Quarterly Report

For the three months ending 31 March 2021

Kāinga Ora
Homes and Communities

Contents

Key Performance and Financial Highlights

The report covers the January to March quarter. It is an update on progress against our Statement of Performance Expectation (SPE) measures; on the areas of priority where we are focusing our efforts; and highlights from all the other activity we have undertaken during the quarter to support these.

- Positive feedback from our customers continues to grow - from individual customers and in the broader responses and outcomes of our quarterly surveys (page 13) where results show continued year on year improvements.

- Regional teams are already working to setup and deliver our place-based approach (page six).

- The majority of our SPE measures are on track, with 18 meeting targets or close to it. Six further SPE measures are achievable with focus and the mitigations we have in place, while five measures are unlikely to be met, and are discussed in their relevant Output Class sections.

- We have multi-year housing commitments in place which aim to provide a net of nearly 12,000 additional homes by June 2024. We are on track with these, and provide details and our forecast delivery on page 41.

- After review with HUD we have reset our transitional housing quota. We have completed our Permanently Ending Reliance on Motels (PERM) commitment and all transitional housing places now contribute to our Budget 2020 commitments. Our contribution to date for Budget 2020 is 286 places (within 289 units).

- Total financial assets as of 31 March 2021 were $871 million, down from $1,060 million for the quarter ended 31 December 2020.

- In December 2020, we launched our monthly bond tender programme.

- We are in negotiations with Panuku Development Auckland to purchase the mixed-use portion of the *Airfields* precinct at Hobsonville Point (page 47).

Regional highlights

Our new place-based structure enables partnerships across community and sector, our regional teams are establishing this new way of operating. This section acknowledges the work already underway.

Auckland and Northland

In Auckland and Northland, several meetings with key stakeholders have taken place, including:

- Kāinga Ora Board Member Penny Hulse and Auckland Council Mayor Phil Goff met with DCE Auckland and Northland, Caroline Butterworth, and Regional Directors John Tubberty and Angela Pearce, and toured the region's Large Scale Project sites at Mangere and Mt Roskill
- Caroline Butterworth and the team met with representatives from Auckland Council Investments and Partnerships teams to better understand our complimentary streams of work
- Regional Director Jeff Murray met with the CEO of Whangārei District Council to review land investment opportunities. Jeff also met with Wallace Rivers (Chair) and Rangitane Marsden (CEO) of Ngai Takoto (Far North iwi) in Whangārei, to discuss iwi housing aspirations and alignment with commercial investments.

Central

The Central Group is engaging with local partners and stakeholders (including roopu Māori) to build local relationships and explain the benefits of intensification and density.
Highlights include:

- working with Council, Waikato Tainui and other community groups on the Auckland corridor from Cambridge to South Auckland to establish a key link between jobs and homes to better serve the community
- completing initial community engagement around the Te Mauri Paihere ki Mangakootukutuku (Collins Road) Project, a supported and public housing Partnership with Waikato-Tainui, Kingitanga, the Department of Corrections and Kāinga Ora
- presenting at Palmerston North City Council's inaugural Housing Summit.
- Supporting Ruapehu District Council on planning and feasibility modelling for residential subdivision and mixed use development
- working closely with our partners, including the Ministry of Housing and Urban Development (HUD) and the Ministry for Social Development (MSD) to address the shortage of Transitional housing in Rotorua. Our main focus is on investigating acquisitions (land and existing facilities) to increase supply in the short to medium term
- meeting with the Napier City Council on their local Spatial Plan and providing input into this document. The purpose of the spatial plan is to identify appropriate areas for housing and business growth, including areas of intensification within the urban area, as well as potential greenfield growth options

- working with the Hasting District Council on its housing strategy as well as being actively engaged with the Council on its district plan review
- engaging with partners on the Wellington Regional Growth Framework, which is a joint spatial plan for the Wellington-Horowhenua area
- the Wellington Region also received a proposal from the Port Nicholson Settlement Trust: the Trust will purchase land on Wood Street in Wainuiomata directly from the Ministry of Education and then lease the land to us to build Transitional housing. The proposal is being evaluated.

Southern

The Southern team are actively embedding the place-based approach, with ongoing engagement with local authorities, iwi, central government, the social support sector and community housing providers. Local relationships are growing with Māori at both Runanga and iwi level with Ngāi Tahu, and via an advisory group process for the eight northern iwi. Relationships are not only focussed on housing challenges but also training, employment and health initiatives at a local level.

Several other engagements are taking place, including:

- the team are talking with the Dunedin City Council to evaluate the development of a site currently owned by DCC, in partnership with local iwi (Otakou runanga). If developed, the site could provide up to 100 new dwellings (potentially a mix of public, secure rentals, rent to buy and open market homes), as well as incorporate community and support services on site. There are other potential high value opportunities to work directly with the council to enable more housing in Dunedin
- the Southern team have also established a multi-agency approach, working with MSD and local support agencies across Christchurch and Dunedin. Together, we are looking at best use of our new and high-density developments to ensure we are creating communities with those who are most in need
- initiatives are underway with the Canterbury District Health Board regarding joint health outcomes and use of land
- discussions with the Christchurch City Council on the redevelopment of the suburb of (inner) Shirley, and on building more social cohesion and capability in Phillipstown and Linwood in response to social pressures.

Our housing commitments

Progress against Kāinga Ora Housing Commitments

1. Public Housing Plan July 2018 to June 2022
70% Target: 4,480 (Public)
3,147 additional homes delivered

2. Public Housing Plan July 2020 to June 2024
20% Target: 6,200 (Public + Transitional)
1,251 additional homes delivered

2.1. Public Housing Plan July 2020 to June 2024
25% Target: 4,800 (Public)
1,197 additional homes delivered

2.2 Public Housing Plan July 2020 to June 2024
4% Target: 1,400 (Transitional)
54 additional homes delivered

3. Refugee Housing July 2020 to June 2023
28% Target: 364 (Public)
102 additional homes delivered

4. PERM 530-650 by December 2020
99.7% Target: 576 (Transitional)
574 additional homes delivered

5. Corrections 64 homes (150 beds) by June 2022
38% Target: 64
24 additional homes delivered

Delivery Status
- On track
- Mitigation in place
- At risk

To increase the public and supported housing supply in Aotearoa New Zealand we have agreed several housing commitments over six years, and have committed to deliver about 12,000 more public and supported homes by June 2024.

Our housing commitments include:

- an increase in the net public housing supply of 9,644 additional homes over six years to June 2024, funded through Budget 2018, Budget 2020 and refugee resettlement
- an increase in the net transitional housing supply of 2,205 additional homes over three years to June 2024, to support the Government's goals of preventing and reducing homelessness.

The commitments relate to both public housing (homes that we rent to people from the housing register) and supported housing – where we build assets to lease to service providers, such as Community Group Housing (CGH); Transitional housing; housing for Corrections; and housing for Oranga Tamariki.

A summary of our progress to date is shown above, and we are on track to meet our targets. Further details are in the Organisational Priorities section of this report, on page 40.

Statement of Performance Expectations Measures

This section provides a more detailed look at how we are tracking against the targets in our current SPE. We report performance against financial expectations and 33 SPE measures (noting that three are measured annually), as well as four corporate performance measures (all measured annually). For the March quarter, we are on track or close to it in 18 of those measures; six measures require our focus in order to be met, and five measures are unlikely to be met.

	SPE measure	Full Year Target	YTD Target	YTD Results	
Sustaining tenancies & communities	Welcome home visit within six weeks of tenancy starting	85%	85%	**52%**	
	Customers satisfied with our Customer Support Centre*	85%	85%	**87%**	
	Calls answered in 2 minutes by Customer Support Centre	80%	80%	**79%**	
	Tenancy manager treats them with respect*	85%	85%	**85%**	
	Homes that are let (occupied days)	97.8%	97.8%	**98.0%**	
	New customers sustaining their tenancy for 12 months or more	92%	92%	**94%**	
	Customers not in rental arrears	93%	93%	**88%**	
Managing & maintaining homes	Average days for a home becoming vacant to being 'ready to let'	18.0	18.0	**20.9**	
	Customers satisfied with repairs and maintenance*	75%	75%	**75%**	
	Average response time to urgent health and safety queries (hours)	4.0	4.0	**4.2**	
	Customer maintenance requests completed within service targets	80%	80%	**85%**	
	Actual spend on repairs and maintenance against budget	95%	95%	**86%**	
	Housing portfolio compliant with the Healthy Homes Guarantee Act*	30%	30%	**14%**	
	Number house retrofits completed	500	375	**188**	
	Lettable properties that meet or exceed the asset condition standard	93.5%	*Annual measure*	*Annual measure*	
New housing supply	Number of newly constructed public and supported homes	2,400	1,714	**1,798**	
	Net increase in number of public and supported homes	1,900	1,416	**1,605**	
	New public homes (redevelopments) built to a 6 Homestar standard	90%	90%	**90%**	
	Demolition waste diverted from landfill	TBC	TBC	-	-
	New trainees in our construction apprenticeship/cadetship programme	100	75	**74**	
Urban development	Number of new homes enabled	500	375	**610**	
	Affordable homes enabled (including TRC)	40%	40%	**32%**	
	*Affordable homes enabled (excluding TRC)***			***43%***	-
	Enabled homes under construction within agreed timeframes	95%	95%	**88%**	
	New affordable or general homes enabled to the 6 Homestar standard	90%	90%	**100%**	
	Residents surveyed aware of the wider benefits delivered by our activities	TBC	*Annual measure*	*Annual measure*	
First home ownership	Average days to assess a completed First Home Grant application	5.0	5.0	**4.8**	
	Average days to assess a completed KiwiBuild eligibility application	5	5.0	**1.5**	
	Number of new First Home Grants assessed for eligibility	*Demand driven*	*Demand driven*	**32,788**	
	Number of new KiwiBuild applications assessed for eligibility	*Demand driven*	*Demand driven*	**4,662**	
	Homes purchased with one or more of our home ownership products	16,000	12,000	**8,290**	
Crown land	Revenue generated from the sale of Hobsonville land	$10m	$0.0 m	**$0.0 m**	
	Homes delivered that are long-term rental or affordable housing	20%	20%	**20.1%**	
	Residents satisfied with overall living experience at Hobsonville Point	75%	*Annual measure*	*Annual measure*	
Corporate Performance	Net operating costs of managing our housing portfolio (per house)*	$14,382	$10,787	**$10,344**	
	EBITDA as a percentage of total income	≥29%	≥29%	**30.3%**	
	Total debt to EBITDA ratio	17.40	17.40	**10.90**	
	EBITDA to interest costs	≥3.59	≥3.59	**2.67**	

Sustaining tenancies and supporting communities

This Output Class deals with carrying out activities associated with tenancy, including:

- working with MSD to place eligible applicants from the public housing register into Kāinga Ora homes and sustaining these tenancies, while ensuring these homes continue to meet the changing needs of our customers
- inducting tenants into their new homes and assisting them to settle in
- organising community development events and activities
- linking public housing customers with specialist support services if they require support
- providing public housing customers with access to information about their homes, rights and communities
- managing existing tenancies
- setting and reviewing market rents
- building relationships between our public housing customers and their communities and partnering with community providers including rōpū Māori.

Measure	Year to Date Result	Year to Date target	Full Year target
Percentage of public housing customers that receive a welcome home visit within the first six weeks of their tenacy starting	52%	85%	85%
Percentage of public housing customers satisfied with Kāinga Ora Customer Support Centre (quarterly survey results)	86.5%	85%	85%
Percentage of calls answered in 2 minutes by Customer Support Centre	79.0%	80%	80%
Percentage of customers who feel their tenancy manager treats them with respect (quarterly survey results)	84.8%	85%	85%
Percentage of public homes that are let (occupied days)	98.0%	97.8%	97.8%
Percentage of new customers who sustain their tenancy for 12 months or more	94.2%	>92.0%	>92.0%
Percentage of public housing customers that are not in rental arrears	88.1%	93%	>93.0%

Revenue and Output Expenses	Actual YTD $m	Budget YTD $m	Comment
Revenue Crown	779.6	752.3	The revenue and expenses of this output class are in relation to management of the public and supported housing portfolio. It includes all rent revenue and administration and tenant servicing expense for public and Community Group Housing, and revenue and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	361.1	380.5	
Expenses	693.4	685.6	
Net surplus/(deficit)	447.4	447.2	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document.

Most measures in this section are on track or close to it.

The exceptions are:

- *Welcome homes visits within six weeks of tenancy starting.* This measure is unlikely to be achieved: the lockdowns early in the financial year, along with customer anxieties surrounding COVID-19, have negatively affected our ability to meet target. The current result is 35.1 percent.

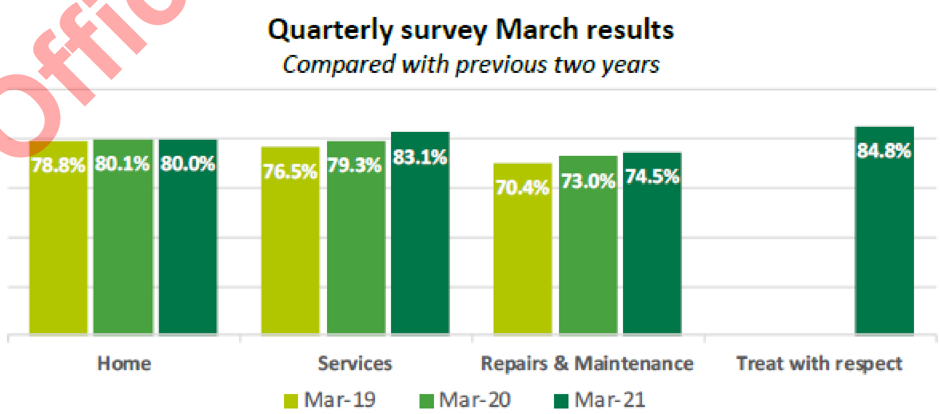
We have modified our method so that welfare checks conducted during COVID-19 lockdowns are now included. This brings our current result to 52 percent. We continue to see improved results every month, but we will not recover to meet the target.

