Final Report:

Independent Review of Kāinga Ora Homes and Communities

March 2024

Contents

Acknowledgements

It is a privilege to have been invited by the responsible Ministers for Kāinga Ora to undertake an Independent Review of Kāinga Ora – Homes and Communities (the review).

We thank those who spoke to us and made written submissions throughout the review. We also thank those who had informal discussions with us. This breadth of perspectives and knowledge has given us a richer understanding of the issues and informed our recommendations. The Panel has been impressed by the innovation and energy shown by communities grappling with New Zealand's housing challenges.

We also thank the secretariat and other officials who have advised the Panel.

Foreword

"Having a permanent place to call home changes everything about life. It gives stability and helps your health. You can plan for the future. For me it means I can have my grandkids whenever I want to."

– Social housing tenant

Kāinga Ora – Homes and Communities (Kāinga Ora) houses around 185,000 people in over 72,000 homes across New Zealand. Its operations affect millions of people – current tenants and their families, those on the Housing Register and the communities those people live in. Kāinga Ora is also responsible for public assets worth billions of dollars, with substantial on-going renewal and maintenance costs. How Kāinga Ora performs is, therefore, a matter of national significance.

Our review has been informed by research, evidence and data, as well as a wide range of consultation and submissions. We spoke with people from the community housing sector, finance community, construction and building industries, iwi and social service providers and tenants. A list of formal stakeholder meetings and a summary of feedback from formal meetings and correspondence are included as Appendices D and E.

The independent reviewers (the Panel) were asked to identify ways to improve Kāinga Ora performance and value for money, and to manage the impacts of Kāinga Ora on debt and the government's operating balance before gains and losses (OBEGAL) (Appendix A: Terms of Reference). We found that the performance of Kāinga Ora is intertwined with the wider social housing system it operates in. Therefore, we have considered the whole social housing system along with Kāinga Ora performance and value for money.

We have seen that current social housing system is not delivering the best results for tenants or quality housing for the funding it receives. It is complex, bureaucratic, and opaque. Simplicity, transparency, and accountability are central to our recommendations.

New Zealand needs an evidence-based social housing system that understands and addresses the diverse housing needs of individuals, households, and communities now and into the future. The best way to achieve this is a community and household-focused model. Establishing this model will require a period of transition and calibration of funding over time.

We are confident that our recommended changes will lead to a more transparent, accountable, and sustainable government housing system that delivers better results for tenants and communities.

About the review

The independent review of Kāinga Ora was commissioned by the Minister of Finance and Minister of Housing on 18 December 2023 under section 132 of the Crown Entities Act 2004 to provide assurance over the approach and delivery of significant programmes by Kāinga Ora. The review was to report back to Ministers by the end of March 2024.

The review panel consisted of Sir Bill English as lead reviewer, Ceinwen McNeil and Simon Allen, who collectively provide experience in social investment, machinery of government, commercial finance and international perspectives on urban development and social housing initiatives.

Under the Terms of Reference, the review was tasked to identify ways to improve Kāinga Ora performance and value for money, and to manage the impacts of Kāinga Ora on government debt and operating balance (OBEGAL).

The scope of the review included:

- Financial viability of Kāinga Ora
- Asset procurement and management approaches
- Tenancy management including the approach to delivering better outcomes for tenants and communities
- Considering whether the remit of Kāinga Ora is conducive to good performance of its core functions
- Institutional arrangements including operating scope, organisational form and structure, governance, and subsidy and funding arrangements that will encourage performance and reduce fiscal impacts on debt and OBEGAL.

The Panel canvassed a wide range of interested parties as part of the discovery phase at the beginning of the review including with Kāinga Ora board members, staff and Public Service Association delegates, stakeholders from the private sector including builders, developers, and product suppliers, Community Housing Provider (CHP) representatives, Iwi and Māori organisations, Councils as well as officials from Ministry of Social Development and Ministry of Housing and Urban Development.

The review received a significant amount of information from Kāinga Ora in a timely manner covering areas including financial positions and policies on debt management, asset management, procurement and tenancy services which were reviewed by the Panel, their advisors, and the secretariat.

In drafting the report, the Panel met with the board to build on the understanding gathered during the discovery phase and visited the Housing Delivery System team in Auckland. The Panel also visited Tairawhiti, Invercargill and Queenstown to hear a range of local perspectives.

The interim report has been provided to the Hon Nicola Willis, Minister of Finance, and the Hon Chris Bishop, Minister of Housing for consideration.

The implementation of the recommendations of this review will be the decision of Ministers and Cabinet.

Executive Summary

Evidence shows that housing is a critical element of a productive and inclusive society, enabling positive social and economic outcomes for households and communities. However, New Zealand's social housing system is not socially or financially sustainable and it is not delivering the homes and support people need.

We have seen a lack transparency and accountability in the social housing system, coupled with a poor understanding of tenant outcomes. This results in decision-making that is remote from affected individuals, households, and communities. Interventions and investments are not based on evidence of a long-term view, with current settings incentivising higher-cost support in urban areas and creating poverty traps for tenants.

Addressing these issues will require changes to the system. Currently, there is decreased contestability and innovation in the system, driven by settings which favour Kāinga Ora. There are also challenges for all social housing providers which the government could address. Our view is that devolving more ownership and decision-making to the local level will get better results.

Within this context, the performance of Kāinga Ora is deteriorating and its ability to maintain and renew its assets is at risk. The Panel believe that the current institutional settings and remit do not support role clarity and strategic focus, and there is scope for improved governance.

We found that Kāinga Ora is not financially viable, under current settings and this is further compounded by limited attention to value for money and opaque apportionment of costs and revenue within Kāinga Ora, making it difficult to identify the underlying drivers of financial results.

Asset procurement is not done transparently, and it is not providing value for money. Asset management costs are forecast to become unsustainable. Tenancy management costs are growing, but there is little evidence that this additional investment is improving service provision.

Improvements to the system and Kāinga Ora are needed to make sure New Zealanders can access suitable housing.

Our recommendations are as follows.

Recommendations

Recommendation 1: To strengthen government accountability for social housing outcomes, Cabinet consider consolidating government funding for housing outcomes under the Minister of Housing, who will be supported by the Ministry of Housing and Urban Development - Te Tūāpapa Kura Kāinga (HUD) to administer that funding on behalf of the Crown, together with expectations of formal reporting of outcomes by a third party.

Recommendation 2: To prioritise tenant outcomes and cost-effective provision of housing support and supply, the Minister of Housing directs HUD to become an active purchaser that takes a social investment approach to cost-effectively improving housing outcomes.

Recommendation 3: To better enable tenants and local communities to meet their diverse housing needs and aspirations, government policy and investment builds on the advancements made in place-based and specialised approaches to increase local decision making regarding the management and ownership of housing.

Recommendation 4: To increase choice, diversity, and innovation, the government enables more providers to participate in the provision of social housing by:

a. the purchaser contracting with Kāinga Ora in a similar manner that it does with CHPs
b. addressing barriers in order to increase provision of social housing by CHPs, Iwi and Māori, and other providers
c. ensuring the funding model incentivises delivery where needed and is responsive to the different needs of tenants
d. implementing alternative delivery models based on local decision-making and specific tenant needs, with pathways for communities to manage Kāinga Ora housing stock.

Recommendation 5: To ensure that Kāinga Ora has the leadership and mandate to effectively implement the recommendations of the review, responsible Ministers:

a. refresh the Kāinga Ora board with a focus on the skills to implement the recommendations of the review
b. issue simplified government expectations and direction to Kāinga Ora
c. report back to Cabinet with options to narrow the scope of Kāinga Ora activities to social housing and ensure it has the leadership and governance expertise to deliver effectively, including repealing the Kāinga Ora – Homes and Communities Act 2019 and designating Kāinga Ora as a Crown Company under Schedule 4A of the Public Finance Act 1989 with social and financial objectives.

Recommendation 6: Responsible Ministers set an expectation that the board will develop a credible and detailed plan to improve financial performance with the goal of eliminating losses. The board should be held accountable for implementing this plan through regular reporting to Ministers, supported by ongoing engagement between the Kāinga Ora board, Kāinga Ora management and HUD.

Recommendation 7: To generate momentum toward the recommendations above, the Panel recommends the following timeframe for key milestones.

Within 3-6 months	In 12-18 months	In 2-3 years
• Strengthen Kāinga Ora governance by refreshing the board. • Cabinet decisions on any necessary changes to Kāinga Ora legislation and entity form. • Set new Ministerial expectations with HUD and Kāinga Ora. • HUD and Kāinga Ora to agree a refreshed contract. • Cabinet makes decisions on consolidation of Crown funds to inform Budget 25.	• Implementation of any change to Kāinga Ora legal entity. • Active purchaser role of HUD developed and being implemented • Place-based solutions in four locations being implemented, together with plans to establish Community Housing Associations. • Funding and delivery settings in place to support contestability and better outcomes for tenants.	• Nationwide social housing investment strategy developed. • Supported by place-based housing strategies and delivery plans for all tenures. • Kāinga Ora no longer making operating losses.

Introduction

A decent home is fundamental to the wellbeing of all New Zealanders. Good housing promotes physical and mental health, fosters social connections, provides safety, supports education and employment, and improves overall quality of life. To achieve these outcomes, housing needs to be affordable, secure, and suitable.

The Panel's view is that the purpose of the government's social and affordable housing activities should be to:

- Provide security of tenure while it is needed
- Grow the supply of housing options that bridge social housing and home ownership, to lower the cost of housing to individuals, communities and government
- Encourage and enable communities to solve their own housing challenges
- Encourage parties with relevant expertise to work with communities.

This means that social housing stock and tenures need to be diverse to meet different needs and create choice for communities.

The social housing system is not working because of some fundamental deficiencies:

- There is little accountability for outcomes for people receiving government housing assistance
- The purchaser has a superficial understanding of people's housing needs and across different populations, regions, and over time
- There is poor allocation of current resources to need, and the current system of housing assistance programmes and subsidies is well intended but messy and unfair
- Lack of contestability, innovation, and third-party sources of funding
- A social housing portfolio in poor condition due to historical underinvestment, and in need of significant outlay and a structured asset management programme.

We cannot expect to see the necessary improvements in Kāinga Ora performance and manage its impact on Crown debt and OBEGAL without addressing this broader system in which it operates.

Deteriorating housing affordability is putting pressure on household and government finances

Housing has become less affordable over the last decade. The Panel has seen evidence for this, including:

- the number of people living in motels currently with 3,618 distinct clients a month
- the growth of the waitlist for Income Related Rent Subsidy (IRRS) housing which has increased from 11,145 to 25,589 applicants between 2019 and 2024
- an increase to 300,000 renting households paying more than 30% of their income in rent which represents 43% of renters, and
- falling home ownership rates from 74% in the 1990's to 65% in 2018, the lowest rate since 1950, with rates even lower for Māori (50%) and Pasifika peoples (40%).

Housing affordability pressures are also affecting some regions more severely (see Appendix B Factors affecting affordability, by region (2013-2023)).

In response to these trends, the government offers a range of supports to make housing more affordable for lower income and complex needs households. The cost to government of housing support over the next three years will average $8 billion a year up from $2.6 billion in 2018. Kāinga Ora spending accounts for 57% of this cost.

Long-term challenges from climate and demographic change are also already having an impact. The population is growing, ageing, and diversifying, which is changing the mix of housing and tenures required across the housing system and which land is suitable for housing provision.

