Kāinga Ora
Homes and Communities

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27 August 2025

s 9(2)(a) [redacted]

s 9(2)(a) [redacted]

I write in response to your request dated 14 July 2025 to Kāinga Ora – Homes and Communities, for the following information under the Official Information Act (1982):

> *- A copy of the Kāinga Ora board's reports back to ministers outlining progress on maintenance savings, paused projects, vacant land and other issues, as described on page 22 of this OIA response*
>
> *- All briefings, aides memoire, monthly reporting and other documents since January 1, 2025 related to Kāinga Ora's efforts to reduce maintenance spending*
>
> *- All communications (including but not limited to text messages, emails, and phone calls) between members of the Kāinga Ora board and ministers regarding the report back and its findings*
>
> *- All communications (including but not limited to text messages, emails, and phone calls) between members of the Kāinga Ora board and the leadership teams of Kāinga Ora and the Ministry of Housing and Urban Development regarding the report back and its findings*

On 4 April 2025 Kāinga Ora sent the March 2025 Report Back to the Minister. This document is attached.

Some information has been withheld under the following sections of the Act:

- 9(2)(f)(iv) to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered.

I have considered the public interest considerations in section 9(1) of the OIA. I consider that the withholding of the information from this response is not outweighed by considerations that render it desirable in the public interest to make that information available.

Please note that since March 2025, information contained in the Report Back has been updated, and is available here:

- Kāinga Ora takes next step in financial reset :: Kāinga Ora – Homes and Communities
- Kāinga Ora reports on reset progress, releases performance scorecard :: Kāinga Ora – Homes and Communities.

It is important to note the March Report was based on the information available at the time and some changes have occurred since it was prepared. For example, in the March Report we took a conservative approach to estimating the level of write-down that might be required for flood-prone properties in Auckland. By year's end, we had more clarity around what was happening with those properties and as none required demolition at that point, our valuers advised no write-downs were required.

There is no other information in scope of your request, therefore the remaining part of your request is refused under 18(e) of the Act as the document alleged to contain the information requested does not exist or, despite reasonable efforts to locate it, cannot be found.

You have the right to seek an investigation and review by the Ombudsman of this decision. There is information about how to make a complaint at https://www.ombudsman.parliament.nz or by freephone on 0800 802 602.

Nāku iti noa, nā

Gareth Stiven
Acting Chief Financial Officer

In Confidence

Kāinga Ora Reset Plan

March 2025 Report Back

4 April 2025

Kāinga Ora
Homes and Communities

Executive summary

- Kāinga Ora's operational performance is strong. Vacancies are low, customer satisfaction is high, we have rolled out new tenancy management and debt practices, and productivity is improving (for example actual FTE has reduced by over 530 since 30 June 2024).
- YTD (Feb) we are tracking $86m ahead of budget and are forecasting $107m over delivery on underlying FY25 operating results[1]. This is helping us absorb a large portion (but not all) of one-off costs associated with write-downs and redundancies. Forecast FY25 operating deficit is $81m below budget due to these write-offs, including recent ministerial direction on Ferncliffe. Our forecast operating cash surplus is $243m (operating surplus less depreciation, write-offs and gains/losses on sale). 30 June 2025 debt is forecast at about $18.4b, in line with the Reset Plan forecasts and slightly better than budget.
- Financial results to date and operating outlook are underpinned by over delivery and strong trajectory vs budgeted cost savings. We are also making good progress firming up additional cost saving opportunities. Standard and Poors recently upgraded our stand-alone credit profile to A-, reflecting improvement in underlying operational cost performance.
- FY25 write-offs are driven primarily by the need to write-off WIP for projects that no longer meet investment hurdles, along with the need to revalue high flood risk properties. 9(2)(f)(iv) [redacted].
- Current strong underlying trajectory, together with these additional cost savings opportunities, gives us confidence that we can deliver FY26 budget, despite known and potential risks, notably the need to address substantial technology challenges and the potential for additional WIP write-offs as we further review our in-flight projects.
- We are on track to meet FY25 housing delivery targets in all regions. Large volumes scheduled for completion in the last quarter means delivery risk will need to be managed closely through the rest of the year. We are forecast to deliver this within budgeted capex supported by housing build cost improvements and a more competitive market for market-led acquisitions.
- We have largely completed our vacant land review with the initial plan seeing us exiting ~$132m of landholdings. We are working with HUD on detailed plans by region which incorporate planned renewals, demolitions and replacement sales of older homes.
- We have developed, defined and enacted processes to support the required housing and land divestments. This will take some time to fully ramp up, but we are confident we can achieve the divestments assumed in the Reset Plan renewal programme.
- Moving forward, we propose to report Reset Plan execution on a quarterly basis versus a simple scorecard with supporting information. We would ground both our government and public reporting around this scorecard.
- 9(2)(f)(iv) [redacted]

[1] excluding one-off items including reduced demolition -$15m, $118m WIP write-off; Auckland intolerable flood risk properties $29m, 9(2)(f)(iv) [redacted] and redundancies $28m

