



MINISTRY OF  
**HOUSING**  
TE WHARE ĀHURU

# Statement of Intent 2003





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# CHIEF EXECUTIVE'S OVERVIEW

This is the Ministry of Housing's first Statement of Intent and it builds on the Strategic Plan completed last year. Our focus in this document is on what we are trying to achieve, rather than just what we produce. The housing outcomes that are important to the Government and how we intend working to achieve these are our starting point.

Our Statement of Intent reflects the importance of the housing sector in the economy and our thinking about the role of the Ministry in contributing to a rental housing market that provides stable, quality housing for those who choose, or need, to rent their homes.

We will test and develop this Statement of Intent over the coming year in consultation with stakeholders and other government agencies. As a small organisation with limited resources it is important we work together with other agencies to achieve our outcomes.

It is a challenging time for the Ministry of Housing. Changes in the housing sector are impacting on the Ministry and housing issues are taking an increasingly higher profile.

More and more New Zealanders are renting their homes and are increasingly likely to rent for life. The causes are complex and there are a number of social and economic factors contributing to this change. Rental housing is increasingly being provided by the private sector, by a growing number of landlords and property managers, from a range of backgrounds and skill levels. The impact of these trends will be increased demand for the Ministry's services, particularly in the Auckland region, from an increasingly diverse and multi-cultural client base.

The Ministry contributes to an effective housing market and the achievement of the Government's housing outcomes, primarily through its role in relation to the Residential Tenancies Act. We advise on and administer the regulatory framework for landlord and tenant interactions, and influence the residential rental property environment in which people invest. We deliver services to landlords and tenants that help them understand their legal rights and obligations, resolve disputes and conduct their affairs effectively. We also provide purchase advice and performance monitoring of Housing New Zealand Corporation, to assist the Government in the delivery of public housing and other housing initiatives.

The Government's key goals of growing an inclusive and innovative economy for the benefit of all; maintaining trust in government and providing strong social services; and reducing inequalities in housing are our key focus. We have sought to identify outcomes for the Ministry that best define our contribution and link to these goals. Many government agencies contribute to these goals in the housing sector. Our approach has been to clarify and focus on the aspects for which we are primarily responsible, at the same time being aware of the responsibilities and contributions of other agencies and our linkages with them, particularly Housing New Zealand Corporation.

The Ministry recognises the special relationship between the Crown and Māori and works to ensure that this is reflected in its activities.

During the next year significant developments that will impact on the Ministry are:

- the development of a New Zealand Housing Strategy. This will set out the Government's future directions for housing and take an integrated approach to achieving both economic and social objectives in this sector. This work is being led by Housing New Zealand Corporation with the Ministry and other departments involved;
- the Residential Tenancies Amendment Bill, which will extend the coverage of the current Act to include long-term tenancies in forms of accommodation not previously covered by the Act, including boarding houses and some hostels. This will increase demand for the Ministry's services and present some challenges, as many residents of boarding houses are among the more vulnerable and transient in society; and
- a review of the role, purpose and functions of the Ministry of Housing within the broader housing sector, which is planned as part of the Review of the Centre. The State Services Commission will lead this review and the Ministry will be actively participating. This review will be important in defining future organisational roles and functions to best support the achievement of the Government's goals.

These developments are all likely to result in some changes for the Ministry and we are confident in our ability to respond positively to them.

The Ministry has highly skilled people, sound business systems, a wealth of housing data, a broad knowledge of housing issues and strong relationships within the wider housing sector. We have identified some areas where we need to develop our capability and increase our capacity - to enable us to deliver on our outcomes, to meet increased demand for our services and to ensure we can continue to respond to changes in our environment.

Over the coming year we will focus on improving our knowledge and understanding of the rental housing market, developing our service delivery capability to better meet increasing demand from landlords and tenants, and improving our resourcing through better demand forecasting and identification of future funding requirements.

These activities will be key to meeting the challenges of an increasingly dynamic part of New Zealand's economic and social infrastructure.



Katrina Bach  
Chief Executive



## Part A: Strategic Overview



The Ministry of Housing was set up by an Executive Order in Council under section 27(2) of the State Sector Act 1988. It began operating on 1 July 1992.

The Ministry's principal functions are:

- to provide policy advice in relation to, and administration of, the Residential Tenancies Act 1986, including:
  - the provision of information, advice and a dispute resolution service for tenants and landlords; and
  - the receipt, investment and refund of residential tenancies bond monies;
- to administer the State Housing Appeals Authority, which hears appeals relating to Housing New Zealand Corporation's decisions concerning income-related rents and the allocation of state housing; and
- to provide purchase and monitoring advice to the Government with respect to Housing New Zealand Corporation.

## Our Core Roles

- **advice on policy associated with the Residential Tenancies Act**

The Residential Tenancies Act sets out the regulatory framework for the provision of rental housing, including the rights and obligations of landlords and tenants.

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

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

- **prevention and resolution of disputes**

A core role of the Ministry is to prevent and resolve disputes between tenants and landlords that can affect the stability of tenancies. This is important because stable housing is linked to a range of non-shelter outcomes such as better health, education and employment. The Ministry fulfils this role through the provision of a public information and education service and the provision of tenancy advice. The key focuses of these services are to prevent disputes between landlords and tenants and to enable the self-resolution of disputes should they occur.

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

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

- **bond advice and processing**

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

- **bond investment**

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

- **advice on housing sector interventions and Housing New Zealand Corporation's performance**

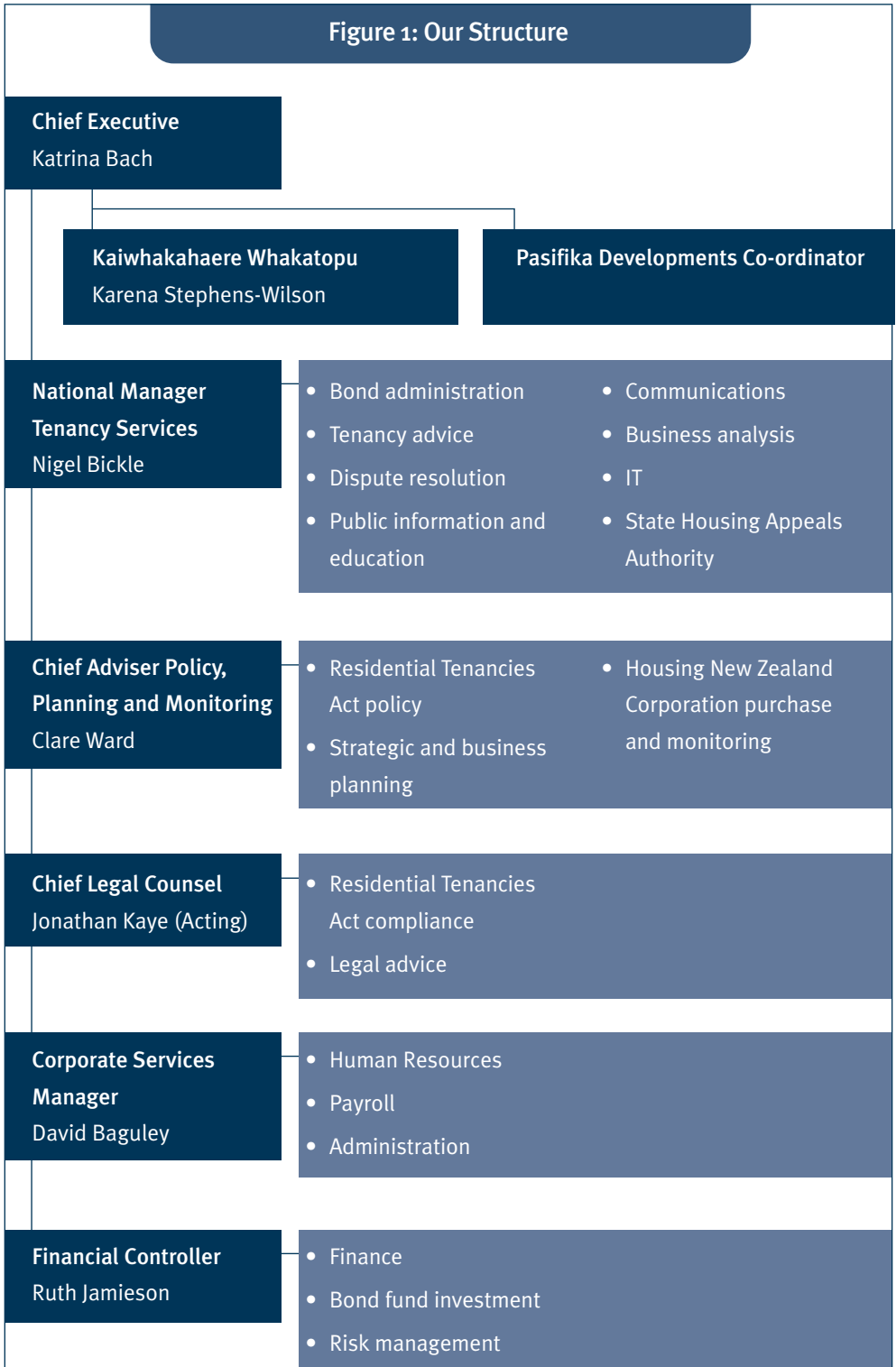
The Ministry provides purchase and monitoring advice with respect to Housing New Zealand Corporation to enable the Government to make informed decisions about the Corporation's performance, the effectiveness of its interventions, its policy work programme and future investment decisions. The Ministry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

## Our Structure

The Ministry employs 140 staff. Its Corporate Office is in Wellington. It has 22 local offices around the country from Invercargill to Whangarei employing 56 mediators and 21 tenancy officers. These offices provide advice, education and mediation as well as administration for the Tenancy Tribunal. The Tenancy Services Centre in Porirua employs 41 staff and handles all tenancy advice calls, bond advice calls and bond processing<sup>1</sup>.