Kāinga Ora has scaled up to respond but this has come at considerable cost

Kāinga Ora manages over 72,000 properties and houses about 185,000 people. It was established in 2019 with two primary roles:

1. social housing landlord
2. urban development agency.

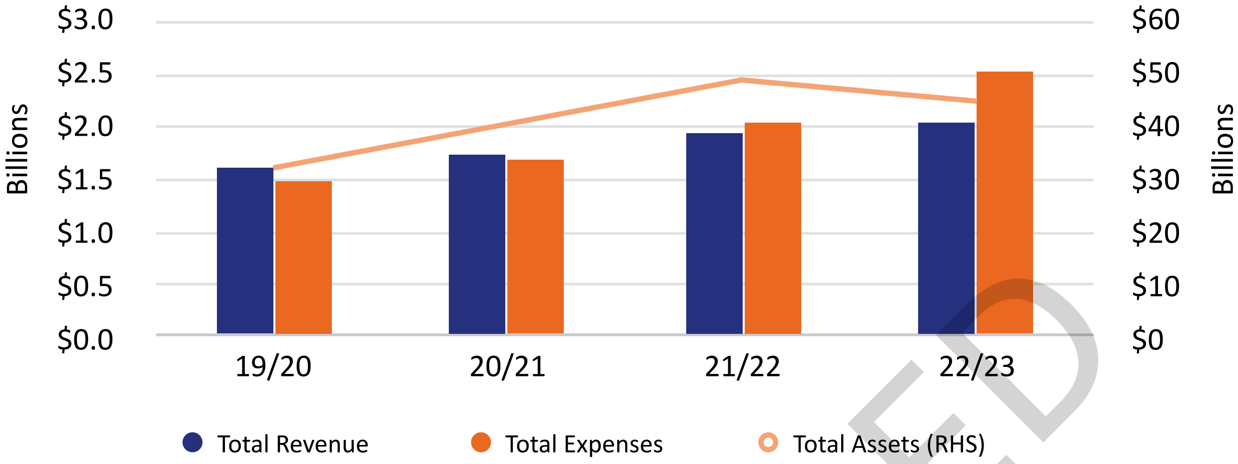
Kāinga Ora also administers a range of home ownership products, leases properties to organisations providing supported housing (e.g. Women's Refuge) and undertakes a range of activities to improve construction sector productivity. The Ministry of Housing and Urban Development (HUD) is the primary monitoring department (the Monitor) for Kāinga Ora.

Kāinga Ora was established as a Crown Agent, a type of Crown entity. Crown Agents are required to give effect to government policy directions and operate relatedly closely to Ministers. However, Public Service Commission - Te Kawa Mataaho guidance on Crown entities emphasises the importance of maintaining clear roles and responsibilities between responsible Ministers, the Monitor and the entity board. We have observed that the roles of Ministers and the board have become blurred for Kāinga Ora. Further, the division between the board's governance role and the Chief Executive's management role has not been maintained. This has weakened governance.

Since its establishment, the organisation has been challenged by growing fast, rapidly rising procurement costs, restrictive policies on asset and tenancy management, and a wide range of complex requirements from government. Kāinga Ora has considerable autonomy in how it meets these challenges but weakened governance has limited its ability to do so effectively.

Kāinga Ora annual operating expenditure has grown from $1.5 billion in 2019/20 to $2.5 billion in 2022/23. Over this four-year period, Kāinga Ora made capital investments of around $9 billion and increased its total debt to $12.3 billion.

Figure 1:
Kāinga Ora total revenue, expenses, and assets FY19/20-FY22/23



The government's Half Year Economic and Fiscal Update 2023 incorporated forecasts by Kāinga Ora of operating deficits that were forecast to grow from $520 million in 2022/23 to $700 million by 2028. These forecast deficits are driven by interest on the debt-financed capital investment programme and a significant uplift in other expenses including staffing and maintenance. On current Kāinga Ora projections, that debt is expected to grow from $12.3 billion to $23 billion by 2028. This has significant impact on the government's balance sheet and finances. The rapid escalation of spending and debt, along with other stakeholder issues, has raised concerns about Kāinga Ora's performance and financial sustainability. This review was triggered by a lack of transparency and accountability around these concerns.

The Panel acknowledges there have been external challenges in this period, such as COVID-19, supply chain issues and an inflationary environment, but does not accept these as a full explanation for the cost escalations Kāinga Ora has experienced. Through the review process, the Panel has found it difficult to obtain definitive financial information and clear accountability for performance.

Kāinga Ora has substantially increased its capacity to grow its housing stock and improved quality of its stock. However, we consider that the imperative to increase the number of houses rapidly has resulted in a high-cost structure and poor financial discipline.

Weakened governance, access to debt and low levels of accountability have all contributed to the forecast deficits and debt mentioned above.

Kāinga Ora is financially unsustainable. Community concerns about Kāinga Ora developments and tenancy issues are eroding their social licence and effectiveness.

It is not clear that government funding is being allocated efficiently or effectively

The government has almost no measurement of the impact of funding distributed through Kāinga Ora. In particular, we noted there were no measures of cost-efficiency of different forms of housing support.

We have seen evidence that suggests social housing is not necessarily being accessed by those households who currently need it most. We have seen that, on average, current Kāinga Ora and CHP tenant populations are similar, but the population of tenants receiving the Accommodation Supplement have higher and more complex needs. At the same time, there is little incentive or ability for social housing tenants to move to more cost-effective support as their needs change.

In addition, existing housing stock is aging and, in some cases, poor quality. Significant investment will be required over the next two decades to maintain and renew housing stock. This investment should be based on detailed planning with local communities to ensure it meets current and future needs.

Successive governments will need confidence in the procurement and maintenance of housing assets is undertaken efficiently, effectively and represents value for money compared to other social investments.

A social investment approach to the housing system will lift performance of the whole system

Our report makes recommendations aimed to improve the government social housing system with a stronger focus on tenants, demonstrable outcomes and innovation, and changes needed to improve the effectiveness and financial viability of Kāinga Ora.

There is an opportunity to fundamentally re-orientate the system to prioritise investment to achieve greater outcomes through place-based delivery of housing and services through an eco-system of providers, with government as an active purchaser working with a streamlined Kāinga Ora and an empowered CHP sector, including new Community Housing Associations.

Taking a social investment approach to social housing requires the following action:

- Define the population which is the focus of government housing support
- Clarify accountability for the outcomes for the population by making HUD an active purchaser
- Pull together understandings of the needs of the population using government-linked data systems
- Define success for individuals and whanau including their views on success
- Create an investment system for assessing the benefit of different interventions by projecting lifelong benefits and assessing results against agreed measures of success
- Incorporate regular independent evaluation of progress towards good outcomes by the Social Wellbeing Agency.

There are system and organisational challenges

The social housing system is underperforming

In response to the deterioration of housing affordability, successive governments have developed a range of funding appropriations and programmes to support people into affordable, secure, and suitable housing. Over the past 10 years, these have included:

- Emergency Housing Special Needs Grants
- Transitional Housing
- Housing First
- Sustaining Tenancies and Rapid Rehousing
- Local Innovation and Partnership Fund
- Affordable Rental Pathway
- Whai Kāinga Whai Oranga
- Progressive Home Ownership.

Figure 2:
Housing support interventions by cost

High Cost ← → **Low Cost**

Short term focus	Households with multiple barriers		Intermediate housing market			Traditional home ownership	
Emergency housing	Supported housing	IRRS social housing	Sub-market rentals	Market rental	Alternative tenures	Assisted ownership	Market ownership
Urgent housing need with no alternative options. People shut out of the residential housing system.	Highly tailored housing and support service needs.	Multiple barriers to access and sustain a tenancy in the private market.	Cannot afford a market rent but do not need (or ineligible for) IRRS social housing	Aren't seeking, or can't afford, any form of ownership.	Could afford a home with a blended ownership structure.	Could transition to traditional home ownership with some one-off or minor assistance.	Can independently afford home ownership.

Social housing segments

Could be eligible for Accommodation Supplement or Temporary Additional Support

While the interventions have been well intentioned, they have created a complicated housing support landscape. The Panel believes that government housing support should be assessed based on:

- making evidence-based decisions at a local, community level
- comparing relative costs and benefits of interventions, underpinned by policy decisions
- matching interventions to individuals and households based on current need and the impact of the intervention across the person's whole lifetime
- minimising the effect of poverty traps, and
- giving existing providers and potential new entrants the certainty needed to actively participate in the sector.

There is little incentive or ability for tenants in social housing to move to more cost-effective housing tenures because the Accommodation Supplement generally provides less support than the IRRS, which drives households towards Social housing and onto the Social Housing Register.

Table 1:
Gap between IRRS and AS payment

	2018	2019	2020	2021	2022	2023
Average household IRRS ($)	14,508	15,234	16,278	17,792	18,172	18,443
Average Accommodation Supplement per applicant ($)	4,227	5,161	4,896	5,631	5,478	5,812

Further, the IRRS is attached to a specific property, rather than the household, which means people have to move to a different house if they lose IRRS eligibility, or end up occupying a social house as a market renter.

Kāinga Ora is under-performing

Kāinga Ora was established in October 2019. We acknowledge that the operating environment has been challenging in the intervening years, with the coronavirus pandemic, global supply chain issues, high inflation and now, high interest rates and a subdued property market. Further, Kāinga Ora has faced multiple, and sometimes competing, objectives and expectations from government, and tenants which Kāinga Ora believes have increasingly high and complex needs.

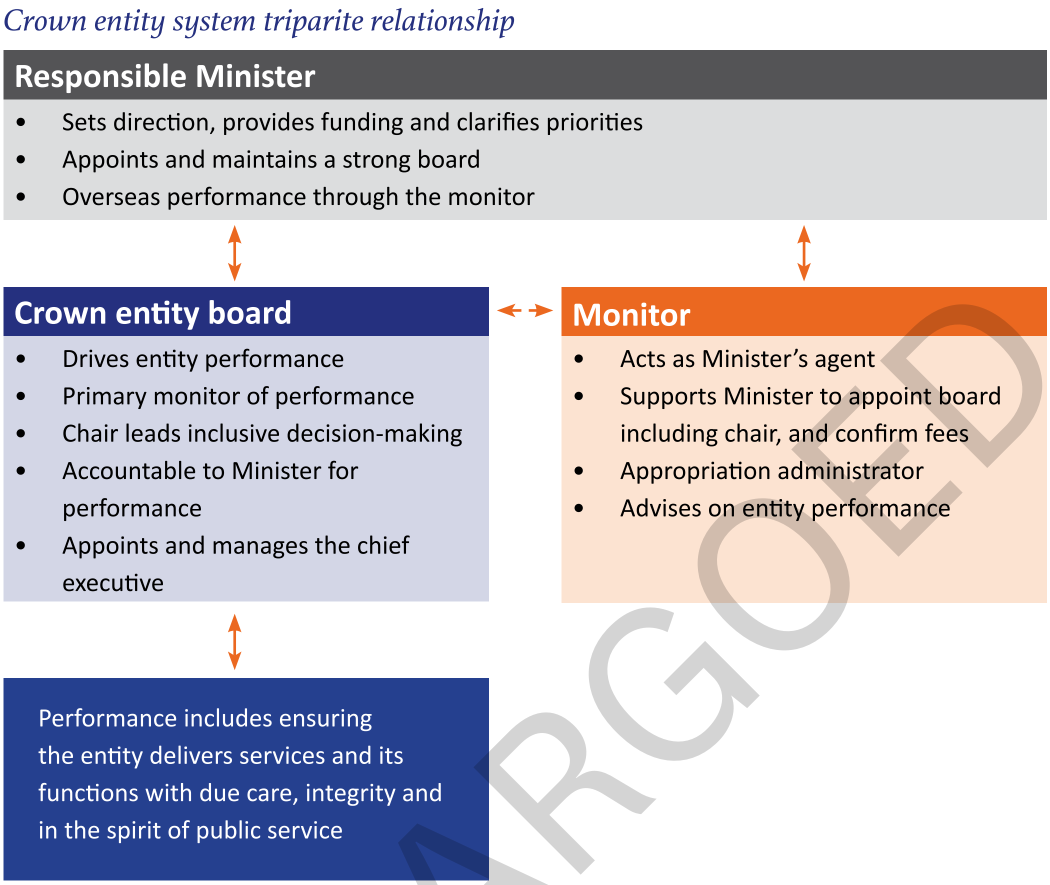
However, it appears to the Panel that Kāinga Ora has had the advantages of considerable autonomy underpinned by easy access to debt compared to other providers which funds all new builds and financial losses, and access to 83% of IRRSs. Despite this, insufficient focus on fiscal discipline, and low levels of accountability have led to growing annual losses by Kāinga Ora.