Overview of report back

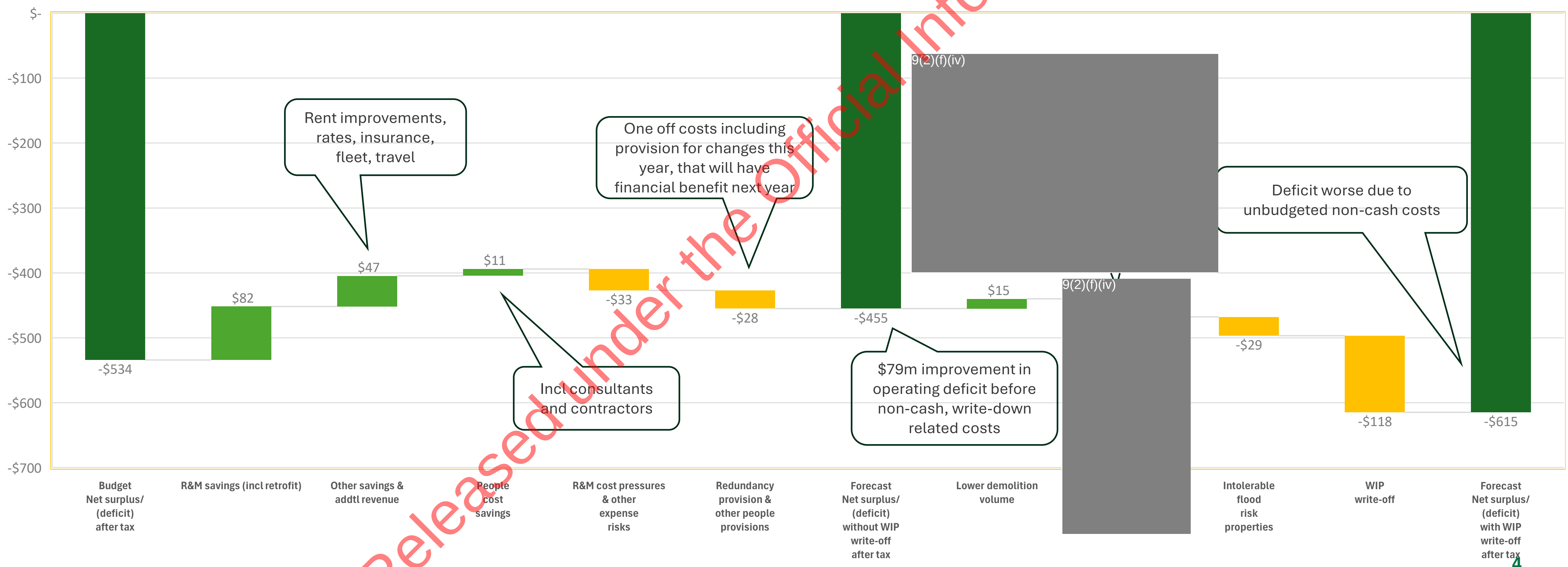
This report back updates Ministers on:

- Updated financial outlook compared with Reset Plan commitments, including:
  - Latest 2025 forecast **(slide 4)**
  - The progress of Kāinga Ora's asset management and maintenance (AM&M) savings programme **(slides 5 and 6)**
  - Opportunities for further savings **(slide 7)**
  - Latest estimates of write-off risks associated with paused projects **(slides 8 and 9)**
  - Preliminary outlook for FY26 **(slide 10)**
- Housing delivery for FY25, including volumes and costs **(slides 11 - 15)**
- Vacant landholdings and approach to divestment of surplus landholdings **(slides 16)**
- Planning for the social housing replacement sales programme **(slides 17)**
- Reporting going forward **(slide 18)**
- A request to progress an interim funding solution and authority to start contracting across a two-year investment cycle **(slide 19)**

Significant operational savings reflecting a strong cost control focus has created capacity to partially absorb one-off costs associated with Reset Plan related write-offs, redundancies, write-down of Auckland homes with intolerable flood risks and 9(2)(f)(iv) [redacted] We are forecasting an $81m non-cash driven deterioration in FY25 operating result.

