



Department of
Building and Housing
Te Tari Kaupapa Whare

Statement of Intent 06/09



The people of New Zealand have access to quality homes and buildings that meet their needs and reflect our New Zealand environment.

Ministers' Foreword

The Government is committed to continuing New Zealand's transformation into a high-income, knowledge-based market economy and a society that provides a unique quality of life to all New Zealanders.

A well-performing building, housing and construction sector is an important contributor to the economy and to individuals' wealth and wellbeing. The quality and security of our homes and our communities influence our wellbeing and support our families.

The standards and design of our buildings and homes should reflect where we live and how we live as New Zealanders, and provide scope for innovation in design and building technology.

The Government sets the direction and helps shape the overall performance of the sector through its influence on the quality of buildings and the built environment, the performance of the rental housing market and multi-unit dwellings and provision of social housing and other housing initiatives. The Department of Building and Housing has an important role to play through advice to the Government, regulation of building standards and systems and market transactions, and providing information and services to industry and consumers.

The Department has made significant progress since its inception in November 2004. It is continuing to implement a significant reform programme across the building and housing sector and make further improvements to its service delivery to ensure tenants and landlords have ready access to quality services. Changes to the weathertight homes resolution process are also being made to deliver greater ease of access and effectiveness.

A key focus of the Department has been working with the sector to bring about these changes in a way that is practical and achievable without losing sight of the end goals.

There is still much to do, particularly in the areas of the Government's sustainable development and energy efficiency goals – enabling homes and buildings to use energy more efficiently. Improving housing quality and public awareness and confidence in building standards and building performance are also an important part of delivering on the Government's goals for the sector.

We endorse the strategic direction outlined in this Statement of Intent as being aligned with the Government's overall priorities. We confirm that the information it contains is consistent with the Government's policies and performance expectations.



Hon Clayton Cosgrove

Minister for Building Issues

*Minister Responsible for the
Department of Building and Housing*



Hon Chris Carter

Minister of Housing

Minister Vote Housing



Chief Executive's Overview

This is the Department's second Statement of Intent. It reflects our growth and development over the last 12 months into a more complex organisation with a broader mandate. It also reflects how our thinking has evolved in terms of the strategic issues facing the sector, how we see our role in the sector and how we add value. The Statement of Intent will continue to evolve over time as the Department comes together as one integrated organisation.

A lot has happened in the 18 months the Department of Building and Housing has been in existence – and we have learnt a lot. I am very fortunate to have a good team of people who are committed to doing an excellent job and achieving the outcomes the Government has for building and housing.

We, like many parts of the sector, are having to build capability and capacity to fulfil our new role. A key priority going forward and a key area of focus for me, and my Strategic Leadership Team, is on building a sustainable, adaptive organisation that delivers value to the Government and stakeholders – building and housing professionals, homeowners, landlords, tenants and consumers alike. Underpinning this is a culture of pride in professional excellence, a healthy dose of practicality and a willingness to work with others to build our knowledge and understanding to achieve results.

Building and housing matter. A well-performing building and housing sector makes a significant contribution to our economy, our wealth and our social wellbeing. A poorly performing sector has the opposite effect. The quality of our homes, our buildings, our built environment impacts on us all – it is part of the fabric of our society and who we are as a nation.

The Government has set out its expectations and broader goals around three themes – economic transformation, families and national identity. The Department will contribute to these goals through the outcome it has committed to working to achieve: the people of New Zealand have access to quality homes and buildings that meet their needs and reflect our New Zealand environment.

The four things we would expect to see if we were progressing towards this goal are:

- buildings and homes that perform well in the New Zealand environment and reflect who we are
- a vibrant, innovative building and housing sector with skilled building and housing professionals
- homes and buildings that meet the changing needs of New Zealanders
- home and building owners, tenants and users who are confident about the quality and performance of their homes and buildings.

These are what we are focused on as a Department.

Key priorities

The changing environment we live in requires a more integrated approach to building and housing issues than in the past. Building technology and design is changing rapidly. Buildings are more diverse, reflecting the changing needs and aspirations of New Zealanders. Housing needs are changing too. All this presents quite a challenge for the Department, and the sector and other agencies involved in the sector. Working together to identify the critical issues and best responses will be important to success for all of us.

A large and important part of the work of the Department remains focused on implementing the new Building Act. The Act is a significant regulatory reform and will take 3 to 5 years to fully implement. The next 3 years will see the rollout of key systems around licensed building practitioners, building consent authority accreditation and product certification.

The review of the Building Code that is under way provides an opportunity to take a fundamental look at how we build. To take a more holistic approach to the way we build and the way we want buildings to perform. To consider technical, environmental, economic and societal needs together.

The review will consider such issues as what does sustainability mean in terms of buildings and houses; how do we think smarter about energy, resource use and waste; how do we make our buildings more energy efficient; what are the implications of our changing population for the type of buildings and homes we need; and how do we balance short-term costs with long-term benefits.

The Department will, as a priority, continue to work closely with territorial authorities who administer the Act and industry stakeholders as we take this work forward.

We are also working on a range of other issues including:

- responding to changes in the way New Zealanders rent homes and live in apartments through a review of the legislation that governs these. The housing environment in New Zealand has changed markedly over the last decade. Thirty percent of New Zealanders now rent their homes. Apartment living is now an important part of the mix, and the current law passed in 1972 is out of date and doesn't reflect the realities of modern apartment dwelling.
- improving the services we deliver to landlords and tenants – more accessible, online access, and a broader range of services
- addressing weathertightness issues – it is important that leaky homes are properly repaired and that the risk of them being built in the first place is minimised. There are no quick fixes on this, but we are confident that the changes announced will be a significant step forward in addressing this difficult issue.

This is an exciting and challenging time for the Department as we work to build a new organisation and focus on delivering key reforms across the building and housing sector. We have made significant progress, but there is still much to be done.



Katrina Bach

Chief Executive



Contents

01	MINISTERS' FOREWORD
02	CHIEF EXECUTIVE'S OVERVIEW
05	PART A: AN OVERVIEW OF OUR STRATEGY
06	THE DEPARTMENT OF BUILDING AND HOUSING
06	Why the Department was established
06	Our responsibilities
07	Structure
08	Organisational chart
09	The importance of the building and housing sector
12	OUR STRATEGIC DIRECTION
12	Achieving our outcomes
13	Outcome framework
14	Our strategies
29	How we will measure progress
31	STRENGTHENING OUR CAPABILITY
31	Continuing to develop our organisational capability
31	Our development priorities
34	How we will monitor our organisation's health
35	OUR RISK RESPONSE
37	PART B: CURRENT YEAR FORECASTS
38	STATEMENT OF RESPONSIBILITY
39	FINANCIAL HIGHLIGHTS
40	FORECAST DEPARTMENTAL FINANCIAL STATEMENTS
50	STATEMENT OF FORECAST SERVICE PERFORMANCE
50	Residential tenancy services
52	Purchase and monitoring advice – Housing New Zealand Corporation
53	Sector and regulatory policy
55	Building Act 2004 implementation
57	Occupational licensing
59	Building regulation and control
61	Weathertight Homes Resolution Service
63	QUALITY STANDARDS FOR POLICY ADVICE
65	FORECAST NON-DEPARTMENTAL FINANCIAL STATEMENTS
69	PART C: TRENDS AND DEVELOPMENTS IN OUR BUSINESS ENVIRONMENT

Part A: An Overview of our Strategy



The Department of Building and Housing

WHY THE DEPARTMENT WAS ESTABLISHED

The Department of Building and Housing (the Department) was established in November 2004. It brings together in one organisation building and housing sector policy and related regulatory functions and dispute resolution services from across a range of government agencies.

Consolidating the Government's building- and housing-related activities is designed to:

- ensure an effective regulatory system for the building and housing sector
- deliver good-quality advice to the Government
- improve and streamline services to the public.

The Department incorporates the Ministry of Housing, the Building Industry Authority, the Weathertight Homes Resolution Service from the Department of Internal Affairs, the building policy functions from the Ministry of Economic Development, and related functions from the Ministry of Social Development and Housing New Zealand Corporation.

The functions of the Electrical Workers Registration Board will be transferred to the Department in September 2006.

OUR RESPONSIBILITIES

We have:

- sole responsibility for:
 - ensuring an effective regulatory environment for the building and housing sector
 - regulating the building sector and the rental housing sector
 - delivering effective information, advice and dispute resolution services (including Tenancy Services and the Weathertight Homes Resolution Service)
 - providing purchase and monitoring advice to the Government on Housing New Zealand Corporation
 - administering the State Housing Appeals Authority
- lead responsibility for providing:
 - policy advice to the Government on the building sector and residential tenancy market, including emerging trends and issues
 - policy advice on housing and building regulation
 - advice on regulating the residential rental market
 - occupational licensing within the building sector
- joint responsibility or a common interest (with Housing New Zealand Corporation) in:
 - defining housing outcomes for the sector
 - analysing the housing environment including monitoring the supply, quality and affordability of housing

- influencing the wider government sector to ensure it meets the Government's goals for housing
- working within the Social Services Cluster and economic, growth and innovation frameworks to influence and promote delivering the Government's outcomes for the housing and building sector
- undertaking specific initiatives under the New Zealand Housing Strategy Programme of Action.

We administer the following legislation and regulations:

- Architects Act 1963
- Building Act 1991
- Building Act 2004
- Chartered Professional Engineers of New Zealand Act 2002
- Construction Contracts Act 2002
- Engineering Associates Act 1961
- Residential Tenancies Act 1986
- Retirement Villages Act 2003
- Weathertight Homes Resolution Services Act 2002
- Architects Regulations 2002
- Building Regulations 1992
- Building (Forms) Regulations 2004
- Chartered Professional Engineers of New Zealand Regulations 2004
- Chartered Professional Engineers of New Zealand Rules 2002
- Chartered Professional Engineers of New Zealand Regulations 2002 (No. 2)
- Chartered Professional Engineers of New Zealand (Appeals) Regulations 2002
- Construction Contracts Regulations 2003
- Engineering Associates Fees Regulations 2002
- Residential Tenancies (Fees) Regulations 1998
- Residential Tenancies Regulations 1998
- Residential Tenancies Rules 1998.

STRUCTURE

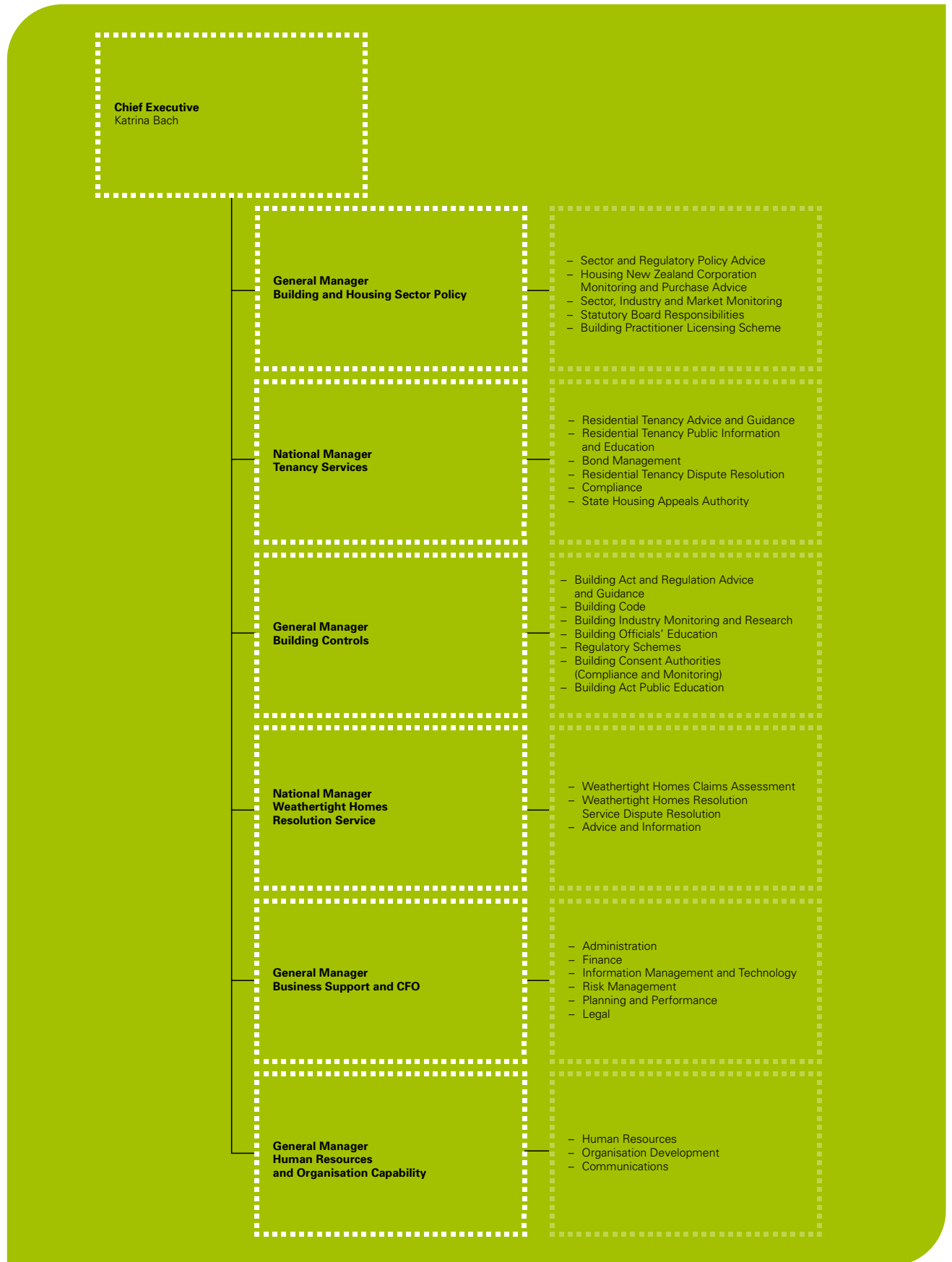
We are organised into groups by function (see the organisational chart on page 8).