Institutional arrangements do not support good performance

Kāinga Ora was established as a Crown Agent under the Crown Entities Act 2004 to balance its level of autonomy and commercial focus with suitable Ministerial accountability. . Our view is that this arrangement has not delivered the expected benefits, in large part due to a breakdown of the different roles of Ministers, the Monitor, the board and management.

Public Service Commission - Te Kawa Mataaho guidance emphasises the importance of role clarity for arm's length organisations like Kāinga Ora to ensure oversight, accountability and challenge. It provides this overview of the roles of responsible Ministers,the Monitor and the board:

Figure 3:
Crown entity system roles



The Panel has seen evidence that there has not been a clear separation between the board's governance role and operational management. The Panel has seen evidence that the board has been acting more as an advisory function rather than governing.

Similarly, the roles of responsible Ministers and the board have become blurred. Frequent contact between Kāinga Ora management and responsible Ministers has undermined the separation between the responsible Ministers' role and operational management.

The board's ability to actively govern the organisation has been undermined by the blurring of the institutional arrangements and roles. We feel that a different institutional form would be less vulnerable to these issues.

The funding arrangements for Kāinga Ora have also contributed to weakened governance. Relatively easy access to debt has enabled a lack of financial discipline when undertaking core functions and the pursuit of initiatives not aligned with its core functions.

At a more specific level, we found that internal budget board packs were lacking in information and led to the board signing off on budgets that were not realistic. Budgets provided to the board are not sufficiently clear or detailed. For example, in the May 2023 board budget pack:

- there was no Statement of Financial Position
- the budget assumes that new lending of several billion dollars from the government will be approved

- the build pipeline includes a line entitled “Zero Net Growth” describing disposals of an indeterminate kind of over 3,000 homes per year
- does not provide a budget scenario where Kāinga Ora is limited to the funding agreed by the government.

While the appropriateness of subsidy and funding arrangements with the Crown may be debateable, it is difficult to make a conclusive statement in the absence of concerted effort to ensure that Kāinga Ora is operating in a cost-effective manner. Greater contestability in the provision of social housing would test whether the funding arrangements are fit for purpose.

The following case study demonstrates many of the issues outlined above.

Case study:
Elm Street

The Panel reviewed the history of a proposed development in Elm Street, Avondale which Kāinga Ora has recently announced is being reconsidered because its financial viability is in question. Throughout the development of the business case for this investment the themes and findings of the review are evident. The material in italics is taken from Kāinga Ora documents.

- Kāinga Ora attempted to meet various objectives through this development including sustainability, offsite manufacturing and energy efficiency as well as trialling midrise construction techniques without adequately quantifying the benefits associated with the additional costs estimated for this development (estimated at $9 million or $55,000 per unit).

- *"Whilst at face value the development's economics are not as attractive as conventional buildings, Elm St is a key development in the Carbon Neutral Housing Pilot. As such it is carrying development costs that are investments in the future, designed to lead the industry to a more sustainable development methodology. These are considered to outweigh the financial performance metrics".*

- Financial information did not include capitalised overhead, which is a critical component of the total borrowing requirement. Also, operating financial information did not include interest servicing costs which, if included, change the operating cashflow for the development to negative.

- Options analysis incorporated assumptions about future government decisions around operating models. Further, there is limited evidence Kāinga Ora reassessed the viability of the project when the likelihood of these decisions changed.

- *"Since the decision and drafting of the business case, it has been determined that until there is certainty through legislation supporting building for market rental, Scenario A will prevail and the development will be assumed to be 100% State Housing. Note the risk created in the risk section of the economic case".*

- *"Scenario A was ruled out due to creation of over-supply of state houses to the local market, and a desire to avoid creating concentrated pockets that do not align with the overall Avondale community demographics".*

- Risk identification and quantification was minimised. The Risk Profile Assessment was low, despite the ambitious objectives of the project and issues which were becoming evident in other, further advanced projects.

- Change thresholds of reporting back to the board appeared to be extremely high. The approach, yield and design changed significantly throughout the process. These changes appear to have been only presented to the board for approval, with limited ability to influence or change direction.

The remit is too broad and has been poorly executed

All statutory Crown entities have a range of legislative, regulatory, financial and stakeholder expectations they must meet as they perform their functions. It is normally the board's role to make trade-offs in setting the entity's strategic focus, in consultation with responsible Ministers.

The remit of Kāinga Ora is broad and has increased since its establishment – often with large new funding streams attached, as with the Kāinga Ora Land Programme and Large-Scale Projects. Its legislation, Ministerial letters of expectation and Government Policy Statement on Housing and Urban Development make for a complex web of overlapping and possibly contradictory expectations. It does not appear that this expansion has not been accompanied by a focus on value for money, or on connections back to the organisation's overall impact.

As prices have increased and challenges within the operating environment impacted delivery, the cost of meeting all requirements and expectations has risen. There is little evidence that the board or management has been making trade-offs in this context. Instead, we have observed an expectation that the government will continue to fund all Kāinga Ora activities.

The Panel also heard about a number of governance and organisational culture matters which could be addressed by a more active board:

- alleged monopolistic behaviour by Kāinga Ora
- the market pricing at a premium for Kāinga Ora work
- Kāinga Ora being unwilling to engage with other stakeholders or potential partners to accelerate delivery and improve outcomes for tenants
- widespread stakeholder perception of Kāinga Ora as large, aloof and transactional with a lack of awareness of its impact on the housing sector and communities and weak governance practice.

We acknowledge that the board followed directives from the previous government to rapidly increase the number of additional social houses. The new government has directed Kāinga Ora to focus more on value for money and fiscal sustainability. The board has subsequently provided a savings plan, and it remains to be seen how effectively Kāinga Ora adapts to this new direction.

Kāinga Ora is not financially sustainable

In June 2022, a briefing made public that Kāinga Ora was forecasting negative net operating cashflow. It highlighted that Kāinga Ora would need to borrow to cover interest costs, and that depreciation costs were not being met. The financial sustainability of Kāinga Ora was brought into question, and the 2023 Spending, Funding and Financing Review was commissioned by the government to explore these issues further.

That review was undertaken by the Treasury and HUD and found that Kāinga Ora were spending more to procure than private developers, and that property management and tenancy support costs and headcount have grown rapidly since 2017. It also found that Kāinga Ora's forecasts were not underpinned by rigorous decision making or evidence, relying on assumptions and substantive year-to-year changes.

Through the previous review and this review, it became evident that the board is presented forecast financial information which is based off high level assumptions which do not have Ministerial approval or tangible plans to execute, effectively banking on future government funding to bridge the gap.

Kāinga Ora has been reporting operating deficits before tax over the last 4 years (Figure 1 above). These deficits are forecast to grow to $700 million 2026/27, with debt forecast to increase to $23 billion.

However, to fully understand the impact of social housing on the government forecasts, we looked atthe cash cost over time to incorporate capital expenditure. Kāinga Ora forecast cash requirement from the Crown is $21.4 billion over the next four years. This is equivalent to every New Zealander paying about $4,000 for this activity.

Similar to other large Crown asset managers with aged assets, Kāinga Ora project that over a 60-year period that it is not able to maintain the condition, amenity and suitability of its stock at current levels of IRRS funding.

The cost of replacing the ageing assets will be significant over the coming decades, which will require successive governments to have confidence in the procurement and maintenance of housing assets is undertaken efficiently, effectively and represents value for money compared to other social investments.

Somewhat perversely the ownership relationship of Kāinga Ora to the Crown plays a big part in hiding the real cost of delivering social housing and enabling the Crown to offer stock in poor condition to tenants.

Figure 4:
Actual and forecast Kāinga Ora revenue, expense and operating results 2019-2027

