B.13

Kāinga Ora
Homes and Communities

# Progress

on building brighter futures

Q1

**PŪRONGO IA TORU MARAMA**
QUARTERLY REPORT
JULY – SEPTEMBER 2023


Te Mātāwai, central Auckland

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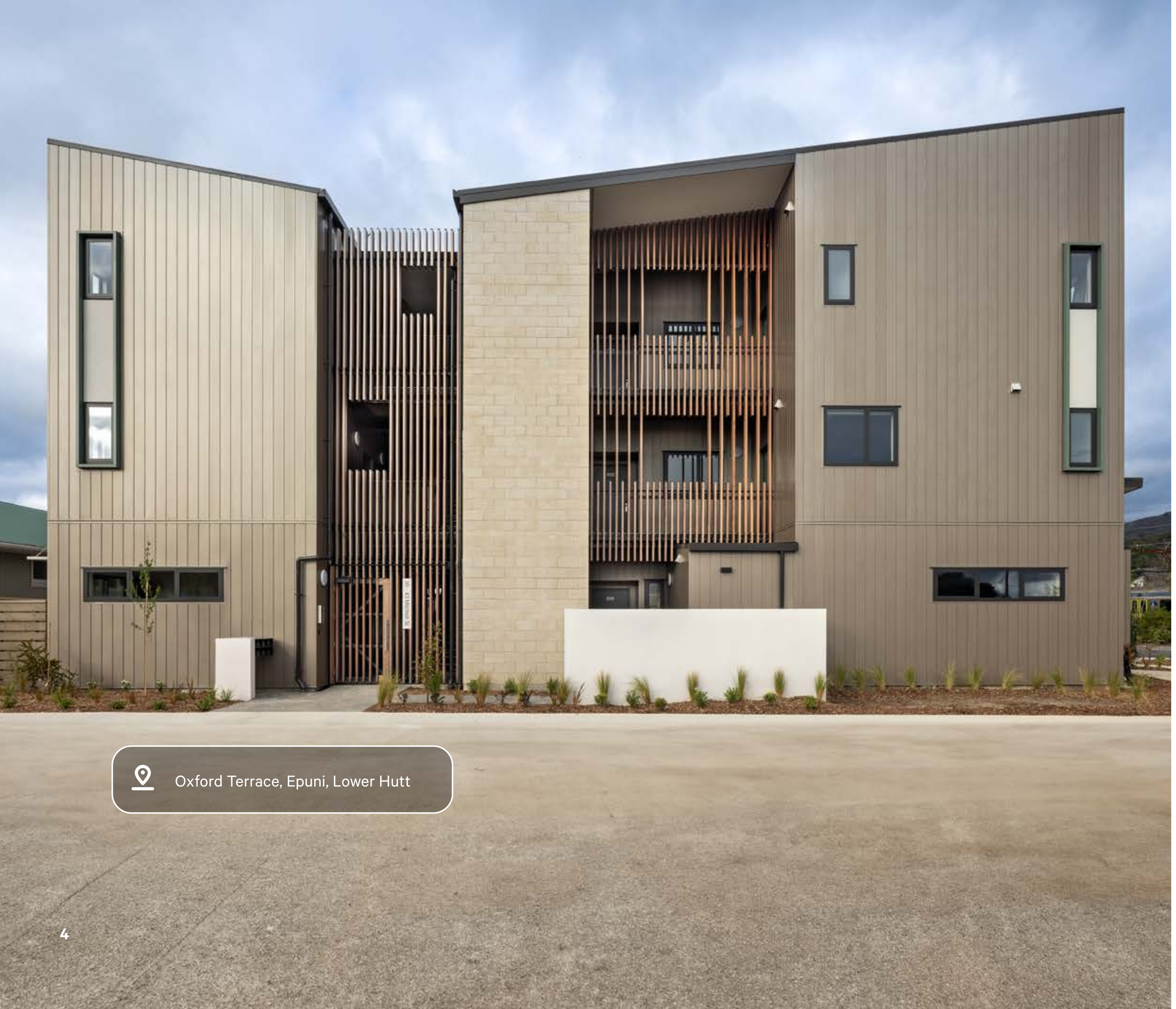
This document has been formatted to allow easy accessibility for all people, as described in the Ministry of Social Development's *Accessibility Guide*.

# Introduction

This section provides a look at who we are, what direction the Government has set for us, and shows how our work benefits New Zealanders.



Oxford Terrace, Epuni, Lower Hutt





## Who we are

We are Kāinga Ora – Homes and Communities. Our vision is building better, brighter homes, communities and lives – he oranga kāinga, he oranga hapori, he oranga tāngata.

### Kāinga Ora has two core 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.

Kainga Ora delivers the Government's housing and urban development policies and objectives to contribute to sustainable, inclusive and thriving communities.

We provide homes to over 185,000 customers, and we own or manage more than 72,000 houses across the country.

## Our outcomes

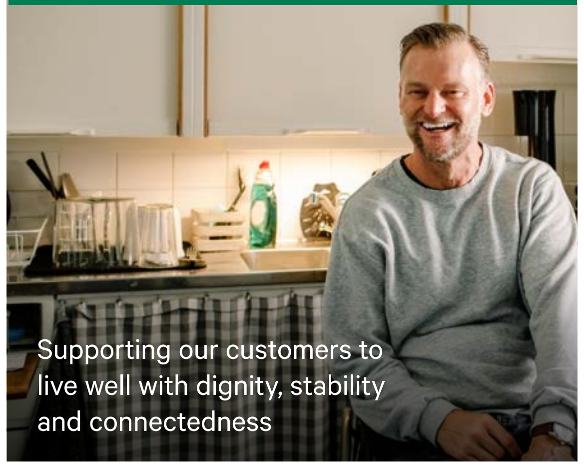
Our six enduring outcomes are interconnected and reflect what government, communities and users of our services expect from us. These reflect our governing legislation and guide our strategy, decision-making and the services we deliver. Our outcomes and their link with the Government Policy Statement on Housing and Urban Development 2021 (GPS-HUD) outcomes are shown below.

| OUTCOMES | SUPPORTING GPS-HUD OUTCOMES |
|---|---|
| **Customer Wellbeing**<br>Customer wellbeing means people in our homes live well, with dignity, stability and the greatest degree of independence possible. | Partnering for Māori housing and urban solutions |
| **Māori Aspirations**<br>Enabling Māori aspirations means investment in housing solutions that build capability and support whānau wellbeing. | Wellbeing through housing |
| **Housing Access**<br>Housing access means enabling homes that meet diverse needs and are safe, affordable and healthy to live in. | Wellbeing through housing |
| **Thriving Communities**<br>Thriving communities are inclusive and sustainable with access to employment, education, and social and cultural opportunities. | Thriving and resilient communities |
| **Environmental Wellbeing**<br>Environmental wellbeing means sustainable and resilient operations, assets and communities. | Thriving and resilient communities |
| **System Transformation**<br>Land-use, infrastructure and housing supply are integrated, efficient, effective and responsive to demand. | An adaptive and responsive system |

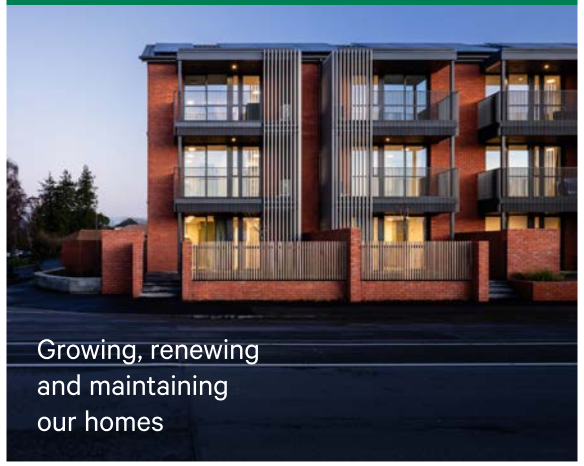
## Our outputs

These outputs represent the activities we do for our customers, their whānau and their communities. Our output measures therefore represent the activities we monitor to ensure we stay on track in delivering our goals.

