



Report of the
Ministry of Housing

for the year ended
30 June 1999

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

DIRECTORY

Head Office

Level 12
Vogel Building
Aitken St
WELLINGTON

Postal Address

PO Box 10-729
WELLINGTON
Phone: (04) 472-2753
Fax: (04) 499-4744

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 protect the rights of residential landlords and tenants through the Ministry's administration of the provisions of the Residential Tenancies Act 1986.

MISSION STATEMENT

To provide residential landlords and tenants with efficient and effective tenancy bond and dispute resolution services

CHIEF EXECUTIVE'S OVERVIEW

The description of the purpose and functions of the Ministry of Housing and its mission statement (page 4) are adapted from the previous version which incorporated reference to work on housing policy issues. With the move of the housing policy function in December 1998 (see below), those aspects became redundant.

The Ministry is at present developing a new strategic plan, and as part of that process will reassess the mission statement. Any revision is likely to place more explicit emphasis on identifying and meeting the needs of the Ministry's customers.

The key result areas for the Ministry of Housing in 1998/99 focused on the Government's priorities for housing in terms of affordability, Maori housing, monitoring the housing crown entities, and enhancement of the Ministry's relationships across the housing sector.

With the move of the housing policy function from the Ministry to the Social Policy Agency (SPA) in the Department of Social Welfare in December 1998, responsibility for completion of the key result area milestones falling due after 1 January 1999 moved from the Ministry to SPA.

Policy Advice

The objective of the move of the housing policy function was to integrate housing policy advice in SPA with a wide range of social policy research, analysis and advice. The following relates to work in the Ministry during the six months ended December 1998, before the move took place.

Contracted research work on the structure of the Accommodation Supplement was completed. Advice was provided to the Minister of Social Services, Work and Income that, given the broad objectives which the Government had established for the Accommodation Supplement, the research results did not suggest that significant structural change should be made to the Supplement. The Ministry also distributed to community groups a set of tables enabling entitlements to the Supplement to be calculated on the basis of information about potential recipients' incomes and rental or mortgage payments.

The Ministry of Housing contributed advice and analysis, and co-ordinated officials' work on the Maori housing components of the Government's October 1998 package of policy measures.

Senior policy staff and the Chief Executive met with representatives of major national voluntary welfare organisations to discuss housing policy issues and the Ministry's work programme. A major survey of providers of accommodation assistance was completed in October 1998, and data from that survey was being processed and analysed at December 1998.

Tenancy Services

On 5 October 1998 a \$20 fee for making an application to the Tenancy Tribunal was introduced. In general the introduction went smoothly as numerous payment options had been planned beforehand. The introduction of the fee led to a decrease in the number of applications, reversing a trend for the number of applications to increase every year. There was some minor change in the percentage of landlord and tenant applications and in the types of applications, with those relating to rent arrears increasing as a percentage. The introduction of the fee also meant that the number of small or, in some cases, frivolous applications decreased and the percentage of cases withdrawn after the application was made also decreased.

At the same time as the fee was introduced the Ministry initiated a programme to increase self resolution through nationwide education seminars for landlords and tenants and the nationwide introduction of a call centre for general advice enquiries.

Year 2000

Systems essential to the Ministry's ongoing operation and preparation of financial information have been reviewed to establish the Ministry's exposure to Y2K risks. Systems are being modified where necessary, and this will be completed before any potential impact. The Ministry's internal auditors carried out an independent audit which showed that the Ministry's exposure to Y2K risks was limited and that proper and adequate steps were being taken. At the end of the reporting period the Ministry was completing a business continuity plan to enable recovery from any external event arising from Y2K effects.

Management Issues

Highlights in the management of the Ministry in 1998/99 include:-

- the implementation of control and information systems for the collection of fees for Tenancy Tribunal applications;
- the extension of a call centre at the Porirua Bond Centre to cover any "overflow" of general tenancy inquiries from 20 of the 21 Tenancy Services district offices;

- progressing work on Year 2000 compliance upgrades for the Ministry's computer hardware and systems;
- the introduction and development of new risk management and business continuity plans;
- management of the personnel, administrative and financial matters associated with the move of the housing policy function to SPA.

I would like to acknowledge the work of the staff and managers of the Ministry in achieving high quality performance and an excellent standard of outputs in 1998/99.

David Smyth
Chief Executive

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 98/99 were:

- Introduction in October 1998 of a \$20 fee for making an application to the Tenancy Tribunal.
- A total of 40,552 applications to the Tenancy Tribunal, or 19.4% fewer than in the previous year.
- Of the applications received, 72.5% were referred to mediation, an increase of 3.2% over the previous year.
- About 57.5% 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 50.6% of all applications were finally resolved in the Tenancy Tribunal after being referred directly to the Tribunal or from mediation, and 2.4% were transferred back to mediation.

Approximately 90.8% of all applications to the Tribunal were made by landlords, slightly higher than in 1997/98. Of all applications received, 71.2% were for recovery of rent arrears or termination of the tenancy for rent arrears, including applications for termination for breach which were for rent arrears. 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 10 and 11 of this report.

During the year the Ministry received 162,368 lodgements of bonds and made 162,769 full refunds (including transfers). The value of the bondholders' funds held increased by \$6.6m to \$100.07m at the end of the year. Total bonds held stood at 282,939 at the end of the year, an increase of nearly 4.8%.

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 1999 are given on pages 55-62 of this report.

	Applications received	
	1997/98	1998/99
Resolved after previous reporting period	830	152
On hand at beginning	3,150	3,534
Received	50,306	40,552
Resolved	49,770	40,323
On hand at end	3,684	3,758
*Unallocated	2	5

	Mediations	
	1997/98	1998/99
Resolved after previous reporting period	80	61
On hand at beginning	1,349	1,359
Received	34,850	29,403
Resolved	34,779	29,534
On hand at end	1,404	1,223
*Unallocated	16	5

	Mediation outcomes	
	1997/98	1998/99
Resolved at Mediation	15,583	12,757
Withdrawn	6,452	4,226
Referred to Tribunal	11,961	11,787
Transferred to another office	781	764
*Outcome Unallocated	2	0

	Hearings	
	1997/98	1998/99
Resolved after previous reporting period	643	76
On hand at beginning	1,765	1,841
Received	31,305	27,971
Resolved	31,151	27,489
On hand at end	1,918	2,322
*Unallocated	1	1

	Hearing outcomes	
	1997/98	1998/99
Resolved at Tribunal	23,923	21,382
Withdrawn	2,571	1,375
Adjourned	2,672	2,673
Transferred to Mediation	987	1098
Rescheduled	863	960
*Outcome Unallocated	225	1