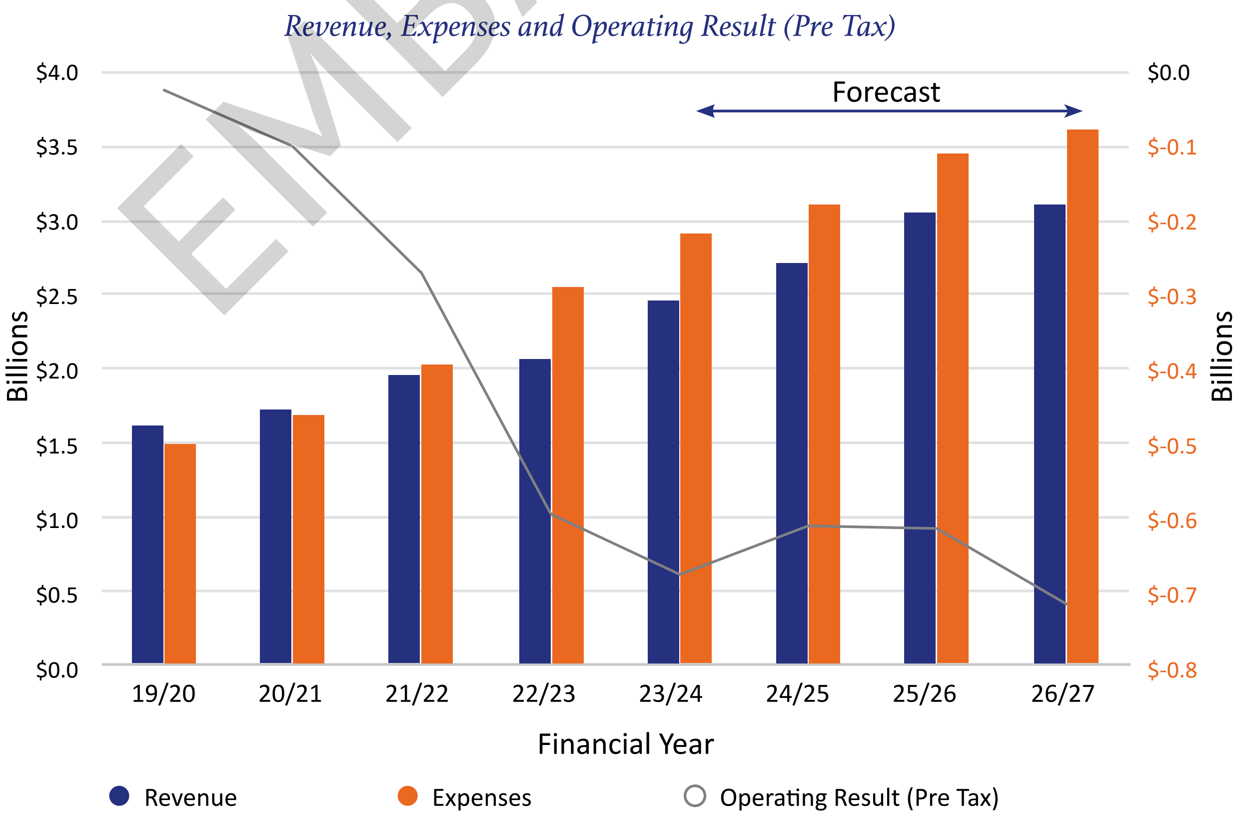


Figure 5:
Actual and forecast Kāinga Ora total debt 2019-2027

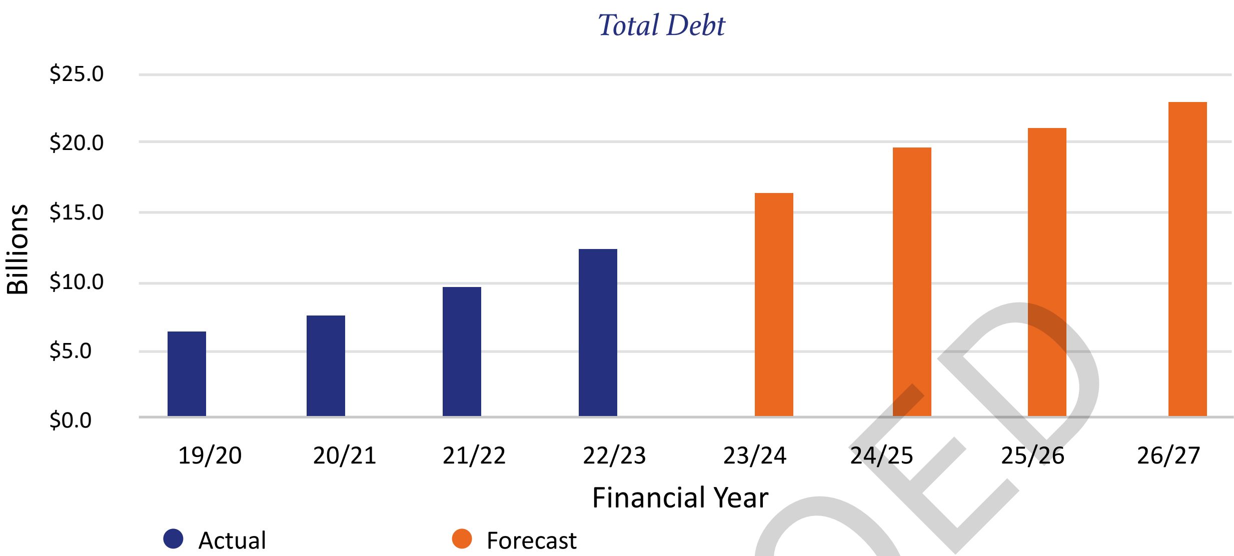


Table 2:
Total Cashflow requirement 2018-2027

$M	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
Net Operating Income	482	452	494	464	433	256	356	578	792	858	5,165
Total Capex	-882	-1,437	-1,403	-1,653	-1,978	-3,257	-4,455	-3,709	-3,445	-3,642	-25,861
Interest	-76	-95	-122	-146	-183	-310	-477	-627	-769	-866	-3,6710
Net Cashflow	-476	-1,081	-1,030	-1,335	-1,727	-3,310	-4,576	-3,759	-3,422	-3,651	-24,366
Total Crown Investment (IRRS + OS +Net Cashflow)	-1,290	-1,961	-1,989	-2,379	-2,855	-4,461	-5,853	-5,236	-5,026	-5,319	-36,368

Asset procurement is not transparent or efficient

The breadth of Kāinga Ora's activities, and challenges with opaque apportionment of costs and revenue within their internal systems, makes it difficult to identify the underlying drivers of financial results.

There is evidence that Kāinga Ora could more cost effectively procure new homes to grow and renew its portfolio. We have seen that acquisitions are a more cost-efficient delivery model. Acquisitions have become a critical component of the net delivery of Kāinga Ora over the past two years because of significant delays in traditional Kāinga Ora redevelopments.

For example, the 2023 Spending, Funding and Financing Review found that, on average, Kāinga Ora redevelopment costs were $35,000 per home more than developer-led acquisitions when the cost of land is excluded. A significant portion of the total capitalised cost is internal Kāinga Ora staff costs associated with the build programme projects but the 2023 review was unable to assess the reasonableness of these costs compared to industry benchmarks.

Despite the increase in developer-led acquisitions, Kāinga Ora is struggling to meet its delivery targets. In the absence of acquisitions, their build programme would not be meeting its annual targets. Over the last five years, it built on average 2,400 gross homes each year, growing the stock by on average 1,600 net homes each year. Kāinga Ora forecasts procuring on average 4,600 new build homes each year and are already not meeting this plan.

As of January 2024, Kāinga Ora has built or bought 1,690 of the 4,800 planned for the year ending June 2024, though we note Kāinga Ora expect a further 2,500 should be completed by June 2024.

Stakeholders provided anecdotal examples that Kāinga Ora has paid above market value for land. This is said to often result from uncertainty about the potential yield of those land purchases, which Kāinga Ora does not price in the same way as other participants. The consequence is that Kāinga Ora may own land parcels that are not financially viable to develop. The cost of holding this land is not adequately factored into decision-making by Kāinga Ora because the Kāinga Ora Land Programme provided operating funding to compensate Kāinga Ora for holding costs.

Much is made of the ability of the Housing Delivery System (HDS) developed by Kāinga Ora to increase efficiency. Internal budgets assume that HDS is up to 15% cheaper than traditional Kāinga Ora redevelopment. HDS looks promising but is yet to be tested at scale. In fact, the scale of its expected use is shrinking. Between the May 2023 budget and their December 2023 budget update, the forecast for homes delivered in HDS decreased by 20%.

One specific area where costs could be reduced are from interest costs on the work in progress (WIP). WIP has materially increased over time and is expected to grow from $472 million to $2.9 billion between 2018 and 2028. The accumulation of WIP (which is not revenue earning) is primary driver of the uncovered interest cost.

Table 3:
Actual and forecast Kāinga Ora Work in Progress interest 2018-2028

$M	Actuals						Forecast				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Work in Progress	472	880	1,215	1,508	2,046	3,698	1,811	1,814	1,919	2,233	2,944
Interest on WIP		19	23	27	43	128	148	96	99	112	142

Asset management costs are forecast to become unsustainable

Given the aged state of the Kāinga Ora portfolio, with the current property assessment and past investment in these properties, it is reasonable to expect that over time the revenue stream (market rent) will not keep pace with the increased maintenance costs associated with older houses. In addition, inflation of build and maintenance costs has been significant over this period and various supply chain issues have been well documented. However, the level of growth in maintenance and FTE costs seen over these two years is well above what could be reasonably expected to be driven by the factors above.

In response to the increased maintenance spend, Kāinga Ora has commissioned its own independent review of maintenance activity which highlighted:

- Limited whole of asset planning in assessing maintenance needs
- Limited management oversight of maintenance partner activity with delegations set too low
- Incomplete data of asset condition and data mostly held by independent contractors.

Kāinga Ora expect to save $674 million over the next four years by implementing changes following their asset management and maintenance system review. This is up to 27% annual savings to their repairs and maintenance expenses. The credibility of these savings is difficult to assess but seems unlikely based on past results.

Based on our discussions with the board, we consider that there is also scope to reduce costs through more flexible management of stock and landholdings. We understand that the bar for divestment of property is currently prohibitively high. If it is not economically sensible for Kāinga Ora to develop due the quality of the land or inability to fully utilise plan-enabled capacity, then consideration should be given to divesting it to enable private development to take place. A similar principle would apply to situations where the market value of individual properties outweighs the benefits of redeveloping them into new social housing. In both cases, the proceeds from any individual house sales can be reinvested into more cost-effective provision of social housing.

Tenancy management is not delivering optimal outcomes

Kāinga Ora manages over 72,000 properties providing homes to about 185,000 New Zealanders, approximately 4% of the New Zealand population. From a cost perspective, tenancy services have a relatively smaller impact on the overall financial position of Kāinga Ora, representing approximately 15% of their annual operating budget.

There are however concerns about whether Kāinga Ora tenancy management practices are delivering the best outcomes for tenants and communities. In documents provided by Kāinga Ora, it has stated that it was "not set up to provide individual oversight and supervision of tenants" and that their tenancy management:

- has a lack of specialist cultural competencies within tenancy management
- is not specifically tailored to support older people or people with disabilities
- does not support intensive support services needed by those transitioning from institutions
- the resourcing model does not provide for the level of intense supervision required to manage the smaller number of tenants with high and complex needs.

Further, rental debt owed to Kāinga Ora increased from $1 million in 2017 to $21 million in 2023, with more than 450 Kāinga Ora tenants each owing more than $10,000 in rent at the end of 2023.

Kāinga Ora introduced changes to its tenancy management to address these issues. The primary driver of the overall FTE increase is to provide appropriate ratios for coverage of high and medium-need tenancies, allowing Kāinga Ora to spend more time with the tenants who need it. This has resulted in a Kāinga Ora tenancy management, including the Customer Contact centre, personnel increase from 527 in 2018 to 1,026 in 2023, with a corresponding increase in the cost of delivering tenancy support services. According to its assessment, the service level need of its tenants has been growing in recent years.

Table 4:
Kāinga Ora assessment of tenant need

Category	Description	Proportion of tenancies
Low need	Broadly comparable to individuals in private tenancies	46%
Medium need	Interact more frequently with tenant support services and may need additional support accessing services	34%
High need	Very frequent interaction with tenant support services. Generally require additional support.	20%

Kāinga Ora acknowledges that other providers may be better placed to provide tenancy management in certain locations or for certain populations. We support this view in respect of the small number of people who require specialist support and note that Kāinga Ora already does this in some instances.

Case study: Partnership with Eke Panuku and Haumaru Housing to provide social housing for older people

In Auckland, Kāinga Ora has entered a partnership with Eke Panuku and Haumaru Housing to deliver 41 new public homes purpose-built for older people in Glen Eden.

Kāinga Ora is leasing the land from Eke Panuku (on behalf of Auckland Council) and community housing provider, Haumaru Housing, will manage the homes for an initial period of 25 years.

Haumaru Housing specialises in affordable rental housing specifically for older people, and currently manages over 1,400 units for older people with a housing need.

The parties are looking to deliver a further 52 homes in Northcote under the same arrangement along with other potential projects.

Case study: Te Mātāwai

139 Greys Avenue was developed as social housing in central Auckland in 1957. In 2019, Kāinga Ora demolished the building and began redeveloping the site into 276 units, with 200 of these designated for social housing, many of which were targeted toward people who had previously been sleeping rough.

Kāinga Ora is responsible for all asset and tenancy management at Te Mātāwai. Kāhui Tū Kāha, a Ngāti Whātua affiliated organisation provides specialist support to residents where a need is identified.

As well as the 276 apartments, Te Mātāwai features shared facilities including a medical office, common rooms and event spaces.

However, Kāinga Ora is not necessarily the landlord of last resort. To support the review, Taylor Fry was commissioned to perform research to compare with respect to a range of demographic and government service use factors, the Kāinga Ora population, the CHP population and the population receiving the Accommodation Supplement. The research did not suggest that social housing tenants, on average, have more complex needs than private market tenants on the Accommodation Supplement.