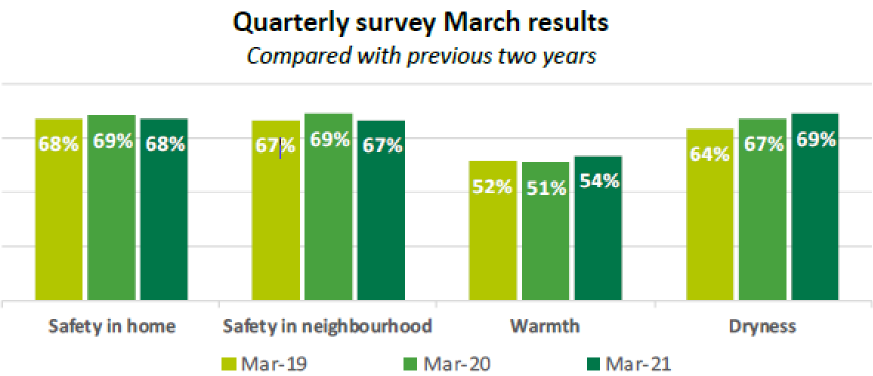
- *Percentage of Tenants who are not in rental arrears.* We are not yet meeting the SPE target of having at least 93 percent of our customers being clear of rental arrears. This measure started the year behind target, after the substantial increase in debt during the first lockdown. It improved during the first half of the year up until the usual seasonal increase over the December and January holiday period.
  We have continued work to better our results, while remaining focused on our tenant-centric approach. This has resulted in an improvement, with 88.1 percent of tenants not in debt at the end of March (a reduction to 7,423 families in debt from a high of 7,842 in January). We aim to continue the improvements over the final quarter of the year, and this measure remains possible to achieve.

Customer satisfaction survey SPE results remain on or near target.
Satisfaction levels either are remaining steady or improving upon prior years.

- *Satisfaction with Customer Support Centre* continued to be achieved, at 87 percent for the year so far
- *Satisfaction with repairs and maintenance* at 75 percent is on target. Much progress has been made to increase customer satisfaction in this area, with results improving by more than 4 percent from the same time two years ago.
- The new SPE measure of *Tenancy manager treats you with respect* has improved on its good start, meeting the target at 85 percent for the year so far.

Other survey results are not SPE direct measures, but are important as further indicators of our customers' satisfaction: *satisfaction with services* has improved, increasing by over six percent over two years, and is only two percent away from its internal target. Warmth and dryness perceptions continue to increase year on year, with a five percent improvement in dryness over the last two years. Movement in our tenants' opinions of safety has remained within the margin of error (~2.6 percent) over the last few years, and perception of safety remains difficult for us to influence.





Customer Programme

The Customer Programme is in a consultation phase with our people on potential changes to the way we work within our place-based groups to deliver our public housing services.

The consultation focuses on our proposed wellbeing approach, and our services: putting customers at the heart of what we do. We are also seeking feedback on the way we work, organisational structure and roles.

The Customer Programme has used the successes from our Te Waka Urungi (TWU) Team, who assist our customers by providing additional support, to determine the design of the Customer Programme. The Customer Programme proposes adopting a similar approach to TWU in a way that is integrated into everyday service. This means TWU may cease as a standalone function, and will be replaced with services that operate as part of our day-to-day activity.

Like TWU, the proposed new services are based on a wellbeing approach that highlights the importance of meeting housing needs as well as extending our responsibilities to address and respond to personal support needs.

We're also proposing to allocate fewer customers to each of our front-line people, giving more time to build relationships and help wellbeing for both customers and staff members.

s 9(2)(a)

[redacted]

Managing, maintaining, and renewing our homes

The activities in this output class include:

- planned maintenance programmes and improving amenities
- ensuring repairs and maintenance are undertaken in response to public housing customers' requests
- delivering planned upgrades, retrofits, and complex remediation
- responding to Government health and safety objectives
- working with tenants to ensure minimal disruption to their lives while undertaking maintenance and ensuring they are treated with respect.

s 9(2)(a) *on her public home in Māngere*

s 9(2)(a)

Our lives have changed so much. Our home is so quiet and warm thanks to the double-glazed windows and insulation, and that's going to make such a difference to our health, particularly in winter.

Measure	Year to Date Result	Year to Date target	Full Year target
Average number of days from a public home becoming vacant to being 'ready to let'	**20.9**	18.0	18 days
Percentage of public housing customers satisfied with repairs and maintenance (quarterly survey results)	**74.5%**	75.0%	75%
Average time taken to respond to urgent health and safety queries (hours)	**4.2**	4.0	4 hours
Percentage of public housing customer maintenance requests completed within the agreed service level targets	**85.0%**	80.0%	80%
Percentage of actual spend on repairs and maintenance programmes against budget target	**86.5%**	95.0%	95%
Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act	**14.3%**	30.0%	30%
Number of public houses completed as part of the house retrofit programme	**188**	375	>500
Percentage of public lettable properties that meet or exceed the asset condition scale baseline quality standard	*Annual measure*		93.5%

Revenue and Output Expenses	Actual YTD $m	Budget YTD $m	Comment
Revenue Crown	0.0	0.0	The expenses in this output class are in relation to maintenance of the public housing portfolio. It includes all administration and maintenance expense for public and Community Group Housing and ownership expense for transitional housing. It includes net interest expense.
Revenue Other	0.0	0.0	
Expenses	329.1	350.6	
Net surplus/(deficit)	(329.1)	(350.6)	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE.

We see continuing improvements in this output class, with most measures on track or achievable with focus.

Vacant to ready to let days measure improved
The average vacant to ready to let days improved substantially in March, with a monthly average of 17 days (a month-to-month improvement of 8.5 days). The March quarter averaged 19 days, an improvement on the previous quarter (20 days), but for the year to date we are at 20.9 days, still above the national target of 18 days.
As usual, we saw the normal trend of an increase during the Christmas and New Year holiday period, with average days then decreasing during February and March. We expect monthly performance to continue to improve for the remainder of the year. Meeting the full year target will be a significant challenge, but it remains possible.

Two measures in this output class are not likely to meet target:

- *Percentage of our housing portfolio compliant with the Healthy Homes Guarantee Act (HHGA).* 9,343 (14 percent) of homes across our portfolio of homes have received the work needed to confirm compliance with the Healthy Homes Standard through the Healthy Homes and vacant home programmes. These programmes have faced some unexpected pressures throughout the financial year, including trade availability; material supply (with heightened demand across the wider construction sector); and time delays with customers feeling uneasy having trades in their homes.

  Our actions: Our intent remains that we will meet our obligations over the three year programme. The forecast shortfall this financial year is a timing shift – and any deficit will be made up as rapidly and efficiently as possible. The Healthy Homes Programme is being re-set to ensure completion of the portfolio by 1 July 2023. Strategies included as part of this are prioritising HHGA requirements, and working with place-based teams and implementing an education programme to improve access and buy-in to allow works to proceed.

  Given these factors, we now expect 22 percent of our housing portfolio to comply with the Healthy Homes Standard by the end of the year, against the target of 30 percent.

- *Number of public houses completed as part of the house retrofit programme.* During the quarter we completed 63 Retrofit homes. The total for the year is now 188 homes, about 40 percent of the full year target of 500. We now expect to complete 273 homes for the year. Our constraints in meeting our target include:
  - supplying temporary housing to tenants during Retrofit work, while ensuring they are comfortable and supported throughout the disruption to their lives. In the tight housing market, we face challenges with supplying and retaining sufficient temporary housing

- changes to the regional planning environment, which has altered the available density options. Based on this we are undertaking a review regarding controlled density, which has meant pausing or stopping renewals while the review was in progress.

- *Our actions:*
    - the Renewals Programme Governance Board is providing strategic and operational advice to push the programme in its delivery, and providing options to remove or alleviate some of the constraints: enabling us to meet next year's ambitious targets
    - we have completed significant procurement during the quarter to secure building partners in regions outside of Hutt Valley (where we already have established contractors). With some contracts now in place, physical works have started in these regions, and the first deliveries are scheduled for May and June.

Maintenance 2020 - Te Mahi Ngātahi

The Te Mahi Ngātahi maintenance contract has been live for nine months, along with the supporting National Supply Agreements. As we progress, the focus is now on embedding the customer experience changes. This is being addressed through targeted performance measures including:

- customers now having a choice on preferred times for general work (92 percent take-up)
- customers taking the opportunity to request a delayed start time for urgent health and safety work (five percent take-up)
- general work automatically released to Maintenance Partners resulting in less delays in addressing work (61 percent).

In March, we conducted our first 'strategic review' with each of the Maintenance Partners (delayed a month due to the Auckland lockdown). These six-monthly strategic reviews provide an opportunity to discuss general performance including what's working well, what needs focus, and significant items coming up in the next six months. Creating these strategic forums, and distinguishing them from standard monthly operational performance reviews, allows both ourselves and our Maintenance Partners to rise above operational detail and focus on building a strong and effective partnership. While each Maintenance Partner faces distinct challenges, key themes across all partners included embedding customer experience improvements, sourcing, retaining and training trade resources, and delivering the increasing volumes of work.

s 9(2)(a)

[redacted]

Maintenance spend

To provide warm, safe, and dry homes for the people we house, maintenance will always be a significant portion of our expenditure. Overall maintenance spend is on track, with opex slightly above forecast due to a reclassification from capex to opex ($8 million), while the capex underspend is largely due to slower delivery of retrofit homes.

Total Maintenance Spend	Year to Date Actual ($m)	Year to Date Forecast Variance ($m)	Full Year Forecast ($m)
Responsive Repairs	124.0	(1.4)	171.9
Unoccupied Repairs	58.2	(0.3)	76.9
Damage Recovery	(5.0)	0.1	(6.8)
Communal Upkeep	12.6	(0.1)	16.6
Community Group Housing	2.5	(0.1)	3.3
Exterior Paint Programme	43.1	(0.9)	59.1
Methamphetamine Reinstatement	3.8	0.4	8.4
Roof replacement	21.3	(1.0)	32.0
Other Planned*	17.4	0.1	25.8
Ongoing Maintenance	277.9	(3.2)	387.2
Other Planned	4.2	0.3	7.3
Warm and Dry	0.0	0.0	0.0
HHA & Heating Standard	44.7	0.5	71.3
Hutt Valley/National Retrofit	55.4	6.0	109.8
Complexes Remediation	12.9	1.3	14.9
Improvement Works	117.3	8.1	203.3
Monitoring Asset Condition	8.7	0.3	12.9
PBMC Fees	45.9	0.1	61.7
Programme Management	54.6	0.4	74.6
Total Maintenance Spend	**449.8**	**5.2**	**665.1**

Total maintenance spend in this table contains purely home-related maintenance, so it differs very slightly to the overall maintenance spend in the financial statements.

New Public and Supported Housing Supply

We deliver the right volume of quality public and supported housing in the right place and matched to our customer and whānau needs.

Under this output class, we redevelop our current homes, build new homes and purchase properties and land for building homes. The activities in this output class include:

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

Measure	Year to Date Result	Year to Date target	Full Year target
Number of newly constructed Kāinga Ora public and supported homes	**1,798**	1,714	>2,400
Increase in the overall number of Kāinga Ora public and supported homes (net increase)	**1,605**	1,416	>1,900
Percentage of new public homes (redevelopments) built to a 6 Homestar standard	**90%**	90%	>90%
Percentage of demolition waste diverted from landfill	-	*Benchmark to be established*	
Number of new trainees actively engaged and sustained in our Kāinga Ora construction apprenticeship/cadetship programme	**74**	75	>100

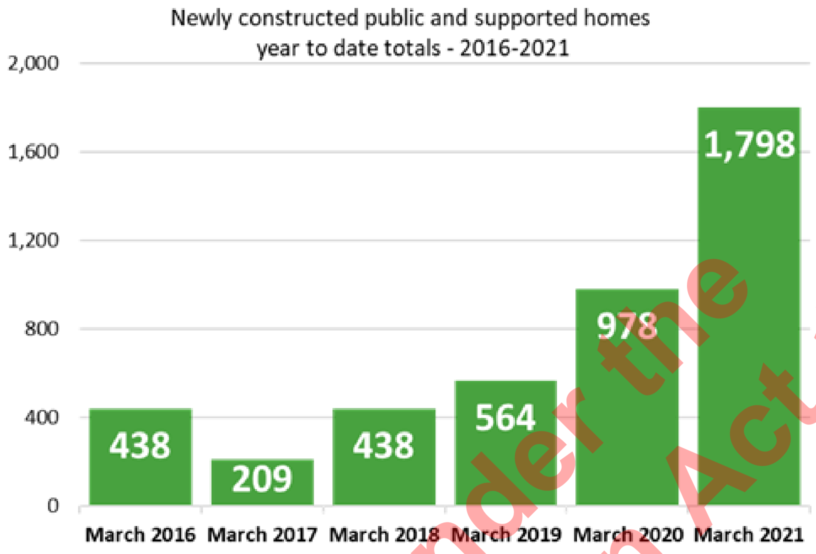
Revenue and Output Expenses	Actual YTD $m	Budget YTD $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to public housing supply, housing divestment and land development.
Revenue Other	0.0	0.0	
Expenses	88.8	93.1	
Net surplus/(deficit)	(88.8)	(93.1)	

s 9(2)(a) *on moving into her new home in eastern Porirua*

s 9(2)(a)

Kāinga Ora were awesome! Boxes were delivered, a skip bin as well as a moving truck were provided. Everything was really easy with their help.

We are on track to deliver the full year SPE target of 2,400 new homes. Every home that is scheduled for delivery this year is already in construction, and we have delivered more homes for the year to date than for any year in recent history at the same point: the 1,798 delivered so far this year are more than the previous two years' March totals combined.