**OUTPUT CLASS 1**




**OUTPUT CLASS 2**

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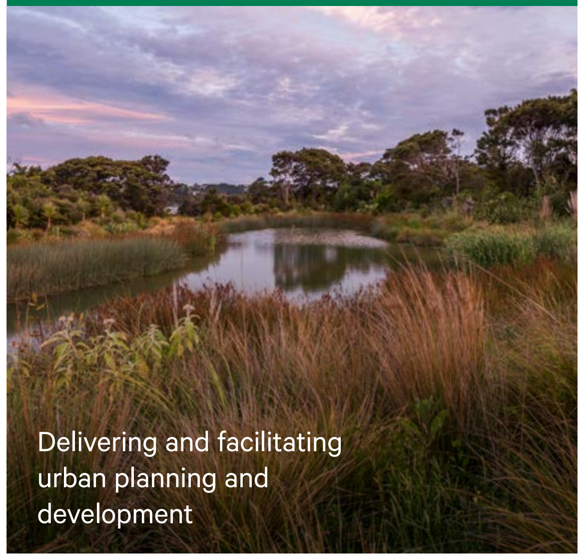



**OUTPUT CLASS 4**

## Our focus

We are committed to meeting government expectations and delivering on our commitments. Below are key areas of focus for the year ahead.

### Responding to our asset renewal requirements

We are doing more to manage and maintain our homes than ever. Over the next 20 years, around 45,000 of our state homes will reach the end of their economic life, rendering them unsuitable for our customers' needs and decreasing their value as assets. Renewing these homes will require a significant amount of capital.

Our renewal programme over the next 10 to 20 years will improve the performance and value of our housing portfolio and ensure our homes meet the needs of our customers. The scale of this work, the complexity, the cost and the need to deliver for our customers are why we are thoroughly looking at our end-to-end asset management and maintenance system to improve speed, reliability, quality and productivity.

During the first quarter, we completed the discovery phase of this review. As we move forward, we are looking to implement actions that will result in significant savings in how we manage our assets and work with our suppliers.

### Accelerating the supply of our homes

We are building our capability and capacity and improving our construction systems to accelerate the supply of homes to New Zealanders. To leverage our construction productivity, we are helping the construction sector in addressing broader issues so that we can build housing solutions faster, with more reliability, less waste and at a reduced cost.

Over time, this new Housing Delivery System is projected to reduce new public housing construction build times by 80 per cent and costs by at least 30 per cent through planning and delivering construction work and materials differently, with financial benefits estimated at $800 million over four years.

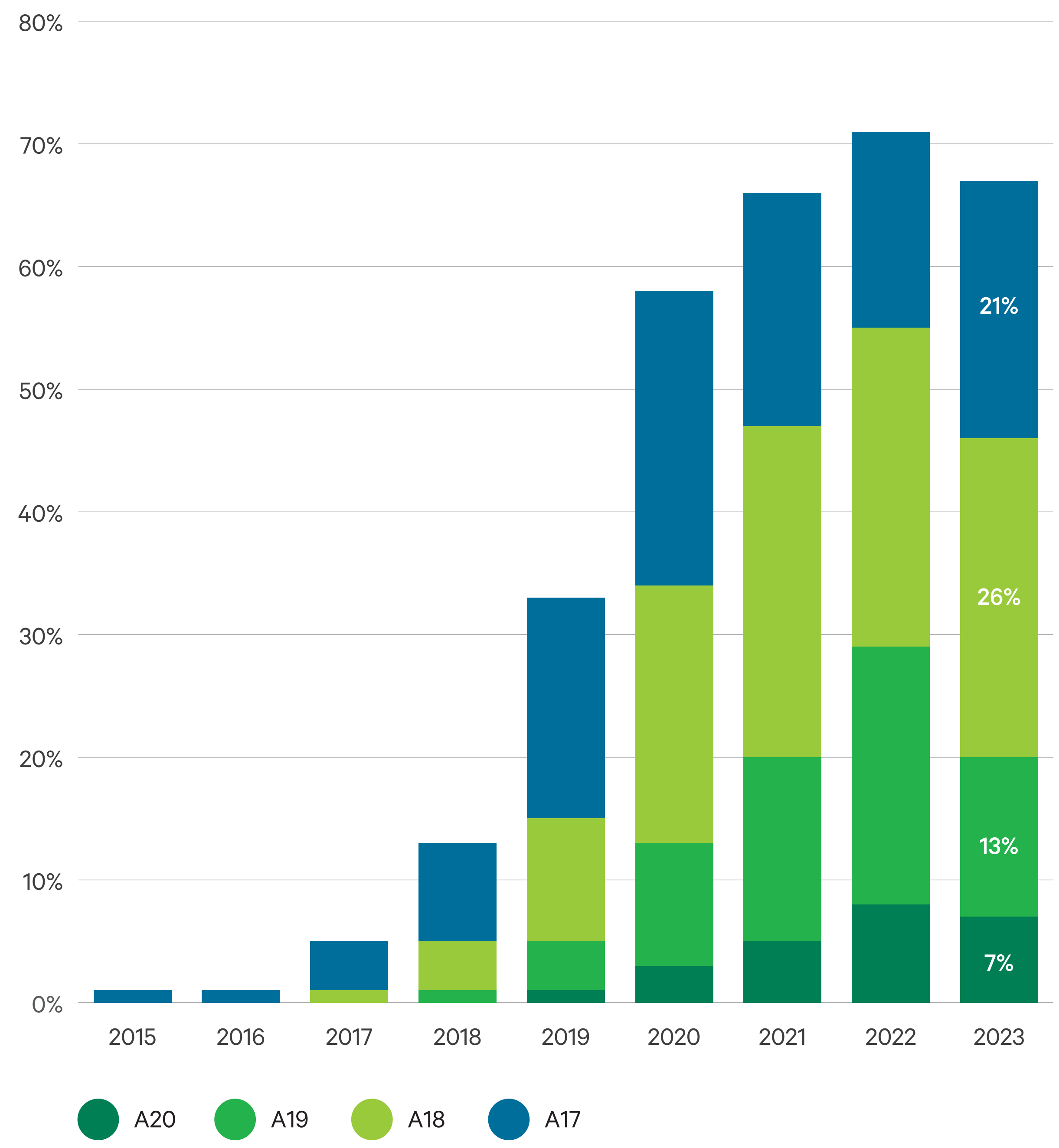
### Enabling our customers to grow and thrive

A stable home provides the basis for improving lives. Our customers have increasingly complex needs that require some form of support. Our resourcing model and the training and development of our people enable us to support our customers to maintain a stable home where, if required, Kāinga Ora and our partner agencies can deliver any additional services needed safely and effectively.

