

Annex 4: Budget 2024 New Spending Template (invite only)

Section 1: Overview

Section 1A: Basic initiative information

Initiative title (max 120 characters)	Kāinga Ora Crown-Funded Programmes and Statutory Obligations – Continuation of Funding		
Lead Minister	Hon Chris Bishop Minister of Housing	Agency	Ministry of Housing and Urban Development
Initiative description (max 800 characters)	<p>This initiative provides funding to support Kāinga Ora – Homes and Communities (Kāinga Ora) to retain capability required to execute its non-public housing statutory functions and obligations, and to deliver housing products on behalf of the Crown. Statutory functions and obligations include the Urban Development function (on behalf of the Crown), obligations to consult with Māori/iwi, and obligations relating to climate change.</p> <p>Funding is only sought to June 2025, given the Government will receive advice (including on the role and functions of Kāinga Ora) from the independent Review of Kāinga Ora in March 2024.</p>		
PA Objective	<input type="checkbox"/> Capital Investment	<input checked="" type="checkbox"/>	Government Policy Commitment
Is this a cross-Vote initiative?	No	No.	
Agency contact	Name: Dax Dullabh Phone: s 9(2)(a) Email: dax.dullabh@hud.govt.nz	Treasury contact (Vote Analyst)	Name: Jack Wellwood Phone: s 9(2)(a) Email: Jack.Wellwood@treasury.govt.nz

Section 1B: Summary of funding profile

Operating costs associated with initiative (\$m)

This initiative includes a 5.607 \$m efficiency savings target.

2023/24	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Total	0	50.000	0	0	0	50.000
Operating costs	0	52.398	0	0	0	52.398
Flood mitigation	0	3.142	0	0	0	3.142
IAF Funding	0	0.067	0	0	0	0.067
Efficiency Target	0	(5.607)	0	0	0	(5.607)

*For irregular outyears, add additional rows above to display the full profile of the initiative. Delete "& outyears" for time-limited funding. See the Guide to Submitting Initiatives on CFISnet for Budget 2024 for more information on entering outyears into CFISnet.

Capital costs associated with initiative (\$m)

23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total
0	0	0	0	0	0	0	0	0	0	0

*Extend the profile above if funding is needed beyond 2032/33.