As at 31 March 2006, we had 272 full-time employees and 38 part-time employees. There were also a number of people undertaking contracting roles to fill vacant positions, or providing specialist skills or additional capability for specific work.

Our employees are spread across:

- Wellington-based national office (164 employees)
- the Porirua-based Contact Centre (63 employees)
- 20 regional offices located throughout the country from Invercargill to Whangarei (83 employees).

ORGANISATIONAL CHART



THE IMPORTANCE OF THE BUILDING AND HOUSING SECTOR

The building and housing sector is an important contributor to New Zealand's economic and environmental performance and social wellbeing. It contributes around 5 percent to gross domestic product and impacts on every person in New Zealand in terms of where they live, work and how their communities function.

The sector covers physical building and construction, building professionals and local authorities through to real estate agents, home and building owners, investors, landlords and tenants, and property managers.

The Government influences overall sector performance, the quality of building and housing, and the built environment through:

- regulating building and housing standards and systems
- regulating market transactions
- providing information and services
- providing social housing and other housing programmes
- research and evaluation, and technical advice.

These interventions impact on the quality of life for everyone. They also contribute to the Government's priorities for economic transformation, families – young and old, and national identity.

Economic transformation

A well-performing, vibrant building and housing sector contributes to New Zealand's growth and economic performance, environmental outcomes and social wellbeing. The converse is also true – an underperforming sector can be a significant barrier to growth and have negative impacts on the wellbeing and wealth of individuals, as well as imposing substantial environmental costs.

Housing and building activity levels have significant macroeconomic effects – directly in terms of the consumer price index and interest rates, and indirectly in terms of the 'wealth' effect on spending levels and multiplier effects from employment in the sector. Approximately 90 percent of New Zealand households' net assets are held in housing.¹ Almost 25 percent of household expenditure is devoted to direct housing costs. The value of new residential construction in the year to December 2005 amounted to \$6,249 million, with a further \$1,168 million spent on alterations or additions that required a building permit. Direct government expenditure on housing amounts to more than \$1,500 million per annum.

Direct labour market participation in construction amounted to almost 160,000 people or almost 8 percent of the total number of people employed. Employment effects flow into the design, technical advice and services, financial, real estate, legal, maintenance, transportation, materials importation and manufacturing requirements.

1 The Reserve Bank of New Zealand, <http://www.rbnz.govt.nz/statistics/monfin/HHAandL2004webcopy.xls>

A well-performing building and construction sector has the capacity and skills to deliver high-quality buildings to meet demand. Current capacity and capability constraints across the sector are impacting on sector productivity and performance.

Building and housing issues also impact directly on the environment through urban sprawl, in-fill effects, infrastructure requirements (transport, energy, sewerage systems and water supply), and people's sense of the amenity value of their neighbourhoods. Growing urbanisation and demands on energy make enhancing energy efficiency and reducing waste and pollution important goals – yet these can also have significant flow-through effects on building materials, housing, and building design and construction (or repair and retrofitting) costs. Getting the balance right between costs and benefits, both short term and long term, is critically important.

Strong, vibrant communities and cities attract and retain people because they are great places to live and work. For New Zealand to be an attractive destination for people and skills in a highly competitive international market, how well our cities and towns work and the quality of our built environment matter. Sustainable development and building sustainable cities are an important part of this.

The need for reform to lift building quality and performance and improve the skills and professionalism of the sector is recognised at both government and sector level. Reforms are under way to deliver improved performance. These reforms will take time to implement and have an impact.

Well-designed and built commercial buildings provide the basis for innovative and productive workplaces. They contribute directly to developing a safe and healthy workplace, which in turn underpins workplace productivity and innovation.

Families young and old

Good-quality housing contributes positively to the development of strong families, their wellbeing, and the health, educational and social development of children.

Housing and the surrounding built environment provides the base for our families to engage with the community of which they are a part, allowing the development of community links and networks. The built environment provides for both the commercial and social needs of the community. Well-designed built environments provide spaces for recreation, which in turn can help foster healthy and confident kids, and better health for all. Good planning and design is also central to providing a built environment that enhances community safety.



Trends and developments
The Department monitors and evaluates trends and developments in the building and housing sector and our wider business environment. An analysis of these trends and developments is included in Part C.

National identity

Our houses, buildings and built environment play an important part in defining our national identity. While these are places where we live and work, they also reflect our history and who we are as a people. Our architecture draws upon the heritage of the people who have settled in New Zealand, and has evolved in a manner that takes account of our unique geography and climate, our needs and how we live our lives. The design, functionality and materials we use in our homes, buildings and built environment make a statement about who we are. They contribute to how we are seen by the world.

Our Strategic Direction

The Department has an important leadership role to play in working with the building and housing sector to lift standards and performance. We must also look ahead and consider how our buildings and built environment can better meet New Zealanders' needs now and in the future, and how to best respond to changing building technologies and systems, and changing housing needs.

We are committed to making an effective contribution to the Government's overall priorities through:

- working with the building and housing sector and local government to implement reforms to improve building quality and performance and lift skill levels
- helping to ensure the people of New Zealand have access to quality housing and buildings that meet their needs
- ensuring the regulatory frameworks that apply to building and housing are relevant, balanced and effective, deliver quality and support innovation at reasonable cost
- lifting consumers' and users' awareness and understanding of building and housing standards and performance to enable them to make informed decisions and to transact with confidence
- providing access to quality dispute resolution services so social and economic costs of disputes are reduced
- investing in developing our knowledge and understanding of sector trends, performance, and changing building technology and systems.

The Outcome Framework on the opposite page depicts the connections between our capability initiatives, outputs and key strategies to deliver on intermediate outcomes, our overall outcome, and the Government's priorities.

ACHIEVING OUR OUTCOMES

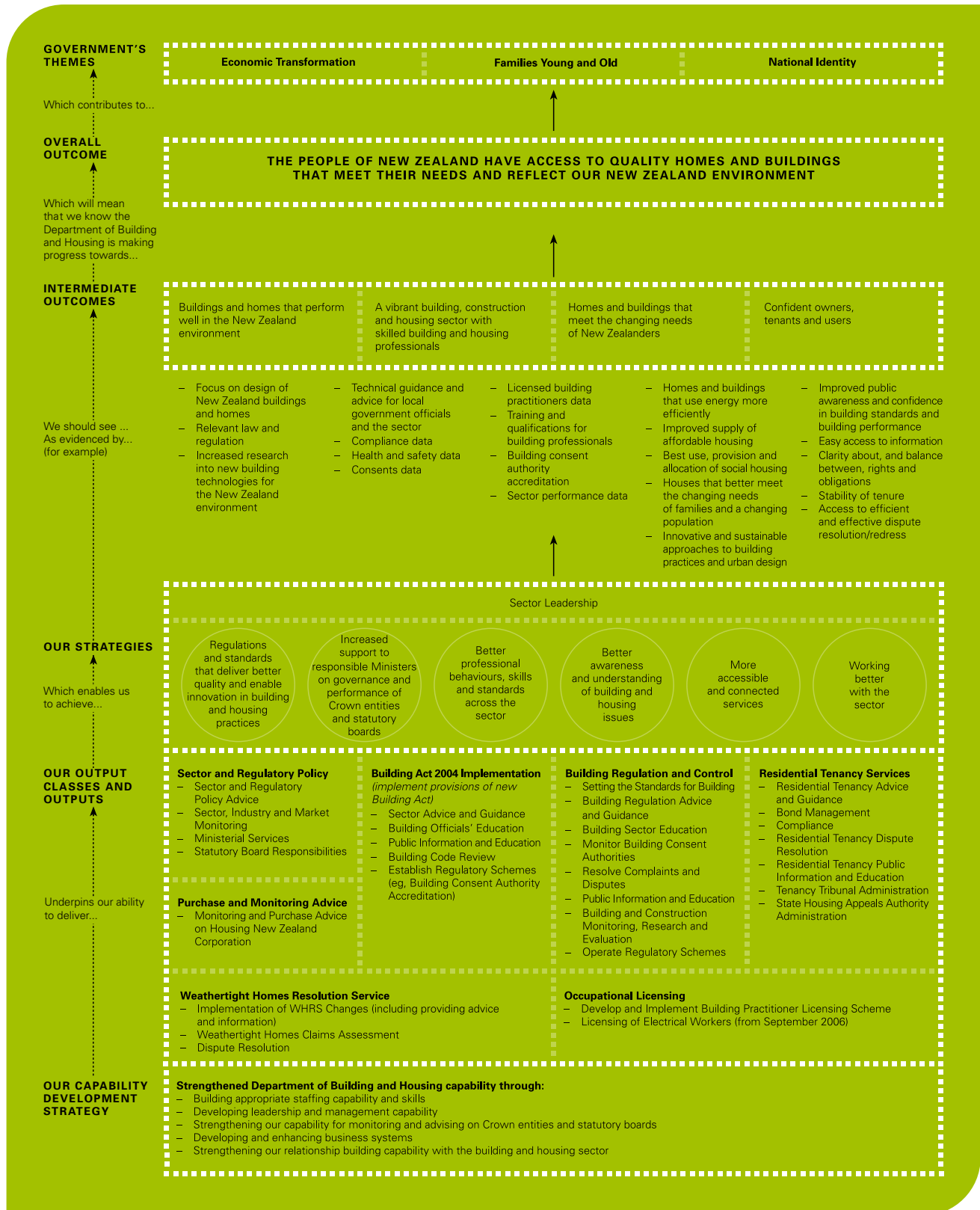
All of our activities seek to contribute to the overall outcome: the people of New Zealand have access to quality homes and buildings that meet their needs and reflect our New Zealand environment.

We have identified four intermediate outcomes required in order to achieve this overall outcome. Those intermediate outcomes are as follows.

- Buildings and homes that perform well in the New Zealand environment.
- A vibrant building, construction and housing sector with skilled building and housing professionals.
- Homes and buildings that meet the changing needs of New Zealanders.
- Confident owners, tenants and users.

Our contribution to these intermediate outcomes is directed through six strategies (detailed over the following pages). Each of these strategies requires us to work closely with others, including other government and non-government bodies, local government, industry stakeholders and consumers.

OUTCOME FRAMEWORK



OUR STRATEGIES

Strategy: Regulations and standards that deliver better quality and enable innovation in building and housing practices

What we will do

We will establish effective and clearly understood regulations and standards that will:

- provide clear information on the performance requirements of buildings
- provide clearly defined rights and obligations
- ensure, when complied with, that buildings are well built
- provide effective means to resolve disputes
- encourage building and housing stakeholders to communicate clearly and effectively about expectations and requirements
- enable and support innovation in building systems that meet quality standards.

Why we will do it

Intermediate Outcome

- Buildings and homes that perform well in the New Zealand environment.

The New Zealand regulatory regime sets rules and standards necessary for safe and healthy buildings for the benefit of all users. The Building Act 2004 regulates the quality of buildings and building work, and operates alongside other regulations that set minimum standards across the building and housing sector.

Other areas of regulation also impact on the quality of buildings. These include occupational licensing and regulation covering professions and trades, and regulation of the residential tenancies market and unit titles. This regulation ensures buildings are built and maintained to defined standards of quality and property rights and obligations are clearly defined.

The building regulatory regime is a performance-based system designed to ensure building work is safe and healthy, offers appropriate amenity and is sustainable. It is a systems approach, combining a set of tools to bring about change in the performance of the building and housing sector. The building controls regime depends on a strong and effective relationship between the Department of Building and Housing, which sets the frameworks, rules and standards and building consent authorities who administer these rules and standards. Developing better and clearer rules and standards will ensure the building and housing sector can readily understand and apply them.

Building controls are used to ensure buildings are safe and healthy places to live and work in. In New Zealand, these controls are largely set out in a two-part framework.

- The Building Act 2004 sets out the law on building work. This applies to the construction of new buildings and to maintaining, altering and demolishing existing buildings.
- The Building Regulations contain the New Zealand Building Code and the rules about building consents and inspections. The Building Code sets out performance standards that all building work must meet, and covers aspects such as fire safety, access, moisture control, durability, services and facilities.