The graph below shows the growth in the proportion of high-need customers housed from the Ministry of Social Development Register over the past few years. The proportion of customers at the extreme end of the scale (A17–A20) has grown from less than 5 per cent prior to 2015/16, to nearly 70 per cent during each of the last three years.

The needs of customers are scored on a scale from B7–B20 and A7–A20, with A20 being the highest need. Priority A applicants are considered at risk and includes households with a severe and persistent housing need that must be addressed immediately.

**The proportion of customers housed from the highest needs categories (A17–A20) has dramatically increased.**



# Our operating environment

This section provides an overview of the challenges faced within our operating environment and how they have impacted on our delivery over the past quarter.

Grahams Road, Burnside, Christchurch

## Cost-of-living pressures and the rental market

Cost-of-living pressures continue to have an impact on households across the country. While general inflation has eased slightly (5.6 per cent in the 12 months to September 2023) it is still well above the Reserve Bank of New Zealand's target of 1–3 per cent, with the price of food being the largest contributor.

These cost-of-living increases are placing significant pressure on our customers. The total value of outstanding customer rental debt is $23.1 million, up from $17.7 million the same time last year. This quarter's number of households in rental arrears averaged 9,800, increasing by 200 from the previous quarter. We continue to work with those customers in arrears to create sustainable repayment arrangements. Seventy-seven per cent of these customers have working repayment arrangements – up from previous years despite changing conditions.

## Rising interest rates

Mortgage interest rates continue to rise with the two-year special at 6.99 per cent (as of mid-October) across all major banks, up from 6.47 per cent in March 2023. These increases, together with those for insurance and rates, continue to reduce interest in our home ownership products, apart from the First Home Partner scheme. Due to recent policy changes in August 2023, the scheme received significant public interest and all funding has since been allocated to this home ownership product.

While interest rates continue to increase, the weighted average interest rate on Kāinga Ora debt remains relatively low at 3.5 per cent. In comparison, the New Zealand 10-year government yield was around 5.4 per cent at the end of September 2023.

## Cautious outlook impacting residential construction intentions

Annual construction cost inflation fell from 7.8 per cent in June to 5.0 per cent in September driven by improved material availability and increased competition. While costs are still 38.8 per cent above pre-COVID levels, the current rate is closer to the longer-term average of 4.5 per cent.

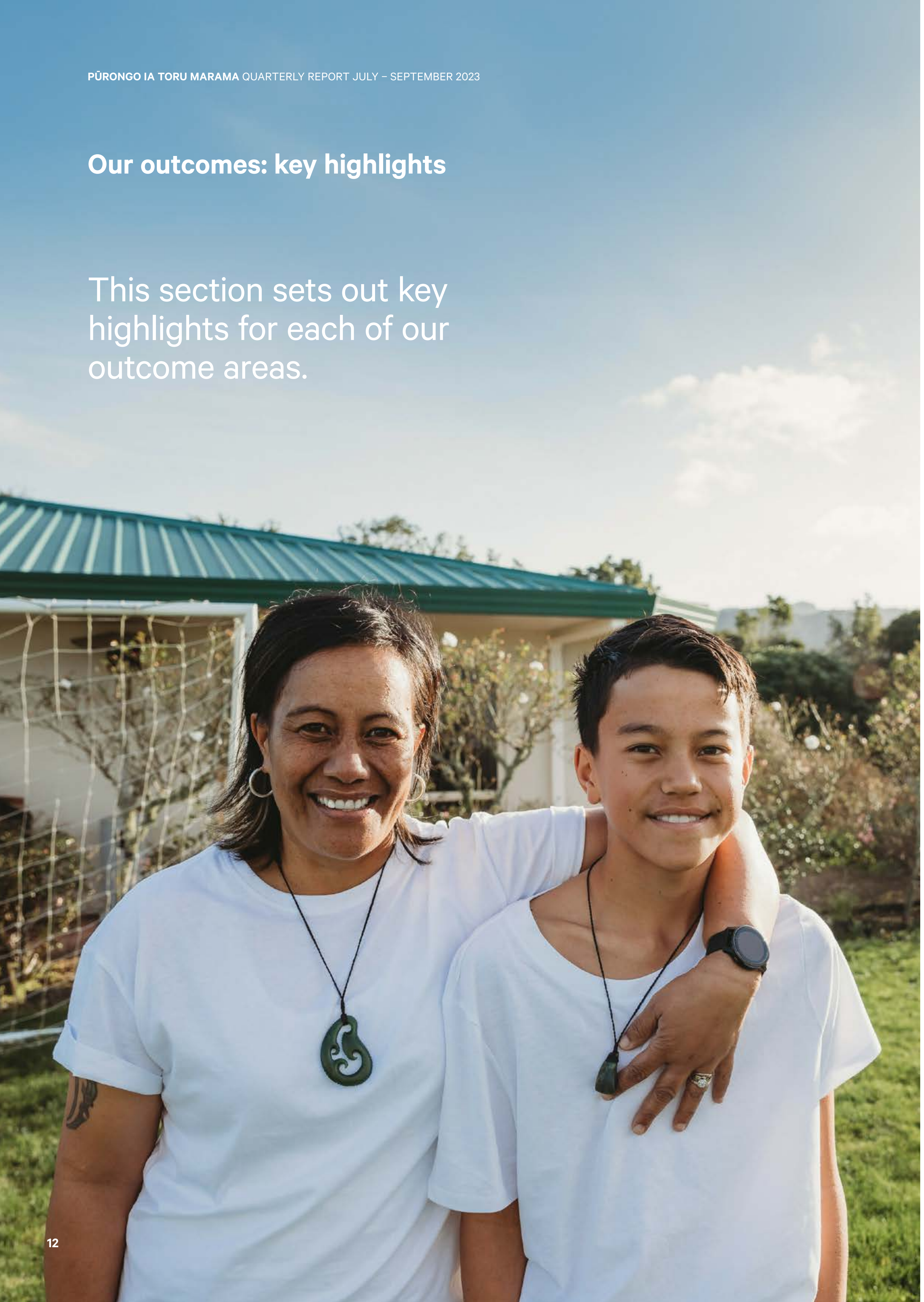
New housing consents continue to decline steadily (down 11.0 per cent compared to the year ended August 2023) but are still above long-term averages. The uncertainty around how much the industry is slowing contributes to fewer super-lot sales for our Large-Scale Projects, and we continue to explore alternative land sales strategies.