<sup>1</sup> Figures as at 1 April 2003.

Figure 1: Our Structure



## **Te Whare Āhuru and Māori**

The Ministry recognises the special relationship between the Crown and Māori and works to ensure this is reflected in all its activities. In developing our strategic direction and this Statement of Intent, we have taken into consideration the direction provided by the Government's key goals and commitments in relation to reducing inequalities, and to the Treaty of Waitangi and our obligations to be a good employer.

Housing contributes to both social and economic outcomes and as such sits at the nexus of social and economic policy. Housing is integral to the functioning of the national economy. The adequacy of people's housing affects all other aspects of their lives. Shelter is recognised internationally as a basic human right<sup>2</sup>. Our homes influence our well-being, our sense of worth and our ties to our families, communities and work. If we live in stable, quality housing we are more likely to benefit from good health, higher educational attainment and better paid work.

All New Zealanders are involved in housing as consumers, users or investors. Many also rely directly or indirectly on the housing industry for employment. The direct and indirect contributions that housing makes to economic output and growth are important. In a property-owning democracy such as New Zealand's, housing is the main source of capital investment for many in the population and plays an important role in wealth creation and in retirement savings.

Most people in New Zealand today are well housed and are able to satisfy their own housing needs within the private housing market. For the majority, the role of central government is limited to the provision and administration of effective regulatory frameworks that ensure the market works well, that rights and obligations are clearly set out and that there are no unnecessary barriers, disincentives or unnecessarily high compliance costs that reduce people's ability to participate without assistance.

A sizeable minority of New Zealanders face housing problems. These may be short term or of longer duration and range in severity and complexity. Affordability of home ownership and rental accommodation is becoming an issue in some locations. The Government intervenes to reduce the level of housing need by:

- increasing the number of people who can participate in housing markets without assistance by removing policy or legislative barriers; and
- providing or facilitating access to housing through targeted assistance and public housing to those who cannot find or retain housing without assistance.

<sup>2</sup> New Zealand is a signatory to the International Covenant on Economic, Social and Cultural Rights (1966).

## Population and Demographic Change

The population of New Zealand grew by 3% between the 1996 and 2001 Censuses. During the same period, the population of the Auckland region increased by 8%, accounting for 76% of the overall increase. The combination of natural population growth and internal/external migration is putting pressure on the availability of housing in high demand areas such as Auckland. The number of households in New Zealand is projected to increase from 1.285 million in 1996 to 1.527 million in 2011, an increase of 242,000 or approximately 16,000 per annum.

There are a number of demographic changes occurring in New Zealand which have implications for the rental market and the Ministry. New Zealand's population is ageing. Households are getting smaller and the number of households is growing faster than the rate of population growth. This is putting pressure on the demand for housing. New Zealand's population is becoming increasingly culturally diverse which has implications for the way the Ministry provides its services. The growing number of international students coming to New Zealand to study is having an impact on the rental housing market in some areas.

## New Zealand's Housing Market

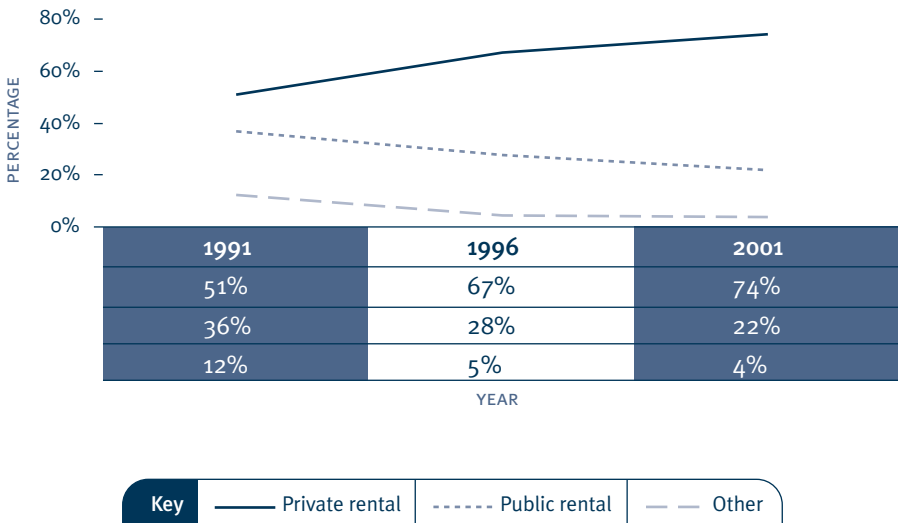
New Zealand's housing market is made up of many local markets. These markets reflect regional and local differences in demand and supply which change over time in response to a range of factors, particularly economic activity, employment, educational opportunities and demographic changes.

The housing market comprises a number of different tenures. The 2001 Census recorded 1,359,843 private occupied dwellings in New Zealand. Of these, 68% were owner-occupied and 32% were not owned by their usual residents. This represents a significant change from the position ten years earlier and indicates that the tenure structure of the country's housing market is changing. Home ownership rates are falling and the rental sector is growing. While the number of households living in owner-occupied housing grew by almost 2% between 1991 and 2001, this tenure's rate of growth has been slower than for the housing market as a whole, which grew by 15%, and the non-owned sector, which grew by 37%. As a result, owner-occupied housing as a proportion of the housing market fell from 74% in 1991 to 68% in 2001 and the non-owned sector grew from 26% to 32% over the same period.

## The Rental Market

The number of households in New Zealand that rented their home increased by 24% between 1996 and 2001. Most of the growth in the rental market has been in the private sector. Of the households paying rent in 2001, 74% were renting from a private landlord or trust and 22% from a public landlord<sup>3</sup>. This pattern represents a significant change from ten years earlier (figure 2) with private landlords accounting for an increasing share of the market. In 1991, 51% of rental households rented from private owners or trusts. By 2001 this percentage had risen to 74%.

Figure 2: Changes within the Rental Market 1991-2001



Rental market growth has not been even throughout New Zealand. The areas with the highest growth between 1996 and 2001 were West Auckland (45%), South Auckland (42%), North Auckland (40%) and Tauranga (39%).

### Who lives in the rental market?

Although more research is needed to fully understand the factors driving the growth in the rental market, some of the factors that have been identified as contributing to this trend include population growth and increasing household formation rates; low-income people being unable to afford home ownership due to rising house prices, unemployment

<sup>3</sup> Public landlords include Housing New Zealand Corporation, local authorities and other government-owned housing. These figures only include households who identified their landlord.

and less secure employment; younger households delaying home ownership because of delayed family formation and student loans; and high-income households choosing to rent to enable greater flexibility to move for employment opportunities. Trends related to changing lifestyle preferences and needs, growing household diversity and labour market flexibility are likely to continue.

Low-income households are more likely to rent their accommodation than those in higher income bands. Māori and Pacific households are also over-represented in the rental market as are one-parent, single person and extended family households.

There is a high degree of movement within the rental market. The average duration of all tenancies that ended in the year ending December 2002 was less than 15 months. However, this average is affected by a number of tenancies that last for a long time. More than half of all tenancies that ended in the year to 31 December 2002 ended within ten months, 33% within six months and 13% within three months. Māori, Pacific People, low-income households and the unemployed are over-represented in the proportion of tenancies that end within six months.

Short tenancies can make it difficult for some tenants to maintain schooling and contact with health professionals, social linkages and networks and to participate in their communities. This can have a negative impact on health, education and other social outcomes. There are financial costs associated with moving and setting up a new home and potentially negative effects of sharing accommodation with others where this results in overcrowding.

