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Kāinga Ora
Homes and Communities

Progress

on building brighter futures

Q3 PŪRONGO IA TORU MARAMA
QUARTERLY REPORT
JANUARY – MARCH 2024

Executive Summary

This report provides an overview of the organisation's progress over 1 January 2024 to 31 March 2024.

The Ministers' interim Letter of Expectations (LOE) was received in March 2024 giving us clear direction on matters the Government expects us to focus on in the 2024/25 financial year. The organisation is working through the operational preparation and changes required for us to deliver on the priorities that the Government has asked us to focus on:

- Financial sustainability and delivering value for money.
- Managing disruptive behaviour.
- Actively reducing rental arrears.
- Strengthening community engagement.
- Tenanting vacant properties as quickly as possible.
- Increasing the size of our social housing portfolio.

In response to the interim LOE, we are in the process of drafting the 2024/25 Statement of Performance Expectations (SPE), setting out performance measures in relation to the areas outlined above. A draft SPE was submitted to the Minister on 1 May 2024.

During this quarter other key areas of focus have included confirming 2023/24 construction programmes, implementing the next phase of the Housing Delivery System (HDS) - focussed on new lower cost construction arrangements, and 2024/25 planning.

Our financial and non-financial performance in the quarter was broadly in line with expectations, with any variances primarily reflecting timing changes.

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Introduction

Purpose of this report

This report provides an update on our progress towards meeting the commitments outlined in the Statement of Performance Expectations 2023/24 (SPE), Statement of Intent 2022-2026, and the Ministry of Housing and Urban Development (HUD) Public Housing Plan, to 31 March 2024. All results are year to date from 1 July 2023– 31 March 2024. It also notes actions taken to meet the Government's interim LOE.

Our role

Our role is to deliver the Government's housing and urban development policies and objectives.

For more information, please visit our website: Who we are.

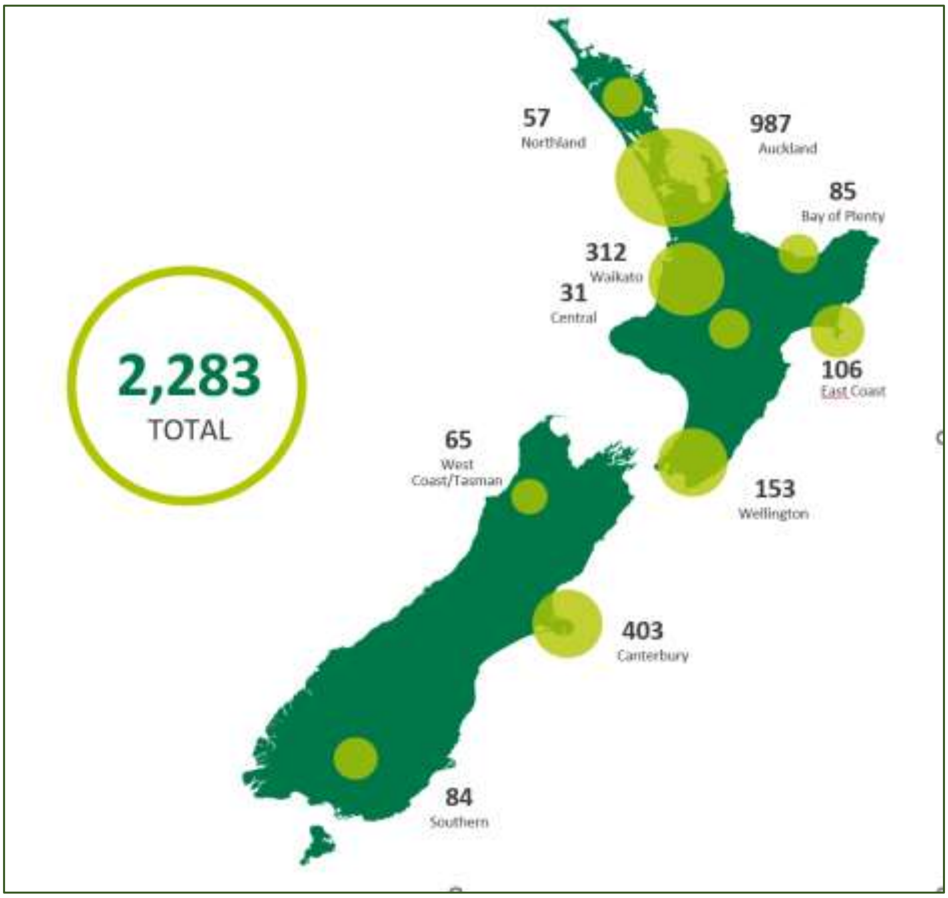
Our key focus areas

To deliver on our commitments and meet changing government expectations, the last quarter saw a continued focus on the following areas:

Increasing the supply of our social housing portfolio

House construction activity is very high, with 6,461 homes across the country in construction, workflow or contracted (at least 2,264 homes to be completed this financial year) and 880 homes completed in the last quarter. We continue to leverage efficiencies from the new Housing Delivery System (HDS). Through HDS, Kāinga Ora has achieved a 94 percent reduction in the time taken to complete the planning and design component of house construction, from an average of 17 months to just six weeks. By maintaining a steady and consistence cadence in our approach we mitigate the costs and interruptions associated with stop and start methodologies.

The map below shows completions by region to 31 March 2024.



Financial performance in the quarter is broadly in line with expectations

Capital expenditure is largely driven by investment in new housing supply, which at $2,419 million is around 10 per cent under Budget year to date. The difference is due to timing delays with minimal variance by year end. Operating performance is within $1 million of Budget expectations.

Financial performance

The December 2023, Board-approved Budget includes cost reductions enabled by savings initiatives signalled in the May 2023 Budget. The key initiatives are the Housing Delivery System (HDS), driving lower material costs and increasing labour productivity, an Asset Management and Maintenance transformation programme, and workforce management strategies.

In this quarter, further workforce management initiatives were developed and have been included in Budget submissions. We will provide regular quarterly reporting on how savings are tracking in future reports.

Managing our approach to debt and borrowing

At 31 March 2024, the total debt portfolio (across both market bonds and Crown loans) is $15.9 billion - within the organisation's borrowing limit of $22.9 billion, at a weighted average portfolio cost of 3.68 per cent.

Debt drawdowns have been at the lower end of liquidity policy settings. This year, $3.5 billion of debt has been drawn to 31 March 2024 at an average weighted cost of 4.93 per cent. We are forecasting the full year's interest cost on new debt to be between 4.85 per cent and 4.95 per cent, against a December 2023 forecast of 5.10 per cent.

Forecast debt requirements continue to be influenced by uncertainty on the timing of the "Tranche 0" LSP Crown equity injection and grant funding of $328 million. Delays mean additional debt is required in place of this funding, directly affecting financing costs and forecasts provided to monitoring agencies. HUD has sought approval from the Minister of Housing for financial delegation to accept the Tranche 0 claim. This approval is yet to be provided. A further ~$700 million of equity injection and grant funding is also forecast via LSP capital and operating funding. Current forecasts to the end of 2024/25 incorporate LSP funding as fully appropriated and receipted (total ~$1.0 billion).

Actively reducing rental arrears

While 85 percent of customers pay their rent on time, there has been a significant increase in debt numbers and levels. This is consistent with other areas of government. We have changed our debt management and escalation processes, including using terminations when that is the best means to remedy situations.

Strengthening our management of disruptive tenants

As set out in the interim LOE, Kāinga Ora has been changing its approach to managing disruptive behaviour. This includes timely use of RTA tools to prompt behaviour change and accelerating termination for severe cases.

Over the last quarter, we have improved case management processes, with a significant reduction in the time that incidences are open for. There has been a significant reduction in the age of open incidents. The number of incidences open for longer than three months has reduced from 42 per cent to 16 per cent at the end of March 2024

Tenanting vacant properties as quickly as possible

We are tenanting vacant homes as quickly as possible with the numbers of empty properties reducing.

We have also changed the way we report on unoccupied homes to reflect their status more accurately. The new reporting breakdown differentiates between 'vacant homes' being made available for re-tenanting, and those 'homes removed from service' (unavailable homes) – homes that are in the process of being redeveloped or demolished, retrofitted, or being disposed of. As of 31 March 2024, we had 66,320 social homes in service across the country. Over 98 percent[1] were utilised, with 142 of the vacant homes already let and waiting for people to move in and 1,157 still vacant.