We delivered 478 newly built Public and Supported homes during the quarter and remain on track for both of our new home delivery SPE measures, although the forecast indicates little room for movement. March was the second largest month to date in this financial year, with 274 completed homes. Redevelopments made up 247 of these, with New Build homes contributing the remainder.

For the final quarter we forecast more than 450 Redevelopment and New Build homes for delivery. The newly established Construction Management Office has focused on supporting the Programme Teams and working on reporting tools for better visibility.

Disposals remain below forecast, with demolitions 20 percent under the year to date estimates, however we expect to come back in line with the forecast during the last quarter.

Home Delivery	Year to Date Actual (units)	Full Year Forecast (units)	Full Year 2019/20 (units)
Public Housing			
Redevelopments	1,271	1,580	993
New Builds	188	259	236
New Public Homes	1,459	1,839	1,229
Supported Housing			
Redevelopments	137	296	23
New Builds	202	353	132
New Supported Homes	339	649	155
SPE 3.1 Newly built Public and Supported Homes	**1,798**	**2,488**	**1,384**
Public & Supported			
Public Buy Ins	244	275	326
Supported Buy Ins	64	69	130
New Leases	10	12	8
Total Other additions	318	356	464
Demolitions	(421)	(763)	(702)
Sales	(29)	(50)	(71)
Leases Expired or Terminated	(67)	(99)	(89)
Total Disposals	(517)	(912)	(862)
Adjustments[1]	6	6	11
SPE 3.2 Net increase in Public and Supported Homes	**1,605**	**1,938**	**997**

[1] *includes demolitions awaiting write-off.*

SPE measure: percentage of demolition waste diverted from landfill.

We will report on this measure in the Annual Report as we are in the process of gaining baseline data to establish a benchmark.

SPE measure: new trainees in our construction apprenticeship and cadetship programme

After a slow first two quarters because of the Auckland lockdown, the number of trainees in our apprenticeship programme is now on track, with 74 trainees in comparison to the 42 for the previous quarter. We expect to remain on track and meet our goal of 100 new apprentices and cadets in our programme by the end of the financial year.

MINISTRY OF EDUCATION
TE TĀHUHU O TE MĀTAURANGA

Iona Holsted, Secretary for Education, regarding our work with schools and apprenticeships:

I wanted to express my thanks for the work that you and your team at Kāinga Ora are doing with some schools across New Zealand. Your organisation's support means more young people are able to connect into the world of building and construction while they are in secondary school education. [This gives] them the skills, confidence and experience they need to transition into workplaces as well as learn about the construction industry through building Kāinga Ora housing. I know your work will have changed the life trajectory of many of these young people and their whanau, but also for the communities where their completed houses end up.

Transitional Housing

Transitional housing provides warm, dry, short-term accommodation for people and families in urgent need of accommodation because they have nowhere else to stay, or are unable to remain in their usual place of residence. Transitional housing is always accompanied by wrap-around support services. Customers in Transitional housing places contribute 25 percent of their income towards the cost of the accommodation. Since 2016, we have been providing properties to lease to HUD-funded Service Providers.

With PERM targets completed, our Transitional Housing deliveries now contribute towards the Budget 2020 additional 2,000 places.

- In early February 2021, the Minister announced that the joint HUD, MSD and Kāinga Ora PERM programme team had delivered 1,000 transitional places, with our contribution complete at 398 places (as agreed with HUD).
- All our subsequent Transitional Housing deliveries now contribute to the next key joint target: 2,000 additional places (announced in Budget 2020) to be completed by June 2022.
- Next year's pipeline (2021/22) has 607 places (within 607 units) under contract and 521 places (within 521 units) under investigation or negotiation.

To ensure that HUD are able to secure service providers to operate in the locations in which we deliver, we aim to complete our contribution to the Budget 2020 commitment by May 2022. We continue to work (and advise HUD) on our pipeline so that HUD has the maximum opportunity to secure service providers by June 2022.

Contributing supply for Corrections Housing and Support Services Programme
Work continues with Corrections to provide 150 transitional housing beds for people who would otherwise go to, or remain in, prison because they have no suitable accommodation option. People

living in these houses are supported by Corrections Service providers while they reintegrate back into the community.

During the quarter, we had expected to hand over to Corrections the Treadwell and Te Puke (15 beds) Community Residential Transition Houses (CRTH) sites, however, this was delayed due to stakeholder and community engagement objections. A CRTH site in Selwyn Rd, Christchurch (26 beds) is due to settle in August 2021.

To date we have delivered 73 beds (within 24 units) since the programme's start in July 2018.

Building Momentum

In the last quarterly report, we advised the successful launch of *Building Momentum: our construction plan for future homes*. We have progressed implementation alongside the organisation re-shaping, recruitment for several roles, and the overall co-ordination of the programme. This includes:

- an Internal working group formation and workshopping for Building Momentum activities: Partnering, Innovation, Design Quality, Delivery and Sustainability
- the internal launch of work with Project Velocity or Lean Programme
- Kāinga Ora website page updates with communication documentation for internal and external stakeholders.

The next milestone for Building Momentum is the external stakeholder event on 14 May in Christchurch. Attendees will hear an update on the programme alongside global and national presenters with techniques in social housing delivery.

Key projects for the first half of 2021 include:

- *Elemental Typology Suite:* to enable floor plans and apartment designs to benefit from repeated use of well-designed components
- *Carbon Neutral Housing:* to grow our expertise in securing more sustainable built outcomes for our future housing stock
- *Offsite Manufacturing Plan:* to future-proof our approach to innovation and create scalable improvements in the ways we deliver housing using prefabrication or offsite manufacturing
- *Monitoring construction costs:* to build capability in monitoring construction costs to enable improved oversight, cost reduction and importantly to make informed investment decisions by clearly understanding the full cost benefit and risk for each investment.

Innovative supply methods

Several initiatives were completed this quarter:

- ***Foundations Initiative*** - the purpose of this tool is to identify high risk sites early, fast track low risk sites and identify opportunities for higher density development
- ***Remix Research and Development Programme*** - the objective of the Remix programme is to optimise the design for a three-level walk-up typology in situations where the Cross Laminated Timber (CLT) building system is being used as the major structural element

- ***Manufactured Bathrooms and Laundries*** - the objective of this programme is to test the potential for manufactured bathrooms to be deployed at scale in the Kāinga Ora build programme. Manufactured bathrooms offer a bathroom and laundry solution that is quick and easy to install, ensuring minimum downtime and quality results with each module fitted. They are manufactured offsite in factory-controlled conditions for easy installation on site.

The ***Five Systems Programme continues*** - the objective of the Five Systems programme is to comparatively evaluate the performance of five different construction and structural systems in terms of time, cost, quality, health and safety, and carbon. The buildings will each be designed to achieve the passive house level of performance. The data produced by the programme will determine the design and development of other buildings and projects. This is a step towards understanding the technical and commercial implications of designing, specifying, and procuring high performance buildings.

Refugee housing is resuming

Resettlement of refugees who escape to Aotearoa New Zealand and need shelter has resumed after COVID-19, with over 200 people due to be resettled between February and June 2021. Although resettlement was put on hold during lockdown, we still worked to source additional public housing in preparation of lockdown being lifted, and to meet the refugee quota given by the Government.

We are expected to supply 364 public homes in refugee resettlement areas over 2021 to 2023. Of these, 175 homes will be supplied in this financial year, and the remaining 189 homes split over the following two financial years. We are on track to deliver the target in 2020/21, and we have delivery plans across all refugee resettlement locations to enable delivery of the three-year targets outlined in the Refugee Resettlement Plan. Almost all the deliveries to date are newly built homes, with the remainder purchases of existing homes.

With the existing over-heated property market conditions, we need to balance purchasing homes with reputational risks for the Government of participating in such a market. While we can deliver sufficient volume, there is a challenge in locational needs in 2020/21. We are working with HUD and Immigration New Zealand to validate if housing in these locations is urgently needed by June 2021 for resettlement purposes.

Urban regeneration, development, and general housing supply

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

The activities in this output class include:

- developing master plans for community regeneration, including infrastructure and community amenities
- initiating, facilitating, or undertaking urban development projects, either directly or in partnership, or on behalf of other agencies
- developing land to enable or facilitate public, affordable and market housing in areas of high demand
- selling land or housing assets that are no longer fit for purpose and reinvesting the proceeds in new housing
- providing leadership and coordination in relation to urban development, including by supporting innovation, capability and scale within the wider urban development and construction sectors
- leading and promoting great urban design and efficient, integrated, mixed-use urban development
- understanding, supporting, and enabling the aspirations of communities in relation to urban development
- working alongside tangata whenua to deliver outcomes for Māori in urban development.

Measure	Year to Date Result	Year to Date target	Full Year target
Number of new homes enabled through Kāinga Ora urban development activities	**610**	375	>500
*Percentage of affordable homes enabled as a percentage of total homes enabled (excluding TRC)**	***43%***	*40%*	*>40%*
Percentage of affordable homes enabled as a percentage of total homes enabled (including TRC)*	**32%**	40%	>40%
Percentage of enabled homes under construction by third parties within agreed timeframes	**88%**	95%	95%
Percentage of new affordable or general homes enabled to the 6 Homestar standard	90%	0%	>90%
Percentage of residents surveyed in current areas of development that are aware of the wider benefits delivered by Kāinga Ora regeneration activities	*Annual measure*		*Baseline to be established*

Revenue and Output Expenses	Actual YTD $m	Budget YTD $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class relate to activities associated with urban development activities and increasing general and affordable housing supply.
Revenue Other	14.0	104.9	
Expenses	76.0	154.6	
Net surplus/(deficit)	(61.9)	(49.7)	

Affordable homes enabled

The original Kāinga Ora measure for this SPE shows that 43 percent of enabled homes for the year are affordable, against a forecast of 40 percent for the full year. However, the overall percentage of Affordable homes sees a decrease to 32 percent when our activity with TRC homes is included. This result has remained similar month to month, and we expect the full year result to be approximately 35 percent.

As noted in the previous quarter, this is primarily a timing shift, not a reduction in the overall delivery of affordable homes from the programmes. Several developments with lower proportions of affordable homes are being delivered this year, with developments with a higher percentage of affordable homes delayed into the next financial year – the total number of enabled or affordable homes does not reduce.

The forecast for the next financial year will reflect the timing differences more clearly and take into account the inclusion of TRC homes, giving a more holistic view of the delivery of land for market, affordable and state homes. The SPE measure itself will also be reconsidered in the upcoming year's SPE document, and we intend to separate our TRC obligations from performance measures on Kāinga Ora-owned land to ensure clarity.

Enabled homes under construction within the agreed timeframes

This measure is 88 percent against a target of 95 percent. The details and our actions to mitigate this are in progress.

Large-scale housing and urban development projects

Net expenditure for the Urban Development and Delivery geographical areas continue to show the expected deficit for the current year ($175 million), and over the next four years.

Our net expenditure expectation for 2020/21 has decreased from the previous forecast by $74 million:

- Roskill Precinct has been revised, with a $33 million reduction in expenditure in 2020/21 and moved to the out years, with no change overall to the total expenditure out to 2024/25
- the Tamaki Precinct has had minor cost and revenue shifts to 2021/22
- Eastern Porirua has had $17 million costs shift to 2022/23
- our forecast is subject to the outcome of Budget bids.

$m	2020/21 Mar forecast	Apr forecast	Variance	2021/22 to 2024/25
Northcote Revenue	35.0	35.0	0.0	68.8
Northcote Cost	30.5	28.9	(1.6)	64.3
Net Expenditure	4.5	6.2	1.6	4.5
Roskill Revenue	27.4	27.4	0.0	480.5
Roskill Cost	131.8	99.4	(32.5)	744.5
Net Expenditure	(104.5)	(72.0)	32.5	(264.0)
Oranga Revenue	0.0	0.0	0.0	84.3
Oranga Cost	26.3	23.1	(3.2)	162.0
Net Expenditure	(26.3)	(23.1)	3.2	(77.7)
Mangere Revenue	17.7	17.7	0.0	168.8
Mangere Cost	61.5	39.1	(22.4)	390.6
Net Expenditure	(43.9)	(21.4)	22.4	(221.8)
Te Kauwhata Revenue	0.0	0.0	0.0	57.5
Te Kauwhata Cost	36.9	40.6	3.7	150.5
Net Expenditure	(36.9)	(40.6)	(3.7)	(93.0)
Tamaki Revenue	22.9	16.6	(6.3)	699.6
Tamaki Cost	38.3	31.6	(6.7)	959.5
Net Expenditure	(15.4)	(15.0)	0.4	(259.9)
Eastern Porirua Revenue	0.0	0.0	0.0	22.2
Eastern Porirua Cost	26.4	9.2	(17.3)	348.7
Net Expenditure	(26.4)	(9.2)	17.3	(326.5)
Total Programme Revenue	**103.0**	**96.6**	**(6.3)**	**1,581.7**
Total Programme Cost	**351.8**	**271.8**	**(79.9)**	**2,820.2**
Net Expenditure	**(248.8)**	**(175.2)**	**73.6**	**(1,238.5)**

Shovel-ready projects

The funding agreement between HUD and Kāinga Ora was signed in March 2021. Projects are on track for “shovels in the ground” by May 2021 and the programme is on track to meet the June 2024 end date. The variance of $5.1 million is against the approved TOC, however, this is likely to go up once we have the final design and the cost estimate.