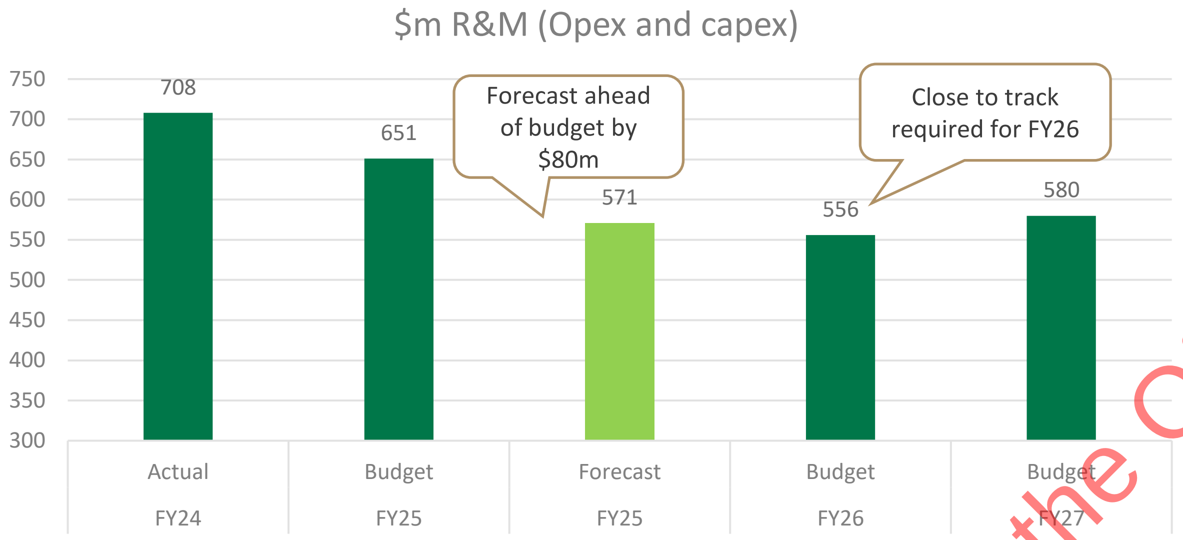
Financial outlook

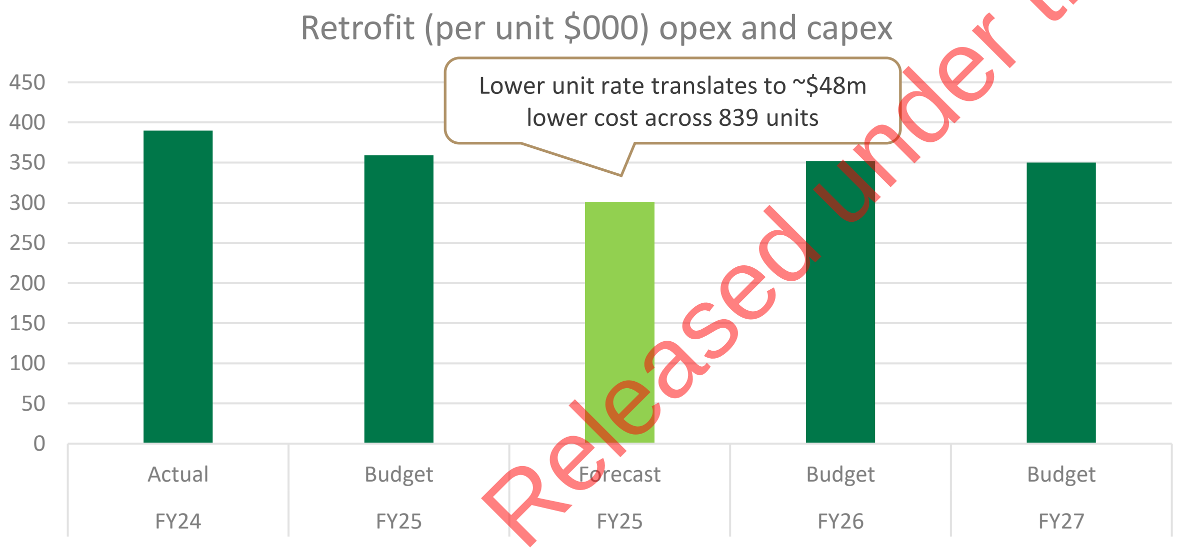
FY25 Net surplus/(deficit) Waterfall ($m)



AM&M savings programme overdelivering, despite delays in a key planned aspect of the programme. Realistically targeting further savings by FY27