Table 1: Utilisation of homes

Vacant homes		% of Public homes	Monthly change	Quarterly change
Being made available to let				
Ready to let - let and waiting to move in	142		*172*	*91*
Ready to let - available	508		*15*	*-81*
Under repair	375		*-39*	*-121*
Coming into service	163			
Unavailable for letting				
Pending decision	111		*-3*	*51*
Total	**1,299**	**1.9%**	*145*	*-60*
Homes in service	**66,320**			
Utilisation of homes in service (snapshot)	*98.0%*			

For the quarter, the number of vacant homes reduced by 60. In March 2024 alone, they increased by 145 (to 1,229), primarily because of 468 new homes that were completed that month.

[1] Note this is a different method of calculating homes occupied than we use in our current SPE2.9 performance measure – which includes both vacant and homes removed from service. From the beginning of 2024/25 financial year, we will correct this and ensure that it aligns with our new unoccupied homes reporting.

Table 2: Homes removed from service

Homes removed from service		% of Public homes	Monthly change	Quarterly change
In construction				
Major repairs	253		*-3*	*-82*
Retrofit process	742		*1*	*10*
Redevlopment and disposal				
Demolition process	479		*14*	*-83*
Redevelopment process	408		*-1*	*76*
Sales and lease enquiry	98			
Total	**1,980**	**2.9%**	*18*	*-220*

The number of homes removed from service reduced by more than 200 during the quarter, as we completed major repairs and tenanted those homes and completed the demolition of homes for redevelopment. We expect this number to continue to reduce over the remainder of the year.

We are also transforming our asset management and maintenance delivery processes to drive improved delivery times, reliability of service and cost efficiencies. It will reduce the time a home is vacant between tenancies, as we redesign the processes that trades use to schedule and complete repairs. We are introducing more detailed levels of daily planning, changes to customer contact processes, work batching and enhanced contractual arrangements to drive these improvements.

We have also undertaken a comparison of our occupancy rates over the last five years with those of Australian State housing providers. During the five-year period evaluated Kāinga Ora compares very favourably when compared against the Australian State housing providers – with occupancy rates of 97.6 per cent -98.1 per cent in the years 2019-2022 (ranked 3rd equal). While our occupancy rates did decrease to 96.1 per cent in 2023, as we ramped up our redevelopment and renewal programmes, we still compare favourably (ranked 5th).

Strengthening community engagement

We adopted a new approach to community engagement on Kāinga Ora developments in October 2023 bringing a more strategic approach focused on earlier engagement at a portfolio and community level. This approach ensures that communities are provided an opportunity to understand how individual developments fit into the wider development work programme gives them some context on the drivers of portfolio plans and the opportunity to feed back to us as early as possible.

We have 78 engagement portfolios across the country, 50 of these (65 per cent) are consistent with the new policy and most of the remaining will be consistent by the end of June 2024.

It was identified early that we would experience challenges to policy adoption in Auckland's three regions due to the size of the Auckland build pipeline and the complexities of the Large-Scale Projects in Auckland. These challenges are being monitored.

Table 3: Our progress towards alignment with the new policy.

Region	Progress towards alignment	Regional portfolio count	Portfolios reviewed by Regional Director	Assessment of change acceptance and adoption
Auckland and Northland				
Northland	Complete	9	6	High
North and West Auckland	Partial	8		Low
Central Auckland	Partial	6	3	Medium
Counties Manukau	Low	5	1	Low
Central				
Waikato	Partial	8		Medium
Bay of Plenty	Complete	6	6	High
East North Island	Complete	3		Medium
Taranaki, Wanganui, Manawatu	Complete	5		High
Wellington	Complete	6		High
Southern				
Nelson, Marlborough, West Coast	Complete	3	3	High
Canterbury	Complete	15	15	High
Otago and Southland	Complete	4		High

Quarterly Delivery

This section discusses our quarterly delivery performance outlined in our 2023/24 Statement of Performance Expectations.

Progress towards achieving our outcomes.

Performance measure results remain broadly in line with expectations.

The forecast reflects the updated estimates of the business, and in summary indicates:

- 17 measures are on target or on track to achieve full-year targets.
- 8 measures where the forecast is currently below target, but it is not yet certain whether the target will be achieved.
- 3 measures that are forecast to not achieve target.
- 4 measures are demand-driven or monitoring measures without targets.

Forecast performance key to help understand our performance tables.