## **Māori in the rental housing market**

There are distinct differences in the housing tenure patterns of Māori and non-Māori households. Māori households are less likely than their European counterparts to own the houses in which they live. In the 2001 Census, 43% of households that identified as Māori were paying rent for their housing compared with 23% of European households. Māori households also fare less well than European households in the private rental market and are more likely to rent from Housing New Zealand Corporation. Māori households tend to be over-represented in areas where there are a higher proportion of short-term tenancies.

## **Who supplies the residential rental market?**

The residential rental market is supplied by one large public sector landlord (Housing New Zealand Corporation), a range of other public and third sector providers and a large number of private sector landlords.

An estimated 20% of owners employ property managers to manage their properties for them. As with owners there is considerable diversity among property managers in terms of their experience and skill. Property managers in New Zealand are not required to be licensed or registered but many are licensed real estate agents and are governed by the requirements of the Real Estate Agents Act 1976. The recent boom in investment rental properties has seen an increase in the number of first time landlords and independent property managers entering the market.

### **Why do people invest in residential rental property?**

Individuals invest in rental housing for a range of reasons. Most buy rental units as an investment but approximately 20% have entered the market unintentionally. The main attractions of residential property as an investment include the low cost of entry to the market and the relatively low cost of growing a portfolio. Potential returns over the long run are also an attraction as is the ability to reduce taxable income by negative gearing. The prospect of capital gain without having to pay capital gains tax is also seen as an advantage.

### **Legislative Change**

The Residential Tenancies Amendment Bill is currently before Parliament. This Bill broadens the scope of the Residential Tenancies Act to include long-term tenancies in forms of accommodation not previously covered by the Act, including boarding houses and some hostels. This will present challenges for the Ministry since many residents of boarding houses are among the most vulnerable and transient in our society.

### **The New Zealand Housing Strategy**

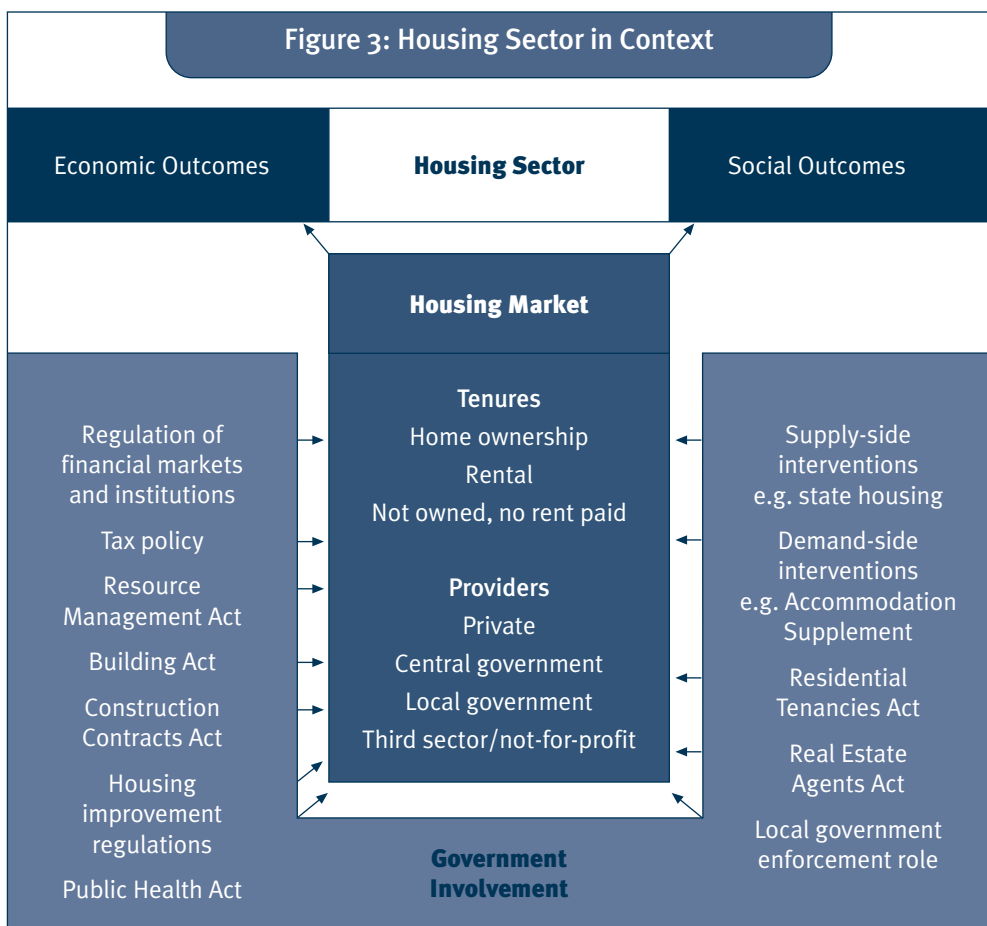
The Government has asked Housing New Zealand Corporation to co-ordinate the development of a New Zealand Housing Strategy. This Strategy will set out the future direction for housing and the role of government in the sector. It will focus on both the social and economic aspects of housing. The Ministry is playing an active role in the development of the Strategy.

### **Government Involvement in the Housing Sector**

Government policy and activity directly affect the housing sector in a number of ways: through economic policy and macro-economic settings which influence interest rates and investment; through regulation of financial institutions, tax policy, legislation of rental and leasehold agreements, land and property titles, safety regulation and health and

building standards; and through public housing and social service delivery, planning and resource management requirements.

A wide range of government agencies are involved in regulating or participating (directly or indirectly) in the housing sector (figure 3). Local government, community and not-for-profit organisations, churches and iwi are also active. The Ministry of Housing’s role focuses on the regulatory framework covering the residential rental market and delivering services to landlords and tenants.



## Implications of this Environment for the Ministry of Housing

There are a number of implications of this environment for the Ministry.

### Growing business volumes as a result of a growing rental market

Population growth, shifting tenure patterns and social changes are resulting in increasing demand for rental housing. The impact of these trends for the Ministry of Housing will be increased demand for our services, particularly in the Auckland region, from an increasingly diverse and multi-cultural client base. There will continue to be new tenants and landlords entering the market who are not aware of their rights and obligations, or of quality property management practices.

For some time, the Ministry has experienced strong growth in demand for its services. We have taken action to deal with this demand by reprioritising performance levels and by redirecting resources to try to meet this demand. Our performance is, however, under pressure and we have little capacity to deal with the increasing demand for our services. This raises the issue of ongoing resourcing requirements for the Ministry.

### New groups of customers

The increasing diversity, particularly ethnic diversity, of the rental market provides challenges for us as an organisation. These include the ability of our staff to provide services to people from a wide range of backgrounds and the effectiveness of our information and education in meeting the needs of diverse customer groups.

### Residential Tenancies Amendment Bill

The proposed extension of the Residential Tenancies Act to include new forms of accommodation such as boarding houses is likely to increase demand for our services from new, and potentially vulnerable, customer groups. This will require us to develop the capability to meet the needs of these new customers. It will be important to ensure that boarding house residents and landlords are aware of their rights and obligations under the new legislation and that they are able to exercise these rights. This may involve us communicating and delivering our services in new ways. Implementation of the amended Act will be a key area of activity for the Ministry in the coming year.

### Investment patterns in the rental market

The nature of the rental market provides a number of challenges for the Ministry. Most landlords entering the market do so because they see residential rental property as a good investment rather than seeing themselves in the business of providing people with homes.

As a result there is often a mismatch between the needs of the landlord as investor and those of the tenant who wants a stable home. This has policy and service delivery implications for the Ministry.

### **Large number of small landlords with varying levels of experience and skill**

Although many of the country's landlords are known to the Ministry, those who don't take bonds are not. Some landlords are very experienced and employ good property management and business practices, others are new to the business and are inexperienced. The challenge for the Ministry is to reach this large and varied audience with messages that are targeted to its needs. This task is made more difficult by the low use of property managers or representative groups by landlords in New Zealand.

### **A collaborative approach**

The large number of government agencies involved in the housing sector, either developing policy or delivering services, means that decisions by other agencies may impact either positively or negatively on the rental housing market and the achievement of the Ministry's outcomes. This means that it is important that we work collaboratively with other government and non-government agencies on the development of policy and service delivery initiatives in order to minimise the risk of negative impacts and to realise the benefits of positive ones.

We are currently working with Housing New Zealand Corporation on a range of initiatives including a joint project looking at improving management of rental arrears and on the development of the New Zealand Housing Strategy. We are also working with a number of other government agencies, notably the Ministry of Social Development, the Department for Courts and the Ministry of Education to share information and improve our processes and service delivery to improve outcomes for our clients. Joint initiatives include a Memorandum of Understanding for the administration of the Tenancy Tribunal with the Department for Courts and a project to enable the provision of addresses by the Ministry of Social Development for enforcement purposes. Finally, we are working with non-government agencies such as Citizens Advice Bureaux and Budget Services to develop better ways of working and to increase the effectiveness of our services.

