



Report of the
Ministry of Housing

for the year ended
30 June 1997

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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CONTENTS

PART I: INTRODUCTION

Directory.....	3
Purpose and functions of the Ministry.....	4
Chief Executive's Overview.....	5
Highlights of the year: Policy Advice.....	8
Administration of the Residential Tenancies Act.....	10

PART II: PERFORMANCE

Statement of responsibility.....	13
Report of the Audit Office.....	14
Statement of Objectives and Service Performance.....	16
<i>Output Class I: Policy Advice.....</i>	16
<i>Output Class II: Administration of Residential Tenancies Bond Monies.....</i>	20
<i>Output class III: Residential Tenancies Advice and Information and Dispute Resolution.....</i>	26
Financial information.....	
<i>Statement of Financial Performance.....</i>	33
<i>Statement of Movements in Taxpayers' Funds.....</i>	34
<i>Statement of Financial Position.....</i>	35
<i>Statement of Cash Flows.....</i>	36
<i>Reconciliation of Net Surplus to Net Cash Flow from Operating Activities.....</i>	37
<i>Statement of Accounting Policies.....</i>	38
<i>Notes to the Financial Statements.....</i>	42
Supplementary information.....	
<i>Statement of Departmental Appropriations and Expenditure.....</i>	48
<i>Statement of Non-Departmental Appropriations and Expenditure.....</i>	49
<i>Statement of Commitments.....</i>	50
<i>Statement of Contingent Liabilities.....</i>	50

Residential Tenancies Trust Account	
<i>Report of the Audit</i>	51
<i>Office</i>	
<i>Statement of Financial</i>	53
<i>Position</i>	
<i>Statement of Financial</i>	54
<i>Performance</i>	
<i>Statement of Cash</i>	55
<i>Flows</i>	
<i>Statement of Accounting</i>	56
<i>Policies</i>	
<i>Notes to the Financial Statements</i>	58
PART III: MANAGEMENT	
Management of the	
Ministry.....	
<i>Human Resources</i>	60
<i>Information</i>	64
<i>Technology</i>	
<i>Property administration</i>	64
Management structure.....	66

PART I: INTRODUCTION

DIRECTORY

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Auditor

Audit New Zealand
WELLINGTON
On behalf of the Controller and Auditor General

Bankers

WestpacTrust
NZ Government Branch
WELLINGTON

Solicitors

Chapman Tripp Sheffield Young
WELLINGTON

Insurer

NZI Insurance NZ Ltd
WELLINGTON

HIH Winterthur
AUCKLAND

PURPOSE AND FUNCTIONS OF THE MINISTRY

The Ministry of Housing/Te Whare Ahuru exists to assist the Government to:

- develop and implement the Government's strategic priorities for housing, based on the principles of:
 - targeting of resources to areas of highest priority; and
 - fairness, both among those who receive government assistance and between taxpayers and beneficiaries.
- protect the rights of landlords and tenants through the provisions of the Residential Tenancies Act 1986.

MISSION STATEMENT

To provide the Government with high quality and timely advice on housing policy, and to provide landlords and tenants with efficient and effective tenancy bond and dispute-resolution services

CHIEF EXECUTIVE'S OVERVIEW

Outputs

Policy Advice

The coalition government's housing policy framework set the overall direction of the Ministry's policy work for the year. Key elements of this framework were established in the 'Policy Area: Housing' - 'Key Initiatives' section of the Coalition Agreement. These focused on the structural arrangements for the provision of housing by government, its affordability and the levels of housing assistance.

The most significant task relating to the organisation of housing delivery arose from the initiative to merge the three existing housing entities, the Housing Corporation, Community Housing Ltd and Housing New Zealand, into a single structure. The Ministry provided advice and assistance to the Minister and coordinated the various contributions from officials and the staff and directors of the housing entities as required. By the end of the year an Advisory Board appointed by Cabinet had completed consideration of options for achieving such merger and was in a position to report its findings to the Minister of Housing.

Another Coalition Agreement initiative in the area of housing delivery was the investigation of a single lead agency in the provision of community housing. The purpose of this initiative was to examine ways in which coordination and delivery of housing to those with special needs might be improved. At the request of the Minister of Housing, the Chief Executive of the Ministry initiated discussions with the relevant departments. A joint officials group was advancing this task at year's end.

Work in the area of Housing Affordability Assistance was also determined by Coalition Agreement initiatives. These provided for an interim rent freeze to enable a review of affordability issues, including the existing assistance regime, to be undertaken. An outcome of this and the initiative to increase the assistance available through the Accommodation Supplement was the introduction of an increased subsidy rate and some increases in the regional and household maxima of new rates on 1st July 1997. The Ministry worked closely with the Department of Social Welfare on the changes and their implementation.

The Ministry also advised the Minister in his role as a shareholder in Housing New Zealand and as the Minister responsible for the Housing Corporation of New Zealand. Over the course of the year the Ministry assisted in the development of Housing New Zealand's Statement of Corporate Intent, particularly with regard to the Crown's social

objectives. As part of its monitoring role the Ministry provided quarterly reports on the company's achievement against the agreed social and financial objectives. Additional reports on the company's activities were provided as required on specific issues as they arose.

Ministerial Support

As in previous years, the Policy Division provided a high level of support to the Minister. Over the course of the year a wide range of issues arose requiring the Ministry to prepare a significant number of ad hoc reports and responses to various work requests. The actual number of ministerial work requests was lower than in the previous year, reflecting the prolonged period of caretaker government. However, this was offset by an increase in the number of Parliamentary Questions generated by the new Parliament following the formation of the Government.

Tenancy Services

The Bond Centre's activities continued to grow significantly over the year. Both bond lodgments and refunds increased. The Centre responded with an improved performance in a number of areas as a result of further streamlining of business procedures and the use of new technology. This enabled an improvement in the timeliness of refunds, which in turn contributed to a decline in the number of telephone enquiries processed by the Centre. These improvements increased productivity through operating-cost savings.

The volume of work in the area of Residential Tenancies Information, Advice and Dispute Resolution continued to grow but at a lower rate than in previous years. Against the previous year, the number of applications to the Tenancy Tribunal increased by 5% and the number of enquiries processed by staff by 20%. These increases placed some pressures on the service. The mediation and advice services are personal and consequently less amenable to technology-led improvements in productivity. However, during the year a number of areas were investigated where improved processes can lead to increased productivity. These include the use of remote scheduling of tribunal hearings, the introduction of techniques such as case-load management to improve levels of service to an increasing number of clients, and continued evaluation of new technology such as call networks to improve the provision of advice to clients.

Departmental Management

Highlights in the management of the Ministry over the year include:

- the installation and changeover to a new Financial Management Information System;
- the development of a new remuneration policy;
- setting up a time and cost system in preparation for progressive implementation throughout the Ministry from the beginning of 1997/98;
- setting up a project management system in the Policy Division for implementation from the beginning of 1997/98;
- completion of a review of the Corporate Services Division of the Ministry;
- successful piloting of remote scheduling of tribunal hearings.

The Chief Executive, Michael Wintringham, moved to the post of State Services Commissioner during the year. Prior to his appointment Robin Henderson had continued as Acting Chief Executive from the previous year. I served as Acting Chief Executive from 3 June 1997.

I would like to acknowledge the work of the managers and staff of the Ministry in achieving such excellent results for the year under review.

Christopher Blake
Acting Chief Executive

HIGHLIGHTS OF THE YEAR: POLICY ADVICE

The key elements of the Ministry's 1996/97 work programme were established by the Coalition Agreement. Four important tasks in these initiatives effectively served as Key Results Areas (KRAs) for Policy Advice:

- Accept in principle the merger of Housing Corporation, Community Housing Ltd and Housing New Zealand under a single structure. Replace the profit focus of Housing New Zealand with a new brief to meet the Crown's social objectives in a businesslike manner.
- Provide for a single lead agency to deliver community housing with improved co-ordination.
- Institute an interim freeze on Housing New Zealand rents pending a review of affordability issues, including a review of the Accommodation Supplement and the Special Benefit.
- Raise the Accommodation Supplement by 10% to meet 75% of housing costs above 25% of income.