Indicator	Description
✔	Measures that are on target or on track to achieve full-year target
–	Measures where the forecast is currently below target, but it is not yet certain whether the full-year target will be achieved
✖	Measures that are forecast to not achieve full-year target
✗ ▤ ✓	Sub-measure is forecast to not achieve full year target Sub-measure is at risk of not meeting full year target Sub-measure is forecast to achieve full year target

Output Class 1

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

What we do	Link to outcomes (per SPE)
We aim to provide quality public and supported housing through good asset stewardship, ensuring our homes are safe, warm, dry and healthy and designed to support a diverse range of needs and choices.	Customer wellbeing Thriving communities Māori aspirations Housing access

Performance Measure		Target	YTD Result	Year End Forecast	
1.1	% of new customers to receive Support to Settle In within the first 12 weeks of commencing their tenancy	85%	**95%**	95%	✓
1.2	Tenant satisfaction with tenancy and Customer Support Centre (CSC) interactions *The year to date result is 77% and while 1% below target, is within the margin of error. We expect to meet the target for the year. This measure combines customers' opinions of their Housing Support Managers; our consideration of customers' individual circumstances; and satisfaction with services provided by the CSC.*	78%	**77%**	78%	✓
1.3	% of customers in rent arrears with a successful working repayment arrangement	75%	**76%**	77%	✓
1.4	% of tenants who are satisfied that their interactions with Kāinga Ora are culturally appropriate *We are 1% below the target of 75% and within the survey's margin of error and expect to meet our full year target. The results for our Māori customers were consistent at 75% and tracking ahead at target for the year.*	75%	**74%**	75%	✓
	… Māori tenants	75%	**75%**	76%	✓
	… Pacific peoples' tenants *While we expect to meet the overall measure target, we do not expect to achieve the sub-measure target for Pacific Peoples. While it increased by 4% this quarter to 72%, we are currently tracking 3% below the year to date target.*	75%	**72%**	73%	✗
1.5	Customer Support Centre (CSC) average speed to answer telephone calls	≤3 minutes	**0 minutes 55s**	1 min 4s	✓

Output Class 2

Growing, renewing and maintaining our homes

What we do	Link to outcomes (per SPE)
Ensure that public and supported housing customers have access to warm, dry and safe homes. This includes renewing and growing our existing portfolio of homes, delivering growth in the right volume, quality and place, matched to our customers' and their whānau needs.	Customer wellbeing Thriving communities Māori aspirations Housing access

We are on track to achieve the target for newly constructed homes (SPE 2.1)

In addition to the 2,395 new homes delivered, we have over 2,500 more homes in construction or working through our construction processes.

Higher than forecast demolitions mean net additions are slightly behind target (SPE. 2.2)

We have a number of actions in place to help us meet the target of 3,500 homes, we are:

- Actively managing further planned demolitions to ensure they are essential in progressing the 2024/25 construction programme.
- Extending leases that were previously forecast to expire during 2023/24.
- Purchasing homes in areas of need.

	Performance Measure	Target	YTD Result	Year end Forecast	
2.1	Number of newly constructed Kāinga Ora homes:	4,500 – 5,300	**2,395**	**4,713**	
	…that are Public homes	4,385 – 5,185	**2,283**		✓
	… that are Supported homes *We are on track to meet this measure and we are doing all we can to meet the net increase measure this year as well.*	115	**112**		✓
2.2	Increase in the overall number of Kāinga Ora public and supported homes (net increase)	3.500 - 4,300	**1,268**	**3,287**	
	…that are Public homes	3,370 – 4,170	**1,125**		
	… that are Supported homes	130	**143**		✓
2.3	Percentage of new public and support homes built to 6 Homestar standards	90%	**100%**	**95%**	