*Cannot be allocated owing to lack of details

APPLICATION STATISTICS

Application Type	Total Received
Bond not lodged	304
Bond refund	2,843
Compensation/damage	3,172
Disposal of goods	430
Discrimination	11
Exemplary damages	305
Failure to allow entry	15
Invalid	1
Market rent	26
Money owing (other than rent)	332
Notice/general	58
Other miscellaneous orders	484
Outgoings inc. water rates	91
Possession/general	389
Possession/illegal tenancy	32
Rent arrears	9,919
Retaliatory	29
Recovery of overpaid rent	124
Reduction of fixed-term tenancy	334
Right of Audience	4
Remedy of breach	184
Abandonment	1,485
Assault	95
Breach of agreement (rent arrears)	4,784
Termination for rent arrears	14,175
Termination for breach –other	543
Substantial damage	34
Unlawful entry	18
Work order	328
Unknown	3
Total	40,552

Bonds Held

	1997/98	1998/99
Number of bonds at end of period	269,953	282,939

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 department'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 Department for the year ended 30 June 1999.

David Smyth
Chief Executive

Countersigned by:

Ruth Jamieson
Financial Controller

1 September 1999

REPORT OF THE AUDIT OFFICE
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE
MINISTRY OF HOUSING
FOR THE YEAR ENDED 30 JUNE 1999

We have audited the financial statements on pages 15 to 52. 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 1999. This information is stated in accordance with the accounting policies set out on pages 34 to 37.

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 1999, the results of its operations and cash flows and the service performance achievements for the year ended 30 June 1999.

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 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's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards including 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.

We have carried out an assurance related assignment for the Ministry of Housing. 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 15 to 52:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 1999;
 - 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 1 September 1999 and our unqualified opinion is expressed as at that date.

A J Shaw
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******POLICY ADVICE***

The Ministry of Housing's housing policy advice function moved to the Social Policy Agency in the Department of Social Welfare on 31 December 1998. The information in this section therefore is applicable only for the six months ended December 1998.

Under this output class, the Minister of Housing purchased: advice on housing and housing policy issues (Output 101); ministerial services, including the preparation of draft replies to ministerial correspondence and parliamentary questions (Output 102); monitoring and other services relating to the housing sector crown entities for which the Minister is responsible (Output 103). The Ministry is also responsible for administering payments under the Housing Assistance appropriation.

Output 101: Advice**Description:**

Advice on housing and housing policy issues, the preparation of which generally involves: identifying, framing and analysing issues which may require decisions by the Government; gathering relevant information; formulating optional courses of action; and advising on the costs and benefits of those options.

Service Objective:

The Government is able to make effective decisions on housing and housing policy issues because it has access to a comprehensive and high-quality policy advice service.

Quantity:

Advice is provided as required by the Minister or as deemed necessary by the Ministry.

The Ministry prepared 49 reports under outputs 101 and 103 during the 6 months to 31 December 1998. (1997/98 full year: 175)

Timeliness:

Advice is provided by the deadlines agreed with the Minister.

Only four reports were not provided by due date, resulting from the late supply of performance data from the Crown Entities being monitored.

Quality:

All major policy advice papers are subject to the Ministry's quality assurance process to ensure compliance with the following seven quality standards:

Purpose

The report makes plain why it is being written, states its purpose clearly and correctly, and considers all relevant aspects of the issue.

Logic

The assumptions behind the advice are explicit. The argument is logically based on relevant facts and applicable theory and research. Alternative explanations of the facts are acknowledged, and the preferred explanation is adequately supported.

Accuracy

All necessary material facts are included and they are materially accurate. The source and status of reported facts are stated, and any uncertainties are identified.

Options

An adequate range of options is presented. The consequences, including benefits and costs, of each option, for the Government and for those who are likely to be materially affected, are identified.

Consultation

Parties materially affected by the issue have been consulted, and their views recorded or reflected in the report. Possible objections to any proposals are noted.

Practicality

The report considers the implementation of any proposals, including technical feasibility, timing, presentation and publicity, and consistency with other government policies.

Presentation

The presentation and format meet Cabinet office or ministerial requirements. The report is clear, concise, has short sentences in plain English, and is free of spelling and grammatical errors. The argument follows a logical progression.

Assessments of staff formally recognise their contribution to the quality assurance process.

The Manager-Policy meets the Minister's office staff every month to discuss any problems with the Ministry's policy advice services, and takes appropriate corrective action.

The Minister is invited every six months to assess the overall quality of the Ministry's policy advice services.

All policy papers are subject to a quality assurance process based on peer review, and are signed out by the Chief Executive, Policy Manager, or Managing Analyst. No comments were received from the

Ministers or their staff expressing concern over the quality of advice contained in reports provided to the Ministers.

Output 102: Ministerial Services

Description:

Ministerial services include: drafting replies to ministerial correspondence and parliamentary questions; drafting speeches and preparing media material on housing and housing policy issues; assisting Parliament with its consideration of housing-related legislation, the Estimates of Appropriation for Vote Housing, and the Ministry's performance; and processing requests for information under the Official Information Act and the Privacy Act.

Service Objectives:

The Minister is able to discharge his executive and parliamentary duties effectively; and Parliament is able to effectively review draft housing legislation, the proposed expenditure of public money through Vote Housing, and the performance of the Ministry.

Quantity:

For 1998/99, draft responses to ministerial correspondence concerned with the operations of housing sector crown entities are to be prepared by the entities rather than the Ministry. The following table states the volume of these services during the six months to 31 December 1998.

	*Estimated	Actual	% Variance (annualized)	Last year Actual (full year)
Parliamentary Questions	150	54	-28	145
Ministerials	400	38	-81	537
Work Requests**	125	20	-68.3	95
Official Information Act Requests	100	46	-8	66

*Note: These estimates are the forecasts of annual figures but the actual figures are for six months only as the housing policy function was moved out of the Ministry on 31 December 1998.

**Includes requests for draft speeches or media material.

Timeliness:

Draft replies to ministerial correspondence are prepared within 10 working days of receipt (three working days for correspondence from MPs).

Draft replies to parliamentary questions are prepared in accordance with deadlines agreed with the Minister.

Replies to requests made under the Official Information Act and the Privacy Act are prepared in accordance with statutory deadlines.

Draft speeches and media material are provided by the deadlines agreed with the Minister.

Requests by Parliament for information or assistance are met by the agreed deadlines.

One response was delivered one day late. (1997/98: 1 not delivered on time).

Quality:

Less than 5% of draft responses to ministerial correspondence and parliamentary questions are returned as inadequate or inappropriate.

Responses to requests for information under the Official Information Act and the Privacy Act are prepared in accordance with the legislation.