The research also suggests that social housing, as one of the most expensive forms of housing assistance the government can offer, is not necessarily accessed by those households who currently have the greatest need. Research by MSD (see Appendix C: MSD research) also shows a stark difference between the needs of those on the housing register and in emergency housing and those already in social housing. While some of this difference is to be expected because of the beneficial effects of being in a social house, it further emphasises that social housing could be better targeted, and that lower cost options to improve affordability and security of tenure could address the needs of more households.

Recommendations for a better social housing system

Greater government accountability for outcomes can be established

Clear accountability for the outcomes achieved by government spending and investment in housing is needed. This will lead to more focus on outcomes and create constructive tension within government so that impacts and trade-offs will be identified and worked through.

Currently, accountability in government for housing outcomes is split across several agencies and Ministerial portfolios. The Ministry of Social Development (MSD) assesses eligibility for and administers housing support (such as EH-SNG, IRR and AS), HUD funds housing supply and services, and Kāinga Ora develops houses and manages tenancies. In addition, Te Pūni Kokiri, the Department of Corrections, health agencies, and others also fund some specialised housing support.

Ministerial responsibilities for housing support and supply are similarly split, although some progress has been made. We understand the government has already taken steps to make Ministerial accountability clearer and we support these changes.

To make accountability for outcomes clearer and more transparent, we suggest formally consolidating funding and accountability for housing outcomes under the Minister for Housing. This in turn flows through to HUD who administers that funding on behalf of the Crown. Performance metrics for chief executives of government housing agencies (including HUD, Kāinga Ora and any other Government controlled entities) will ensure that expectations of them are clear.

Finally, regular formal reporting of outcomes by the purchaser and a third party will provide the transparency for the government, parliament, and the public to hold the Minister and agencies to account. The Social Wellbeing Agency may be well placed to undertake the third-party reporting.

These changes will link accountability, government levers (funding and regulation), and outcomes more coherently and drive incentives within the system.

Recommendation 1:
To strengthen government accountability for social housing outcomes, Cabinet consider consolidating government funding for housing outcomes under the Minister of Housing, who will be supported by the Ministry of Housing and Urban Development to administer that funding on behalf of the Crown, together with expectations of formal reporting of outcomes by a third party.

The government could become an active purchaser of housing outcomes

Decisions about the government provision of social housing are currently predicated on a superficial understanding of housing needs. Recent Public Housing Plans set out how many new IRRS tenancies will be funded over a given period with regional targets. These targets are based on demand for social housing as indicated by the Housing Register and Severe Housing Deprivation Index, and existing supply pipelines from Kāinga Ora and CHPs.

These provide poor information about:

- Actual current and future demand for public homes
- Whether the social housing stock is being well utilised
- What kind of homes are needed beyond location and number of bedrooms
- The outcomes being achieved by government investment in social housing.

Little other information is used to assess tenants' housing needs and other service requirements at a government level.

This means that people, and providers, have been driven towards social housing regardless of tenant needs, creating significant cost to government. Progress has been made to increase the range of options available to meet housing needs. Time-limited funding for a range of housing tenures have increased the options available to people. However, there is also scant information about the effectiveness of interventions, and little certainty about ongoing funding and programme settings.

The Panel recommends that the Minister of Housing directs HUD to become an active purchaser of housing outcomes on behalf of the government. This would require HUD to:

- develop a much more sophisticated understanding of current and future housing needs at a national, regional and cohort level
- access MSD data for people accessing housing assistance, especially those on the Housing Register, with due consideration for privacy
- measure impacts across a person's lifetime to evaluate which interventions are most cost-effective
- use this information to more cost effectively meet housing needs, including being more deliberate how funding is allocated to provide for:
  - different cohorts and locations
  - a mix of tenures and typologies.
- provide housing supports that avoid the need for more costly and less suitable housing tenures, such as transitional and emergency housing
- clearly distinguish expenditures which are short-term and reactive from expenditures that are investment-based
- implement and actively monitor outcomes-based contracts with Kāinga Ora and other providers.

Recommendation 2:
To prioritise tenant outcomes and cost-effective provision of housing support and supply, the Minister of Housing directs the Ministry of Housing and Urban Development to become an active purchaser that takes a social investment approach to cost-effectively improving housing outcomes.

More housing decision-making can be at a local level

While Kāinga Ora has made attempts to connect better with communities, stakeholders consistently told us that Kāinga Ora lack of ability to work with others was a barrier to better housing solutions.

Better use of data and evidence will be integral to HUD's role as an active purchaser, but there will always be limits to central government agencies' ability to know and understand the needs of particular communities. The social housing system needs local voices and decision-making to effectively target support.

Housing agencies have made progress to be more responsive to the needs of people and places in partnership with local communities through the place-based approach and Māori and Iwi Housing Innovation (MAIHI) Framework for Action.

Case study: **Hastings place-based partnership**

In 2019, Hastings was experiencing rapid population growth that significantly outstripped building consents, no new affordable or social housing supply and limited Council engagement in housing issues, land use and infrastructure investment.

A framework was agreed with short-term actions and a medium-term plan. Hastings District Council is leading the partnership with Ngāti Kahungunu, Te Taiwhenua o Heretaunga, Tamatea Pōkai Whenua, HUD, Kāinga Ora, MSD, Te Pūni Kokiri and Hawke's Bay District Health Board.

The partnership has been successful due to strong local leadership (Council and iwi) and a clear focus (eliminate emergency motel accommodation within three years) and has resulted in:

- 220 public and transitional homes delivered by CHPs and Kāinga Ora.
- 44 new papakāinga affordable rental homes, plus critical repairs to 40 homes of whānau Māori.
- Iwi/Māori led housing developments – Waingākau, Papakāinga, and Wairatahi.
- $30 million central government investment (through contestable processes) for infrastructure, with local government.
- Local homelessness plan and support.

Case study: **Toitū Tairāwhiti prototype**

Like many regions, Tairāwhiti has a shortfall in housing has resulted in fewer homes available for rent, increased overcrowding, and declining affordability and access to housing. The impact on Māori has been acute.

In 2022, HUD partnered with Toitū Tairāwhiti Housing Ltd (a collective of the four Iwi in Tairāwhiti, Te Whānau-ā-Apanui and Te Whakatōhea) to prototype the delivery of 225 rent-to-buy homes by end-June 2026 (with 150 homes by end June 2025).

The partnership with Toitū Tairāwhiti will enable them to deliver affordable homes at pace, scale and in areas where market housing would not be delivered.

In this model, Toitū Tairāwhiti contribute the land. Government funding supports feasibility, infrastructure and housing construction. Toitū Tairāwhiti work intensively with council to accelerate planning and consenting. Many of the homes are built at their Gisborne construction facility (a joint venture with BUILTsmart). Homes can be completed within 14 months, shifting whānau from dependency to independence quickly without needing to go through social housing.

The model has demonstrated many co-benefits such as training and employment opportunities, community resilience, and recyclability of funding.

These place-based approaches to social housing provision recognise that locally- based organisations and communities have a better understanding of their needs, local capability and capacity, and are better placed to make trade-offs.

What are place-based and local market approaches to housing?
Every community has their own housing challenges and opportunities and a 'one size fits all' approach will not work to address them. This approach uses an understanding of the geographical places that people live, work, and play with market assessments to inform how central government and communities work together to improve housing outcomes. These markets may align with the boundaries of territorial authorities or Iwi, but this is not always the case. For example, the housing challenges and opportunities faced by someone living in Whangarei differ significantly from those in other parts of Northland's subdistricts, and then again to those in some local townships.

We consider that such approaches can go further than they have to date. For local communities, there are high transaction costs in dealing with central government agencies. Where possible, decision-making should be devolved to local organisations that have a genuine community mandate for the task. The government should be ambitious in moving to this approach with several such Community Housing Associations established by the end of 2024.

A proposed process to implement an enhanced place-based social investment approach to housing could look something like this.

Table 5:
Kāinga Ora assessment of tenant need

Key Drivers – for shifts in the housing system	Transition (next 12 to 18 months) – steps to be taken	Future approach (2+ years) –steps to be taken
Place-based housing system approach		
Placed-based housing system approach for tenants and providers in geographic housing markets, to enable decision making close to households and communities.	Use HUD's established place-based and urban growth partnership initiatives, with purchaser-funder agreeing local housing strategies and priorities with communities. Create Community Housing Associations to manage the government's local social housing and pursue agreed local housing strategies and priorities. Purchaser engaging with other communities to identify, pre-qualify and agree local housing strategies and priorities ready to create Community Housing Associations to manage the government's local social housing.	Creation of further Community Housing Associations to manage the government's local social housing and pursue agreed local housing strategies and priorities. Expand use of all tenures to facilitate efficient local housing strategies and priorities.
Outcome focused purchaser		
Purchaser taking an active procurement and social investment approach to support local housing strategies and priorities.	Create measures that better reflect tenant and community needs. Contract performance outcomes with Community Housing Associations, CHPs and Kāinga Ora. Government social housing plan contracted with social housing providers for FY25/26 Budget with reference to recommendations from this report. Assist Kāinga Ora in the creation of Community Housing Associations to manage the government's local social housing and pursue agreed local housing strategies and priorities.	Capture insights from initial placed based contracts to inform government decision on funding made available through subsequent budgets. Nationwide social housing investment strategy that prioritises places, populations and products for funding using a social investment framework. It covers all government investment in housing supply and assistance regardless of tenure. Determine the framework for high-performance Community Housing Associations to become the owners of their managed social housing portfolios. Government to make any consequential legislative changes to enable this approach.
Kāinga Ora supporting community management of social housing		
Kāinga Ora to facilitate the transfer of its social housing to management by Community Housing Associations.	Deliver short-term procurement pipeline as agreed with government. Facilitate and support the creation of Community Housing Associations. Prepare a Statement of Intent based on the government's expectations. Support HUD's established place-based and urban growth partnership initiatives.	Act as the social housing provider in places that do not have Community Housing Associations yet and become the default service provider for the community.

Recommendation 3:
To better enable tenants and local communities to meet their diverse housing needs and aspirations, government policy and investment builds on the advancements made in place based and specialised approaches to increase local decision making regarding the management and ownership of housing.

Changes are needed to create dynamic and innovative social housing sector

Settings changes can give all providers in the housing system a fair chance

Kāinga Ora is currently the dominant provider of social housing, in part for historic reasons but also because of on-going government policy settings. This is intended to maintain momentum of existing pipelines and enable economies of scale. However, it does not appear that these benefits are being realised. For example, we have seen no evidence that build costs for Kāinga Ora procurement are lower than the private sector, and findings from the 2023 Spending, Funding and Financing Review suggest the opposite.

Meanwhile, continued reliance on Kāinga Ora has made it harder for CHPs and other organisations to provide social housing, meaning less choice for tenants and the purchaser, and less diversity in social housing and other alternative tenures. Kāinga Ora has access to cheaper debt than other providers, losses are implicitly underwritten by the government, and greater certainty of funding compared to the CHP sector. At the same time, non-government providers face barriers to growth, including access to funding, higher financing costs and/or regulatory barriers for CHPs, alternative tenures, and those wishing to build on whenua Māori.

CHP and alternative tenure borrowings for long term ownership are classified by the banks as corporate borrowing, despite having similar risks to residential mortgages. These loans do not account for the security offered by the asset or the government-guaranteed, long-term nature of IRRS revenues, leading to higher credit margins and mismatched repayment structures. This makes financing difficult for most CHPs and alternative tenures without substantial equity.