Section 2: Alignment and options analysis

Section 2A: Problem definition

The answer to each question must not exceed 1-2 paragraphs

<p>What is the problem that this initiative is trying to solve and why does it need to be solved now?</p>	<p><i>Describe the problem the initiative is trying to solve</i></p> <p>While the independent review of Kāinga Ora may make recommendations around the roles and functions Kāinga Ora should continue to perform, and to what level, funding is needed to support Kāinga Ora to deliver these for functions and obligation in the meantime. These include:</p> <ul style="list-style-type: none"> - The Urban Development function – Kāinga Ora is the Crown's Urban Development Authority, tasked broadly with "initiating, facilitating or undertaking urban development" on its own account, and in partnership with others. <p>Practically, Kāinga Ora's activities to perform this function are broad, ranging from undertaking spatial master-planning and urban design, to delivering Large Scale Projects, and advocating for good urban outcomes (including activities such as submitting on Council intensification plan changes beyond what HUD can do given its role).</p> <p>Kāinga Ora also has a range of development powers under the Urban Development Act (UDA) to deliver complex Urban Development projects known as Specified Development Projects (SDPs), in partnership with others. Kāinga Ora is currently assessing two potential SDPs in Tauranga and Porirua and expected to provide advice to Ministers by mid-2024 on whether to establish these as SDPs.</p> <ul style="list-style-type: none"> - Māori engagement and climate change – Kāinga Ora has statutory obligations to work with Māori to understand, support and enable the aspirations of Māori in relation to urban development, and to act in a way that mitigates and adapts to the effect of climate change. - Delivery of non-public housing Crown funded products – Kāinga Ora also administers housing products for the Crown including Progressive Home Ownership, the Infrastructure Acceleration Fund, KiwiBuild and the Kāinga Ora Land Programme. <p>Further detail regarding problems addressed through this budget can be found in the Strategic Case of the attached business case (pp. 20-25).</p> <p><i>Describe the existing arrangements for the asset or service</i></p> <p>The Kāinga Ora – Homes and Communities baseline funding bid approved in Budget 2023 gave \$71.9 million to fund a workforce of 174.3 FTEs:</p> <ul style="list-style-type: none"> - Urban development activities: selecting and assessing SDPs, land acquisition, spatial and master planning and urban design (FY2023/24: \$36.8m, 63.7 FTEs), - Māori engagement (FY2023/24: \$10.8m, 36.1 FTEs), - Climate Change/Sustainability (FY2023/24: \$5.8m, 20.0 FTEs), - Buying Off the Plans (FY2023/24: \$10.6m, 28.5 FTEs), - Infrastructure Acceleration Fund Administration (FY2023/24: \$5.7m, 13.8 FTEs), - Progressive Home Ownership Administration (\$2.2m, 12.4 FTEs). <p>This baseline funding has allowed Kāinga Ora to establish and deliver on Government priorities and legislative obligations to date.</p> <p>Baseline savings of \$20.000 million for FY2023/24 deferred some urban development activities, but allowed for the continued delivery of Crown products, engagement with Māori and Climate Change/Sustainability initiatives.</p> <p><i>Outline specifically what needs to change or be improved (relative to existing arrangements) to address the problem.</i></p>
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	<p>As noted above, current baseline funding expires 30 June 2024. Not extending baseline funding will require Kāinga Ora meeting legislative obligations under the Urban Development Act and Kāinga Ora Homes and Communities Act through rental revenue, which is not financially sustainable and reduces visibility for government. Kāinga Ora would be unable to adequately meet Government urban development priorities as they arise, and outcomes achieved to date would be at risk.</p> <p>First Home Partner and Infrastructure Administration Fund administration are separately Crown-funded initiatives for which administrative costs are provided through the appropriation. These functions are not legislatively mandated but have funding separately appropriated and expected outputs which cannot be delivered by an alternative entity.</p> <p>Baseline funding for FY2024/25 only, with a requirement to submit a business case and new baseline funding bid for Budget 2025, will give the Government time to consider recommendations from the Independent Review into Kāinga Ora - Homes and Communities.</p>			
	<p><i>How does the initiative/investment proposal fit with the Agency's mandate, and is the Agency the best one to deliver this intervention?</i></p> <p>Kāinga Ora is mandated, through legislation and its Statement of Performance Expectations to enable, partner and facilitate urban development. This includes unlocking land for housing supply and enabling new homes. Kāinga Ora has unique regulatory powers under the Urban Development Act to assess specified development projects, enabling the development of new housing projects at scale. Using these powers, Kāinga Ora works with the private sector, councils, Iwi, housing providers and communities to catalyse development to meet housing needs, coordinating with the private sector to supply developable land, and accelerating the supply of build-ready land.</p> <p>Kāinga Ora is also mandated to provide sustainability reporting and meet government directives, such as the Aotearoa Emissions Reduction Plan, and National Adaptation Plan. Kāinga Ora is obliged to engage with Iwi and rūpū Māori across the country to facilitate Māori housing aspirations. Specialists within the Te Kurutao team support and encourage meaningful participation by Māori in our urban development activities. Te Kurutao is also tasked with developing strategies, reviewing products and providing services to support Māori into secure and affordable homes. In addition, our Te Kurutao advisors have been instrumental in providing avenues for Māori investment in housing, including partnering and investing in housing innovation.</p>			
	<p><i>What key partners/stakeholders/customers (including other relevant Agencies, and Iwi and Māori) have been engaged to understand the problem and develop the initiative? How have you worked with them and how has their input affected the understanding of the problem? You may wish to reference here the key principles of He Ara Waiora.</i></p> <p>No engagement with partners or stakeholders was required to develop this bid.</p>			
Alignment to Budget Priorities (if alignment to multiple Priorities is possible, select the most relevant)	<input type="checkbox"/>	Addressing the rising cost of living	<input type="checkbox"/>	Delivering effective and fiscally sustainable public services
	<input checked="" type="checkbox"/>	Building for growth and enabling private enterprise	<input type="checkbox"/>	Not Aligned
	<p>This initiative aligns with building for growth and enabling private enterprise as it continues to support Kāinga Ora to perform its non-public housing statutory functions. This includes working with Māori to realise their aspirations for housing, and other organisations to enable, facilitate and deliver urban development.</p>			