Shovel Ready Bundles	Programme RAG	% Spent of SR Budget	Spend to Date	SR Budget	Forecast	Delta	Construction Progress
01. Northcote development stormwater bundle		67%	$8.7m	$13.0m	$14.7m	$1.7m	75% Complete
02. Owairaka Development Stormwater Network		87%	$27.2m	$31.2m	$31.2m	-	80% Complete
03. Tamaki stormwater and park upgrade bundle		3%	$0.4m	$11.3m	$13.5m	$2.2m	Started March 2021
04. Roskill South housing infrastructure bundle		18%	$1.8m	$10.0m	$10.9m	$0.9m	20% Complete
05. Mangere Priority Wastewater Upgrades		3%	$2.6m	$25.0m	$25.3m	$0.3m	7% Complete
06. Mt Roskill Priority Water and Wastewater Upgrades		3%	$2.1m	$65.0m	$65.0m	-	5% Complete
07. Tamaki Priority Wastewater Upgrades		1%	$0.4m	$25.0m	$25.0m	-	1% Complete
Overall Shovel Ready Programme Status			**$43.2m**	**$180.5m**	**$185.6m**	**$5.1m**	**On track**
Contingency	N/A		$0m	$8m	$8m	-	N/A

- Approx. $5.1m current total overrun.
- SR Funding has $8m contingency to fund overrun, also avenue to share cost overruns with CCOs.
- Contingency currently shown below the line - to be applied as agreed with MHUD.

Programme RAG – measured against Shovel Ready programme criteria of construction of one project within the bundle to start before 31 May 2021 and all projects complete by 30 June 2024.
Green = Met the start date criteria; Amber = planned to meet the criteria, however, needs to be closely monitored.
SR Budget – Available Shovel Ready budget; Forecast – Current estimated forecast to complete, calculated using approved TOC values and original SR budgets.

Shovel Ready Bundles	Finish	Progress Update
01. Northcote development stormwater bundle	Aug 2021	All TOCs approved. Bundle on programme to be complete by August 2021
02. Owairaka Development Stormwater Network	Sep 2022	TOC approved. Bundle on programme to be complete by September 2022
03. Tamaki stormwater and park upgrade bundle	Oct 2022	TOC 36 approved in March, remaining 4 projects currently in TDP. With expected construction for last project by Dec21
04. Roskill South housing infrastructure bundle	Mar 2022	TOC20A awaiting approval, approval expected May 2021. TOC20D Approved
05. Mangere Priority Wastewater Upgrades	Mar 2023	2 of 6 Projects relate to approved TOCs. Remaining 4 Projects are WSL projects undergoing modelling/design.
06. Mt Roskill Priority Water and Wastewater Upgrades	Jun 2024	TOC20C Construction Complete. Remaining 6 Projects are WSL project, of which 1 is in construction, others in design phase. Risk of Bundle surpassing the Shovel Ready end date of June24.
07. Tamaki Priority Wastewater Upgrades	Jun 2023	All WSL projects. 1 project in construction with other in design phase. Construction on all project expected to start by Nov21

Our two build companies for the St George's Road development in Avondale, Kalmar Construction and Miles Construction, and their sub-contractors, are working on a large development of 102 homes ranging from two-level terraced homes to six-level apartments. An event was held recently to mark the completion of the highest part of the build where we acknowledged the workers' efforts in making it happen.

Supporting first home ownership for New Zealanders

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

Activities in this output class include the proactive management of financial home ownership products that assist individuals and households to purchase their first home. It includes administering the following programmes on behalf of the Crown and Kāinga Ora-initiated programmes:

- KiwiBuild eligibility criteria on behalf of the Crown;
- First Home Loan and Kāinga Whenua loans (Crown appropriated);
- First Home Grant (Crown appropriated);
- Kāinga Ora Tenant Home Ownership Scheme; and
- Residential Earthquake-Prone Building Financial Assistance Scheme (Crown appropriated)

Measure	Year to Date Result	Year to Date target	Full Year target
Average number of days taken to assess a completed First Home Grant application	**4.8**	5 working days	5 working days
Average number of days taken to assess a completed KiwiBuild eligibility application	**1.5**	5 working days	5 working days
Number of new First Home Grants assessed for eligibility	**32,788**	*Demand driven*	
Number of new KiwiBuild applications assessed for eligibility	**4,662**	*Demand driven*	
Number of homes purchased by New Zealanders with one or more of our home ownership products	**8,290**	12,000	>16,000

Revenue and Output Expenses	Actual YTD $m	Budget YTD $m	Comment
Revenue Crown	81.7	90.3	The revenue and expenses of this output class are in relation to products that are managed on the Crown's behalf and expenses associated with these first home ownership products.
Revenue Other	0.8	1.2	
Expenses	76.2	84.6	
Net surplus/(deficit)	6.3	7.0	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document.

Average number of days taken to assess a completed First Home Grant application.

The measure has improved over the last quarter to be better than target, at 4.8 days. Although application numbers have remained stable, process improvements implemented in 2020 have led to the average number of days per application reducing each month between January and March, averaging fewer than three days for those months. The house price and income caps for First Home Grants increased on 1 April 2021, which will increase eligibility and the number of applications. We will continue to monitor application levels and we expect the full year result for this measure to remain under the target of five days.

Homes purchased by New Zealanders with one or more of our home ownership products.

The number of homes purchased this year to date is comparable with prior years under the previous measure (which did not include KiwiBuild homes). The new process to include the KiwiBuild homes in this result is being developed and will be in place by the end of the fourth quarter. For now, the figure of 8,400 homes only includes homes purchased using the First Home Grant and First Home Loan.

First Home Grant. We assess applications and provide grants of between $3,000 - $10,000 to first home buyers or those in a similar financial position. A total of $16.7million was provided in First Home Grants during this quarter.

KiwiSaver First Home Withdrawal. KiwiSaver members can access their KiwiSaver to buy a first home. We assess applications against a realisable assets test and provide applicants with a determination letter which allows successful applicants to access their KiwiSaver funds. We assessed 2,122 applications during this quarter.

First Home Loan. Allows first home buyers or those in a similar financial position access to borrow with only a five percent deposit. Participating lenders submit applications to us for assessment and we underwrite the loan. We underwrote 243 loans during this quarter.

Kāinga Whenua Loan. Provides owners of multiple-owned Māori land to access a KiwiBank loan which Kāinga Ora underwrites to build, buy, or re-locate a property to the applicant's Māori land. While there were no loans drawn down during this quarter, two new Kāinga Whenua loan applications were pre-approved.

Axis Series Homes. The Hobsonville Point housing development required approved building contractors to provide a certain number of homes at affordable prices for purchase by first home buyers. Applications typically exceed supply for these homes, so buyers are selected via a ballot process which we administer. These properties have a two-year residency obligation, and we manage and monitor the compliance of this.

Tenant Home Ownership Grant. Our tenants can purchase the property that they live in under certain circumstances. We provide a grant of up to $20,000 to eligible applicants to assist with their deposit. Four tenants purchased their homes utilising the Tenant Home Ownership Grant during this quarter.

Progressive Home Ownership

The Government has approved a Progressive Home Ownership Scheme, designed to increase home ownership opportunities for aspiring first home buyers. As part of this scheme, we develop and deliver a shared ownership product where the Government (through Kāinga Ora), shares the capital cost of purchasing a home with an eligible household.

We are in the process of finalising the Shared Ownership Product, for which bank support is fundamental. Work is progressing well with the banks, who are on track to be ready to launch by 1 July 2021. There are still several documents to be finalised with HUD, as well as approval stage gates to go through (including our Board and Cabinet, whose report-back obligations need to be met prior to launch). As a result, while our internal approvals will be completed by 1 July, HUD advise that the Cabinet report-back requirements need to be met prior to official launch. We will work with HUD to assist in meeting the report-back obligations as quickly as possible and to identify a new launch date as a priority.

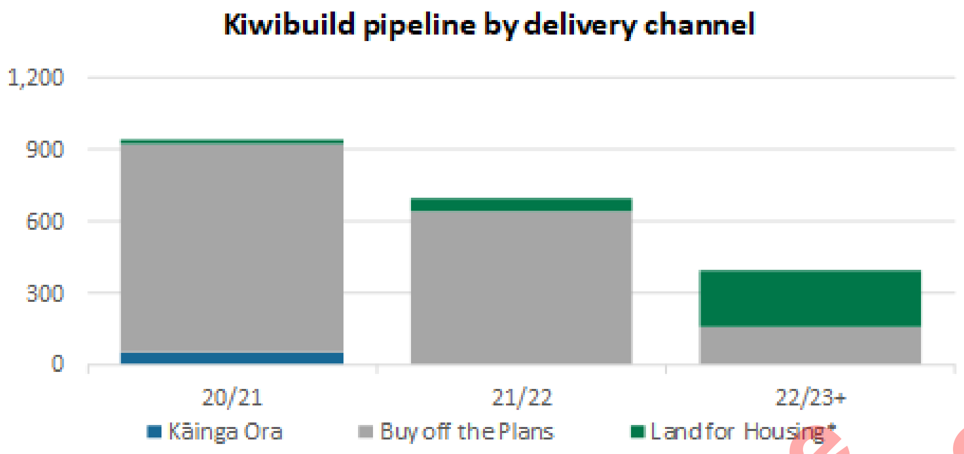
KiwiBuild

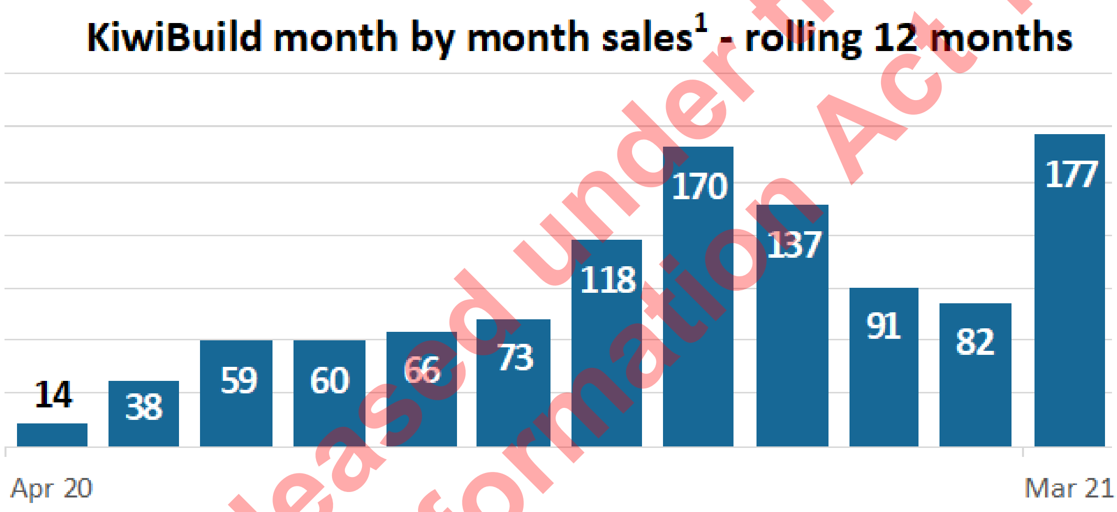
We continue to partner with private sector developers through the Buying Off the Plans Initiative. We have collaborated with HUD's Land for Housing team and our market delivery team to support the Government build programme and increase the supply of affordable housing.

In the March quarter we:

- secured contracts for the delivery of a further 212 KiwiBuild homes
- lifted the total number of KiwiBuild homes sold to eligible purchasers to 1,626 (from 1,265)
- completed 83 KiwiBuild homes in partnership with developers, bringing the total number of completed homes up to 871
- had a further 952 KiwiBuild homes under construction as at the end of March 2021.

The pipeline below outlines the approximate number of homes to be delivered for each delivery channel. Approximately 85 percent of these homes are in Auckland, with the remaining homes across the rest of Aotearoa New Zealand.





[1] *Note previous months' value may change as a result of further updates received.*

Transactions relating to Crown-owned land (Housing Agency Account)

Most activity within this output class relates to the services provided by Kāinga Ora for the management and development of Hobsonville Point (under control of the Housing Agency Account). The project is a large-scale, integrated urban development project in northwest Auckland on land formerly used by the New Zealand Defence Force.

Kāinga Ora is responsible for facilitating housing development at Hobsonville Point, with at least 20 percent of the housing constructed over the next 10 years to be sold as affordable housing.

It also includes activity where Kāinga Ora is required to buy or sell properties as part of the KiwiBuild Buying off the Plans initiative. The transaction and financial recognition will be processed within the Housing Agency Account, not within the Kāinga Ora Group.

Measure	Year to Date Result	Year to Date target	Full Year target
Revenue generated from the sale of Hobsonville land	**$0.0 m**	$0.0 m	>$10 million
Percentage of homes delivered that are long-term rental or affordable housing	**20.1%**	20.0%	>20%
Percentage of surveyed residents that are satisfied with overall living experience at Hobsonville Point	*Annual measure*		>75%

Revenue and Output Expenses	Actual YTD $m	Budget YTD $m	Comment
Revenue Crown	0.0	0.0	The revenue and expenses of this output class are in relation to management and development services for Crown-controlled land and property.
Revenue Other	1.2	1.5	
Expenses	1.2	1.5	
Net surplus/(deficit)	0.0	0.0	

Budget figures are based on the February 2020 baseline, prior to the COVID-19 pandemic. This is consistent with the current SPE document.

Revenue generated from the sale of Hobsonville land not expected to meet SPE target

Revenue is not forecast to be until late in the financial year, but we are forecasting that this measure will not be met, achieving $3.8 million in revenue against the target of $10 million. As a result, it is unlikely that we will meet the target for this year. However, revenue in this measure is not lost, as it has been moved into the next financial year and will be achieved then.

Corporate Performance - a reliably high-performing organisation

Measure	Year to Date Result	Year to Date target	Full Year target
Net operating costs of managing our housing portfolio per housing unit (excludes depreciation, includes capitalised maintenance)	*Annual measure*		$14,382
Earnings Before Interest, taxes, Depreciation and Amortisation (EBITDA) as a percentage of total income	*Annual measure*		29%
Total debt to Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) ratio	*Annual measure*		17.4
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) to interest costs	*Annual measure*		3.59

To be successful in our new role and deliver the important outcomes we seek to achieve, we need an organisation that has the right capability and is functioning well. Our organisation and our people are the true platform for us to realise our vision: *building better, brighter homes, communities and lives – he oranga kāinga, he oranga hapori, he oranga tāngata*. This section outlines our approach and progress towards positioning Kāinga Ora for success through how we go about our mahi, how we support our people, and what internal organisational priorities we choose to focus on.