The Ministry provided advice, information and services to the Minister of Housing to assist him with the task of merging the housing entities. Following Cabinet's approval of the process in February 1997, an Advisory Board was appointed and charged with reporting on options for effecting such a merger. The Ministry fulfilled its co-ordinating function between officials, the Advisory Board and staff of the various organisations.

Following identification of a single lead agency for community housing, the Chief Executive co-ordinated consultation with senior officials of the Ministries of Health and Social Welfare as directed by the Minister of Housing. The Ministry took the role of Convenor of the Joint Officials group on this issue.

As well as advising on the interim rent freeze (and its lifting on 1 July 1997) the Ministry undertook a range of tasks relating to the adjustment of the Accommodation Supplement and applying the new rates from 1 July 1997. Most of these tasks were undertaken in association with the Department of Social Welfare. Plans for a major research project on affordability measurement and housing assistance were finalised, and will be implemented as part of the 1997/98 work programme. The Ministry reported during the year on various income-adequacy issues, including altering the Tenure Protection Allowance scheme and changing the Accommodation Supplement regions.

The appropriate location of the functions of Community Housing Ltd and specific operational issues were major concerns to the Minister

over the latter part of 1995/96 and the start of this year. The Ministry has reported extensively on both specific and general issues. Reports were also provided on issues such as housing for older people, funding options for disability modification and CHL rent increases.

The Ministry continued to provide the Minister with quarterly surveys of the rental market for New Zealand and reports on the Auckland market.

The Ministry's involvement in reporting on the problem of poor-quality housing in rural areas, particularly Northland and the East Cape, dates from the early part of 1994/95. During the year the Ministry reported on the number of loans made and also on the overall programme.

The housing situation, especially factors affecting housing supply, and the requirements of specific groups such as people with disabilities, continued to provide topics for reporting during the year.

The Ministry reported, particularly during the latter part of the year, on the development of Housing New Zealand's Statement of Corporate Intent. Consistent with this, reports were issued on a quarterly basis on the achievement by Housing New Zealand of both the financial and the social objectives in its Statement of Corporate Intent, and on Housing New Zealand's annual report.

General support for the Minister (in addition to preparation of drafts for ministerial correspondence and Parliamentary Questions) continued to account for a significant part of the Policy Division's time. Examples include support for ministerial meetings and debates in the House on housing issues; responses to ad hoc requests from the Minister for advice or other assistance on policy issues; commentaries on housing and housing-related statistics; and the preparation of drafts of speeches and media materials as required.

ADMINISTRATION OF THE RESIDENTIAL TENANCIES ACT

This report is prepared and submitted pursuant to Section 126 of the Residential Tenancies Act 1986.

The Ministry of Housing administers the Act through its Tenancy Services Division. The Division has 21 dispute resolution offices throughout New Zealand providing education, advice, mediation and referrals to the Tenancy Tribunal; and a Bond Centre located in Porirua.

Highlights of dispute resolution performance in 96/97 were:

- A total of 43,862 applications to the Tenancy Tribunal, or 5.2% more than the previous year.
- Of the applications received, 68.9% (30,207) were referred to mediation, an increase of 0.4% over the previous year.
- About 61.2% of applications referred to mediation were resolved or withdrawn at the mediation stage; the remainder were unresolved or only partially resolved and referred on to the Tenancy Tribunal.
- About 61.6% of all applications received were finally resolved in the Tenancy Tribunal after being referred directly to the Tribunal or from mediation.

Approximately 87.65% of all applications to the Tribunal were made by landlords, slightly lower than in 1995/96. Of all applications received, 64.25% were for recovery of rent arrears or termination of the tenancy for rent arrears. This includes applications for termination for breach which were for rent arrears (estimated at 11.47% of applications). Other major reasons for applying to the Tribunal were compensation for damages, abandonment, and bond-refund disputes.

Detailed statistics of applications to the Tenancy Tribunal are shown on pages 11 and 12 of this report.

During the year the Ministry received 144,295 lodgements of bonds and made 141,062 full refunds. Total bonds held stood at 254,520 at the end of the year, an increase of nearly 7.5%. The value of the bondholders' funds held increased by \$12.2m to \$83.9m at the end of the year.

Bonds received under the provisions of the Act are lodged in the Residential Tenancies Trust Account. The audited accounts for the year to 30 June 1997 are given on pages 53-59 of this report.

	Applications received		
	1995/96	1996/97	%Change
Resolved after 96/97 reporting period	140	531	
On hand at beginning	3,016	3,595	
Received	41,691	43,862	5.2
Resolved	40,581	43,477	7.1
On hand at end	4,120	3,971	
*Unallocated	6	9	

	Mediations	
	1995/96	1996/97
Resolved after 96/97 reporting period	35	41
On hand at beginning	1,395	1,562
Received	30,092	30,207
Resolved	29,884	30,340
On hand at end	1,595	1,424
*Unallocated	8	5

	Mediation outcomes	
	1995/96	1996/97
Resolved	12,516	12,820
Withdrawn	6,519	5,932
Referred to Tribunal	9,878	10,798
Transferred to another office	971	790

	Hearings		
	1995/96	1996/97	%Change
Resolved after 95/96 reporting period	103	308	
On hand at beginning	1,618	1,792	
Received	23,197	28,426	22.5
Completed	22,705	27,810	22.5
On hand at end	2,098	2,399	
*Unallocated	12	9	

	Hearing outcomes	
	1995/96	1996/97
Resolved at Tribunal	18,090	21,648
Withdrawn	2,109	2,253
Adjourned	2,118	2,570
Rescheduled		798
*Unallocated	388	541

*Cannot be allocated owing to lack of details

APPLICATION STATISTICS

Application Type	Total Received
Bond not lodged	329
Bond refund	5,585
Compensation/damage	2,979
Disposal of goods	489
Discrimination	8
Exemplary damages	421
Failure to allow entry	35
Invalid	7
Market rent	92
Money owing (other than rent)	366
Notice/general	142
Other miscellaneous orders	907
Outgoings inc. water rates	47
Possession/general	689
Possession/illegal tenancy	82
Rent arrears	8,834
Rehearing	0
Retaliatory	74
Recovery of overpaid rent	181
Reduction of fixed term tenancy	207
Right of audience	9
Remedy of breach	412
Abandonment	1,179
Assault	76
Breach of agreement	5,772
Termination for rent arrears	14,319
Substantial damage	62
Unlawful entry	42
Work order	517
Unknown	0
Total	43,862

Bond Refund

	1995/96	1996/97
Number of bonds at end of period	236,676	254,520

STATEMENT OF RESPONSIBILITY

Section 33 of the Public Finance Act 1989 charges the Chief Executive with responsibility for the financial performance and financial management of the Ministry of Housing. The financial information presented in the statements and notes to the accounts as set out on pages 16 to 50 has been produced in accordance with subsection 3 of section 35 of the Act and sets out the financial results of the Ministry for the period 1 July 1996 to 30 June 1997.

The accounts are prepared in accordance with generally accepted accounting practices and are based on the accounting policies as set out on pages 38 to 41 of this report. Systems of internal control operate in the Ministry and provide reasonable assurance as to the integrity and reliability of the information contained in the statements of account.

The statements of account set out on pages 16 to 50 fairly reflect the financial position, operations and performance of the Ministry of Housing for the year ended 30 June 1997.

Christopher Blake
Acting Chief Executive

Countersigned by:

Ruth Jamieson
Financial Controller

REPORT OF THE AUDIT OFFICE
TO THE READERS OF THE FINANCIAL STATEMENTS OF
MINISTRY OF HOUSING
FOR YEAR ENDED 30 JUNE 1997

We have audited the financial statements on pages 16 to 50. 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 1997. This information is stated in accordance with the accounting policies set out on pages 38 to 41.