Section 2B: Options analysis

The answer to each question must not exceed 1-2 paragraphs

<p>What were the range of options considered?</p>	<p><i>Briefly summarise other options (including non-funding options) to meet this objective</i></p> <p>This initiative presents the minimum valuable option and cannot be scaled further without requiring Kāinga Ora to meet its legislative obligations under the Urban Development Act and Kāinga Ora Homes and Communities Act through rental revenue, which is not financially sustainable.</p> <p>s 9(2)(f)(iv)</p> <p>A no-funding option is outlined below, under "Counterfactual".</p>
<p>What was the process used to select the preferred option?</p>	<p><i>This section should detail the framework and process for determining the preferred option.</i></p> <p>A business case based on the Better Business Cases model has been developed to support this bid. The preferred option was developed on the basis of existing workforce and current and anticipated demand for Crown-funded activities. and is the option that best positions Kāinga Ora to meet current obligations and future Government urban development priorities.</p>
<p>Counterfactual</p>	<p><i>What would be the impact of funding this initiative entirely through reprioritisation (i.e., in the absence of new funding)</i></p> <p>A no-funding option results in a winding up of non-statutorily mandated activities (e.g. administration of Progressive Home Ownership, the Infrastructure Acceleration Fund, Kiwibuild and Kāinga Ora Land Programme). Operating funding to meet the statutory obligations outlined in this bid would need to be met from rental revenue or financed through debt borrowing.</p> <p>s 9(2)(f)(iv)</p> <p>Without funding for the Climate Change/Sustainability or Te Kurutao functions, there would be a severe lack of engagement and input from those specific fields of expertise.</p>

Section 3: Benefits and costs of preferred options

Section 3A: Benefits and non-fiscal costs

The answer to each question must not exceed 1-2 paragraphs. If the initiative has more than one intended outcome, insert additional rows as appropriate.

