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Report of the
Ministry of Housing

for the year ended
30 June 2003

Presented to the House of Representatives pursuant to section 39 of the Public Finance Act 1989 and section 126 of the Residential Tenancies Act 1986.

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PART I: INTRODUCTION

CHIEF EXECUTIVE'S OVERVIEW

The 2002/03 financial year has been one of significant challenge, demand and proactive development for the Ministry of Housing. It saw the issues the Ministry deals with taking an increasingly higher profile, and housing sector changes impacting on its operations and services.

The highlights that shaped the year include:

- the implementation of a new business model for Tenancy Services and an increased focus on preventing and resolving disputes out of court and improving the stability of tenancies;
- a significant growth in demand for tenancy advice and in tenancy bond volumes as a result of substantial growth in the rental housing sector;
- the development of the Ministry's first Statement of Intent;
- progress on the Residential Tenancies Amendment Bill which extends the Residential Tenancies Act to include boarding houses and some hostels;
- an increased focus on working collaboratively with other government agencies and community and industry groups, to deliver better housing outcomes through improved service delivery and improved knowledge and understanding of landlord and tenants' rights and obligations; and
- the establishment of a Ministry of Housing tertiary scholarship for Pacific students.

Focus on preventing and resolving disputes

The Ministry continued to implement the Strategic Plan it developed in 2001/02. The strong focus on preventing and resolving residential tenancy disputes out of court is starting to show results.

A new business model for Tenancy Services was introduced. All calls for tenancy advice are now dealt with centrally through the Tenancy Services Centre (TSC). This has enabled frontline regional office staff to increase their focus on dispute resolution. New business processes were introduced to improve access to, and increase the use of mediation to resolve disputes. A new supervising mediator role was implemented to deliver practice leadership, coaching and professional development for mediation staff.

There has been a significant improvement in the proportion of disputes resolved out of court, and this has flowed through to a reduction in the total number of Tenancy Tribunal hearings at the Department for Courts.

Resolving disputes through mediation has significant advantages. Mediation can be accessed faster than a court hearing, enabling parties to address issues sooner. Outcomes are likely to be more sustainable when both parties have participated in reaching an agreement. Rent arrears can be addressed early before the debt becomes too large making it more likely that the tenant will be able to pay off the arrears and remain in the tenancy.

Development of the Ministry's first Statement of Intent

The Ministry's first Statement of Intent (SOI) was completed in May and builds on the 2001/02 Strategic Plan. It reflects the housing sector's importance in the economy, and the Ministry's role in the regulation of the rental housing market. The SOI sets out the outcomes the Ministry is seeking and identifies the outputs and strategies it will deliver to achieve these outcomes. The Ministry received positive feedback from central agencies, and the Office of the Auditor General, on the quality of its SOI.

Growth in business volumes

The substantial growth in business volumes experienced during the year reflected the substantial growth in the rental market. Bond lodgements increased by 15% and bond refunds by 10% compared to the previous year. Call volumes increased by 34% for tenancy advice and 9% for bond advice. Visits to the Ministry's website increased by 65% and online information downloaded increased by 74%.

These increases in business volumes impacted on the Ministry's ability to meet its performance targets at the Tenancy Services Centre. The Ministry responded by redirecting resources to meet the increases in demand, renegotiating some performance targets and seeking additional funding from Government. This kept the Ministry on track to meet performance goals by the end of the year. A comprehensive forecasting model for bond volumes and tenancy advice, has been developed, improving the Ministry's ability to plan for the future.

Additional funding for the Ministry

The demands of a growing and increasingly diverse rental market and increased business volumes have placed considerable pressure on the Ministry's resources. While resources were redirected in 2002/03

to meet priorities, this is not sustainable longer term. Additional funding was provided for the 2002/03 year and the Ministry was directed to report back to Government on strategies and appropriate ongoing funding levels for managing service delivery pressures. Work on a business case for appropriate ongoing levels of funding will be a priority for the first quarter of 2003/04.

Residential Tenancies Act Amendment Bill

The Residential Tenancies Amendment Bill was introduced into the House during the year, and was considered by the Social Services Select Committee. This Bill extends the coverage of the Residential Tenancies Act to boarding houses and some hostels, and clarifies some existing provisions of the Act. The Social Services Committee's report on the Bill was presented on 10 March 2003. The Bill is currently awaiting its second reading.

Working with other agencies to improve the effectiveness of the regulatory framework provided by the Residential Tenancies Act (RTA)

This year has seen an increasing focus on working in partnership with other government agencies involved in housing, and with community and industry housing sector groups, to achieve better housing outcomes for landlords and tenants.

During the year, the Ministry worked with other agencies on several initiatives designed to improve the effectiveness of the regulatory framework for landlords and tenants. This package of initiatives was announced by the Minister of Housing in August 2003 and includes:

- working with the Ministries of Social Development (MSD) and Justice to provide Tenancy Tribunal judgement creditors with address information from some government agencies to assist them with enforcement when they have been unable to locate the debtor;
- working with MSD to implement new procedures to enable tenants' benefit to be redirected to meet rent arrears and rent, where good cause can be established;
- investigating options to make Tenancy Tribunal decisions more accessible; and
- delivering a nationwide programme of landlord seminars, including piloting an advanced seminar with the NZ Property Investors Federation (NZPIF), focussed on practical ways to manage rental properties, tenant relationships and to reduce business risk.

In addition, a joint project on improving management of rent arrears was successfully completed with Housing New Zealand Corporation (HNZC).

Review of the Ministry of Housing

The review of the role and functions of the Ministry of Housing in the context of the broader housing sector commenced in March. The review will be important in defining future organisational roles and functions to best support achievement of the Government's goals in the housing sector. The development of a New Zealand Housing Strategy which sets out the Government's future directions for housing from both a social and economic perspective provides an important context for the review along with the Review of the Centre.

Scholarship for Pacific students

The establishment of the Ministry of Housing's Pacific Tertiary Scholarship, to assist a Pacific student in their final year of study reflects the Ministry's commitment to build its ability to work effectively with Pacific clients. The \$3,000 scholarship will be awarded to a student working towards a relevant tertiary qualification that is interested in a career in housing. The Ministry intends establishing a similar scholarship for a Māori student.

I would like to acknowledge the work of the Ministry's staff and managers in responding positively and effectively to the significant challenges and increased workloads experienced during 2002/03. I would also like to thank them all for their welcome, and their support of me as the Ministry's Chief Executive, when I took up my new role at the end of 2002.

Katrina Bach
Chief Executive

PURPOSE AND FUNCTIONS OF THE MINISTRY

Policy advice associated with the Residential Tenancies Act

The Ministry is responsible for the Residential Tenancies Act which sets out the regulatory framework for the rental housing sector, including the rights and obligations of landlords and tenants.

The Ministry provides policy advice to the Government in relation to the Act and rental housing issues and works with tenants and landlords at both national and local levels to promote better housing outcomes and identify issues or barriers that reduce the effectiveness of the regulatory framework provided by the RTA. Increasingly, the Ministry is using the data it holds to monitor trends and emerging issues in the rental market. This will enable us to better forecast demand for our services and improve the quality of our advice to the Government on the sector.

The Ministry also undertakes a compliance role in relation to the Residential Tenancies Act.

Prevention and resolution of disputes

A key function of the Ministry under the RTA is to prevent and resolve disputes between tenants and landlords that can affect the stability of tenancies. This is important because stable housing is linked to better outcomes in health, education and employment. Also landlords have considerable funds invested in their properties and need to be able to operate their business effectively. The Ministry fulfils this role through the provision of information and education, and the provision of tenancy advice and mediation services. The key focus of these services is better knowledge and understanding of rights and obligations by landlords and tenants to encourage self-resolution of disputes should they occur and promote quality property management.

The Ministry is placing an increasing focus on its preventative role. This involves it working collaboratively with other agencies and community groups to increase awareness and achieve better housing outcomes. The Ministry's comparatively small size and limited resources mean that our role is often facilitative, working with others to achieve the desired outcomes.

Where self-resolution has not been possible the Ministry provides mediation services through its Tenancy Services Division. The Ministry also provides administration for the Tenancy Tribunal (operated by the Department for Courts) for those disputes that cannot be resolved out of court.

Bond advice and processing

The Ministry is responsible for the administration of residential tenancy bonds. All landlords collecting bonds are legally required to lodge these with the Ministry. The Ministry holds these bonds in trust for landlords and tenants across New Zealand. The Ministry refunds bonds at the end of tenancies upon the instruction of landlords and tenants, or the Tenancy Tribunal. The Ministry also provides landlords and tenants with advice about bonds.

Bond investment

Bonds lodged with the Ministry are held in the Residential Tenancies Trust Account and invested in accordance with the requirements of the Residential Tenancies Act and the Public Finance Act.

Advice on housing sector interventions and Housing New Zealand Corporation's performance

The Ministry provides purchase and monitoring advice with respect to Housing New Zealand Corporation to enable the Government to make informed decisions about the Corporation's performance, the effectiveness of its interventions, its policy work programme and future investment decisions. The Ministry administers the State Housing Appeals Authority.

Our Strategic Direction¹

Contribution to Government's goals

The Government has set six government goals that guide public sector policy and performance. The Ministry's work contributes to the following goals:

- Grow an inclusive innovative economy for the benefit of all;
- Restore trust in Government and provide strong social services; and
- Reduce inequalities in health, education, employment and housing.

¹ This report is reporting performance against the strategic direction (outcomes and strategies) outlined in the Ministry Departmental Forecast Report for 2002/03. Through the SOI process, the Ministry further developed its strategic direction to recognise the importance of housing in the economy, clarified its role and functions and made its outcomes more precise.

Our Vision

The Ministry's vision is that all New Zealanders enjoy stable, quality housing in strong and viable communities.

Our Desired Outcomes

If the Ministry is successful:

1. The Ministry's customers will be highly satisfied with the quality of the services and advice it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work.
2. Tenants and landlords will enjoy positive relationships built on mutual knowledge of rights and obligations.
3. The Ministry will be recognised as making a positive contribution to reducing inequalities for Maori and Pacific Peoples.
4. The Ministry will be recognised as an organisation that works collaboratively with other government agencies and communities in order to assist the Government to achieve its objectives.
5. The Government will achieve its housing outcomes using the best mix of programmes and services.

Key Strategies

The Ministry developed seven key strategies to guide its activities. These are:

1. Prevent and resolve disputes that affect the stability of housing.
2. Develop services that respond to changing customer needs.
3. Develop and implement effective practices to reduce inequalities between Maori and other New Zealanders.
4. Develop and implement strategies aimed at reducing inequalities between Pacific Peoples and other New Zealanders.
5. Establish the Monitoring Service as an integral part of the whole housing model.
6. Continually develop the capabilities, competencies and culture necessary to achieve the Ministry's outcomes.
7. Demonstrate effectiveness and efficiency in the provision of all services

Progress Against the Strategies and Key Areas for Focus for 2002/03

The Ministry identified key areas of focus for 2002/03 for each of the seven strategies developed. The table below summarises the Ministry's progress during 2002/03 against each strategy and key area of focus.

Strategy 1 - Prevent and resolve disputes that affect the stability of housing.