The Panel believes that the Reserve Bank of New Zealand has not considered the treatment of CHP and alternative tenure lending due to its small size, and banks have not equipped themselves for this lending because the IRRS pipeline and more generally the policy environment is uncertain. Lenders and CHPs also note that certain HUD contract aspects limit financing access, like the Crown's ability to terminate social housing funding agreements for convenience. We consider that HUD should consider changes to the contract to give CHPs and their partners more cash-flow certainty, and potentially reduce borrowing costs.

Building on whenua Māori

Māori housing is worth noting due to the unique barriers faced by Māori housing providers, the aspirations of Māori (especially regarding land ownership), the specific Treaty obligations of the Crown to Māori , and the disproportionate impacts of housing issues on Māori.

The specific barriers to building on whenua Māori are currently being reviewed by HUD and Te Pūni Kokiri. This work is focused on two key barriers: access to finance and infrastructure. It is difficult for Māori landowners to use their land as collateral to access traditional finance because banks consider lending against whenua Māori high risk due to safeguards against alienation under Te Ture Whenua Māori Act 1993. Other issues include lower incomes and financial capability.

Māori face a number of barriers to the provision of infrastructure to support housing developments, including the remoteness of whenua Māori, historic underinvestment, the small scale of many Māori developments, Māori development capability, councils hesitant to fund Māori infrastructure with rates, and the complexity of central government infrastructure funding and financing.

In addition to addressing barriers to other providers, levelling the playing field will require HUD contracting Kāinga Ora in the same way it does CHPs, moving away from the blanket funding approach in the current contract between Kāinga Ora and HUD. This will subject Kāinga Ora to greater contractual tension, with the purchaser able to apply scrutiny to Kāinga Ora funding requests. If Kāinga Ora is not performing under that contract, the purchaser can allocate funding elsewhere in the system. The activities the purchaser does not pay for under that contract with Kāinga Ora, will need to cease or be transferred, according to government policy. The Crown will also need to stop subsidising the operating losses of Kāinga Ora.

We consider that the playing field between Kāinga Ora and other social housing providers needs to be levelled to get the best out of everyone in the sector. Establishing a more dynamic social housing sector will provide opportunities for the not for profit and private sector to deliver alternative solutions and encourage innovation in the housing sector. It will also mean that Kāinga Ora must give more consideration to its activities, to make the case to the purchaser that it is the best provider in a given situation.

Challenges to all participants can be addressed

A lack of certainty and flexibility around government funding and policy settings is a challenge to all social housing participants – providers and tenants. The current funding settings could better incentivise sustainable outcomes by:

- giving more certainty about the availability of government funding for additional social housing places to encourage growth and entry of other providers
- clearer separation of government investment in operating social housing, procuring new social housing, and services to social housing tenants to increase transparency of funding, costs and risks, and better enable specialisation among providers (e.g. higher subsidies through companion contracts for providers who manage tenants with more complex needs)
- greater flexibility in subsidies to make it easier for providers and tenants to move to lower subsidy models of housing assistance (for example, converting transitional housing to social housing where this results in affordable, secure and suitable housing for tenants while reducing the cost to government).

Community Housing Providers could do more under the right conditions

There are a large number of CHPs spread throughout the country specialising in providing housing uniquely to assist peoples' specific needs. Many hold a form of social licence to operate for specific cohorts, but few are mandated by wider communities to fully represent the social housing system in the market they operate.

Given the range of smaller and large CHPs involved in the sector, they need to be encouraged to collaborate and leverage resources where appropriate for wider benefit and impact for the communities they represent. Development capacity of CHPs is limited, and they would be better placed to establish partnership relationships with the construction industry for turnkey purchase of new housing supply, particularly where scale and mix tenure neighbourhoods can be created.

Most social housing placements for the sector are provided by a very small number of larger CHPs who have capacity to grow their management services and portfolios. There are a limited number of established CHPs providing a range of alternative tenures, yet very few of these provide social housing placements. Integration of products in a market is seen as being beneficial to people needing housing support.

There is opportunity for CHPs to expand their roles on multiple fronts but shifts within the sector will be required in an active procurement and social investment performance environment. Government has a role to play in supporting the CHP sector.

Modelling undertaken to inform the review shows that prior to the introduction of the Operating Supplement, similar to market landlords, the funding model did not generate sufficient cashflow to enable renewal of assets at the end of their useful life and the government as a long-term asset holder does not utilise the capital gains to offset the operating deficit. This has resulted in a social housing portfolio that is run-down and in need of significant investment.

For historical reasons, Kāinga Ora has insufficient reserves to replace old housing stock without some form of supplement and debt. This shortfall is exacerbated by the current and future cost of construction and finance.

Addressing these challenges will require:

- Multi-year commitment to upgrading the housing stock with a focus on efficient approaches incorporating communities current and future needs.
- System participants being subject to contractual and market tension to drive fiscal discipline
- Government intervention and market innovation to moderate land, construction, and financing costs.

Community Housing Associations can be established

The government should consider alternative delivery models that transition from the current monolithic form of Kāinga Ora to geographical and functional Crown subsidiaries, with pathways for communities to manage Kāinga Ora housing stock. This will help address some of the points we have made throughout this report:

- that tenants and community housing challenges are best dealt with individually and locally because knowledge of the local community and individual whanau preferences and needs will lead to better solutions
- well-constructed contestability will enable the purchaser to lift performance across the sector
- operating at a smaller scale to support better transparency and financial discipline
- increasing contestability to drive innovation in housing solutions and support services.

We believe these local Community Housing Associations should be established as Crown Companies under schedule 4A of the Public Finance Act 1989. This would allow non-Crown partners to become shareholders.

Case study:
Tāmaki Regeneration Company (TRC)

TRC was established in 2012 as a Schedule 4A company under the Public Finance Act 1989 to facilitate the regeneration of Tamaki. TRC is majority owned by the Crown (59%) with the remainder (41%) owned by Auckland City Council.

It is a place-based organisation that works alongside Mana Whenua, the community, and other partners, to achieve broad social and economic goals for Tāmaki - especially Māori and Pasifika people who make up around 60% of the population in the area.

In 2016, all Housing New Zealand properties in the area were transferred to TRC. The assets had an approximate book value of $1.6 billion which are held by a 100% Crown-owned subsidiary.

TRC now provides tenancy management service to tenants in 2,400 social housing in Tāmaki, through its CHP arm, the Tāmaki Housing Association Limited Partnership. It also aims to redevelop its property assets to provide a total of 10,500 new homes in the coming years, with 1,250 delivered since 2014.

More recently, it has begun offering a wider range of housing assistance, including progressive home ownership and affordable rentals.

Case study: **Enabling iwi housing aspirations in Porirua**

In 2019, Kāinga Ora, Te Rūnanga o Toa Rangātira (Ngāti Toa) and the Ministry of Housing and Urban Development entered into a partnership for the tenancy management of around 900 state houses in Western Porirua.

Ngāti Toa's community housing provider, Te Āhuru Mōwai, carry out the tenancy management, maintenance and upgrade functions of the Kāinga Ora properties in Western Porirua under a 50-year lease including rights to redevelop selected properties to improve housing quality, increase supply and enhance the local communities.

The partnership makes Te Āhuru Mōwai the largest Māori-owned CHP. Their well-established community presence and experience operating primary health services offers benefits to social housing tenants through things like enhanced referrals, and a supportive kaupapa Māori approach.

It also enables Ngāti Toa to regain important whenua in its rohe by giving the iwi the ability to identify and acquire land (at market prices) which it can either develop into social and affordable housing or develop and sell to build wealth for its people.

Recommendation 4:
To increase choice, diversity, and innovation, government enables more providers to participate in the provision of social housing by:

A. the purchaser contracting with Kāinga Ora in a similar manner that it does with CHPs
B. addressing barriers in order to increase provision of social housing by CHPs, Iwi and Māori, and other providers
C. ensuring the funding model incentivises delivery where needed and is responsive to the different needs of tenants
D. implementing alternative delivery models based on local decision-making and specific tenant needs, with pathways for communities to manage Kāinga Ora housing stock.

Recommendations to improve Kāinga Ora performance

Ministers can refresh the board and provide clear direction for the organisation

A Crown entity board should operate at arm's length from responsible Ministers and act as the primary monitor of entity performance, holding management to account. However, these roles have become blurred with it appearing that the board was unable to hold management to account in the way we would expect. A culture shift is required.

We recommend that responsible Ministers refresh the board. Responsible Ministers should consider the right mix of skills, experience, and diversity to implement the changes recommended here and refocus the organisation on the effective execution of its core functions, financial viability and social sustainability. We anticipate that this refreshed board will take a renewed focus on interrogating Kāinga Ora finances and operations.

To support improved board performance, we also recommend that responsible Ministers issue updated expectations and direction to the refreshed board. This should include clarification of the functions and government expectations of Kāinga Ora which will feed into a refresh of Kāinga Ora's accountability documents.

The broad objectives and operating principles set out in the Kāinga Ora Act 2019 may still create challenges for board performance. For this reason, we consider legislative change necessary to clarify the core functions of Kāinga Ora as asset manager and social housing landlord.

We recommend changing Kāinga Ora from a Crown Agent to a Crown Company under schedule 4A of Public Finance Act with the Minister of Housing and Minister of Finance as shareholders. This would require the organisation to be more financially focused, without any expectation of government subsidising its losses. Schedule 4A companies also operate at greater distance from Ministers, with different roles for shareholding Ministers and the board. This would support a stronger governance environment.

Greater clarity about the functions, and roles of Ministers and the board would also help Ministers to attract skilled and experienced directors for the board.

Recommendation 5:
To ensure that Kāinga Ora has the leadership and mandate to effectively implement the recommendations of this review, responsible Ministers:

A. refresh the Kāinga Ora board with a focus on the skills to implement the recommendations of this review
B. issue simplified government expectations and direction to Kāinga Ora
C. report back to Cabinet with options to narrow the scope of Kāinga Ora activities to social housing and ensure it has the leadership and governance expertise to deliver effectively, including repealing the Kāinga Ora – Homes and Communities Act 2019 and designating Kāinga Ora as a Crown Company under Schedule 4A of the Public Finance Act 1989 with social and financial objectives.

Kāinga Ora governance can be improved, including a pathway to better financial performance

A refresh of the board and simplified expectations will enable more active governance. This means focusing on areas of the business with highest cost, risks, and potential impact. A priority for the board should be getting greater transparency about the costs, to develop a credible plan for improving financial performance and eliminating losses.

The board has autonomy in how it undertakes its duties. However, we suggest it should focus on the following areas:

- Stronger oversight of management, including capability in development risk management
- Better information to support governance, including more transparent financial reporting
- Strengthening the relationship with the Monitor, including good information sharing
- Reviews of existing assets, investments and operating models.

We recommend that Ministers set an expectation that the board will develop a credible and detailed plan to improve financial performance, with the goal of eliminating losses. Reporting requirements should be sought, to ensure that the board remains accountable for implementation of the plan. To support accountability, Ministers could set a further expectation that Kāinga Ora will work better with the Monitor.

Operational matters the board could consider when developing this plan include:

- Seeking an objective and quantified baseline measure of asset condition
- Implementing the recommendations from the independent review of maintenance activity
- Benchmarking and testing of different procurement model including a robust assessment of design specifications, with a view to refreshing its procurement approach to utilise a greater cross section of the construction sector
- Changes to tenancy management strategy
- The purpose and utilisation of its land holdings, and
- Proactively managing assets to reduce interest costs on work in progress.