	Performance Measure	Target	YTD Result	Year end Forecast	
2.4	Percentage of eligible newly constructed Kāinga Ora public homes meeting full universal design standards	15%	**17%**	**15%**	
2.5	Percentage of newly constructed Kāinga Ora led public and supported homes adopting Offsite Manufacturing solutions *The volume of Offsite Manufactured (OSM) homes delivered has trended down this quarter, at 7% of redevelopment homes for the year to date. Our ability to meet the 12% full-year target is dependent on total contribution from both Traditional Delivery and Housing Delivery System. Based on our current programme mix we require 350 homes to achieve 12%. We are currently tracking to deliver between 350 and 400 OSM homes, although many of these homes are delivered in the last months of the financial year and carry some time risk.*	12%	**7%**	**12%**	
2.6	Time taken to design and build a new Kāinga Ora public or supported home:				
	… houses	≤32 months	**28**	**28**	✓
	… apartments *This measure is new this financial year and while the result for houses is on track, the result for apartments is unlikely to achieve target. For context, the forecast was set assuming a specific balance between our delivery methods and before the full effects of the February 2023 floods and Cyclone Gabrielle were known.*	≤46 months	**51**	**53**	×
2.7	Number of new trainees engaged in our construction apprenticeship or cadetship programme *The overall target for this measure has been met and exceeded, the sub-measure for Pacific peoples is 4% below target. We expect to meet this target by end of FY24. We are raising awareness among main contractors (build partners), suppliers and sub-contractors, emphasising the toolkit grant incentive for first-year apprentices. We are collaborating with suppliers to improve data collection and identify overlooked Pacific peoples apprentices.*	125	**156**	**125**	
	... Māori	25%	**31%**	**25%**	✓

Performance Measure		Target	YTD Result	Year end Forecast	
	… Pacific peoples	25%	**19%**	**25%**	✓
2.8	Percentage of public homes in areas identified for future redevelopment that are saved from demolition and relocated to non-Kainga Ora land for home ownership and training apprenticeship pathways *We are on track to achieve the annual target for this measure. We relocated 14 homes this quarter and forecast more than 20 homes to be relocated during the final quarter. Since the start of the financial year, we have completed 84 relocations.*	10%	**9%**	**10%**	
2.9	Percentage of public homes that are let (occupied days) *We do not expect to achieve the 96% full year target for our measure Public homes that are let (occupied days) (SPE 2.9). Although our result has been improving all year as we focus on reducing the number of vacant homes, the measure is also affected by unoccupied homes arising from our historically high redevelopment and renewal programmes. For the year-to-date, our result is 95.4%, and we forecast to finish the year at 95.5%. In light of the outsized effect our renewal and redevelopment programmes have on this measure, it will be modified for next year to measure only homes that are vacant, rather than including those that are not in service (such as homes being redeveloped or renewed). As an approximation of this new measure, a snapshot at the end of March shows 98.0% of our Public homes in service are occupied.*	96%	**95.4%**	94.5%-95.5%	
2.10	Average number of days from a public home becoming vacant to being "ready to let"	≤23 days	**21.9 days**	22-23days	
2.11	Percentage of public housing customers satisfied with repairs and maintenance	75%	**76%**	75%	
2.12	Timeliness of maintenance response expressed as a %	90%	**91%**	91%	
2.13	Percentage of our housing portfolio compliant with the Healthy Homes standards *We are closely monitoring work towards achieving Healthy Homes Standards compliance by 1 July 2024 and forecast to*	100%	**99.1%**	100%	

Performance Measure	Target	YTD Result	Year end Forecast	
meet target by year end. We have fewer than 500 homes to complete and are utilising tools under the Residential Tenancies Act (including section 53b notices) for those hard to access properties or those with difficult circumstances (less than 0.1% of the entire portfolio). Regional teams are working with all remaining customers to complete remaining properties.				

Output Class 3

Delivering and facilitating urban planning and development

What we do	Link to outcomes (per SPE)
We contribute to sustainable, inclusive and thriving communities by providing quality urban development and regeneration through leadership, innovation and collaboration. We enable affordability and accessibility of housing, leveraging our land and scale.	Customer wellbeing Thriving communities Māori aspirations Housing access

	Performance Measure	Target	YTD Result	Year end Forecast	
3.1	Hectares of land developed by Kāinga Ora *We are on track to meet this measure with the risks being monitored.*	14.6ha	**7.9ha**	**25ha**	
3.2	Number of new homes that can be enabled on land developed by Kāinga Ora *We are on track to meet this measure with the risks being monitored.*	1,400	**325**	**1,400**	
3.3	Number of new homes enabled on land developed and delivered by Kāinga Ora. *To ensure effective delivery of enabled homes, we conduct regular monitoring and proactively manage developer progress. Consequently, 99 homes have been returned to us from a developer who was unable to proceed. We are in the process of working through how to reflect this previous year's adjustment and has not been included as a reduction in the YTD actual.*	750	**235**	**737**	
3.4	Affordable homes enabled as a % of total market and affordable homes enabled. *We are on track to meet this measure with the risks being monitored.*	40%	**27%**	**40%**	
3.5	Percentage of project milestones met as per large scale project (LSP) plans ***We are currently behind target and unlikely to achieve the target for the year as one baseline civil works contract is forecast to start later than originally planned.***	80%	**75%**	**75%**	
3.6	Percentage of Kāinga Ora housing developments that meet expectations, as defined in the 'Kāinga Ora Urban and Landscape Design Quality Outcomes Matrix.' Based on a representative sample of building activity	80%	**Annual**	80%	