This approach will lead to better outcomes for all parties, including:

- buildings being built properly first time
- less costly rework (in terms of time and resources)
- fewer disputes and simpler and lower-cost dispute resolution processes
- capable and accountable building practitioners
- a well-functioning rental housing market.

How we will do it

By working with the sector, stakeholders and other parts of government, we will create standards that are robust, clear and fair. This includes groups that represent:

- consumers
- professionals (eg, architects, designers, engineers)
- the building and construction sector
- local and central government agencies.

We will investigate and resolve complaints about building consent authorities and accreditation bodies, and issue determinations.

We will work with local and central government agencies and representative groups from the sector to identify ways to improve the quality of the existing building stock.

What we will deliver

Over the next year we will progress a comprehensive review (as required by the Building Act 2004) of the New Zealand Building Code, the first since it was established in 1992.

The purpose of the review is to ensure that the Building Code:

- meets the requirements of the Building Act 2004
- is stated in sufficient detail to provide clear guidance on the performance standards that buildings must meet to ensure compliance
- supports innovation in building systems that meet quality standards.

Changes to the Building Code will promote energy efficiency, sustainable development and the positive effect of buildings on health.

Consultation on the scope and content of the Building Code will be completed in 2006/07. Preparation of detailed recommendations will then be under way to enable the final report to be provided to the Minister for Building Issues in November 2007.

The Residential Tenancies Act 1986 regulates the rental housing market by defining the rights and obligations of landlords and tenants. Balancing the social needs of tenants for housing with business needs of landlords is a critical issue. The housing environment has changed a lot in the 20 years since the Act came into effect. In particular, the operation of the private rental sector is now more important to economic and social outcomes of New Zealanders than it was in 1986.

The Unit Titles Act 1972 was created to cover a type of property ownership known as unit title. Developments of this type usually have more than one owner, and are typically apartment blocks, townhouses, office blocks and industrial or retail buildings. Each owner owns a defined part of the building and also shares ownership of common property, such as lifts or driveways, with other unit owners.

Since 1972 the number of multi-unit homes has increased substantially and become an important part of New Zealand's housing. Issues have emerged that need to be addressed to ensure the law governing these properties is relevant and effective.

Other key building regulatory activities include:

- implementing the accreditation regime for building consent authorities and assisting them to prepare for registration in November 2007
- developing a product certification system that provides greater assurance around building product performance
- implementing a dam safety regime to provide greater assurance about public and property safety
- investigating and resolving complaints relating to the application of the Building Code and issuing determinations.

Other key activities include:

- progressing legislative proposals for updating the Residential Tenancies Act 1986
- working with the Ministry of Justice and Land Information New Zealand to progress legislative proposals for updating the Unit Titles Act 1972
- advising on an effective framework for resolving building-related disputes
- reviewing the adequacy of existing standards for housing
- investigating mandatory home warranty insurance for new domestic dwellings, and for significant repairs and renovations
- investigating professional indemnity insurance to accompany the new occupational licensing regime
- monitoring and reporting on the performance of the building and housing sector, including input to developing statistics to measure the quality of the existing housing stock
- actively participating in wider government programmes of work to improve the design and quality of the built environment, including the Urban Design Protocol, the Auckland Growth Strategy and the Sustainable Cities Programme.

How our outputs contribute to the strategy

OUTPUT EXPENSE	OUTPUT
Building Act 2004 Implementation	Building Code Review Establish Regulatory Schemes Sector Advice and Guidance
Building Regulation and Control	Setting the Standards for Building Monitor Building Consent Authorities Building and Construction Monitoring, Research and Evaluation Resolve Complaints and Disputes
Occupational Licensing	Develop and Implement Building Practitioner Licensing Scheme
Sector and Regulatory Policy	Sector and Regulatory Policy Advice

Strategy: Better professional behaviours, skills and standards across the sector

What we will do

We will promote the professional skills, standards and behaviours that are needed for a quality building and housing sector. This will contribute to improved design, construction and inspection of buildings and provide better housing that meets New Zealanders' needs in the New Zealand environment.

Why we will do it

Intermediate Outcomes

- Homes and buildings that meet the changing needs of New Zealanders.
- A vibrant building, construction and housing sector with skilled building and housing professionals.

The building and housing sector needs the capacity and capability to meet the requirements of the market. Regulators need the capacity and capability to develop and apply the building and housing regulatory regime.

Skilled and capable people and organisations are necessary to achieve the Government's outcomes for the sector. We administer regulations that set standards for the skills and capabilities of building and housing professions, and those who administer the regulatory framework at the local level.

These regulations complement other elements of the regulatory framework to ensure buildings are safe and healthy, disputes are handled appropriately, and public confidence in the sector is maintained and enhanced.

To be effective, the building control regime requires:

- us to be effective at the central level
- relevant authorities to be effective at the local level
- the building and housing sector to be effective at applying the regime.

A major area of focus for us is implementing the licensed building practitioner provisions of the Building Act 2004. The licensed building practitioners' scheme will lift the capability and accountability of building practitioners. Starting voluntarily in 2007 the scheme will apply to significant building projects only. For such projects, design and construction work will need to be certified by an appropriately licensed building practitioner from November 2009; from November 2011 work related to the structural integrity and external envelope of a building will be restricted, and will have to be supervised or carried out by practitioners with the appropriate trade or specialist licence. Most of the work being done by DIYers on their homes will be able to continue. The only DIY work that will need to be supervised and certified by a licensed building practitioner will be

work that substantially impacts on the strength and integrity of the home or building. Most of the work being done by DIYers on their homes will still be able to be done exactly as it is today. The only DIY work that will need to be supervised and certified by a licensed building practitioner will be work that substantially impacts on the strength and integrity of the home or building.

We will also undertake activities designed to improve the capability of territorial authorities in administering the building regulatory system.

How we will do it

We will:

- work with professions and trades across the building and housing sector to set national standards for demonstrating competence and skill
- work with qualification providers and education providers to ensure there are appropriate qualifications and courses for building sector professionals, tradespeople and building officials
- develop, in consultation with the building and housing sector, resources that guide and advise them on their rights and obligations.

What we will deliver

Over the next 3 years we will:

- monitor and report on performance, skills and competencies across the building and housing sector
- develop, implement and maintain registration and licensing regimes for building practitioners. In 2006/07 we will develop:
 - rules and regulations for licence classes, complaints, fees and levies, as applicable
 - processes for assessments, complaints, appeals, fees and levies effective from 1 November 2007
 - information technology and business support systems.
- develop, implement and maintain registration and licensing regimes for electrical workers. We will effect the transfer of the electrical workers registration system from the Ministry of Economic Development from 1 September 2006.
- upskill building officials. In 2006/07 we will:
 - help to establish a national qualification for building officials
 - establish the accreditation and registration systems for building consent authorities
 - provide guidance and information to building practitioners and regulators
 - provide assurance of building consent authorities' performance.

- upskill property owners and managers. In 2006/07 we will:
 - implement the Community Education and Liaison Strategy to promote an informed and confident rental market by educating and working with market participants. This will include implementing strategies to improve the quality of business and property management practices of landlords.
 - provide information and advice to the housing industry aimed at raising the standards of property and property management.
- investigate and advise on barriers to institutional investment in rental housing.
- investigate mandatory home warranty insurance for new domestic dwellings and for significant repairs and renovations.

How our outputs link to the strategy

OUTPUT EXPENSE	OUTPUT
Building Act 2004 Implementation	Sector Advice and Guidance Building Officials' Education
Building Regulation and Control	Building Regulation Advice and Guidance Resolve Complaints and Disputes Monitor Building Consent Authorities
Occupational Licensing	Develop and Implement Building Practitioner Licensing Scheme Licensing of Electrical Workers (from September 2006)
Purchase and Monitoring Advice – Housing New Zealand Corporation	Monitoring and Purchase Advice on Housing New Zealand Corporation
Residential Tenancy Services	Residential Tenancy Advice and Guidance Compliance
Sector and Regulatory Policy	Sector and Regulatory Policy Advice Sector, Industry and Market Monitoring Statutory Board Responsibilities

Strategy: Better awareness and understanding of building and housing issues

What we will do

The Department is committed to promoting greater awareness and understanding of housing and building issues among consumers.

We will improve access to information for consumers about their rights and obligations so:

- they can make informed decisions and undertake transactions with confidence
- those providing services in the building sector are better able to do their jobs.

Why we will do it

Intermediate Outcomes

- Homes and buildings that meet the changing needs of New Zealanders.
- A vibrant building, construction and housing sector with skilled building and housing professionals.
- Confident owners, tenants and users.

We know we cannot effect positive change without achieving these outcomes. These actions will:

- allow consumers and the sector to access the right information to make informed decisions
- reduce poor-quality construction, reduce disputes and lower transaction costs
- result in less government intervention (and its associated costs).

How we will do it

This strategy involves the Department working with stakeholders to develop information in the best form and delivered in the best way to ensure the sector and consumers understand their rights and obligations.

What we will deliver

Over the next 3 years we will:

- undertake public information and education initiatives to raise awareness and understanding of building and housing sector issues, leading to better informed consumer and practitioner behaviour
- provide information to better inform homeowners and prospective homeowners of weathertightness issues and how these can be addressed and remedied.

How our outputs link to the strategy

OUTPUT EXPENSE	OUTPUT
Building Act 2004 Implementation	Public Information and Education
Building Regulation and Control	Public Information and Education
Residential Tenancy Services	Residential Tenancy Public Information and Education
Weathertight Homes Resolution Service	Implementation of WHRS Changes Dispute Resolution
Occupational Licensing	Develop and Implement Building Practitioner Licensing Scheme

Social Services Cluster

The Social Services Cluster aims to better integrate the services of the Ministry of Social Development, Child, Youth and Family Services, Housing New Zealand Corporation and the Department of Building and Housing for common clients.

The cluster enables us to develop practical and effective ways of working together. We are committed to working with each other, and with other government and non-government agencies, to help deliver the best possible results.

Our commitment to working together recognises that our clients often have multiple needs that are best addressed together, instead of being dealt with by different agencies.

The Department is working with other members of the cluster on implementing the New Zealand Housing Strategy and other strategies to achieve results for shared clients. An example of this approach is the Care to Independence project. This project involves the Department working with the Ministry of Social Development and Housing New Zealand Corporation to better support young people moving from institutional care to independent living.

Strategy: More accessible and connected services

What we will do

We are committed to providing high-quality services that are accessible to our clients and connected to the different communities we serve.

We will:

- provide improved access to services for our clients in ways that better suit them and support them to operate with confidence
- work as a network with other state agencies so there is 'no wrong door' to state services
- ensure our services are connected to the different communities we serve
- work to lower transaction costs for our clients.

Why we will do it

Intermediate Outcome

- Confident owners, tenants and users.

For the building and housing sector to operate well, our clients need to be able to use services that assist them to transact with confidence. Our clients need to be able to:

- find the right information easily to make informed decisions
- be aware of and understand their rights and obligations
- have access to efficient and effective services to resolve disputes.

How we will do it

We will:

- implement new service delivery models for Tenancy Services and the Weathertight Homes Resolution Service
- provide advice to the Government on options for an integrated approach to tenancy, homeowner and building disputes
- work with the other Social Services Cluster agencies to better connect our services for common clients and provide greater ease of access.

Housing Strategy

The Government is committed to ensuring those on low and modest incomes or with special housing needs receive the help they require to find and stay in affordable, good quality housing.

The Government's housing strategy sets out the priorities for housing and a programme of action over the next 10 years. It covers sustainable housing supply, assistance and affordability, home ownership, the private rental sector, housing quality, sector capability and meeting diverse needs.

The Department is part of the steering group overseeing the strategy.

What we will deliver

Over the next 3 years we will:

- enhance the performance of the Weathertight Homes Resolution Service (WHRS) by:
 - streamlining the management of the overall WHRS process
 - improving the effectiveness and efficiency of each stage within the WHRS process (assessment, mediation and adjudication)
 - allowing homeowners to claim for probable weathertightness damage as well as evident damage to their houses
 - introducing a 'class action' approach to help with registering claims and resolving disputes for owners of units within multi-unit apartment complexes
- further address the legacy of non-weathertight buildings, in addition to measures already under way as the Building Act 2004 is implemented, by introducing measures to encourage and facilitate early repair of buildings so that repair work is carried out according to best practice
- work with members of the Social Services Cluster to implement the New Zealand Housing Strategy and other strategies to achieve shared outcomes for common clients
- implement a new service-delivery approach for dispute resolution within Tenancy Services
- monitor and evaluate the changes to how Tenancy Services are delivered
- work with and through other organisations to provide education and information to target groups in the rental housing market
- consider ways to improve access to housing for people with disabilities.

How our outputs link to the strategy

OUTPUT EXPENSE	OUTPUT
Residential Tenancy Services	Bond Management Residential Tenancy Dispute Resolution Residential Tenancy Public Information and Education Tenancy Tribunal Administration State Housing Appeals Authority Administration
Weathertight Homes Resolution Service	Weathertight Homes Claims Assessment Dispute Resolution Implementation of WHRS Changes

Strategy: Working better with the sector

What we will do

The Department is committed to collaborating and working in partnership with the sector to enhance our knowledge and understanding of the sector and issues affecting housing, building and construction. This ensures future standards are informed by the views and ideas of those involved in design, construction and administration of regulation at the local level.

