Kāinga Ora
Homes and Communities

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15 April 2024

Sir Bill English
Lead, Kāinga Ora Review Team
c/o Bronwyn Lauten, HUD Secretariat

Dear Sir Bill

Kāinga Ora Review

Thank you for the opportunity to provide feedback on the draft report.

You will see within the attached Board response to the draft report that we have structured our feedback firstly by referencing the review recommendations and then by providing specific comments on the terms of reference for the review.

We wish to acknowledge that the system we operate in is complex and the panel has been asked to complete the report in a very tight timeframe while balancing a range of perspectives.

We have five upfront general comments to make about the report:

1. There was relatively limited engagement with our organisation, leading to some review conclusions appearing to be based on analysis informed by anecdotes, rather than independently considering the performance of the organisation. This kind of evidence does not necessarily recognise the complexity of the system, and the organisation stands ready to provide empirical evidence to support policy decisions.

2. In taking a view of the wider social housing system, the report appears to conflate concerns about the performance of the social housing system with Kāinga Ora performance. The review should accurately identify the system changes that are required so that those that sit outside the Kāinga Ora mandate can be addressed by the correct system player. In taking this wider view, the review also seems to have missed the opportunity to identify improvements that will enhance value for money across the system and for Kāinga Ora.

3. The Board believes that Kāinga Ora has been performing against the direction set for it by the previous government. This is clearly demonstrated by our achievement against the multiple legislative, LOE and SPE targets the organisation has been set.

4. The Board believes that the organisation is financially viable, with action taken over the last three years resetting the organisation's key financial drivers - particularly construction and maintenance costs. This is shown in the medium-term financial plans provided to the Treasury, the Ministry of Housing and Urban Development, and the Reviewers.

5. The review correctly collects and considers information from various individual and organisational views on Kāinga Ora. The Board feels it is important to balance and validate those views against both Kāinga Ora's operational context, and the performance and activity of the organisation. We are not sure this has been done with sufficient rigour by the review group. We do not therefore believe it is appropriate to include Appendix E in the report, which includes errors and misconceptions of Kāinga Ora's role within the housing system.

We welcome the opportunity to discuss the draft review report and our feedback with you at any time.

Yours sincerely

John Duncan
Acting Chair, Kāinga Ora Board

Kāinga Ora Board response to the draft review of Kāinga Ora

15 April 2024

The following comments reflect the feedback of the Kāinga Ora Board to the draft independent report on the performance of Kāinga Ora, received on 9 April 2024.

Recommendations

We are broadly comfortable with the report system recommendations. We touch briefly on the key points below. We also note some areas we believe are critical to system performance that are not covered in the report recommendations.

Strengthening government accountability for social housing outcomes

We support the establishment of a single funder of social housing across government.

HUD being an active purchaser of housing outcomes through a social investment approach

We support developing more nuanced understanding of housing needs to inform the Public Housing Plan, with HUD taking a role in purchasing housing outcomes. This will require better data sharing across the system – particularly between HUD and MSD, and some resolution of privacy constraints.

Place-based approaches

There is real merit in continuing to progress the place-based approach to resolving housing challenges. This is consistent with recent structural changes within Kāinga Ora (and HUD) to be more place-based, to better understand local needs and preferences, and have stronger local relationships to improve delivery effectiveness and outcomes.

Increasing the role of other providers

We support recommendation four relating to the role of other providers, and the system funding and financing settings, including:

- Establishing a single purchasing contract for Kāinga Ora and CHPs.
- Changing settings in the system to level the playing field between Kāinga Ora and CHPs
- Ensuring the funding model incentivises delivery where needed and is responsive to the different needs of tenants.

We also note and support the direction around increasing contestability. However:

- There are ongoing opportunities for collaboration that are also important to foster. Kāinga Ora has a number of important partnership relationships with the CHP sector and it is important to continue to cultivate arrangements where different parties can play to their strengths.
- Contestability needs to be in conjunction with long-term planning and certainty. Creating some form of spot market for delivery would not be effective – a pipeline is key.

Simplifying expectations and direction

We agree with recommendation five that improving the overall system settings is needed to address challenges. We support the review comments and recommendations in relation to:

- The complexity of the housing support landscape, and suggestions on enhancements
- Simplification and clarification of direction to Kāinga Ora.