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 which fairly reflect the financial position of the Ministry of Housing as at 30 June 1997, the results of its operations and cash flows and the service performance achievements for the year ended 30 June 1997.

Auditor's responsibilities

Section 38(1) of the Public Finance Act 1989 requires the Audit Office to audit the financial statements presented by the Chief Executive. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed John O'Connell 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's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in 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 and the Ministry's compliance with significant legislative requirements.

Other than in our capacity as auditor acting on behalf of the Controller and 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 on pages 16 to 50.

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 1997
 - the results of its operations and cash flows for the year ended on that date; and
 - the 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 1997 and our unqualified opinion is expressed as at that date.

John O'Connell
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

PART II - PERFORMANCE

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

OUTPUT CLASS I: POLICY ADVICE

Description

This output class involves the provision of housing policy advice to the Minister of Housing. It also includes the provision of draft replies to ministerial letters, speech notes, briefings and draft responses to Parliamentary Questions for the Minister of Housing. The Ministry is responsible for administering payments under the Housing Assistance appropriation.

There were no amendments to this output class during the year.

- Policy advice will be provided on:
 - broadening the options available to low-income New Zealanders to meet their accommodation needs;
 - appropriate community-based accommodation to maximise the options of individuals with mental-health and disability support needs;
 - specific housing problems such as rural Maori housing;
 - the provision of housing in areas where housing needs are not being met by the private sector.
 - any matters related to the Government's housing policy.
- Payments will be made to meet outstanding commitments to mortgagors and to facilitate the sale of mortgage and housing assets.

Quantity, quality, timeliness and cost of policy advice

(i) Advice

Service objective: A comprehensive policy advice service for the Minister which supports a high quality of government decision-making on housing-policy issues, including transition issues relating to government reforms.

Quantity: *As specified from time to time during the year.*

Work was completed as specified in the Purchase Agreement, and as requested by the Minister during the year.

Timeliness: *Services meet deadlines specified.*

26 papers (of a total 219) did not meet the deadlines specified as compared with 30 in the 1995/96 year. Many of these were standard reports delayed by the late provision of information from external sources.

Quality: *All major policy papers will be subject to the quality assurance process. Quality standards are included in Part C. The Minister will be asked to provide his level of satisfaction on a three-monthly basis.*

All policy papers are subject to a quality assurance process based on peer review, and are signed out by the Chief Executive or Policy Manager. The Minister continues to be invited every quarter to indicate his level of satisfaction with the quality of advice. When reporting to the Social Services Select Committee, however, he noted that if he considered any reports inadequate he raised the matter with the Chief Executive at that point. During the year these provisions for feedback on quality were supplemented by consultation between the Policy Manager and the Minister's senior staff.

(ii) Ministerials

Service objective: Relevant, well-researched and well-written drafts of material for personal delivery by the Minister.

Quantity: *An estimated 60 draft answers will be made to Parliamentary Questions and 850 draft replies to ministerial correspondence. Information will be supplied in response to an anticipated 420 work requests from the Minister.*

	Estimated	Actual	% Variance	Last year
Parliamentary Questions	60	110	83	61
Ministerials	850	659	(22)	752
Work requests	420	140	(67)	265

Timeliness: *All answers to written Parliamentary Questions to be provided within 48 hours. Answers to oral Parliamentary Questions to be provided within 24 hours. Answers to Questions of the Day to be provided before 11.30 am on the day the question is to be answered. All draft replies to ministerial correspondence to be completed within three weeks of request. Other specific requests will be delivered within deadlines negotiated with the Minister.*

Parliamentary Questions now have to be answered by the due date set by the Office of the Clerk. The Ministry's deadlines are then set on a question-by-question basis within that timeframe by the Minister's staff. "Oral Questions" have been replaced by "Questions of the Day". Responses are provided as soon as possible, and any expected delay beyond 11:30am is negotiated with the Minister's office at the time.

	Provided on time	Number not provided on time	% of volume	Last year not provided on time
Parliamentary Questions	110	0	N/A	0
Ministerials	649	10	(1.5)	13
Work requests	135	5	(3.7)	10

Quality: *Less than 2% of ministerial or Parliamentary Question drafts will be rejected by the Minister's office as failing to meet requirements. The Minister will be asked to provide his level of satisfaction on a six-monthly basis on a three-point scale.*

Less than 2% of ministerial and Parliamentary Question drafts were rejected as failing to meet requirements, the same as for the 1995/96 year.

The six-monthly satisfaction reporting was not used as a quality measure because issues were addressed with the Minister and his staff as they arose.

POLICY ADVICE**OUTPUT STATEMENT**

for the year ended 30 June 1997

Actual 1996 \$000		Actual 1997 \$000	Budget 1997 \$000
	Revenue		
2,091	Crown	1,851	1,922
0	Other	0	0
<hr/> 2,091	Total Revenue	<hr/> 1,851	<hr/> 1,922
	Expenditure		
<hr/> 2,041	Total Expenses	<hr/> 1,790	<hr/> 1,922
<hr/> 50	Net surplus /(deficit)	<hr/> 61	<hr/> 0

OUTPUT CLASS II - ADMINISTRATION OF RESIDENTIAL TENANCIES BOND MONIES

Description

This output class involves administering bond monies from residential tenancies, including:

- ensuring bond monies are lodged with the Ministry as required under the Residential Tenancies Act 1986;
- managing and investing the bond monies;
- repaying bond monies as required by the Residential Tenancies Act 1986 either with the agreement of tenant and landlord or as directed by Order of the Tenancy Tribunal.

This output class also includes providing information about lodgements and refunds of bond monies; and providing information on market rents to the Tenancy Tribunal and other interested parties.

There was a fiscally-neutral transfer to Output Class III (Residential Tenancies Information and Advice and Dispute Resolution) made through 1996/97 Supplementary Estimates. This reflected efficiency gains at the Bond Centre.

Quantity, quality, timeliness and cost of administration of residential tenancies bond monies

(i) Lodgements

Service objective: Secure, accurate and efficient receipt and recording of all tenancy bonds.

Quantity: *It is estimated that approximately 130,000 lodgements will be made.*

	Estimated	Actual	% Variance	Last year
Lodgements	130,000	144,295	11.0	135,213

Timeliness: *All money to be banked on the day received. All bonds will be receipted and verified within three working days of receipt within the Bond Centre.*

The main focus for the Centre has been on refunding bonds on a timely basis. Answering calls to the Centre and banking the money on the same day are also high priority tasks.

This was the first full year of operation of the new imaging technology and the new work flows. With changes in the process and outsourcing of printing and mailing letters, clients have seen a significant improvement in the timeliness of this service.

Banking	%
Banked on the same day	100
Not banked on the same day	0
Recording, verifying and acknowledging bonds:	Cumulative %
Completed within 1 working day	78
Completed within 2 working days	99
Completed within 3 working days	100
Over 3 working days	0

Quality: *All new bonds received will be recorded correctly on the system based on information supplied by the tenant and/or landlord.*

Staff check random samples of their own work prior to verification.

A senior bond officer does a separate verification check based on the length of time staff have been employed and their knowledge levels.

Returned mail is checked and followed up on a daily basis.

Customer complaints are followed up and reported on.

(ii) Refunds

Service objective: Prompt and accurate refunds of bond money when lawfully due.