Forecasts based on January YTD tracking ahead of budget



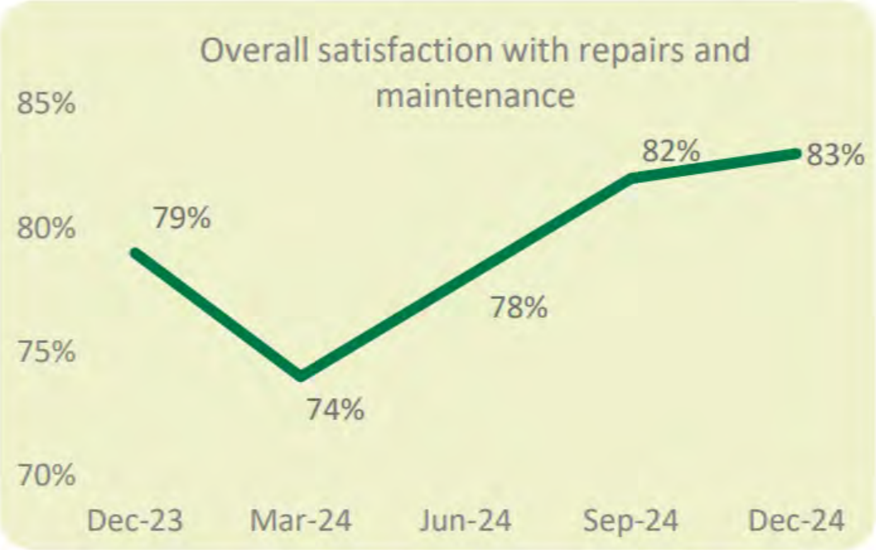


Key points

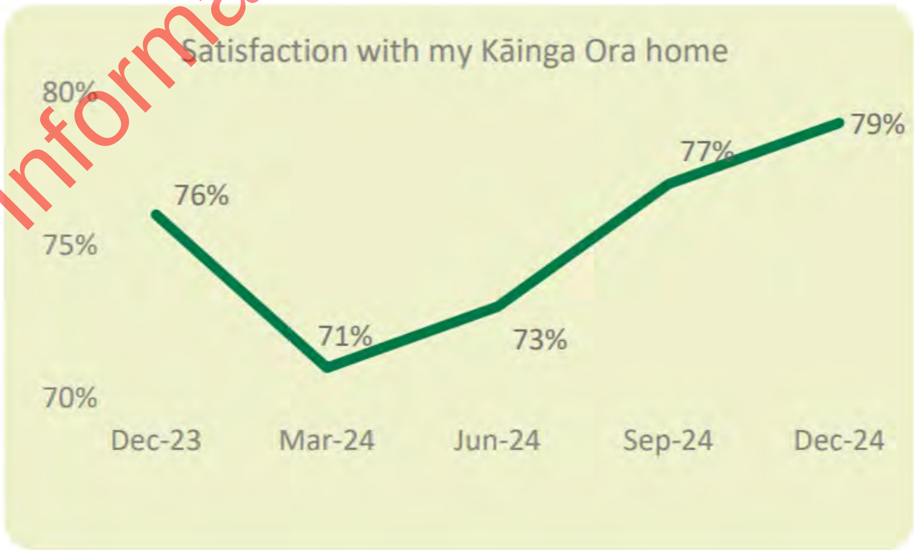
- **High confidence of meeting committed savings with upside opportunity entering FY27**
- Key initiated programmes are over delivering due to a disciplined focus on driving improvement initiatives
- Improved upfront decisions about what interventions are needed when, supported by better condition assessments, more focused training, and deployment of new technologies (eg drones for roof inspections)
- Maturing retrofit programme has enabled more competitive works tendering
- Material opportunities to further improve cost track:
  - Maintenance delivery optimisation, ie resetting approach to executing work on the ground. Continuing to pilot with implementation more realistically commencing late FY26
  - Expanding the scope of valid controls work to urgent requests and a broader range of trades

Despite material cost reductions, customer satisfaction with maintenance is improving, along with overall satisfaction with their home

Financial outlook



We target a band of 75%-85% customer satisfaction



Overall satisfaction with maintenance has continued to trend upwards since March 2024.

Customer satisfaction with time taken for maintenance work to be completed has risen to 85% this quarter.

Satisfaction with home continues to trend upwards.

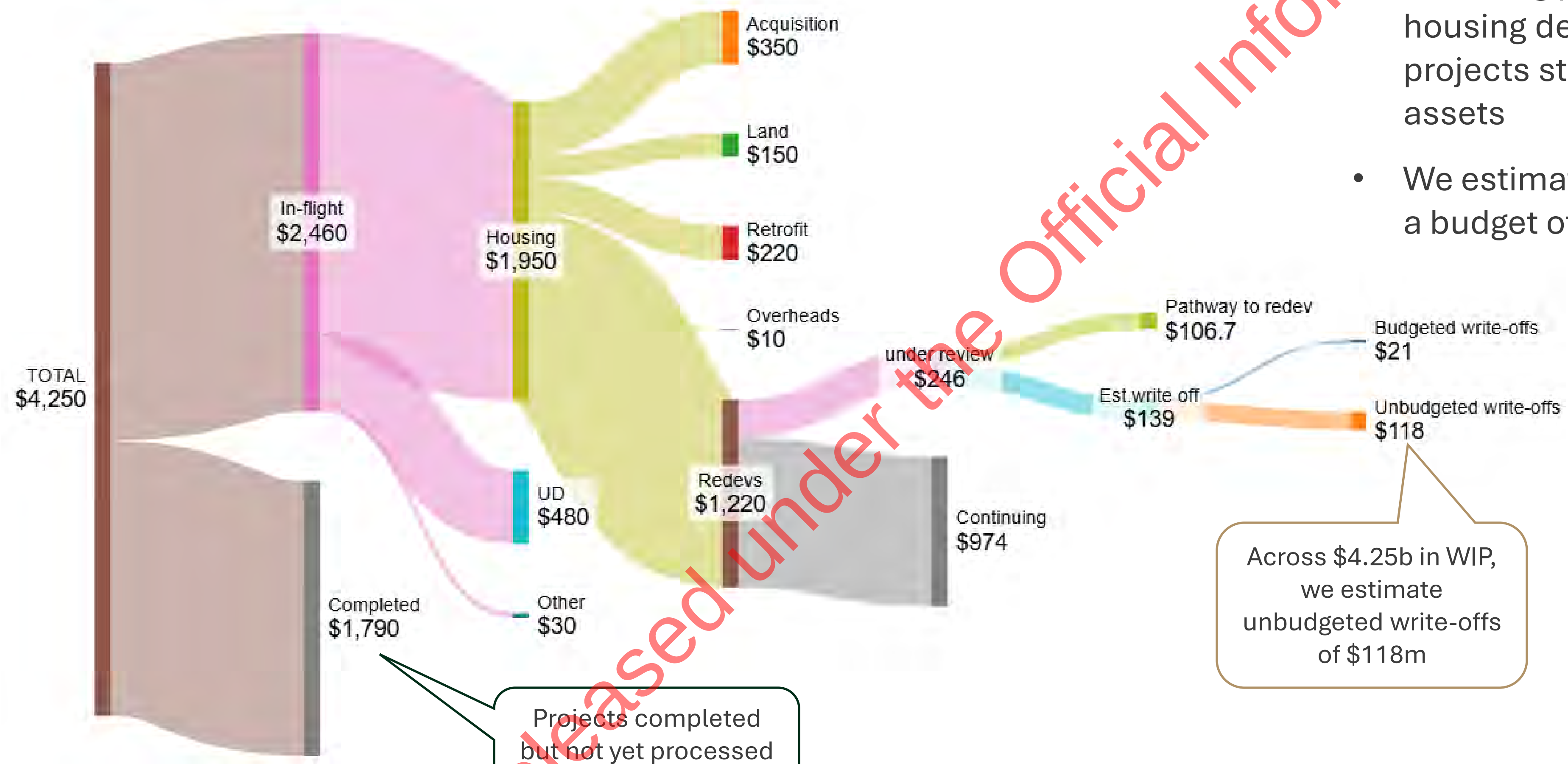
Only 8% of customers were dissatisfied with their home this quarter, decreasing from 13% the previous quarter.