Draft speeches and media material reflect the request made by the Minister.

All major submissions to the Minister, Parliament or other parties are subject to the Ministry's quality assurance process to ensure compliance with its quality standards.

Assessments of staff formally recognise their contribution to the quality assurance process.

The Manager Policy meets the Minister's office staff every month to discuss any problems with the Ministry's ministerial services, and takes appropriate corrective action.

The Minister is invited every six months to assess the overall quality of the Ministry's ministerial services.

Standards were met.

Output 103: Crown Entity Services**Description:**

Services to assist the Minister to manage the relationship between the Crown and the housing sector crown entities. These services include: negotiating the content of statements of intent; monitoring the activities and the performance of the entities; and advising the Minister on the activities and performance of the entities, and on policy-related issues arising therefrom.

Service Objectives:

The Minister is able to manage his relationship with the crown entities effectively, and the entities comply with statutory requirements and their agreements with the Minister.

Quantity:

Two housing sector crown entities (Housing New Zealand Ltd and the Housing Corporation of New Zealand, including its fully-owned subsidiary Community Housing Ltd) prepare a statement of intent and an annual report.

Quarterly performance information supplied by the crown entities is reviewed and monitoring reports are provided to the Minister.

Ad hoc reports on the activities or performance of crown entities, or on policy-related issues arising therefrom, as required by the Minister.

Ad hoc reports on the activities or performance of crown entities, or on policy-related issues arising therefrom, as deemed necessary by the Ministry.

Appointments to crown entity boards as required by applicable statutes, the Minister's requirements and the terms of appointment of incumbent members.

Refer output 101.

Timeliness:

The statements of intent and the annual reports of the crown entities are finalised in accordance with statutory deadlines.

Quarterly monitoring reports on the activities and performance of crown entities are provided to the Minister within 15 working days of the Ministry's receiving performance information from an entity.

Ad hoc reports on the activities or performance of the crown entities requested by the Minister are provided by the agreed deadlines.

Ad hoc reports on the activities or performance of the crown entities initiated by the Ministry are provided within timeframes acceptable to the Minister.

The Minister is advised three months in advance of any impending expiry of a board appointment.

All responses were delivered within specified deadlines.

Quality:

The statements of intent of the crown entities comply with statutory requirements and with the requirements of the Minister.

The annual reports of the crown entities comply with statutory requirements.

The Minister is advised of breaches of statutory requirements relating to accountability documents.

Major reports on the activities or performance of crown entities are subject to the Ministry's quality assurance process to ensure compliance with its quality standards.

Assessments of staff formally recognise their contribution to the quality assurance process.

The Manager-Policy meets the Minister's office staff every month to discuss any problems with the Ministry's crown-entity services, and takes appropriate corrective action.

The Minister is invited every six months to assess the overall quality of the Ministry's crown entity services.

Refer output 101

OUTPUT STATEMENT
for the 6 months ended 31 December 1998

Actual 1998 \$000		Actual 1999 \$000	Budget 1999 \$000
	Revenue		
2,008	Crown	892	892
0	Other	0	0
<hr/> 2,008	Total Revenue	<hr/> 892	<hr/> 892
	Expenditure		
1,865	Total Expenses	892	892
<hr/> 143 <hr/> <hr/>	Net surplus /(deficit)	<hr/> 0 <hr/> <hr/>	<hr/> 0 <hr/> <hr/>

OUTPUT CLASS II - ADMINISTRATION OF RESIDENTIAL TENANCIES BOND MONIES

Description

The Minister of Social Services, Work and Income requires the efficient, effective and impartial administration of residential tenancies bond monies. This includes:

- ensuring bond monies are lodged with the Ministry as required under the Residential Tenancies Act 1986;
- managing, investing and repaying bond monies as required under the Act;
- providing information in relation to lodgements and refunds of bond monies;
- providing information on market rents to the Tenancy Tribunal and other interested parties.

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 155,000 lodgements will be made.*

	Estimated	Actual	% Variance	Last year
Lodgements	155,000	162,368	4.8	154,948

Timeliness: *All money to be banked on the day received. 50% of bonds to be receipted and verified within one working day of receipt within the Bond Centre and the remainder within two working days.*

With the continued introduction of productivity measures and maximising the use of resources, the Bond Centre has increased the percentage of bonds lodged the same day they are received, significantly exceeding the timeliness standard.

Banking	%	%
Banked on the same day	100	100
Not banked on the same day	0	0
Recording, verifying and acknowledging bonds:	Number	%
Completed within 1 working day	150,107	92.5
Completed within 2 working days	11,776	7.2
Not lodged in 2 working days	485	0.3

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 155,000 refunds will be made.*

	Estimated	Actual	% Variance	Last Year
Refunds	155,000	162,769*	5.0	152,701

*Includes transfers

Timeliness: *All refunds will be made within one working day of receipt.*

Refunds	Number	%
Refunded the same day	144,453	99.7
Refunded within 2 working days	445	0.3
Not refunded within 2 working days	29	0.0

Continued maximisation of the use of resources has enabled this standard to be maintained. Clients requesting direct credits have these in their bank accounts overnight and those requesting cheques receive them in one to three days depending on mail delivery.

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.

Returned 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 750.*

	Estimated	Actual	% Variance	Last Year
Number of Calls	750	829	10.5	838

Timeliness: *80% of enquiries on the Bond Centre's toll-free line will be answered within 20 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 bond enquiry calls. Calls are now being answered more quickly. 87.1% of calls are answered within 20 seconds. Initially call numbers for a pilot project for answering general disputes calls were

included in bond enquiries calls and this increased the average daily number of calls.

Written enquiries	Number	%
Answered within 4 working days	97	88.2
Not answered within 4 working days	13	11.8

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

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 450 ad hoc requests for market information during the year.*

	Estimated	Actual	% Variance	Last year
Reports produced	450	1039	130.9	754

Timeliness: *Updates of databases will be available for enquiry within one business day of update. Deadlines for dealing with specific enquiries will be negotiated with customers.*

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 accurately updated as agreed with Statistics New Zealand to allow market rent reports to be provided.*

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 \$90-95m, consisting of a predetermined daily float level and a portfolio of call deposits and securities.*

The average daily balance was \$96.01m.

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: *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 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 1999

Actual 1998 \$000		Actual 1999 \$000	Budget 1999 \$000
	Revenue		
0	Crown	0	0
7,364	Other	7,316	6,988
<hr/> 7,364	Total Revenue	<hr/> 7,316	<hr/> 6,988
	Expenditure		
3,112	Total Expenses	3,334	3,399
<hr/> 4,252	Net surplus /(deficit)	<hr/> 3,982	<hr/> 3,589

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 to Output DII (Administration of Residential Tenancies Bond Monies) made through 1998/99 Supplementary Estimates. This was to cover costs related to the implementation of a national call centre for overflow general tenancy advice calls.