Areas of focus for 2002/03	Progress
The development and implementation of a quality assurance framework for the provision of bond and tenancy advice.	A quality assurance framework was developed in October 2002. This included the development of performance measures and assessment processes for the quality of advice and a programme to ensure regular coaching and feedback is provided for all staff.
The development and implementation of intake and assessment procedures for all dispute applications. This will enable the streaming of applications and allow the development of specific strategies targeted at certain types of applications.	New procedures were developed and implemented in the first quarter. This has resulted in a higher proportion of dispute applications flowing to mediation, increased attendance at mediation by landlords and tenants and a higher percentage of disputes being resolved out of court.
Increasing the resolution rate of the Ministry's dispute resolution service by focusing on increasing the number of applicants wanting to attend mediation and increasing the success rate of making contact with the other party.	There has been a significant improvement in the resolution rate with 58% of applications resolved out of court during 2002/03 compared to 49% in 2001/02.
Developing dispute resolution frameworks and procedures with the newly appointed Practice Development Advisor.	A new supervising mediator model was implemented in the fourth quarter to support the Ministry's increasing focus on the quality of mediation. This model establishes supervising mediators to provide practice leadership, coaching and development for mediation staff.

Areas of focus for 2002/03	Progress
<p>Expanding the level of compliance with the Residential Tenancies Act by:</p> <ul style="list-style-type: none"> • Increasing awareness of landlord and tenant rights and responsibilities through effective information and education programmes; and • Enhancing the Ministry's capability to investigate breaches of the Act that are in the public interest. 	<p>During the fourth quarter, the Ministry held a nationwide programme of landlord seminars in 17 locations, with more than 1,000 landlords attending. The majority of the seminars were targeted at new landlords, but the Ministry also piloted an advanced landlord seminar that was delivered in partnership with the Property Investors Federation.</p> <p>During the year, the Ministry ran public awareness campaigns targeted at specific groups of tenants. This included radio and print campaigns about tenancy rights and obligations targeted at Maori and Pacific peoples. The Ministry's tenancy information was included in information provided by other agencies to beneficiaries and students.</p> <p>The Compliance Unit was established during the first quarter, with the appointment of one full time staff member to assist the Chief Legal Counsel. The Ministry investigated 56 cases of non-compliance during the year.</p> <p>Key achievements in 2002/03 include:</p> <ul style="list-style-type: none"> • developing processes and systems for the Unit; • taking cases on behalf of tenants about issues relating to student accommodation and rent to buy schemes; and • establishing networks with the New Zealand Fire Service and the Ministry of Consumer Affairs to ensure compliance with health and safety legislation and the RTA.

Strategy 2 - Develop services that respond to changing customer needs.

Areas of focus for 2002/03	Progress
<p>Implementation of the Tenancy System by the end of August 2002. The primary efficiency gain as a result of the implementation will be improved workflow management. The system also provides the architectural base for further e-commerce development, with the potential to offer more services electronically in the future.</p>	<p>The Tenancy System was implemented on the 26 August 2002. The focus for the rest of the year was on embedding the system and addressing post implementation issues.</p>
<p>Centralising all general advice calls by 30 September 2002 and the receipt, coding and verification of applications to the Tenancy Tribunal by 30 June 2003 at the Tenancy Services Centre in Porirua.</p>	<p>All general tenancy advice calls were centralised to the Tenancy Services Centre in September 2002. This freed up regional staff to focus on preventing and resolving disputes that affect the stability of housing</p> <p>Detailed scoping of the requirements for a proposal to centralise the receipt, coding and verification of applications to the Tenancy Tribunal was completed during the March quarter. The costs of implementation outweighed the benefits of this proposal in the short term and as a result it was decided not to proceed further at this stage.</p>
<p>Supporting government processes for proposed amendments to the Residential Tenancies Act, and the implementation of those changes.</p>	<p>The Ministry supported the Social Services Select Committee during the submissions on the RTA amendment Bill and worked to resolve outstanding policy issues. The Bill has been reported back to Parliament.</p>

Strategy 3 - Develop and implement effective partnership practices to reduce inequalities between Maori and other New Zealanders.

Areas of focus for 2002/03	Progress
Develop frameworks covering cultural competency and effective partnership practices for Maori.	Cultural competencies were developed and incorporated into performance agreements for 2003/04.
Provide cultural awareness training for all staff in order to develop their ability to deal confidently and effectively with Maori customers.	A pilot cultural awareness training programme was held at the Hongoeka marae in Plimmerton in November. The feedback from staff who attended the course was very positive. The Ministry is planning to provide cultural awareness training to all staff in the future.

Strategy 4 - Develop and implement effective partnership practices to reduce inequalities between Pacific peoples and other New Zealanders.

Areas of focus for 2002/03	Progress
Develop an education and advertising programme targeted at Pacific customers.	A campaign targeting Pacific People was developed and delivered. Activities included a radio campaign and stalls at Pacific fonos and expos. Key brochures were translated into Pacific languages.
Develop the capability of Pacific Island staff through the provision of training and career progression opportunities.	A mediation succession programme that includes Pacific staff was launched in the September quarter. During the fourth quarter, a Ministry of Housing Pacific tertiary scholarship was established. This will be awarded to students working towards a qualification that would enable them to work to consider a career in housing or the wider Public Service.

Strategy 5 - Establish the monitoring service as an integral part of the whole housing model.

Areas of focus for 2002/03	Progress
Facilitate positive relationships with the Minister and his office, Housing New Zealand Corporation (HNZC), and the Treasury.	<p>The Ministry has worked actively to build positive relationships with key stakeholders to build a better understanding of the Ministry's role, and facilitate a more collaborative approach to achieving housing outcomes. During the year, key initiatives included:</p> <ul style="list-style-type: none"> • active participation in the development of the New Zealand Housing Strategy co-ordinated by HNZC; • development of a new quarterly reporting process to encourage discussion between the Minister, HNZC and the Ministry about HNZC's performance; • worked with HNZC to develop housing sector proposals for Budget 2003; • joint project with HNZC to improve the Corporation's management of tenant debt arising from rent arrears; • provision of purchase advice to the Minister on housing sector proposals for Budget 2003; and • led a joint project to transfer capital appropriations to Vote: Housing to enable better monitoring.
Develop the capability to provide excellent advice.	<p>During the year the Ministry undertook a number of initiatives that developed its capability to provide quality advice to Ministers, including:</p> <ul style="list-style-type: none"> • reviewing roles responsibilities and processes used in Budget 2002, and incorporated learning into the process for Budget 2003; and • developing the Ministry's first SOI. The learning gained from this informed the advice the Ministry provided on HNZC's SOI.

Strategy 6 - Continually develop the capabilities, competency and culture necessary to achieve our outcomes.

Areas of focus for 2002/03	Progress
Implement a revised performance management and development system that ensures the Ministry gets to where it wants to go, builds the culture it needs to get there and motivates staff to perform.	The Development and Performance System was developed in 2001/02 and implemented in 2002/03. This system focuses on developing staff performance and aligning this with the outcomes the Ministry is seeking.
The development of mechanisms aimed at providing Maori and Pacific staff opportunity to progress within the Ministry.	A mediator succession programme was launched during the September Quarter. This programme aims to create succession opportunities for Ministry staff and is specifically targeted towards Pacific and Maori staff.

Strategy 7 - Demonstrate effectiveness and efficiency in the provision of all services.

Areas of focus for 2002/03	Progress
A move of the Corporate office to smaller premises, and some Tenancy Services offices to premises more suited to client needs.	Corporate Office was relocated in July 2002. This resulted in an ongoing saving of \$120,000 per annum in overhead costs which was able to be reinvested in frontline services. During the year the Timaru, Invercargill, Wellington and Manukau offices were relocated to more suitable sites for our clients.
A review aimed at reducing corporate overhead costs to fund more service delivery activities.	The review of corporate support functions resulted in a number of changes aimed at enhancing the Ministry's planning and reporting capability and better aligning its support functions with the needs of the organisation.

STATEMENT OF RESPONSIBILITY

In terms of sections 35 and 37 of the Public Finance Act 1989 and section 126 of the Residential Tenancies Act 1986, I am responsible, as Chief Executive of the Ministry of Housing, for the preparation of the Ministry's and the Residential Tenancies Trust Account's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion these financial statements fairly reflect the financial position and operations of the Ministry and the Residential Tenancies Trust Account for the year ended 30 June 2003.

Katrina Bach
Chief Executive

Countersigned by:

Ruth Jamieson
Financial Controller
26 September 2003

**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE
MINISTRY OF HOUSING
FOR THE YEAR ENDED 30 JUNE 2003**

We have audited the financial statements on pages 19 to 62. The financial statements provide information about the past financial and service performance of the Ministry of Housing and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 42 to 45.

Responsibilities of the Chief Executive

The Public Finance Act 1989 requires the Chief Executive to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Ministry of Housing as at 30 June 2003, the results of its operations and cash flows and service performance achievements for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act 2001 and Section 38(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Chief Executive. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed A J Shaw, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Ministry of Housing's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the

information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Ministry of Housing.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Ministry of Housing:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Ministry of Housing's financial position as at 30 June 2003;
 - the results of its operations and cash flows for the year ended on that date; and
 - its service performance achievements in relation to the performance targets and other measures set out in the forecast financial statements for the year ended on that date.

Our audit was completed on 26 September 2003 and our unqualified opinion is expressed as at that date.

A J Shaw
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

PART II - PERFORMANCE**STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003*****OUTPUT CLASS I - ADMINISTRATION OF RESIDENTIAL
TENANCIES BOND MONIES*****Description**

This output class involves the efficient, effective and impartial administration of residential tenancies bond monies. This includes:

- Lodging and refunding bond monies as required under the Residential Tenancies Act 1986;
- providing information in relation to lodgements and refunds of bond monies; and
- managing, investing and repaying bond monies as required under the Act.

Outcomes Sought

The aim of this output class is to assist the Government to:

- provide all landlords and tenants with an efficient bond lodgement and refund service; and
- provide all landlords and tenants with efficient and accurate bond advice.

Achievement of these objectives will contribute to the following outcomes:

- The Ministry's customers will be highly satisfied with the quality of the services it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work.

Performance Measures

Bond Lodgements

100% of the expected 168,000 (164,000) bond lodgements will be actioned² within 5 working days of receipt by the Tenancy Services Centre.

Number of lodgements			Variance between actual number of lodgements in 2002/03 and		Lodged within 5 days	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02	Target	Actual
168,000	195,357	170,467	16.3%	14.6%	100%	87.4%

The number of bond lodgements actioned during the year exceeded forecast by 16.3%. This impacted on the Ministry's ability to meet its performance targets in this area. In response to the substantive increase in business volumes, a revised target of 85% was agreed with the Minister. 87.4% of lodgements were actioned within 5 days compared to the revised target of 85%. The Ministry has developed a demand forecasting model for bond activity to improve the accuracy of its forecasts for future planning.

All bond money will be banked on the day received.

	Number	%
Banked on same day received	\$89,482,253	100.0

All new bonds received will be accurately recorded on the system, based on information supplied by the tenant and/or landlord.

All staff review a sample of the bond lodgements they process and a senior bond officer checks an additional sample. The size of the sample that is checked is based on the knowledge and experience of the staff member. This enables any errors to be corrected and training needs to be identified and included in individual or group training.