9(2)(f)(iv)

[redacted]

A combination of tightening financial metrics, reduced demand, and changing market conditions mean a number of projects that have been started are no longer commercially viable

WIP Status February 2025 $m



Projects completed but not yet processed to fixed assets

Across $4.25b in WIP, we estimate unbudgeted write-offs of $118m

Financial outlook

- We have over $4b currently sitting in WIP reflecting planned urban renewal and housing delivery, and $1.8b of completed projects still to be transferred to fixed assets
- We estimate $139m of WIP write-off against a budget of $21m – a $118m cost pressure

We are forecasting unbudgeted write-offs of $118m, in addition to $29m in write-downs for flood impaired property (excluding 9(2)(f)(iv) [redacted]

Financial outlook

Write offs ($ million)	Excluding annual revaluations of our core property, processed through the revaluation reserve.

Balance Sheet Offset	G/L Item description	Description	Written off YTD (a)	Provided YTD (b)	YTD (a+b)	Year End Forecast	Budget	Variance	
Fixed Asset Register	Social housing write down	Write-down of improvements demolished for redevelopment	40.9		40.9	102.5	117.0	(14.5)	Fewer demolitions
	Write Off Natural Disasters	Including Auckland flood Intolerable Risk Properties ($29m)	2.8		2.8	31.8	3.0	28.8	
	Fire Damage Write off	Improvement writedowns	3.5		3.5	2.5	2.5	-	
	Chemical Write off	Improvement writedowns			-	-	-	-	
Inventory Writedown	Impairment of properties under development	The adjustment of the value on our balance sheet for properties under development (largely LSPs).	0.5		0.5	55.0	55.0	-	
WIP Writedown	Professional fees (project proceeding) Projects not proceeding Under review houses FY26 Under review apartments FY26 FY27 & Beyond projects 9(2)(f)(iv) [redacted]	Project write-downs and write offs associated with projects no longer considered viable for redevelopment, or where total costs are less than value toward projects	9(2)(f)(iv) [redacted]						Unbudgeted 118.0
Total write offs			47.7	68.6	116.3	330.8	198.5	132.3	

- Many projects are not proving financially viable, with lower cost alternative options available these projects will not progress in their current form. These projects form the bulk of projects which will need to be written off.
- Other projects may proceed, but the level of spend against the project exceeds what can be reasonably considered adding value to the built outcome. In these cases, costs need to be written down.
- Some projects are viable, but we have already met programme requirements in those locations. In these cases, WIP will be retained with the projects re-examined for delivery in later years as programmes are approved.
- 240 Auckland homes have been assessed as having intolerable flood risks, reducing their value by $29m.

Preliminary analysis indicates we are tracking well towards FY26 Reset Plan commitments. However, it is too soon to commit to any further savings

Early outlook for FY26 suggests we are on track with possible upsides (albeit potentially offset by unqualified risks) still to work through from:

- Further savings across the asset management and maintenance programme; and
- Planned reductions in support services through the Reset Resize Renew project.

Any savings will need to offset likely cost pressures from:

- Costs of rolling out the sales programme; and
- Technology upgrades.

Given uncertainties and cost risks around technology requirements, sales and write-downs it would be premature to commit to additional FY26 savings now.

We are on track to meet FY25 housing delivery targets in all regions. Large volumes scheduled for completion in the last quarter means delivery risk will need to be managed closely through the rest of the year

Social Housing Delivery & Forecast 2024/2025 as at 28 February 2025

HUD Region	Net Delivery Target	Gross Delivered	SLED Delivered	Net Delivered	Net Delivery Remaining to meet Target	Remaining Forecast - Contracted/ Construction	Remaining Forecast - SLED	Remaining Forecast - Net Committed	Total Forecast vs Target	Remaining Forecast - Proceed to Contract	Remaining to Contract
	Net	Gross	Gross	Net	Net	Gross	Gross	Net	Net	Gross	Net
Auckland	770	659	-158	501	269	548	-257	291	Over 22	0	-22
Northland	130	87	-16	71	59	127	-27	100	Over 41	0	-41
Bay of Plenty	100	58	-14	44	56	87	-15	72	Over 16	0	-16
Rotorua	220	74	-35	39	181	207	-11	196	Over 15	0	-15
Central	90	111	-10	101	-11	26	-19	7	Over 18	0	-18
East Coast	250	143	-79	64	186	214	-23	191	Over 5	0	-5
Taranaki	10	2	-5	-3	13	19	-4	15	Over 2	0	-2
Waikato	330	269	-14	255	75	161	-15	146	Over 71	0	-71
Wellington*	30	160	-16	144	-114	110	-67	43	Over 157	0	-157
Canterbury	160	240	-95	145	15	108	-29	79	Over 64	0	-64
Southern	50	49	-5	44	6	16	-7	9	Over 3	0	-3
West Coast Tasman	90	54	-18	36	54	80	-17	63	Over 9	0	-9
Total Social Housing	**2,230**	**1,906**	**-465**	**1,441**	**789**	**1,703**	**-491**	**1,212**	**Over 423**	**0**	**-423**
Supported Housing	0	15	-33	-18	0	24	0	24		0	0
Total Social Housing & Supported Housing	**2,230**	**1,921**	**-498**	**1,423**	**789**	**1,727**	**-491**	**1,236**		**0**	**-423**