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 provided in accordance with the quarterly plan of educational activities.*

222 educational events were completed in accordance with the activities planned (208 in 1997/98). Education conducted was the result of requests from organisations, and the presentation of a

landlord seminar programme around the country with a similar programme currently underway for tenants. Tenancy Services also contributes a monthly article in the Residential Property Investor magazine.

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 520,000 enquiries will be answered.

	Estimated	Actual	% Variance	Last Year
Oral enquiries	520,000	372,000	(28.5)	448,203

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

Written enquiries	Number	%
Written enquiries answered in 4 working days	199	98
Answered within 10 working days	4	2

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

A call-centre was established to answer general enquiries which overflowed from dispute resolution offices.

Training on advice giving and Residential Tenancy Act provided to all dispute-resolution and call-centre 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 20 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 ten 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	20	18	(10)	29
Other reports	10	6	(40)	5

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	23	95.8
Not within 5 days	1	4.2

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 51,000 applications to the Tenancy Tribunal, of which about 70% are expected to proceed to mediation.*

	Estimated	Actual	% Variance	Last Year
Applications to the Tenancy Tribunal	51,000	40,552	(20.5)	50,306

A fee of \$20 was introduced in October 1998 and as a result the number of applications decreased.

72.5% 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	25,262	93.5
Other*	1,768	6.5

**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 survey of client satisfaction will be undertaken.*

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

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

Two major mediation training exercises were undertaken during the year.

Each mediator was required to provide client reviews for this period.

(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 32,000 Tribunal hearings scheduled nationally.*

	Estimated	Actual	% Variance	Last year
Tribunal hearings scheduled	32,000	27,971	(12.6)	31,305

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 receipt or mediation outcome (depending on location).

Scheduled direct to Tribunal	Number	%
Within 4 days	10,011	88.4
Not within 4 days	1,308	11.6
Scheduled via mediation		
Within 4 days	10,400	90.3
Not within 4 days	1,123	9.7

Tribunal Applications	Number	%
10 day court		
Heard within 10 days	7,586	74.6
Not heard within 10 days	2,587	25.4
15 day court		
Heard within 15 days	8,839	69.2
Not heard within 15 days	3,941	30.8

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.

Remote scheduling of tribunal hearings was implemented in the South Island. This is gradually being extended to other offices.

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

OUTPUT STATEMENT
for the year ended 30 June 1999

Actual 1998 \$000		Actual 1999 \$000	Budget 1999 \$000
	Revenue		
5,248	Crown	5,760	5,760
37	Other	0	0
<hr/> 5,285	Total Revenue	<hr/> 5,760	<hr/> 5,760
	Expenditure		
<hr/> 8,891	Total Expenses	<hr/> 9,139	<hr/> 9,349
<hr/><hr/>(3,606)	Net surplus /(deficit)	<hr/><hr/>(3,379)	<hr/><hr/>(3,589)

FINANCIAL INFORMATION

STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 1999

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 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.

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 1999, direct costs accounted for 56% of the Ministry’s costs (1998: 66%).

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	10-20%
Furniture and fittings	10%
Computer hardware	25%
Software development/licence	33%
Communications equipment	25%
Motor Vehicles	10-11%

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 three 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, 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 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, 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

There were no changes in accounting policies during the period.
All policies have been applied on a basis consistent with other years.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 1999

30/6/98 Actual \$000		Notes	30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates \$000
Revenue					
7,256	Revenue-Crown		6,652	7,485	6,652
7,401	Revenue-other	2	7,316	6,988	6,988
12	Interest	3	0	6	6
<u>14,669</u>	Total operating revenue		<u>13,968</u>	<u>14,479</u>	<u>13,646</u>
Expenses					
7,123	Personnel costs	4	6,617	7,531	6,854
5,672	Operating costs	5	5,597	5,768	5,662
684	Depreciation		783	779	742
390	Capital charge	6	363	390	387
(1)	Net loss/(gain) on the sale of fixed assets		5	5	(5)
<u>13,868</u>	Total expenses		<u>13,365</u>	<u>14,473</u>	<u>13,640</u>
801	Net surplus from Operations		603	6	6
<u>0</u>	Other Expenses	7	<u>511</u>	<u>0</u>	<u>801</u>
801			92	6	(795)

This statement is to be read in conjunction with the statement of accounting policies on pages 34-37 and notes to the financial statements on pages 47-52.

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS
for the year ended 30 June 1999

30/6/98 Actual \$000		30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates \$000
3,545	Taxpayers' funds as at 1 July 1998	3,545	3,545	3,545
801	Add Net surplus/deficit	603	6	6
801	<i>Total recognised revenues and expenses for the year</i>	603	6	6
	<i>Adjustment for flows to and from the Crown:</i>			
	(Deduct)			
(801)	Provision for payment of surplus to the Crown	(603)	(6)	(6)
	Assets transferred to Department of Social Welfare	(53)	0	(53)
	Transition costs for transfer of Policy Division to Vote: Social Services	(436)	0	(726)
	Long service leave accrual	(75)	0	(75)
3,545	Taxpayers' funds as at 30 June 1999	2,981	3,545	2,691

This statement is to be read in conjunction with the statement of accounting policies on pages 34-37 and notes to the financial statements on pages 47-52.

STATEMENT OF FINANCIAL POSITION

As at 30 June 1999

30/6/98 Actual \$000		Notes	30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates \$000
	Taxpayers' funds				
3,545	General funds		2,981	3,545	2,691
3,545	Total taxpayers' funds		2,981	3,545	2,691
	Current assets				
336	Cash		65	80	80
98	Prepayments		77	70	70
3,198	Debtors and receivables	8	2,731	2,993	2,931
3,632	Total current assets		2,873	3,143	3,081
	Non-current assets				
2,062	Fixed assets	9	1,988	2,208	2,145
2,062	Total non-current assets		1,988	2,208	2,145
5,694	Total assets		4,861	5,351	5,226
	Current liabilities				
936	Creditors and payables	10	880	1,360	2,079
801	Provision for repayment of surplus to the Crown		603	6	6
412	Employee entitlements	11	298	440	450
2,149	Total current liabilities		1,781	1,806	2,535
	Non-Current Liabilities				
0	Employee Entitlements	11	99	0	0
2,149	Total Liabilities		1,880	1,806	2,535
3,545	Net assets		2,981	3,545	2,691

This statement is to be read in conjunction with the statement of accounting policies on pages 34-37 and notes to the financial statements on pages 47-52.