² Where actioned is defined as being entered, verified and receipted/dispensed. Bracketed figures re the 2001/02 measures from the 2001/02 Main Estimates.

Refunds

100% of the expected 160,000 (164,000) bond refund requests will be actioned within one working day of receipt.

Number of refunds			Variance between actual number of refunds in 2002/03 and		Refunded within 1 working day or receipt	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02	Target	Actual
160,000	177,640	161,284	11.0%	10.1%	100%	30.9%

The number of bond refunds exceeded forecast by 11%. This impacted on the Ministry's ability to meet its performance targets in this area. In response to the substantive increase in business volumes, an adjustment to the performance target was agreed with the Minister. The revised performance target was 80% of bonds will be refunded within 2 working days.

The Ministry responded to the growth of business volumes by increasing resourcing and redirecting resources but did not meet its performance targets for the year. 81.6% of bonds were refunded within 2 working days compared to the revised target of 80%. 30.9% of bonds were refunded within 1 working day, 50.6% were refunded within 2 working days and 18.4% took longer than 2 working days to be refunded.

All bonds will be correctly refunded based on the information held at the time of the refund.

All staff review a sample of the bond refunds they process and a senior bond officer checks an additional sample based on the knowledge and experience of the staff member. This enables any errors to be corrected and training needs to be identified and included in individual or group training.

Bond Advice

80% of the expected 197,000 calls on the Tenancy Services Centre's toll-free line will be answered within 20 seconds, and the abandonment rate will not exceed 2%.

The number of calls for bond advice exceeded forecast by 12.3%.

Bracketed figures are the measures from the 2001/02 Main Estimates.

Number of calls received			Variance between actual number of calls received in 2002/03 and	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02
197,000	221,197	203,496	12.3%	8.7%

In response to the substantive increase in business volumes, an adjustment to the performance measure was agreed with the Minister, as follows:

50% of 220,000 calls will be answered within 20 seconds and the abandonment rate will not exceed 9%.

The Tenancy Services Centre (TSC) responded to growth in business volumes for all of its activities by increasing resources and redirecting them to priority activities. Delays for bond processing have an impact on calls for bond advice because landlords and tenants ring to find out what is happening with their bond. During the year, the TSC focused on increasing timeliness for processing, expecting that this would flow onto a reduction in calls. Although the number of calls for bond advice fell when processing timeliness improved, the Tenancy Services Centre was unable to meet its targets for the year. Although the Ministry's performance in this area improved by the end of the year, the revised performance target was not met. The Ministry is well positioned to meet targets in 2003/04.

Answered within 20 seconds		Abandonment rate	
Target	Actual	Target	Actual
80%	47.6%	2%	8.5%

Replies to enquiries will be accurate and provide the information requested.

During the year, the Ministry developed a quality assurance framework for the provision of bond and tenancy advice. The framework defines what quality advice is, and specifies the Ministry's expectations for the delivery of advice. A sample of calls is assessed against the quality standards each month for all staff. For the four months during which assessments were completed, all staff met or exceeded the Ministry's quality rating of 75 – 89% against the quality criteria.

Bond Fund Investment

The average daily balance in the bond fund is expected to be \$125 million-\$140 million (\$112 million-\$116 million), consisting of a predetermined daily float level and a portfolio of call deposits and securities.

The average daily balance was \$138.846m.

Investments will be made promptly to maintain the desired balance of maturities as stated in the Ministry's Investment Strategy.

All investments were made on the due dates and complied with the requirements of the Ministry's investment strategy.

All investments will be correctly accounted for and will be made in terms of the criteria in the Ministry's Investment Strategy. All new investments will be within 0.25% of the prevailing daily rate.

All investments were correctly accounted for and made within the terms of the Ministry's investment strategy. All new investments were within 0.25% of the prevailing daily rate.

**ADMINISTRATION OF RESIDENTIAL TENANCIES BOND MONIES
OUTPUT STATEMENT**

for the year ended 30 June 2003

Actual 2002 \$000		Actual 2003 \$000	Main Estimates 2003 \$000	Supp. Estimates 2003 \$000
	Revenue			
0	Crown	0	0	0
3,451	Other	2,721	3,151	2,721
<u>3,451</u>	Total Revenue	<u>2,721</u>	<u>3,151</u>	<u>2,721</u>
	Expenditure			
3,426	Total Expenses	2,719	3,151	2,721
<u>25</u>	Net surplus/(deficit)	<u>2</u>	<u>0</u>	<u>0</u>

OUTPUT CLASS II: RESIDENTIAL TENANCIES INFORMATION AND ADVICE AND DISPUTE RESOLUTION**Description**

This output class involves the provision of information and advice primarily relating to the Residential Tenancies Act 1986, and the provision of mediation and dispute resolution services to tenants and landlords in relation to residential tenancies. In particular, this output class involves:

- providing residential tenancies information to the public and targeted groups;
- responding to enquiries from both tenants and landlords about tenancy matters;
- providing information and advice on specific residential tenancy disputes and mediation between the parties;
- administration of the Tenancy Tribunal; and
- investigating alleged breaches of the Residential Tenancies Act 1986.

Outcomes Sought

The aim of this output class is to:

- reduce the number of tenancy disputes;
- increase self resolution of tenancy disputes; and
- increase the number of cases settled out of court.

Achievement of these objectives will contribute to the following outcomes:

- The Ministry's customers will be highly satisfied with the quality of the services and advice it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work;
- Tenants and landlords will enjoy positive relationships built on mutual knowledge of rights and obligations;
- The Ministry will be recognised as making a positive contribution to reducing inequalities for Maori and Pacific Peoples; and
- The Ministry will be recognised as an organisation that works collaboratively with other government agencies and communities in order to assist the government achieve its objectives.

Performance Measures

Public Information

The Ministry's website will contain up-to-date information on Tenancy Services and the rights and obligations of landlords and tenants.

All Tenancy Services publications, brochures and forms are available to download from the website.

There will be a 10% increase year-on-year in visits to the Ministry's website.

The website provides an alternative access channel for landlord and tenants and enables 24 hour access to tenancy information and forms. They can also send their enquiries to the Ministry by e-mail. Visits to the website increased by 65% from the previous financial year.

Number of visits to the website			Increase in visits to the website compared to:	
Target 2002/03	Actual 2002/03	Actual 2001/02	Target 2002/03	Actual 2001/02
153,175	229,097	139,250	49.6%	64.5%

There will be a 10% increase year-on-year in the number of forms downloaded from the website.

The number of forms downloaded from the website increased by 74% compared to the number downloaded in the previous financial year.

Number of forms downloaded			Increase in number of forms downloaded compared to:	
Target 2002/03	Actual 2002/03	Actual 2001/02	Target 2002/03	Actual 2001/02
221,272	350,154	201,157	58.2%	74.1%

All website inquiries will be responded to within 2 working days.

98.3% of website inquiries were responded to within 2 working days compared to a target of 100%.

Education

The Ministry will provide at least one public awareness programme that is targeted at Maori.

A public awareness programme targeted at Maori was developed in consultation with the Kaiwhakahaere Whakatapu and the Maori staff network, Pou Tokomanawa. Activities included the delivery of key messages about tenancy rights and obligations through a radio campaign on Mai FM, advertising in Maori publications and posters in Te Reo.

The Ministry will provide at least one public awareness programme that is targeted at Pacific Island peoples.

A public awareness programme targeted at Pacific Peoples was developed in consultation with the Pasifika Developments Co-ordinator and the Pacific staff network, Vanua Pasifika. Activities included the delivery of key messages about tenancy rights and obligations through a radio campaign on Pacific radio and stalls at fonos, expos and markets.

The Ministry will provide at least one public awareness programme that is targeted at people living in or providing sub-standard housing.

This public awareness programme is linked to the Residential Tenancies Amendment Bill and is on hold until the Bill becomes law. An information sheet providing advice to tenants on substandard housing and what they might do about it is in preparation.

The Ministry will provide at least one public awareness programme targeted at those who work with mental health consumers and housing.

This public awareness programme is linked to the Residential Tenancies Amendment Bill and is on hold until the Bill becomes law.

In addition, the Ministry delivered a nationwide programme of landlord seminars focusing on quality property management and business practices to reduce business risk and loss. During the fourth quarter, the Ministry piloted an advanced seminar with the Property Investors Federation that focused on practical ways for landlords to better manage rental properties and relationships with tenants.

Community relations

Residential Tenancies information will be delivered through 5 key partnership agencies.

The Ministry identified five agencies that it would work in partnership with to deliver information on tenancy rights and obligations to landlords and tenants. These were HNZC, the Ministry of Social

Development, Citizens Advice Bureaux (CABs), Budget Services and the Refugee and Migrant Service.

Memorandums of Understanding and joint work programmes were agreed with the New Zealand Association of Citizens Advice Bureaux (NZACAB) and the Federation of Family Budgeting Services. Tenancy information kits were developed to provide a front line resource for these partnership agencies. These kits included tenancy brochures and information sheets to enable them to provide advice to tenants and landlords and refer clients to Tenancy Services where necessary.

The Ministry developed a joint work programme with the Ministry of Social Development. Key deliverables included:

- the inclusion of key messages about tenancy rights and obligations in Accommodation Supplement booklets;
- reviewing the guidelines for good cause to enable tenants' benefit to be redirected to meet rent arrears or rent; and
- investigating options for assisting tenancy judgment creditors to enforce tenancy orders.

During the year, the Ministry worked with HNZC on a joint project to improve the Corporation's debt management practices and its use of the Tenancy Tribunal. As a result of this project, HNZC will incorporate the best practices identified into its procedures and staff training.

The Ministry is working with NZACAB to deliver tenancy information to refugee and migrant groups through the Migrant Service Enhancement Project, funded by the New Zealand Immigration Service.

Partnership agencies will be surveyed at least annually to assess satisfaction with partnership.

The Ministry sought feedback from NZACAB following the release of the information kits, which was generally positive. The Ministry intends to seek feedback from the other partnership agencies following the completion of key initiatives.

Tenancy Advice

80% of the expected 197,000 calls on the Tenancy Services Centre's Tenancy Advice toll-free line will be answered within 20 seconds, and the abandonment rate will not exceed 7%.

The number of calls for tenancy advice received by the Tenancy Services Centre increased by 33.5%, compared to the number received in the previous year.

Number of calls received			Variance between actual number of calls received in 2002/03 and	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02
197,000	247,949	185,727	25.9%	33.5%

In response to the substantive increase in business volumes, an amendment to the performance measure was agreed with the Minister, as follows:

50% of 250,000 calls will be answered within 20 seconds and the abandonment rate will not exceed to 9%.

The Ministry responded to the significant growth in call volumes by increasing resourcing in this area. The time required to recruit and train staff to provide tenancy advice created some lag. Although the Ministry's performance in this area improved by the end of the year, performance targets were not met. The Ministry is well positioned to meet targets in 2003/04.

Answered within 20 seconds		Abandonment rate	
Target	Actual	Target	Actual
80%	49.8%	7%	12.4%

The proportion of enquiries for advice to applications made² will increase to 7 to 1.