	Performance Measure	Target	YTD Result	Year end Forecast	
3.7	Number of projects that have been assessed as potential Specified Development Projects (SDP) under the Urban Development Act 2020 *Both the Porirua Northern Growth Area and Tauranga Western Corridor are in the assessment phase of the SDP process, but there is some risk that this measure will not be met if there are significant timing or scope change implications for the assessments, as a result of feedback received from territorial authorities. We have mitigations in place to reduce the risk of not meeting this measure.*	2	**0**	2	✔
3.8	Number of newly constructed homes with delivery managed by Kāinga Ora on behalf of TRC (Tāmaki Regeneration Company)	180	**202**	220	✔

Output Class 4

Supporting Crown housing infrastructure and home ownership initiatives for New Zealanders

What we do	Link to outcomes (per SPE)
We contribute to supporting first-home ownership through the delivery of affordable home-ownership products.	Customer wellbeing Thriving communities Māori aspirations Housing access

	Performance Measure	Target	YTD Result	Year-end Forecast	
4.1	Number of new applications assessed for eligibility: - First Home Grants - KiwiBuild - First Home Partner (progressive home ownership)	Demand driven	**23,962**	31,000	
4.2	Average number of days taken to assess a completed First Home Grant, KiwiBuild or First Home Partner application	≤5.0	**2.4**	2.5	✔
4.3	Percentage of applicants gaining full pre-approval for First Home Partner who are part of the following groups:				
	…Māori	Monitor	**11%**	11%	
	...Pacific Peoples	Monitor	**5%**	5%	
	…families with children	Monitor	**53%**	53%	
4.4	Number of First Home Loan mortgages underwritten **Kāinga Ora is funded by an appropriation up to a maximum of approximately 3,600 First Home Loan underwrites based on an average loan value of $427,000.*	Demand driven up to 3,600*	**2,114**	2,900	
	… Māori		**271**	400	
	… Pacific Peoples		**80**	120	
4.5	Percentage of completed underwritten KiwiBuild homes acquired by the Crown as part of the Buying off the Plans initiative	≤25%	**11%**	≤25%	✔
4.6	Percentage of infrastructure milestones completed on time under the Infrastructure Acceleration Fund *20% of infrastructure milestones have been completed on time by the Funding Recipients as at the end of this quarter.*	80%	**20%**	80%	✔

Financial Performance

This section provides insight and commentary on our Financial Performance.

Financial measures		2023/24 Forecast	Current forecast
Fin 1.1	Net operating costs of managing our housing portfolio per housing unit (excludes depreciation)	$21,467	$21,505
Fin 1.2	Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) as a % of total income*	18%	17%
Fin 1.3	Total debt to non-sales adjusted earnings before interest, taxes, depreciation, and amortisation (EBITDA) ratio*	38.2	40.1
Fin 1.4	Non-sales adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) to interest costs*	0.8	0.8

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

Capital Expenditure

Capital Expenditure ($m)	Year-to-date Actual	Year-to-date Budget	Year-to-date Variance	Full-year Budget
Public Redevelopments	1,260	1,578	318	2,084
Public Acquire new	939	1,157	218	1,386
New supported housing	81	78	(2)	93
Home builds	**2,280**	**2,813**	**533**	**3,562**
Acquire existing	49	109	60	206
Strategic land purchases	55	86	31	105
Other programmes	36	66	30	76
Other home additions	**139**	**261**	**121**	**387**
Total housing supply spend	**2,419**	**3,074**	**655**	**3,949**
Retrofit programme	207	188	(20)	234
Other maintenance programmes	170	197	27	272
Maintenance programmes	**378**	**384**	**7**	**506**
Infrastructure Assets & Projects Total	**8**	**27**	**19**	**36**
Urban development land (state and market)	134	180	46	252
Urban development Tamaki	24	44	21	50
Urban greenfields & complex	32	45	13	69
Land purchase fund ($2b over 10 years)	1	4	3	65
Kiwibuild (Construction & Innovation Group)	0	0	(0)	0
Urban Development	**192**	**274**	**82**	**435**
TOTAL CAPITAL EXPENDITURE	**2,997**	**3,760**	**763**	**4,926**