- Tightening the delivery focus for Kāinga Ora to social housing, which could include the repeal of the Kāinga Ora – Homes and Communities Act and by extension the removal of our statutory urban development responsibilities. However, we do not support any shift in responsibility for urban development on our own land, including delivery of LSPs, due to the intricacies of rehousing and tenancy management, and release of full land value is crucial to long-term planning and financial sustainability.
- Kāinga Ora becoming a Crown-owned company.

Improving financial sustainability

We support recommendation six in the report, regarding improving financial performance. This aligns with a lot of work underway looking into major spend areas and leading to the identification of considerable savings in support service costs, construction costs and asset management and maintenance costs. The Board has approved these savings in recent budgets and is happy to be held to account for delivery of them.

The drive to respond to severe waitlist pressure, meet challenging delivery targets, and incorporate a multiplicity of new objectives (including density, accessibility, building innovation, Homestar etc) at the direction of the previous government, has resulted in additional costs above standard build costs. However, we have worked hard to improve construction costs and investigated many initiatives to leverage scale and drive better performance[1].

Beginning in 2021, through the development, deployment, and ongoing optimisation of HDS, we are now achieving 40%-60% construction cost reductions in pilot programmes. This has been achieved through detailed task scheduling that has doubled labour productivity, the reduction of trade supplier and head contractor margins and rebates through direct sourcing, and removal of materials waste though precise schedules of quantities.

We also support the comments in relation to greater flexibility in the management of stock and landholdings (p19-20), including sale of land and homes where they are economically unviable to retain or develop. This is a core part of our longer-term planning, as we look to renew our aging portfolio, but has been difficult to pursue due to high demands to grow the portfolio in line with the previous government priorities. Achieving market value for these sales is also an important funding mechanism for this renewal programme.

Asset stewardship

The report does not touch on the primacy of the Board's role as asset stewards of ~$50b of Crown assets, and the importance of funding and financing model certainty to ensure this key government infrastructure asset is appropriately maintained and ultimately renewed over its life. Short term decision making, a lack of long-term planning, and funding and financing uncertainty has historically undermined this function with a backlog of end-of-life housing driving considerable operating costs.

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[1] Including, from 2018 onwards: investigating and trialling various off-site manufacturing technologies; trialling innovative build products such as cross-laminated timber; establishing infrastructure alliances in Auckland and Wellington; deploying capacity partnering contracts (where work is guaranteed to build partners in exchange for better pricing); financial incentives such as underwrites to reduce financing costs for build and development partners; new outcome-based procurement contracts with maintenance partners. These efforts have led to minor improvements but did not address underlying performance issues across the construction sector and did not lead to the efficiency gains that are both possible and needed. Consequently, we have shifted approach, and are deploying a comprehensive top-to-tail transformation of the way we deliver via HDS.

There are no settings to address this issue or recommendations in the report to address it. This is an issue that has recently received a lot of attention from the Infrastructure Commission[2], and which is something that needs to be addressed urgently.

Long-term certainty

Building sector capability, enabling planning to respond, building partnerships, securing land ahead of need, driving innovation, and providing certainty to the sector could all be materially enhanced by establishing more systematic longer-term perspective of demand for social housing and the funding and financing settings to support it. We have a history of turning on and off investment, which completely undermines the ability to drive faster delivery and more cost-effective outcomes. The report is largely silent on this issue, though we agree with review comments in relation to a lack of long-term certainty of the availability of government funding and policy settings. We believe this a fundamental requirement of an effective system.

Comments on the report

We have structured this feedback based on the terms of reference of the review.