Recommendation 6:
Responsible Ministers set an expectation that the board will develop a credible and detailed plan to improve financial performance with the goal of eliminating losses. The board should be held accountable for implementing this plan through regular reporting to Ministers, supported by ongoing engagement between the Kāinga Ora board, Kāinga Ora management and the Monitor.

Recommendation for the transition to a future state

Our recommendations are intended to work together to make the social housing system work for the people that need it. We realise that the transition will take time and that the specifics will be subject to government decisions.

A key choice is the speed at which parts of the existing Kāinga Ora housing portfolio are transferred into Community Housing Associations. We propose a trial of this approach in four areas within the next 12 months.

To drive the implementation of these recommendations and enhance accountability, the following conditions must be met:

- leadership across housing agencies have the capability to deliver change, and are aligned on the direction, speed, and magnitude of change required
- an agreed plan for implementing reform
- quarterly reporting against that plan aligned through HUD and Kāinga Ora, including appropriate quantitative measures as agreed with Ministers
- a mechanism for timely resolution of impasses is in place.

Recommendation 7:
To generate momentum toward the recommendations above, the Panel recommends the following timeframe for key milestones.

Within 3-6 months

- Strengthen Kāinga Ora governance by refreshing the board.
- Cabinet decisions on any necessary changes to Kāinga Ora legislation and entity form.
- Set new Ministerial expectations with HUD and Kāinga Ora.
- HUD and Kāinga Ora to agree a refreshed contract.
- Cabinet makes decisions on consolidation of Crown funds to inform Budget 25.

In 12-18 months

- Implementation of any change to Kāinga Ora legal entity.
- Active purchaser role of HUD developed and being implemented
- Place-based solutions in four locations being implemented, together with plans to establish Community Housing Associations.
- Funding and delivery settings in place to support contestability and better outcomes for tenants

In 2-3 years

- Nationwide social housing investment strategy developed.
- Supported by place-based housing strategies and delivery plans for all tenures.
- Kāinga Ora no longer making operating losses.

Glossary

Alternative tenures
Alternative tenures is a term for various models where the risks, costs, and responsibilities of traditional home ownership or renting are shared between a household and another party. It includes, but is not limited to, the following:

- Papakāinga
- Progressive ownership
- Co-living
- Market co-operative ownership (full and limited equity)
- Rental co-operative ownership
- Land trusts
- Co-development (mostly a development model but it does role over into how the ownership of amenities is structured).

Community Housing Association
Community mandated entities that manage social housing. This may be given effect to in a range of ways, including:

- A management lease over homes owned by Kāinga Ora
- Through a joint-venture partnership, like Tamaki Regeneration Company.

The Panel believes a Crown Company under schedule 4A of the Public Finance Act 1989 is the most appropriate form for these entities.

Social housing
Social housing, in this report, refers to properties owned or leased by Kāinga Ora and Community Housing Providers (CHPs) for which tenants receive an Income-Related Rent Subsidy, which means they pay no more than 25% of their net income in rent.

Emergency Housing Special Needs Grants (EHSNGs)
Emergency housing is short-term accommodation (usually in motels) for individuals who have an urgent need because they are unable to remain in their usual place of residence. It is funded through Special Needs Grants that clients apply for thorough MSD when they cannot access accommodation and all other options available to them have been explored. Currently, grants can cover between 1 to 21 nights' accommodation at a time.

Transitional housing
Transitional Housing provides temporary accommodation for people and families with urgent housing needs, combined with support services to help them address their needs, including Work and Income services, budgeting advice and health services.

Occupants in transitional homes pay no more than 25% of their net income in rent.

Income Related Rent (IRR)
Rent paid by a social housing tenant based on that tenant's income. The Income-Related Rent is set at no more than 25% of a tenant's net income.

Income Related Rent Subsidy (IRRS)
A subsidy the Crown pays Kāinga Ora and CHPs the difference between the amount paid in Income-Related Rent by a tenant and the market rent of the dwelling.

OBEGAL
The difference between revenue and expenses is the operating balance before gains and losses, which is also known as OBEGAL. Gains and losses arise from changes in the value of the government's assets and liabilities. These gains and losses can be volatile due to a range of external factors. The OBEGAL can provide a more direct indication of underlying fiscal management than the operating balance, as it is more closely linked to activities over which governments have more day-to-day control.

Operating Supplement (OS)
OS is a funding subsidy paid to Kāinga Ora and CHPs in addition to the income related rent subsidy for new build IRRS social houses to help enable more housing supply. The OS is calculated as a percentage of market rent top up. The percentage cap is higher in locations that have lower market rents to ensure social housing can be delivered in local housing markets where it would not have been financially viable.

Purchaser
The agency responsible for contracting and funding providers to deliver outcomes on behalf of the Crown.

Appendix A: Terms of Reference

Independent Review into Kāinga Ora - Homes and Communities

Background and purpose
Kāinga Ora is a large Crown entity with annual expenditure of $2.5 billion and total assets of $45 billion which have a significant impact on the Government financial statements in terms of OBEGAL and impact net debt by $13.2 billion over the forecast period.

The Minister of Finance and Minister of Housing have decided to carry out a review under section 132 of the Crown Entities Act 2004 to provide assurance over the approach and delivery over significant investment programmes by Kāinga Ora.

Ministers have decided to utilise external independent reviewers with the support of the Treasury and Ministry of Housing and Urban Development to undertake this review.

Objective
The review should identify ways to improve Kāinga Ora performance and value for money, and to manage the impacts of Kāinga Ora on debt and OBEGAL.

Scope
The scope of the review will at a minimum include:

Financial viability of Kāinga Ora

- The efficacy of Kāinga Ora's funding arrangements with the Crown
- Property management and overhead costs compared to its revenues
- Cost of renewal of the portfolio over the long term compared to its revenues
- Appropriateness of its portfolio valuation methodology for financial reporting and decision-making purposes.

Asset procurement and management
- Housing procurement strategies and delivery by place, typology and amenity
- Procurement costs (including overheads) and quality
- Value for money of its development programmes including land acquisition and building
- The effectiveness of its relationships with its key suppliers, developers, Councils, Community Housing providers and others
- Engagement with communities and tenants to reflect their housing preferences
- Asset management performance.

Tenancy management
- Consider the performance of Kāinga Ora as a tenancy manager, including consistency with a goal of delivering better outcomes for tenants.

Kāinga Ora remit

- Consider whether the remit of Kāinga Ora, including in legislation, regulation, Government policies, letters of expectation, statements of performance expectations and Ministerial directions, is conducive to good performance of its core functions.
- Institutional arrangements to incentivise better performance.
- Consider institutional arrangements for Kainga Ora functions, including operating scope, organisational form and structure, governance, and subsidy and funding arrangements with the Crown, that will encourage better performance and reduce fiscal impacts on debt and OBEGAL.

Timeline

The independent review will report back to the Minister of Finance and Minister of Housing in March 2024.

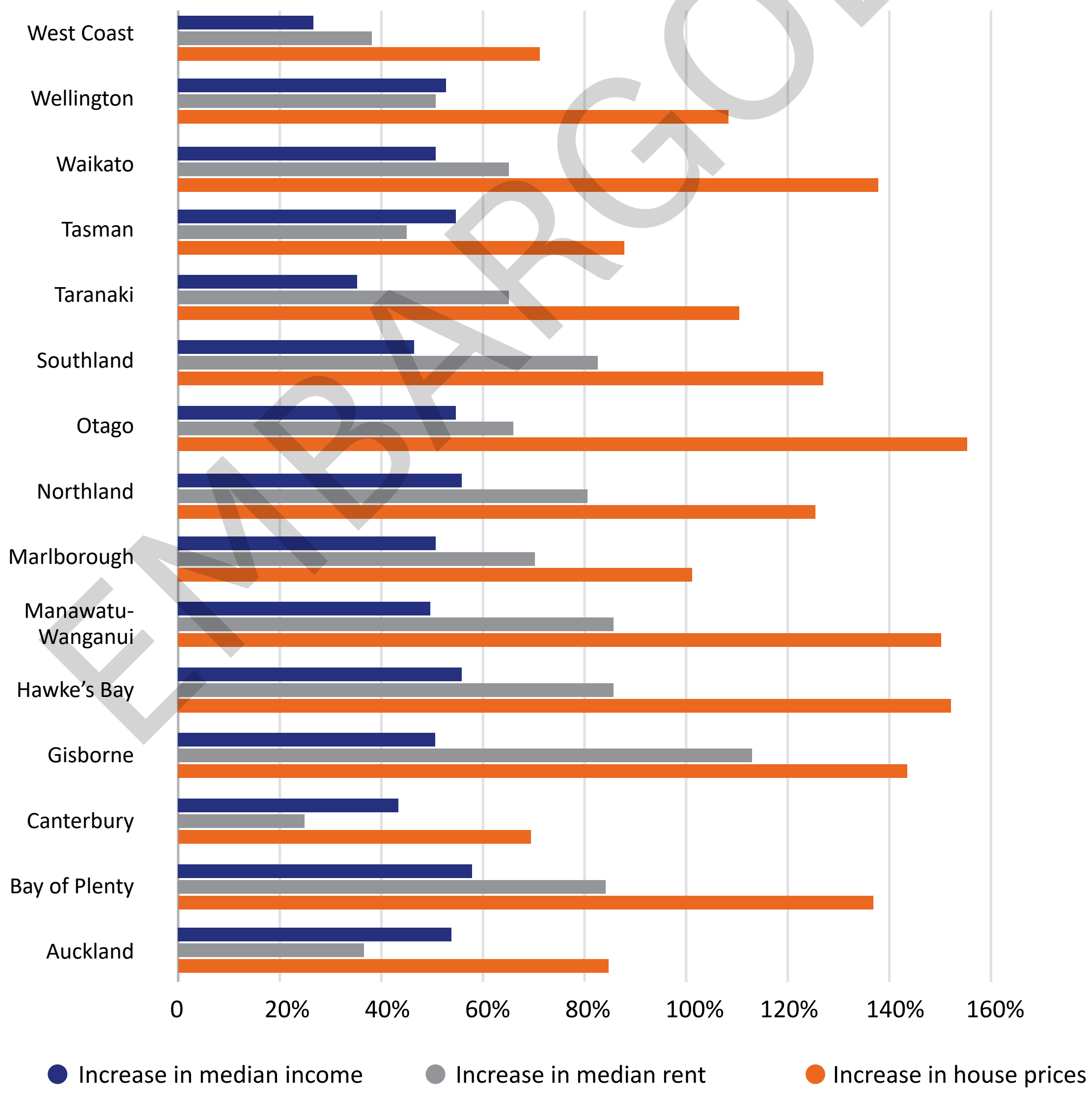
Appendix B: Factors affecting affordability, by region (2013-2023)

House prices in New Zealand rose faster than incomes over the ten years. Increases to prices over the last decade have been driven by lower interest rates and restrictions to supply. Lower interest rates have reduced servicing costs but increase the deposits buyers require.

Supply in urban centres has helped keep median rental prices down.

Growth in median rents compared to median incomes has increased the number of households experiencing housing stress in many of the regions.