We will work with sector groups to:

- form and maintain strong relationships
- ensure there is active consultation
- ensure those groups in the sector who work with consumers are better informed and more aware of building- and housing-related matters
- ensure there is a good understanding of the outcomes the Government is seeking for the sector.

Why we will do it

Intermediate Outcomes

- Homes and buildings that meet the changing needs of New Zealanders.
- A vibrant building, construction and housing sector with skilled building and housing professionals.
- Confident owners, tenants and users.

We know we cannot effect positive change without working collaboratively with sector groups. Our actions will:

- assist the sector to access the right information to make good decisions
- reduce poor-quality construction, reduce disputes and lower transaction costs
- result in less government intervention (and its associated costs).

How we will do it

This strategy involves the Department:

- establishing, maintaining or participating in a range of forums and working groups that enable the participants to share information and address issues of mutual concern
- working with stakeholders to develop information in the best form and delivered in the best way to ensure the sector and consumers understand their rights and obligations, and can make decisions and undertake transactions with confidence

- monitoring and reporting on sector information. As well as developing our capability to monitor the sector, we will actively contribute to a better understanding of the significance of the building and housing sector to the Government's housing outcomes. This includes the sector's capacity to meet increasing demands for high-quality and affordable housing, and developing a better understanding of the factors that affect the supply and cost of housing. Another aspect is maintaining awareness of national and international research developments and promoting improved coordination of housing and building research in New Zealand.
- establish and maintain proactive and constructive relationships with key external stakeholders to ensure good feedback on and input to the work of the Department.

What we will deliver

To be successful the Department must have a good knowledge of the sector as the basis of engagement with it. To this end we are developing our sector monitoring capability, and leading or participating in a number of collaborative forums.

Over the next 3 years we will:

- develop a sector monitoring strategy to improve the Department's and the Government's understanding of the sector, including supply and demand in the housing market
- work with the local government sector through forums such as the Department/Local Government Governance Group, the Regional Authority Working Group, the Deputy Secretaries Group, and other advisory and working groups
- through the work of the Chief Executive's Building Advisory Panel, look to identify longer term strategic issues
- collect, analyse and disseminate industry and market (building and housing) performance data
- collect and disseminate recent local and international building research and performance information relevant to New Zealand conditions and buildings
- develop an evaluation strategy to ensure the Department's services and regulatory interventions are effectively contributing to the Government's outcomes and objectives for the sector
- influence, coordinate and commission research into the building and housing sector.

How our outputs link to the strategy

OUTPUT EXPENSE	OUTPUT
Building Act 2004 Implementation	Public Information and Education
Building Regulation and Control	Building and Construction Monitoring, Research and Evaluation Public Information and Education
Sector and Regulatory Policy	Sector, Industry and Market Monitoring
Residential Tenancy Services	Residential Tenancy Public Information and Education

Strategy: Increased support to responsible Ministers on governance and performance of Crown entities and statutory boards

What we will do

We are committed to providing support to responsible Ministers through high-quality monitoring and reporting on the performance of statutory bodies and boards charged with providing building- and housing-related services and functions. This includes evaluating and providing advice on delivering the Government's social housing policies through Housing New Zealand Corporation, and advice on appointments and the performance of other building and housing entities (for example, occupational licensing boards).

Providing social housing effectively and efficiently contributes to improved social outcomes for New Zealanders. Our monitoring of Housing New Zealand Corporation's performance will help to ensure the Government has confidence in the Corporation's performance. We will work with the Housing New Zealand Corporation Board and staff in undertaking this role. We will also support Ministers in meeting their legislative obligations regarding Crown entities and statutory boards.

We will:

- provide advice to responsible Ministers on Housing New Zealand Corporation's key accountability documents
- provide advice to responsible Ministers on the Corporation's operational activities (and statutory boards where appropriate) to ensure the Ministers receive independent advice on any proposals, particularly where they have financial implications
- coordinate Budget processes relating to Vote Housing (in accordance with Treasury budget timelines and processes)
- provide advice to Ministers on Crown appointments to building and housing entities, and monitor the performance of those Crown entities and boards
- work with Housing New Zealand Corporation and statutory boards to ensure the Government's wider context and priorities are taken into account in their decision processes, and assist their knowledge and compliance with government processes.

Why we will do it

Intermediate Outcome

- Homes and buildings that meet the changing needs of New Zealanders.

Statutory appointments and governance

The following Crown appointments are administered and/or monitored by the Department.

- Registered Architects Board (Registered Architects Act 2005)
- Architects Education and Registration Board, Architects Investigation Committee (Architects Act 1963)
- Chartered Professional Engineers Council (Chartered Professional Engineers Act of New Zealand 2002)
- Engineering Associate Registration Board (Engineering Associates Act 1961)
- Plumbers, Gasfitters and Drainlayers Board (Plumbers, Gasfitters and Drainlayers Act 1976) – from January 2008
- Building Practitioners Board (Building Act 2004)
- Electrical Workers Registration Board (Electricity Act 1992) – from 1 September 2006
- State Housing Appeals Authority (Housing Restructuring Appeals Regulations 2000)
- Weathertight Homes Resolution Service Adjudicators and Mediators (Weathertight Homes Resolution Services Act 2002)

(continued page 29)

For the building and housing sector to operate well, responsible Ministers need high-quality advice on:

- performance objectives and governance arrangements in Crown-owned and statutory entities
- government funding and budget processes for building and housing.

How we will do it

We will:

- develop and maintain a comprehensive understanding of the business of Housing New Zealand Corporation and the sectors within which it operates, and the functions of the statutory boards for which it has responsibility to ensure the Department is at the forefront of monitoring best practice within the state sector
- ensure the Ministers' obligations as responsible Ministers for Crown entities and statutory boards are met
- ensure effective administration of Vote Housing.

What we will deliver

Over the next 3 years we will provide advice to responsible Ministers on:

- Housing New Zealand Corporation's key accountability documents, including the:
 - ministerial letter of expectations
 - Corporation's Statement of Intent
 - Corporation's Business Plan
 - Corporation's 2005/06 Annual Report
 - Corporation's quarterly reports
 - Corporation's Output Agreement
 - Review of Financial Governance
- reports that relate to the Corporation's operational activities as a Crown entity to ensure the Minister of Housing receives independent advice on any proposals, particularly where these have financial implications. These reports will include the:
 - Review of Rural Housing Products
 - Review of Lending Products.
- government funding and budget processes in relation to Vote Housing (in accordance with Treasury budget timelines and processes)
- the administration of the Corporation's Income Related Rent (IRR) subsidy
- output agreements and annual reports for other boards or entities, as required by statute
- Crown appointments and statutory board monitoring.

The Department also provides support to the following appointments.

- Chief Executive's Building Advisory Panel (Building Act 2004)
- Retirement Villages Disputes Panel (Retirement Villages Act 2003)
- Tenancy Tribunal (Residential Tenancies Act 1986)

The Department's role includes:

- providing advice to Ministers that helps ensure people with the right mix of knowledge and expertise are appointed to boards
- monitoring the performance of boards and reporting to the Minister appropriately
- ensuring output agreements are in place with all boards
- promoting the review of Acts and Regulations when the functions have become limiting for the board, or the operating environment of the board has substantially changed
- ensuring the boards are discharging their regulatory functions effectively.

How our outputs link to the strategy

OUTPUT EXPENSE	OUTPUT
Purchase and Monitoring Advice – Housing New Zealand Corporation	Monitoring and Purchase Advice on Housing New Zealand Corporation
Occupational Licensing	Develop and Implement Building Practitioner Licensing Scheme Licensing of Electrical Workers
Residential Tenancy Services	Tenancy Tribunal Administration State Housing Appeals Authority Administration

HOW WE WILL MEASURE PROGRESS

The Department currently develops and publishes a quarterly *Building and Housing Trends* report that monitors and comments on key trends in the housing and building sector. The indicators that underpin the report, while providing a lot of valuable information, still need to be fully aligned with our outcome framework. This work will be undertaken over the period covered by this Statement of Intent.

We will take a three-tier approach to measuring progress toward outcomes.

- *Outcome measures:* Over the period covered by this Statement of Intent we will develop a comprehensive set of indicators that will provide the basis for assessing and reporting on progress towards achieving our intermediate outcomes. As these indicators are developed, they will be included in future statements of intent. These indicators will build on the framework outlined in the following table and take account of data sources and indicators that currently inform our *Building and Housing Trends* reports. When considered together they will provide a gauge of the overall outcome: the people of New Zealand have access to quality homes and buildings that meet their needs and reflect our New Zealand environment.
- *Impact measures:* We are developing and implementing an evaluation strategy aimed at measuring the impact and cost-effectiveness of our interventions. This strategy will be informed by the development of an 'intervention logic' that relates departmental activities to the outcomes sought by the Government. Our initial focus has been on designing an approach to assessing the impact of the Building Act 2004 reforms. More broadly, cost-effectiveness is a key consideration in formulating policy advice on proposed interventions. It will also be considered in the review of key initiatives, for example implementing new service models for Tenancy Services and the Weathertight Homes Resolution Service. As we confirm suitable cost-effectiveness measures, we will include them in future statements of intent as required under section 40(d)(ii) of the Public Finance Act 1989.

- *Output measures:* The third tier will focus on measuring the delivery of our outputs. Progress in this regard will be reported and monitored regularly as agreed with our Ministers against our departmental output agreement.

INTERMEDIATE OUTCOMES	
Desired outcome	Likely indicators (to be further developed)
Buildings and homes that perform well in the New Zealand environment	<p>Increased research into new building technologies for the New Zealand environment.</p> <p>Compliance data, including:</p> <ul style="list-style-type: none"> • number of outstanding code compliance certificates (post application or over 2 years from receiving the building consent) • number of prosecutions for offences under the Building Act 2004. <p>Health and safety data and building consents data.</p>
A vibrant building, construction and housing sector with skilled building and housing professionals	<p>Licensed building practitioner data, including the number of currently licensed or registered electricians, engineers and architects.</p> <p>Building consent authority accreditation.</p> <p>Sector performance data.</p> <p>Training and qualifications data, including:</p> <ul style="list-style-type: none"> • Building and Construction Industry Training Organisation (BCITO) trainees and qualification graduates • number of building officials enrolled for the national qualification • number of people holding the national qualification for building officials.
Homes and buildings that meet the changing needs of New Zealanders	<p>Indicators that signal adaptation to:</p> <ul style="list-style-type: none"> • improved supply of affordable housing • best use, provision and allocation of social housing • houses that better meet the changing needs of families and a changing population • homes and buildings that use energy more effectively and efficiently • innovative and sustainable approaches to building practices and urban design.
Confident owners, tenants and users	<p>Public awareness and satisfaction levels, including:</p> <ul style="list-style-type: none"> • Residential Tenancies Act 1986 awareness and satisfaction (tenants and landlords) • building quality standards awareness and satisfaction (consumers). <p>Easy access to information.</p> <p>Clarity about, and balance between, rights and obligations.</p> <p>Stability of tenure.</p> <p>Access to redress and dispute resolution, including:</p> <ul style="list-style-type: none"> • weathertightness claims • weathertightness problems resolved • percentage of tenancy investigations resulting in voluntary compliance • number of tenancy disputes as a proportion of bond transactions.

Note: This table includes a number of likely indicators as bullet points, together with other broad areas where we will identify additional indicators.

Strengthening Our Capability

CONTINUING TO DEVELOP OUR ORGANISATIONAL CAPABILITY

The process of change is ongoing for the Department as we combine and evolve the groups from which we were formed into one organisation. The building and housing sector is also undergoing considerable change, in large part because of the reforms that are under way. To succeed in this environment and fulfil our role, we are committed to building a sustainable, adaptive organisation, with a culture of pride in professional excellence, a willingness to work with others to build our knowledge and understanding, and to achieve results.

We will continue to build our organisational capability based on the State Services Development Goals.

1. **Employer of Choice** – ensure the State Services is an employer of choice attractive to high achievers with a commitment to service.
2. **Excellent State Servants** – a strong culture of constant learning in the pursuit of excellence.
3. **Networked State Services** – use technology to transform the provision of services for New Zealanders.
4. **Coordinated State Agencies** – ensure the total contribution of government agencies is greater than the sum of its parts.
5. **Accessible State Services** – enhance access, responsiveness and effectiveness, and improve New Zealanders' experience of State Services.
6. **Trusted State Services** – strengthen trust in the State Services, and reinforce the spirit of service.

OUR DEVELOPMENT PRIORITIES

Our intention is to develop a flexible and responsive organisation that can adapt to changing circumstances. Our aim is to ensure the organisation is 'fit for purpose' and we deliver on our role in a way that adds value to the Government, sector stakeholders and consumers alike.

We have reviewed our capability with both our Outcome Framework and the State Services Development Goals in mind. We have developed a programme for the forthcoming year and beyond based around five priority areas.

1. Building appropriate staffing capability and skills.
2. Developing leadership and management capability.
3. Strengthening our capability for monitoring and advising on Crown entities and statutory boards.
4. Developing and enhancing business systems to enhance service delivery, improve data and knowledge, and to strengthen capability.
5. Strengthening our relationship building capability with the building and housing sector.