STATEMENT OF CASH FLOWS
for the year ended 30 June 1999

30/6/98 Actual \$000		30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates \$000
	Cash flows from operating activities			
	Cash was provided from:			
	Supply of outputs to			
7,477	- Crown	6,988	7,296	6,525
6,926	- Customers	7,422	7,238	7,341
18	Interest	0	6	6
	Cash was applied to:			
(12,775)	- Output expenses	(12,239)	(13,044)	(12,067)
(390)	- Capital charge	(363)	(390)	(387)
	- Other Expenses	(436)	(0)	(0)
1,256	Net cash inflow/ (outflow) from operating activities	1,372	1,106	1,418
	Cash flows from investing activities			
	Cash was provided from:			
13	Sale of fixed assets	10	0	0
	Cash was disbursed for:			
(896)	Purchase of fixed assets	(852)	(779)	(873)
(883)	Net cash inflow/(outflow) from investing activities	(842)	(779)	(873)
	Cash flows from financing activities			
	Cash was disbursed for:			
(655)	Repayment of surplus	(801)	(455)	(801)
(655)	Net cash flows from financing activities	(801)	(455)	(801)
(282)	Net (decrease) in cash held	(271)	(128)	(256)
618	Opening cash and deposits	336	208	336
336	Closing cash and deposits	65	80	80
	Cash and deposits comprises:			
336	Cash	65	80	80
0	Short-term deposits	0	0	0
336		65	80	80

This statement is to be read in conjunction with the statement of accounting policies on pages 34-37 and notes to the financial statements on pages 47 to 52.

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

for the year ended 30 June 1999

30/6/98 Actual \$000		30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates \$000
801	Net surplus/(deficit)from operations	603	6	6
	Other Expenses	(436)	0	(801)
	Add/(less) non-cash items			
684	Depreciation	783	779	742
	Add/(less) movements in working capital items			
(474)	(Increase)/decrease in debtors and receivables	151	245	421
221	(Increase)/decrease in Debtor Crown	336	(189)	(127)
25	Increase/(decrease) in other payables	(70)	260	1182
	Add/(less) investing activity items			
(1)	Net loss/(gain) on sale of fixed assets	5	5	(5)
1,256	Net cash flows from operating activities	1,372	1,106	1,418

This statement is to be read in conjunction with the statement of accounting policies on pages 34-37 and notes to the financial statements on pages 47 to 52.

STATEMENT OF COMMITMENTS*as at 30 June 1999*

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, PABX systems and photocopiers.

	30/6/99 Actual \$000	30/6/98 Actual \$000
Operating commitments		
Leases		
Less than one year	789	525
One to two years	722	337
Two to five years	524	520
Over five years	6	11
Total operating commitments	2,041	1,393
Capital Commitments	0	0
Total commitments	2,041	1,393

The Ministry has not entered into any non-cancellable contracts for building renovations as at 30 June 1999.

(There were no non-cancellable contracts as at 30 June 1998)

STATEMENT OF CONTINGENT LIABILITIES*as at 30 June 1999*

The Ministry had \$32,000 of contingent liabilities as at 30 June 1999.

(The Ministry had \$29,000 of contingent liabilities as at 30 June 1998, relating to employment issues.)

STATEMENT OF UNAPPROPRIATED EXPENDITURE*as at 30 June 1999*

There was no unappropriated expenditure for the year ended 30 June 1999 (1998: \$NIL).

STATEMENT OF DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 1999

30/6/98 Expenditure Actual \$000		30/6/99 Expenditure Actual \$000	30/6/99 Appropriation Voted* \$000
Appropriations for outputs to be supplied by the Ministry (mode B gross)			
1,865	1. Policy advice	892	892
251	GST	112	112
2,116		1,004	1,004
	2. Administration of residential tenancies bond monies*		
3,112	bond monies*	3,334	3,399
0	GST	0	0
3,112		3,334	3,399
	3. Residential tenancies information and advice and dispute resolution*		
8,891	and dispute resolution*	9,139	9,349
656	GST	784	768
9,547		9,923	10,117
13,868	Total (GST exclusive)	13,365	13,640
907	GST	896	880
14,775	Total (GST inclusive)	14,261	14,520

* 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 34-37 and notes to the financial statements on pages 47 to 52.

STATEMENT OF DISCONTINUED ACTIVITIES
for the year ended 30 June 1999

30/6/98 Actual		30/6/99 Continuing Activities Actual	30/6/99 Discontinued Activities Actual	30/6/99 Total Actual	30/06/99 Main Estimates	30/06/99 Supp. Estimates
\$000		\$000	\$000	\$000	\$000	\$000
	Revenue					
0	Revenue-Crown	5,760	892	6,652	7,485	6,652
0	Revenue-other	7,316	0	7,316	6,988	6,988
0	Interest	0	0	0	6	6
0	Total operating revenue	13,076	892	13,968	14,479	13,646
	Expenses					
0	Personnel costs	5,977	640	6,617	7,531	6,854
0	Operating costs	5,389	208	5,597	5,768	5,662
0	Depreciation	755	28	783	779	742
0	Capital charge	347	16	363	390	387
0	Net loss/(gain) on the sale of fixed assets	5	0	5	5	(5)
0	Total expenses	12,473	892	13,365	14,473	13,640
0	Net surplus from operations	603	0	603	6	6

This statement is to be read in conjunction with the statement of accounting policies on pages 34-37 and notes to the financial statements on pages 47 - 52.

STATEMENT OF NON-DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 1999

(Figures are GST-inclusive where applicable)

30/6/98 Expenditure Actual \$000		30/6/99 Expenditure Actual \$000	30/6/99 Appropriation Voted \$000
	Benefits and Other Unrequited Expenses		
<u>2,323</u>	Housing Assistance	<u>712</u>	<u>2,738</u>
<u>2,323</u>	Total	<u>712</u>	<u>2,738</u>

This statement is to be read in conjunction with the statement of accounting policies on pages 34-37 and notes to the financial statements on pages 47 to 52.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1999**

Note 1: Budget Composition

	30/6/99 Main Estimates \$000	30/6/99 Supplementary Estimates Changes* \$000	30/6/99 Supp. Estimates \$000
REVENUE			
Crown	7,485	(833)	6,652
Other	6,988	0	6,988
Interest	6	0	6
Total Revenue	<u>14,479</u>	<u>(833)</u>	<u>13,646</u>
EXPENDITURE			
Personnel Costs	7,531	(677)	6,854
Operating Costs	5,768	(106)	5,662
Depreciation	779	(37)	742
Capital Charge	390	(3)	387
Other Expenses	5	(10)	(5)
Total Expenses	<u>14,473</u>	<u>(833)</u>	<u>13,640</u>
Net Operating Surplus/(deficit)	<u>6</u>	<u>0</u>	<u>6</u>

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

Note 2: Revenue - other

30/6/98 Actual \$000		30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates \$000
7,364	Interest from tenancy bonds	6,802	6,600	6,600
37	Other	514	388	388
<u>7,401</u>	Total	<u>7,316</u>	<u>6,988</u>	<u>6,988</u>

Note 3: Interest Revenue

The Ministry did not have surplus cash to invest with the New Zealand Debt Management Office (NZDMO) in this financial year.