	Target	Actual
Proportion of enquiries for advice to applications made ³	7:1	5.6:1

This measure was designed to assess if tenancy advice was encouraging parties to resolve the dispute themselves or increasing the number of applications for dispute resolution. It was based on the assumption that if the Ministry's advice resulted in landlords and tenants resolving disputes, the ratio of enquiries for advice to applications made would increase. The number of dispute resolution

³ This ratio measures the success of tenancy advice in enabling callers to resolve their own disputes. If the Ministry is successful the proportion of enquiries that result in an application for dispute resolution will decrease.

applications for private tenancies in 2002/03 has fallen by 2% compared to the number received in 2001/02, but the number of calls for tenancy advice increased by 33.5% during the same period.

The target that was set was based on incorrect data and the measure has largely been superseded by the quality assurance measures for advice, which specifically assess the content of tenancy advice calls.

Advice will be relevant and accurate.

During the year, the Ministry developed a quality assurance framework for the provision of bond and tenancy advice. The framework defines what quality advice is, and specifies the Ministry's expectations for the delivery of advice. A sample of calls is assessed against the quality standards each month for all staff. For the four months during which assessments were completed, all staff have met or exceeded the Ministry's quality rating of 75 – 89% against the quality criteria.

Dispute Resolution

24,750 (55%) of the expected 45,000 (45,000) applications for dispute resolution will be resolved without recourse to the Tribunal.

Number of applications for dispute resolution			Variance between actual number in 2002/03 and		Percentage resolved out of court	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02	Target	Actual
45,000	44,463	43,563	(1.2%)	2.1%	55%	57.9%

The number of applications increased by 2.1% compared to the number received in 2001/02. This growth is due to a 19% increase in applications for HNZA tenancies, while applications for private tenancies fell by 2%.

During 2002/03, a key area of focus for the Ministry has been on increasing the proportion of disputes that are resolved out of court by focusing on increasing the number of applicants willing to attend mediation and increasing the success rate for making contact with the other party. This has resulted in a significant improvement in the resolution rate with 58% of applications resolved out of court during 2002/03 compared to 49% in 2001/02.

80% of all mediations will be completed within 10 working days of receipt of application.

Bracketed figures are the measures from the 2001/02 Main Estimates.

	Target	Actual
Mediations completed within 10 days	80%	71.8%

71.8% of mediations were completed within 10 days, compared to a target of 80%. For some disputes, there is a trade-off between timeliness and resolving the disputes out-of-court. In these cases, the Ministry has focused on resolving disputes out-of-court, which has enabled it to achieve a higher out-of-court settlement rate but has impacted on its ability to meet this timeliness target.

A sample of mediations will be subject to peer review and client assessment in order to assess mediation quality.

Each mediator was required to provide client reviews and peer assessments during the financial year. These were considered as part of reviews of mediators' performance. A new supervising mediator model was developed in 2002/03, which will provide mediators with increased feedback and coaching about their performance.

Tenancy Tribunal administration

75% of the expected 20,250 applications proceeding to the Tribunal will have a hearing within 20 working days.

Number of applications proceeding to the Tenancy Tribunal			Variance between actual number in 2002/03 and	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02
20,250	24,947	29,535	23.2%	(15.5%)

The significant improvement in the proportion of applications resolved out of court has had a positive impact on the number of Tenancy Tribunal hearings scheduled. Although applications for dispute resolution increased by 2% compared to the previous year, the number of hearings scheduled fell by 15%.

There will be a 10% reduction year-on-year in the number of adjourned hearings.

Hearings within 20 days		Reduction in adjourned hearings	
Target	Actual	Target	Actual
75%	71.4%	10%	12.4%

71% of applications to the Tenancy Tribunal were heard within 20 days compared to a target of 75%. Of the applications that were heard outside of 20 working days, the majority were for cases that involved vacated tenancies. It is not as urgent for these applications to reach the Tribunal because the amount of debt is not growing over time. Where Tribunal time is limited, these applications are therefore given less priority so that more urgent cases can be heard. The Ministry continues to work with the Department for Courts to ensure that the availability of days is flexible enough to cope with fluctuating demand.

The Ministry exceeded the 10% target for reduction of adjourned hearings, with a 12.4% reduction in the number of hearings adjourned in 2002/03 compared to the number adjourned in 2001/02.

Monitoring of compliance

The Ministry expects to be involved with 50 investigations of non-compliance throughout the year.

Investigations of non-compliance			Variance between actual number in 2002/03 and	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02
50	56	27	12%	107.4%

The Ministry will implement at least 5 compliance programmes.

Progress was made in each of the five key areas identified for developing compliance programmes. This included:

- Benchmarking cases were taken to clarify inconsistencies or non-compliance with the law including rent to buy schemes, illegal tenancy agreements and student accommodation;
- Establishing networks with other agencies including the New Zealand Fire Service and the Ministry of Consumer Affairs to ensure compliance with health and safety legislation and the RTA;
- Investigating internet sites and publications that are likely to breach the RTA and related legislation;
- Working with the Ministry of Social Development to enable tenants' benefits to be redirected to meet rent arrears and rent, where good cause can be established; and
- Working with the Ministries of Justice and Social Development and the Department for Courts to improve processes to assist landlords to enforce Tribunal orders.

**RESIDENTIAL TENANCIES INFORMATION AND
ADVICE AND DISPUTE RESOLUTION**

OUTPUT STATEMENT
for the year ended 30 June 2003

Actual 2002 \$000		Actual 2003 \$000	Main Estimates 2003 \$000	Supp. Estimates 2003 \$000
	Revenue			
5,357	Crown	5,639	5,357	5,639
4,958	Other	6,655	4,596	5,364
<u>10,315</u>	Total Revenue	<u>12,294</u>	<u>9,953</u>	<u>11,003</u>
	Expenditure			
9,649	Total Expenses	10,955	9,953	11,003
<u>666</u>	Net surplus/(deficit)	<u>1,339</u>	<u>0</u>	<u>0</u>

OUTPUT CLASS III: STATE HOUSING APPEAL SERVICES

Description

The State Housing Appeals Authority is an external appeals authority established to hear appeals against HNZC decisions on the assessment of income-related rents, and applicants' eligibility and need for HNZC housing. The Ministry of Housing will provide administrative support for the Appeals Authority.

Outcomes Sought

The aim of this output class is to assist the Government to improve housing outcomes for all New Zealanders.

Achievement of this objective contributes to the following outcome:

- The Ministry's customers will be highly satisfied with the quality of the services it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work.

Performance Measures

This output is based on an estimated 10 appeals against HNZC decisions on income-related rent assessments and 5 appeals against decisions on the applicants' eligibility and need for HNZC housing.

Applications for:				Variance between actual number of applications received in 2002/03 and	
	Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02
Rent assessments	10	3	5	(70%)	(40%)
Applicants Eligibility	5	1	2	(80%)	(50%)

Administrative support and scheduling of appeals will meet the requirements of the Principal Member of the Authority.

The Principal Member was satisfied that requirements were met.

An appeal hearing will be scheduled and the appellant notified within five working days of receipt of application. The hearing will be held within twenty working days of receipt of application. The appellant will be notified of the decision of the Authority within ten working days of the hearing.

Timeliness standards have been met for all hearings during the year.

STATE HOUSING APPEAL SERVICES**OUTPUT STATEMENT**

for the year ended 30 June 2003

Actual 2002 \$000		Actual 2003 \$000	Main Estimates 2003 \$000	Supp. Estimates 2003 \$000
	Revenue			
127	Crown	68	128	68
0	Other	0	0	0
<hr/> 127	Total Revenue	<hr/> 68	<hr/> 128	<hr/> 68
	Expenditure			
49	Total Expenses	42	128	68
<hr/> 78	Net surplus/(deficit)	<hr/> 26	<hr/> 0	<hr/> 0

OUTPUT CLASS IV: HOUSING AGENCY MONITORING**OUTPUT CLASS D4 – HOUSING AGENCY PURCHASE AND MONITORING*****Description***

This output class involves the provision of governance and monitoring advice to the Ministers of Housing and Finance about Housing New Zealand Corporation (HNZC). This includes:

- assisting Ministers with Board appointments;
- assisting Ministers with setting performance expectations and negotiating accountability documents;
- providing the Minister of Housing with advice on the purchase of outputs;
- administration of the Crown's agreement with HNZC for reimbursement of the cost of providing income-related rents to qualifying tenants;
- monitoring HNZC's performance; and
- providing the Ministers of Housing and Finance with ownership advice.

Outcomes Sought

The aim of this output class is to assist the Government to:

- Improve housing outcomes for all New Zealanders;
- Achieve value for money expenditure on housing; and
- Protect the Crown's ownership interests in HNZC.

Achievement of these objectives contributes to the following outcomes:

- The Ministry's customers will be highly satisfied with the quality of the services it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work;
- The Ministry will be recognised as an organisation that works collaboratively with other government agencies and communities in order to assist the government achieve its objectives; and
- The Government will achieve its housing outcomes using the best mix of programmes and services.

Performance Measures

The Ministers of Housing and Finance will expect:

Performance Measures	Performance
Development of an annual expectation letter to the Chair of HNZC on behalf of Ministers by 31 January 2003.	A draft of the letter of expectations was delivered to the Minister's office by 31 January 2003 and sent to the Corporation by Ministers in February 2003.
Negotiation of a 2003-06 Statement of Intent that Ministers are satisfied is aligned with the Government's goals by 30 June 2003.	HNZC delivered its Statement of Intent (SOI) for 2003-2006 to Ministers by 30 June 2003. This SOI addressed all the issues raised by Ministers through the letter of expectations and their written comments on the draft SOI delivered by HNZC in May 2003.
Negotiation of a Purchase Agreement between the Minister of Housing and HNZC for the delivery of policy advice and ministerial servicing that the Minister is satisfied is aligned with the Government's goals by 30 June 2003.	The purchase agreement was incorporated into HNZC's SOI for 2003-2006. The annual work programme for policy was developed and provided to the Minister by the end of June 2003.
Provision of four reports to Ministers with analysis of HNZC's quarterly performance within 10 working days of receipt of the Corporation's quarterly performance information.	Quarterly performance reports were provided to the Minister within 10 working days from receipt of performance information from HNZC.
Provision of ownership advice to the Ministers as required.	Ownership advice was provided to Ministers as required during the year.
Provision of purchase advice on housing funding proposals to the Minister of Housing in a timely manner.	Independent purchase advice was provided to the Minister on the housing sector bids within agreed timeframes to enable budget bids to meet Treasury deadlines.
Completion of an independent review of the income-related rent (IRR) setting and reimbursement processes in conjunction with HNZC by 30 June 2003.	The review was completed by 30 June 2003. The Ministry worked with HNZC to ensure that the recommendations from the previous year's review were implemented.
Ongoing management of the board appointment process.	The Ministry developed a process for making appointments to HNZC's board. The Ministry continues to manage this process to ensure that appointments are made when board terms expire.

Performance Measures	Performance
Administration of the Crown's income-related rents agreement with HNZN including forecasting of income-related rents and reimbursement of the cost of providing income-related rents to qualifying tenants.	The Ministry worked with the Ministry of Social Development and HNZN to improve the data sources for forecasting of income-related rents. The Ministry ensured that the cost of providing income-related rents was reimbursed to HNZN as agreed between HNZN and the Crown in the Section 7 agreement.