Quantity: *It is expected that approximately 125,000 refunds will be made.*

	Estimated	Actual	% Variance	Last Year
Refunds	125,000	141,062	12.8	127,491

Timeliness: *50% of all refunds will be made within one working day of receipt. The remainder of applications will be responded to within two working days of receipt within the Centre.*

Refunds	Number	%
Refunded the same day	117,193	96.1
Refunded within 2 working days	4,451	3.6
Not refunded within 2 working days	326	0.3

This was the first full year of the introduction of new technology and work flows. As a result of these changes 96.1% of bonds were processed the day they were received. The true level of timeliness in comparison with previous years is even greater as the Centre now processes additional mail deliveries most days. Changes to the printing and mailing of cheques have reduced the time to get mail to clients. Most clients requesting direct credits into their bank accounts will have the money in their accounts the following day.

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

Random samples are checked by Senior Bond Officers prior to verification based on staff skill levels and size of refunds.

Errors resulting in bond debts are followed up and reported on.

Complaints are followed up and reported on.

Return mail is followed up on a daily basis.

(iii) Bond Enquiries

Service objective: Prompt, full, accurate and courteous responses to all enquiries from clients on bond issues.

Quantity: *It is expected that the average number of telephone enquiries per day will be 840.*

	Estimated	Actual	% Variance	Last Year
Number of Calls	840	806	(4.0)	874

Timeliness: *80% of telephone calls will be answered within 36 seconds. All oral and written enquiries will be responded to within four working days.*

More timely lodgements and refunds have reduced the number and length of calls. Calls are now being answered more quickly. 80.8% of calls are answered within 36 seconds.

Written enquiries	Number	%
Answered within 4 working days	205	93.2%
Not answered within 4 working days	15	6.8%

Quality: *Replies to enquiries will be accurate and provide the information requested. A customer survey will be undertaken.*

Regular training and section meetings verify staff knowledge.

Feedback on quality of service provided on a quarterly basis by Tenancy Services Customer Services Council.

(iv) Market rent information

Service objective: Provision of regular and useful information on market rents based on information provided from bond lodgements, subject to protection of the confidentiality of individual lodgement records.

Quantity: Information will be updated monthly. It is estimated that there will be a maximum of 340 ad hoc requests for market information during the year.

	Estimated	Actual	% Variance	Last year
Reports produced	340	435	27.9	395

Timeliness: Database updates will be available for enquiry within one business day of update. Deadlines will be negotiated with customers on when specific enquiries will be dealt with.

Performance in this area has been good, with the timeliness objectives being met in most instances. Deadlines are negotiated with customers at the time the report is asked for.

Quality: The database will be updated as agreed with Statistics New Zealand and the supply of information will comply with contracts with customers.

The database is updated as agreed with Statistics New Zealand.

(v) Bond fund investment

Service Objective: Management of the tenancy bond fund to achieve the best return on funds invested consistent with prudential and cash flow requirements.

Quantity: The average daily balance in the bond fund is expected to be \$70-75m, consisting of a predetermined daily float level and a portfolio of call deposits and securities.

The average daily balance was \$77.3m.

Timeliness: Investments will be made promptly to maintain the desired balance of maturities.

All trust money is kept in an interest bearing account or approved investment.

Quality: Investments 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 complied with the Investment Strategy and were within 0.25% of the prevailing daily rate.

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

for the year ended 30 June 1997

Actual 1996 \$000		Actual 1997 \$000	Budget 1997 \$000
	Revenue		
0	Crown	0	0
5,607	Other	6,618	6,300
<hr/> 5,607	Total Revenue	<hr/> 6,618	<hr/> 6,300
	Expenditure		
3,589	Total Expenses	3,148	3,250
<hr/> 2,018 <hr/>	Net surplus /(deficit)	<hr/> 3,470 <hr/>	<hr/> 3,050 <hr/>

OUTPUT CLASS III: RESIDENTIAL TENANCIES INFORMATION AND ADVICE AND DISPUTE RESOLUTION

Description

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

- responding to enquiries from both tenants and landlords about tenancy matters;
- providing a public education programme on the legal requirements of both tenants and landlords under a tenancy agreement between the two parties;
- investigating alleged breaches of the Residential Tenancies Act;
- providing information and advice on specific residential tenancy disputes, mediation between the parties, administration of the Tenancy Tribunal and legal action on behalf of either tenant or landlord to enforce the provisions of the Residential Tenancies Act 1986.

There was a fiscally-neutral transfer from Output DII (Administration of Residential Tenancies Bond Monies) made through 1996/97 Supplementary Estimates. This was to cover costs related to increased demand for services.

Quantity, quality, timeliness and cost of residential tenancies information and advice and dispute resolution

(i) Education

Service objective: Provision of education which informs existing and prospective landlords and tenants of their rights and obligations under the Residential Tenancies Act.

Quantity: *Education will be informative and accurate. Accuracy of advice on specific topics will be assessed by a special survey. A client satisfaction survey will be undertaken.*

206 educational events were completed in accordance with the activities planned (328 in 1995/96). The number of education events undertaken this year was lower than last year because of increased work pressures in the individual offices. The education conducted was mainly the result of requests from organisations.

Timeliness: Educational activities will be performed in accordance with the timetable in the plan.

Educational activities were performed within the timetable of the plan.

Quality: Education will be informative and meet the audience's needs. This will be assessed by audience surveys at selected educational events.

Surveys were undertaken at selected events and feedback was generally positive.

(ii) Advice

Service objective: Advice will assist clients to meet their obligations and understand their rights under the Residential Tenancies Act.

Quantity: It is expected that 400,000 enquiries will be answered.

	Estimated	Actual	% Variance	Last Year
Oral enquiries	400,000	505,680	26.42	421,904

Timeliness: 90% of information and advice requests will be responded to within four working days, the remaining 10% will be responded to within 10 working days.

Written enquiries	Number	%
Written enquiries answered in 4 working days	240	98.8
Answered within 10 working days	3	1.2

Quality: Advice will be informative and accurate. Accuracy of advice on specific topics will be assessed by a special survey. A client satisfaction survey will be undertaken.

Mystery shopper survey undertaken.

Training on advice and RTA provided to all Dispute Resolution staff. Feedback on quality of service provided quarterly by Tenancy Services Customer Services Council.

(iii) Monitoring of compliance

Service objective: Compliance by landlords and tenants with the Residential Tenancies Act.

Quantity: It is expected 50 reports of non-compliance of specific bonds will be investigated annually. Other reports of non-compliance with the Residential Tenancies Act are expected to number 12 per year. One project to ascertain the level of non-compliance with bond lodgements will be undertaken.

	Estimated	Actual	% Variance	Last Year
Bond non-compliance direct reports	50	20	(60.0)	35
Other reports	12	6	(50.0)	7

The project to ascertain the level of non-compliance with bond lodgements was progressing but awaiting census results as at 30 June 1997.

Timeliness: First steps taken to investigate specific non-compliance complaints will be taken within five working days of receipt of complaint.

Non-compliance complaints	Number	%
First steps within 5 days	26	100
Not within 5 days	0	0

Quality: All specific non-compliance complaints will receive a preliminary investigation.

All non-compliance complaints received were investigated.

(iv) Mediation

Service objective: Mediations will assist the parties to resolve their disputes and be perceived as fair and useful by both parties.

Quantity: This output is based on an assumed 40,000 applications to the Tenancy Tribunal, of which about 75% are expected to proceed to mediation.

	Estimated	Actual	% Variance	Last Year
Applications to the Tenancy Tribunal	40,000	43,862	9.6	41,691

68.9% of applications received were referred to mediation.

Timeliness: *Initiations of contact to arrange mediations with the other party will be made within five working days of each application being received.*

Contacts initiated	Number	%
In 5 days	23,791	92.6
Other*	1,913	7.4

*Includes no contact initiated

Quality: *Mediations will be undertaken in accordance with the standards set by the Principal Tenancy Mediator. A sample of mediations will be subject to peer review. One client satisfaction survey will be undertaken.*

Mediations were undertaken in accordance with the standards set by the Principal Tenancy Mediator.

Feedback on quality of service provided on quarterly basis by Tenancy Services Customer Services Council.

A major mediation training exercise was undertaken during the year.

