as a result of purchasing properties from developers who have exercised their call option (under the KiwiBuild BOTP initiative) for the Crown to purchase these properties.

Liability adequacy test	2024 ($000)	2023 ($000)
Central estimate	2,884	4,987
Discounting	(250)	(224)
Central estimate claims (discounted)	2,635	4,763
Administration expenses (discounted)	148	128
Risk margin at 75% probability of sufficiency %	46.2%	48.9%
Risk margin at 75% probability of sufficiency $	1,286	2,392
Premium liability based on the liability adequacy test	**4,069**	**7,282**

Sensitivity analysis	Liability based on the liability adequacy test ($000)	Change in liability ($000)
Base result	4,069	
House price standard deviation +1%	5,459	1,426
House price standard deviation -1%	2,843	(1,226)
House price mean increase +1%	3,081	(988)
House price mean increase -1%	5,311	1,242
Discount rates +0.1%	4,031	(38)
Discount rates -0.1%	4,139	70

14. Right of first refusal for sale of land

Treaty settlement legislation has granted a right of first refusal (RFR) over most Crown-owned land. This prohibits the disposal of RFR land without first giving the relevant iwi/hapū (RFR holder) the right to purchase the RFR land before the land can be disposed of to anyone else.

Under the Urban Development Act 2020, the RFR obligation applies to Kāinga Ora-led urban development projects, granting the RFR holder the right to be offered an opportunity to be the developer of Crown-owned RFR land.

The following are examples of legislation that grant RFR over Crown-owned land set aside for a state housing purpose and administered by Kāinga Ora–Homes and Communities under the Housing Act 1955:

- Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014. A 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 (RFR holder) is to be offered an opportunity to submit a proposal to be the developer. The Ministry of Housing and Urban Development administers the RFR development opportunity in accordance with the Redevelopment Protocol.
- Waikato Raupatu Claims Settlement Act 1995. Exemptions available.
- Port Nicholson Block (Taranaki Whānui ki Te Upoko o Te Ika) Claims Settlement Act 2009. Exemptions available.
- Ngāi Tahu Claims Settlement Act 1998. Exemptions available.

15. Commitments

Capital commitments

At 30 June 2024, capital commitments amounted to $14.86 million (2023: $11.96 million) for property projects.

16. Contingencies

As at 30 June 2024, HAA had no contingent assets or liabilities (2023: nil).

17. Events subsequent to balance date

There were no events subsequent to balance date (2023: nil).

18. Service Performance Reporting

Hobsonville Point

In 2005, Housing New Zealand Corporation established a wholly owned subsidiary, Hobsonville Land Company, to masterplan and deliver a housing development on the site of former New Zealand Defence Force land. Funding for Hobsonville Point's development activity is drawn from HAA where sales proceeds and distributions to the Crown occur.

Activities undertaken on behalf of the Crown using this account must demonstrate financial benefits and ensure future costs do not put undue risk onto the Crown.

Hobsonville Point is a 167-hectare neighbourhood situated on former New Zealand Defence Force land, a 20-minute drive northwest of Auckland's CBD.

In addition to increasing housing supply, the development's purpose was to shift the market through innovation and partnering. It has enabled developers to test the market on new housing typology, affordability and tenure models, and partnerships with iwi.

The improved delivery of key infrastructure and amenity, placemaking and sustainability measures has guided our approach to large-scale development and remains an exemplar of high-quality urban development in New Zealand.

Hobsonville Land Company was formed to deliver the outcomes of:

- sustainable housing development
- returns to the Crown
- mitigation of the pressure points facing Auckland
- opportunities for a broad range of people and businesses
- delivery of a range of policy objectives
- development of a new business model that can be applied to other large-scale projects.

In the financial year, 159 homes were completed in the Hobsonville Point development area. To date, 3,276 homes have been completed, of which 816 are affordable homes.