All advice and reports to the Ministers will:

- *Support the Government's strategic direction;*
- *Focus on strategy, capability and delivery dimensions;*
- *Be informed by comprehensive analysis of performance, results and impacts on service delivery;*
- *Identify and assess risks;*
- *Proactively provide solutions;*
- *Consider issues such as efficiency, effectiveness and value for money; and*
- *Incorporate accurate performance commentary and data, which has been tested with HNZN.*

All advice and reports met the quality standards set out above.

The Chief Adviser, Policy, Planning and Monitoring will meet with Minister's Office staff quarterly to obtain feedback on:

- *Relationship management between the Ministry and the Minister's Office;*
- *Responsiveness of the Ministry to issues raised by the Minister and his office;*
- *Relationship management between the Ministry and HNZN; and*
- *Quality of the Ministry's purchase advice and monitoring commentary.*

The Chief Adviser, Policy Planning and Monitoring met with staff from the Minister's office on a quarterly basis. Feedback from these meetings was incorporated into the unit's advice and reporting.

The Ministry will invite the Minister to assess the overall quality of the Ministry's monitoring services every six months.

The average rating provided by Ministers was 7 for the overall quality of the Ministry's monitoring services. The scale ranges from 0 to 10, where 0 is totally dissatisfied and 10 is totally satisfied.

HOUSING AGENCY MONITORING**OUTPUT STATEMENT**

for the year ended 30 June 2003

Actual 2002 \$000		Actual 2003 \$000	Main Estimates 2003 \$000	Supp. Estimates 2003 \$000
	Revenue			
400	Crown	400	400	400
0	Other	0	0	0
<hr/> 400	Total Revenue	<hr/> 400	400	400
	Expenditure			
<hr/> 398	Total Expenses	<hr/> 391	400	400
<hr/> 2	Net surplus/(deficit)	<hr/> 9	0	0

MINISTERIAL SERVICES

As well as its formal outputs, the Ministry of Housing provides Ministerial services including:

- advice and reports to the Minister;
- draft responses to Parliamentary Questions and Ministerial correspondence; and
- replies to Official Information Act requests.

Description

This involves the provision of Ministerial services to assist the Minister to carry out his executive and legislative functions.

Performance Measures

Parliamentary questions

Less than 5 percent of the expected 35 answers to Parliamentary Questions are returned as inadequate or inappropriate.

Number of parliamentary questions			Variance between actual number in 2002/03 and	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02
35	66	64	88.6%	3.1%

All draft replies to be completed within 20 working days of receipt (10 working days for correspondence from MPs).

Met quality standards		Met timeliness standards	
Target	Actual	Target	Actual
95%	90.9%	100%	95.5%

During the year, the Ministry worked with the Minister's office to improve the quality of answers to parliamentary questions. It also developed and implemented improved tracking systems to ensure that answered were delivered on time.

Ministerials

Less than 5 percent of the expected 60 Ministerial drafts are returned as inadequate or inappropriate.

Number of ministerials			Variance between actual number in 2002/03 and	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02
60	66	114	10%	(42.1%)

All draft replies to be completed within 20 working days of receipt (10 working days for correspondence from MPs).

Met quality standards		Met timeliness standards	
Target	Actual	Target	Actual
95%	87.9%	100%	97.0%

The Ministry implemented new quality assurance and tracking processes for Ministerial replies during the March quarter. This resulted in an improvement in the quality and timeliness of ministerials during the June quarter.

Official Information Act requests

The expected 10 OIA or Privacy Act requests for the year are completed within statutory deadlines.

Number of Official Information Act or Privacy Act requests			Variance between actual number of calls received in 2002/03 and	
Est. 2002/03	Actual 2002/03	Actual 2001/02	Est. 2002/03	Actual 2001/02
10	22	22	120%	-

Responses to OIA or Privacy Act requests comply with the legislation.

Met quality standards		Met timeliness standards	
Target	Actual	Target	Actual
95%	100.0%	100%	86.4%

FINANCIAL INFORMATION

STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2003

Reporting Entity

The Ministry of Housing is a government department as defined by section 2 of the Public Finance Act 1989.

The financial statements of the Ministry of Housing have been prepared in accordance with section 35 of the Public Finance Act 1989 and comply with generally accepted accounting practice.

In addition, the Ministry has reported the Crown activities and trust monies which it administers.

Measurement System

General accounting systems recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis have been followed.

Accounting Policies

- **Budget Figures**

The Budget figures are those presented in the Budget Night Main Estimates, and those amended by the Supplementary Estimates and any transfer made by Order in Council under section 5 of the Public Finance Act 1989.

- **Commitments**

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

- **Contingent Liabilities**

Contingent liabilities are disclosed at the point at which the contingency is evident.

- **Cost Allocation**

The Ministry has determined the cost of outputs using a cost allocation system which is outlined below.

Cost Allocation Policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

Criteria for Direct and Indirect Costs

“Direct costs” are those costs directly attributable to an output. “Indirect costs” are those costs that cannot be identified, in an economically feasible manner, with a specific output.

Assignment of Costs to Outputs

Direct costs are charged directly to outputs. Indirect costs are assigned to outputs based on a number of cost drivers. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Property and other premises’ costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output. Remaining indirect costs are assigned on the proportion of direct costs for each output

- **Debtors and Receivables**

Receivables are stated at their expected realisable value.

- **Depreciation**

Depreciation of fixed assets is calculated on a straight-line basis to allocate the cost of the asset over its economic life.

The depreciation rates applied are:

Office equipment	20%
Office renovations	10 - 20%
Furniture and fittings	10%
Computer hardware	25%
Software development/licence	12.5 - 33%
Communications equipment	25%
Motor Vehicles	16%

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. The depreciation rate for motor vehicles is based on rates which will write down the cost of vehicles to their estimated residual value (40% of retail value at time of purchase) over four years.

- **Employee entitlements**

Liabilities for annual leave are recognised as they accrue to employees. Provision is also made for payments of long-service leave, retiring leave and resigning leave obligations to employees. Annual leave provisions, retiring leave and resigning leave have

been calculated on an actual entitlement basis at current rates of pay. Long-service leave is calculated on a present value basis.

- **Financial instruments**

The Ministry is party to financial instruments as part of its normal operations. These financial instruments include accounts payable and receivable, cash and short-term deposits.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

- **Fixed assets**

Fixed assets costing more than \$2,000 are capitalised and recorded at historical cost. No revaluations have been performed on any class of fixed assets.

- **Foreign Currency**

Foreign currency transactions are recorded at the date of settlement of the transaction.

- **Goods and Services Tax (GST)**

The Statements of Departmental and Non-Departmental Expenditure and Appropriations are inclusive of GST. All other statements are GST-exclusive. The Statement of Financial Position is also exclusive of GST, except for Creditors and Payables and Debtors and Receivables, which are stated inclusive of GST.

- **Leases**

The Ministry leases office premises and office equipment. These leases are operating leases and the costs are expensed in the period in which they are incurred.

- **Revenue**

The Ministry derives revenue through the provision of outputs to the Crown, for services to third parties and interest from the Residential Tenancies Trust Account. Revenue is recognised when earned and is reported in the financial period to which it relates.

Residential Tenancies Trust Account

In accordance with the Residential Tenancies Act 1986, the Ministry administers a trust account for tenancy bond investments. Interest is payable to the Ministry and interest income is recognised on an accrual basis.

- **Statement of Cash Flows**

Cash means cash balances on hand and held in bank accounts.

Operating activities include cash received from all income sources of the Ministry and record the cash payments for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

- **Taxation**

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

- **Taxpayers' Funds**

This is the Crown's net investment in the Ministry.

Changes in accounting policies

There were no changes in accounting policies, including cost allocation accounting policies, since the date of the last audited financial statements.

All policies have been applied on a basis consistent with other years.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

30/6/02 Actual \$000		Note	30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates \$000
Revenue					
5,884	Revenue-Crown	2	6,107	5,885	6,107
8,409	Revenue-other	3	9,376	7,747	8,085
<u>14,293</u>	Total operating revenue		<u>15,483</u>	<u>13,632</u>	<u>14,192</u>
Expenses					
6,893	Personnel costs	4	7,465	6,944	7,431
5,649	Operating costs	5	5,747	5,640	5,852
660	Depreciation	6	620	780	636
268	Capital charge	7	253	268	253
52	Net loss/(gain) on the sale of fixed assets		22	0	20
<u>13,522</u>	Total expenses		<u>14,107</u>	<u>13,632</u>	<u>14,192</u>
<u>771</u>	Net surplus*		<u>1,376</u>	<u>0</u>	<u>0</u>

***Break-down of Surplus:**

Actual Revenue in excess of Budgeted Revenue **1,291**

Operating expenses underspend against Budgeted expenses **85**

This statement is to be read in conjunction with the statement of accounting policies on pages 42-45 and notes to the financial statements on pages 54-59.

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS
for the year ended 30 June 2003

30/6/02 Actual \$000		30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates \$000
2,981	Taxpayers' funds as at 1 July 2002	2,981	2,981	2,981
<hr/> 771	Add Net surplus/deficit	<hr/> 1,376	<hr/> 0	<hr/> 0
771	<i>Total recognised revenues and expenses for the year</i>	1,376	0	0
	<i>Adjustment for flows to and from the Crown:</i>			
(771)	Provision for payment of surplus to the Crown	(1,376)	0	0
<hr/> 2,981 <hr/> <hr/>	Taxpayers' funds as at 30 June 2003	<hr/> 2,981 <hr/> <hr/>	<hr/> 2,981 <hr/> <hr/>	<hr/> 2,981 <hr/> <hr/>

This statement is to be read in conjunction with the statement of accounting policies on pages 42-45 and notes to the financial statements on pages 54-59.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2003

30/6/02 Actual \$000		Notes	30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates \$000
	Taxpayers' funds				
2,981	General funds		2,981	2,981	2,981
2,981	Total taxpayers' funds		2,981	2,981	2,981
	Current assets				
347	Cash		15	386	255
103	Prepayments		47	35	25
2,783	Debtors and receivables	8	3,960	2,385	2,372
3,233	Total current assets		4,022	2,806	2,652
	Non-current assets				
1,981	Fixed assets	9	1,889	1,504	1,903
1,981	Total non-current assets		1,889	1,504	1,903
5,214	Total assets		5,911	4,310	4,555
	Current liabilities				
1,005	Creditors and payables	10	1,020	939	1,110
771	Provision for repayment of surplus to the Crown		1,376	0	0
353	Employee entitlements	11	366	297	345
2,129	Total current liabilities		2,762	1,236	1,455
	Non-Current Liabilities				
104	Employee Entitlements	11	168	93	119
2,233	Total Liabilities		2,930	1,329	1,574
2,981	Net assets		2,981	2,981	2,981

This statement is to be read in conjunction with the statement of accounting policies on pages 42-45 and notes to the financial statements on pages 54-59.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2003

30/6/02 Actual \$000		30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates \$000
	Cash flows from operating activities			
	Cash was provided from:			
	Supply of outputs to			
5,915	- Crown	6,108	5,839	6,108
9,207	- Customers	8,229	7,747	8,528
0	Interest	0	0	0
	Cash was applied to:			
(12,608)	- Output expenses	(13,095)	(12,584)	(13,126)
(268)	- Capital charge	(253)	(268)	(253)
0	- Other Expenses	0	0	0
<u>2,246</u>	Net cash inflow from operating activities	<u>989</u>	<u>734</u>	<u>1,257</u>
	Cash flows from investing activities			
	Cash was provided from:			
43	Sale of fixed assets	7	0	3
	Cash was disbursed for:			
(877)	Purchase of fixed assets	(557)	(750)	(581)
<u>(834)</u>	Net cash inflow from investing activities	<u>(550)</u>	<u>(750)</u>	<u>(578)</u>
	Cash flows from financing activities			
	Cash was disbursed for:			
(1,309)	Repayment of surplus	(771)	0	(771)
<u>(1,309)</u>	Net cash flows from financing activities	<u>(771)</u>	<u>0</u>	<u>(771)</u>
	Net increase/(decrease) in cash held	(332)	(16)	(92)
244	Opening cash and deposits	347	402	347
<u>347</u>	Closing cash and deposits	<u>15</u>	<u>386</u>	<u>255</u>
	Cash and deposits comprises:			
347	Cash	15	386	255
<u>347</u>		<u>15</u>	<u>386</u>	<u>255</u>

This statement is to be read in conjunction with the statement of accounting policies on pages 42-45 and notes to the financial statements on pages 54-59.

**RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM
OPERATING ACTIVITIES**

for the year ended 30 June 2003

30/6/02 Actual \$000		30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates \$000
771	Net surplus from operations	1,376	0	0
	Add/(less) non-cash items			
660	Depreciation	620	780	636
	Add/(less) movements in working capital items			
878	(Increase)/decrease in debtors and receivables	(1,122)	0	488
31	(Increase)/decrease in Debtor Crown	1	(46)	1
(146)	Increase/(decrease) in other payables	92	0	112
	Add/(less) investing activity items			
52	Net loss on sale of fixed assets	22	0	20
2,246	Net cash flows from operating activities	989	734	1,257

This statement is to be read in conjunction with the statement of accounting policies on pages 42-45 and notes to the financial statements on pages 54-59.

STATEMENT OF COMMITMENTS*as at 30 June 2003*

The Ministry has long-term leases on its offices situated throughout New Zealand. The annual lease payments are subject to reviews on a range of terms. The amounts disclosed below as future commitments are based on current rental rates.

Operating leases include lease payments for premises and photocopiers.

	30/6/03 Actual \$000	30/6/02 Actual \$000
Operating commitments		
Leases		
Less than one year	743	751
One to two years	422	584
Two to five years	792	951
Over five years	34	206
Total operating commitments	1,991	2,492
Capital Commitments	0	239
Total commitments	1,991	2,731

The Ministry has no non-cancellable contracts for capital expenditure at balance date.

STATEMENT OF CONTINGENT LIABILITIES*as at 30 June 2003*

The Ministry had no contingent liabilities as at 30 June 2003.

(The Ministry had no contingent liabilities as at 30 June 2002.)

STATEMENT OF UNAPPROPRIATED EXPENDITURE*as at 30 June 2003*

There was no unappropriated expenditure for the year ended 30 June 2003 (2002: \$NIL).

STATEMENT OF DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 2003

30/6/02 Expenditure Actual \$000		30/6/03 Expenditure Actual \$000	30/6/03 Appropriation Voted* \$000
Appropriations for outputs to be supplied by the Ministry (mode B gross)			
	1. Administration of residential tenancies		
3,426	bond monies	2,719	2,721
0	GST	0	0
3,426		2,719	2,721
	2. Residential tenancies information and advice		
9,649	and dispute resolution	10,955	11,003
767	GST	806	799
10,416		11,761	11,802
	3. State House Appeals Authority		
49		42	68
16	GST	9	9
65		51	77
	4. Housing Agency Monitoring		
398		391	400
50	GST	50	50
448		441	450
13,522	Total (GST exclusive)	14,107	14,192
833	GST	865	858
14,355	Total (GST inclusive)	14,972	15,050

* This includes adjustments made in the Supplementary Estimates and transfers under section 5 of the Public Finance Act.

This statement is to be read in conjunction with the statement of accounting policies on pages 42-45 and notes to the financial statements on pages 54-59.

STATEMENT OF NON-DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 2003

30/6/02 Expenditure Actual \$000		30/6/03 Expenditure Actual \$000	30/6/03 Appropriation Voted* \$000
	Benefits and Other Unrequited Expenses		
4,680	Housing Assistance	5,185	5,795
274,464	Income Related Rents Subsidy	296,279	296,774
	Non-Departmental Outputs Classes		
1,215	Housing Policy Advice	1,365	1,365
0	Contracted Housing Support Services	2,129	2,343
	Non-Departmental Other Expense		
4,500	Community Housing Rent Relief Programme	4,500	4,500
	Capital Contributions to Other Persons or Organisations		
0	Activities for State Housing	24,965	25,000
284,859	Total	334,423	335,777

* This includes adjustments made in the Supplementary Estimates.

This statement is to be read in conjunction with the statement of accounting policies on pages 42-45 and notes to the financial statements on pages 54-59.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

Note 1: Budget Composition

	30/6/03 Main Estimates \$000	30/6/03 Supplementary Estimates Changes* \$000	30/6/03 Supp. Estimates \$000
REVENUE			
Crown	5,885	222	6,107
Other	7,747	338	8,085
Interest	0	0	0
Total Revenue	<u>13,632</u>	<u>560</u>	<u>14,192</u>
EXPENDITURE			
Personnel Costs	7,004	427	7,431
Operating Costs	5,580	272	5,852
Depreciation	780	(144)	636
Capital Charge	268	(15)	253
Other Expenses	20	20	20
Total Expenses	<u>13,632</u>	<u>560</u>	<u>14,192</u>
Net Operating Surplus/(deficit)	<u>0</u>	<u>0</u>	<u>0</u>

*This includes transfers made under Section 5 of the Public Finance Act.

Note 2: Major budget variations

Statement of Financial Performance

Explanations for major variations from the initial Budget Night Estimates were outlined in the Supplementary Estimates. They were:

Output D1 - Administration of Residential Tenancies Bond Monies.

The appropriation for this Output Class was decreased by \$430,000 reflecting a fiscally neutral transfer to output D2 of \$570,000 to reflect the transfer of call centre tenancy advice service; and an increase of \$140,000 to meet increased demand in the last half of the year.

Output D2 - Residential Tenancies Information and Advice and Dispute Resolution.

The increase of \$1,012,000 in this appropriation reflects a fiscally neutral transfer from Outputs Classes D1 and D3 of 630,000; and increases in appropriation of \$382,000. The increase reflects the change in call centre tenancy advice services and enhances the provision of dispute resolution services and early intervention initiatives.

Output D3 - State Housing Appeals Authority.

The decrease of \$60,000 in appropriation reflects a fiscally neutral transfer to Output Class D2. Surplus funding was available due to fewer appeals than anticipated.

Output D4 – Housing Agency Purchase and Monitoring

There were no changes in this Output Class.

Revenue Crown

Revenue Crown increased due to an increase in appropriations D1 and D2.

Note 3: Revenue - other

30/6/02 Actual \$000		30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates \$000
7,627	Interest from tenancy bonds*	8,566	7,000	7,338
764	Tenancy Tribunal fees	785	747	747
18	Other	25	0	0
<u>8,409</u>	Total	<u>9,376</u>	<u>7,747</u>	<u>8,085</u>

* The large variance in interest from Tenancy Bonds reflects a considerable increase in bond lodgements in the second half of the year.

Note 4: Personnel costs

30/6/02 Actual \$000		30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates
6,126	Salaries and wages	6,920	6,380	6,734
767	Other	545	564	697
<u>6,893</u>	Total	<u>7,465</u>	<u>6,944</u>	<u>7,431</u>

Note 5: Operating Costs

30/6/02 Actual \$000		30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates \$000
1,305	Administration	1,264	1,118	1,335
617	Communications	680	654	707
618	Computer costs	815	617	813
1,017	Lease costs	843	873	866
33	Fees for audit of financial statements	33	33	33
1,434	Tenancy Tribunal	1,387	1,431	1,431
625	Other	725	914	667
<u>5,649</u>	Total	<u>5,747</u>	<u>5,640</u>	<u>5,852</u>

Note 6: Depreciation

30/6/02 Actual \$000		30/6/03 Actual \$000	30/6/03 Main Estimates \$000	30/6/03 Supp. Estimates \$000
29	Office equipment	24	30	25
207	Office renovations	154	205	158
14	Furniture and fittings	8	9	14
282	Computer hardware	262	412	264
28	Software	118	89	118
100	Vehicles	54	35	57
<u>660</u>	Total	<u>620</u>	<u>780</u>	<u>636</u>

Note 7: Capital Charge

The Ministry operates under the capital charge regime which requires payment of a capital charge to the Crown based on the taxpayers' funds held by the Ministry as at 30 June and 31 December each year. The capital charge rate for 2003 was 8.5% (2002: 9%).

Note 8: Debtors and Receivables

30/6/02 Actual \$000		30/6/03 Actual \$000
2,670	Tenancy bond current account	3,817
6	Trade and other debtors	2
49	GST receivable	84
58	Debtor Crown	57
<u>2,783</u>	Total	<u>3,960</u>

Note 9: Fixed Assets

	Cost 30/6/03 \$000	Accumulated Depreciation 30/6/03 \$000	Net book Value 30/6/03 \$000	Net book value 30/6/02 \$000
Office equipment	239	204	35	50
Office renovations	1,048	660	388	283
Furniture and fittings	144	118	26	32
Computer hardware	1,562	1,086	476	482
Software	1,308	441	867	45
Vehicles	335	238	97	165
Work-in-progress*	0	0	0	924
Total	<u>4,636</u>	<u>2,747</u>	<u>1,889</u>	<u>1,981</u>

*There was no Work-in-progress at balance date.

Note 10: Creditors and Payables

	30/6/03 Actual \$000	30/6/02 Actual \$000
Trade creditors and accrued expenses	720	803
GST payable	71	48
Miscellaneous	229	154
Total	<u>1,020</u>	<u>1,005</u>

Note 11: Employee Entitlement

	30/6/03	30/6/02
	\$000	\$000
Current:		
Annual leave	335	322
Resigning Leave	<u>31</u>	<u>31</u>
	366	353
Non-Current:		
Retirement Leave	34	32
Long-service leave *	<u>134</u>	<u>72</u>
	168	104
Total Employee Entitlements	<u><u>534</u></u>	<u><u>457</u></u>

*The large increase in long-service leave (LSL) reflects a change in entitlement to LSL from 20 years to 10 years.

Note 12: Related party transactions

The Ministry of Housing is a wholly-owned entity of the Crown. The Government significantly influences the roles of the Ministry as well as being its major source of revenue.

The Ministry enters into numerous transactions with other government departments, crown agencies and state-owned enterprises on an arm's length basis. These transactions are not considered to be related party transactions.