Note 4: Personnel costs

30/6/98 Actual \$000		30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates
5,990	Salaries and wages	5,546	6,124	5,584
1,133	Other	1,071	1,407	1,270
<u>7,123</u>	Total	<u>6,617</u>	<u>7,531</u>	<u>6,854</u>

Note 5: Operating Costs

30/6/98 Actual \$000		30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates \$000
1,344	Administration	1,283	1,384	1,241
479	Communications	602	592	606
714	Computer costs	681	717	719
1,045	Lease costs	944	949	917
34	Audit fees for audit of financial statements	35	34	33
10	Audit fees for other audit services	34	40	42
1,400	Tenancy Tribunal	1,456	1,400	1,464
646	Other	562	652	640
<u>5,672</u>	Total	<u>5,597</u>	<u>5,768</u>	<u>5,662</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 1999 was 11% (1998: 11%).

Note 7: Other Expenses

30/6/98 Actual \$000		30/6/99 Actual \$000	30/6/99 Main Estimates \$000	30/6/99 Supp. Estimates \$000
0	Restructuring Expenses:		0	726
	Audit fees	7		
	Other	429		
0	Recalculation of Employee Entitlements**	75	0	75
<u>0</u>		<u>511</u>	<u>0</u>	<u>801</u>

Restructuring expenses arose from the transfer of Output Class 1: Policy Advice to Vote: Social Services from 1 January 1999.

**Recalculation of Employee Entitlements arose from the Treasury requirement to recognise unvested liabilities for employee entitlements.

Note 8: Debtors and Receivables

30/6/98 Actual \$000		30/6/99 Actual \$000
2,556	Tenancy bond current account	2,465
55	Trade and other debtors	15
74	GST receivable	74
513	Debtor Crown	177
0	Accrued interest	0
<u>3,198</u>	Total	<u>2,731</u>

Note 9 Fixed Assets

	Cost 30/6/99 \$000	Accumulated depreciation 30/6/99 \$000	Net book value 30/6/99 \$000	Net book value 30/6/98 \$000
Office equipment	210	(108)	102	60
Office renovations	1,341	(646)	695	859
Furniture and fittings	130	(70)	60	121
Computer hardware	2,210	(1,502)	708	845
Software	280	(165)	115	177
Vehicles	334	(26)	308	0
Total	<u>4,505</u>	<u>(2,517)</u>	<u>1,988</u>	<u>2,062</u>

Note 10: Creditors and Payables

	30/6/99 Actual \$000	30/6/98 Actual \$000
Trade creditors and accrued expenses	724	766
GST payable	71	75
Miscellaneous	85	95
Total	<u>880</u>	<u>936</u>

Note 11: Employee Entitlements

	30/6/99 \$000	30/6/98 \$000
Current:		
Annual leave	262	112
Resigning Leave	36	300
Non-Current:		
Retirement Leave	26	0
Long-service leave	73	0
Total Employee Entitlements	<u>397</u>	<u>412</u>

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 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

	30/6/99 Actual \$000	30/6/98 Actual \$000
Cash on hand	3	3
Cash held with WestpacTrust	62	333
Accounts receivable	2,474	2,591
Total	<u>2,539</u>	<u>2,927</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 1999 (1998: \$NIL). Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

Note 15: 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

This output class was transferred to Vote: Social Services from 1 January 1999, resulting in the appropriation reducing from \$2.179 million to \$1.004 million.

Output D2 - Administration of Residential Tenancies Bond Monies

The increase in this appropriation reflects a fiscally neutral transfer from output class D3 minus the 1% savings for the Vote required by the Government. The net increase was \$152,000.

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

The increase in this appropriation reflects a net of the following:

- A fiscally neutral transfer from output class D1;
- A fiscally neutral transfer to output class D2;
- A reduction in the Government Superannuation Fund employer contribution rate;
- A reduction in GST due to reduced Revenue Crown requirement.

The net increase in this appropriation is \$86,000.

The main variance between Main Estimates and Actual was in personnel costs (refer Note 4). This was due to delays in recruiting new staff, staff reductions and the transfer of the policy division to the Department of Social Welfare.

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE RESIDENTIAL TENANCIES TRUST ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

We have audited the financial statements on pages 55 to 62. The financial statements provide information about the past financial performance of the Residential Tenancies Trust Account and its financial position as at 30 June 1999. This information is stated in accordance with the accounting policies set out on pages 58 to 59.

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 1999, and the financial results of its operations and cash flows for the year ended 30 June 1999.

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 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 generally accepted auditing standards including 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 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 55 to 62:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 1999; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 1 September 1999 and our unqualified opinion is expressed as at that date.

A J Shaw
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 1999

1998 \$000		Notes	1999 \$000
	Assets		
	Current assets		
3,094	Bank		955
71,248	Investments	1	64,653
1,953	Receivables		2,227
<u>76,295</u>			<u>67,835</u>
	Non-current assets		
19,778	Investments	1	34,721
<u>96,073</u>	Total assets		<u>102,556</u>
	Less current liabilities		
2,556	Payable to Ministry of Housing		2,465
24	Other		17
<u>2,580</u>			<u>2,482</u>
<u>93,493</u>	Net assets		<u>100,074</u>
	Bondholders' funds		
83,887	Opening balance		93,493
9,606	Net increase		6,581
<u>93,493</u>	Closing balance		<u>100,074</u>
	On behalf of the Ministry of Housing		

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 58-62.

STATEMENT OF FINANCIAL PERFORMANCE

for the period ending 30 June 1999

1998		1999
\$000		\$000
	Revenue	
2,250	Interest earned from stock	1,757
5,114	Interest earned from bank deposits	5,045
<u>7,364</u>		<u>6,802</u>
	Expenditure	
7,364	Interest to Ministry of Housing	6,802
<u>0</u>	Operating surplus	<u>0</u>

RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

for the year ended 30 June 1999

1998		1999
\$000		\$000
<u>83,887</u>	Bondholders' funds brought forward 1 July	<u>93,493</u>
0	Total recognised revenues and expenses for the year	0
62,986	Bonds lodged	65,199
<u>(53,380)</u>	Bonds refunded	<u>(58,618)</u>
<u>93,493</u>	Bondholders' funds as at 30 June	<u>100,074</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 58- 62.