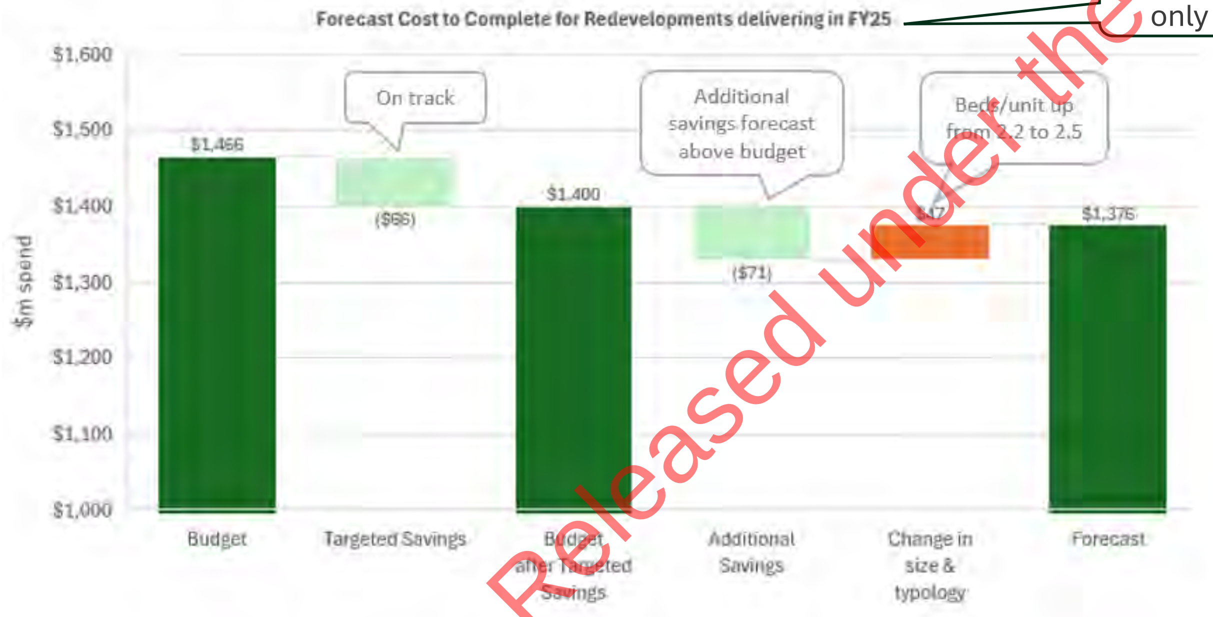
Comparing with budgets and savings targets FY25: Housing delivery is meeting savings targets for FY25 programme supported by more cost-effective redevelopments and a more competitive market for market-led acquisitions

FY25 programme – $ capex cost to complete

9(2)(f)(iv) [redacted]

9(2)(f)(iv) [redacted]

only



Key points

More cost-effective designs and processes are driving material cost savings for redevelopments.

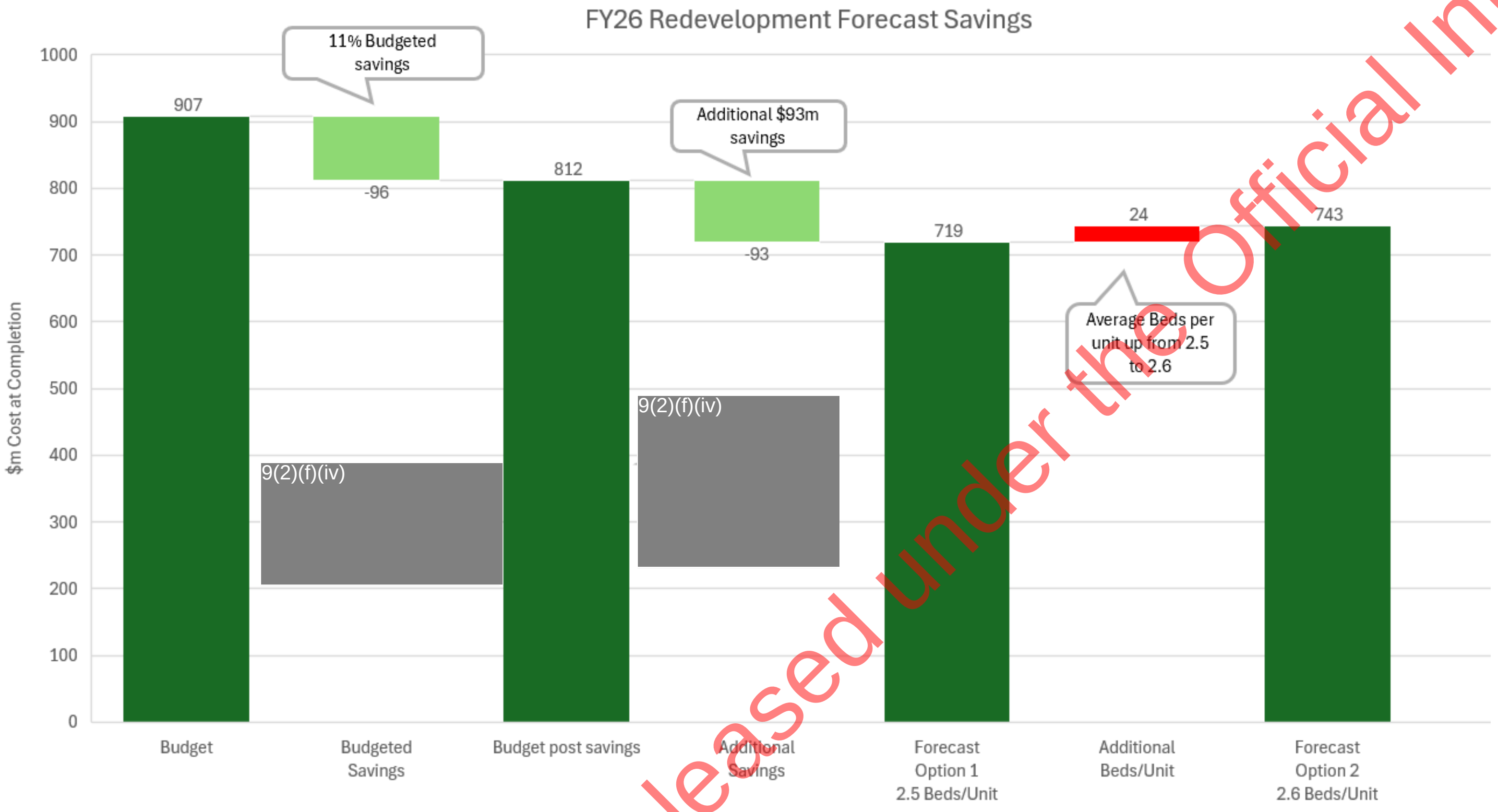
Current market conditions and changes in procurement approach have resulted in more competitive bids for work and are supporting savings relative to budget for market delivery of $31m.