The direction set out in this Statement of Intent builds on the direction set out in the Ministry's Strategic Plan for 2002-2006, 'Supporting Sustainable Housing: Tautoko e Te Whare Āhuru mo ake tonu'. The Strategic Plan was the result of a planning process that involved all the Ministry's staff as well as a range of external stakeholders.

As a result of the Statement of Intent process we have:

- further developed our strategic direction to incorporate our recognition of the importance of housing in the economy and of the role the Ministry plays in ensuring the rental market is effective;
- clarified our role and functions; and
- made our outcomes more precise.

## Our Vision

### Vision

All people in New Zealand enjoy stable, quality housing in strong and viable communities.

This is a future where people in New Zealand have access to stable, quality housing in strong and viable communities, where the rental market provides stable, quality housing for those who choose or need to rent their homes. It balances the needs of tenants to have a home with those of landlords to manage their business investments effectively. Tenants and landlords will enjoy positive relationships and there will be fewer residential tenancy disputes. When disputes do occur they will be resolved by those involved but, where recourse to the state is necessary, disputes will largely be resolved out of court.

There are a number of outcomes that contribute to the achievement of this vision and many agencies that contribute towards the achievement of these outcomes. This document deals with those outcomes to which the Ministry makes a contribution.

## Our Outcome Framework

The activities planned within each of the Ministry's output classes will contribute towards the achievement of the Ministry's intermediate outcomes, outcomes and vision. This in turn will contribute towards the achievement of the Government's key goals. The Ministry's Outcome Framework is illustrated in figure 4.

Figure 4: Our Outcome Framework

**Key Government Goals**

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

**Vision**

All people in New Zealand enjoy stable, quality housing in strong and viable communities

**Outcome**

A rental housing market that provides stable, quality housing for those who choose or need to rent their homes: balancing the needs of tenants to have a home and of landlords to manage their business investments effectively

**Outcome**

Government decisions related to Housing New Zealand Corporation are informed by quality purchase and monitoring advice from the Ministry of Housing

**Intermediate Outcomes**

- The Residential Tenancies Act provides an effective regulatory framework that balances the needs of tenants and landlords
- Tenants and landlords are aware of and meet their obligations at the start, during and at the end of tenancies
- Increased duration of tenancies for tenants most likely to face difficulties retaining their rental housing

**Intermediate Outcome**

The Ministry's purchase and monitoring advice on Housing New Zealand Corporation is evidence based, accurate and considers risks and options

**Strategy 1**

Monitor the rental market and work with landlord and tenant groups to identify and address any barriers or issues with the regulatory framework or the Ministry's service delivery that are reducing the effectiveness of the private rental market for landlords and tenants

**Strategy 2**

Improve the quality of business and property management practices used by landlords and property managers in New Zealand

**Strategy 3**

Prevent and resolve disputes that affect the stability of rental housing with a particular focus on increasing the ability of 'at risk' groups to retain their rental housing and reducing the incidence and level of rent arrears

**Strategy 4**

Improve the quality of the Ministry's purchase and monitoring advice by using information from market monitoring; increasing knowledge and understanding of housing issues; and learning from other purchase and monitoring agencies

**Outputs**

- Market monitoring/policy advice with respect to the Residential Tenancies Act

**Outputs**

- Public information/education
- Tenancy advice
- Dispute resolution
- Tenancy Tribunal administration
- Compliance
- Bond lodgements
- Bond refunds
- Bond advice
- Bond fund investment

**Outputs**

- Housing agency purchase and monitoring advice
- State Housing Appeals Authority

## Measuring Success

To enable us to assess progress towards achieving our outcomes, we have developed performance measures for our outcomes, intermediate outcomes and outputs. These measures have been developed so that the output measures support the intermediate outcome measures, which in turn contribute to the outcome measures.

The Ministry has considered a number of indicators for measuring changes in our high-level outcomes over time. These include:

- average length of tenancy;
- churn in tenancies;
- number of households housed by the private rental sector; and
- churn in the supply of housing provided by the private rental sector.

We have developed the following intermediate outcome measures:

- tenant and landlord satisfaction with the Residential Tenancies Act and the processes provided within this;
- reduction in the number of tenancy disputes as a proportion of bond lodgements;
- length of tenancy for ‘at risk’ groups; and
- ministerial satisfaction with the quality of the Ministry’s purchase and monitoring advice.

Over the next year, we will do more work to:

- assess the suitability of the high-level indicators as measures of our outcomes and develop new indicators if required;
- identify and address any issues with data collection and monitoring; and
- evaluate and confirm if the intermediate outcome measures are the right measures.

We have further developed our output performance measures during this process to make them more outcome focused. During our business planning process we will develop measures for our business units and staff that link to our outcome, intermediate outcome and output measures. This will ensure that our activities are directed towards achieving our outcomes and enable staff to see how they contribute to these.

This section outlines our outcomes, intermediate outcomes and outputs. It shows the links between these and the key strategies that we intend to follow to enable us to achieve our outcomes.

## Outcome

A rental housing market that provides stable, quality housing for those who choose or need to rent their homes: balancing the needs of tenants to have a home and of landlords to manage their business investments effectively.

The outcome the Ministry is seeking is a rental housing market that provides housing for those who need it. Tenants who choose or need to rent will be able to find and keep homes that meet their needs. Landlords will choose and continue to invest in rental housing because they are able to make a return on their investments, protect their assets and manage their businesses effectively.

A range of factors influence this outcome, many of which are outside the Ministry's control. The Ministry's activities are directed towards achieving three intermediate outcomes, which contribute to the above outcome. These are:

- **the Residential Tenancies Act provides an effective regulatory framework that balances the needs of tenants and landlords**

An effective regulatory framework is one of the factors that contributes to a viable rental market and is an indicator of progress towards achieving the outcome. The Residential Tenancies Act provides the regulatory framework that sets the standards, rights and obligations for tenants and landlords within a tenancy relationship. For it to be effective, it needs to balance the right of tenants to enjoy their homes with the right of landlords to run their businesses. It needs to set out the rights and obligations of the parties and include processes for dispute resolution that are fair, fast and inexpensive. For the regulatory framework to be effective, the outcomes of dispute resolution must be able to be sustained or enforced. The Ministry will balance the needs of tenants and landlords and ensure that in seeking to achieve positive outcomes for one group, it does not do it at the expense of the other.

- **tenants and landlords are aware of and meet their obligations at the start, during and at the end of tenancies**

To enable tenants to retain their homes and for landlords to manage their businesses effectively, tenants and landlords need to understand and meet their obligations under the Residential Tenancies Act at the start, during and at the end of tenancies. Landlords need to be aware of, and use, quality business and property management practices

to select tenants and be proactive about addressing issues immediately and in a positive way to reduce the risk of losses and increase the likelihood of good outcomes. A good relationship between the tenant and landlord based on effective communication and meeting obligations will enable most issues to be resolved and the tenancy to continue.

- **increased duration of tenancies for tenants most likely to face difficulties retaining their rental housing**

There are some groups of tenants who are unable to find and keep suitable housing for the period of time they need it. They leave their tenancies after a short period of time, with negative impacts on health, education and employment outcomes. If these tenants are better informed about their rights and obligations under the Residential Tenancies Act, and the consequences of not meeting these, they may be more likely to meet their obligations and to act early if issues arise, enabling them to keep their homes.

We contribute to these intermediate outcomes by:

- providing policy advice associated with the Residential Tenancies Act;
- providing public information, education and advice to tenants and landlords about their rights and obligations under the Residential Tenancies Act, good property management and business practices and factors that tenants should consider when selecting properties;
- providing dispute resolution services that improve the ability of tenants to remain in their tenancies, or keep future tenancies, and of landlords to run their businesses;
- administering bonds to reduce risks for landlords and tenants; and
- compliance interventions to encourage tenants and landlords to meet their obligations.

We have identified three key strategies to enable us to achieve our outcomes.

**Strategy 1: Monitor the rental market and work with landlord and tenant groups to identify and address any barriers or issues with the regulatory framework or the Ministry's service delivery that are reducing the effectiveness of the private rental market for landlords and tenants**

The Ministry of Housing has a wealth of information about the rental market and strong relationships with landlord and tenant groups. We intend to use the information we have and integrate it with data from other agencies to monitor trends in the rental market. In particular, we intend to work collaboratively with Housing New Zealand Corporation to share information and minimise duplication. Through this market monitoring, our existing relationships with key client groups and developing new relationships with other participants in the rental market, we will be able to identify issues and barriers within

the regulatory framework and the Ministry's service delivery that are reducing the effectiveness of the rental market for landlords and tenants. This information will be used to provide the Government with advice about possible interventions to remove barriers or address issues created by the legislative and policy environment and to improve the Ministry's service delivery.