The March quarter saw $700 million invested in new housing supply

The investment in new housing supply increased by $700 million in quarter three, with $2,419 million invested year-to date, $257 million under Budget expectation. The underspend is mostly in redevelopments and acquisitions and is expected to catch up by year end. In line with previous years, we are expecting a big June quarter to meet the full-year Budget spend of $3,949 million. Investment in urban development continues to track up, with $192 million recorded year-to-date. Relative to Budget, this was 19 per cent under, with the biggest drivers a shift in timing of land acquisition spending on the Tamaki and Greenfields programmes. The year-end forecast is likely to come in under Budget due to the timing of programme changes, now pushed out and spread across several years.

Statement of Financial Performance

Statement of Financial Performance $m	Year-to-date Actual	Year-to-date Budget	Year-to-date Variance	Full-year Budget
Rental revenue	1,345	1,343	2	1,864
Appropriation income	58	74	(16)	107
Other income	67	65	3	78
Total Income	**1,470**	**1,481**	**(11)**	**2,050**
Repairs and maintenance	477	488	11	639
Rates	180	186	6	249
Other direct expenses	158	158	(0)	216
People costs	267	273	6	366
Consultants/contractors	41	55	14	73
Other indirect expenses	90	88	(1)	119
Asset write offs & (gain)/loss on sale	98	90	(8)	185
Total expenses	**1,310**	**1,337**	**27**	**1,847**
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION (EBITDA)	**160**	**144**	**16**	**203**
EBITDA as percentage of total income*	**16%**	**14%**	**3%**	**16%**
EBITDA to interest costs	**0.4**	**0.4**	**0.0**	**0.4**
Depreciation and amortisation (properties)	297	281	(16)	374
Depreciation (infrastructure)	18	15	(2)	20
EARNINGS BEFORE INTEREST, TAX (EBIT)	**(155)**	**(152)**	**(3)**	**(190)**
Net interest	338	340	3	473
Tax	(93)	(94)	(1)	(105)
NET OPERATING PROFIT AFTER TAX	**(399)**	**(398)**	**(1)**	**(558)**

Contributions are net income and expenses of the Financial Products and Affordable Homes programmes.
**EBITDA % is exclusive of asset write offs and affordable homes contribution. Total income is exclusive of affordable homes revenue.*

Financial performance in the March quarter was broadly in line with expectations

Rental revenue of $1,345 million accounts for most of our income and is closely aligned to Budget. Appropriation income of $58 million year to date remains $16 million under Budget due to a timing related large scale projects funding agreement carryover from quarter two, expected to be resolved by financial year-end.

Repairs and maintenance spend of $477 million – the largest spend category – is broadly in line with Budget (2 per cent under), with the underspend mostly due savings in the exterior paint programme and lower completions for skillion roof insulation.

Contractor numbers are down a full 25 per cent since the start of the fiscal year, as business groups look to manage cost pressures within existing baselines. We anticipate further reductions in contractors, to support the additional savings to meet the Government-directed 17 per cent reduction in spend on contractors and consultants required by year end.

Ongoing efforts to reduce the use of contractors continues to flow through to improved financial performance, with the $14 million underspend in contractors and consultants contributing to the $16 million improved year-to-date EBITDA (earnings before interest, tax, depreciation and amortisation) position.

The bottom-line net deficit figure for quarter three, $399m, was in line with expectations, with higher-than-expected depreciation offsetting the improved result on expenditure. Depreciation has exceeded Budget due to increased volumes of capitalisation, consistent with an effort to reduce work-in-progress balances.

Ongoing efforts to improve financial sustainability have resulted in further cost efficiencies being identified and implemented, such as workforce management initiatives, which will support the year-end position.

A key risk to the year-end financial position is write-offs, which we expect to be around $25 million. The write-offs are primarily driven by the Arlington Development as a result of changes to project scope, to avoid significant cost escalation.

Insurance claim for Auckland Anniversary flood ongoing, with a gross claim of circa $40 million

The formal insurance claims process with insurers were initiated on 6 April 2023, with an expected gross claim of circa $40 million. Work has been ongoing with Marsh and the external loss adjustor to assess and validate the material damage and business interruption aspects of the claim. The intention is to present the claim to the insurer (Vero) for review in May. From there, negotiations will commence to agree a settlement amount and close out the claim.