Note 13: Financial instruments

The Ministry is party to financial instruments as part of its normal operations. These include bank balances, investments, accounts receivable and payable.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, the Ministry incurs credit risk from trade debtors, and transactions with financial institutions.

The Ministry does not require any security to support financial instruments with financial institutions that the Ministry deals with as these entities have high credit ratings.

	30/6/03 Actual \$000	30/6/02 Actual \$000
Cash on hand	4	4
Cash held with WestpacTrust	11	343
Accounts receivable	3,960	2,783
Total	<u>3,975</u>	<u>3,130</u>

There are no significant concentrations of credit risk with respect to accounts receivable.

Fair Value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

Currency Risk

Currency risk is the risk that the value of debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

The Ministry has no currency risk with regard to cash and accounts receivable, as the financial instruments it deals with are in New Zealand dollars. The Ministry has no significant exposure to currency risk on accounts payable.

Interest Rate Risk

Interest rate risk is the risk that the Ministry's return on the funds it has invested will fluctuate owing to changes in market interest rates. The Ministry had no interest rate risk as no money was invested in this financial year.

Note 14: Contingencies

The Ministry does not have any contingent assets as at 30 June 2003 (2002: \$NIL). Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

SCHEDULES AND STATEMENTS – NON-DEPARTMENTAL

In addition to the Statement of Non-Departmental Appropriations and Expenditure on page 51, the Ministry is now required to provide additional information in the form of statements and schedules of assets, liabilities, contingencies and commitments. These, together with associated notes, are presented below.

STATEMENT OF ACCOUNTING POLICIES

Measurement system

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with generally accepted accounting practice, the Ministry's Departmental Statement of Accounting Policies and Crown accounting policies.

These Non-Departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2002/03.

Accounting Policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

(a) *Goods and Services Tax (GST)*

The Statement of Non-Departmental Appropriations and Expenditure on page xx are inclusive of GST (where applicable). The Schedules of Assets and Liabilities are exclusive of GST, except for Payables and Receivables, which are GST inclusive.

The amount of GST owing from Inland Revenue Department at balance date, being the Input GST, is included in Receivables.

(b) *Receivables and Advances*

Receivables are recorded at estimated realisable value after providing, where necessary for doubtful and uncollectible debts.

(c) *Commitments*

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments (at the point a contractual obligation arises) to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

(d) *Contingent Liabilities*

Contingent liabilities are disclosed at the point at which the contingency is evident.

Non-Departmental Assets and Liabilities are administered by Ministry of Housing on behalf of the Crown. As these assets and liabilities are neither controlled by Ministry of Housing nor used in the production of the Ministry's outputs, they are not reported in the Ministry of Housing's statement of financial position.

**SCHEDULE OF NON-DEPARTMENTAL ASSETS
AS AT 30 JUNE 2003**

30 June 2002 Actual \$000	Notes	30 June 2003 Actual \$000	30 June 2003 Budget \$000
CURRENT ASSETS			
579	Crown Bank Account	4,888	267
<u>184</u>	Receivables and Advances 1	<u>2,827</u>	<u>207</u>
<u>763</u>	Total Current Assets	<u>7,715</u>	<u>474</u>
NON-CURRENT ASSETS			
<u>0</u>	Investment 2	<u>22,191</u>	<u>0</u>
<u>0</u>	Total Non-Current Assets	<u>22,191</u>	<u>0</u>
<u>763</u>	TOTAL ASSETS	<u>29,906</u>	<u>474</u>

**SCHEDULE OF NON-DEPARTMENTAL LIABILITIES
AS AT 30 JUNE 2003**

30 June 2002 Actual \$000	Notes		30 June 2003 Actual \$000	30 June 2003 Budget \$000
CURRENT LIABILITIES				
1,784	Payables and Provisions	3	30,961	1,495
1,784	Total Current Liabilities		30,961	1,495
0	TERM LIABILITIES		0	0
1,784	TOTAL LIABILITIES		30,961	1,495

Schedule of Contingencies

As at 30 June 2003 there were no contingent assets or liabilities that the Ministry was administering on behalf of the Crown (2002: \$nil).

Schedule of Commitments

As at 30 June 2003 there were no commitments that the Ministry was administering on behalf of the Crown (2002: \$nil).

Note 1: Receivables and Advances

Income Related Rent Subsidies debt at net realisable value - \$1,406,000 (2002: \$794,000) less provision for non-recovery of \$1,353,000 (2002: \$610,000) and GST recoverable of \$2,774,000 (2002: \$NIL).

Note 2: Investment

Investment is the purchase of land for State Housing purposes.

Note 3: Payable and Provisions

Payable and Provisions at net realisable value includes:- Income Related Rent Subsidies accrual of \$2,761,000 (2002: \$1,661,000); Housing Assistance accrual of \$3,235,000 (2002: \$213,000); other accrual of \$12,027,000 (2002: \$NIL) payable upon the final settlement of the land; and a loan of \$12,938,000 (2002: \$NIL) from HNZA to fund the initial payment for the land.

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE RESIDENTIAL TENANCIES TRUST ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

We have audited the financial statements on pages 65 to 72. The financial statements provide information about the past financial performance of the Residential Tenancies Trust Account and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 68 to 69.

Responsibilities of the Chief Executive

The Public Finance Act 1989 requires the Chief Executive of the Ministry of Housing to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Residential Tenancies Trust Account as at 30 June 2003, and the results of its operations and cash flows for the year ended on that date.

Auditor's responsibilities

Section 15 of the Public Audit Act and section 128 of the Residential Tenancies Act 1986 require the Auditor-General to audit the financial statements presented by the Chief Executive. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed A J Shaw, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Residential Tenancies Trust Account's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Residential Tenancies Trust Account.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Residential Tenancies Trust Account on pages 65 to 72:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - Residential Tenancies Trust Account's financial position as at 30 June 2003;
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 26 September 2003 and our unqualified opinion is expressed as at that date.

A J Shaw
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

30/6/02		30/6/03
\$000		\$000
	Revenue	
1,091	Interest earned from stock	702
6,536	Interest earned from bank deposits	7,863
<u>7,627</u>		<u>8,565</u>
	Expenditure	
7,627	Interest to Ministry of Housing	8,565
<u>0</u>	Operating surplus	<u>0</u>

RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

for the year ended 30 June 2003

30/6/02		30/6/03
\$000		\$000
<u>115,621</u>	Bondholders' funds brought forward 1 July	<u>129,468</u>
0	Total recognised revenues and expenses for the year	0
78,474	Bonds lodged	91,233
(64,627)	Bonds refunded	(73,369)
<u>129,468</u>	Bondholders' funds as at 30 June	<u>147,332</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 68-72.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2003

30/6/02		Notes	30/6/03
\$000			\$000
	Cash flows from operating activities		
8,242	Cash provided from interest received		8,429
(8,430)	Cash disbursed to interest payments to Ministry of Housing		(7,419)
(188)	Net cash flows from operating activities	2	1,010
	Cash flows from investing activities		
130,731	Cash provided from proceeds from maturity of investments		144,296
(147,942)	Cash disbursed to purchase of investments		(162,434)
(17,211)	Net cash flows from investing activities		(18,138)
	Cash flows from financing activities		
78,474	Cash provided from lodgement of bonds		91,233
(64,627)	Cash disbursed to refund of bonds		(73,369)
13,847	Net cash flows from financing activities		17,864
(3,552)	Net increase/(decrease) in cash held		736
6,091	Opening total cash balances		2,539
2,539	Closing total cash balances at 30 June		3,275

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 68 - 72.

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

- The Ministry of Housing manages the Residential Tenancies Trust Account pursuant to the Public Finance Act 1989 and the Residential Tenancies Act 1986.
- The Ministry took over direct management of the Residential Tenancies Trust Account on 18 August 1992.
- All interest arising from any investment in the Residential Tenancies Trust Account belongs to the Crown and is treated as department revenue to the Ministry of Housing.
- Investments are held in approved securities under section 68 of the Public Finance Act 1989.
- Costs associated with the management of the Residential Tenancies Trust Account are paid by the Ministry of Housing as departmental expenses.

Measurement System

These financial statements have been prepared on the basis of modified historical cost except for certain items with specific accounting policies outlined below.

Accounting policies

- **Accounts receivable**
Accounts receivable are stated at their expected realisable value.
- **Taxation**
The Residential Tenancies Trust Account is not liable for income tax.
- **Investments**
Investments are not generally traded but held to maturity. Investments in bonds are valued at cost with premiums and discounts on investments accounted for on a yield to maturity basis. Investments in bank deposits are valued at cost.
- **Cash**
Cash is defined as coins, notes and demand deposits in the Trust bank account and other deposits held on call.
- **Revenue**
The Trust derives revenue from interest on investments. Interest on investments is accrued on a monthly basis.

- **Financial instruments**

The Residential Tenancies Trust Account is party to financial instruments as part of its everyday operations, which have been recognised in these financial reports. These financial instruments include accounts payable and receivable, cash, deposits and investments.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

- **Fair value**

Fair values of the Trust's financial assets and liabilities at 30 June 2003 approximates with the carrying amounts reflected in these financial statements.

- **Changes in accounting policies**

There have been no changes in accounting policies.

All policies have been applied on a basis consistent with other years.

NOTES TO THE FINANCIAL STATEMENTS**1 Investments by counterparty**

Investments are undertaken in line with the Ministry's investment strategy. Investments were held with the following counterparties at 30 June.

(Investments valued at book value)

	30 June 2003 \$000	30 June 2002 \$000
(a) CURRENT		
WestpacTrust	3,931	27,780
National Bank	27,171	16,000
ANZ	33,812	27,370
BNZ	17,185	6,834
Government Stock	<u>3,003</u>	<u>-</u>
	<u>85,102</u>	<u>77,984</u>

(b) NON-CURRENT

WestpacTrust	10,000	6,000
ANZ	14,000	6,992
National Bank	-	3,000
BNZ	29,258	23,180
Government Stock	<u>7,186</u>	<u>10,241</u>
	<u>60,444</u>	<u>49,413</u>

(c) INTEREST RATES

The weighted-average effective interest rates on investments (current and non-current) at 30 June, were:

	30 June 2003	30 June 2002
Short-term deposits	5.73%	5.77%
Term deposits	5.97%	6.37%
Government stock	6.87%	6.86%

2 Reconciliation of operating surplus to net cash flows from operating activities

	30 June 2003 \$000	30 June 2002 \$000
Operating surplus	0	0
Add movements in working capital items		
Increase/(Decrease) in interest payable	1,146	(803)
Decrease/(Increase) in interest receivable	<u>(136)</u>	<u>615</u>
Net cash from operating activities	<u>1,010</u>	<u>(188)</u>

3 Book value of investments

	30 June 2003 \$000	30 June 2002 \$000
Bank deposits	100,195	78,904
Bank bonds	35,162	38,252
Government stock	<u>10,189</u>	<u>10,241</u>
	<u>145,546</u>	<u>127,397</u>

4 Fair Value

The fair value of all financial instruments approximates the carrying amount disclosed in the Statement of Financial Position, apart from the investment in Government stock, the fair value of which is the market value of \$10,691,327 (2002: \$10,347,314); and bank bonds, the fair value of which is \$36,487,542 (2002: \$38,320,837).