Building appropriate staffing capability and skills

The Department is actively seeking to build its permanent staffing capability and skills. Recruitment of staff is a key priority for the Department. We have in place a Recruitment Strategy that has as a key goal getting the right people with the right skills (or potential to develop the right skills) in place.

The appointment of second- and third-tier managers to drive recruitment and capability building throughout the Department has been a key focus. This focus will continue. In addition, work will be done on better definition of staff roles, and the related authorities, accountabilities and skills needed for these roles. This is to ensure staff training is aligned with organisational skill requirements and delivers value.

Developing leadership and management capability

Effective leadership through change is critical to the successful development of the new Department. Some parts of the organisation have already undergone, or are going through, considerable change (Tenancy Services, Weathertight Homes Resolution Service). Others will follow as the organisation evolves. Change will be a constant. The initial focus has been on the Strategic Leadership Team's role in leading the organisation through change.

In late 2005 the Strategic Leadership Team took part in a leadership development programme which was the first step in establishing a consistent leadership approach and management framework across the organisation and identifying areas for focus. The Strategic Leadership Team has followed its participation in this leadership programme with a series of workshops and is committed to carrying on with this work.

Leadership programmes tailored to the needs of our second- and third-tier managers and team leaders will be run in 2006/07. This will be an ongoing programme and all managers will have the opportunity to participate.

Planning is also under way to develop a core management training programme to assist new managers and existing managers to develop the requisite core financial, human resource, business planning and communication skills.

Strengthening our capability for monitoring and advising on Crown entities and statutory boards

Housing New Zealand Corporation is the single largest landlord in the country. It controls significant financial and other resources and manages housing assets valued at around \$11 billion. Our advice on, and monitoring of, the Corporation must be of the highest standard to provide the appropriate support to the responsible Ministers – the Minister of Housing and Minister of Finance. In 2006/07 we will invest further in developing our capability to perform this role, and also to provide advice to the Minister for Building Issues on statutory boards.

Developing and enhancing business systems

Information technology systems are a key contributor to achieving our business strategies and outcomes. We are committed to implementing information technology systems that:

- **enhance service delivery:** our systems will directly improve the quality of our service, improve access for our clients and enable the Department to better connect with the communities it serves
- **grow the sector knowledge-base:** our systems will support the development and dissemination of information to and across the sector, as well as gathering and collating information that will enable well-informed policy advice and operational decisions.

Our organisational development priorities over the next 3 years include:

- establishing a national, consolidated voice and data network that will enable us to effectively mobilise our Tenancy Services workforce, extending our services over a greater geographic area
- upgrading our human resource business application systems to better assist managers with more accurate and useful online data
- developing a knowledge management system to better meet our statutory record-keeping requirements, knowledge management initiatives, and e-government metadata standards and principles
- introducing a customer management system to support our nationwide call centre, both now and to provide for future expansion
- enhancing our financial data and reporting systems to better assist managers in understanding and managing their financial responsibilities.

Human resource systems are an important shaper of organisational culture and underpin organisational performance. Work on developing a comprehensive suite of appropriate human resource systems is well advanced. We have designed and implemented new performance development and remuneration systems. Over the coming year we will bed down these systems and deepen staff and managers' understanding of them.

Strengthening our relationship building capability with the building and housing sector

The Department is committed to building its capability to work with the sector to implement reforms in the building sector and at local government level in a way that is practical and 'do-able', and supportive of the changes required. We will develop greater capability (skills and systems) to enable early and active engagement with the sector on policy development and regulatory system design and technical advice. We are working closely with territorial authorities, as regulatory partners, to assist in the development of their systems and skills, and to support the changes they need to make to become accredited building consent authorities.

HOW WE WILL MONITOR OUR ORGANISATION'S HEALTH

We are committed to ensuring we have the capability required to perform our functions and conduct our operations effectively and efficiently. The following table sets out some of the indicators we will use to help us monitor organisational health and capability.

ORGANISATIONAL HEALTH INDICATORS
Internal controls <ul style="list-style-type: none">• The Treasury's Departmental Internal Control Evaluation (DICE) rating
Staff capability and capacity <ul style="list-style-type: none">• Vacant positions as a percentage of total positions (rolling 12-monthly average)• Rolling 12-monthly staff turnover• Percentage of approved positions filled by contractors (rolling 12-monthly average)
Health and safety – staff wellbeing <ul style="list-style-type: none">• Accident frequency• Accident severity• Sick leave incidence
Performance development <ul style="list-style-type: none">• Percentage of performance development process expectation letters completed• Percentage of performance development process annual review letters completed

Our Risk Response

The Department is committed to identifying, monitoring and responding appropriately to risks to our business at all levels. We aim to prevent, minimise or mitigate risks as appropriate.

Identifying and managing risk is incorporated into the Department’s business planning and management practices and is part of day-to-day business.

At the strategic level, we seek to identify risks that have the potential to impact on achieving our outcomes. At the operational level, our business group plans identify risks that have the potential to impact on the delivery of our services.

The Department’s risk management processes are still being developed. Over the coming year we will align our risk management identification, monitoring and review process with our internal audit work programme.

The following table highlights a number of risks to achieving our outcomes. Our consideration of these risks has informed the development of our strategies and capability development initiatives.

ISSUE/RISK	RESPONSE
<p>Local authority and building sector buy-in to Building Act implementation There is a risk that the outcomes being sought from implementing the Building Act 2004 are compromised or delayed as a result of insufficient stakeholder buy-in and capacity limitations.</p> <p>The building and housing sector is operating at near-full capacity. The sector’s capacity to participate in, implement and respond to major policy and regulatory change is limited.</p> <p>The provisions of the Building Act 2004 are administered by territorial authorities. Their cooperation is necessary to effectively implement the provisions of the Building Act 2004.</p>	<p>Working better with the sector We have established a joint governance group with local government and the Building Officials Institute of New Zealand to ensure we work with regulatory partners and key stakeholders in developing, testing and implementing policy and regulatory changes.</p> <p>We want to ensure:</p> <ul style="list-style-type: none"> • our interventions are practical and cost-effective • the benefits outweigh the costs • regulatory partners understand and work to their role in the regulatory framework • the implementation timeframes result in a reasonable pace of change (given current sector capacity constraints).
<p>Respondents’ behaviour arising from weathertightness claims liability There is a risk that respondents will seek to delay resolving weathertightness claims because of the costs associated with their liabilities.</p>	<p>Working better with the sector We are engaging with local authorities and other respondents to develop a shared view on the long-run benefits of resolving weathertightness claims earlier.</p>

ISSUE/RISK	RESPONSE
<p>Consumer confidence There is a risk that consumers will lose confidence in building-related dispute resolution processes. Confidence in the weathertight homes resolution process will be further tested by delays in the settlement process.</p> <p>The leaky building issue highlighted the difficulties faced by homeowners in resolving building-related disputes. Consumers continue to face significant difficulties in enforcing their rights and gaining redress when buildings fail due to problems other than weathertightness. Building and housing transactions can be complex and involve significant knowledge imbalances between suppliers and consumers.</p>	<p>Better awareness and understanding Our consumer information campaign aims to ensure homeowners and prospective homeowners are aware of weathertightness issues and how these can be addressed.</p> <p>More accessible and connected services In addition, we aim to foster consumer confidence through the improvements we are making to the weathertight homes resolution process.</p> <p>More effective regulation and better building standards The Building Act 2004 will provide more clearly defined rights and obligations, and improved building standards.</p> <p>The social and economic policy implications of changes to the Building Code will be considered as part of the review.</p>
<p>Housing affordability There is a risk that rising property values in some areas (especially Auckland) place homeownership beyond the means of low- to middle-income earners. This means more families and older people are renting.</p>	<p>Working better with the sector We are working with Housing New Zealand Corporation and the Ministry for the Environment to ensure building and housing policies and regulations respond to trends in land use and urban design. We are also working to better understand the implications of policies and regulations for the supply of affordable housing.</p>
<p>The built environment There is a risk that the limited availability of land for development (especially in Auckland) and concern for the social and environmental effects of building and urban development will result in higher-density housing. It may also result in an increased focus on the role of land use, planning and other regulatory interventions in supplying and developing new housing stock.</p>	<p>More effective regulation and better building standards The review of the Building Code is actively considering sustainable development, energy efficiency, and building quality and design issues.</p>
<p>Implementing a wide-ranging reform programme There is a risk that departmental capability and capacity constraints will compromise either:</p> <ul style="list-style-type: none"> • the implementation of the wide-ranging programme of reforms for which we are responsible, or • the quality of our 'business-as-usual' services. 	<p>Capability development Our recruitment programme and investment in skills development is aimed at ensuring we acquire the necessary specialist skills, and will ensure we have the capability and capacity to deliver our core services.</p> <p>We will continue to contract external resources to manage one-off or occasional peaks in workload associated with implementing reforms or new initiatives and to provide specialist skills where needed.</p>

Part B: Current Year Forecasts



Statement of Responsibility

The information contained in this Statement of Intent for the Department of Building and Housing for the year ending 30 June 2007 has been prepared in accordance with section 38 of the Public Finance Act 1989.

As Chief Executive of the Department of Building and Housing, I acknowledge, in signing this statement, my responsibility for information contained in this Statement of Intent.

The performance forecast for each output expense in the statement of forecast service performance is as agreed with the Minister responsible for Vote Housing administered by the Department of Building and Housing.

The financial performance forecast for the Department of Building and Housing in the forecast financial statements and statement of forecast service performance is as agreed with the Minister for Building Issues who is responsible for the financial performance of the Department of Building and Housing.

The information contained in this Statement of Intent is consistent with existing appropriations, and with the appropriations set out in the Appropriation (2006/07 Estimates) Bill as presented to the House of Representatives in accordance with section 13 of the Public Finance Act 1989.

Signed:

Countersigned:



Katrina Bach
Chief Executive
24 April 2006



Lucy Haberfield
Acting Chief Financial Officer
24 April 2006

Financial Highlights

There are seven departmental output expenses delivered by the Department of Building and Housing.

We expect in the 2006/07 year:

- to earn \$12.988 million from interest on the Residential Tenancies Trust Account
- to earn \$0.800 million from fees for applications to the Tenancy Tribunal
- to earn \$0.113 million from fees to help Tenancy Tribunal judgement creditors to recover judgement debts
- to earn \$4.260 million from occupational licensing fees and levies
- to earn \$18.072 million from building levies
- to earn \$0.348 million from contributions for the State Sector Retirement Savings Scheme
- to earn \$33.516 million from the sale of outputs to the Crown
- to spend \$71.843 million on the production of outputs for the seven departmental output expenses detailed in the Statement of Forecast Service Performance.

We will also administer the following non-departmental expenditure and revenue in 2006/07.

- Non-departmental output expenses payable to Housing New Zealand Corporation for policy advice of \$2.912 million, contracted housing support services of \$11.183 million, and housing support services of \$11.491 million.
- Benefits and unrequited expenses for income-related rental subsidy paid to Housing New Zealand Corporation of \$417.452 million.
- Benefits and unrequited expenses for housing assistance payments of \$8.666 million.
- Non-departmental other expenses payable to Housing New Zealand Corporation for the community housing rent relief programme of \$4.500 million.
- Non-departmental other expenses to recognise an increase of \$3.149 million in provision for doubtful debts on income-related rental subsidy Crown debt.
- Interest receipts on loans to Housing New Zealand Corporation of \$109.323 million.
- Dividend receipts from Housing New Zealand Corporation of \$4.279 million.
- Capital injections to Housing New Zealand Corporation of \$216.913 million.
- Housing New Zealand Corporation third-party debt refinancing of \$259.342 million.
- A loan to the Registered Architects Board of \$0.045 million.

Details of how the non-departmental appropriations will be applied appear in parts C2, D1, D3, E1 and F1 of Vote Housing in the 2006/07 Estimates of Appropriations for the Government of New Zealand.

Forecast Departmental Financial Statements

STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS

These forecast financial 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 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

Reporting entity

The Department of Building and Housing is a government department as defined by the Public Finance Act 1989.

Our financial statements have been prepared pursuant to the Public Finance Act 1989.

In addition, we have reported the Crown activities that we administer.

Measurement system

The financial statements have been prepared on a historical cost basis.

Accounting policies

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.

Contingent liabilities

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

Cost allocation

We have determined the cost of outputs using the cost allocation system 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 and use 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.

Receivables

Receivables are stated at the amounts expected to be ultimately collected in cash.

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%
Leasehold improvements	10-20%
Furniture and fittings	10%
Computer hardware	25%
Software development and licences	12.5-33%
Communications equipment	25%
Motor vehicles	16%
Leased assets	25%

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. The depreciation rate for motor vehicles is based on rates that will write down the cost of vehicles to their estimated residual value (40 percent of retail value at time of purchase) over 4 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

We are party to financial instruments as part of our 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 Forecast Financial Performance.

Foreign currency

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

Goods and services tax (GST)

The Statement of Forecast Financial Position is exclusive of GST, except for payables and receivables, which are stated inclusive of GST. All other statements are GST-exclusive.