Cost savings initiatives will again be a key focus of the upcoming Budget, and future reporting

Cost savings initiatives have been a feature of Kainga Ora Budgets over the past year and the June 2024 Budget will continue this theme, expanding on existing initiatives such as HDS and asset management savings programmes and developing new ones. With some initiatives now underway, we anticipate providing regular updates in future quarterly reports. While the approach will evolve, we plan to provide a focused update on savings in the next quarterly report.

Statement of Financial Position

Statement of Financial Position $m	Year-to-date Actual	Year-to-date Budget	Year-to-date Variance	Full Year Budget
ASSETS				
Cash and Cash Equivalents	146	100	46	100
Short Term Investments	1,141	1,295	(154)	726
Prepayments & Receivables	258	457	(199)	581
Properties held for sale	19	19	0	19
Properties under development	540	532	8	627
Mortgage advances	12	22	(10)	22
Interest rate derivatives	129	(8)	138	(8)
Income tax receivable	76	(0)	76	0
Intangible Assets	36	32	4	28
Property, plant and equipment	46,132	46,293	(160)	46,797
TOTAL ASSETS	48,490	48,741	(252)	48,892
LIABILITIES				
Accounts payable and other liabilities	506	498	(9)	502
Income tax payable	0	0	0	2
Provisions	0	64	64	60
Mortgage insurance scheme	59	65	6	72
Interest rate derivatives	26	16	(11)	16
Crown borrowings	8,249	7,978	(271)	8,894
Market borrowings	7,663	7,653	(10)	7,648
Deferred tax liability	1,752	1,753	0	1,970
TOTAL LIABILITIES	18,256	18,026	(230)	19,164
EQUITY				
Equity attributable to the Crown	3,786	4,326	541	4,359
Retained earnings	179	132	(48)	31
Revaluation reserve	26,269	26,254	(16)	25,334
Hedging reserve	(1)	4	4	4
TOTAL EQUITY	30,233	30,715	482	29,728

Our internal delivery measures

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

	Organisational measures	2023/24 Target	YTD Result
Org 1.1	Health and safety maturity score	Establish baseline	
Org 1.2	Percentage of invited People Leaders who complete Waka Tangata leadership programme by June 2024 *The Waka Tangata leadership programme is currently on hold, the result shown is from Quarter 1.*	70%	**64.5%**
Org 1.3	Ministerial correspondence, parliamentary questions and Official Information Act requests delivered to meet the agreed deadline *We have not met the target for this quarter; however, we are working on implementing improved reporting mechanisms and pending system changes to enhance visibility on tasks. We will be closely monitoring the next quarter to ensure we stay on track to meet the timeliness target for the year.*	95%	**97%**
Org 1.4	Ministerial services delivered meet the quality criteria	95%	**100%**
Org 1.5	Percentage of supplier contracts and agreements with Māori businesses *Currently our systems support reporting on Year to date spend with Māori suppliers rather than reporting on our progress on volume/number of contracts. The percentage of spend with Māori suppliers is currently sitting at 6.2%. We are investigating how we can adapt our systems to provide greater granularity.*	8%	**-**
Org 1.6	Number of staff who have completed Mātauranga Māori pilot programmes	1,200	**994**
Org 1.7	Percentage of Māori businesses and suppliers who are satisfied or very satisfied with their ongoing commercial relationship with Kāinga Ora *Given the low response rate to the surveys that were sent to participants via email over the last two quarters, surveys will now be conducted face to face via teams.*	>75% -	**Results measured annually**

Org 1.8	Tonnes of carbon dioxide equivalent emissions (tCO_2e) resulting from corporate activities – gross *We currently measure corporate emissions annually, so no result is available. A project is underway to reduce corporate emissions with a focus on reducing emissions from the purchase of new fleet vehicles, business travel and staff commuting. We expect to see some reductions late in 2023/24 as initiatives begin to be implemented.*	Track progress towards targets for 2025 and 2030	
Org 1.9	Tonnes of carbon dioxide equivalent emissions (tCO_2e) resulting from corporate activities - per FTE *Refer to commentary in Org 1.8*		
Org 1.10	2025 and 2030 gross emissions reduction targets established in line with Carbon Neutral Government Programme requirements	Reported as part of Annual Report 2022/23	