STATEMENT OF CASH FLOWS
for the year ended 30 June 1999

1998 \$000		Notes	1999 \$000
	Cash flows from operating activities		
7,159	Cash provided from interest received		6,499
(6,887)	Cash disbursed to interest payments to Ministry of Housing		(6,892)
<u>272</u>	Net cash flows from operating activities	2	<u>(393)</u>
	Cash flows from investing activities		
139,788	Cash provided from proceeds from maturity of investments		136,725
(156,432)	Cash disbursed to purchase of investments		(145,053)
<u>(16,644)</u>	Net cash flows from investing activities		<u>(8,328)</u>
	Cash flows from financing activities		
62,986	Cash provided from lodgement of bonds		65,200
(53,380)	Cash disbursed to refund of bonds		(58,618)
<u>9,606</u>	Net cash flows from financing activities		<u>6,582</u>
(6,766)	Net increase/(decrease) in cash held		(2,139)
9,860	Opening total cash balances		3,094
<u><u>3,094</u></u>	Closing total cash balances at 30 June		<u><u>955</u></u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 58 - 62.

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**

Fair values of the Trust's financial assets and liabilities at 30 June 1999 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 1999 \$000	30 June 1998 \$000
(a) CURRENT		
WestpacTrust	13,679	16,277
National Bank	10,749	14,367
ANZ	22,541	16,368
BNZ	15,702	17,235
Government Stock	<u>1,982</u>	<u>7,001</u>
	<u>64,653</u>	<u>71,248</u>
(b) NON-CURRENT		
WestpacTrust	10,000	
National Bank	5,000	
BNZ	2,000	
Government Stock	8,392	10,474
Electricorp Stock	<u>9,329</u>	<u>9,304</u>
	<u>34,721</u>	<u>19,778</u>

(c) INTEREST RATES

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

	30 June 1999	30 June 1998
Short-term deposits	4.86%	9.05%
Term deposits	7.33%	
Government stock	8.47%	7.88%
Electricorp stock	10.36%	10.36%

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

	30 June 1999 \$000	30 June 1998 \$000
Operating surplus	0	0
Add movements in working capital items		
(Decrease) in interest payable	(90)	476
(Increase) in interest receivable	<u>(303)</u>	<u>(204)</u>
Net cash from operating activities	<u>(393)</u>	<u>272</u>

3 Book value of investments

	30 June 1999 \$000	30 June 1998 \$000
Bank deposits	79,671	64,247
Government and Electricorp Stock	<u>19,703</u>	<u>26,779</u>
	<u>99,374</u>	<u>91,026</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 and Electricorp stock, the fair value of which is the market value of \$21,006,464 (1998: \$27,841,388)

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 1999 \$000	30 June 1998 \$000
Cash held	955	3,094
Accounts receivable	2,227	1,953
Investments	<u>99,374</u>	<u>91,026</u>
Total	<u>102,556</u>	<u>96,073</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 - MANAGEMENT

MANAGEMENT OF THE MINISTRY

HUMAN RESOURCES

Industrial relations

A new collective employment contract was signed on 16 June 1999. The contract covers 43.5% of non-management staff, who are members of the PSA, and has a term of 18 months.

No industrial relations issues arose during the year.

Remuneration policy and performance management

The performance management system, introduced in 1997 has now been operating for two full years. The system is currently being reviewed in order to ensure accountabilities and performance measures and standards accurately reflect any changes in job functions. Extensive consultation has been conducted with staff and managers through workshops and visits to all district offices by the Chief Executive. Market reviews of all Ministry salaries have been carried out as required by the Ministry's remuneration policy. Changes to salaries have been made where market rates for a position increased during the review period.

Human Resource Management Information System (HRMS)

Decision Group Limited (MANTRACK) provides an integrated payroll and human resource management system (HRMS) to the Ministry. Management information is produced regularly for managers on training, payroll, EEO, Health and Safety, recruitment, leave and staffing costs. Direct on-line access to the database is currently being extended to managers so that they can develop their own management reports.

Training and personal development

The major achievements this year have been the introduction of computer-based training and the development of management competencies. Computer-based training has been introduced to provide a more cost-effective means of training staff in the use of software applications at their workstation without the need to attend formal courses. Each individual's progress and performance standard can be monitored electronically. A comprehensive set of management competencies have been developed for second and third tier managers following a series of workshops involving input from staff throughout the Ministry. These competencies will be used in managers' performance agreements for 1999/2000.

Health and Safety

The Ministry prides itself as an employer with effective and comprehensive health and safety policies and processes which have been developed over the past three years. During the reporting period extensive work was conducted reviewing and updating these policies and procedures to ensure the Ministry was well positioned to take advantage of the new workplace insurance regime. An extensive health and safety audit was also conducted by an external authority to ensure the Ministry's complied with best practice in this area.

Equal Employment Opportunities

The Ministry has completed the first year of the new (two-year) EEO Plan. This plan focuses on two key strategies: "Visibility and Leadership", and "Maori and Pacific Island Participation". The first strategy is aimed at improving the promotion of the principles of EEO by all levels of management; the second is to improve responsiveness to and participation by Maori and Pacific Island staff. In line with these strategies:

- EEO competencies for managers were developed and will be incorporated into performance agreements for 1999/2000.
- A Maori EEO issues paper was produced and is being incorporated into the Ministry's strategic planning process.
- The Ministry's EEO Committee and the Maori Network (Poutokomanawa) meet on a regular basis to discuss EEO issues of interest to Maori staff.

The Ministry of Housing's staff profile as at 30 June 1999 is shown in the tables following.