Factors affecting affordability, by region (2013-2023)



Appendix C: MSD research

Cohort characteristics of AS recipients, IRRS-social housing tenants, people on the Housing Register, and recipients of EH-SNGs

Condition or interaction in 12 months prior	Population Profiles			
	AS	IRRS Social Housing	Social Housing Register	EH-SNGs
No income	49%	54%	61%	59%
Had acute hospitalisation	14%	16%	21%	26%
Received mental health addiction services	13%	10%	22%	31%
Had police proceeding	8%	6%	14%	28%
Had theft offence	1%	1%	2%	4%
Had any offence excluding driving	6%	4%	12%	22%
In prison	2%	1%	4%	8%
Received main benefit	69%	50%	79%	95%
Social housing entry	1%	8%	7%	7%
Entered housing register	3%	7%	64%	56%

Factor Definitions

No income in prior 12 months – Proportion of people who had no income in the last 12 months. Income includes wages and salaries, ACC weekly compensation, Paid Parental Leave, Student Allowance, sole trader/partnership/company income. It excludes benefits and NZ Superannuation.

Had acute hospitalisation – Had at least one day in hospital from an acute hospitalisation event in the last 12 months.

Received mental health and addiction services – Received an inpatient or community specialist mental health service in the last 12 months.

Had police proceeding – Proceeded against by police for an offence in the last 12 months. Police proceeding include all types of police proceedings against a person, including proactively detected, acquisitive, interpersonal and personal sexual.

Had theft offence – Serving any community or custodial sentence for a theft-related offence in the last 12 months. This is a Corrections managed sentence.

Had any offence excluding driving – Serving any community or custodial sentence (excluding driving-related offences) in the last 12 months. This is a Corrections managed sentence.
In prison – Had been in prison in the last 12 months. This is a Corrections managed sentence.
Received main benefit – Had received main benefit in the last 12 months.

Social housing entry – Entered social housing in the last 12 months. Entries are defined here as having the factor in one quarter and not having that factor in the prior quarter.

Entered housing register – Entered housing register in the last 12 months. Entries are defined here as having the factor in one quarter and not having that factor in the prior quarter.

Appendix D: Formal stakeholder meetings

The below list details the formal meetings undertaken by the Review Panel. This was also supplemented by a wide range of more informal conversations with individual panel members which have also informed the Panel's recommendations.

Accessible Properties
Auckland Council
Community Finance
Community Housing Provider
Emerge Aotearoa
Ernst & Young
Fletcher Living
Great South
Habitat for Humanity
Hastings District Council
Height PM
Housing Foundation
Invercargill City Council
Jennian Homes
Kāhui Tū Kaha
Kāinga Ora Board
Kāinga Ora Construction Programme Advisory Panel
Kay Saville-Smith
Leon Grandy
Master Builders Association
Members of Kāinga Ora Executive and Management
Ministry of Housing and Urban Development
Ministry of Social Development
Murihiku Regeneration
NZ Living
Ockham Residential
Office of the Auditor General
PSA Kāinga Ora National Delegates
Queenstown Community Housing Trust
Southland Chamber of Commerce
Tāmaki Regeneration Company
Te Matapihi
Te Pae Hakāri
Te Rūnanga o Ngāi Tahu
The Salvation Army
Toitū Tairāwhiti Housing

Appendix E: Summary of feedback from formal meetings and correspondence

Note: This summary reflects feedback to the Panel. The accuracy of the feedback has not been independently verified by the Panel.

Stakeholders

Financial Viability

Kāinga Ora is currently underperforming in terms of development outcomes, cost, and speed.

- costs much more than private sector, is slower, and the development is lower quality.
- is overstaffed and pays more than NGOs for similar roles.
- behaves like a big commercial developer but without market disciplines.
- was built too fast, hired too many people, and has tried to do too much. Examples of this include the Construction Innovation programme, focus on OSM, and extensive use of CLT to help achieve emissions targets.

To maintain a stable pipeline for development and encourage more non-government investment in social housing, clear investment conditions, such as contract numbers, timelines, and typologies, are essential, along with a well-defined financing structure are required.

Active purchaser should have clear benchmarking – costs, outcomes, and sharing information. The purchaser has the strongest incentive to know and therefore pay for this information.

Subsidy and cost of building and operating the asset are misaligned under current funding settings. Funds and programmes are a mess.

Recommend a partnered approach moving forward where both financial and social risk and reward are shared by local and central players.

Asset Management and Procurement

Kāinga Ora asset condition is not well understood.

No national level view of what kind of homes needed, where. From a system perspective no one is driving ensuring house match to tenant.

Standardisation would improve efficiencies of Kāinga Ora design. The design specifications aren't about the people, they're about targets and performance designs.

Look at how specifications are impacting cost (e.g. different cladding types), or different procurement models like separating design and build of homes from ownership and operation.

Stakeholders have suggested that a contestable procurement approach with a panel of entities that compete for government projects and worked to clearly defines KPIs would be an improvement.

Kāinga Ora is considered a difficult client for builders, focusing on process rather than outcomes and lacking competence in decision-making, resulting in inefficiencies and higher costs (paying a premium).

Kāinga Ora should create specialist teams to deliver the typologies of housing that the system requires, in the places they are needed. It should empower delivery teams and avoid cost-cutting measures that lead to inferior products and higher maintenance costs.

HDS system is bringing down life cycle costs to 40 days from 200-300 days (consenting times take 1 year in private, Kāinga Ora consenting process can take 2-3 years). Even with HDS Kāinga Ora has struggled to get through the local councils, don't have a great relationship.

Engagement with Māori providers needs to be better. Te Matapihi should be the pipeline through which development in partnership with Māori should happen.

Tenant/Community Outcomes	Remit and Institutional Arrangements
Tenancy management services can learn from private sector e.g. use of technology. Placements use low quality/out of date information about register applicants; registration process can have perverse incentives. One large CHP has 1:70 ratio of tenancy managers to tenants. About 20% of tenants are high need. Kāinga Ora preferred target ratios are 1:100 for senior Housing Support Managers who deal with tenants with high and complex needs, and 1:220 for medium and low needs tenants. CHPs engage with the community better, are more accountable to local community. There is very little interaction between CHPs and Kāinga Ora. They could work more closely to better understand demand and supply. Some Kāinga Ora staff believe the new regional tenancy management framework has improved knowledge of tenant communities, as Housing Support Managers (HSMs) have visibility of all clients on that street. HSM are based in the communities they are supporting, have knowledge of local context. Need to understand/distinguish tenant cohorts better, currently put them together as 'vulnerable people'. House and neighbourhood suitability (cold and dampness, strong local networks, etc) are strongly associated with residents' wellbeing.	Kāinga Ora faces challenges in its organisational structure, information systems, and culture, that hinder partnerships, learning from others in the sector, and better building practices and efficient management of their housing portfolio. • Lack of confidence – working with private sector is seen as a failure. • Lack of skill and experience when it comes to development. • The current experience that sits on the board is weighted very heavily towards infrastructure and investment experience, the voice of the people isn't represented and there are no social/ community wellbeing experts. 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. Unclear about what its core business is, how this is communicated through policy and direction to Kāinga Ora board/executive. • They should act as facilitator, enabling development partners, not directly competing with private market (i.e. Ferncliffe Farms). • Kāinga Ora governance has problems with making trade-offs. Kāinga Ora board is swamped with paper but doesn't receive detailed financial business cases. Kāinga Ora as central primary deliverer of social and affordable housing for the system, with other providers at a secondary level to fill the gaps is not working.

Kāinga Ora Board and Executives

Financial Viability	Asset Management and Procurement	Tenant/Community Outcomes
Funding for new public housing running out in 2025 and funding settings are creating financial viability issues. Long term certainty improves efficiency of planning and investment. • First years had massive focus on build programme while developing UDA function. • Funded year by year for other functions (Māori housing, urban development). • Don't have tools to deliver Māori housing – sits with other agencies. Comfortable with metrics like debt-to-equity. Kāinga Ora hasn't had a normal period of operation – established at end of 2019, then COVID, then global supply chain issues and inflation.	Specification to high level to meet climate and accessibility objectives. Too many performance measures, and too many of them short term. Kāinga Ora role in smoothing boom/bust cycles – Leverage the scale of work to drive innovation and productivity in the sector. Urban Development – least successful bit with little support from government. HDS – significant opportunity • Preconstruction – 5-7 weeks. • Construction – 2-3 months, 2000 in pipeline; about 400 complete. • Max of 600 homes a year which is probably the biggest you want to do. • Overhead cost per unit – target is $8000 per home for preconstruction; $21k average currently.	Growing and complex population – 67% are A17+. CHPs are doing 23% of A17+. Not funded for community engagement but required to do it. Coroner reports saying Kāinga Ora should be doing more to help tenants. Trying to get other agencies to directly fund the initiatives Kāinga Ora puts in place that have co-benefits e.g. working with other agencies to fund accessibility retrofits. Analysis of changes in Kāinga Ora tenancy management process is underway. The social housing system needs to increase the ability for people to move through the housing continuum and receive levels of service appropriate to need.

Remit and Institutional Arrangements

Kāinga Ora needs a regional perspective and to be connected to services from community sector.

Kāinga Ora is seen as everything and expected to do everything – need to narrow the priorities and outline success factors.

Core functions were considered being a good social landlord and meeting housing needs by building new supply.

From an institutional perspective, the monitoring agency is also involved in delivery. This causes role confusion and means government agencies are cutting across each other.

Board members did not consider that there was a clear monitoring framework.

Constraints in the policy and operating environment mean that Kāinga Ora can only go so far or only do so much (lack tools to deliver Māori housing, large balance sheet distorting direction, poor quality land which they feel they cannot divest).

Performance review of CE and board members is not structured and rigorous.

Mixed views on roles between board and management:

- Good relationship between the management and the board
- The board does not lead the CE
- The board did not ask difficult questions of management as much as it should have.

Correspondence

Financial Viability	Asset Management and Procurement	Tenant/Community Outcomes
Staff numbers have grown significant and is costing a lot. Retaining the core qualified staff and letting go of the rest would result in a much leaner higher quality and effective business. Views expressed that Kāinga Ora pay rates are higher than the private sector. Kāinga Ora is making savings by reducing spending on maintenance, which puts pressure on maintenance contracting companies and their staff while resulting in worse service for tenants.	Following a 'no sell' mandate is short sighted. Poor procurement practices, which result in overpaying, and limiting build partners. Examples of excessive costs. Homes sitting empty for 8 months. Healthy homes upgrades are causing unrequired maintenance, upgrades that don't benefit tenants. Insufficient architectural and construction background and experience among development managers. Kāinga Ora has not contributed as much as CHPs to the provision of additional IRRS tenancies over the past 5 years. Mixed views on efficacy of HDS. Look at contracting out supply (developer-led acquisitions) rather than relying on Kāinga Ora to complete 12,000 state houses. Lower barriers to entry for new and innovative building products and create transparency in procurement of products. Restrictive criteria used for making development decisions (e.g. won't build in a cul de sac, no shared driveways or back sections)	There should be specialised on-site tenancy/property managers for larger complexes. Tenant anti-social behavior. Gang affiliated tenants living in Kāinga Ora homes not being evicted. Bring back tenancy reviews and end tenancies when people break the law. Government should reset the housing register criteria and allocation criteria. Density of social housing in some locations is too high and causes local issues. Tenants not maintaining properties. Specific tenant complaints that maintenance and upgrades are slow to occur, done badly, and/or cost too much.

Remit and Institutional Arrangements
Revolving door between suppliers and Kāinga Ora. Opinions expressed about duplication of roles within Kāinga Ora, large teams of planners and architects that simply review the work of external planners and architects, and big innovation team with little demonstrated value. KiwiBuild underwrites are essential in supporting residential development, given current market conditions.