What outcome(s) would the initiative achieve?	<p>This initiative supports Kāinga Ora to continue to meet its statutory obligations mentioned above, and to administer housing related for the Crown while the Government considers the advice from the independent Review of Kāinga Ora.</p> <p>New funding will support a range of positive social, economic, and environmental benefits including:</p> <ul style="list-style-type: none"> - The economic benefit of improved employment prospects for residents with stable homes. - Social benefits from the well-designed developments that support walkability, safety and social interaction, and provide opportunities for recreation, physical activity and access to nature. - Health benefits from living in warm, dry homes. - Environmental benefits from emissions reductions, reduced flooding and better water management. - Other flow-on benefits associated with upgraded infrastructure and amenities. <p>Kāinga Ora continues to assess the benefits of its large-scale projects, to track the benefits and costs of development. Initial Cost Benefit Analyses produced Benefit Cost Ratios (BCRs) ranging from 0.88-1.06. A project with a BCR greater than 1.0, is expected to deliver a positive net present value to investors. This ratio is based on the total cost to deliver the projects not just the share funded by the Crown. This work is ongoing, and Kāinga Ora anticipates the BCRs would increase well above 1.0 once more benefits are quantified.</p> <p>Further information detailing the costs and benefits for these functions can be found in the Economic Case of the attached business case (pp. 40-57). Impacts on stakeholders are detailed in Attachment 5 (pp. 84-87).</p>
Evidence and assumptions	<p>Evidence for benefits achieved to date through the initiative are detailed in the <i>Kāinga Ora Sustainable Funding Budget Bid 2021 – Report Back August 2022</i>, and in the report back section and case studies of the business case provided separately.</p>
Climate Impacts	<div> <input checked="" type="checkbox"/> Yes - positive <input type="checkbox"/> Yes - negative <input type="checkbox"/> No impact </div> <p>This funding enables Kāinga Ora to employ the workforce resources required to enable us to effectively manage climate change risks and opportunities. No direct emissions reductions are funded. However, part of the role of team funded is to support implementation of the Kāinga Ora Emissions Reduction Plan – which targets 450,000 tonnes per year of CO₂ reductions by 2035. Much of this reduction would be foregone without the focused leadership into achieving these outcomes.</p> <p>Climate change adaptation planning activities are funded through this appropriation. This includes processes to ensure Kāinga Ora adequately understands the climate risks that will affect our business and has effective controls in place to manage them. In addition, the Preferred option includes \$3.142 million for targeted investigation of specific areas where exposure of Kāinga Ora assets to flooding is increasing because of climate change.</p> <p>We expect information will need to be collected across approximately 15,000 properties. As a result of this work, high level risk mitigation options for these properties will be developed as part of this process. This will inform Kāinga Ora investment decisions regarding affected properties (i.e. to proceed with retrofit, rebuild or divest).</p>

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Section 3B: Expenditure profile and cost breakdown

The answer to each question must not exceed 1-2 paragraphs.

Formula and assumptions underlying costings	<p><i>What assumptions have been used to prepare the costings for this initiative? E.g. for new FTE, salary assumptions, role/seniority, associated overheads. See the Budget 2024 Guidance for common assumptions.</i></p> <p>FTE projections for this bid are based on the workforce currently employed by Kāinga Ora and operational requirements identified for the FY2024/25 – FY2027/28 period. There is a net decrease of staff relative to the Budget 2023 bid.</p> <p>Remuneration for staff is based on Kāinga Ora's remuneration banding for FY2024/25, unindexed for cost inflation in outyears and scaled by 95% for assumed vacancy lag.</p> <p>Overhead allocations are based on YTD FY2023/24 actual costs of Kāinga Ora overhead functions, projected through to June 2024, increased by 4.5% for FY2024/25 and unindexed for cost inflation in outyears. This equates to a \$73,000 per FTE overhead allocation.</p> <p><i>Provide any formula that has been used to support the calculation of the costings. Alternatively, a spreadsheet of the costing that demonstrates the formula used to calculate the costing can be attached.</i></p> <p>Please see attached spreadsheet for bid costings.</p>
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Provide a breakdown of total initiative expenditure by individual expense category. Total operating and capital expenses in this section must match the totals in Section 1B: Summary of funding profile. Insert additional rows as appropriate for additional expense categories.

Operating expenses (\$m)						
Operating expense category	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
Non-Departmental Output Expenses: Kāinga Ora – Homes and Communities						
Other Operating Costs	0	3.187	0	0	0	3.187
Depreciation and/or capital charge (if relevant)	0	0	0	0	0	0
Net FTE funding	0	25.145	0	0	0	25.145
Net contractor/consultant funding	0	16.680	0	0	0	16.680
Net FTE and contractor/consultant overhead funding	0	10.595	0	0	0	10.595
Subtotal (\$m)	0	55.607	0	0	0	55.607
Minus Efficiency Target	0	(5.607)	0	0	0	(5.607)
Total	0	50.000	0	0	0	50.000

*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.