## Extreme weather events continue to impact our portfolio

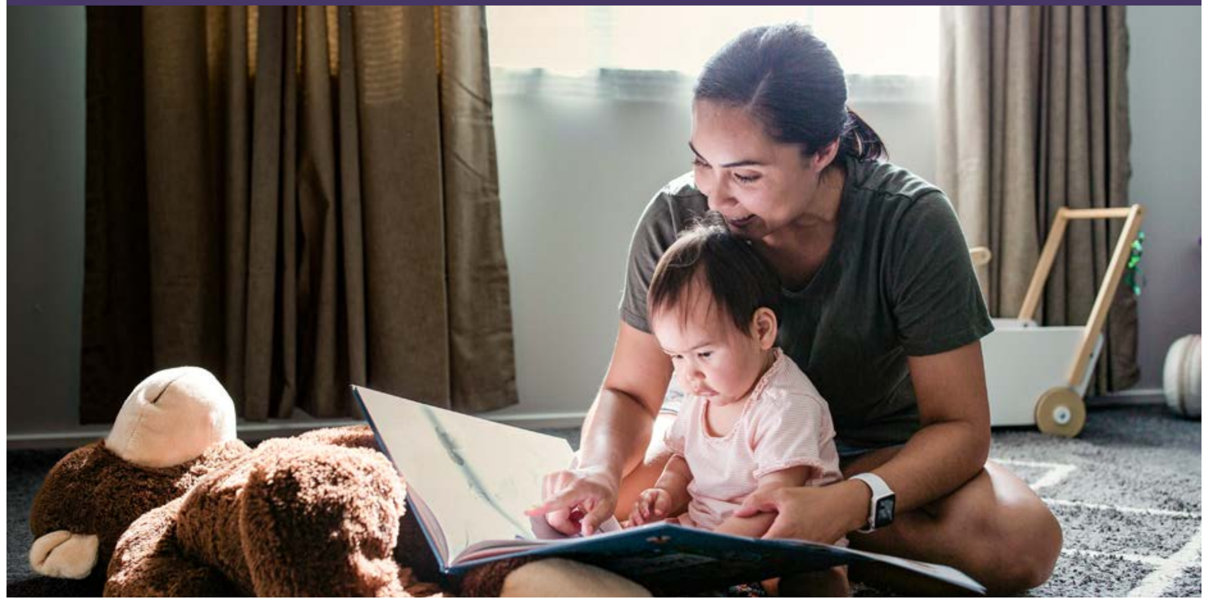
Extreme weather events are increasing in frequency and severity, causing loss and damage to nature and people. Many communities had first-hand experience of this when cyclones and floods caused widespread damage earlier this year. In Auckland, Kāinga Ora has 684 impacted properties, and has rehoused 224 customer households (information correct as of 26 September 2023). As councils are still in the process of categorising future risk to properties, Kāinga Ora has limited ability to make decisions on the future use of these premises. Over the past quarter, we have initiated our Flood Risk Hazard Management Programme to enhance our capability to manage and mitigate the risks associated with floods effectively.

## Our outcomes: key highlights

This section sets out key highlights for each of our outcome areas.



### Customer Wellbeing



A core focus of our organisation is to ensure our customer wellbeing through the homes we provide – including new homes delivered.

We are on track to achieve our Public Housing Plan commitments by early in the 2024/25 financial year, with **7,983 homes** delivered to date.

A total of **3,653 public housing homes** were contracted or in construction as at 30 September 2023

**Eight public homes** were delivered every day this quarter.

The number of homes built to Full Universal Design in the quarter was **432**.

New, **63,219 homes (96 per cent)** in our portfolio meet Healthy Homes standards, with **1,200 further homes currently in progress**. On average during the quarter, we completed **208 Healthy Homes** per week.

We completed **236 retrofit and complex remediation homes** during the quarter, with another **703 retrofit properties** in the pipeline. This compares with **165 homes completed** in the same quarter last year.

A total of **142,741 maintenance jobs were completed**, ensuring warm, safe and dry homes for our customers.

We welcomed **1,573 new household tenancies** to Kāinga Ora during the quarter and **944 transfers** for customers to more appropriate homes as their circumstances changed.

This period also marked the opening of Te Mātāwai, our first single-site supported housing development in central Tāmaki Makaurau with **276 homes**.

## Māori Aspirations

This quarter, **23 new apprentices and cadets** were trained through our construction programme, with **52 per cent identifying as Māori or Pacific people**.

A total of **385 of our people** have completed the Mātauranga Māori pilot programme.

## Housing Access

We enabled **40 market homes** and **41 affordable homes** during the quarter.

New or upgraded community infrastructure was supported in **27 cities and towns**.

## Thriving Communities

**The development of Te Anga Whakamata Framework,** designed to support partnership and engagement, is being formalised to provide greater clarity for iwi considerations. Early and meaningful engagement will span across each stage of an urban development project's life cycle.

## Environmental Wellbeing

**One hundred per cent of our new homes** are built to a **Homestar 6 standard**.

A total of **58 solar-panel installations** were completed this quarter, bringing the total to **250 homes** (resulting in a savings estimate of **$350 to $850 per household** per year depending on the system size and household energy use).

Diversion of **85 per cent demolition waste** was achieved for the Auckland region, and **82 per cent for the rest of the country**.

We constructed **838 green buildings** that meet best-practice sustainable design and build benchmarks.