### **Strategy 2: Improve the quality of business and property management practices used by landlords and property managers in New Zealand**

We intend to work with landlords, property managers, landlord groups and financial institutions to encourage landlords to adopt quality business and property management practices. The Ministry's primary approach will be the use of landlord education and information to raise knowledge and awareness. We will:

- encourage and assist Housing New Zealand Corporation, local authorities and large property management firms to incorporate best practice property management practices into their business processes;
- provide public information and education through landlord groups and financial institutions;
- deliver seminars for landlords about rights and obligations and quality property management practices;
- send information with new bond lodgements to new landlords; and
- focus our compliance activity on unlawful practices.

### **Strategy 3: Prevent and resolve disputes that affect the stability of rental housing with a particular focus on increasing the ability of 'at risk' groups to retain their housing and reducing the incidence and level of rent arrears**

Over the last year we have focused on reducing the number of disputes that occur and increasing self-resolution rates and the number of cases settled out of court. Activities have included:

- working collaboratively with both government and community agencies to understand the causes of disputes and to develop solutions;
- increasing the self-resolution focus of the advice we provide to tenants and landlords to encourage them to resolve tenancy issues between themselves;
- expanding our public information and education activities;
- increasing the flow of applications to mediation by reducing the number of applicants who waive mediation and increasing the proportion of people who attend mediation; and
- expanding our compliance activities focused on education, voluntary compliance and, where appropriate, prosecution.

New areas of focus are:

- **increasing the ability of ‘at risk’ groups to retain their rental housing**

We have identified certain groups that do not fare as well as others in the rental market. As identified in our analysis of the rental market on page 12, Māori, Pacific People, low-income households and the unemployed are over-represented in areas where a high proportion of tenancies end within six months. We intend to target public information and education about rights and obligations under the Residential Tenancies Act towards these groups and to provide information to other agencies such as Housing New Zealand Corporation and the Ministry of Social Development about trends that may inform their policy development and service delivery.

The Ministry will deliver its public information and education in the most effective way for the audiences targeted. This includes:

- working with other organisations that work with or on behalf of ‘at risk’ groups, training their staff, making our information available through their venues, delivering joint presentations and including our messages in their publications; and
- using a variety of delivery channels including published materials, website, radio and market stalls.

Over the next year we intend to start evaluating the effectiveness of our public information and education programme. This will include surveying general awareness about Tenancy Services and knowledge of rights and obligations and gathering information about the success of different initiatives in reaching target audiences.

- **reducing the incidence and level of rent arrears**

During the six months ending December 2002, more than 75% of applications to the Ministry for dispute resolution were for rent arrears. Rent arrears may impact not only on the tenant’s ability to stay in their current tenancy but also on their ability to access and maintain future tenancies.

We will work with landlords and tenants to encourage early intervention to address rent arrears. If landlords and tenants take action immediately when only a small amount of rent is owing, it is more likely that tenants will be able to catch up on their arrears. Landlords may be more willing for tenants to make an arrangement to pay off their arrears and tenants will continue to stay in their homes. If tenancies do end, early intervention will reduce the level of debt for tenants and increase their likelihood of keeping future tenancies. If landlords are able to make a return on their investments, they are more likely to continue to provide rental housing.

Activities planned in this area include:

- reducing the time it takes for rent arrears disputes to be resolved out of court;
- providing information about the benefits of early intervention to landlords and tenants;
- working with property managers and landlords to improve their management practices; and
- collecting and analysing data to better understand the causes of rent arrears.

### Outcome

Government decisions related to Housing New Zealand Corporation are informed by quality purchase and monitoring advice from the Ministry of Housing.

The Ministry is responsible for providing the Government with purchase and performance monitoring advice on Housing New Zealand Corporation. The Crown has a significant investment in Housing New Zealand Corporation and the Corporation is responsible for giving effect to the Crown's social objectives in a businesslike manner. The Ministry provides purchase and monitoring advice to enable the Government to make informed decisions about the Corporation's performance, the effectiveness of its interventions, its policy work programme and future investment decisions. For this advice to be useful it needs to be evidence based and accurate and to consider the risks and options presented.

We have identified one key strategy to enable us to achieve our outcome.

#### **Strategy 4: Improve the quality of the Ministry's purchase and monitoring advice by using information from market monitoring; increasing knowledge and understanding of housing issues; and learning from other purchase and monitoring agencies**

We will further develop the capability of the Policy, Planning and Monitoring Unit to improve the quality of Ministry's purchase and monitoring advice by:

- using information from our rental market monitoring in our purchase and monitoring role;
- increasing our knowledge and understanding of housing issues; and
- learning from other purchase and monitoring agencies.

# MANAGING THE MINISTRY TO ACHIEVE RESULTS

To achieve our outcomes now and in the future we need the capability to respond effectively to the needs of our clients in a changing environment, the capacity to deliver effective and efficient business service performance and results and ongoing capability to provide the Government with high-quality advice that informs good decision-making.

## Strengths

Over the past 18 months we have developed and started the implementation of a five-year Strategic Plan for the Ministry. This Plan is primarily focused on the role of Tenancy Services and the outcomes that we are seeking to achieve for landlords and tenants. The development of the Plan involved staff and a range of external stakeholders and successfully aligns the Ministry's service delivery activities with its outcomes. Among staff there is a high level of understanding of, and commitment to, the strategic direction and what it means for how and why we do our business.

This Statement of Intent builds on the Strategic Plan. By necessity of a limited timeframe the consultation around our first Statement of Intent has been less comprehensive. This is something that we intend to address as our Statement of Intent evolves.

We have a highly experienced, capable and motivated workforce which is supported by good systems, processes and infrastructure. We have a broad understanding of housing issues and knowledge of the rental market at both national and local levels. Our knowledge and understanding of housing issues are informed by our strong operational relationships with government and community organisations working in the housing sector and tenant and landlord groups.

We have recently developed and implemented a new business model which centralises all tenancy advice calls, bond advice calls and processing at the Tenancy Services Centre, leaving regional staff to focus on preventing and resolving disputes that affect the stability of rental housing. As part of our move to the new model we have developed, and are implementing, a quality assurance framework.

Over the next year we plan to build on these strengths and realise the benefits from our strategic direction, new business model and tenancy system (our new IT system).

## Areas for Development

In developing the strategic direction set out in this Statement of Intent, we have identified that we need to:

- develop our ability to monitor, forecast and respond to changes in the residential tenancy market;
- further develop our ability to provide the Government with high-quality advice on the rental housing sector;
- develop strategic relationships across government to achieve common outcomes;
- further develop our compliance role;
- continue to develop the practice of mediation within the Ministry;
- continue to develop our ability to work effectively with Māori and Pacific clients to achieve improved outcomes for these groups;
- continue to develop our staff capability; and
- continue to use IT to add value to our business.

### **Develop our ability to monitor, forecast and respond to changes in the residential tenancy market**

The Ministry is operating in a dynamic environment. The residential rental market is growing rapidly and is becoming increasingly diverse. Our ability to monitor trends in this market and forecast the impact of these on our business is limited and we plan to develop this capability in the coming year. We have already taken the first steps in developing a demand forecasting model for Tenancy Services and will integrate this with our strategic, financial and business planning processes.

The Ministry has a wealth of data on the rental market. Over the coming year, we plan to develop the systems, processes and capacity to make better use of our data to inform our advice, planning and service delivery. We also plan to develop measurement and reporting systems around our outcomes and to support decision-making on priorities. This will include developing ways to measure the effectiveness of our interventions. We plan to work with others as we develop this capability to avoid duplication and to benefit from what others have done.

## **Further develop our ability to provide the Government with high-quality advice on the rental housing sector**

The Ministry is responsible for providing the Government with purchase advice on investment decisions for Housing New Zealand Corporation and policy advice in relation to the Residential Tenancies Act. We need to strengthen our capability in this area to both deepen our knowledge and skills and ensure we have the capacity to respond. In doing this we will work with Housing New Zealand Corporation to minimise duplication.

## **Develop strategic relationships across government to achieve common outcomes**

As a small agency the Ministry needs to work with others to achieve its outcomes. The Ministry has strong relationships with a range of government and community organisations at an operational level. Over the past year, we have concentrated on taking a proactive approach with other agencies such as Housing New Zealand Corporation, Department for Courts, Work and Income New Zealand, Citizens Advice Bureaux and Budget Services to develop better ways of working together to increase the effectiveness of our services for our clients. We now need to build on this strong operational base and develop relationships at a more strategic level. This will improve our understanding of the wider housing policy environment and of issues affecting housing and the work we do. This will enable us to contribute more effectively at an inter-departmental level to government policy development, ensure better alignment of service delivery and provide an opportunity to explore joint initiatives.