Strategic Work Programme

Along with delivery of our core services provided every day to our people, we have a Strategic Work Programme that puts our people at the heart of what we do. Though our Work Programme is enduring and the outcomes can span several years, we review it each year to ensure it will continue to deliver the people outcomes required by Kāinga Ora.

Our Strategic Work Programme for our people has recently been updated. Our main people focus for this reporting period has been on setting up Ngā Pae Tātaki, preparing the launch of the new Leadership Development Framework, introducing the Diversity and Inclusion Framework, processing Holiday Act remediations, and progressing the Remuneration and Job Family Frameworks. Our key focus area highlights are shown below:

OUR CULTURE

- **Ō Tātou Uara – Our Values -** Phase one implementation concludes in April. We will run a pulse survey in early May to measure our progress and gather feedback and ideas that will inform phase two implementation. The high-level work plan for phase two (12 - 18 months from May 2021) was endorsed in March. Detailed scoping of the Phase 2 work streams in May and June.
- **Diversity and Inclusion –** We are beginning the journey of introducing and engaging our people with Whakaurungia Te Whare Kanorau - our Diversity and Inclusion Framework, starting with the Leader's Forums in April. We have identified our three Hōtaka Mahi (work programme) priorities for the year ahead:
  - Introduce Whakaurungia Te Whare Kanorau to all Kāinga Ora People
  - Develop and implement a phased Addressing Bias programme
  - Develop a robust Diversity and Inclusion metrics and measurement system and establish our Diversity and Inclusion baseline.

LEADERSHIP

- **Ngā Pae Tātaki (Leadership Committees) -** Institute of Directors were engaged to provide governance workshops for all members who work in governance space. Coaches have been appointed to support each Pae Tātaki, and coaching sessions have started.
- **Leadership Development Framework –** The Framework has been approved and a communications plan developed. The Framework will be launched in April by our CE, with sessions at the Leaders' Forums as well as a page on Atamai – *Leading at Kāinga Ora.*
- **Leadership Procurement –** Supporting the framework, we are procuring a new Leadership programme to provide our people leaders with meaningful learning and development. Registration of Interest closed 30 March, with three potential providers identified from 15 respondents. The next steps are meetings with the three potential providers, a Request for Proposal completed by June, and leadership development programmes starting in September.
- **Leadership Learning and Development Pathway –** Interim leadership development opportunities have been aligned to the framework. Applications are currently open for delivery starting in May 2021.

CAPABILITY

- **Capability Framework** - Our collective definition of organisational capabilities has been endorsed and we began building our Capability Framework in Q4 2021.
- **Learning and Development Approach and Principles** - Following our review of the external research, we have developed a draft set of Learning Principles that will be socialised with the wider People team and embedded into the work of the Capability team. These have helped shape our thinking and way of working.
- **Operating Model** - We are continuing to review our operating model and have begun drafting a Learning Design Technical Guidelines and new branding designs for our learning solutions in partnership with Marketing and Brand which features in our new Addressing Bias module.
- **Systems Review** – We were successful in upgrading our learning design authoring tool and have been able to begin designing, developing and implementing our new way of learning which will features in our new Addressing Bias module.

MAKING IT EASY

- **Holidays Act Compliance** – Remediation payments to current employees affected are complete. Repayments to former employees were made on 29 January and 26 February 2021. Responsibility for any future remediation claims from former employees transferred to BAU in March 2021. These will be managed by the Payroll Team.
- **Remuneration Framework** – A Committee of Leadership Team members has been appointed to oversee the application and development of remuneration principles, policy and practice at Kāinga Ora. A Job Evaluation Panel of People Leaders from across the organisation will begin training in job evaluation in April and is scheduled to begin evaluating jobs in May.
- **Job Families -** Focus Groups for the Administration, Assets and Operations, People and Technology job families are underway. PSA is being engaged in line with commitments in the 2020 CEA. Planning for completion of all job families by July 2021.
- **Leaders Kete -** A dedicated site is being developed on Atamai for people leaders to access tools and guidance to handle everyday people situations. The Kete will be launched in Q4. Material will be regularly expanded and reviewed to meet leaders' needs.

Internal organisational priorities

In March, a strategy workshop was held with our Board which included consideration of our internal capability priorities. The priorities endorsed by our Board are strongly aligned with our Strategic Work Programme for our people. They are:

- building and sustaining a safe, happy, and healthy work community
- providing the leadership tools and support for our people who are all leaders in their work
- improving our processes and systems to enable our people to do what they do best
- implementing an efficient and effective governance and monitoring system
- translating our vision and strategic direction for our people's mahi.

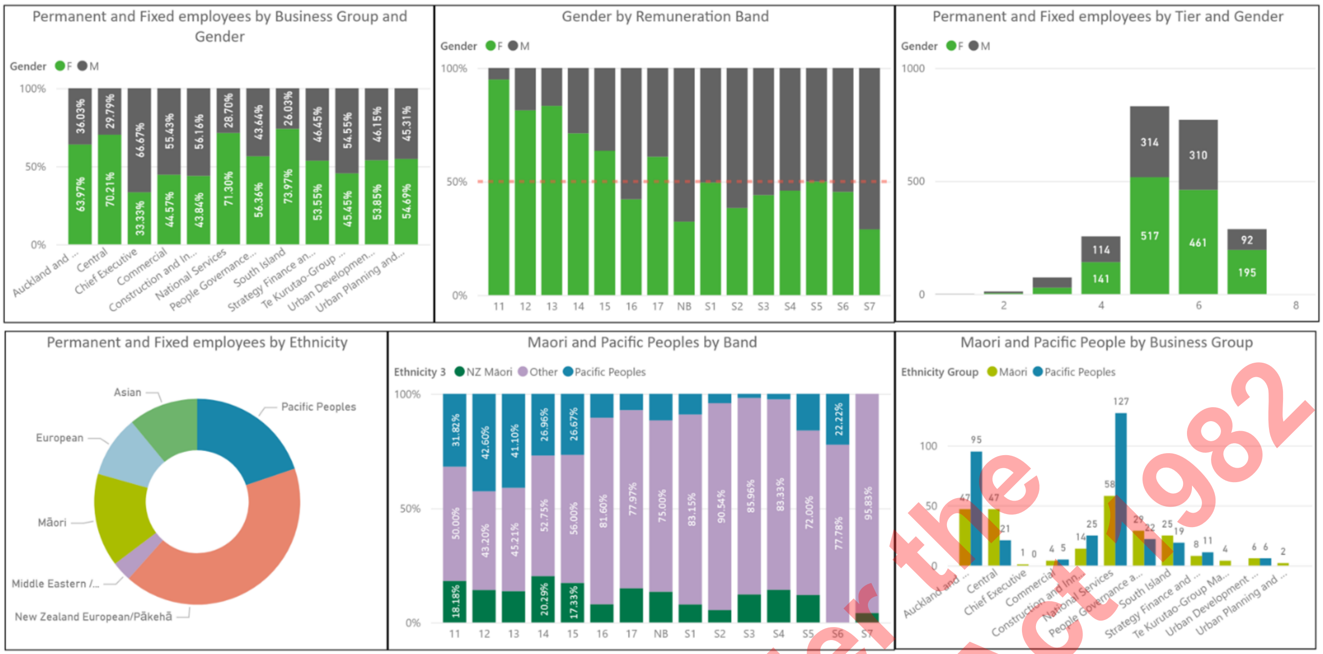
Measures

As a part of our annual planning, we are constructing measures to track progress against our Strategic Work Programme, internal organisational priorities, and our long-term financial sustainability.

The People Dashboard for March 2021 is provided on the following pages. Points to note from this period include:

- We finished March 2021 with 2,165 FTE, an increase of 271 FTE (14 percent) in the last 12 months.
- 49 percent of appointments to vacant positions have been internal to Kāinga Ora.
- Seven percent of our workforce are fixed-term employees and 93 percent are permanent. The makeup of our permanent and fixed-term workforce across our business groups remains reasonably constant each quarter.
- Of our total permanent and fixed term workforce:
    - 50 percent have been with us three years or less
    - 46 percent of our workforce is 45 years or older
    - 38 percent of our Tier two and Tier three workforce is female.
- We opened 1,248 positions for hire since March 2020.

Annual leave balances accrued due to COVID-19 restrictions trended downwards into January as anticipated, as most people use their annual leave for Christmas and New Year Holidays. This in turn immediately reduced our leave liability. Figures for March show a slight increase in leave balances as people returned to work following the holiday period. This may reflect the ongoing COVID-19 situation, and will need to be managed.



Being a good employer

Kāinga Ora aims to be a good employer to its employees. Some recent activities that reflect this include:

- the Christchurch team came together in the Papanui office for an informal gathering in February to recognise the 10-year anniversary of the Christchurch earthquake, reflect on that day, and to provide support to each other. Senior Tenancy Manager, Terry Wilson, spoke briefly at the gathering: "Human nature shone through at times with outstanding acts of both generosity and bravery being highlights for me"
- we had over 250 applications for the open membership positions (available to any permanent employee not just those in leadership roles) for our Ngā Pae Tātaki – Leadership Committees
- we translated versions of Ō Tātou Uara - Our Values to Samoan and Tongan

- we completed open consultation with staff on our proposed sustainability function
- Tony Osborne, a construction Programme Manager, reached a career milestone of forty years of service at Kāinga Ora. “It has been very satisfying and the various roles I have had has kept me here all these years. The staff over the years have been great and Kāinga Ora is a great place to work”
- the Health and Wellbeing team was established to help our people stay mentally and physically healthy (in-house expertise includes occupational health, counselling, and physiotherapy)
- we set-up the *onboarding our people* site that contains resources for people leaders and new starters to give fresh team members the best possible start
- we completed consultation on our delegations framework which will support the making of decisions closer to customers and to communities
- we established a remuneration programme to ensure a fair, transparent and equitable remuneration framework in place of those inherited from our three previous organisations.

Organisational Priorities

In each quarterly report we provide a focused look at selected organisational priorities. This quarter we have focused on Māori interests; progress against our housing commitments; and investment decisions and performance.

Māori interests

Strategy

Following on from last year's Māori Strategy engagement hui, a first draft of the Māori Strategy was sent for feedback to our three Engagement Tira (groups) on 15 December, 2020. Since then, three online feedback sessions were held in January and February 2021. Feedback has been critical to developing the next iteration of the Māori Strategy and has predominately been positive, with quality discussions on the focus areas of the Strategy.

The Māori Strategy team planned to have a final face to face wānanga to present back the strategy to our three tira in late February 2021 but due to a shift in Alert Levels, we moved online. The team are now engaging with internal business groups to implement the focus areas and key actions of the strategy within the business. A key part of implementation will be the shared Outcomes Framework with the Kāinga Ora Strategy, ensuring that there is direct connectivity between the two main strategy documents. The team will present the final documentation from March to May 2021 and seek endorsement from Strategy and Te Tira Ngā Pae Tātaki, then onto the Board in June for sign off.

Dr Acushla Sciascia presented on the design and development of the Kāinga Ora Māori Strategy at the National Māori Housing Conference in Napier in February, 2021. The session was a fantastic opportunity to share with whānau the Kaupapa Māori approach that Kāinga Ora has taken to developing our strategy.

Building Capability

During the quarter, Te Kurutao Tāmaki Makaurau team liaised with Piritahi Alliance to collaboratively develop in partnership with Tāmaki Makaurau Mana Whenua kaitiaki, a draft Piritahi Mana Whenua Engagement Framework, a guide for Piritahi to successfully engage with mana whenua throughout the delivery of the Auckland Civil Alliance programme for large scale urban redevelopment undertaken by Kāinga Ora. Development of the Framework ensures obligations to Māori are understood and enhanced in urban development, and will build internal competency and capability, and support industry responsiveness to Mana Whenua and Māori. The cultural capability of Piritahi is supported by Te Kurutao Tāmaki Makaurau, under the guardianship of Mana Whenua. Piritahi undertook an impact assessment of the draft Framework during March and identified resourcing needs, resulting in a draft Action Plan to identify opportunities and support iwi initiatives, to be prioritised and lead in partnership with Tāmaki Makaurau Mana Whenua. The draft Framework will be ratified through all partners, Kāinga Ora, Piritahi and Tāmaki Makaurau Mana Whenua, with a proposed launch in June or July 2021 (Matariki).

Kaupapa Inquiry

Kāinga Ora continues to support the cross-agency response to the Housing Policy and Services Kaupapa Inquiry (Wai 2750) at both the working group level and governance level. During the quarter, the first week of hearings for stage one was held at Te Puea Marae in Auckland from 21-23 of March. Throughout the week claimants presented their evidence to the Waitangi Tribunal Panel. The technical and interested parties' hearings will be held in May as the second week of hearings, with the Crown presenting in the last week in June. Kāinga Ora is committed to addressing the issues the claimants have raised and will be transparent and proactive with supplying claimant's information to support their claims

Māori engagement performance measures for the 2022/23 SPE

Te Kurutao successfully championed the creation and endorsement of seven Māori engagement measures that will be included in next year's Statement of Performance Expectation. This will quantify and make visible the work we do to support Māori and help us identify and encourage where we are being most effective.