Financial viability of Kāinga Ora

The Board believes that action taken recently has reset the organisation's financial viability, and in the Board's opinion Kāinga Ora is financially sustainable. Though this will continue to be challenged if more social housing growth is sought under the same funding and financing model:

- The financial sustainability challenges cited in the review relate to the failure of the housing system to match supply with demand. Prices are increasing far quicker than incomes, construction cost inflation is outpacing wage inflation, and this means that more and more people are being priced out of access to housing and are requiring some form of subsidy from the government.
- The current social housing system is based on the use of market rents to fund supply. That does not work in NZ's market conditions, where realising capital gains is required to make a return on investment. Addressing these root causes is fundamental for changing the performance of the system.
- The current financial model for Kāinga Ora as set by government for delivery of social housing involves:
  - 100% of the cost of new housing being financed through debt – i.e. we borrow from the Crown to deliver the new housing
  - We invest in new assets with this capital, and charge rent for them, which is paid for by the Crown (via IRRS and OS) and the tenants (via IRS).
  - We use this rent to meet all our operating cost obligations AND to service the debt.
  - This means our level of debt is directly related to the numbers of houses we are asked to deliver
  - Initially returns do not cover costs, however as rental inflation takes hold, over time we can recoup the cost of investment.

- The review refers to a June 2022 briefing on financial sustainability challenges prepared *by Kāinga Ora*, to highlight emerging cost pressures in the construction sector. It followed a series of earlier briefing notes to Shareholding Ministers on the delivery challenges associated with Covid, and other emerging pressures[3]. We were being asked to delivery unprecedented volumes of new homes at a time where

[2] Build or maintain? | Research & insights | Te Waihanga

[3] Proactive-release-of-briefing-papers-impact-of-covid-19-financial-sustainability-9-Dec-2022.pdf (kaingaora.govt.nz)

construction cost inflation was running at around 18%[4] and interest rates were also increasing, at a much faster rate than our rental streams. Against that background we were directed not to back away from delivery, and that meeting housing delivery targets remained paramount.

- These factors were severely undermining the funding and financing model which had been established and agreed to deliver the growth programme, as it relies on 100% debt financing. Higher than expected construction costs led to higher debt, and higher interest rates compounded into significantly higher operational costs to service the debt.
- These cost pressures also played out in our maintenance spend which jumped considerably due to inflation, the required roll out of the Healthy Homes Programme and our ageing asset base.
- The purpose of the briefing was to signal these challenges and to outline potential options, levers and trade-offs that could be considered to address the challenges.
- The funding and financing review, which was requested by Kāinga Ora, was intended to look at the effectiveness and sustainability of the funding and financing model but did not in the end cover these areas of scope.
- Notwithstanding this, as noted elsewhere we have been making considerable changes to address these issues through a range of cost savings initiatives.
- Concluding Kāinga Ora is not financially sustainable fails to recognise that we retain a strong balance sheet, with fungible assets and very strong current and projected rental flows. Our longer-term financial modelling demonstrates the situation improves dramatically.
- Given the savings we are beginning to achieve, the Kāinga Ora Board believes the organisation is financially sustainable. However, to continue growth in new social housing will require changes to the funding and financing model to better reflect current market conditions.

Asset procurement and management approaches

There is little evidence provided to support the comment that asset procurement is not transparent or effective. For example:

- The report refers to analysis from the funding and financing review suggesting homes built by Kāinga Ora are $35,000 more expensive than homes built via developers, after allowing for land value. This is a consequence of land development costs. Developers tend to acquire sites that are simple and conducive to development while we are supporting intensification by redeveloping land we already own and which, in many cases, are complex and costly to prepare but do make better use of existing land.
- Comments on the top of page 19 seem to be based on anecdotes rather than evidence, therefore it does not seem appropriate to either include them or base conclusions on them.
- The comments on land holding costs not being factored into decision-making for Kāinga Ora Land Programme purchases is incorrect. We have only conducted a handful of acquisitions, but in each case, they are independently valued, and that value is not based on an assumption of operating funding for holding costs.

- Page 19 asserts that costs could be reduced from interest costs on work in progress (WIP). This is simply not the case. Growing WIP is a reflection of the growing number of homes in construction – for context we have 4-5 times as many homes in construction today as we did in 2018. Homes take time to build before they are able to generate revenue. We can of course reduce holding costs by building homes more quickly, and this is a focus for the organisation through the introduction of HDS.

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[4] [Annual inflation at 5.6 percent | Stats NZ]

- In terms of transparency, we follow all government procurement rules as is required for all Crown entities.