The client satisfaction survey was developed during 1996/97, ready for implementation in 1997/98.

(v) Tenancy Tribunal administration

Service objective: Administration will assist the parties and the Tribunal to achieve timely and efficient resolution of disputes.

Quantity: This output is based on an assumed 22,000 Tribunal hearings scheduled nationally.

	Estimated	Actual	% Variance	Last year
Tribunal hearings scheduled	22,000	28,426	29.2	23,197

Timeliness: Applications proceeding to the Tribunal will have a hearing date scheduled within four working days of receipt or mediation outcome. Tribunal applications will be heard within 10 or 15 days of the receipt or mediation outcome (depending on location).

Scheduled direct to Tribunal	Number	%
Within 4 days	11,128	89.7
Not within 4 days	1,278	10.3
Scheduled via mediation		
Within 4 days	8,569	89.1
Not within 4 days	1,047	10.9

Tribunal Applications	Number	%
10 day court		
Heard within 10 days	9,189	77.2
Not heard within 10 days	2,712	22.8
15 day court		
Heard within 15 days	10,265	82.0
Not heard within 15 days	2,248	18.0

Quality: Scheduling of the Tribunal hearings will meet the requirements of the Principal Tenancy Adjudicator.

Scheduling of the Tribunal hearings met the requirements of the Principal Tenancy Adjudicator. Hearings continue to be scheduled according to priorities of types of cases.

A pilot for remote scheduling of tribunal hearings was undertaken in Christchurch.

A project to forecast Tribunal times required for unresolved mediations was implemented in Christchurch.

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

OUTPUT STATEMENT
for the year ended 30 June 1997

Actual 1996 \$000		Actual 1997 \$000	Budget 1997 \$000
	Revenue		
6,959	Crown	5,859	5,859
37	Other	35	0
<hr/> 6,996	Total Revenue	<hr/> 5,894	<hr/> 5,859
	Expenditure		
<hr/> 8,544	Total Expenses	<hr/> 8,861	<hr/> 8,909
<hr/><hr/>(1,548)	Net surplus /(deficit)	<hr/><hr/>(2,967)	<hr/><hr/>(3,050)

FINANCIAL INFORMATION**STATEMENT OF FINANCIAL PERFORMANCE**
for the year ended 30 June 1997

Actual 1996 \$000		Notes	Actual 1997 \$000	Budget 1997 \$000
Revenue				
9,050	Revenue-Crown		7,710	7,781
5,644	Revenue-other	2	6,653	6,300
110	Interest	3	91	95
<u>14,804</u>	Total revenue		<u>14,454</u>	<u>14,176</u>
Expenses				
7,064	Personnel costs	4	6,893	7,077
5,855	Operating costs	5	5,723	5,840
805	Depreciation		754	753
408	Capital charge	6	408	408
42	Net loss on the sale of fixed assets		21	3
<u>14,174</u>	Total expenses		<u>13,799</u>	<u>14,081</u>
<u>630</u>	Net surplus		<u>655</u>	<u>95</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38 - 50.

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS
for the year ended 30 June 1997

30 June 1996 \$000		30 June 1997 \$000	Budget 1997 \$000
<u>3,545</u>	Taxpayers' funds as at 1 July	<u>3,545</u>	<u>3,545</u>
<u>630</u>	Net surplus	<u>655</u>	<u>95</u>
<u>630</u>	<i>Total recognised revenues and expenses for the year</i>	<u>655</u>	<u>95</u>
<u>(630)</u>	Provision for payment of surplus to the Crown	<u>(655)</u>	<u>(95)</u>
<u>3,545</u>	Taxpayers' funds as at 30 June	<u>3,545</u>	<u>3,545</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38-50.

STATEMENT OF FINANCIAL POSITION

As at 30 June 1997

30 June 1996 \$000		Notes	30 June 1997 \$000	Budget 1997 \$000
	Taxpayers' funds			
3,545	General funds		3,545	3,545
<u>3,545</u>	Total taxpayers' funds		<u>3,545</u>	<u>3,545</u>
	Current assets			
1,335	Cash		618	504
70	Prepayments		81	70
2,654	Debtors and receivables	7	2,965	2,386
<u>4,059</u>	Total current assets		<u>3,664</u>	<u>2,960</u>
	Non-current assets			
1,904	Fixed assets	8	1,890	2,149
<u>1,904</u>	Total non-current assets		<u>1,890</u>	<u>2,149</u>
<u>5,963</u>	Total assets		<u>5,554</u>	<u>5,109</u>
	Current liabilities			
1,456	Creditors and payables	9	970	1,099
630	Provision for repayment of surplus to the Crown		655	95
332	Employee entitlements	10	384	370
<u>2,418</u>	Total current liabilities		<u>2,009</u>	<u>1,564</u>
<u>3,545</u>	Net assets		<u>3,545</u>	<u>3,545</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38-50.

STATEMENT OF CASH FLOWS
for the year ended 30 June 1997

Actual 1996 \$000		Actual 1997 \$000	Budget 1997 \$000
	Cash flows from operating activities		
	Cash was provided from:		
	Supply of outputs to		
9,118	- Crown	7,832	8,032
5,497	- customers	6,223	6,208
117	Interest	91	96
	Cash was applied to:		
(12,162)	output expenses	(12,977)	(13,068)
(408)	capital charge	(408)	(408)
<u>2,162</u>	Net cash inflow/ (outflow) from operating activities	<u>761</u>	<u>860</u>
	Cash flows from investing activities		
	Cash was provided from:		
10	Sale of fixed assets	40	0
	Cash was disbursed for:		
(903)	Purchase of fixed assets	(888)	(1,061)
<u>(893)</u>	Net cash inflow/ (outflow) from investing activities	<u>(848)</u>	<u>(1,061)</u>
	Cash flows from financing activities		
	Cash was disbursed for:		
(880)	Repayment of surplus	(630)	(630)
<u>(880)</u>	Net cash flows from financing activities	<u>(630)</u>	<u>(630)</u>
389	Net (decrease) in cash held	(717)	(831)
946	Opening cash and deposits	1,335	1,335
<u>1,335</u>	Closing cash and deposits	<u>618</u>	<u>504</u>
	Cash and deposits comprises:		
1,335	Cash	618	504
0	Short-term deposits	0	0
<u>1,335</u>		<u>618</u>	<u>504</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38 to 50.

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

for the year ended 30 June 1997

Actual 1996 \$000		Actual 1997 \$000	Budget 1997 \$000
630	Net surplus/(deficit)	655	95
	Add/(less) non-cash items		
805	Depreciation	754	753
0	Asset write-off	55	0
	Add/(less) movements in working capital items		
3	(Increase)/decrease in debtors and receivables	(440)	17
67	(Increase)/decrease in Debtor Crown	122	251
615	Increase/(decrease) in other payables	(406)	(259)
	Add/(less) investing activity items		
42	Net loss/(gain) on sale of fixed assets	21	3
2,162	Net cash flows from operating activities	761	860

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38 to 50.

STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 1997

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.

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

Measurement System

The 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 Estimates as 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.

Direct Costs Assigned to Outputs

Direct costs are charged directly to outputs. 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.

For the year ended 30 June 1997, direct costs accounted for 67% of the Ministry’s costs (1996:67%).

Basis for Assigning Indirect and Corporate Costs to Outputs

Indirect costs are assigned to outputs based 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	10-16%
Furniture and fittings	10%
Computer hardware	25%
Software development/licence	33%
Communications equipment	25%
Motor Vehicles	25%

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.

- **Employee entitlements**

Liabilities for annual leave are recognised as they accrue to employees. Provision is also made for payments of long-service and retiring leave obligations to employees. All leave provisions have been calculated on an actual entitlement basis at current rates of pay.