5 Financial instruments

Financial instruments which are potentially subject to credit risk principally consist of cash on hand, bank balances, accounts receivable, short term deposits and investments.

The maximum exposures to credit risk at balance date are:

	30 June 2003 \$000	30 June 2002 \$000
Cash held	3,275	2,539
Accounts receivable	2,356	2,229
Investments	<u>145,546</u>	<u>127,397</u>
Total	<u>151,177</u>	<u>132,165</u>

There are no major concentrations of credit risk with respect to accounts receivable.

The Residential Tenancies Trust Account has no currency risk, given that any financial instruments it deals with are in New Zealand dollars.

The Residential Tenancies Trust Account has no interest rate risk, as all investments are held to maturity. Deposits are held with authorised New Zealand Banks.

6 Commitments and contingencies

The Residential Tenancies Trust Account has no commitments or contingent liabilities at balance date.

PART III – MANAGING FOR OUTCOMES

HUMAN RESOURCES

Industrial relations

The current collective agreement covers 53% of non-management staff, who are members of the PSA. The negotiations for this agreement, which were begun in February 2002, were ratified and came into effect on 1 November 2002. The Agreement has a term of two years and incorporates a Partnership for Quality Agreement with the PSA.

Performance management, remuneration and staff development

The new Development and Performance System (DPS) was introduced at the beginning of the reporting period and was developed following an extensive review of the previous system. The new DPS provides a set of transparent processes to manage and link together the setting of performance expectations, the reviewing of performance, remunerating and rewarding staff, and providing for staff development needs.

The performance expectations for staff are directly derived from the Ministry's SOI and business planning and budgeting processes.

Health and Safety

The Ministry has a comprehensive set of policies in place to manage health and safety and injury management issues in the workplace and these have served the organisation well over the years. Work has already begun with the PSA and staff on the development of a new Staff Participation System that will meet the requirements of the Health and Safety Amendment Act 2002. This is planned to be in place by November 2003.

Staff profile

The Ministry of Housing's staff profile as at 30 June 2003 is shown in the following tables.

Ministry of Housing Staffing						
Service Units	2001/02		2002/03		Growth in FTE	
	Actual	FTE	Actual	FTE	No	Percent
Executive Management	1	1.0	3	3	2	200.00%
Corporate Services	13	11.9	5	4.2	-7.7	-64.71%
Finance	4	4.0	4	4.0	0	0.00%
Monitoring	3	3.0	3	3.0	0	0.00%
Tenancy Services Corporate Office	5	4.0	6	5.8	1.8	45.00%
Compliance	0	0	1	1	1	100.00%
Tenancy Services Centre	37	35.44	46	45.3	9.86	27.82%
Northern Region	31	28.56	48	45.3	16.74	58.61%
Central Region	26	24.45	0	0	-24.45	
Southern Region	20	16.66	0	0	-16.66	
Central/Southern Region	0	0	33	29.66	29.66	
TOTAL	140	129.01	149	141.26	12.25	9.50%

Due to changes made to internal reporting lines and regional boundaries over the last year, the percentage growth in FTE for Service Units does not add up to 100%. The overall increase in FTE for the reporting period is 9.50%.

GENDER	NUMBER 2003	PERCENTAGE 2003	NUMBER 2002	PERCENTAGE 2002
Female	93	62.4%	89	63.5%
Male	56	37.6%	51	36.5%
Total	149	100%	140	100%

**PRIMARY
ETHNICITY**

NZ Maori	30	20.2%	29	20.7%
NZ European	86	57.7%	82	58.6%
Non NZ European	16	10.7%	11	7.8%
Pacific Islander	13	8.8%	10	7.1%
Asian	2	1.3%	3	3.6%
Other	2	1.3%	5	2.2%
Total	149	100%	140	100.00%

REMUNERATION BY GENDER Salary Level (\$)	MALE 30/06/03	FEMALE 30/06/03	MALE 30/06/02	FEMALE 30/06/02
0-20,000	0	0	0	0
20,001-30,000	4	2	3	11
30,001-40,000	15	46	13	33
40,001-50,000	27	32	25	36
50,001-60,000	4	8	3	4
60,001 +	6	5	7	5
Total	56	93	51	89

STAFF DISABILITIES	BY NUMBER 2003	PERCENTAGE 2003	NUMBER 2002	PERCENTAGE 2002
No	132	88.6%	121	86.5%
Yes	17	11.4%	19	13.5%
Total	149	100%	140	100%

PROPERTY ADMINISTRATION

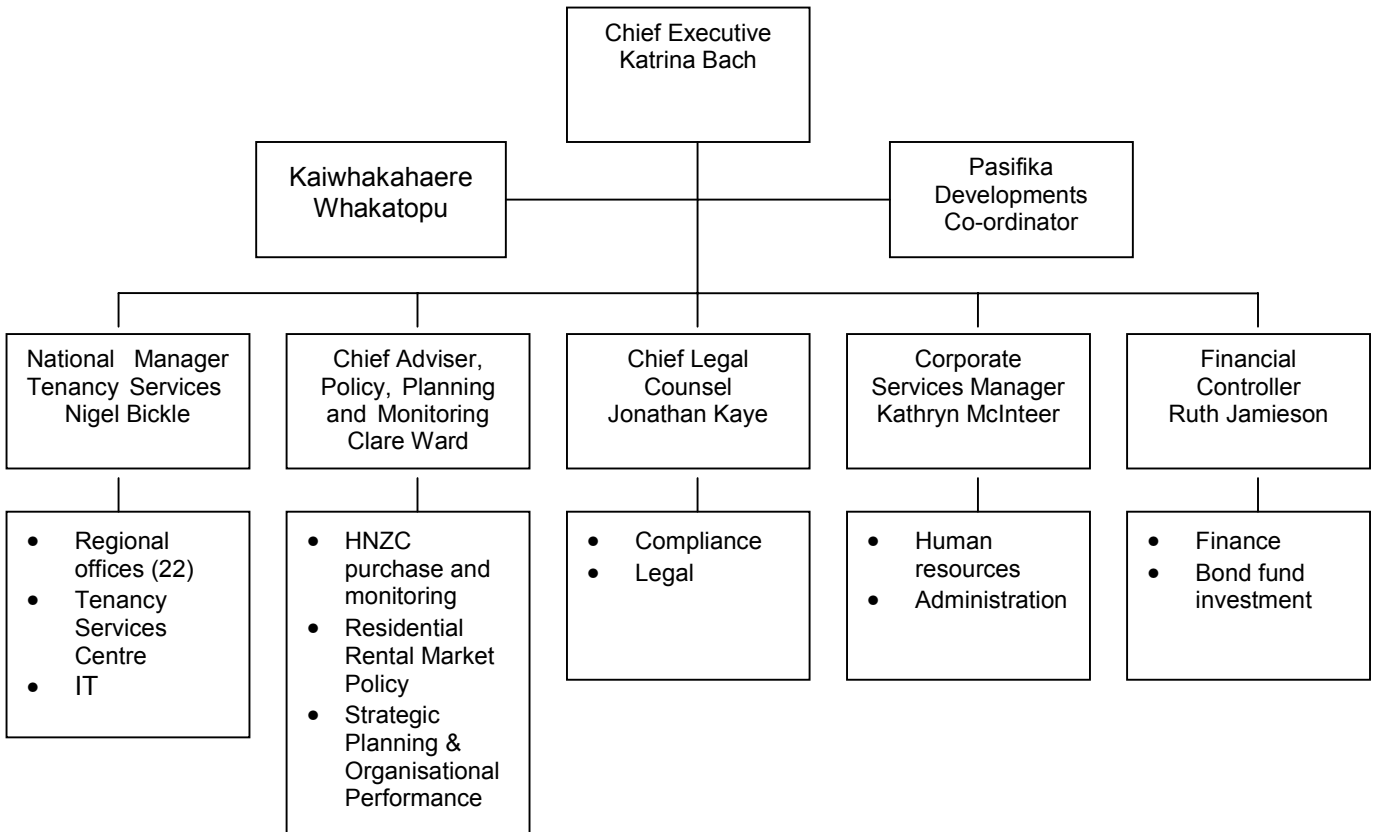
The Ministry leases all its office accommodation. In line with its previous Strategic Plan the Ministry began to implement a programme

of re-locating and upgrading its dispute resolution offices around the country in 2001/02 to accommodate additional front line staff, make each site easier for the public to access, and make the office environment more welcoming for clients. The first offices were re-located under this programme in the same year. During this reporting period, the Manukau office was re-located and the Rotorua office was upgraded.

The table below shows the location and size of every office, its annual rental, staff numbers and associated costs as at 30 June 2003. During the reporting period there has been a 5.80% increase in floor area occupied by the Ministry, and a 7.18% increase in base rental costs. The increase in occupied space was due to the need to increase the size of the offices at Manukau and Rotorua. Changes in rentals were due to increases brought about by rent reviews. The Ministry has no unoccupied accommodation.

Location	No of Seats	Office Area (Sq Mtrs)	Rental	Office area per Employee (Sq Mtrs)	Cost per Sq Metre	Cost per Employee
Whangarei	3	90.00	\$16,000	30.00	\$186	\$5,573
Takapuna	5	182.32	\$37,800	36.46	\$176	\$7,560
Henderson	4	178.13	\$23,938	44.53	\$134	\$5,985
Auckland	13	356.01	\$69,422	27.39	\$195	\$5,340
Manukau	15	362.92	\$67,140	24.19	\$191	\$4,615
Hamilton	6	194.98	\$31,240	32.50	\$178	\$5,779
Tauranga	3	100.54	\$15,100	33.51	\$150	\$5,033
Gisborne	1	30.39	\$3,190	30.39	\$214	\$6,500
Napier	2	194.55	\$25,000	97.28	\$129	\$12,500
Rotorua	3	98.40	\$15,000	32.80	\$189	\$6,192
Palmerston North	5	136.46	\$22,872	27.29	\$168	\$4,730
New Plymouth	2	85.41	\$11,200	42.71	\$152	\$6,482
Lower Hutt	4	158.03	\$20,500	39.51	\$179	\$7,073
Wellington	4	171.75	\$41,200	42.94	\$240	\$10,300
Corporate Office	24	462.00	\$80,850	19.25	\$180	\$3,466
Porirua	54	1,273.60	\$153,407	23.59	\$120	\$2,841
Nelson	2	123.00	\$17,097	61.50	\$139	\$8,549
Blenheim	1	25.10	\$4,500	25.10	\$179	\$4,500
Christchurch	11	324.91	\$43,862	29.54	\$143	\$4,223
Timaru	1	40.13	\$7,200	40.13	\$179	\$7,200
Dunedin	5	173.35	\$18,000	34.67	\$104	\$3,600
Greymouth	1	35.00	\$6,000	35.00	\$178	\$6,221
Invercargill	1	57.80	\$12,000	57.80	\$208	\$12,000
TOTALS:	170	4,854.78	\$742,518	28.56	\$159	\$4,536

Ministry of Housing Management Structure



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Audit New Zealand
WELLINGTON
On behalf of the Auditor-General

Bankers

WestpacTrust
NZ Government Branch
WELLINGTON

Insurer

NZI Insurance NZ Ltd
WELLINGTON