The report also states that asset management costs are forecast to become unsustainable. Page 19 of the report discusses increasing maintenance costs and notes the impact of ageing assets, supply chain constraints and inflation. It concludes however that recent growth in costs are "well above what could be reasonably expected…" [from those cost drivers]. We don't agree that this is a reasonable conclusion to have drawn. We note:

- the rate increases we have experienced are in line with industry reported experience.
- it does not recognise the significant recent spend on the Healthy Homes Programme which is has added to total costs over the implementation period.
- we had a significant slowdown in maintenance work during Covid as we were unable to access homes. This led to a significant backlog of work, which has only recently become normalised.
- that between 2007 and 2017 there was almost no renewal of homes. This led to a backlog of renewal needs of around 10,000 homes. These end-of-life assets add considerably to the maintenance burden.

We are interested in understanding whether those factors have been considered and in seeing the analysis that supports the conclusions reached.

This section of the report also talks about recent savings that have been adopted into Kāinga Ora's budgets following an independent review of the asset management and maintenance system. The report states that "the credibility of these savings is difficult to assess but seems unlikely based on past results". What past results does this refer to? We were not asked for further information in relation to these savings, but would be happy to provide this and our approach to implementing them.

The report makes several comments in relation to the Kāinga Ora build programme:

- It incorrectly suggests that acquisitions are not part of the Kāinga Ora build programme (p18). For the vast majority of developer-led projects, we identify and work with the developers from an early stage, fully commissioning the build of a project. The primary distinguishing feature between a developer-led project and a Kāinga Ora build project is that in the latter case we already own the land. They are a key part of our build programme, as:
    - they are more effective at adding to the total stock as they don't involve a demolition to establish new homes
    - they do not necessitate rehousing of existing tenants
    - they help us to grow and diversify our landholdings (we could not achieve the targets fully on our own land).
    - As noted elsewhere, developers can also have access to better quality land and deliver cost effectively.
- more recently we have taken advantage of favourable market conditions to grow the number of developer-led acquisitions.

The report also mentions that we have struggled to meet delivery commitments. The delivery numbers have been challenging and have involved a major uplift in capability and capacity for the organisation. However:

- We have had additional volumes loaded into the targets at relatively short notice, including for transitional housing and refugee housing.

- We have had to operate through significant disruption due to two major Covid lockdowns, and the upper north island weather events.
- Despite this we are on track to complete our targets by the end of June 25.
- Over the seven years of the PHP programme (July 2018 – June 2025) we will have delivered about 21,000 homes, including 14,000 additional homes and 7,000 replacement homes, and completed a substantial retrofit of another ~3,000.
- This equates to renewal of ~15% of our stock and ~20% growth in stock over seven years.

Tenancy management including the approach to delivering better outcomes for tenants and communities

It is not clear how the conclusion that tenancy management is not delivering value for money has been arrived at, based on the evidence provided.

The report refers to Kāinga Ora's tenancy management function having grown from 666 in 2018 to 1330 in 2022. The correct numbers as provided through the discovery process for the review are 329 to 706 if you exclude the call centre.

The report cites MSD analysis (from the integrated data infrastructure) that effectively creates a proxy for complexity based on the extent of interactions with various services over the previous 12 months, e.g. justice system, mental health services etc.

This MSD analysis found that tenants in private housing receiving the Accommodation Supplement had higher needs than those in social housing. This analysis also finds that those on the social housing register have even more complex needs, and those in emergency housing the most complex needs of all.

Based on this data the report concludes that those in social housing, who are receiving relatively expensive assistance (though not the highest level of assistance as stated – Emergency Housing is considerably more expensive for the government), may not have the highest need. We do not agree this conclusion follows from the evidence:

- Firstly, the people coming into social housing – either from the register, or from emergency housing, have more complex needs. The customers already in homes, have lower needs. By definition the larger pool of all social housing tenants will have fewer complex needs than the smaller pool on the register and emergency housing. This aligns with our experience, that people coming into social housing have higher needs than those already present.
- It excludes data on the general population which is a fundamental point of comparison in the MSD analysis – and demonstrates that people in social housing have significantly higher levels of complexity than the general population.
- Gaining stability of tenure through social housing is helping to address some of the issues that are presenting in, and are potentially exacerbated by, insecure housing. The more responsive tenancy management approach adopted by Kāinga Ora is also contributing to these better outcomes for people coming off the waitlist or out of emergency housing. We have an evaluation programme underway to assess the impact of our new approach to tenancy management is having and to reassess the case for this investment.