Headcount Change	2023/24	2024/25	2025/26	2026/27	2027/28	Total
# of net FTEs (employees)	0	144.0	0	0	0	144.0
# of net FTEs (contractors/consultants)	0	0	0	0	0	0

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Subtotal # of net FTEs (employees and contractors/consultants)	0	144.0	0	0	0	144.0
Minus efficiency target	0	(14.0)	0	0	0	(14.0)
Total	0	132.0	0	0	0	132.0

Additional occupation breakdown of FTE changes (count and funding) over the forecast period

Occupation	Net count required	Net funding required (\$m)	Net amount overheads required (\$m)
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TBC due to reduced funding being requested to align to statutory and legislative requirements and priority programmes.

Section 3C: Scaled option (not applicable for capital initiatives)

The answer to each question must not exceed 1-2 paragraphs.

Scaling option overview	<p>This initiative presents the minimum valuable option, based on current legislative requirements and statement of performance expectations. While Kāinga Ora could fund these functions and programmes through rental revenue and/or debt, this is not recommended as it reduces visibility for the Government on the cost of delivering these and is not financial sustainable.</p> <p>Scaling may be possible if the Government decided to ask Kāinga Ora to not deliver Crown funded programmes. There may be choices about how Kāinga Ora can scale its resources to execute and deliver on the statutory obligations above. Further advice from HUD and Kāinga Ora on choices to meet these obligations is recommended if scaling is desired.</p>
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Section 4: Delivery

Section 4A: Procurement and workforce

The answer to each question must not exceed 1-2 paragraphs.

What is the initiative purchasing/funding?	<p>This initiative is mainly purchasing workforce resources to deliver urban development project planning and design, specified development project regulatory assessments, initiatives to unlock land for housing supply, engagement and Crown scheme oversight. Technical and legal expertise is outsourced to deliver outputs where time-constrained and cost effective.</p>
Is there a market that can meet these needs?	<p><i>Describe the market you are looking to procure the above key resources from.</i></p> <p>Kāinga Ora already has the workforce in place to deliver this initiative. One of our key statutory functions is to understand, support and enable Māori housing and urban development aspirations. Te Kurutao is primarily engaged with building and maintaining strong relationships with Iwi and rūpū Māori and has successfully implemented the Māori and Iwi Housing Innovation (MAIHI) Framework, outlining how Government should enable Māori-led local housing solutions.</p> <p><i>For new FTEs and/or contractors, outline occupation and skills area and indicate the market capacity to fill these roles.</i></p> <p>The required workforce to deliver this initiative is currently employed by Kāinga Ora. To meet the lower level of funding, some actions may be required including active vacancy management, and controlling contractor expenditure to focus on the highest value activities. There is some flexibility to accommodate minor vacancy tendencies, but significant shortages in areas of expertise will impact on delivery of outcomes.</p> <p><i>What potential suppliers have been identified for the initiative</i></p> <p>Commercial relationships to deliver urban development activities are already established.</p> <p><i>What other competitors are there for similar workforce, goods, and services around the same time as this initiative?</i></p>

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	There is competition in the labour market for skillsets currently employed by Kainga Ora, particularly in the Urban Development, Sustainability and Māori engagement activities. There is modest competition for procured goods and services, although Kainga Ora has been successful in managing procurements.
Government Procurement Rules	<p><i>Does the proposed approach align with Government Procurements Rules? If not, on what basis is the initiative exempted?</i></p> <p>Government Procurement Rules are followed for all purchases of goods and services enabled by the Homes and Communities appropriation.</p>