## **Further develop our compliance role**

Over the past year, the Ministry has taken an increasingly proactive approach to its compliance role. Key areas of focus have been education and information, the development of strategic partnerships with other agencies such as the Fire Service and the Ministry of Consumer Affairs and the taking of public interest cases to the Tenancy Tribunal for substantive breaches of the Residential Tenancies Act. We plan to continue with this approach and build on the work done so far. To support this we will develop the capacity and capability of the Legal and Compliance Unit.

## **Continue to develop the practice of mediation within the Ministry**

A key focus of the Ministry is to resolve tenancy disputes between tenants and landlords in out of court settings wherever possible. We are committed to continuing to develop the skills of our mediators and improving our mediation practices. An important part of this has been the appointment of an external Practice Development Adviser.

Key initiatives include:

- working with other organisations providing mediation services such as the Human Rights and Race Relations Commissions to improve mediation capability within the public sector by providing opportunities for mediators to network and improve their skills. The focus of this work will be on the development of joint training programmes and the development of professional and practice standards for mediators;
- working with staff at Victoria University of Wellington to develop a government mediators' forum;
- creating supervising mediator roles as part of the development of the new business model. The focus of these roles is on improving the quality of mediation through practice leadership, coaching and development; and
- developing and implementing the mediator succession programme aimed at providing non-mediation staff with the opportunity to become mediators in the future. This programme will run again in 2003/04.

### **Continue to develop our ability to work effectively with Māori and Pacific clients to achieve improved outcomes for these groups**

The Ministry is able to influence housing outcomes for Māori and Pacific People through the services it provides, its policy advice on the Residential Tenancies Act and through its Housing New Zealand Corporation purchase and monitoring role. Given the number of Māori and Pacific People in the rental market the Ministry is focused on ensuring that it:

- provides, or facilitates the provision of, education, information, advice and dispute resolution services in a culturally sensitive, appropriate and responsive fashion;
- develops the cultural competency of its staff so that they are able to deal with Māori and Pacific customers confidently and effectively; and
- attracts and retains Māori and Pacific staff within the Ministry through recruitment and career development opportunities.

Over the last year the Ministry has been focusing on increasing awareness among Māori and Pacific clients of the services provided by Tenancy Services and of landlord and tenant rights and obligations. The Ministry has recently received an increase in its appropriation that will enable it to extend these 'pilot' campaigns to regular promotional and educational programmes and to translate information materials where appropriate. The Ministry is currently working on ways to measure the effectiveness of its activities in this area. In the coming year, the Ministry plans to conduct focus groups with target groups (including Māori and Pacific People) to assess the effectiveness of its information.

Many of the Government's responses to inequalities between Māori, Pacific People and others in the housing market are delivered through Housing New Zealand Corporation. The Corporation is also responsible for providing the Government with advice on Māori and Pacific housing issues and policy responses. The Ministry intends to ensure that consideration of Māori and Pacific housing issues is covered in its purchase and monitoring role and will work with Te Puni Kōkiri and the Ministry of Pacific Island Affairs to do this.

### **Continue to develop our staff capability**

The Ministry is planning a number of activities aimed at developing and retaining the people capability we need to achieve our outcomes. A number of these activities have already been described in this section. Other initiatives include the following.

- The Ministry has recently developed and implemented a new integrated development planning and performance management system. Our focus over the coming year will be on bedding in the new system and working with managers and staff to ensure that both are active participants and that there is consistent implementation across the organisation.
- As a small Ministry with limited resources, we often find it challenging to recruit and retain the staff we need and are looking at a range of ways to address this. The increasing diversity of the rental market is likely to represent a growing capability challenge in future years. The Ministry will develop a recruitment and retention strategy that focuses on attracting and retaining people with the skills we need. This will include a number of initiatives. While we have had success in recruiting Pacific mediators into the Ministry, we have been less successful in recruiting Māori mediators. We plan to address this by providing opportunities for non-mediation Māori staff to develop mediation skills, and by developing a strategy to recruit more Māori staff into our mediation service.
- In our corporate area it is often difficult to recruit and retain specialist staff. To address this issue we plan to focus on clarifying what skills are needed in-house and what could be brought in on an 'as required' basis; exploring opportunities for establishing partnerships with other agencies for back-up and/or shared services; improved recruitment practices; and the use of secondments within, and external to, the Ministry as a way of providing career development opportunities for staff and bringing in skills and knowledge.
- We are committed to providing Māori and Pacific staff with opportunities to progress within the Ministry. Our mediator succession programme is one element of this. We are also looking at other opportunities in this area including the use of internal and external secondments.

## Continue to use IT to add value to our business

We will continue to use information technology where it adds value by assisting us to be more efficient and effective in service delivery and to enable us to do things differently (and to do different things). The Ministry's website provides comprehensive information and resources for landlords and tenants to assist them with tenancy arrangements. During the nine months ending March 2003, there were 160,044 visits to the Ministry's website, 67.1% more than the same period last year.

## Financial Strategy

To achieve the strategic direction outlined in this Statement of Intent, we need to ensure that the Ministry has the financial capability to meet demand for its services, now and in the future. To do this we need to have a funding model that is responsive to changes in demand. We also need to ensure that our resources are aligned with our changing business needs.

The Ministry currently has a fixed appropriation which is funded through a mix of revenue from the Crown and revenue from interest on the Residential Tenancies Trust Account and fees for applications to the Tenancy Tribunal. The amount of non-Crown revenue generated is determined by interest rates, the growth of the Residential Tenancies Trust Account and the number of applications to the Tenancy Tribunal.

Over the last year we have focused on developing strategies to optimise our resource allocation. We have freed up resources from overheads and lower-priority activities and reinvested these in service delivery activities and key business strategies. We are, however, at the limits of our appropriation and there is little, if any, scope for further reprioritisation.

Increasing demand business volumes, particularly for tenancy services, are putting pressure on our ability to respond within current appropriations. We are currently analysing the drivers of the increase in demand for our services and preparing forecasts of future demand. This will enable us to put a case to the Government for appropriate ongoing levels of funding for 2003/04 and outyears as directed by Cabinet. This analysis will include an assessment of the impact of the Residential Tenancies Amendment Bill, currently before the House, on demand for our services.

The current booming rental property market is causing the Residential Tenancies Trust Account to grow and applications to the Tenancy Tribunal to increase, with the result that interest and fee revenue are both increasing. However, within the Ministry's current funding framework this increase in revenue is only available to meet the resulting increases in demand for our services through ad-hoc requests to the Government. A more responsive

model would be preferable. When considering the Ministry's funding, we intend to look at how we could move from our current static funding model to one that is more responsive to changes in demand.

The risks to achieving our outcomes, together with how we propose to manage these, are set out below. These can be summarised as strategic, operational, financial and capability risks. We plan to enhance our risk management capability during the year and to ensure that this is incorporated into the way we work.

Strategic	
Risk	Risk Management Strategy
There is a mismatch between the investment drivers and needs of landlords and the need of many tenants for a stable home.	<p>Better understand the structure and drivers of the rental market, property rights and financial market issues.</p> <p>Develop our ability to provide the Government with high-quality policy advice on the rental housing market and appropriate regulatory responses in relation to the Residential Tenancies Act.</p>
The number of government agencies involved in housing issues results in duplication and conflicting priorities.	Work collaboratively with other agencies to ensure an integrated approach to housing issues.
The forthcoming review of the Ministry creates uncertainty which impacts negatively on the ability of the Ministry to carry out its role and functions.	Ensure active participation of staff in the review so that it is viewed as an opportunity.
Operational	
Risk	Risk Management Strategy
Unable to meet increasing business volumes through lack of resources.	<p>Develop our ability to monitor, forecast and respond to changes in the residential tenancy market.</p> <p>Achieve a sustainable funding arrangement for the Ministry.</p>
Interventions do not reach target groups or do not have impact.	Monitor the effectiveness of key interventions.

Financial	
Risk	Risk Management Strategy
<p>The Ministry is inadequately resourced to undertake its functions.</p> <p>Future funding arrangements do not provide the flexibility required to respond to changing demand pressures.</p>	<p>Work in conjunction with Treasury to develop a comprehensive and robust business case and proposal for ongoing future funding that is responsive to changes in demand.</p>
Capability	
Risk	Risk Management Strategy
<p>Inability to recruit and retain staff with necessary skills.</p>	<p>Develop a recruitment and retention strategy that focuses on attracting staff from a range of backgrounds, in particular Māori with relevant skills; providing opportunities to staff to develop their skills and careers within the Ministry; and using secondments to enhance capability and provide career development opportunities.</p>

## Part B: Forecast Financial Statements



The forecast financial statements for the Ministry of Housing for the year ending 30 June 2004 contained in this Statement of Intent have been prepared in accordance with section 34A of the Public Finance Act 1989.

The Chief Executive of the Ministry of Housing acknowledges, in signing this statement, that she is responsible for the forecast financial statements contained in this Statement of Intent.