- There is a significant body of evidence that points to the importance of tenure security[5] including findings that:
  - social housing tenants have (on average) higher levels of wellbeing than private renters, despite the fact they have (on average) much lower incomes
  - the disparity between social housing and private tenants reduces as length of tenure increases, which the researchers argue indicates that the lack of tenure security in private rentals is a driver of this gap.
- There is also a range of evidence that shows that private tenants have significantly less tenure security than those in social housing[6].
- There is also recent evidence that after transitioning into social housing tenants previously in emergency housing had decreased incidences of hospitalisation and mental health outpatient use[7].

Considering whether the remit of Kāinga Ora is conducive to good performance of its core functions

As noted earlier, we support recommendations to simplify expectations and direction. This should include tightening and prioritising the range of objectives set for the organisation through various mechanisms.

Kāinga Ora has a core statutory role in urban development, that is not addressed in the report. It would be helpful for the report to address:

- The regulatory role we play in administering Specified Development Projects
- The role we play in administering the IAF
- The extensive role in delivery of urban development projects on our landholdings including Hobsonville Point and LSPs in Mangere, Mt Roskill, Porirua, Northcote and Tamaki (on behalf of the Tamaki Redevelopment Company).
- The role in administering Crown products including Kiwibuild, First Home Partner, First Home grants etc.

These functions involve significant teams and investment and have been an important factor in the organisation's growth, including growth in staff, in recent years. It is not clear from the report or the report recommendations what the panel's view is on these core delivery functions, and what elements should be retained under a more streamlined set of responsibilities.

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

[5] For example see: "Micro-geography and public housing tenant wellbeing". Motu Working Paper 23-08. Motu Economic and Public Policy Research. Wellington, New Zealand.
[6] For example: "Residential mobility for a national cohort of New Zealand-born children by area socioeconomic deprivation level and ethnic group" BMJ Open 2021;11:e039706. doi: 10.1136/bmjopen-2020-039706.
[7] "The impact of transitions from emergency housing to public housing in Aotearoa New Zealand", He Kāinga Oranga/Housing and Health Research Programme, University of Otago, Wellington, New Zealand

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

Institutional arrangements

As noted earlier we agree with many of the recommendations relating to organisational form and structure.

However, the report does make a number of comments about the role of the Board and its performance. We believe these comments are inaccurate and lack supporting evidence.

We have a comprehensive governance framework that is comparable with other large, complex organisations including other Crown agencies and NZX listed companies, involving:

- A range of subcommittees for members to interrogate issues more deeply, including:
  - An Investment Delivery committee
  - A Finance, Risk and Assurance committee
  - A Public Housing committee
  - An Urban Development and Planning committee
  - And a Māori Housing committee
- These are complemented by:
  - The Construction Panel Advisory Committee which consists of external members with deep land and housing development expertise, and who provide advice both to development teams directly, and monthly to the Investment and Delivery Committee
  - Our external auditors, EY, who operate on behalf of the Office of the Auditor General, and an active internal audit programme that interrogates specific functional areas as directed by the Board.
  - Several external experts who sit on committees to augment the expertise in the room.
- An extensive delegations framework that includes ministerial, cabinet, board, committee and management delegations
- An Investment Management Framework that reflects Treasury Better Business Case requirements
- Monthly performance and housing delivery reports to the Board, regular reporting on urban development projects and LSPs

In addition, we have a range of central government requirements that sit 'above' board governance, including:

- Monthly and quarterly reporting to ministers via HUD
- For larger projects, in accordance with Treasury investment guidance, we follow ministerial consultation requirements for larger projects.
- The LSPs have been through Treasury's Gateway Review processes on three separate occasions without any major red flags
- Individual LSP precinct business cases have shareholding minister and cabinet approval steps.

- DPMC's implementation unit has conducted a review of LSP and housing delivery, which provided a number of useful recommendations that have or are being adopted
- Monitoring agencies have access to our Board reporting, including our budgets, have attended sub-committee sessions for periods of time, and regularly review and comment on monthly, quarterly, and annual reporting.