Other highlights from the financial year include:

- completing obligations to deliver the Marine Recreation Centre jetty and platform at Catalina Bay
- gaining council sign-off for infrastructure delivery at Catalina Bay
- selling a small remaining superblock for six homes.

Acquisition of Ormiston

On 6 October 2023, the Crown entered an agreement for sale and purchase of real estate with The Neighbourhood South Limited for 171 titled lots for completion by a target date of 30 September 2024 for $38,260,870 to be paid in staged payments. The sunset date for the agreement is 30 September 2025. The development is the Stage 3 land within the Neighbourhood South at Ormiston development in Flat Bush, Auckland.

On 2 October 2023, the responsible Ministers established a $40 million appropriation to fund the purchase and authorised the transaction. To date, a total of $29,846,389 of the purchase price has been paid to the developer.

Crown acquisitions

Due to the current challenging residential real estate sales market, selling down homes is proving difficult for developers. As a result, developers are increasingly exercising the call option available for the underwrite and Kāinga Ora (on behalf of the Crown) is acquiring the homes at the contracted underwrite prices, which is an expected outcome for the programme.

During the 2024 fiscal year, the call options for 53 properties totalling $24.3 million have been exercised requiring the Crown to purchase these properties. Prices in the relevant areas have dropped below the underwrite price meaning these homes are considered unattractive for purchase. The KiwiBuild homes are required to be sold to eligible KiwiBuild buyers and come with conditions such as the minimum 3-year ownership period which is also proving a barrier to sales.

Inventories comprise these properties acquired under the KiwiBuild BOTP initiative. All inventory items are valued at lower of cost or net realisable value, determined principally by the expected sale price less the cost of the property acquired from the developer and selling costs.

Transfer of land for development at Endeavour Ave under the Urban Development Act 2020

The site 1–3 Endeavour was owned by the Crown and held within HAA, administered by Kāinga Ora. The site was originally purchased in 2006 from the Ministry of Education for $1.9 million plus GST. Kāinga Ora wishes to develop the site and has obtained a resource consent for mixed-housing use.

Under the Urban Development Act 2020 the land which was held in HAA for public housing purposes, was transferred from HAA to Housing New Zealand Build Limited via Kāinga Ora in September 2023 at the purchase price of $1.9 million plus GST to ensure financially viable development of land for housing.

SPE ref:	Actual 2022/23	Performance measure	Target 2023/24	Actual 2023/24	
4.5	15%	The percentage of completed underwritten KiwiBuild homes acquired by the Crown as part of the Buying off the Plans initiative	≤25%	14%	

The above percentages are accumulated amounts since 2018.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF HOUSING AGENCY ACCOUNT'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of Housing Agency Account (the Account). The Auditor-General has appointed me, Stuart Mutch, 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 140 to 155, that comprise of the statement of financial position as at 30 June 2024, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information which reports against the Account's service performance criteria on pages 154 and 155.

In our opinion:

- the financial statements of the Account:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; 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; and
- the Account's performance information for the year ended 30 June 2024:
  - presents fairly, in all material respects, its standards of delivery performance achieved as compared with the service performance criteria for the financial year
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 24 September 2024. 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 and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board Members for the financial statements and the performance information

The Board Members are responsible on behalf of the Account for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand.

Building a better working world

The Board Members are responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board Members are responsible on behalf of the Account for assessing the Accounts 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 and performance information

Our objectives are to obtain reasonable assurance about whether the 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 financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the 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 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 Accounts' 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 performance information which reports against the Account's service performance criteria.
- 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 Accounts' 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 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 Account to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information 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.

Building a better working world

Other information

The Board Members are responsible for the other information. The other information comprises the information included on page 139, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the 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 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 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 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 (including International Independence Standards) (New Zealand) (PES 1)* 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.

Stuart Mutch
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

www.kaingaora.govt.nz

Kāinga Ora
Homes and Communities

Te Kāwanatanga o Aotearoa
New Zealand Government