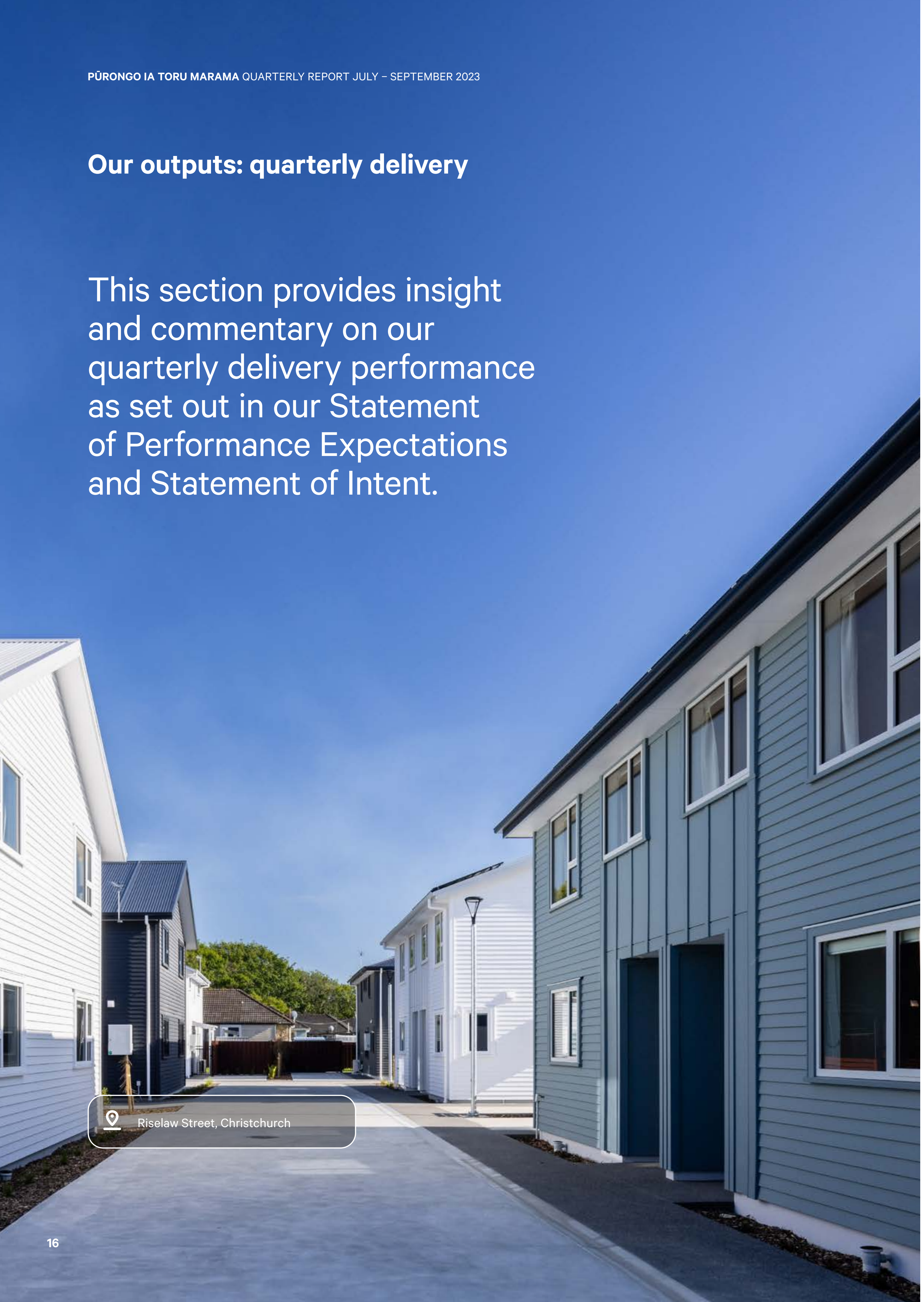
## System Transformation

A total of **769 consents were processed** through Consentium, our in-house building consent function, saving time and money.

Offsite Manufacturing delivered **42 additional homes in Rotorua** during the quarter.

# Our outputs: quarterly delivery

This section provides insight and commentary on our quarterly delivery performance as set out in our Statement of Performance Expectations and Statement of Intent.



Riselaw Street, Christchurch





OUTPUT CLASS 1

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

We support our customers to sustain their tenancies, be well connected to their communities and to lead lives with dignity and the greatest degree of independence possible.

We are continuing to respond to our customers more effectively and faster than ever.

We visit or call our new customers as often as they need, to ensure they successfully settle into their new homes. Our measure of percentage of new customers to receive Support to Settle In within the first 12 weeks of commencing their tenancy was 94 per cent every month in the quarter, exceeding the 85 per cent target.

During the quarter, we also answered calls to the Customer Support Centre (CSC) in an average of just one minute six seconds against the three-minute target, compared with six minutes thirty-six seconds in the same quarter last year. Our new measure of Tenant satisfaction with tenancy and Customer Support Centre interactions started the year just short of target at 76 per cent.

Our success in working with customers in rental arrears continues to improve, with 77 per cent of those customers having working payment arrangements, compared with 71 per cent in the same quarter the previous year, and 54 per cent in the year before that.

| | Supporting our customers to live well with dignity, stability and connectedness | 2023/24 Target | Year-to-date Result |
|---|---|---|---|
| 1.1 | Percentage of new customers to receive Support to Settle In within the first 12 weeks of commencing their tenancy | 85% | 94% |
| 1.2 | Tenant satisfaction with tenancy and Customer Support Centre interactions<br>*This measure has a new, more comprehensive method of calculation, combining customers' opinions of their Housing Support Managers, our consideration of customers' individual circumstances, and satisfaction with services provided by the CSC. The quarter's result is within the margin of error, and we are on track to achieve our overall target.* | 78% | 76% |
| 1.3 | Percentage of customers in rent arrears with a successful working repayment arrangement | 75% | 77% |
| 1.4 | Percentage of customers who are satisfied that their interactions with Kāinga Ora are culturally appropriate who: | 75% | 72% |
| | Identify as Māori | 75% | 76% |
| | Identify as Pacific peoples<br>*Both Māori and Pacific people's satisfaction results are on target, although the overall percentage has dropped below target this quarter. The result is within the margin of error, and we will monitor any further trend and provide our actions and responses.* | 75% | 75% |
| 1.5 | Customer Support Centre (CSC) average speed to answer telephone calls (minutes) | ≤3 minutes | 1 minute 6s |

**OUTPUT CLASS 2**

## Growing, renewing and maintaining our homes

Public and supported housing customers have access to warm, dry and safe homes. We will renew and grow our existing portfolio of homes, delivering growth in the right volume, quality and place, matched to our customers' and their whānau needs.

We continue to build and acquire new homes to add to our portfolio while we also renew, maintain and improve our existing homes.

We are on track to achieve our commitments under the Public Housing Plan, and we have seen highs in the maintenance area for customer satisfaction and timeliness. The Healthy Homes programme has now completed over 96 per cent of the portfolio, and we expect to complete the rest before the end of this calendar year.

Our Percentage of public homes that are let (occupied days) result reflects several months of significant home delivery and the delivery of large complexes. This has increased the time required to place our customers in homes. In addition, our deliberate phasing of moving customers into new, large complexes has further contributed to the delay. However, we expect results to trend upwards over the remainder of the year as the effect of these factors diminishes.

| Growing, renewing and maintaining our homes | | 2023/24 Target | Year-to-date Result |
|---|---|---|---|
| 2.1 | Number of newly constructed Kāinga Ora public and supported homes: | 4,500 – 5,300 | 767 |
| | That are public homes | 4,385 – 5,185 | 711 |
| | That are supported homes | 115 | 56 |
| | *We are on track to meet both this measure and the net increase measure, delivering a higher-than-budgeted number of homes for the first quarter, and completing homes that had been delayed by the adverse weather events during the 2022/23 financial year.* | | |
| 2.2 | Increase in the overall number of Kāinga Ora public and supported homes (net increase): | 3,500 – 4,300 | 383 |
| | That are public homes | 3,370 – 4,170 | 296 |
| | That are supported homes | 130 | 87 |
| 2.3 | Percentage of new public and supported homes built to the 6 Homestar v4.1 standard or the Kāinga Ora 6 Homestar v5 Transition standard, or higher | 90% | 100% |
| 2.4 | Percentage of eligible newly constructed Kāinga Ora public and supported homes meeting Full Universal Design standards | 15% | 19% |
| 2.5 | Percentage of newly constructed Kāinga Ora public and supported homes adopting Offsite Manufactured building solutions | 12% | 10% |
| | *For the year to date we have used Offsite Manufacturing (OSM) processes in 10% of redevelopments. Our planned timing for the remainder of the year and our OSM pipeline of over 450 homes means that we expect to achieve the 12 per cent full-year target.* | | |