- We also note that our predecessor agency Housing New Zealand, received the highest investor confidence rating in the now defunct ICR process.

We are happy to provide further information on any of the above frameworks, processes or reviews.

Factual errors

We consider there are several factual errors within the report that we would like to see corrected.

Presentation of financial information

- The report frequently confuses funding and financing. In relation to social housing, Kāinga Ora is funded via market rents (paid by tenants and the Crown), and by Operating Supplement for additional stock. Capital costs are financed through debt (100% for additional housing), which is repaid over time through funding streams. We are also able to finance capital through sales, which can support the renewal of homes.
- Page 18 of the report refers to a total forecast cash cost to the Crown of $21b over four years which includes all Kāinga Ora cash spend, including capital and operational, and that this is the "most accurate way of measuring the cost of social housing". This logic is flawed as it is double counting by adding the funding cost and financing cost:
    - The Crown pays Kāinga Ora IRRS rents of ~$1.5b per year (in today's dollars)
    - The Crown also *lends* Kāinga Ora money to meet its capital costs, and receives interest payments from Kāinga Ora. The Crown in turn borrow that money from debt markets, with their interest costs more than met by Kāinga Ora. This element of the model has *no cost to the Crown*
    - The only cost to the Crown is the commitment to pay IRRS rents and OS.
- In addition, the $21b:
    - includes the cost of urban development functions (e.g. LSP investments), not just social housing
    - excludes rents received from tenants which are not a housing cost to the Crown
    - excludes sale revenues of surplus land and assets which can offset costs.
- Page 9 of the report makes the claim that total government housing support will average $8b a year over the next three years and Kāinga accounts for 56% of this cost. This is incorrect. Our forecast income from the Crown is ~$2b per year over this period[8].
- Also on page 9, there is a reference to Kāinga Ora spending and debt between 2019/20 and 2022/23. It compares our capital expenditure over the period with our total debt. It would be more appropriate and useful to compare additional capital expenditure (~9b) with additional debt ~8.8b. This is an important correction as it shows that debt has been invested in new assets.
- More generally there are several comments about "easy access to debt", "the use of debt to cover financial losses" (p13), "easy access to debt has enabled a lack of financial discipline" (p14) etc that are not substantiated.
    - Debt is and always has been the vehicle to deliver the significant volume of homes asked of us, and for the upfront delivery of LSPs. Not linking debt with the investment and the income generating assets created for the Crown provides only a partial picture.
    - Accessing debt has not been "easy". We have always worked through both government budget processes and debt protocol requirements.
    - All investments we make are required to work through an Investment Management Framework which reflects the Cabinet Office Circular and Treasury business case guidance.
- On page 10 there is a comment that the panel has found it "difficult to obtain definitive financial information…". It is unclear exactly what is meant by this comment, and in what sense the extensive financial information provided has not been satisfactory.

[8] Including IRRS, OS and appropriation revenue

Budget packs provided to the Board

The paper states that budgets provided to the Board are not sufficiently clear or detailed (p14-15). Specifically, it states:

- That the budget assumes several billion dollars of new funding from the government will be approved. This is not the case. The budget assumes funding for additional social housing concludes at the end of the approved Public Housing Plan. The only exception is an assumption that funding will continue for the Homes and Communities Appropriation beyond one year of approvals. This is a relatively modest sum, and we would need to roll back the costs if it is discontinued. This assumption is clearly noted in the board papers.
- The May budget does assume we have access to additional debt i.e. finance to continue our renewal programme. At the time of finalising the budget, debt allowances for renewal had been approved for the first three years only. The budget papers do signal that we will come back to the board with options that stay within approved debt limits. This is being worked on and will be the basis of our FY25 budget.
- While recent budgets did not include a full forecast balance sheet, they do extensively traverse balance sheet implications and risks. We also provide a long-term outlook based on a 60-year model that helps contextualise the longer-term implication of decisions and investments – which is key for a long-term asset owner. In addition, the board does sign off the budget balance sheet through the SPE process, and did so at the same Board meeting in which the budget was agreed.
- Our budget process and the pack for the Board focus on agreeing the economic (and other) assumptions that drive our forecasts, identifying key issues and risks including to financial sustainability, outlining changes from previous budgets, seeking approval for any new investments in people or technology, reflect the capital budgets to meet Crown expectations, and incorporate a range of options and sensitivity tests.

