



COVERSHEET

Minister	Hon Simeon Brown	Portfolio	Energy
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~~YES~~ / NO

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Budget Ministers have indicated they would like to consider further savings from Warmer Kiwi Homes in the form of stopping the Basic Home Repairs component.

How does Warmer Kiwi Homes work?

Warmer Kiwi Homes provides grants for insulation and heating for owner occupied homes in low-income areas. Page 2 sets out the eligibility requirements for the programme and information on its outcomes from cost benefit analysis.

How does the Basic Home Repairs Component work?

The basic home repairs component was added to the programme so that very basic repairs – for example a small leak in the roof that would have previously prevented the insulation from being installed – do not prohibit eligibility. This component was added through Budget 2023 and has not yet commenced. Funding is as follows:

Total funding for basic home repairs	2023/24	2024/25	2025/26	2026/27
\$25.000m	\$1.000m	\$8.000m	\$8.000m	\$8.000m

Interventions may include repairs to roof, ceilings, windows, doors to maintain a sound thermal envelope; repairs to leaks and associated mildew.

Repairs would be fully funded. Applicants can only access one grant (to a maximum of either \$500 or \$5,000 depending on the type of repair).

How many homes would be newly eligible for Warmer Kiwi Homes as a result of the basic home repairs component?

Two major nationwide insulation providers currently servicing the Warmer Kiwi Homes programme have indicated that around 5 per cent of homes assessed cannot be insulated, with the majority of these being because of home repairs being required prior to insulation being possible. On this basis, the basic home repairs component would enable 1,550 homes per year (that would otherwise be ineligible) to participate in Warmer Kiwi Homes.¹

Benefits, costs and risks of stopping this component of the programme

The main benefit of discontinuing this component is direct fiscal savings of \$25 million. As the programme has not yet commenced there would no decrease in benefits relative to those previously being delivered under the Warmer Kiwi Homes programme.

The main cost of discontinuing this component is that homes that would otherwise be eligible to take part in Warmer Kiwi Homes (but for a minor repair being needed), are unable to benefit from the programme, which has a benefit:cost ratio of over 4:1.

Note that because the funding for Warmer Kiwi Homes heating and insulation retrofits is unchanged, the total number of retrofits (approximately 26,000 per year) would not increase as a result of the basic home repairs programme. Rather the composition of homes reached would differ (i.e. the programme would reach owners in poverty who are unable to fund a basic repair).

¹ Warmer Kiwi Homes aims to insulate and/or heat 26,000 homes in a year, which will require around 31,000 assessments. 5% of the assessed homes will require essential interventions to enable insulation, which equates to 1,550 homes. These homes have been unable to take part in the programme previously.

Warmer Kiwi Homes: detail on its operation

Warmer Kiwi Homes currently provides targeted co-funding insulation and heating grants to low-income homeowners. It provides:

- 80-90 per cent of the total cost of ceiling and underfloor insulation. Deprivation Zones seven and eight are eligible for 80 per cent funding, whereas zones nine, ten and Community Service Card holders are eligible for 90 per cent funding.
- Up to 80 per cent of the cost of an approved heating appliance. This could be a heat pump or an efficient wood/pellet burner for the main living area. Heating grants are capped at \$3,000.

Eligibility criteria

- To receive a grant to install insulation, recipients must:
 - a. Own and live in a home built before 2008, and without ceiling and/or underfloor insulation.
 - b. Have a Community Services Card, or live in an area identified as low-income (NZ Deprivation Zones 7-10).
- To receive a grant to install heating, recipients must:
 - a. Own and live in a home built before 2008 with ceiling and underfloor insulation.
 - b. Have a Community Services Card or live in an area identified as low-income (NZ Deprivation Zones 7-10).
 - c. Not have one of the following fixed heaters that is operational in any living area of the house: heat pump, wood or pellet burner, flued gas heater or central heating system.
- Grants are limited to owner occupied homes and rentals are excluded as they are covered by the Healthy home standard regulations.

The average cost of retrofits is estimated to be: \$3,600 for insulation and around \$3,500 for heating.

Cost benefit analysis

The programme has been operating under successive governments since 2009, and there is a very strong evidence base for the benefits achieved. A 2022 impact evaluation led by Motu Economic & Public Policy Research found:

- Benefit cost ratios for the programme are 4.4 overall, and 1.9 on a health and energy basis alone.
- Overall electricity use decreased 16% over the winter months.
- Household electricity use decreased at almost all times of day, and most significantly during the evening peak demand period.