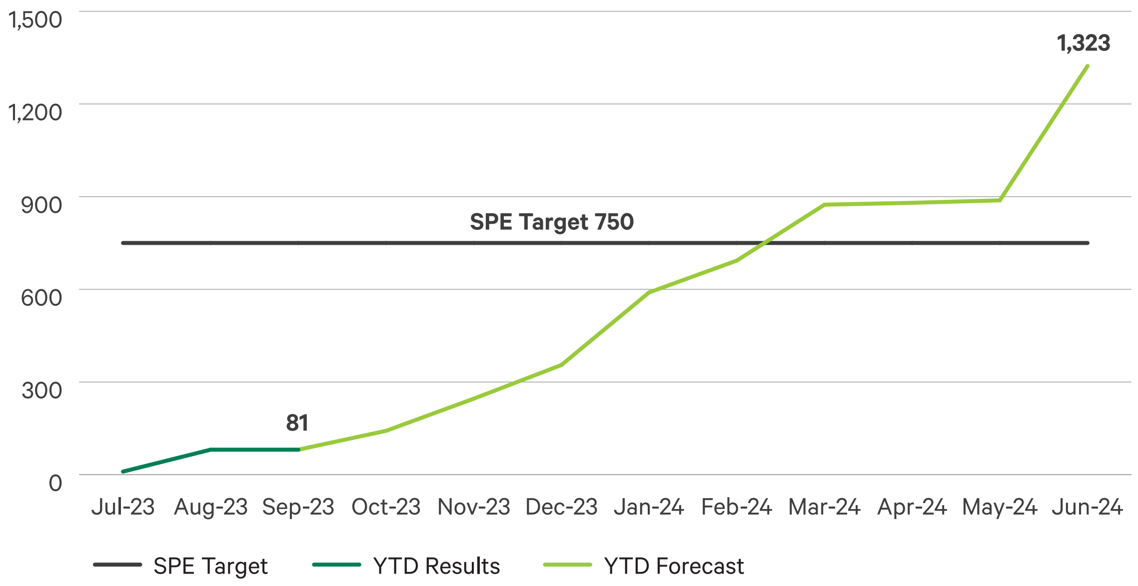
| Growing, renewing and maintaining our homes | | 2023/24 Target | Year-to-date Result |
|---|---|---|---|
| 2.6 | Time taken to design and build a new Kāinga Ora public or supported home: | | |
| | That are houses | ≤32 months | 31 |
| | That are apartments | ≤46 months | 52 |
| | *This measure is new this financial year and we are analysing our data to develop insights into how we can understand our time to design and build.* | | |
| 2.7 | Number of new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship and cadetship programme: | 125 | 23 |
| | Who identify as Māori | 25% | 30% |
| | Who identify as Pacific peoples | 25% | 22% |
| | *We are slightly behind target after the first quarter but note that the number of trainees are not evenly spread throughout the financial year, and we expect to meet our full-year target.* | | |
| 2.8 | 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:<br>• Māori Iwi or Māori community housing providers (CHPs)<br>• Other CHPs, non-governmental organisations or training providers | 10% | 6% |
| | *We are on track to achieve the annual target for this measure. We relocated 10 homes this quarter and forecast more than 40 homes to be relocated during the next quarter.* | | |
| 2.9 | Percentage of public homes that are let (occupied days) | 96% | 94.7% |
| | *The extremely high number of homes delivered at the end of 2022/23 and our deliberate timed phasing of the entry of new customers into large complexes have moved this measure below target during the first quarter. The effect will diminish over the remainder of the year, improving our occupancy rate.* | | |
| 2.10 | Average number of days from a public home becoming vacant to being "ready to let" | ≤23 | 21.7 |
| 2.11 | Percentage of public housing customers satisfied with repairs and maintenance | 75% | 76% |
| 2.12 | Timeliness of maintenance response expressed as a percentage | 90% | 91% |
| 2.13 | Percentage of our housing portfolio compliant with the Healthy Homes standards | 100% | 96% |
| | *We are on track to meet this target and expect to have completed more than 99% by the end of the second quarter.* | | |

OUTPUT CLASS 3

## Delivering and facilitating urban planning and development

We contribute to sustainable, inclusive and thriving communities by providing quality urban development and regeneration through leadership, innovation and collaboration. We enable affordability and accessibility of housing, leveraging our land and scale.

We are on track to deliver on our Statement of Performance Expectations (SPE) target of 750 new homes enabled through partnerships with housing developers, with current forecasts putting our delivery at 1,323 homes (see graph below).




As of 30 September 2023, we have delivered build-ready land to enable the building of 81 new homes. We expect most of this build-ready land (super-lots) to be delivered between November 2023 and June 2024, in line with expected commercial milestones and forecasted budgeted revenue.

In September, the Board approved a land supply agreement with Gillies Group to purchase 587 build-ready lots and 19 apartment super-lots in its Plimmerton Farm development. This agreement will allow Gillies Group to begin its project in Wellington's Northern Growth area once the group receives resource consent which is expected in early to mid-2024. The development is expected to deliver between 2,500 and 3,000 homes within eight to 10 years.

Two Specified Development Projects (SDP), the Porirua Northern Growth Area and Tauranga Western Corridor, are in the assessment phase of the SDP process. The public notification period on the proposed key features of each project closed on 29 September. We are now considering the feedback and expect to provide a summary of the feedback to the joint Ministers in early 2024.

| | Delivering and facilitating urban planning and development | 2023/24 Target | Year-to-date Result |
|---|---|---|---|
| 3.1 | Hectares of land developed as a result of Kāinga Ora urban development activity<br>*Our results for this measure are consistent with our quarter one forecast and we are on track to achieve our quarter two forecast.* | 14.6 | 0.9 |
| 3.2 | Number of new homes that can be enabled on land developed by Kāinga Ora<br>*We are on track to achieve our overall target, with the majority of homes to be enabled during the current financial year.* | 1,400 | 128 |
| 3.3 | Number of new homes enabled through partnerships with housing developers (public housing and sales)<br>*We are on track to achieve our overall target. We expect to have the majority of homes enabled between November 2023 and March 2024, with a second peak in June 2024. Risks from potential delays in handover are being managed as we continue to work with our build partners to ensure delivery expectations are met and that the target remains achievable.* | 750 | 81 |
| 3.4 | Affordable homes enabled as a percentage of total market and affordable homes provided | 40% | 51% |
| 3.5 | Percentage of project milestones met as per Large-Scale Project (LSP) plans | 80% | 50% |
| 3.6 | Percentage of Kāinga Ora housing developments that meet expectations, as defined in the "Kāinga Ora Urban and Landscape Design Quality Outcomes Matrix." This is based on a representative sample of building activity | 80% | Annual |
| 3.7 | Number of projects that have been assessed as potential Specified Development Projects (SDP) under the Urban Development Act 2020<br>*Both the Porirua Northern Growth Area and Tauranga Western Corridor are in the assessment phase of the SDP process, and we expect to meet this target.* | 2 | – |
| 3.8 | Number of newly constructed homes with delivery managed by Kāinga Ora on behalf of Tāmaki Regeneration Company (TRC) | 180 | 140 |