Accommodation supplement and IRRS

The discussion on the relative cost of IRRS and AS on pages 12-13 is not correct.

- Both AS and IRRS are based on need but have different criteria. While the subsidy on average for AS is materially lower than for IRRS, there are situations where a tenant would receive more from AS than from IRRS – typically relatively high-income earners will become ineligible for IRRS before they become ineligible for AS. This is relevant as the recommendations are focused on transitions between IRRS and AS support. As both subsidies are needs-based and means-tested its important to understand differences in subsidy levels for individual circumstances rather than on average.
- For example, some tenants whose circumstances have changed (improved) since entering social housing, may now be paying market rent in a Kāinga Ora home, and no longer attracting any IRRS payments. However, if they were to move into a private rental, they may be eligible for AS. In this sense they actually do have an incentive to leave IRRS, which is at odds with the statement at the bottom of page 12.
- We also note that there are several reference to IRRS being the most expensive form of government housing support (page 12), and quickly links this to Kāinga Ora ("social housing provided by Kāinga Ora remains the dominant way of providing housing assistance and is higher cost than other options" page 12). We note:
  - this isn't correct, and contradicts Figure 2 in the report, which correctly identifies that Emergency Housing and supported housing are both more expensive than social housing.
  - accommodation supplement is far more prevalent than IRRS, and is the dominant way of providing housing assistance

- Kāinga Ora is not IRRS – this is the subsidy system not our system – it conflates us with being more expensive rather than IRRS being more expensive.

Comments on delivery

- We note the comments including in the correspondence on page 43 of the report that states that CHPs have delivered 55% of new stock over the last 5 years. This is not correct – CHP deliveries are primarily recycling of existing stock from other forms of subsidised housing.
- Between June 2017 and February 2024 there are 14,785 additional IRRS places[9] (excluding transitional and supported housing delivery):
  - 8314 of these are CHP places of which 2190 (26%) are new stock. The balance are existing houses redirected into IRRS places[10] (mostly from a different funding source).
  - 6471 of these are Kāinga Ora places (involving 14,056 gross and 7,585 disposals). 11,137 (79%) of the gross delivery for Kāinga Ora is new builds.
- Page 13 of the report claims "Kāinga Ora has had the advantage of…a near monopoly on IRRS as a source of revenue":
  - This is clearly incorrect. As per the numbers above, CHPs have taken up 56% of new IRRS funded places since June 2017.
  - Regardless, this comment is odd. We do not enjoy any advantage in relation to IRRS, the previous government asked us to deliver a share of places through the PHP and we only get paid IRRS for delivering homes.

Appendix E

It isn't appropriate to include Appendix E, which is primarily unattributed hearsay, has not been fact checked, includes errors and misconceptions of Kāinga Ora's role, and lacks any contextualisation. Examples include:

- P41 "Kāinga Ora tenancy management cost ($4,000 per person) vs CHP cost ($2,700 per person)". Unclear the basis or source of these figures but we estimate our direct tenancy management costs at ~$2,200 per household. (See response to Q29 in the data request.)
- P43 "Reset the housing register criteria and allocation criteria". This is an MSD function.
- P43 "Tenant complaints that maintenance and upgrades are slow to occur, done badly and cost too much". Our latest quarterly tenant survey (December 23) has satisfaction with repairs and maintenance at 79%. This is our highest ever result, 9% higher than for December 22 and above our SPE target of 75%.
- P41 "Acknowledge systemic equity issues that exist within Kāinga Ora (capability at Board level, CE and executive), the number of Māori on the register and in public housing, and the need for dedicated focus on alleviating Māori housing stress and utilising Māori CHPs to do this." This is an MSD / HUD area. We don't have any funding for Māori housing delivery, we don't control the register, or have any role in setting register criteria, and we don't have a commissioning role for CHPs.

[9] Change in public homes - Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (hud.govt.nz)

[10] Including the lease of ~950 existing homes from Kāinga Ora's Porirua portfolio