- **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, office equipment and motor vehicles. 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, from the Residential Tenancies Trust Account, and interest on its deposits with the New Zealand Debt Management Office (NZDMO). 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, held in bank accounts, and deposits with the New Zealand Debt Management Office.

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

The Ministry has increased the capitalisation threshold for fixed assets to \$2,000 (1996: \$500). The effect of this change in policy was an increase in operating expenses of \$74,601.

There were no other changes in accounting policy during the period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1997**

Note 1: Budget Composition

	30/6/97 Budget Forecasts \$000	30/6/97 Supplementary Estimates Changes* \$000	30/6/97 Budget Total \$000
REVENUE			
Crown	9,081	(1,300)	7,781
Other	5,000	1,300	6,300
Interest	70	25	95
Total Revenue	<u>14,151</u>	<u>25</u>	<u>14,176</u>
EXPENDITURE			
Personnel Costs	6,627	450	7,077
Operating Costs	6,290	(447)	5,843
Depreciation	761	(8)	753
Capital Charge	403	5	408
Other Expenses	0	0	0
Total Expenses	<u>14,081</u>	<u>0</u>	<u>14,081</u>
Net Operating Surplus/(deficit)	<u>70</u>	<u>25</u>	<u>95</u>

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

Note 2: Revenue - other

Actual 1996 \$000		Actual 1997 \$000	Budget 1997 \$000
5,607	Interest from tenancy bonds	6,618	6,300
37	Other	35	0
<u>5,644</u>	Total	<u>6,653</u>	<u>6,300</u>

Note 3: Interest Revenue

The Ministry invests surplus cash with the New Zealand Debt Management Office (NZDMO) and earns interest at variable rates.

Note 4: Personnel costs

Actual 1996 \$000		Actual 1997 \$000	Budget 1997 \$000
5,340	Salaries and wages	5,477	5,667
1,724	Other	1,416	1,410
<u>7,064</u>	Total	<u>6,893</u>	<u>7,077</u>

Note 5: Operating Costs

Actual 1996 \$000		Actual 1997 \$000	Budget 1997 \$000
1,195	Administration	1,283	1,205
0	Asset Write-offs	55	0
375	Communications	368	347
502	Computer costs	455	477
1,350	Lease costs	1,340	1,341
31	Audit fees	34	35
1,400	Tenancy Tribunal	1,400	1,400
1,002	Other	788	1,035
<u>5,855</u>	Total	<u>5,723</u>	<u>5,840</u>

Note 6: 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 1997 was 11.5% (1996: 11.5%).

Note 7: Debtors and Receivables

Actual 1996 \$000		Actual 1997 \$000
1,635	Tenancy bond current account	2,079
61	Trade and other debtors	47
96	GST receivable	99
856	Debtor Crown	734
6	Accrued interest	6
<u>2,654</u>	Total	<u>2,965</u>

Note: 8 Fixed Assets

	Cost 1997 \$000	Accumulated depreciation 1997 \$000	Net book value 1997 \$000	Net book value 1996 \$000
Office equipment	119	74	45	73
Office renovations	937	329	608	669
Furniture and fittings	253	85	168	300
Computer hardware	2,142	1,273	869	698
Software	1,108	908	200	158
Communications	10	10	0	6
Total	4,569	2,679	1,890	1,904

Note 9: Creditors and Payables

	Actual 1997 \$000	Actual 1996 \$000
Trade creditors and accrued expenses	825	1,297
GST payable	71	99
Miscellaneous	74	60
Total	970	1,456

Note 10: Employee Entitlements

	1997 \$000	1996 \$000
Retirement and long service leave	108	36
Annual leave	276	296
Total Employee Entitlements	384	332

Note 11: 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 12: 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 and the New Zealand Debt Management Office.

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

Maximum exposures to credit risk at balance date

	30 June 1997 \$000	30 June 1996 \$000
Cash on hand	4	4
Cash held with Westpac Banking Corporation	614	1,331
Accounts receivable	2,132	1,702
Total	<u>2,750</u>	<u>3,037</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 has no interest rate risk as all investments are with the NZ Debt Management Office.

Note 13: Contingencies

The Ministry does not have any contingent assets as at 30 June 1997 (1996: \$NIL). Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

Note 14: 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 - Policy Advice

The appropriation for this output class was reduced by \$80,000 subsequent to the Supplementary Estimates. This reflects an expense transfer from 1996/97 to 1997/98.

Output D2 - Administration of Residential Tenancies Bond Monies

The appropriation for this output class was reduced by \$504,000, reflecting a fiscally neutral transfer to output D3.

Output D3 - Residential Tenancies Information and Advice and Dispute Resolution.

The appropriation for this output class was increased by \$342,000. This reflected a fiscally neutral transfer from output D2 to fund increased demand for services, less a GST adjustment of \$162,000 because of increased interest income which is GST exempt.

SUPPLEMENTARY INFORMATION**STATEMENT OF DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE**

for the year ended 30 June 1997

Expenditure Actual 1996 \$000		Expenditure Actual 1997 \$000	Appropriation Voted* 1997 \$000
Appropriations for outputs to be supplied by the Ministry (mode B gross)			
2,041	1. Policy advice	1,790	1,922
261	GST	231	240
<u>2,302</u>		<u>2,021</u>	<u>2,162</u>
	2. Administration of residential tenancies		
3,589	bond monies	3,148	3,250
0	GST	0	0
<u>3,589</u>		<u>3,148</u>	<u>3,250</u>
	3. Residential tenancies information and advice		
8,544	and dispute resolution	8,861	8,909
875	GST	737	732
<u>9,419</u>		<u>9,598</u>	<u>9,641</u>
14,174	Total (GST exclusive)	13,799	14,081
1,136	GST	968	972
<u>15,310</u>	Total (GST inclusive)	<u>14,767</u>	<u>15,053</u>

* 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 and notes to the financial statements on pages 38 to 50.

STATEMENT OF NON-DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 1997

(Figures are GST inclusive where applicable)

Expenditure Actual 1996 \$000		Expenditure Actual 1997 \$000	Appropriation Voted Budget 1997 \$000
Benefits and Other Unrequited Expenses			
5,132	Housing Assistance	4,828	5,297
<u>5,132</u>	Total	<u>4,828</u>	<u>5,297</u>
Other Expenses to be incurred by the Crown			
9,223	Transfer of Orakei houses	0	0
1,189	Payment to Ngati Whatua	0	0
<u>10,412</u>	Total	<u>0</u>	<u>0</u>
Purchase or Development of Capital Assets by the Crown			
9,000	Purchase of Orakei houses	0	0
<u>9,000</u>	Total	<u>0</u>	<u>0</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38 to 50.

STATEMENT OF COMMITMENTS*as at 30 June 1997*

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.

Operating leases include lease payments for premises, PABX systems and photocopiers.

	Actual 1997 \$000	Actual 1996 \$000
Operating commitments		
Leases		
Less than one year	926	849
One to two years	341	816
Two to five years	382	347
Over five years	33	41
Total operating commitments	1,682	2,053
Capital Commitments	59	0
Total commitments	1,741	2,053

The Ministry has entered into non-cancellable contracts for building renovations. These non-cancellable contracts totalled \$59,080 as at 30 June 1997 (1996: \$Nil).

STATEMENT OF CONTINGENT LIABILITIES*as at 30 June 1997*

The Ministry had no contingent liabilities as at 30 June 1997.

At 30 June 1996 the Ministry had contingent liabilities of \$18,000 relating to employment issues.

STATEMENT OF UNAPPROPRIATED EXPENDITURE*as at 30 June 1997*

There was no unappropriated expenditure for the year ended 30 June 1997 (1996: \$NIL).

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE RESIDENTIAL TENANCIES TRUST ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997

We have audited the financial statements on pages 53 to 59. The financial statements provide information about the past financial performance of the Residential Tenancies Trust Account and its financial position as at 30 June 1997. This information is stated in accordance with the accounting policies set out on pages 56 to 57.