Redevelopments are forecast to be completed for $90m less than budget.

Total savings for redevelopments are actually $137m, however the average bedroom size of homes is slightly larger than budgeted 2.5 v 2.2.

Comparing with budgets and savings targets FY26: Forecast to meet new lower per unit cost targets in FY26 and overall budget allowance, despite delivering larger homes on average

FY26 programme - forecast



Key points

9(2)(f)(iv) [redacted].

Forecasting to be under budget for the 2026 redevelopment programme by $69m-$93m.

The lower savings assumes we continue to build at an average 2.6BR, the larger saving assumes smaller typologies dominate and we can return the programme to 2.5BR per unit on average.

Smaller units are proving more challenging from a financial viability perspective (both upfront and higher operating costs for apartments) – ***this is an emerging risk***

Comparing with market: As newer build methods enter the pipeline, we are moving closer to market benchmarks, and our new optimised plans are at-or-better than market benchmarks, though across a small sample

FY25 house delivery costs excl land

9(2)(f)(iv)

[redacted]

- *Kāinga Ora costs using optimised plans are now in line with or better than market on average*
- *Sample includes 1009 Market-led units (which fully meet our standards), 666 Traditional Complex, 235 Traditional Simple, 475 HDS Standard Plans, and 95 units Optimised Plans. Optimised Plans rates are all contracted.*
- *Uses houses only ie no three level walk ups or apartments as there are insufficient Market-led data points for this comparison.*

Key points

2024 analysis showed all-in costs @ 12% higher than market-led comparators.

For FY25 this gap has closed to 8%, however the 95 units delivered through optimised plans are 1.5% ***lower*** than market.

Due to working with complex redevelopment sites, civil costs are 32% higher than market. Site selection and site density is a key focus going forward.

We will continue to refine methodologies for assessing cost comparisons with HUD and Treasury

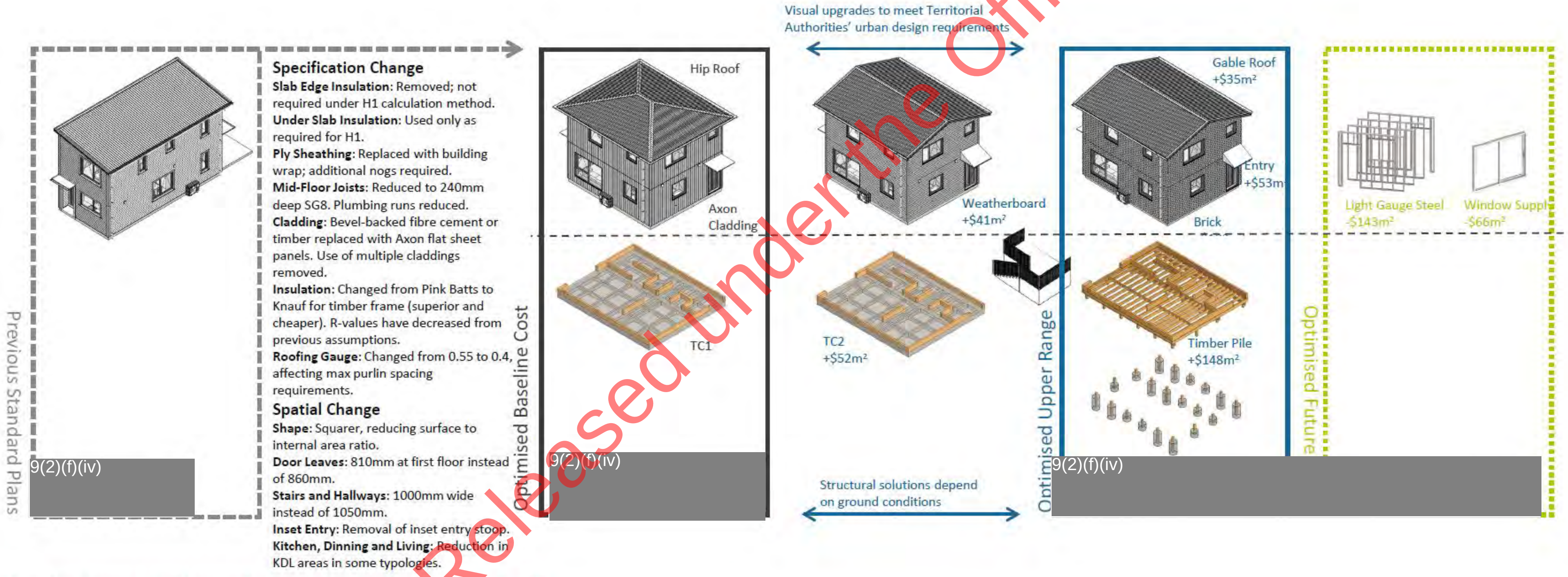
Optimised plans: A first-principles approach optimising structural design and reducing building complexity. A baseline is established, with features added back to meet council requirements and to respond to ground conditions