Leases

Finance leases: A liability equal to the present value of the future minimum lease payments is recognised for office equipment acquired by way of finance lease. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The interest expense component of the finance lease payments is recognised in the Statement of Forecast Financial Performance using the effective interest rate method.

Operating leases: We lease office premises. These leases are operating leases and the costs are expensed in the period in which they are incurred.

Property, plant and equipment

Fixed assets costing more than \$2,000 are capitalised and recorded at historical cost. Any write-down of an item to its recoverable amount is recognised in the Statement of Forecast Financial Performance. No revaluations have been performed on any class of fixed assets.

Revenue

We derive revenue through the provision of outputs to the Crown, for services to third parties and from interest on 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, we administer a trust account for tenancy bond investments. Interest is payable to us and interest income is recognised on an accrual basis.

Statement of Cash Flows

Cash means cash balances on hand and held in bank accounts. Operating activities include cash received from all our income sources 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 Department.

Changes in accounting policies

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

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

STATEMENT OF FORECAST FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

	2004/05 Actual \$000	Budget ¹ \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Revenue				
Crown	10,035	24,956	24,769	33,516
Department	87	357	357	348
Other	16,687	32,885	32,885	36,233
Total operating revenue	26,809	58,198	58,011	70,097
Expenses				
<i>Output expenses:</i>				
Personnel	15,912	26,241	26,241	28,133
Operating	13,882	31,491	30,130	40,638
Depreciation	784	1,179	1,179	2,192
Capital charge	301	332	332	880
Loss on sale of fixed assets	15	0	0	0
Total operating expenses	30,894	59,243	57,882	71,843
Net surplus/(deficit)	(4,085)	(1,045)	129	(1,746)

The increase in budget for output expenses in the 2006/07 financial year, relative to the 2005/06 budget, is primarily due to additional funding approved in Budget 2006 of:

- \$8.927 million for a set of measures to enhance the effectiveness and efficiency of the Weathertight Homes Resolution Service
- \$2.848 million under the Occupational Licensing output class for the transfer of the administration of the electrical workers registration system from the Ministry of Economic Development on 1 September 2006.

This statement should be read in conjunction with the Statement of Significant Underlying Assumptions and Statement of Significant Accounting Policies.

1 This column incorporates both Main Estimates and Supplementary Estimates appropriations for 2005/06.

STATEMENT OF FORECAST FINANCIAL POSITION

AS AT 30 JUNE 2007

	2004/05 Actual \$000	Budget \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Assets				
<i>Current assets</i>				
Cash and bank balances	167	3,239	4,413	4,273
Receivables and advances	8,101	13,025	13,025	13,025
Debtor Crown	77	0	0	0
Total current assets	8,345	16,264	17,438	17,298
<i>Non-current assets</i>				
Fixed assets	3,033	9,429	9,429	12,131
Total non-current assets	3,033	9,429	9,429	12,131
Total assets	11,378	25,693	26,867	29,429
Liabilities				
<i>Current liabilities</i>				
Payables and provisions	6,179	12,260	12,260	10,827
Provision for payment of surplus	188	2,867	2,967	1,520
Employee entitlements	590	785	785	828
Deferred revenue	0	0	0	900
Total current liabilities	6,957	15,912	16,012	14,075
<i>Non-current liabilities</i>				
Employee entitlements	269	300	300	350
Total liabilities	7,226	16,212	16,312	14,425
Taxpayers' funds				
General funds	4,152	9,481	10,555	15,004
Total taxpayers' funds	4,152	9,481	10,555	15,004
Total net assets	11,378	25,693	26,867	29,429

This statement should be read in conjunction with the Statement of Significant Underlying Assumptions and Statement of Significant Accounting Policies.

STATEMENT OF FORECAST CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2007

	2004/05 Actual \$000	Budget \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Cash flows from operating activities				
Cash provided from:				
Supply of outputs to:				
Crown	10,015	25,033	24,846	33,516
Department	87	358	358	1,248
Other	12,923	27,985	27,985	37,133
Cash disbursed to:				
Cost of producing outputs	(25,454)	(51,450)	(50,089)	(71,011)
Capital charge	(301)	(332)	(332)	(880)
Net cash flows from operating activities	(2,730)	1,594	2,768	6
Cash flows from investing activities				
Cash provided from:				
Sale of physical assets	0	0	0	0
Cash disbursed to:				
Purchase of physical assets	(1,511)	(7,575)	(7,575)	(4,673)
Net cash flows from investing activities	(1,511)	(7,575)	(7,575)	(4,673)
Cash flows from financing activities				
Cash provided from:				
Capital contributions from the Crown	5,124	9,241	9,241	7,132
Cash disbursed to:				
Payment of surplus to the Crown	(747)	(188)	(188)	(2,967)
Net cash flows from financing activities	4,377	9,053	9,053	4,165
Net increase/(decrease) in cash held	136	3,072	4,246	(502)
Opening total cash balances at 1 July	31	167	167	4,413
Transfer of cash balances from Ministry of Economic Development	0	0	0	362
Closing total cash balances at 30 June	167	3,239	4,413	4,273

This statement should be read in conjunction with the Statement of Significant Underlying Assumptions and Statement of Significant Accounting Policies.

RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2007

	2004/05 Actual \$000	Budget \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Net surplus/(deficit) from operations	(4,085)	(1,045)	129	(1,746)
<i>Add/(deduct) non-cash expenses/(revenues) from operating statement</i>				
Depreciation and amortisation	784	1,179	1,179	2,192
<i>Add/(deduct) movements in working capital</i>				
(Increase)/decrease in receivables and advances	(3,844)	(4,924)	(4,924)	0
(Increase)/decrease in Debtor Crown	(20)	77	77	0
Increase/(decrease) in payables and provisions	4,420	6,307	6,307	(1,340)
Increase/(decrease) in deferred income	0	0	0	900
<i>Items classified as investing activities</i>				
Net (gain)/loss on sale of physical assets	15	0	0	0
Net cash flows from operating activities	(2,730)	1,594	2,768	6

STATEMENT OF FORECAST MOVEMENTS IN TAXPAYERS' FUNDS (EQUITY)

AS AT 30 JUNE 2007

	2004/05 Actual \$000	Budget \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Taxpayers' funds at the start of the period	3,301	4,152	4,152	10,555
<i>Add</i>				
Net surplus/(deficit)	(4,085)	(1,045)	129	(1,746)
<i>(Deduct)</i>				
Provision for payment of surplus to the Crown	(188)	(2,867)	(2,967)	(1,520)
<i>Add</i>				
Capital injections from the Crown	5,124	9,241	9,241	7,132
Net asset transfer from Ministry of Economic Development	0	0	0	583
Taxpayers' funds at the end of the period	4,152	9,481	10,555	15,004

DETAILS OF FORECAST FIXED ASSETS BY CATEGORY

AS AT 30 JUNE 2007

	30 June 2005	30 June 2006	30 June 2007 Projected Position		
	Actual Net Book Value	Estimated Actual and Budgeted Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	\$000	\$000	\$000	\$000	\$000
Office equipment	119	394	737	110	627
Office renovations	340	3,795	4,233	975	3,258
Furniture and fittings	121	992	1,176	346	830
Computer hardware	737	2,100	7,712	2,978	4,734
Computer software	984	2,015	4,116	1,856	2,260
Motor vehicles	66	133	542	341	201
Transfer of fixed assets from					
Ministry of Economic Development	0	0	764	543	221
Work in progress	666	0	0	0	0
Total	3,033	9,429	19,280	7,149	12,131

ESTIMATED CAPITAL EXPENDITURE BY CATEGORY

AS AT 30 JUNE 2007

	Forecast 2006/07	Estimated Actual 2005/06	Budget 2005/06	Actual 2004/05	Actual 2003/04	Actual 2002/03	Actual 2001/02
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Office equipment	0	318	318	169	7	22	3
Office renovations	286	3,479	3,479	666	74	269	151
Furniture and fittings	50	927	927	266	0	2	0
Computer hardware	3,435	1,306	1,306	184	555	261	322
Computer software	802	1,445	1,445	124	288	940	34
Motor vehicles	100	100	100	56	0	0	29
Total	4,673	7,575	7,575	1,465	924	1,494	539

The Department is authorised to incur capital expenditure by using the proceeds of the sale or disposal of any of its assets, together with any working capital held (section 24 of the Public Finance Act 1989).

The effective constraint on capital expenditure by the Department is the total of its net assets (section 22 of the Public Finance Act 1989). The net assets of the Department will increase by \$7.715 million in 2006/07 through a transfer from the Ministry of Economic Development for the electrical workers registration system (\$583,000) and capital injections from the Crown to fund a projected deficit in the occupational licensing memorandum account (\$3.254 million), for the development of a licensing system for building practitioners (\$905,000) and to fund essential infrastructure resources for the recently formed Department (\$2.973 million).

STATEMENT OF OBJECTIVES SPECIFYING THE FORECAST FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

	2005/06 Budgeted \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Operating expenses			
Revenue: other	32,885	32,885	36,233
Output expenses	59,243	57,882	71,843
Operating surplus/(deficit) before capital charge	(713)	461	(866)
Surplus/(deficit) from operations	(1,045)	129	(1,746)
Working capital			
Net current assets	352	1,426	3,223
Resource use			
Physical assets:			
Total physical assets at year end	9,429	9,429	12,131
Taxpayers' funds:			
Level at year end	9,481	10,555	15,004
Forecast net cash flows			
Surplus/(deficit) operating activities	1,594	2,768	6
Surplus/(deficit) investing activities	(7,575)	(7,575)	(4,673)
Surplus/(deficit) financing activities	9,053	9,053	4,165
Net increase/(decrease) in cash held	3,072	4,246	(502)

RECONCILIATION OF OUTPUT EXPENSE APPROPRIATIONS TO TOTAL OPERATING EXPENSES

FOR THE YEAR ENDED 30 JUNE 2007

	Appropriation \$000	Expenses \$000
Output Expense		
Residential Tenancy Services	17,876	17,876
Purchase and Monitoring – Housing New Zealand Corporation	404	404
Sector and Regulatory Policy	5,258	5,258
Building Act 2004 Implementation	4,288	4,288
Occupational Licensing	7,535	7,535
Building Regulation and Controls	12,640	12,640
Weather-tight Homes Resolution Service	23,842	23,842
Total Operating Expenses	71,843	71,843

STATEMENT OF FORECAST COMMITMENTS

AS AT 30 JUNE 2007

	2005/06		2006/07
	Budget	Estimated Actual	Budget
	\$000	\$000	\$000
Capital commitments	0	0	0
Operating commitments:			
Less than 1 year	2,538	2,538	0
1 to 2 years	2,052	2,052	4,590
2 to 5 years	4,823	4,823	4,823
More than 5 years	6,065	6,065	6,065
Total operating commitments	15,478	15,478	15,478
Total commitments	15,478	15,478	15,478

MEMORANDUM ACCOUNTS

Memorandum accounts are notional accounts to record the accumulated balance of surpluses and deficits incurred for outputs operating on a full cost recovery basis. They are intended to provide a long-run perspective to the pricing of outputs.

	2004/05	2005/06		2006/07
	Actual	Budget	Estimated Actual	Budget
	\$000	\$000	\$000	\$000
Opening balance at 1 July	0	(2,996)	(2,996)	(29)
Revenue	0	17,971	17,971	18,072
Expenses	2,996	15,104	15,004	16,552
Closing balance at 30 June	(2,996)	(129)	(29)	1,491

Occupational Licensing – Building Practitioners

Opening balance at 1 July	0	(1,537)	(1,537)	(4,375)
Transfer deficit from Ministry of Economic Development	(260)	0	0	0
Revenue	1	0	0	1,399
Expenses	1,278	3,912	2,838	4,678
Closing balance at 30 June	(1,537)	(5,449)	(4,375)	(7,654)

During 2006/07, approval from the Minister of Housing and Minister of Finance will be sought to open a new memorandum account 'Occupational Licensing – Electrical Workers' and for the transfer of the balance of the former memorandum account from the Ministry of Economic Development. The Electrical Workers Licensing Group transfers to the Department from the Ministry of Economic Development on 1 September 2006.