The seven measures are:

1. percentage of supplier contracts and agreements with Māori businesses by volume
2. number of Kāinga Ora Staff who have participated and completed Mātauranga Māori pilot programmes
3. percentage of tenants who identify with the following ethnicity groups satisfied that their interactions with Kāinga Ora are culturally appropriate:
    - Māori
    - Pacific peoples
4. percentage of new trainees engaged in our Kāinga Ora construction apprenticeship or cadetship programme who identify themselves as:
    - Māori
    - Pacific peoples
5. percentage of our Iwi partners, who are satisfied or very satisfied with their on-going partnership with Kāinga Ora
6. percentage of applicants gaining full pre-approval for the Progressive Home Ownership scheme who are part of the following targeted groups:
    - Māori
    - Pacific peoples
    - Families with children
7. percentage of homes purchased by New Zealanders with one or more of our home ownership products who identify themselves as:
    - Māori
    - Pacific peoples

DCE Māori also consulted with representatives from Kāinga Ora's Pasifika community, and as a result four of the above measures include both Māori and Pacific Peoples.

Progress against our housing commitments

As noted earlier, we have agreed several multi-year housing commitments. To supply a net of 11,849 additional homes, we will build, purchase and lease over 18,700 homes, and dispose of 6,700 homes (that are unsafe, fire damaged, unsuitable, are not economically viable, required for redevelopment, or are of a high value) over the six-year period. Over 90 percent of the planned additions are expected to be newly built.

So far we have delivered a net of 3,539 homes (30 percent) against our intentions, and we expect to achieve our housing commitments by June 2024.

We need to increase our build pipeline by about 1,000 homes to achieve the commitments through to June 2022 (while also increasing our 2021/22 programme budget by 740 homes). This will be restricted by issues including the transfer of public projects to transitional housing to meet immediate transitional housing needs; the over-heated property market conditions; COVID-19 effects; a shortage of resources and building materials, and rising costs.

We are focussing on build projects to mitigate this pipeline gap, while we continually seek opportunities to increase housing supply. This includes speeding up delivery of modular (off-site manufactured) homes, accelerating the purchase of build-ready land, and carefully managing our disposals and purchasing activity within budget.

Figure one: Planning and Investment Intentions

Progress against Six-Year Planning and Investment Intentions as at 31 March 2021

	31-Mar-2021	Actual Year 1-2 FY19-FY20	Forecast Year 3-4 FY21-FY22	Forecast Year 5-6 FY23-FY24	Forecast 6 Years FY19-FY24	Housing Intentions FY19-FY24
Public	Total Additions	3,530	5,034	8,683	17,247	16,410
	Total SLED*	(1,580)	(2,164)	(3,769)	(7,513)	(6,766)
	Net Housing Supply	1,950	2,870	4,914	9,734	9,644
Supported	Total Additions	336	1,869	34	2,239	2,205
	Total SLED*	(29)	-	-	(29)	-
	Net Housing Supply	307	1,869	34	2,210	2,205
Public + Suported	Total Additions	3,866	6,903	8,717	19,486	18,615
	Total SLED*	(1,609)	(2,164)	(3,769)	(7,542)	(6,766)
	Net Housing Supply	2,257	4,739	4,948	11,944	11,849

	Progress Summary	4-Year FY19-FY22	4-Year FY21-FY24	6-Year FY19-FY24
Public	**Net Housing Supply Intentions**	**4,749**	**7,694**	**9,644**
	Progress actual/forecast	4,820	7,784	9,734
	Progress (%)	101%	101%	101%
	Delivery Status			
Supported	**Net Housing Supply Intentions**	**2,152**	**1,898**	**2,205**
	Progress actual/forecast	2,176	1,903	2,210
	Progress (%)	101%	100%	100%
	Delivery Status			

Delivery Status: On track; Mitigation in place; At risk

SLED* Sale, Lease Expiry, Demolition and existing stock adjustments

FY19 to FY22 Net Housing Supply Intentions of 4,749 includes PHP 4,480 and 269 Refugee Housing

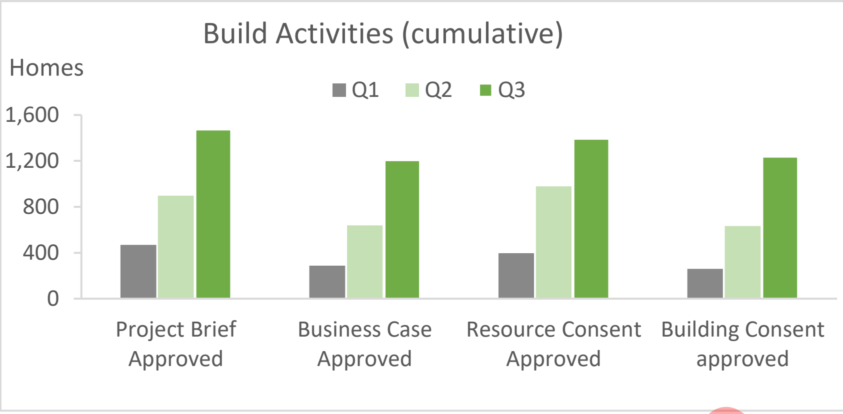
Actual FY19 to YTD Mar FY21	FY19-FY20	FY21	Total	6-Year Intentions
Net State	1,950	1,197	3,147	
Net SH	307	408	715	
Total	2,257	1,605	3,862	11,849
			33%	
			3,539	FEB figure
			323	

Note that our previous quarterly reports mentioned a total commitment of 11,947. The total commitment has been reduced by 98 homes as part of detailed planning of transitional housing programme allocation to Kāinga Ora. This change has been agreed with HUD.

Grow and progress our pipeline

Planning and approval activity occurs throughout our delivery process. Higher growth in build activities indicates a strong future build pipeline. Quarter three showed good progress across four main build activities compared to quarter two, and we expect to continue this momentum into the next quarter.

Figure two: Build Activities



Regional focus through place-based approach

We are building more homes in regional centres, regional hubs, and high growth towns outside of Auckland through our place-based approach, in response to increasing demand. There are more than 3,200 homes in the regional build pipeline across various stages of delivery, and a further 2,500 homes are in early phasing for the pipeline.

We currently have higher pipeline supply in Auckland (62 percent) compared to regional areas (38 percent). Through our new regional operating model and planning processes, we will balance and prioritise the delivery mix of locations to ensure we deliver at scale regionally and in Auckland.

Investment decisions and performance

This section aims to provide visibility to our investment decision making, ensuring consistency with Government expectations and that our debt-funded performance delivery demonstrates value for money. We monitor our balance sheet risk and financial sustainability, so that our debt level is predictable, sustainable and transparent.

We also cover details of existing and potential upcoming significant projects so that Ministers have a meaningful opportunity to engage in strategic investment decisions; and ensure sufficient lead-in time for reviews or decisions.

Actuals performance against original business case

Business cases set out the expected financial and non-financial results of an investment once it is completed. We evaluate a sample of completed projects against the time, scope, and cost in the original approved business case for selected public housing construction projects in order to identify improvements and track performance.

We have evaluated a total of 86 redevelopment projects with 846 homes for the time and scope elements of a project. For budget, rental income and gross yield, we evaluated 49 projects with 691 homes.

Figure three summarises the 49 projects evaluated from a financial perspective, as well as the count of projects evaluated only for time and scope. There are variances when we compare the overall projects to business case, but they tend to balance out at a portfolio level.

Figure three: Progress against original approved business case – financial performance

Delivery Type	Region	No. of Project	Unit	Total Approved Spend ($m)	Total Actual + Forecast Spend ($m)	Variance ($m)	Total Approved Annual Rent ($m)	Total Actual Annual Rent ($m)	Variance ($m)	Approved Gross Yield (%)	Actual Gross Yield (%)	Variance (%)
Public Housing: Individual Business Case												
Redevelopmen	Auckland	26	460	$225	$222	($3)	$12.4	$11.8	($1)	5.52%	5.33%	-0.19%
	Rest of NZ	23	231	$88	$91	$2	$4.5	$5.0	$1	5.12%	5.47%	0.35%
	Total	49	691	$314	$313	($1)	$16.9	$16.8	($0)	5.39%	5.37%	0.16%
Public Housing: Combined Business Case												
Redevelopmen	Auckland	1	2	na	na	na	na	$0.8	na	na	na	na
	Rest of NZ	36	153	na	na	na	na	$2.9	na	na	na	na
	Total	37	155	na	na	na	na	$3.7	na	na	na	na

For actuals, we assess the variance in gross rental yield between the business case and actual. This is because IROI - our Long Term Investment Plan performance metric – is calculated at the time of business case decision only, and these calculations are not updated when a project is delivered.

Figures four and five provide a focused view on gross yields, both for approvals and actuals. It highlights the extent of variation for projects. Gross yield is driven by actual costs and rents, and the variances can be due to one or both of these items changing during the project.

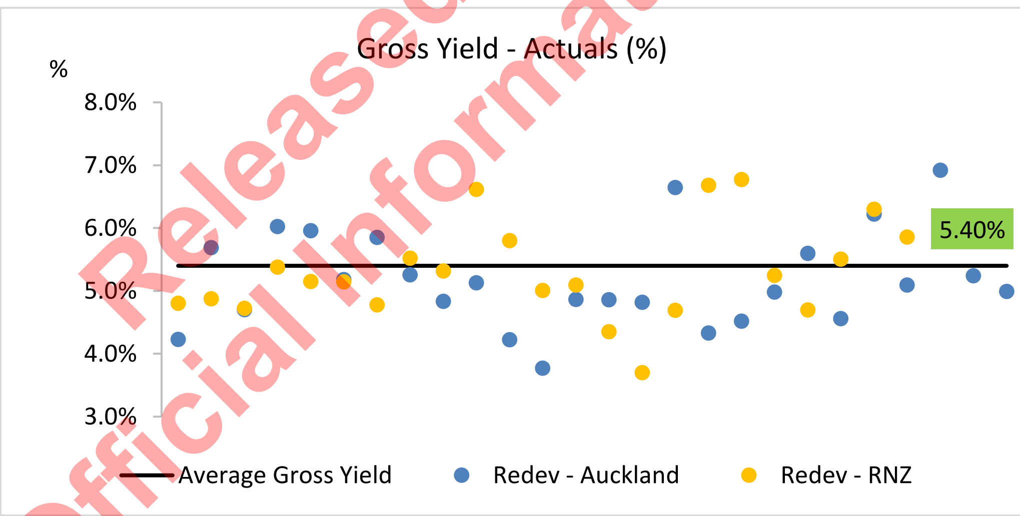
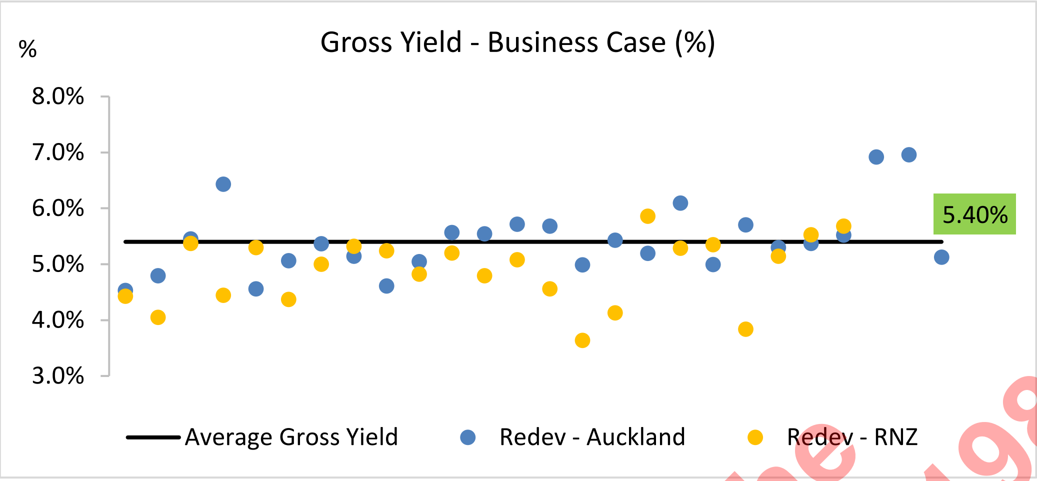


Figure four: Gross Yield - Actuals

Figure five: Gross Yield – Approved Business Case



Overall, 35 percent of projects evaluated achieved the rental income set by the business case and 57 percent were delivered within the original business case budget. This is caused by a number of factors, such as changes in scope (for instance, changes in the number of units or the number of bedrooms within units) and by different valuation methods between the business case and project completion. We have work underway to ensure that the valued market rent at the time of project completion is more closely aligned with the valuation at the time of the business case. At a portfolio level these changes are balanced out by costs savings elsewhere, or by rental uplifts – minimising their impacts.

In addition to financial factors, we also consider how well a project stays within scope and timeframe of the business case. 88 percent of projects delivered the scope items (number and type of homes) set by the original business case.

However, time performance against business case is low:

- 22 percent were delivered within three months from business case expected delivery date
- 15 percent were delivered within four to six months from business case expected delivery date
- 27 percent were delivered within seven to 12 months from business case expected delivery date
- 36 percent > one year from the business case expected delivery date

Business improvements are underway to address this, including developing system tools and scheduling capability.

Approved Investments and Business Cases

Year to date, 240 projects have received business case approval, totalling 1,928 homes, with a forecast total spend of $1,141m (excluding existing land costs). These approvals, and their expected financial performance, are summarised in figure six below.