Optimised Houses – Establishing a baseline

2 Bed, 2 Level – 86m²

Key lever for reducing cost include optimising structural design by avoiding ply bracing and portal frames and aligning the structure with material modules such as cladding, flooring, and framing. Additionally, building complexity was reduced and optimized for both material and labour efficiency by using a hip roof, single cladding, and eliminating recessed entries.

Further opportunities in product selection and procurement, and civils and site selection



Note: Cost shown is build cost only. Foundations and top structure. Ex. GST.

All vacant land has been categorised and the Board has confirmed intent to divest almost 32 hectares[1] which have been deemed surplus to requirements, or where we have been unable to find a development option that meets financial metrics

Vacant land

Securing available land is crucial to the timely execution of the build programme. We ideally need a 24-month land pipeline to have confidence in delivery. At 250sqm a site, land earmarked for future development will enable around 3000 units, or 2-3 years of programme at current rates. However, there is significant variation in different regions, and this excludes new land freed up due to demolitions.

Where we are confident that land will be suitable for social housing, we will hold this for future development, rather than selling and needing to acquire again in the future. However, we expect to see a shift away from demolitions in some markets, to prioritise vacant land first – this is the detailed planning work we have underway, noting next steps on LSPs will impact some of our planning in Auckland particularly. A comprehensive update will be provided to align with HYEFU.

Hold for social housing development	likely to be used to meet delivery targets and renewal plans over the next four years and where it makes sense to hold some sites for longer. Part of this assessment determined appropriateness of site for social housing use and whether the proposed development met Kāinga Ora financial metrics	80.6ha	$405m
Divestment	the site does not meet the thresholds in the above assessment and should be considered for divestment. Generally, these sites are those that have been assessed as either surplus to requirements or are sites which have been unable to meet financial metrics to achieve social housing delivery	31.8ha	$132m

Retaining well located land is key to support flexibility and timeliness.

All divestment sites have been shared with HUD to consider any opportunities for CHPs – (noting we need market value, and process certainty)

The replacement sales programme will shortly begin to ramp up as we continue to progress a range of policy and process issues, develop agreed business rules and prepare instructions for the business. Vacant land sales will also soon commence

Sales programme

- Meeting legislative RFR requirements, and broader iwi consultation.
- Establishing internal policies and business rules (eg unsolicited approaches, rules around sales to staff etc).
- Balancing opportunistic sales as people exit tenancies, and planned rehousing of people for whom we need to find new homes.
- Ensuring there are no unintended tax complications with any sales, particularly where they may affect Kāinga Ora's binding ruling on its rental estate.
- Process will follow an on-market approach to achieve best value unless HUD sets expectations of preferential sales for CHPs. Any special engagement and process should be managed by HUD, given they have the primary funding relationship.

Excluding Dixon street, 183 sales were forecast for 2025. Our current projection is that we will complete 108 units this year, with the balance concluding in early 2026.

We anticipate the FY26 programme will be weighted toward the back of the financial year. We have developed initial lists of opportunities and are working toward having ~ 500 business cases completed in FY25 and ~1,200 completed by December 2025 to meet the FY26 targets. We will continue to update you on this programme as it progresses and matures.

We have strengthened accountabilities and process and are confident we can scale up to meet targets.

All divestments will require a divestment business case, and a valuation will be obtained to provide a reference value for negotiations and auctions as required.

Generally, sites will be marketed via deadline sale or auction.

Larger development sites will be marketed to developers and build partners in a similar way as superlots within LSPs.

Reset Plan – reporting going forward

Following this report back, we will utilise our Quarterly Report to provide regular updates on Reset Plan progress, including a simple one-page scorecard that is also suitable for public release and covers four key areas.

We will also highlight Reset Plan initiatives delivered/completed in the previous quarter and priority initiatives for the coming quarter.

1. Tenant Management

2. Build Performance

Cost efficiency

Financial sustainability

9(2)(f)(iv)

[redacted]

Kāinga Ora Reset Plan – March 2025 Report Back

Kāinga Ora
Homes and Communities