The financial performance forecast to be achieved by the department for the year ending 30 June 2004 that is specified in the Statement of Objectives is as agreed with the Minister of Housing, who is the Minister responsible for the financial performance of the Ministry of Housing.

The performance for each class of outputs forecast to be achieved by the Ministry for the year ending 30 June 2004 that is specified in the Statement of Objectives is as agreed with the Minister of Housing, who is responsible for the Vote administered by the Ministry.

We certify that the information contained in this Statement of Intent is consistent with the appropriations contained in the Estimates for the year ending 30 June 2004 that are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed:

Countersigned:



Katrina Bach  
**Chief Executive**

14 April 2003



Ruth Jamieson  
**Financial Controller**

14 April 2003

There are four departmental output classes delivered by the Ministry.

The Ministry expects in the 2003/04 year:

- to earn \$7.338 million (GST not applicable) from interest on the Residential Tenancies Trust Account;
- to earn \$0.747 million (GST exclusive) from fees for applications to the Tenancy Tribunal;
- to earn \$6.240 million (GST exclusive) from the sale of outputs to the Crown; and
- to spend \$14.325 million (GST exclusive) on the production of outputs for the four departmental output classes detailed in the Statement of Objectives.

The Ministry will also administer payments and receipts under the appropriation as follows:

- non-departmental output classes payable to Housing New Zealand Corporation (HNZC) for Policy Advice of \$1.536 million, Contracted Housing Support Services of \$2.305 million, and HNZC Housing Support Services of \$1.878 million;
- benefits and unrequited expenses for income-related rental subsidy paid to HNZC of \$328.797 million;
- benefits and unrequited expenses for Housing Assistance payments of \$12.477 million;
- non-departmental other expense payable to HNZC for the community housing rent relief programme of \$4.500 million;
- interest receipts on HNZC loans of \$44.607 million; and
- \$496.789 million on capital contributions to other parties and organisations (HNZC).

Details of how the non-departmental appropriations will be applied appear in parts C2, D1, D3, E1 and F1 of Vote Housing in the 2003/04 Estimates of Appropriations for the Government of New Zealand.

# FORECAST FINANCIAL STATEMENTS

B12SOI (03)

Statement of Financial Performance for the Years Ending 30 June 2003 and 2004			
	2002/03		2003/04
	Budgeted <sup>1</sup> \$000	Estimated Actual \$000	Budget \$000
<b>Revenue</b>			
Crown	6,107	6,107	6,240
Other	8,085	8,847	8,085
<b>Total revenue</b>	<b>14,192</b>	<b>14,954</b>	<b>14,325</b>
<b>Expenses</b>			
<b>Output expenses:</b>			
Personnel	7,390	7,390	7,401
Operating	5,913	5,856	6,035
Depreciation	636	636	636
Capital charge	253	253	253
Loss on sales of assets	0	20	0
<b>Total output expenses</b>	<b>14,192</b>	<b>14,155</b>	<b>14,325</b>
Surplus/(deficit) from operations	0	799	0
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>799</b>	<b>0</b>

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies.

<sup>1</sup> This column incorporates both Main Estimates and Supplementary Estimates appropriations for 2002/03.

**Statement of Estimated Financial Position  
as at 30 June 2003  
and Forecast Financial Position  
as at 30 June 2004**

	Actual Financial Position as at 30 June 2002 \$000	Estimated Financial Position as at 30 June 2003 \$000	Budgeted Position as at 30 June 2004 \$000
<b>Assets</b>			
<b>Current assets</b>			
Cash and bank balances	347	255	274
Prepayments	103	25	25
Receivables and advances	2,725	3,114	1,712
Debtor Crown	58	57	57
<b>Total current assets</b>	<b>3,233</b>	<b>3,451</b>	<b>2,068</b>
<b>Non-current assets</b>			
Fixed assets	1,981	1,903	1,884
<b>Total non-current assets</b>	<b>1,981</b>	<b>1,903</b>	<b>1,884</b>
<b>Total assets</b>	<b>5,214</b>	<b>5,354</b>	<b>3,952</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables and provisions	1,005	1,110	507
Provision for payment of surplus	771	799	0
Employee entitlements	353	345	345
<b>Total current liabilities</b>	<b>2,129</b>	<b>2,254</b>	<b>852</b>
<b>Non-current liabilities</b>			
Employee entitlements	104	119	119
<b>Total liabilities</b>	<b>2,233</b>	<b>2,373</b>	<b>971</b>
<b>Taxpayers' funds</b>			
General funds	2,981	2,981	2,981
<b>Total taxpayers' funds</b>	<b>2,981</b>	<b>2,981</b>	<b>2,981</b>
<b>Total liabilities and taxpayers' funds</b>	<b>5,214</b>	<b>5,354</b>	<b>3,952</b>

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies.

<b>Statement of Cash Flows for the Years Ending 30 June 2003 and 2004</b>			
		2002/03	2003/04
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Cash flows from operating activities</b>			
Cash provided from:			
Supply of outputs to:			
Crown	6,108	6,108	6,240
Other	8,528	8,491	8,688
Cash disbursed to:			
Cost of producing outputs	(13,126)	(13,089)	(14,049)
Capital charge	(253)	(253)	(253)
<b>Net cash flows from operating activities</b>	<b>1,257</b>	<b>1,257</b>	<b>626</b>
<b>Cash flows from investing activities</b>			
Cash provided from:			
Sale of physical assets	3	3	0
Cash disbursed to:			
Purchase of physical assets	(581)	(581)	(607)
<b>Net cash flows from investing activities</b>	<b>(578)</b>	<b>(578)</b>	<b>(607)</b>
<b>Cash flows from financing activities</b>			
Cash disbursed to:			
Payment of surplus to the Crown	(771)	(771)	0
<b>Net cash flows from financing activities</b>	<b>0</b>	<b>(771)</b>	<b>0</b>
<b>Net increase/(decrease) in cash held</b>	<b>(92)</b>	<b>(92)</b>	<b>19</b>
Opening total cash balances at 1 July	347	347	255
<b>Closing total cash balances at 30 June projected</b>	<b>255</b>	<b>255</b>	<b>274</b>

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies.

**Reconciliation of Net Cash Flows from  
Operating Activities to Net Surplus/(Deficit)  
in the Operating Statement for the  
Years Ending 30 June 2003 and 2004**

	2002/03		2003/04
	Budgeted \$000	Estimated Actual \$000	Budget \$000
<b>Net surplus from operations</b>	<b>0</b>	<b>799</b>	<b>0</b>
<b>Add/(deduct) non-cash expenses/ (revenues) from operating statement</b>			
Depreciation and amortisation	636	636	636
<b>Add/(deduct) non-cash working capital reductions/(increases) from balance sheet</b>			
(Increase)/decrease in receivables and advances	488	(311)	603
(Increase)/decrease in Debtor Crown	1	1	0
Increase/(decrease) in payables and provisions	234	234	(613)
Increase/(decrease) in other accrued liabilities	(122)	(122)	0
<b>Items classified as investing activities</b>			
Net (gain)/loss on sale of physical assets	20	20	0
<b>Net cash flows from operating activities</b>	<b>1,257</b>	<b>1,257</b>	<b>626</b>

**Statement of Movements in  
Taxpayers' Funds (equity)  
as at 30 June 2003 and 2004**

	Estimated Position as at 30 June 2003 \$000	Projected Position as at 30 June 2004 \$000
<b>Taxpayers' funds at the start of the period</b>	<b>2,981</b>	<b>2,981</b>
Add		
Net surplus	799	0
(Deduct)		
Provision for payment of surplus to the Crown	(799)	0
<b>Taxpayers' funds at the end of the period</b>	<b>2,981</b>	<b>2,981</b>

**Forecast Details of Fixed Assets by Category**

	30 June 2003	30 June 2004 Projected Position		
	Estimated Actual Position \$000	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Office equipment	35	234	(221)	13
Office renovations	419	1,083	(746)	337
Furniture and fittings	18	142	(142)	0
Computer hardware	443	2,615	(1,983)	632
Computer software	880	1,421	(573)	848
Motor vehicles	108	349	(295)	54
Communications	0	6	(6)	0
<b>Total</b>	<b>1,903</b>	<b>5,850</b>	<b>(3,966)</b>	<b>1,884</b>

**Statement of Objectives Specifying the  
Estimated Financial Performance to 30 June 2003  
and Forecast Financial Performance  
for the Year Ending 30 June 2004**