Figure six: Approved Business Cases

Delivery Type	Region	No. of Project	Unit	Total Approved Spend ($m)	Net Balance Sheet Impact ($m)	Weighted Average IROI	Weighted Average IROI (incl	Average SQM Rate[1]	Average Project Size: Unit	Average Project Size: Approved Spend ($m)
Public Housing										
Redevelopment	Auckland	55	742	$439	($115)	2.31%	2.31%	$3,015	13	$8.0
	Rest of NZ	78	439	$240	($93)	1.74%	2.89%	$2,743	6	$3.1
	Total	133	1,181	$679						
New Build	Auckland	15	251	$178	$0	2.25%	2.25%	$4,767	17	$11.8
	Rest of NZ	29	133	$66	$0	2.10%	2.89%	$3,307	5	$2.3
	Total	44	384	$244						
Supported Housing										
Redevelopment	Auckland	1	12	$7	($2)	2.04%	2.04%	$5,453	12	$6.9
	Rest of NZ	4	13	$10	($4)	2.08%	2.08%	$2,838	3	$2.5
	Total	5	25	$17						
New Build	Auckland	24	195	$135	$0	2.32%	2.32%	$3,344	8	$5.6
	Rest of NZ	34	143	$66	$0	2.24%	2.24%	$3,472	4	$1.9
	Total	58	338	$201						

1 Average SQM rate refers to the construction cost per sqm (excl. GST).
2 Operation Supplement (OS) is provided to Public Housing outside Auckland. Supported Housing is not part of the scheme.
3 Approved Business Case count of project based on data extracted from IDP

Figure six shows the total volume of housing approved year to date and describes the financial effect on our financial performance. Key points of note are the balance sheet effects of investments due to completed redevelopment projects generally being valued at less than the cost to deliver. However, as these projects are for long term rental properties the balance sheet effects are considered acceptable.

Significant Projects

Significant projects are individual projects valued at equal or greater than $50 million. Two significant projects (figure seven) have been approved over this year, both from the Northcote Large Scale Programme (LSP). These two projects will deliver 173 apartments across several multi-storey buildings, with mixes of one, two and three bedrooms. In addition, three community rooms and four commercial offices will be built onsite to provide 24/7 concierge and support. The outdoor space is designed to integrate with the rest of new state housing project within Northcote LSP, which will provide new homes for 2,000 people.

Figure seven

Category	Build Type	Region	Project Description	Unit	Total Approved Spend ($m)	Net Balance Sheet Impact ($m)	Average SQM rate	IROI (excl OS)
Public	Redevelopment	Auckland	AR103546: Northcote N16	91	$68	($21)	$6,199	2.06%
Public	Redevelopment	Auckland	AR103548: Northcote N9 & N10	89	$59	($10)	$6,355	2.13%

Upcoming potential investment activity: the Airfields precinct at Hobsonville Point.

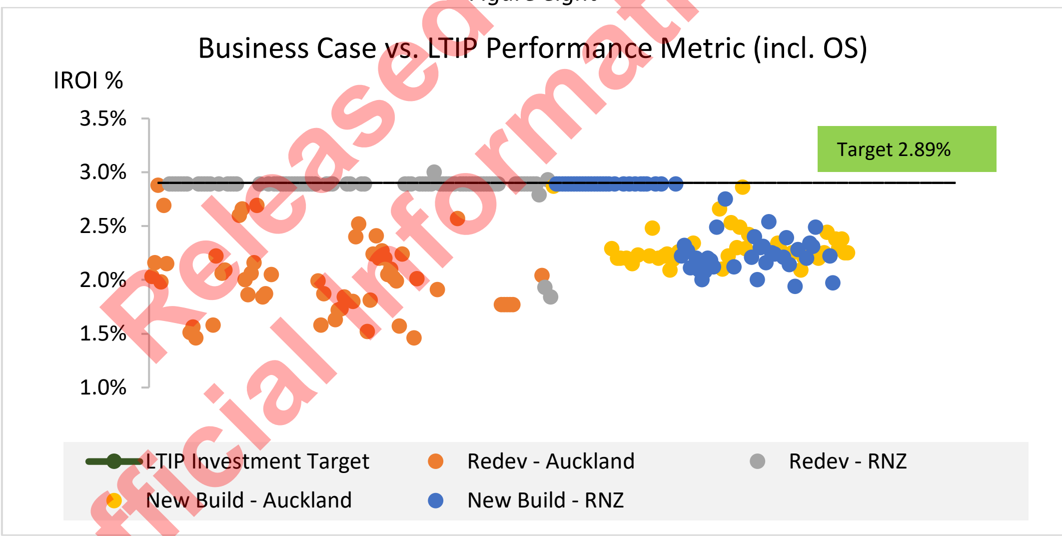
We are in negotiations with Panuku Development Auckland to purchase the mixed-use portion of the *Airfields* precinct at Hobsonville Point (the mixed-use area is approximately one third of the total area, with the other two thirds intended for residential use). This important strategic acquisition will allow us to attract development partners who will deliver on the integrated urban design and commercial use outcomes we are seeking. While the development plan for the mixed-use site is to be determined, it will support and complement the overall masterplan for Hobsonville Point, with an emphasis on employment outcomes.

Following the implementation of changes to better enable visibility, in future quarterly reports we will continue to present a schedule of upcoming significant investment decisions such as this.

Long-Term Investment Plan considerations

Our Long-Term Investment Plan (LTIP) sets out performance requirements and benchmarks to ensure that our investment activity is financially sustainable over the long term. The key performance requirement is to generate an average incremental return across all investment of 2.89 percent. Figure eight illustrates the performance of investment decisions made this year against that requirement, with an operating supplement. It shows the beneficial impacts of an operating supplement, and we are looking into how we can include the operating supplement into the LTIP.

Figure eight



We are continuing negotiations with HUD to enable us to access the operating supplement for Auckland (approved as a part of Budget 2020). If we can access this funding, it will improve the performance of future projects and mitigate the financial risk of significant investment activity below the target rate of return.

In addition to returns, the LTIP also sets out the development of cost reference points. Many of the investment decisions exceed the LTIP development cost reference points, which may present long term affordability challenges, in that the capital provisioned in the LTIP does not deliver the assumed level of growth in public and supported housing.

Financials

Cash flow, debt, and compliance
Total financial assets as of 31 March 2021 were $871 million, down from $1,060 million for the quarter ended 31 December 2020. Of this amount, around half is invested in high-grade liquid securities (securities that provide a return above money in the bank but are easy to sell) with the remainder invested in term deposits timed to known future payments out several months.

In December 2020, we launched a monthly $100 million bond tender programme, which we expect to account for around half of our ongoing annual issuance. Tenders will focus on adding supply to existing bonds, rather than establishing new bond maturities. Increased regular issuance in these bonds will improve secondary market liquidity, price transparency, and investor demand. Investor demand for tendered bonds has been strong to date, with between three and four times coverage (investor demand versus amount offered). At the end of the quarter, total bonds on issue were $4.4billion, when combined with bill issuance of $125 million, total market debt on issue was $4.525 billion.

We hosted a series of European investor meetings in February, facilitated by BNZ's parent National Australia Bank (NAB). The virtual roadshow featured a mix of potential and existing investors, with participants showing strong interest in environmental, social and governance (ESG) metrics, particularly our approach to reducing carbon emissions. Other topics included our response and recovery from COVID-19, and the outlook for our annual sustainability and wellbeing bond programme. Kāinga Ora is the only AAA rated ESG issuer in Aotearoa New Zealand, providing a real point of difference for our debt issuance programme.

More recently, we successfully raised $600 million through issuing additional Wellbeing Bonds in April (through bank syndication). The final demand of $1.1 billion exceeded the $600 million limit for the October 2028 maturity. It was great to receive feedback that we had participation in this issue due to direct environmental and social mandates for offshore investors.

Debt Profile	Year to Date Actual ($m)	Year to Date Forecast Variance ($m)	Full Year Forecast ($m)
Crown Debt	1,986	-	1,986
Market Debt	4,525	816	5,341
Total Debt	**6,511**	**816**	**7,327**

Capital Spend
Our capital expenditure for new homes, as shown in the table below, is tracking slightly above forecast. Our year-to-date investment on already-completed and in-progress homes in our Build Programme activities is $1,059.8 million, and $1,472.7 million across all our activities. Our current projection for the full year is $2.1 billion across all our activities.

Build Programme Spend	Year to Date Actual ($m)	Year to Date Forecast Variance ($m)	Full Year Forecast ($m)
Public Redevelopments	471.3	55.7	647.2
Public New Builds	113.0	(2.0)	157.6
New Supported homes	264.3	(69.0)	430.5
Total New Homes	**848.7**	**(15.2)**	**1,235.2**
Public Buy Ins	97.6	(7.6)	122.9
Supported Buy Ins	50.7	(7.0)	46.0
Public Strategic Land Purchases	25.0	29.0	50.0
Supported Strategic Land Purchases	16.7	(0.2)	29.2
Capitalised Overhead	21.1	0.1	28.7
Public & Supported Housing total	**1,059.8**	**(0.8)**	**1,512.0**

Operating result

The year-to-date operating deficit of $52.2 million is tracking slightly better than forecast, although the expected increase in expenditure in upcoming months will move the result further into the forecast deficit position.

Year to date, EBITDA is at $328 million (30 percent) and tracking to forecast, noting there are unders and overs within expense categories. Total (opex and capex) repairs and maintenance spend is on track, the opex overspend is related to cost reclassification from capex to opex. The lower-than-expected asset write-offs, due to a slower rate of demolitions.

We have engaged PwC to assist us in reviewing our business model and accounting process surrounding our land development activity.

Statement of Income	YTD Actual ($m)	YTD Forecast Variance ($m)	Full Year Forecast ($m)
Rental Revenue	1,098.4	0.3	1,484.0
Other Income	43.6	(1.0)	64.6
Repairs and Maintenance	294.9	(8.3)	410.4
Other Direct Costs	237.6	(2.2)	317.8
People costs	153.9	(3.2)	213.6
Other Indirect Expenses	90.7	14.7	137.1
Asset Write offs & (Gain) / Loss on Sale	36.7	3.6	140.6
EBITDA	328.3	3.8	329.1
EBITDA %	30.3%		27.5%
Depreciation and Amortisation (Properties)	238.4	2.3	324.5
Depreciation (Infrastructure)	11.0	(0.8)	15.7
EBIT	78.9	5.4	(11.2)
Interest Expense	125.2	(4.6)	164.9
Interest Income	(20.2)	1.6	(21.1)
Tax	26.0	6.6	29.7
NOSAT	(52.2)	9.0	(184.8)

Cash Flow

$m	Year to Date Actual	Full Year Budget [1]
OPERATING ACTIVITIES		
Rent receipts - Tenants	310	470
Rent receipts - IRR	772	1,001
Other receipts from Crown	95	141
Other receipts	38	139
Payments to suppliers and employees	(940)	(1,281)
Income tax & Interest paid	(184)	(253)
NET OPERATING ACTIVITIES	91	217
INVESTING ACTIVITIES		
Sale of rental and management assets	35	37
Purchase of Rental Property & Management Assets	(1,362)	(2,928)
Movement in inventory	0	(107)
Change in investments	493	153
Change in other financial assets & liabilities	138	0
Mortgage and other lending	0	0
Short-term investment	204	0
NET INVESTING ACTIVITIES	(492)	(2,845)
FINANCING ACTIVITIES		
Capital contributions & Crown Borrowings	0	0
Borrowings received from third parties	198	2,628
Dividends paid	0	0
NET FINANCING ACTIVITIES	198	2,628
Net cash flows	(203)	0
Opening cash and cash equivalents (as at 1 July 2019)	421	388
CASH AND CASH EQUIVALENTS (as reported in Balance sheet)	218	388
Short Term Investments (as reported in the Balance Sheet)	420	1,107
Investments - Non-Current	270	0
TOTAL INVESTMENTS	908	1,495
Less - Treasury Reserve Fund Investments	31	35
TOTAL INVESTMENTS AVAILABLE TO BUSINESS	877	1,460

[1] *Pre COVID-19 Budget.*

Balance Sheet

$m	As at 31 Mar 21	Full Year Budget[1]
Capital Contribution	3,560	3,555
Valuation Reserves	19,742	19,168
Retained Earnings	954	588
TOTAL SHAREHOLDER FUNDS	24,256	23,311
Cash & Cash Equivalents	217	388
Short Term Investments	420	1,107
Properties held for sale	11	0
Other Current Assets	10	0
Tax Receivable	91	176
Prepayments & Accounts Receivable	277	13
TOTAL CURRENT ASSETS	1,026	1,684
Income in Advance/Accounts Payable	178	247
Financial Liabilities & Provisions	23	37
Loans - Crown	213	252
Market Debt - commercial paper	125	700
Tax Payable & Other Liabilities	18	11
TOTAL CURRENT LIABILITIES	557	1,247
NET WORKING CAPITAL	469	437
Intangible Assets	34	25
PP&E - Rental Properties	31,768	33,488
PP&E - Infrastructure Assets	52	91
Properties under development	174	119
Property held awaiting development	57	278
Investments - Non-Current	270	0
Other Non-Current Assets	20	31
NON CURRENT ASSETS	32,375	34,032
Crown loans	1,773	1,735
Market debt - bonds	4,540	6,894
Deferred Tax Liability	2,192	2,417
Other Non Current Liabilities	82	112
NON CURRENT LIABILITIES	8,588	11,158
NET ASSETS	24,256	23,311