Ministry of Housing Staffing						
Service Units	1997/98		1998/99		Growth in FTE	
	Actual	FTE	Actual	FTE	No	Percent
Executive Management	2.0	2.0	1.0	1.0	-1.0	-50.00%
Policy	19.0	17.9	0.0	0.0	-17.9	-100.00%
Corporate Services	16.0	15.2	15.0	13.8	-1.4	-9.21%
Finance	4.0	3.7	3.0	3.0	-0.7	-18.92%
Tenancy Services Corporate Office	6.0	5.8	4.0	3.8	-2.0	-34.48%
Bond Centre	28.0	26.7	33.0	31.3	4.6	17.23%
Northern Region	36.0	31.8	33.0	29.0	-2.8	-8.81%
Central Region	30.0	26.6	27.0	23.9	-2.7	-10.15%
Southern Region	19.0	17.2	17.0	15.2	-2.0	-11.63%
TOTAL	160.0	146.9	133.0	121.0	-25.9	-17.63%

GENDER	NUMBER	PERCENTAGE	JUNE 1998 %
Female	84	65%	63%
Male	49	35%	37%
Total	133	100%	100%

PRIMARY ETHNICITY	NUMBER	PERCENTAGE	JUNE 1998 %
NZ Maori	10	8%	6.30%
NZ European	73	55%	57.50%
Non NZ European	14	11%	10%
Pacific Islander	13	9.00%	6.30%
Other	14	10.00%	14.30%
Not Stated	9	7.00%	5.60%
Total	133	100%	100.00%

REMUNERATION BY GENDER Salary Level (\$) #	MALE 30/06/99	FEMALE 30/06/99	MALE 30/06/98	FEMALE 30/06/98
0-20,000	0	0		
20,001-30,000	6	23	7	24
30,001-40,000	17	28	19	41
40,001-50,000	19	29	19	29
50,001-60,000	3	2	5	3
60,001 +	4	2	9	4
Total	49	84	59	101

STAFF BY DISABILITIES	NUMBER	PERCENTAGE	JUNE 1998 %
No	105	79	77.5
Yes	19	14.2	15
Not Recorded	9	6.8	7.5
Total	133	100	100

Please note the salary scales used match those in YES report.
ie on YES report Salary band for \$20,001-\$30,000 shows as \$20,000 to \$29,999.

INFORMATION TECHNOLOGY

The key information technology objectives established in the 1996/99 Strategic Business Plan were 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. A new information technology strategy for 1999/2002 is nearing completion.

Enhancements to the systems over the last twelve months include:

- Implementation of a Client Server System for Tenancy Services.
- Upgrade of Tenancy Services workstations to the Windows NT Operating system.
- Upgrade of the Bond Centre and Tenancy Office file servers.
- Upgrades and testing for Y2K.
- Ongoing upgrades to the Wide Area Network.
- Implementation of a Ministry Intranet to enhance internal communications.

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 1999. There was a 3.6% decrease in the amount of floor space occupied by the Ministry due to the transfer of the Ministry's Policy function to the Social Policy Agency and minor changes to accommodation at some local offices. Rental costs have reduced by 2.5% over the 1998 costs despite some local increases due to rent reviews.

During the reporting period the Nelson office was relocated from temporary to permanent premises, and the offices at Takapuna and Rotorua were upgraded to meet higher health and safety standards.

A property management plan for the period 1999 – 2001 is in place and is updated twice a year.

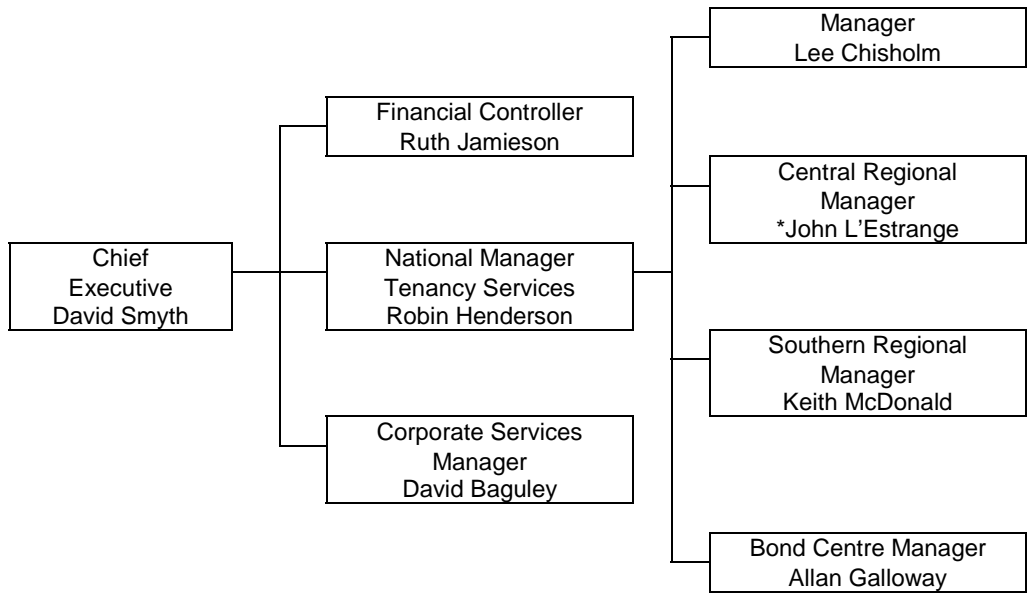
The Ministry has no unoccupied accommodation.

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	\$178	\$5,333
Takapuna	5	182.32	\$35,836	36.46	\$197	\$7,167
Henderson	4	130.25	\$19,000	32.56	\$175	\$5,713
Auckland	13	341.00	\$55,737	26.23	\$163	\$4,287
Manukau	10	305.21	\$39,586	30.52	\$137	\$4,167
Hamilton	5	166.28	\$31,240	33.26	\$257	\$8,566
Tauranga	3	100.54	\$15,100	33.51	\$150	\$5,033
Gisborne	1	30.39	\$3,190	30.39	\$214	\$6,500
Napier	2	40.00	\$9,923	20.00	\$248	\$4,961
Rotorua	2	98.40	\$12,000	49.20	\$158	\$7,788
Palmerston North	5	136.46	\$22,872	27.29	\$173	\$4,730
New Plymouth	3	85.41	\$10,450	28.47	\$143	\$4,071
Lower Hutt	4	158.03	\$20,500	39.51	\$179	\$7,073
Wellington	5	137.10	\$23,828	27.42	\$222	\$6,085
Corporate Office	26	1,062.45	\$186,172	40.86	\$204	\$8,238
Porirua	35	576.32	\$93,511	16.47	\$162	\$2,672
Nelson	2	38.00	\$10,000	19.00	\$263	\$5,000
Blenheim	1	25.10	\$4,500	25.10	\$179	\$4,500
Christchurch	11	324.00	\$40,500	29.45	\$133	\$3,917
Timaru	1	26.00	\$5,720	26.00	\$220	\$5,720
Dunedin	4	173.35	\$18,000	43.34	\$104	\$4,500
Greymouth	1	35.00	\$6,000	35.00	\$171	\$6,000
Invercargill	1	51.00	\$11,520	51.00	\$226	\$11,520
TOTALS:	147	4,312.61	\$691,185			

Notes:

Rentals include cost of official car parks.

Ministry of Housing Management Structure



*Also Principal Tenancy Mediator