



Cabinet

Minute of Decision

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Response to the Independent Review of Kāinga Ora: Turnaround Plan

Portfolios **Finance / Housing**

On 16 December 2024, following reference from the Cabinet Expenditure and Regulatory Review Committee, Cabinet:

- 1 **noted** that in May 2024, the Cabinet Business Committee agreed to the Government's response to the Independent Review of Kāinga Ora, and to refresh the Kāinga Ora Board (the Board), issue a new direction, and require the new Board to present a turnaround plan by November 2024 [CBC-24-MIN-0032];
- 2 **noted** that the Board has delivered a turnaround plan that meets the expectations set out in the Letter of Expectations;
- 3 **noted** that the turnaround plan, attached to the paper under EXP-24-SUB-0084, shows significant progress in reducing the forecast impact of Kāinga Ora on the Government's financial forecasts since the Pre-election Update, with a large proportion of these savings incorporated into the Budget 2024 Economic and Fiscal Update;
- 4 **agreed in principle**, subject to paragraph 5 below, that the Minister of Finance and the Minister of Housing set expectations for Kāinga Ora of a renewal programme for 2026/27 of:
 - 4.1 1,500 renewals through redevelopment and market acquisitions;
 - 4.2 400 retrofits of existing properties; offset by
 - 4.3 700 demolitions of existing properties to use for future redevelopments, including possible relocations; and
 - 4.4 800 sales of properties;
- 5 **authorised** the Minister of Finance and Minister of Housing to finalise the renewal programmes for 2026/27 referred to above upon the completion of a report back in March 2025, which will provide an opportunity to validate the progress being made and help inform final decisions for Ministers on the level of renewal activity that Kāinga Ora should undertake post-2026/27;

- 6 **agreed** that the report back referred to above will cover:
- 6.1 progress on maintenance savings;
 - 6.2 write-off risks due to paused projects;
 - 6.3 an update on vacant land and an overview of next steps;
 - 6.4 the approach to social housing replacement sales in 2025/26, including geographical locations and typology mixes;
 - 6.5 progress towards reductions in the cost of delivery of social housing for both 2024/25 and 2025/26;
 - 6.6 s 9(2)(f)(iv) [REDACTED]
- 7 **noted** that the turnaround plan assumes an ongoing level of sales in later years to fund replacement activity;
- 8 **noted** that Ministers will have the opportunity to reduce the level of sales activity in each Budget if agreed through funding growth in Social Housing places if desired;

Scope and remit

- 9 **noted** that, in line with the Government's intention that Kāinga Ora focus on core functions and Budget 2024 decisions, Kāinga Ora has already scaled back a number of its urban development roles;
- 10 **agreed in principle**, subject to the report referred to in paragraph 11 below, that Kāinga Ora will not have a role in enabling urban development in the medium term, other than where needed to support the provision or renewal of social housing;
- 11 **invited** the Minister of Housing to report back to Cabinet later in 2025 seeking formal decisions on the role of the Government in urban development, including formalising the removal of Kāinga Ora urban development functions and setting out where any functions should reside;
- 12 **agreed** to reduce the scope of Kāinga Ora by:
- 12.1 transferring KiwiBuild residual underwrite activity to the Ministry of Housing and Urban Development by June 2025;
 - 12.2 transferring the administration of the Infrastructure Acceleration Fund to the National Infrastructure Funding and Financing Agency by June 2025;
 - 12.3 winding down the Kāinga Ora Land Programme, with the Minister of Finance and Minister of Housing making decisions on approaches to the existing four land holdings in consultation with the Kāinga Ora Board;
 - 12.4 redefining the scope of the Large Scale Projects programme run by Kāinga Ora to ensure the primary focus is on enabling social housing renewal requirements and reprioritising investment within this programme on this basis, with any excess funding identified in the resetting investment report back in March 2025;

- 13 **authorised** the Minister of Finance and the Minister of Housing jointly to agree any necessary policy decisions and appropriation changes to give effect to paragraph 12 above;
- 14 **agreed** that changes be made to the Kāinga Ora Homes and Communities Act 2019 to:
- 14.1 remove the operating principles;
 - 14.2 remove references to Kāinga Ora in relation to the Government Policy Statement where it creates opportunities for a broad interpretation of mandate around urban development activities;
 - 14.3 reduce the minimum Board size to 6-8 members, to align with other Crown Entity Boards;
 - 14.4 clarify the specifications of capabilities for Board members;
 - 14.5 s 9(2)(f)(iv) [REDACTED]
- 15 **invited** the Minister of Housing to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above paragraphs;
- 16 **endorsed** the proposed approach to addressing the system-level recommendations from the Independent Review of Kāinga Ora, as set out in Annex B of the paper under EXP-24-SUB-0084.

Rachel Hayward
Secretary of the Cabinet

Secretary's Note: This minute replaces EXP-24-MIN-0084. Cabinet agreed to amend paragraph 4.3.