Statement of Forecast Service Performance

RESIDENTIAL TENANCY SERVICES			
This output expense involves the administration of the Residential Tenancies Act 1986. It includes providing information, education, advice and dispute resolution services. It also involves undertaking compliance activity and administering residential tenancy bond monies.			
Outputs	Measures	Standard 2005/06	Standard 2006/07
<p>Residential Tenancy Advice and Guidance: Provide improved access to tenancy information and advice that meets clients' needs, including public education and targeted community and industry liaison work with:</p> <ul style="list-style-type: none"> groups who are at risk in the housing market to improve housing outcomes industry to raise standards of property and property management government and non-government agencies to achieve common client outcomes. 	<p>Quantity Forecast telephone enquiries for tenancy advice</p> <p>Quality Percentage of tenancy advice that meets or exceeds quality standards</p> <p>Timeliness Call abandonment rate for tenancy advice</p>	<p>200,000-250,000</p> <p>80%</p> <p>Not to exceed 7%</p>	<p>200,000 - 220,000</p> <p>85%</p> <p>Not to exceed 7%</p>
<p>Bond Management: Manage bond lodgements, refunds and investment as required under the Residential Tenancies Act 1986.</p>	<p>Quantity Forecast bond lodgements</p> <p>Bond refund requests</p> <p>Calls for bond advice</p> <p>Quality and timeliness Percentage of bond advice that meets or exceeds quality standards</p> <p>Percentage of bond refunds refunded correctly based on information held at the time of refund, completed within 2 days</p> <p>All bond investments made within our investment strategy criteria and within 0.25 percent of prevailing daily rates</p> <p>Timeliness Percentage of bond lodgements processed within 5 working days of receipt</p> <p>Call abandonment rate for bond advice calls</p>	<p>190,000-210,000</p> <p>190,000-210,000</p> <p>180,000-220,000</p> <p>85%</p> <p>100%</p> <p>100%</p> <p>100%</p> <p>100%</p> <p>Not to exceed 5%</p>	<p>180,000-200,000</p> <p>205,000-215,000</p> <p>180,000-200,000</p> <p>85%</p> <p>100%</p> <p>100%</p> <p>100%</p> <p>Not to exceed 5%</p>
<p>Compliance: Investigate and respond to alleged breaches of the Residential Tenancies Act 1986.</p>	<p>Quantity Number of investigations</p> <p>Quality Percentage of compliance interventions resulting in voluntary compliance</p> <p>Timeliness Investigations completed within 20 working days</p>	<p>60-70</p> <p>85%</p> <p>100%</p>	<p>60-70</p> <p>90%</p> <p>100%</p>

RESIDENTIAL TENANCY SERVICES (CONTINUED)

Outputs	Measures	Standard 2005/06	Standard 2006/07	
Residential Tenancy Dispute Resolution: Provide timely dispute resolution services that are accessible to our clients and connect with the different communities we serve.	Quantity Forecast volumes of Tenancy Tribunal applications Quality Percentage of applications for dispute resolution resolved out of court (excluding vacated positions) Timeliness Percentage of disputes resolved within 24 hours using telephone mediation Percentage of applications referred to mediation that are scheduled within 10 working days of receipt	45,000–50,000 65-70% New measure New measure	43,000–50,000 65-70% 5% 80%	
Residential Tenancy Public Information and Education: Provide information and education to consumers and providers to enable them to make informed decisions.	Quantity Number of information seminars for target landlord and tenant groups Quality Survey awareness of Tenancy Services, rights and obligations, and the use of high-quality property management practices Assess effectiveness of information for target groups using focus groups and surveys	New measure New measure Measure achieved	28 Standard to be set following baseline survey Measure achieved	
Tenancy Tribunal Administration: Provide administrative support for the Tenancy Tribunal.	Quantity Forecast volume of Tenancy Tribunal hearings scheduled Quality Hearings are scheduled in accordance with the guidelines and standards set by the Principal Tenancy Adjudicator Timeliness Percentage of tenancy applications proceeding to the Tenancy Tribunal have a hearing within 20 days (excluding vacated applications)	22,000–27,000 New measure 80%	22,000–27,000 100% 80%	
State Housing Appeals Authority Administration: Provide administrative support to the State Housing Appeals Authority.	Quantity Number of appeals Quality Administration of appeals meets the standards set by Principal Member of the Authority Timeliness Hearings held within 20 working days of application	New measure New measure 100%	1-5 Measure achieved 100%	
Cost for output expense (figures exclusive of GST)				
Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/(Deficit) \$000
3,921	167	13,788	17,876	0

PURCHASE AND MONITORING ADVICE – HOUSING NEW ZEALAND CORPORATION

This output expense involves providing purchase and monitoring advice in relation to Housing New Zealand Corporation.

Output	Measures	Standard 2005/06	Standard 2006/07	
Monitoring and Purchase Advice on Housing New Zealand Corporation	<p>Quantity Provide advice to the Minister on accountability documents, including:</p> <ul style="list-style-type: none"> • Letters of Expectation • Statement of Intent • Quarterly Reports within 15 working days of receipt • Annual Report 	New measure	Measure achieved	
	<p>Provide advice to the Minister on any matters relating to monitoring the Corporation's performance, governance advice (including Board appointments), vote administration for Vote Housing, and any other matters as requested by the Minister</p>	New measure	Measure achieved	
	<p>Quality Ministerial satisfaction assessed through a structured discussion with the Minister. This will include performance on quality standards agreed with the Minister</p>	Measure achieved	Measure achieved	
	<p>Timeliness Advice is timely and meets the needs of the Minister</p>	Revised measure	Measure achieved	
Cost for output expense (figures exclusive of GST)				
Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/(Deficit) \$000
385	19	0	404	0

SECTOR AND REGULATORY POLICY

This output expense involves providing policy advice in relation to the building and housing sector in New Zealand. It includes providing policy advice on the Government's regulation of the building and housing sector (including the regulation of trades and professions operating in the sector), monitoring the building and housing sector (including the effectiveness of statutory boards), and providing the regulatory framework for the building industry.

Outputs	Measures	Standard 2005/06	Standard 2006/07
Sector and Regulatory Policy Advice	<p>Quantity Provide policy and regulatory advice on occupational licensing</p> <p>Provide policy and regulatory advice on Residential Tenancies Act 1986, Unit Titles Act 1972, Building Act 2004, Retirement Villages Act 2003, Registered Architects Act 2005, Construction Contracts Act 2002, Weathertight Homes Resolution Services Act 2002 and advice on the minimum requirements for buildings</p> <p>Quality and timeliness Meet our <i>Quality Standards on Policy Advice</i></p>	<p>New measure</p> <p>New measure</p> <p>New measure</p>	<p>Measure achieved</p> <p>Measure achieved</p> <p>Measure achieved</p>
Sector, Industry and Market Monitoring	<p>Quantity Develop a framework for monitoring and evaluating the effectiveness and performance of occupational licensing regimes in the building and housing sector by 30 June 2007</p> <p>Quality and timeliness Meet our <i>Quality Standards on Policy Advice</i></p>	<p>New measure</p> <p>New measure</p>	<p>Measure achieved</p> <p>Measure achieved</p>
Statutory Board Responsibilities	<p>Quantity Board member appointments</p> <p>Board member re-appointments</p> <p>Reports on Board performance produced</p> <p>Quality Appointments comply with Cabinet Office guidelines</p> <p>Board performance reports against output agreements</p>	<p>Revised measure</p> <p>Revised measure</p> <p>New measure</p> <p>Compliance with guidelines</p> <p>New measure</p>	<p>Number of additional Board positions established</p> <p>Number of vacancies that arise</p> <p>4</p> <p>100% of advice and papers comply with guidelines</p> <p>100% of recommendations to Minister approved</p>

SECTOR AND REGULATORY POLICY (CONTINUED)					
Outputs		Measures		Standard 2005/06	Standard 2006/07
Statutory Board Responsibilities (continued)		Timeliness Appointments completed Re-appointments completed Reports on Board performance produced	New measure New measure New measure	By agreed date By term expiry date Within 3 months of end of reporting period	
Ministerial Services: This includes: <ul style="list-style-type: none"> • responses to parliamentary questions • ministerials • Official Information and Privacy Act requests. 		Quantity Forecast number of parliamentary questions Forecast number of ministerials Forecast number of Official Information and Privacy Act requests Quality Ministerial satisfaction assessed through a structured discussion with the Minister. This will include performance on quality standards agreed with the Minister Answers to Official Information and Privacy Act requests to comply with the legislation Timeliness Answers to parliamentary questions provided within the deadlines agreed with the Minister Answers to ministerial drafts are provided within the deadlines agreed with the Minister Answers to Official Information and Privacy Act requests provided within statutory deadlines	New measure New measure New measure Measure achieved 100% 100% 100% 100%	58-62 340-380 70-75 Measure achieved 100% 100% 100%	
Cost for output expense (figures exclusive of GST)					
Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/(Deficit) \$000	
5,225	33	0	5,258	0	

BUILDING ACT 2004 IMPLEMENTATION

This output expense involves implementing provisions of the Building Act 2004 with supporting regulations. It includes establishing regulatory schemes and operational frameworks, such as the building consent authority accreditation and registration scheme, providing advice and guidance on the new regulatory systems, and reviewing the Building Code.

Outputs	Measures	Standard 2005/06	Standard 2006/07
<p>Building Code Review: Provide policy advice in respect of the review of the Building Code.</p>	<p>Quantity Release of final consultation document in anticipation of report on review of Building Code delivered by 30 November 2007</p> <p>Quality Report delivered on time and meets requirements of section 451 of the Building Act 2004</p> <p>All operational policy development is undertaken in accordance with our <i>Quality Standards for Policy Advice</i></p>	<p>New measure</p> <p>New measure</p> <p>New measure</p>	<p>31 May 2007</p> <p>Quality measure met</p> <p>Quality standard met</p>
<p>Establish Regulatory Schemes: Establish product certification scheme, building consent authority accreditation and registration scheme, and dam safety scheme.</p>	<p>Quantity Codemark scheme for product certification established by 31 March 2007</p> <p>Scheme rules are in place for building consent authority accreditation and registration in anticipation of BCA scheme being established by 30 November 2007</p> <p>Dam safety scheme established by 30 June 2007</p> <p>Quality Regulatory schemes established on time, and in accordance with the requirements of the Building Act 2004</p>	<p>New measure</p> <p>New measure</p> <p>New measure</p> <p>New measure</p>	<p>31 March 2007</p> <p>30 June 2007</p> <p>30 June 2007</p> <p>On time Requirements met</p>
<p>Building Officials' Education: Establish national qualifications for building officials.</p>	<p>Quantity Our ongoing assistance in developing agreed national qualifications for building officials</p> <p>Quality A national qualification is developed that is endorsed by the building sector</p>	<p>New measure</p> <p>New measure</p>	<p>Standard met</p> <p>30 June 2007 (target)</p>

BUILDING ACT 2004 IMPLEMENTATION (CONTINUED)

Outputs	Measures	Standard 2005/06	Standard 2006/07	
Public Information and Education: Inform the general public about the Building Act 2004's new regulatory schemes.	<p>Quantity Baseline awareness survey undertaken on changes introduced under the Building Act 2004 by 30 September 2006</p> <p>Public information and education campaign undertaken based on findings of survey</p> <p>Quality Public information and education campaign undertaken and developed in accordance with our guidelines on professional communication</p> <p>Percentage increase in awareness generated by public information and education campaign (to be measured by awareness surveys undertaken in subsequent financial years)</p>	<p>New measure</p> <p>New measure</p> <p>New measure</p> <p>New measure</p>	<p>30 September 2006</p> <p>30 June 2007</p> <p>Guidelines met</p> <p>Target to be established based on baseline survey results</p>	
Sector Advice and Guidance: Provide advice and guidance for the building sector on the Building Act 2004's new regulatory schemes.	<p>Quantity Information on Codemark scheme for product certification available by 31 December 2006</p> <p>Building consent authority scheme information available by 30 June 2007</p> <p>Dam safety scheme information available by 30 June 2007</p> <p>Quality Information provided on time, developed in accordance with our guidelines on professional communication, and meets the requirements of the Building Act 2004</p>	<p>New measure</p> <p>New measure</p> <p>New measure</p> <p>New measure</p>	<p>31 December 2006</p> <p>30 June 2007</p> <p>30 June 2007</p> <p>On time</p> <p>Guidelines and legislative requirements met</p>	
Cost for output expense (figures exclusive of GST)				
Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/(Deficit) \$000
113	1	0	4,288	(4,174)

OCCUPATIONAL LICENSING (CONTINUED)					
Output		Measures		Standard 2005/06	Standard 2006/07
Licensing of electrical workers (continued)		Process correctly completed registration applications			95% within 10 clear business days of receipt
		Process correctly completed overseas registration applications			65% within 10 clear business days of receipt
		<p><i>Complaints against registered electrical workers</i></p> <p>(a) Period from the date a complaint is received by the Electrical Workers Licensing Group to the date of the Complaints Assessment Committee's decision</p> <p>(b) <i>(where the Committee decides to refer a complaint to the Board for decision)</i> Period from the date a complaint is received from the Complaints Assessment Committee to the date of the Electrical Workers Registration Board decision</p>			70% within 18 weeks of receipt 70% within 15 weeks of receipt
Cost for output expense (figures exclusive of GST)					
Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/(Deficit) \$000	
0	9	4,260	7,535	(3,266)	

BUILDING REGULATION AND CONTROLS

This output expense involves delivering a regulatory regime that ensures buildings are built properly first time and meet the needs of New Zealanders. It includes specifying the regulatory environment, setting standards for buildings and building sector capability, and providing advice and guidance about the regulations and standards.