**OUTPUT CLASS 4**

## Supporting Crown housing infrastructure and home-ownership initiatives for New Zealanders

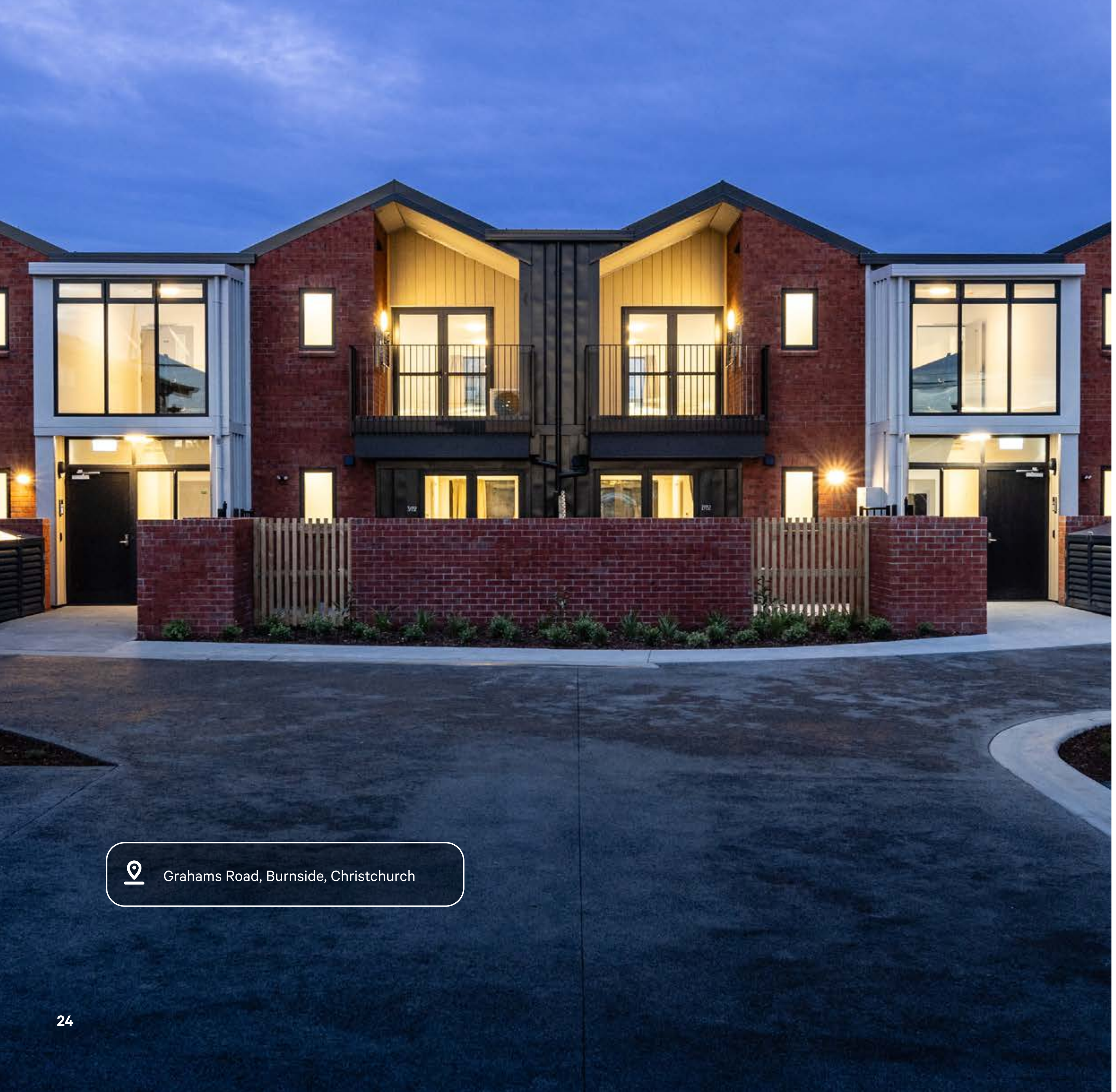
We contribute to supporting first home ownership through the delivery of affordable home ownership products.

For the first quarter, we saw the highest quarterly volume of First Home Grant applications for three years, driven by challenging economic conditions and recent policy changes. We have allocated all the funding to the current applicants, and no new applicants are being processed. Despite the record number of applicants, we have processed over 10,000 applications in an average of 2.5 days each: half the five-day target time.

| | Supporting Crown housing infrastructure and home-ownership initiatives for New Zealanders | 2023/24 Target | Year-to-date Result |
|---|---|---|---|
| 4.1 | Number of new applications assessed for eligibility:<br>• First Home Grants<br>• KiwiBuild<br>• First Home Partner (progressive home ownership)<br>*There has been significant uptake in our First Home Partner programme, driven by challenging economic conditions and recent policy changes. All funding has been allocated to the current applicants and no new applicants are being processed.* | Demand driven | 10,605 |
| 4.2 | Average number of days taken to assess a completed First Home Grant, KiwiBuild or First Home Partner application | ≤5.0 | 2.5 |
| 4.3 | Percentage of applicants gaining full pre-approval for First Home Partner who are part of the following groups: | Monitor | |
| | Māori | | 11% |
| | Pacific peoples | | 5% |
| | Families with children | | 53% |
| 4.4 | Number of First Home Loan mortgages underwritten: | Demand driven up to 3,600 | 801 |
| | Applicants that are Māori | | 101 |
| | Applicants that are Pacific peoples | | 27 |
| 4.5 | The percentage of completed underwritten KiwiBuild homes acquired by the Crown as part of the Buying off the Plans initiative | ≤25% | 14% |
| 4.6 | Percentage of infrastructure milestones completed on time under the Infrastructure Acceleration Fund (IAF)<br>*We are experiencing delays to IAF milestones that are set at the early stages of IAF Agreements with councils. We are working with councils to ensure accurate milestones and we expect to move towards the target over the next two quarters.* | 80% | 23% |

# Financial performance

This section provides insight and commentary on our financial performance.



Grahams Road, Burnside, Christchurch





| Financial measures | | 2023/24 Forecast | Current Forecast |
|---|---|---|---|
| Fin 1.1 | Net operating costs of managing our housing portfolio per housing unit (excludes depreciation) | $21,467 | $21,467 |
| Fin 1.2 | Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) as a percentage of total income | 18% | 18% |
| Fin 1.3 | Total debt to non-sales adjusted EBITDA ratio | 38.2 | 38.2 |
| Fin 1.4 | Non-sales adjusted EBITDA to interest costs | 0.8 | 0.8 |

## Over $750 million invested in new housing supply in the September quarter

It has been a strong start to the financial year, with $751 million invested in new housing supply during the quarter. Just over half of the spend was focused on redevelopments, with Acquire new accounting for much of the remainder. Capital spend on our maintenance programmes is in line with our expectations ($136 million) while urban development ($54 million) rounded out a total capital expenditure spend of $944 million for the quarter.

Urban development spend has been lower than expected due to approval being postponed for several neighbourhood business cases while the scope is revised to mitigate unfunded cost escalations. Given the decision to postpone, we are not expecting to achieve our year-end forecast. Also contributing to the lower land purchase for the Kāinga Ora Land Programme is a result of timing, with the capital spend likely to occur next financial year.

## Formal claim of between $47 million and $67 million for costs of floods; no claim for Cyclone Gabrielle damage

We formally initiated the claims process with insurers on 6 April 2023, which may take up to 12 months to fully settle. The external loss adjuster revised their estimate of the claimable sum to be between $47 million and $67 million (gross basis including $20 million deductible), and our internal claim estimate currently sits just beneath this range.

No claim was made for Cyclone Gabrielle damage as the impact was less than the $20 million deductible threshold per insurance event. The cyclone cost to date is $2.1 million.