Responsibilities of the Chief Executive

The Residential Tenancies Act 1986 requires the Chief Executive of the Ministry of Housing to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the Residential Tenancies Trust Account as at 30 June 1997, and the financial results of its operations and cash flows for the year ended 30 June 1997.

Auditor's responsibilities

Section 128 of the Residential Tenancies Act 1986 requires the Audit Office to audit the financial statements presented by the Chief Executive. It is the responsibility of the Audit Office to express an independent opinion on the financial statements and report its opinion to you.

The Controller and Auditor-General has appointed John O'Connell, 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 generally accepted auditing standards in 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 and the Residential Tenancies Trust Account's compliance with significant legislative requirements.

Other than in our capacity as auditor acting on behalf of the Controller and 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 53 to 59.

- comply with generally accepted accounting practice *and*
- fairly reflect:

the financial position as at 30 June 1997 *and*

the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 26 September 1997 and our unqualified opinion is expressed as at that date.

John O'Connell
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

RESIDENTIAL TENANCIES TRUST ACCOUNT**STATEMENT OF FINANCIAL POSITION**

as at 30 June 1997

1996 \$000		Notes	1997 \$000
	Assets		
	Current assets		
4,239	Bank		9,860
42,888	Investments	1	47,462
1,403	Receivables		1,745
48,530			59,067
	Non-current assets		
24,840	Investments	1	26,912
73,370	Total assets		85,979
	Less current liabilities		
1,635	Payable to Ministry of Housing		2,079
7	Other		13
1,642			2,092
71,728	Net assets		83,887
	Bondholders' funds		
59,780	Opening balance		71,728
11,948	Net increase		12,159
71,728	Closing balance		83,887

On behalf of the Ministry of Housing

Acting Chief Executive

Financial Controller

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 56-59.

STATEMENT OF FINANCIAL PERFORMANCE
for the period ending 30 June 1997

1996 \$000		1997 \$000
	Revenue	
2,656	Interest earned from stock	2,342
2,951	Interest earned from bank deposits	4,276
<u>5,607</u>		<u>6,618</u>
	Expenditure	
5,607	Interest to Ministry of Housing	6,618
<u>0</u>	Operating surplus	<u>0</u>

RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS
for the year ended 30 June 1997

1996 \$000		1997 \$000
<u>59,780</u>	Bondholders' funds brought forward 1 July	<u>71,728</u>
0	Total recognised revenues and expenses for the year	0
50,251	Bonds lodged	57,828
<u>(38,303)</u>	Bonds refunded	<u>(45,669)</u>
<u>71,728</u>	Bondholders' funds as at 30 June	<u>83,887</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 56- 59.

STATEMENT OF CASH FLOWS

for the year ended 30 June 1997

1996 \$000		Notes	1997 \$000
	Cash flows from operating activities		
5,252	Cash provided from interest received		6,276
(5,494)	Cash disbursed to interest payments to Ministry of Housing		(6,167)
<u>(242)</u>	Net cash flows from operating activities	2	<u>109</u>
	Cash flows from investing activities		
123,640	Cash provided from proceeds from maturity of investments		146,800
(134,074)	Cash disbursed to purchase of investments		(153,447)
<u>(10,434)</u>	Net cash flows from investing activities		<u>(6,647)</u>
	Cash flows from financing activities		
50,251	Cash provided from lodgement of bonds		57,828
(38,303)	Cash disbursed to refund of bonds		(45,669)
<u>11,948</u>	Net cash flows from financing activities		<u>12,159</u>
1,272	Net increase in cash held		5,621
2,967	Opening total cash balances		4,239
<u><u>4,239</u></u>	Closing total cash balances at 30 June		<u><u>9,860</u></u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 56 - 59.

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**
Interest on investments is accrued on a monthly basis. The Trust derives revenue from interest on investments.

- **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**

Estimated fair values of the Trust's financial assets and liabilities at 30 June 1997 equate with the carrying amounts reflected in these financial statements.

- **Changes in accounting policy**

There have been no changes in accounting policy.

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 1997 \$000	30 June 1996 \$000
(a) CURRENT		
Westpac	10,647	9,737
National Bank	9,644	9,714
ANZ	13,503	12,591
BNZ	9,664	4,812
Government Stock	<u>4,004</u>	<u>6,034</u>
	<u>47,462</u>	<u>42,888</u>

(b) NON-CURRENT

Government Stock	17,631	15,680
Electricorp Stock	<u>9,281</u>	<u>9,160</u>
	<u>26,912</u>	<u>24,840</u>

(c) INTEREST RATES

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

	30 June 1997	30 June 1996
Short-term deposits	7.37%	9.52%
Government stock	7.24%	7.10%
Electricorp stock	10.37%	10.37%

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

	30 June 1997 \$000	30 June 1996 \$000
Operating surplus	0	0
Add movements in working capital items		
Increase (decrease) in interest payable	451	112
(Increase) in interest receivable	<u>(342)</u>	<u>(354)</u>
Net cash (outflow) from operating activities	<u>109</u>	<u>(242)</u>

3 Book value of investments

	30 June 1997 \$000	30 June 1996 \$000
Bank deposits	43,458	36,854
Government and Electricorp Stock	<u>30,916</u>	<u>30,874</u>
	<u>74,374</u>	<u>67,728</u>

4 Market value

The market value of investments held at 30 June 1997 in Government and Electricorp stock was \$32,165,488 (1996: \$30,435,524).

5 Fair Value

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position, apart from the investment in Government and Electricorp stock, the fair value of which is the market value disclosed in note 4.

6 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 exposure to credit risk at balance date are:

	30 June 1997 \$000	30 June 1996 \$000
Cash held	9,860	4,239
Accounts receivable	1,745	1,403
Investments	<u>74,374</u>	<u>67,728</u>
Total	<u>85,979</u>	<u>73,370</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.

7 Commitments and contingencies

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

PART III - MANAGEMENT

MANAGEMENT OF THE MINISTRY

HUMAN RESOURCES

Industrial relations

A new collective employment contract covering those non-management staff who are members of the PSA was signed on 19 July 1996. The term of the contract is for one year. No industrial relations issues arose during the year.

At the end of the reporting period the Ministry received a claim from the PSA for a 15% across-the-board salary increase and other improvements to conditions of employment. As at 30 June 1997, no negotiations for a new collective had commenced.

Remuneration policy and performance management

As stated in last year's report, the Ministry invested further resources into developing a more robust link between performance and pay. The result of these efforts was the introduction of a new remuneration policy which incorporates new salary scales, new salary progression and reward criteria and transparent linkages between performance and pay. In addition, new performance plans have been developed for staff in the Policy Division and Disputes Resolution Service which include both quantitative and qualitative performance measures.

Implementation of the new policy was completed in time for the start of the 1997/98 financial year.

Management and personal development

A key focus this year has been management development, with two Senior Managers attending strategic management programmes in Canada and the United States. Third tier managers have also received management training in New Zealand through NZIM, and one manager attended a programme in the United States.

The Ministry has continued with its policy of providing all employees with annual personal development plans which are negotiated with their managers. These plans include activities which improve job competency as well as enhancing skills which will be of benefit in future employment.

Equal Employment Opportunities

1996/97 is the first year of the Ministry's second two-year EEO plan. A survey to monitor the progress of EEO in the Ministry was conducted during the year. This indicated that the department has been making steady progress towards meeting its defined objectives. The information obtained was used to focus attention on issues of importance to staff and assign priorities to items on the EEO Plan.

Health and safety initiatives have been successful in attracting an increased number of people with disabilities. Staff in this category now make up 15% of all staff.

The Ministry of Housing's staff profile as at 30 June 1997 is shown in the tables following.

165, including temporary staff, were employed by the Ministry of Housing as at 30 June 1997.