Section 4B: Risks, constraints, and dependencies

The answer to each question must not exceed 1-2 paragraphs

What are the main risks?	<p><i>Describe the main risks associated with this initiative and the proposed mitigations to address these.</i></p> <p>The key risks to the initiative include:</p> <ul style="list-style-type: none"> - Availability of financing for developers to participate in large urban development and infrastructure projects. - Loss of key personnel and workforce shortages for certain skillsets. - Capacity of Local Government Agencies to engage with Kāinga Ora in urban development initiatives. - Commercial interest of development partners to participate in Buy Off the Plans activities. - Willingness of Iwi/rōpū Māori to engage with Kāinga Ora.
What are the key constraints?	<p><i>Describe any key constraints that have been and/or could be placed on the initiative.</i></p> <p>Key constraints include workforce capacity of Kāinga Ora to address new Government priorities, baseline funding adjustments, capacity of Local Government Agencies to engage with Kāinga Ora, and interest from developers to engage in Buy Off the Plans.</p>
What are the key dependencies?	<p><i>Describe any key dependencies that are outside the scope of the initiative and may determine the initiative's success.</i></p> <p>The continuation of appropriated funding for the <i>Buy off the Plans</i> underwrite facility, and for the Kāinga Ora Land Programme is necessary for those programmes to continue (administrative costs for these programmes are met through the Homes and Communities appropriation).</p>

Section 4C: Governance and oversight

The answer to each question must not exceed 1-2 paragraphs.

What are the governance arrangements for this initiative?	<p><i>What is the governance structure, including decision making and any advisory groups? It is optional to attach the Governance Diagram showing the governance structure.</i></p> <p>Governance structures supporting the activities of this initiative are currently in place. The organisational structure of the appropriation-funded activities is included in the attached business case. As with all Kāinga Ora personnel, FTEs are accountable to the Chief Executive and Board.</p> <p><i>Explain how the governance structure provides for input from partners/stakeholders/customers, including iwi and Māori?</i></p> <p>A collaborative approach with developers, Iwi/rōpū Māori and Local Government Agencies, amongst other stakeholders, are key activities of the Urban Development, Te Kurutao, Buy Off the Plans and Climate Change/Sustainability functions. Strong relationships have been established with development partners and Iwi in particular, reflecting the engagement undertaken with funding provided to date. Input from external partners directly impact the design and delivery of appropriation-funded activities.</p>
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Timeframes and monitoring	Budget bid requests for Budget 2021 and Budget 2023 included a requirement to report back to Ministers on expenditure and outcomes achieved. This initiative proposes a continuation of this reporting obligation.
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Section 4D: Demonstrating performance

The answer to each question must not exceed 1-2 paragraphs.

Specific output measures for activities funded through the appropriation are disclosed in the Kāinga Ora Annual Report. These include (and are not limited to) disclosure of:

- Number of new homes built on land enabled through Kāinga Ora urban development activity,
- Affordable homes as a proportion of new homes built on land enabled through urban development activity,
- the number of homes purchased (including by Māori and Pacific Peoples) with home ownership products,
- percentage of Infrastructure Acceleration Fund governed by funding agreements,
- volume, processing and monitoring of Buy Off the Plans applications,
- carbon dioxide equivalent emissions resulting from corporate activities.

Section 5: Equity

The answer to each question must not exceed 1-2 paragraphs.

Timing of costs and benefits	Benefits from Urban Development and Climate Change/Sustainability activities are medium term to inter-generational. Te Kurutao and Infrastructure Acceleration Fund activities support Urban Development activities, and therefore medium and inter-generational benefits are realised. Buy Off the Plans, and First Home Partnership benefits are initially realised over the short term, accruing over the long term as first home buyers build equity in their homes.	
Specific implications regarding the Crown's obligations under the Treaty of Waitangi	Yes	Partnering with Māori to ensure Māori interests are protected and their needs and aspirations are met allows Kāinga Ora to fulfil its obligations in respect of Te Tiriti o Waitangi and under legislation. There are implications to Treaty Settlement commitments arising from this initiative.
Distributional Impacts	Positive impacts from activities funded through this initiative are widely distributed, with benefits from particular home ownership activities concentrating with First Home Buyers, Māori, Pacific Peoples and lower socio-economic groups. Urban development activities are concentrated on areas where housing shortages and affordability issues are most acute. Infrastructure Acceleration Fund expenditures have been allocated to projects with the strongest return on investment/greatest net benefit to communities.	