

Hon Chris Bishop

Minister of Housing
Minister for Infrastructure
Minister Responsible for RMA Reform
Minister for Sport and Recreation
Leader of the House
Associate Minister of Finance



18 MAR 2024

John Duncan
Deputy Chair, Kāinga Ora – Homes and Communities
PO Box 2628
WELLINGTON 6140

Dear John

INTERIM LETTER OF EXPECTATIONS FOR KĀINGA ORA – HOMES AND COMMUNITIES

We are writing to you as the Responsible Ministers for Kāinga Ora – Homes and Communities (Kāinga Ora) to set out our expectations for 2024/25. This is an interim letter and we expect to issue an updated letter in response to the Review recommendations.

This letter should inform your 2024/25 Statement of Performance Expectations (SPE), along with any updated LOE.

Our key expectations for Kāinga Ora are:

1. Co-operation with the Review of Kāinga Ora

We expect Kāinga Ora to co-operate with the Review we announced in December. It is important that the Review is successfully completed by the end of March 2024 and your timely input will support meeting that deadline. The other expectations set out in our 18 December 2023 letter still apply.

2. Focus on core functions

We expect Kāinga Ora to focus on core functions, in particular:

Addressing Rental Arrears:

- continuing to work with your tenants who are in rental arrears to address this using the tools available to you as a landlord, and providing us with a timeframe for your expected reduction of outstanding rental arrears
- strengthening your approach to tenancy terminations for continued failure to meet agreed repayments, as well as for non-payment of rent when tenants refuse to engage and make no efforts to reduce and repay their rental arrears. This should be a strong incentive for tenants to make their rent payments.

Please advise us about other actions, or options you are considering, to address current rental arrears, and to prevent future arrears escalating.

Replacing the Sustaining Tenancies Framework:

We expect the Board to implement tenancy management policies that strike a different balance between the benefits to a disruptive tenant of sustaining the tenancy and the impacts of that approach on neighbours. These should include:

- strengthening management of disruptive tenants
- driving timely usage of existing RTA tools that prompt behaviour change, including formal warning notices under section 55A and relocations under section 53B; and
- accelerating the process of tenancy termination for severe and persistent cases.

Strengthening community engagement about development activities:

Kāinga Ora has advised us that a new approach to community engagement was adopted in October 2023 and that this goes beyond the existing central and local government legal requirements. We are concerned about the loss of social licence for social housing and we expect Kāinga Ora to implement policies that genuinely engage communities about Kāinga Ora's plans and activities.

Vacant properties:

Vacant properties should be tenanted as quickly as possible, with reporting showing how your numbers of empty properties are reducing.

Delivery of social housing:

We expect you to meet your social housing targets for new places for 2023/24 and 2024/25, including regional delivery targets for 2024/25 as set out in the Updated Public Housing Plan. Your reports on this must include:

- delivery and pipeline information for each year's target (net)
- a breakdown of development versus acquisitions for both delivery and pipeline
- a breakdown of regional delivery.

We expect monthly reporting on the above issues. Your SPE should confirm how Kāinga Ora will meet these expectations, and how the Board will monitor progress and the expected improvements.

3. Effective governance and driving fiscal sustainability

The Coalition Government is committed to getting the government's books back in order and ensuring taxpayer funds deliver positive outcomes for New Zealanders. To help us achieve this we have established a Fiscal Sustainability Programme to embed a culture of responsible spending across Government, including in Crown entities.

Crown entities account for a significant proportion of government expenditure and service delivery. You and your boards have an important role in achieving results and outcomes from this expenditure. Boards must ensure their entities make the best use of Crown funding to deliver high quality services and you should expect enhanced scrutiny of Crown funding.

I expect you to participate fully in the Ministry for Housing and Urban Development' savings programme and have a firm grasp of your operations and cost drivers and that you continually drive action to reduce delivery costs down. We acknowledge the Kāinga Ora review currently underway, but expect savings to be identified in advance of the findings of this review.

Ensuring value for money from your spending is essential, and this includes a focus on value for money in Kāinga Ora's tenancy work and in Asset Management processes. We expect to be informed before you make any new planned investments, including changes to existing investments in the Kāinga Ora Land Programme, even where these can be made within your existing delegations, and we expect you to have given consideration to value for money in respect of these investments.

We expect you to continually review programmes to assess whether they represent value-for-money. Programmes and activities that are not delivering results should be stopped and funding should be reprioritised or returned to the Crown.

Board performance will be discussed in our regular meetings, and we should be informed of new capabilities that are needed and any significant periods of Board member absences.

4. Communications with Ministers and officials

Kāinga Ora's performance reports must be succinct, relevant, and timely. These must include the Board's assessment of organisational and financial performance, how risks are being managed, and information about the Board's efforts to improve value for money. We are not interested in performance reports that apply a 'good news only' lens. Please work with HUD on suitable formats for reporting that include quality financial information.

Kāinga Ora must respond promptly and fully to information requests from the monitoring departments. We also expect you to maintain a 'no-surprises' relationship with our officials and our Offices, and to be informed well in advance of material matters related to Kāinga Ora, positive or negative.

We trust these expectations will help you to focus the Board's governance work and the next SPE. Following the Review we will communicate our further expectations to you, including in the area of achieving savings. We look forward to discussing your progress.

Yours sincerely



Hon Nicola Willis
Minister of Finance



Hon Chris Bishop
Minister of Housing

cc Andrew McKenzie, Chief Executive Officer, Kāinga Ora