[1] *Pre COVID-19 Budget.*

Capital Expenditure

	Quarter 3, 2020/21			Year to date, 2020/21		
	Actual ($m)	*Forecast*	*Variance*	*Actual ($m)*	*Forecast*	*Variance*
Redevelopments	81.0	112.8	31.7	471.3	527.1	55.7
New Build Owned Programme	32.0	24.8	(7.2)	113.0	111.1	(2.0)
New Supported Housing	104.1	56.6	(47.5)	264.3	195.4	(69.0)
State Home Builds	**217.1**	**194.1**	**(23.0)**	**848.7**	**833.5**	**(15.2)**
Buy in Programme	33.8	25.6	(8.1)	97.6	90.0	(7.6)
Buy-In Transitional Housing	(12.9)	(11.3)	1.6	43.5	36.5	(7.0)
Buy In Community Group Housing	3.8	3.8	0.0	7.2	7.3	0.1
Strategic Land Purchases	22.3	51.1	28.8	41.7	70.5	28.9
Other Programmes	7.3	7.4	0.1	21.1	21.3	0.1
Construction and Innovation Total	**271.2**	**270.7**	**(0.5)**	**1,059.8**	**1,059.1**	**(0.8)**
National Retrofit	13.3	14.1	0.8	41.9	46.6	4.7
Other Maintenance Programmes	2.9	4.4	1.5	15.8	17.2	1.5
Construction Innovation Maintenance Programmes	*16.2*	*18.5*	*2.3*	*57.7*	*63.9*	*6.2*
Capitalised Maintenance and PBMC	15.4	14.2	(1.1)	28.9	28.3	(0.6)
Unoccupied Repairs	5.3	13.1	7.8	9.1	16.7	7.7
Healthy Homes	11.2	12.6	1.4	30.9	32.0	1.0
Roof Replacement	7.7	8.8	1.1	19.8	18.8	(1.0)
Other Programmes	4.1	3.4	(0.7)	9.7	9.9	0.1
People and Homes Maintenance Programmes	*43.6*	*52.1*	*8.6*	*98.4*	*105.6*	*7.2*
Property Maintenance Total	*59.8*	*70.7*	*10.9*	*156.1*	*169.5*	*13.3*
Infrastructure Assets & Projects Total	**7.4**	**8.7**	**1.3**	**30.2**	**32.5**	**2.3**
CAPITAL EXPENDITURE	**338.4**	**350.1**	**11.7**	**1,246.2**	**1,261.0**	**14.9**
Urban Development Land (State and Market)*	40.1	82.1	42.0	178.4	221.8	43.4
Urban Development Tamaki	4.6	10.5	5.9	20.2	22.3	2.1
KiwiBuild (Construction and Innovation)	**5.3**	**17.7**	**12.4**	**27.9**	**29.7**	**1.7**
TOTAL CAPITAL EXPENDITURE	**388.4**	**460.5**	**72.1**	**1,472.7**	**1,534.9**	**62.2**

** Excludes Te Kauwhata*

Capital Expenditure forecast

	Forecast 2020/21 ($m)		Budget ($m)		2020/21 Homes	
	Quarter 4	Full year	Full year	Variance	Budget	Forecast
Redevelopments	175.9	647.2	1,159.9	512.7	1,800	1,291
New Build Owned Programme	44.5	157.6	215.4	57.9	350	184
New Supported Housing	166.1	430.5	509.5	79.1	766	239
State Home Builds	**386.5**	**1,235.2**	**1,884.8**	**649.6**	**2,916**	**1,714**
Buy in Programme	25.3	122.9	215.4	92.5	275	239
Buy-In Transitional Housing	6.7	37.6	273.0	235.4	250	59
Buy In Community Group Housing	1.2	8.4	6.2	(2.3)	59	6
Strategic Land Purchases	25.0	79.2	75.0	(4.2)	0	0
Other Programmes	7.5	28.7	78.2	49.5	12	10
Construction and Innovation Total	**452.2**	**1,512.0**	**2,532.6**	**1,020.6**	**3,512**	**2,028**
National Retrofit	41.3	83.3	134.6	51.4	500	282
Other Maintenance Programmes	7.9	23.6	28.5	4.9		
Construction Innovation Maintenance Programmes	*49.2*	*106.9*	*163.1*	*56.2*		
Capitalised Maintenance and PBMC	11.2	40.1	34.0	(6.0)		
Unoccupied Repairs	3.0	12.1	11.1	(1.0)		
Healthy Homes Programme	20.7	51.6	95.7	44.1		
Roof Replacement	10.0	29.8	26.8	(3.0)		
Other Programmes	5.7	15.4	31.5	16.1		
People and Homes Maintenance Programmes	*50.6*	*149.0*	*199.2*	*50.2*		
Property Maintenance Total	*99.8*	*255.9*	*362.3*	*106.4*		
Infrastructure Assets & Projects Total	**10.7**	**40.9**	**38.5**	**(2.4)**		
CAPITAL EXPENDITURE	**562.7**	**1,808.8**	**2,933.4**	**1,124.6**		
Urban Development Land (State and Market)*	61.8	240.2	213.2	(27.0)	989	
Urban Development Tamaki	11.4	31.6	43.5	11.9		
KiwiBuild (Construction & Innovation)	**5.7**	**33.6**	**16.3**	**(17.3)**	**36**	
TOTAL CAPITAL EXPENDITURE	**641.6**	**2,114.3**	**3,206.4**	**1,092.1**	**4,537**	**2,028**

** Excludes Te Kauwhata*

Large Scale Projects

	Quarter 3, 2020/21			Year to date, 2020/21		
	Actual ($m)	Forecast	Variance	Actual ($m)	Forecast	Variance
Urban Development Land (State and Market)	40.1	82.1	42.0	178.4	221.8	43.4
Urban Development Tamaki	4.6	3.5	(1.1)	20.2	22.3	2.1
Urban Development LSPs						
Mangere Precinct (incl PG TOC)	2.7	13.9	11.2	32.3	45.3	13.0
Northcote	4.0	3.2	(0.8)	21.6	19.9	(1.7)
Oranga	(0.9)	7.1	8.0	11.4	19.3	7.9
Roskill Precinct (incl PG TOC)	33.3	26.1	(7.2)	88.2	80.9	(7.3)
Eastern Porirua	(5.3)	3.8	9.1	2.6	12.3	9.7
UD LSP Total**	**33.9**	**54.2**	**20.3**	**156.2**	**177.7**	**21.5**

Quarter 3 Debt

	$M **Crown**	$M **Market**	$M **Totals**
Opening - Bills on issue		$225	$225
Opening - Bonds on issue	$1,993	$4,324	$6,211
	$1,993	$4,549	$6,761
Net new bills	$0	-$100	-$100
Net new bonds	-$2	$200	$198
Movement in discount/premium bonds		$16	
Closing bills on issue		$125	$125
Closing bonds on issue*	$1,991	$4,540	$6,531
Closing Debt on issue at 31/03/2021	**$1,991**	**$4,665**	**$6,656**

**Market bonds on issue includes $135m of premium/discount bonds (Q2: $120m)*

***Te Kauwhata, Other Projects and adjustment are not included, as this is intended to only highlight those originally proposed LSP's. The basis of the forecast is under review, and subject to change in subsequent reports.*

Investment and Capital Spend

Historic Debt Levels against debt limit

	YTD 2020/2121	2021/22	2022/23	2023/24	2024/25
SPE measure - EBITDA / Revenue %	26.21%	20.37%	20.60%	20.00%	22.84%
SPE measure - Debt / EBITDA ratio	16.45	24.84	31.44	33.24	34.00
SPE measure - EBITDA / Interest ratio	3.27	2.26	1.74	1.49	1.41

Debt to Equity ratio	27.42%
Debt to Assets ratio	19.91%

Quarter 3 cash flow

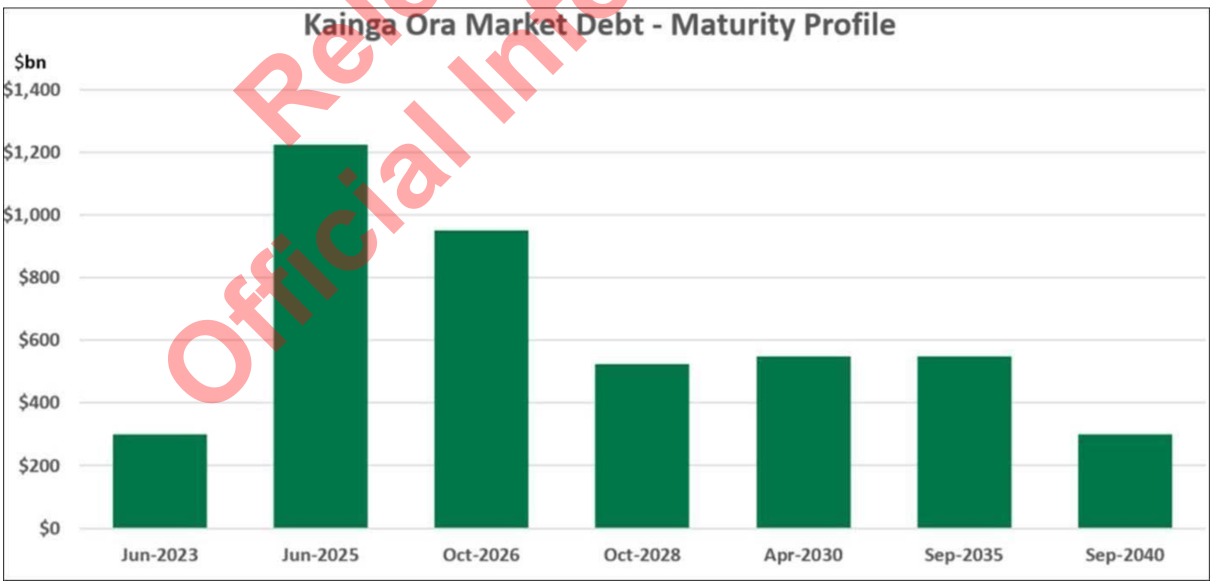
$M

Financial Asset Category	Value ($m)
HNZL Corporate Bonds	129.0
HNZL Term Deposits	375.0
HNZL NZ Government Bonds	200.0
HNZL Registered Certificate of Deposits	100.0
Bank Account Balance	67.0
Investments available to the business	871.0

Q3 Opening Cash	$247
Q3 net cash flows	-$30
Q3 Closing cash and cash equivalents	$217

Liquidity compliance is sitting at 158 percent, and we are compliant through to mid-June 2021. The Board-approved liquidity policy requires financial assets and committed standby facilities to be a minimum 100 percent of net cash outflows over a four-month period. Pre-financing ahead of key geopolitical events, as well as ongoing underspends within the business have meant the liquidity position has remained strong.

Current debt issuance showing maturity profile

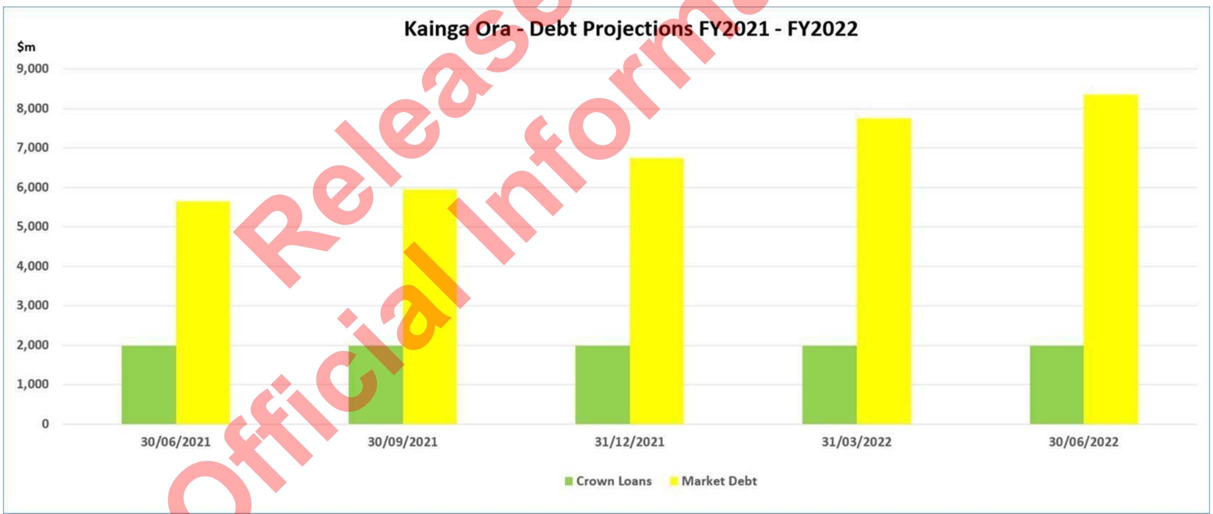


For more detailed information on each maturity line, please refer to our website: https://kaingaora.govt.nz/investor-centre/bonds/

We have recently issued an additional $50 million in 2025s and $50 million in 2035s with pricing confirmed on 31 March 2021, but issuance date of 7 April 2021. This means that the above chart would be exclusive of these amounts, whereas our website would be inclusive.

	Policy Monitor	Policy	Compliance (Y/N)	Position 31 March 2021
Interest rate risk	Modified duration of debt portfolio	Between 3.5 and 5.5 years	Y	5.2 years
Liquidity risk	Committed facilities/liquid assets cover daily anticipated net operational and capital expenditure on a forward rolling 4 month basis	>100%	Y	Liquid assets cover projected net expenditure by >100%
	Total debt (Crown/external debt capital market) maturing in any 12 month period as a % of total debt	<25%	Y	Maximum 22% matures in any year
Credit risk	Counterparty exposures	Registered bank or NZD-denominated securities with S&P rating >=A within approved counterparty and concentration limits	Y	All exposures within limits during month
FX risk	Foreign exchange position	No exposure >$250k	Y	All exposures covered when advised

Information on investor holdings is unable to be sourced, typical of most issuers, owing to custodian accounts and investors unwilling to reveal their exposures (by way of background, when we issue bonds by tender, we only see the names of the banks placing the orders, not the end investor).



In December 2020, we launched our monthly bond tender programme. Monthly bond tenders are expected to account for around half of annual issuance on an ongoing basis, with volumes up to $100 million per tender. We plan to issue around $1.0 billion of bonds by 30 June 2021, including both monthly bond tenders and one syndicated issue.

Sentiment around the Aotearoa New Zealand economy continues to remain buoyant into the first half of 2021. More broadly, global vaccine roll-outs and fiscal stimulus packages have been seen as positive for global growth. Consequently, while short-term interest rates remain anchored, longer term (five-year plus) rates have moved back towards pre-COVID levels since December last year. The Government announced in early April that our borrowing would increase by $2 billion to enable land acquisitions, but no time was given, which led to questions from the market. Notwithstanding this backdrop, the current scarcity of high-grade issuer supply, and uplift in our Standard and Poor's long-term local currency credit rating to AAA (the highest credit rating), makes for a favourable financing environment.