MINISTRY OF HOUSING STAFFING						
Service Units	1995/96 Actual	FTE	1996/97 Actual	FTE	Growth in No	FTE Percent
Executive Management	2.0	2.0	1.0	1.0	-1.0	-50.00%
Policy	20.0	19.0	20.0	18.4	-0.6	-3.15%
Corporate Services	13.0	12.7	17.0	15.1	2.4	18.71%
Finance	3.0	3.0	4.0	4.0	1.0	33.33%
Communications	1.0	1.0	0.0	0.0	-1.0	-100.00%
Corporate Office	5.0	4.6	5.0	4.6	0.0	0.00%
Bond Centre	40.0	39.1	32.0	29.5	-9.7	-24.68%
Northern Region	34.0	31.0	38.0	31.1	0.1	0.32%
Central Region	26.0	24.6	27.0	25.0	0.4	1.63%
Southern Region	21.0	17.6	21.0	18.0	0.4	2.27%
TOTAL	165.0	154.7	165.0	146.7	-8.0	-5.15%
Total Tenancy Services	126.0	116.9	123.0	108.2	-8.7	-7.48%
Total Corporate	19.0	18.7	22.0	20.1		
Total outputs	146.0	135.9	143.0	126.6		

Gender	Number	Percentage	June 1996
			Percentage
Female	102	62.00	63.04
Male	63	38.00	36.96
Total	165	100.00	100.00

Primary ethnicity	Number	Percentage	June 1996
			Percentage
NZ Maori	17	10.3	8.49
NZ European	100	60.6	53.94
Non-NZ European	14	8.5	7.88
Pacific Islander	12	7.2	5.45
Other	9	5.5	16.97
Not Stated	13	7.9	7.27
Total	165	100	100

Remuneration of Ministry staff by gender

Salary level (\$)	June 1997		June 1996	
	Male	Female	Male	Female
0-20000	1	2	0	1
20001-30000	13	39	15	46
30001-40000	30	43	27	42
40001-50000	6	10	8	8
50001-60000	5	4	5	4
60000+	8	4	6	2
Total	63	102	61	104

Staff reporting disabilities

	Number	Percentage	June 1996
			Percentage
No	125	76.00	77.58
Yes	25	15.00	13.33
No record	15	9.00	9.09
Total	165	100	100

INFORMATION TECHNOLOGY

The key information technology objectives established in the 1996/99 Strategic Business Plan are to enhance the provision of services through the efficient and effective use of advanced business systems; and to develop the ability to exchange business information to enhance service to customers and reduce costs.

Enhancements to the systems over the last twelve months include:

- Enhancement to the system outputs produced by the Bond Centre.
- Introduction of a Hearing Scheduling system for the Dispute Resolution Offices.
- Implementation of electronic mail to all Tenancy offices.
- Implementation of a Time & Cost system in the Policy unit.
- Implementation of a replacement Financial Management Information System.
- Implementation of Internet services to selected staff.
- Increases in the number of PC workstations to one machine per staff member.
- The installation of replacement processors for the Tenancy Services main Oracle database and the associated disaster recovery platform.

PROPERTY ADMINISTRATION

The Ministry leases all its office accommodation. The table below shows the location and size of every office, annual rental, staff numbers and associated costs as at 30 June 1997. Six offices are co-located with Department of Internal Affairs Link Centres to take advantage of a common customer base and cost efficiencies. One office was re-located and three offices were upgraded during the year to provide better customer service facilities and health and safety standards. A property management plan for the period 1997 - 2000 is in place and is updated annually.

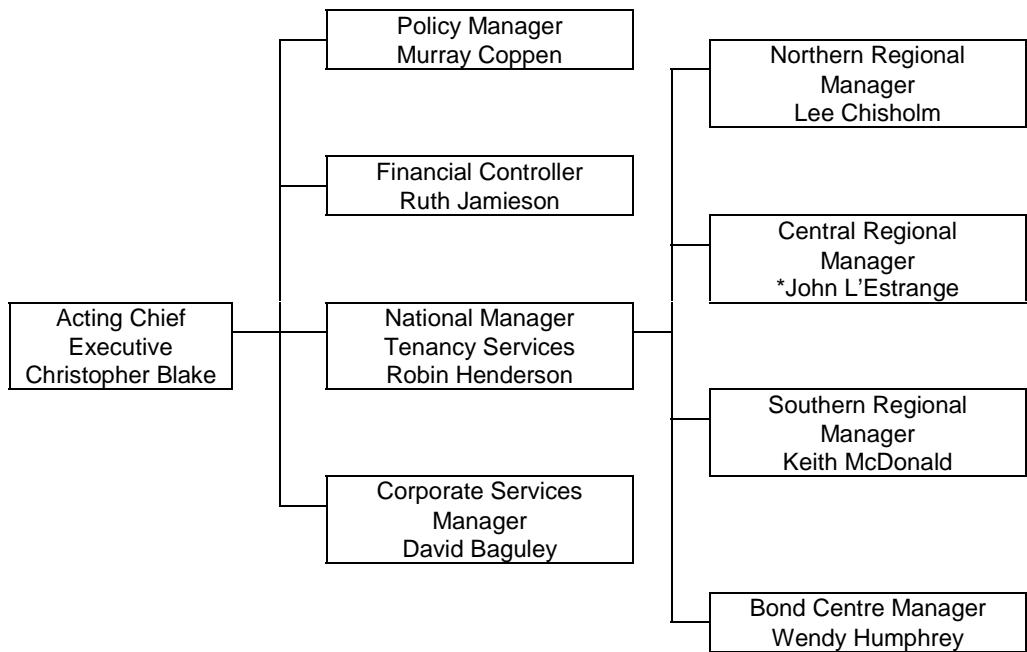
The Ministry has no unoccupied accommodation.

Location	No of Staff	Office Area (sq mtrs)	Rental	Office area per Employee (sq mtrs)	Cost per Sq Metre	Cost per Employee
Whangarei	2	35.90	\$3,806	17.95	\$126	\$4,362
Takapuna	6	128.30	\$15,115	21.38	\$157	\$3,349
Henderson	4	135.00	\$16,560	33.75	\$123	\$4,140
Auckland	15	341.00	\$53,800	22.73	\$158	\$3,587
Manukau	10	305.21	\$39,586	30.52	\$137	\$4,167
Hamilton	5	166.28	\$36,936	33.26	\$243	\$8,074
Tauranga	2	100.54	\$14,997	50.27	\$149	\$7,499
Gisborne	1	18.50	\$2,128	18.50	\$165	\$6,653
Napier	2	40.00	\$9,450	20.00	\$236	\$4,725
Rotorua	2	46.13	\$6,920	23.07	\$184	\$6,634
Palmerston North	4	136.46	\$19,960	34.12	\$230	\$7,840
New Plymouth	1	26.62	\$3,594	26.62	\$155	\$7,727
Lower Hutt	4	158.03	\$20,500	39.51	\$179	\$7,073
Wellington	5	137.10	\$23,828	27.42	\$195	\$5,358
Corporate Office	50	1298.48	\$225,672	25.97	\$197	\$5,116
Porirua	32	576.32	\$93,511	18.01	\$162	\$2,922
Nelson	1	16.62	\$3,175	16.62	\$216	\$7,195
Blenheim	1	25.10	\$3,500	25.10	\$139	\$3,500
Christchurch	10	324.00	\$40,500	32.40	\$133	\$4,309
Timaru	1	26.00	\$5,316	26.00	\$204	\$5,316
Dunedin	5	173.35	\$18,000	34.67	\$104	\$3,600
Greymouth	1	11.02	\$1,014	11.02	\$112	\$4,835
Invercargill	1	51.00	\$11,520	51.00	\$226	\$11,520
TOTALS:	165	4276.96	\$669,388			

Notes:

1. Rentals include cost of official car parks.
2. Corporate Office includes Wellington regional office and staff.

Ministry of Housing Management Structure



*Also Principal Tenancy Mediator