		2002/03		2003/04
		Budgeted	Estimated Actual	Budget
	<b>Unit</b>			
<b>Operating expenses</b>				
Revenue: other	\$000	7,424	8,847	8,085
Output expenses	\$000	13,126	14,155	14,325
Operating surplus before capital charge	\$000	253	1,052	253
Surplus from operations	\$000	0	799	0
<b>Working capital</b>				
Net current assets	\$000	1,197	1,197	1,216
<b>Resource utilisation</b>				
<b>Physical assets:</b>				
Total physical assets at year end	\$000	1,903	1,903	1,884
<b>Taxpayers' funds:</b>				
Level at year end	\$000	2,981	2,981	2,981
<b>Forecast net cash flows</b>				
Surplus/(deficit) operating activities	\$000	1,257	1,257	626
Surplus/(deficit) investing activities	\$000	(581)	(581)	(607)
Surplus/(deficit) financing activities	\$000	0	(771)	0
Net increase/(decrease) in cash held	\$000	(92)	(92)	19

<b>Reconciliation of Appropriation and Operating Expenses to 30 June 2004</b>			
	<b>Appropriation \$000</b>	<b>Less GST \$000</b>	<b>Expenses \$000</b>
<b>Output Classes</b>			
D1 Administration of Residential Tenancies Bond Monies	2,581	0	2,581
D2 Residential Tenancies Information, Advice and Dispute Resolution	12,092	(815)	11,277
D3 State Housing Appeals Services	75	(8)	67
D4 Housing Agency Purchase and Monitoring	450	(50)	400
<b>Total</b>	<b>15,198</b>	<b>(873)</b>	<b>14,325</b>

## **Statement of Significant Underlying Assumptions**

These statements have been compiled on the basis of Government policies at the time the statements were finalised.

These forecast financial statements comply with generally accepted accounting practice and the Public Finance Act 1989.

The measurement base applied is historical cost.

The accrual basis of accounting has been used for the preparation of these financial statements.

These statements have been prepared on a going-concern basis.

## Statement of Significant Accounting Policies

### Specific accounting policies

#### Fixed assets

Fixed assets are stated at acquisition cost less accumulated depreciation.

#### Cost allocation

Cost drivers employed to assign indirect costs to outputs are resource usage, where available, based on floor space, staff numbers and fixed asset values.

#### Accounts receivable

Accounts receivable are recorded at the amounts expected to be ultimately collected.

#### Goods and Services Tax (GST)

Income, expenditure, assets and liabilities are recorded exclusive of GST, with the exception of accounts payable and receivable, which are recorded inclusive of GST.

#### Depreciation rates

Depreciation is accrued monthly using the straight-line method for all categories of assets. Depreciation is based on the expected life of the assets. The amount to be depreciated is the historic cost.

Furniture and fittings are depreciated over ten years, the bond database system over eight years, other software over three years, other equipment over three to five years, and office renovations over six to ten years. Vehicles are written down to residual value over three years.

#### Commitments

Office accommodation and most photocopiers are leased. The value of contractual lease commitments at 30 June 2003 is estimated to be \$1,888,000.

The Ministry has contracted to update software systems and computer equipment. The estimated value of work still to be completed at 30 June 2003 is \$75,000.

### Changes in accounting policies

It is not expected that there will be any changes in accounting policies.

The Ministry is delivering a range of outputs in four different output classes to achieve its outcomes.

## Output Class D1: Administration of Residential Tenancies Bond Monies

This output class involves the efficient, effective and impartial administration of bond monies.

### Key Business Strategies

The key business strategies in this output class are:

- work with other agencies and organisations to encourage the use of quality property management practices for bond administration; and
- reduce the number of bond calls.

### Specific Outputs and Measures

**Bond Lodgements** Lodgement of bond monies on behalf of tenants and landlords as required under the Residential Tenancies Act

Key measures:

- 100% of bond lodgements will be completed within five working days
- All new bonds received will be accurately recorded on the system, based on information supplied by the tenant and/or landlord

**Bond Refunds** Refund of bond monies to tenants and landlords as required under the Residential Tenancies Act

Key measures:

- 100% of bond refunds will be completed within two days
- All bonds will be correctly refunded based on the information held at the time of the refund

**Bond Advice** Provision of information and advice about bond lodgements and refunds

Key measures:

- 75% of bond advice will meet or exceed quality standards
- Abandonment rate will not exceed 5%

**Bond Fund Investment** Management and investment of bond monies as required under the Residential Tenancies Act

Key measures:

- All bond investments will be made within the criteria of the Ministry's investment strategy and within 0.25% of prevailing daily rates

**Costs for Output Class 1** (figures exclusive of GST)

Revenue: Crown \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (Deficit) \$000
0	7,338	2,581	4,757

## Output Class D2: Residential Tenancies Information, Advice and Dispute Resolution

This output class involves the administration of the Residential Tenancies Act through the provision of information, education, advice, dispute resolution services and compliance interventions.

### Key Business Strategies

The key business strategies in this output class are:

- work with other agencies and organisations to provide information about rights and obligations to target groups and to encourage the use of quality property management and business practices by landlords and property managers;
- encourage early intervention to reduce the incidence and level of rent arrears;
- reduce the proportion of short-term tenancies for target groups;
- increase the proportion of disputes settled out of court; and
- take, or support individuals to take, proceedings on breaches of the law which have an impact on the wider public interest.

### Specific Outputs and Measures

**Public Information and Education** Provision of public information and education about residential tenancies to landlords, tenants and organisations that work with landlords and tenants

Key measures:

- Survey awareness of Tenancy Services, rights and obligations and the use of quality property management practices
- Use focus groups to survey effectiveness of information for target groups

**Tenancy Advice** Provision of advice about tenancy matters in response to enquiries from landlords and tenants

Key measures:

- 75% of tenancy advice will meet or exceed quality standards
- Abandonment rate will not exceed 7%

**Dispute Resolution** Provision of dispute resolution services to landlords and tenants involved in tenancy disputes

Key measure:

- 60% of applications for dispute resolution will be resolved out of court

**Tenancy Tribunal Administration** Provision of administrative support for the Tenancy Tribunal

Key measure:

- 75% of tenancy applications proceeding to the Tribunal will have a hearing within 20 days

**Compliance** Investigation of, and response to, alleged breaches of the Residential Tenancies Act

Key measure:

- 80% of compliance interventions result in voluntary compliance

**Costs for Output Class 2** (figures exclusive of GST)

Revenue: Crown \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (Deficit) \$000
5,773	747	11,277	(4,757)

### Output Class D3: State Housing Appeals Services

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

#### Key Business Strategies

The key business strategy in this output class is:

- to review the structure and ongoing capability and training requirements of the State Housing Appeals Authority.

#### Specific Outputs and Measures

**State Housing Appeals Authority Administration** Provision of administrative support to the State Housing Appeals Authority

Key measure:

- Hearings will be held within 20 working days of application

#### Costs for Output Class 3 (figures exclusive of GST)

Revenue: Crown \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (Deficit) \$000
67	0	67	0

## Output Class D4: Housing Agency Purchase and Monitoring

This output class involves the provision of purchase and monitoring advice in relation to Housing New Zealand and market monitoring, and policy advice in relation to the Residential Tenancies Act.

### Key Business Strategies

The key business strategies in this output class are:

- develop knowledge and understanding of housing issues within the Planning and Monitoring Unit;
- develop a network of agencies with purchase and monitoring responsibilities;
- develop a market monitoring framework and regular reporting on issues and barriers in the rental market;
- work with landlord and tenant groups to identify and address issues and barriers affecting the rental market; and
- improve forecasting, data collection, analysis and dissemination to improve service delivery.

### Specific Outputs and Measures

**Purchase and Monitoring** Provision of purchase and monitoring advice on Housing New Zealand Corporation

Key measure:

- Ministerial satisfaction with the Ministry's monitoring and purchase services is 7 or more

**Market Monitoring and Policy Advice** Market monitoring for the rental market and provision of policy advice on the Residential Tenancies Act

Key measure:

- Ministerial satisfaction with the Ministry's advice on the Residential Tenancies Act and market monitoring is 7 or more

### Costs for Output Class 4 (figures exclusive of GST)

Revenue: Crown \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (Deficit) \$000
400	0	400	0

## Ministerial Servicing

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

### Key Business Strategies

The key business strategy in this output class is:

- to work with the Minister's office to understand and meet the Minister's needs.

### Specific Outputs and Measures

**Parliamentary Questions** The provision of draft responses to Parliamentary questions

Key measures:

- Less than 5% of answers to Parliamentary questions are returned as inadequate or inappropriate
- All answers to Parliamentary questions are provided within the deadlines agreed with the Minister

**Ministerials** The provision of draft responses to Ministerial correspondence

Key measures:

- Less than 5% of answers to Ministerial drafts are returned as inadequate or inappropriate
- All answers to Ministerial drafts are provided within the deadlines agreed with the Minister

**Official Information Act and Privacy Act Requests** The provision of replies to requests made under the Official Information Act or Privacy Act

Key measures:

- All answers to requests made under the Official Information and Privacy Acts comply with the legislation
- All answers to requests made under the Official Information and Privacy Acts are provided within statutory deadlines







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