## Capital expenditure

| ($m) | Year-to-date Actual | Year-to-date Budget | Year-to-date Variance | Full-year Budget |
|---|---|---|---|---|
| Public redevelopments | 330 | 527 | 197 | 2,173 |
| Public Acquire new | 293 | 197 | (97) | 1081 |
| New supported housing | 38 | | (10) | 78 |
| **Home builds** | **661** | **751** | **90** | **3,333** |
| Acquire existing | 32 | 81 | 48 | 252 |
| Strategic land purchases | 40 | 26 | (14) | 105 |
| Other programmes | 17 | 20 | 3 | 68 |
| **Other home additions** | **751** | **878** | **128** | **3,757** |
| **Total housing supply spend** | **751** | **878** | **128** | **3,757** |
| National retrofit | 79 | 51 | (28) | 482 |
| Other maintenance programmes | 57 | 77 | 20 | 23 |
| **Maintenance programmes** | **136** | **128** | **(8)** | **505** |
| **Infastructure assets and projects total** | **3** | **8** | **5** | **36** |
| Urban development land (state and market) | 25 | 113 | 88 | 396 |
| Urban development Tāmaki | 7 | 31 | 23 | 79 |
| Urban greenfields and complex | 21 | 3 | (18) | 61 |
| Land purchase fund ($2b over 10 years) | – | 81 | 80 | 185 |
| KiwiBuild (Construction & Innovation Group) | – | – | – | – |
| **Urban development** | **54** | **228** | **174** | **721** |
| **TOTAL CAPITAL EXPENDITURE** | **944** | **1,242** | **298** | **5,019** |

## Financial performance was slightly weaker than expected in the quarter, as occupancy rates remain lower than forecast

Rental revenue – which accounts for most of the total revenue – has been slightly weaker than expected in the first quarter of the year as a result of lower-than-forecast occupancy. This reflects the time required to place our customers in homes after several months of significant home delivery.

With expenses as expected, EBITDA was $37 million in the September quarter and $14 million below budget, reflecting the slight undershoot in revenue. It is important to note a key non-cash item impacting expenditure is asset write-offs and losses on land sales, which totalled $28 million in the quarter. Asset write-offs reflect the disposals required to support our significant renewal and urban development programmes.

After taking account of interest, tax and depreciation, we recorded a net deficit after tax of $131 million in the quarter. Depreciation is a significant non-cash item that reflects the sheer size of our portfolio of homes. The net deficit after tax was $14 million less than budget, entirely driven by a lower-than-expected depreciation amount as a result of buildings being revalued down by $2 billion at 2022/23 year-end.

Looking ahead, we expect revenue growth to remain close to budget, with occupancy rates rising as newly-built homes are filled. We remain focused on slowing expenditure growth and in the December Budget Update identified an additional $1.8 billion of capital expenditure savings and $500.0 million of operating savings over this current fiscal year and the following three years. The initiatives focus on asset management and maintenance, housing delivery, and removal of vacant positions. The budget update was approved by the Kāinga Ora Board in December 2023.

## Statement of Financial Performance

| ($m) | Year-to-date Actual | Year-to-date Budget | Year-to-date Variance | Full-year Budget |
|---|---|---|---|---|
| Rental revenue | 435 | 445 | (11) | 1,893 |
| Appropriation income | 14 | 19 | (4) | 77 |
| Other income | 27 | 25 | 2 | 80 |
| Financial products contribution | – | 1 | (1) | 4 |
| Affordable homes contribution | 2 | – | 2 | – |
| **Total incomes** | **478** | **490** | **(12)** | **2,053** |
| Repairs and maintenance | 167 | 164 | (3) | 650 |
| Other direct costs | 115 | 103 | (12) | 425 |
| People | 89 | 93 | 5 | 375 |
| Consultants/contractors | 16 | 19 | 3 | 70 |
| Other indirect expenses | 27 | 35 | 8 | 124 |
| Asset write-offs and (gain)/loss on sale | 28 | 24 | (4) | 185 |
| **Total expenses** | **441** | **439** | **(3)** | **1,828** |
| **Earnings before interest, taxes, depreciation and amortisation (EBITDA)[1]** | **751** | **878** | **128** | **3,757** |
| **EBITDA as percentage of total income[2]** | **12%** | **13%** | **-1%** | **17%** |
| **EBITDA to interest costs** | **0.3** | **0.5** | **(0.1)** | **0.4** |
| Depreciation and amortisation (properties) | 95 | 106 | 11 | 423 |
| Depreciation (infrastructure) | 6 | 5 | (1) | 18 |
| **Earnings before interest and taxes (EBIT)** | **(64)** | **(59)** | **(5)** | **(217)** |
| Net interest | 102 | 102 | 1 | 472 |
| Tax | (34) | (34) | – | (119) |
| **NET OPERATING PROFIT AFTER TAX** | **(131)** | **(128)** | **(4)** | **(570)** |

*Contributions are net income and expense of the Financial Products and Affordable Homes programmes.*

*1. Please note that there is a manual adjustment outside of our Oracle financial system to correct the year-to-date accounts.*

*2. EBITIDA % is exclusive of asset write-offs and affordable homes contribution. Total income is exclusive of affordable homes revenue.*





# Organisational performance

The following measures reflect our Statement of Performance Expectations measures on capability areas for 2023/24 on people and governance, Māori interests and obligations, and the environment.

| Organisational measures | | 2023/24 Target | Year-to-date Result |
|---|---|---|---|
| Org 1.1 | Health and safety maturity score | Establish baseline | – |
| Org 1.2 | Percentage of invited People Leaders who complete the Waka Tangata leadership programme by June 2024 | 70% | 64.5% |
| Org 1.3 | Ministerial correspondence, parliamentary questions and Official Information Act requests delivered to meet the agreed deadline | 95% | 99% |
| Org 1.4 | Ministerial services delivered meet the quality criteria | 95% | 100% |
| Org 1.5 | Percentage of supplier contracts and agreements with Māori businesses<br>*Following a large system change, we are now able to report against this measure as at September quarter end. We have established a baseline and are assessing the current state to enable us to best respond to a government procurement direction.* | 8% | 6.6% |
| Org 1.6 | Number of staff who have completed Mātauranga Māori pilot programmes | 1,200 | 385 |
| Org 1.7 | Percentage of Māori businesses and suppliers who are satisfied or very satisfied with their ongoing commercial relationship with Kāinga Ora | – | Results are six-monthly |
| Org 1.8 | Tonnes of carbon dioxide equivalent emissions ($tCO_2e$) resulting from corporate activities – gross | Track progress towards targets for 2025 and 2030 | 6,251 $tCO_2e$ |
| Org 1.9 | Tonnes of carbon dioxide equivalent emissions ($tCO_2e$) resulting from corporate activities - per full-time equivalent (FTE) | Track progress towards targets for 2025 and 2030 | 1.95 $tCO_2e$/FTE |
| Org 1.10 | 2025 and 2030 gross emissions reduction targets established in line with Carbon Neutral Government Programme requirements | Reported as part of Annual Report 2022/23 | Yes |

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Kāinga Ora
Homes and Communities

Te Kāwanatanga o Aotearoa
New Zealand Government