Outputs	Measures	Standard 2005/06	Standard 2006/07
Setting the Standards for Buildings: Maintaining and reviewing existing Building Code and Compliance Documents; issuing warnings and bans as required.	Quantity Completion of 20 Building Code priority review projects relating to Code clauses and/or Compliance Documents	Revised measure	20
	Quality Projects completed before 30 June 2007 and in accordance with the requirements of the Building Act 2004	Revised measure	Requirements met by 30 June 2007
Building Sector Education: Building officials' education and increasing learning across the building sector.	Quantity Establish a baseline by 30 June 2007 on building practitioner performance to inform a strategy to enhance practitioner competency in 2007/08	New measure	Baseline established by 30 June 2007
	Quality Building sector bodies endorse the findings of the baseline assessment	New measure	Standard met
Public Information and Education: Provide information and education to enable better informed consumer decisions.	Quantity Baseline survey of consumers' awareness of building sector information and practices undertaken by 30 September 2006	New measure	30 September 2006
	Strategy developed and activity commenced to enhance consumer awareness and influence behaviour toward better informed decision-making when purchasing homes and other buildings by 30 June 2007	New measure	30 June 2007
	Quality All communications developed in accordance with our guidelines on professional communication	New measure	Guidelines met
Building Regulation Advice and Guidance: Provide advice and guidance information to the building sector and consumers.	Quantity Guidance material releases	New measure	15
	<i>Codewords</i> issues	New measure	8
	Forecast of queries answered by call centre (demand-driven)	New measure	12,000
	Quality All communications developed in accordance with our guidelines on professional communication	New measure	Guidelines met
	Percentage of queries resolved by call centre (not escalated)	New measure	60%

BUILDING REGULATION AND CONTROLS (CONTINUED)					
Outputs		Measures		Standard 2005/06	Standard 2006/07
Operate Regulatory Schemes: Administer product certification scheme, building consent authority accreditation and registration scheme, and dam safety scheme.		Quantity Operational processes and procedures are developed prior to start of building consent authority accreditation and registration scheme, dam safety scheme and product certification scheme		New measure	Processes and procedures are developed
		Quality Measures to be developed on establishment of finalised schemes, in accordance with the requirements of the Building Act 2004		New measure	Requirements met
		All operational policy development meets our <i>Quality Standards for Policy Advice</i>		New measure	Standard met
Monitor Building Consent Authorities: Ensure adherence to standards in the building sector.		Quantity Undertake and complete technical reviews of territorial authorities		New measure	6
		Quality Technical reviews completed in accordance with the Departments's <i>Technical Review Guidelines</i>		New measure	Guidelines met
Resolve Complaints and Disputes: Investigate and resolve complaints and disputes about territorial authorities, building consent authorities, Building Consent Accreditation Body and Product Certification Accreditation Body; and issue determinations.		Quantity Forecast complaints and disputes received and managed		New measure	Demand-driven
		Determinations issued (demand-driven)		New measure	160
		Quality Percentage of determinations appealed		New measure	Less than 3%
		Timeliness Percentage of determinations completed within the statutory timeframe (60 days)		Revised measure	90%
Building and Construction Monitoring, Research and Evaluation: Undertake regulator and industry performance monitoring and reporting; and commission building-related research.		Quantity Four industry advisory panels operating		New measure	Ongoing
		Reports published each year on sector trends		New measure	4 per year
		Research projects completed		New measure	7
		Quality Industry advisory panels operate within their agreed terms of reference		New measure	Terms of reference met
Cost for output expense (figures exclusive of GST)					
Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/(Deficit) \$000	
200	62	18,072	12,640	5,694	

WEATHERTIGHT HOMES RESOLUTION SERVICE

This output expense involves the provision of assessment and dispute resolution services for homeowners whose homes are affected by the 'leaky building syndrome'. The operations of the Service and the Weathertight Homes Resolution Services Act 2002 have been comprehensively reviewed and a series of legislative and operational changes are proposed to be implemented during 2006/07. These changes will enhance the delivery of each stage of the WHRS process and the effective implementation of these changes will be the major focus for 2006/07.

Outputs	Measures	Standard 2005/06	Standard 2006/07
Implementation of WHRS Changes (including providing advice and information)	The delivery of changes to each stage of the WHRS process within the agreed timeframes, quality and budget set out in the implementation plan	New measure	Measure achieved
Weathertight Homes Claims Assessment: Provide owners of leaky homes with an assessor's report prepared in relation to their claim. The primary statutory role of the assessment report is to provide the basis for establishing the eligibility of a claim. Claim assessment is completed when a claimant is advised of the claim's eligibility. Changes are to be made to the assessment process to provide a more comprehensive report that identifies all weathertightness damage and repairs and support the changes to the resolution process. Completed reports may also be provided with addenda or revised to enable their use in the enhanced resolution process.	Quantity Forecast new claims received Forecast volume of assessments completed Forecast volume of addenda or revisions completed	New measure 1,050-1,550 New measure	1,250-1,850 1,200-1,800 400-850
	Quality Assessment reports, including addenda and revisions, produced following implementation of the new business model will meet the quality criteria established as part of the assessment methodology and code of practice	New measure	95%
	Timeliness Percentage of applicants receiving acknowledgement, and accurate and timely information and advice is provided within 5 working days of receipt of their applications by the WHRS	95%	95%
	Percentage of claims assessments for single homes completed within 6 months of receipt of their application	85%	85%
	Percentage of claims assessments from multi-dwelling complexes completed within 12 months of receipt of their application	85%	85%
	Percentage of addenda or report revisions requested by adjudicators or mediators completed within 6 months of receipt of their request	New measure	85%
	Dispute Resolution: Provide a service for homeowners with eligible claims to establish the parties to the claims, collate the evidence and hold either mediation or adjudication hearings to resolve the claims. New processes will be implemented during 2006/07 to enhance this service.	Quantity Forecast number of claims commencing dispute resolution Forecast number of claims ready for mediation or adjudication hearings Forecast number of claims resolved	New measure New measure New measure
Quality Performance measures to be established during implementation of the new business model			
Timeliness (the specific time periods for these measures are to be established during implementation of the new business model) Percentage of claims processed to be ready for mediation or adjudication hearings within a specified time period of the claimant electing to commence the resolution process		Revised measure	80%

WEATHERTIGHT HOMES RESOLUTION SERVICE (CONTINUED)

WEATHERTIGHT HOMES RESOLUTION SERVICE (CONTINUED)				
Output		Measures	Standard 2005/06	Standard 2006/07
Dispute Resolution (continued)		Percentage of claims resolved by mediation within a specified time period of the claim being ready for mediation hearing	Revised measure	80%
		Percentage of claims determined by adjudication within a specified time period of the claim being ready for adjudication hearing	Revised measure	80%
Cost for output expense (figures exclusive of GST)				
Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/(Deficit) \$000
23,672	57	113	23,842	0

Quality standards for policy advice

QUALITY MEASURE

We will seek written response, at least 6-monthly, from the Minister for Building Issues and the Minister of Housing on our performance against the following quality standards. The assessment process will also incorporate an assessment of ministerial satisfaction through a structured discussion with each Minister focusing on the quality standards. The performance target will be 3 (good) or better, on an overall scale of 1 (poor) to 5 (excellent).

We will supply high-quality services meeting the standard quality characteristics below.

We will provide a comprehensive service that:

- has the capacity to act quickly in response to urgent/critical issues
- offers timely and relevant briefings on significant issues
- supports Ministers as required in Cabinet Committees, Select Committees and in the House.

STANDARD QUALITY CHARACTERISTICS

All advice will include the following.

Purpose

An objective for the policy advice has been clearly stated, including its relationship to the Government's agreed outcomes and objectives.

Focus

A clear and logical statement of the issue or problem and why it necessitates ministerial action.

Viability

Viable options to address the issue are presented and costs/benefits are assessed, winners and losers identified, cost-effectiveness addressed and any value judgements drawn to the attention of the Minister.

Logic and evidence based

The assumptions behind the advice and the logic of how the options will resolve issues and achieve objectives are clear. Assumptions and advice are evidence based.

Accuracy

The facts are accurate and based on reliable research or evaluation findings or other appropriate information.

Practicality

The advice draws on appropriate knowledge and experience, and the practicalities of implementing it are clearly explained, including any industry, legal, machinery of government, Treaty of Waitangi or other issues that require management.

Consultation

Interested government agencies and affected and interested parties have been consulted and their views considered.

Presentation

The advice is presented clearly, logically, in plain and grammatically correct English, free from any typographical or spelling errors, and conforms to the Cabinet Office requirements.

Recommendations

Recommendations are clear, logical, action-oriented and can stand alone from the rest of the advice.

Timeliness

Specified reporting deadlines are met.

Cost

Outturn is within budget.

Forecast Non-Departmental Financial Statements

In addition to the Statement of Forecast Non-Departmental Appropriations and Expenditure on page 66, schedules of forecast non-departmental revenue and receipts, assets and liabilities are provided after the following Statement of Accounting Policies.

STATEMENT OF ACCOUNTING POLICIES

Measurement system

Measurement and recognition rules applied in the preparation of these non-departmental financial forecasts are consistent with generally accepted accounting practice, our departmental Statement of Significant Accounting Policies and Crown accounting policies.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these financial forecasts should also refer to the Crown Financial Statements for 2006/07.

Accounting policies

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

Goods and services tax (GST)

The Statement of Forecast Non-Departmental Appropriations and Expenditure is exclusive of GST (where applicable). The Schedule of Forecast Non-Departmental Assets and the Schedule of Non-Departmental Liabilities are exclusive of GST, except for payables and receivables, which are GST inclusive.

Revenues and receipts

We administer revenue on behalf of the Crown. The revenue includes interest on Housing New Zealand Corporation loans. Interest is recognised in the period to which it relates.

Expenses

Expenses are recognised in the period to which they relate.

Receivables

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

Commitments

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

Contingent liabilities

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

STATEMENT OF FORECAST NON-DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2007

	2004/05 Actual	Budget ¹	2005/06 Estimated Actual	2006/07 Budget
	\$000	\$000	\$000	\$000
Non-Departmental Output Expenses				
Housing policy advice	1,534	3,829	3,469	2,912
Contracted housing support services	1,795	9,857	9,857	11,183
Housing New Zealand Corporation housing support services	1,872	10,597	10,597	11,491
Registration regime for architects	0	225	225	0
	5,201	24,508	24,148	25,586
Benefits and Other Unrequited Expenses				
Housing assistance	11,786	7,664	7,664	8,666
Income related rental subsidy	371,816	395,233	395,233	417,452
	383,602	402,897	402,897	426,118
Other Expenses to be incurred by the Crown				
Community Housing Rent Relief Programme	4,500	4,500	4,500	4,500
Increase in debt provision	481	2,601	2,601	3,149
	4,981	7,101	7,101	7,649
Capital Expenditure				
Housing New Zealand Corporation				
– loans to refinance third-party debt	0	0	0	259,342
Capital injections to Housing New Zealand Corporation				
for housing activities	202,416	209,797	204,697	216,913
Activities for state housing purposes	0	54,000	54,000	0
Loan to Registered Architects Board	0	0	0	45
Housing New Zealand Limited				
– loans to refinance Crown debt	0	30,000	30,000	0
	202,416	293,797	288,697	476,300
Total Non-Departmental Expenses	596,200	728,303	722,843	935,653

1 This column incorporates both Main Estimates and Supplementary Estimates appropriations for 2005/06.

SCHEDULE OF FORECAST NON-DEPARTMENTAL REVENUE AND RECEIPTS

FOR THE YEAR ENDED 30 JUNE 2007

	2004/05 Actual \$000	2005/06 Budget ¹ \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Non-Tax Revenue				
Interest on Housing New Zealand Corporation loans	84,796	97,890	97,890	109,323
Dividend from Housing New Zealand Corporation	44,448	14,140	14,140	4,279
Total Non-Tax Revenue	129,244	112,030	112,030	113,602

SCHEDULE OF FORECAST NON-DEPARTMENTAL ASSETS

AS AT 30 JUNE 2007

	2004/05 Actual \$000	2005/06 Budget \$000	2005/06 Estimated Actual \$000	2006/07 Budget \$000
Current Assets				
Crown bank account	2,684	2,684	2,684	2,684
Receivables and advances	661	8,862	8,862	8,220
Total Current Assets	3,345	11,546	11,546	10,904
Non-Current Assets				
Investments	653,265	870,907	866,929	1,036,166
Total Non-Current Assets	653,265	870,907	866,929	1,036,166
Total Assets	656,610	882,453	878,475	1,047,070

1 This column incorporates both Main Estimates and Supplementary Estimates appropriations for 2005/06.

SCHEDULE OF FORECAST NON-DEPARTMENTAL LIABILITIES

AS AT 30 JUNE 2007

	2004/05 Actual \$000	Budget ¹ 2005/06 \$000	Estimated Actual 2005/06 \$000	2006/07 Budget \$000
Current Liabilities				
Payables and provisions	69,540	67,205	67,205	67,205
Total current liabilities	69,540	67,205	67,205	67,205
Total Liabilities	69,540	67,205	67,205	67,205

1 This column incorporates both Main Estimates and Supplementary Estimates appropriations for 2005/06.

Part C: Trends and Developments in our Business Environment



Introduction

The strategic direction outlined in this Statement of Intent takes account of developments in our business environment.

All New Zealanders have a stake in the housing and building sector as consumers, users or investors. We are all concerned about access to housing. Shelter is recognised internationally as a basic human right.¹ The quality of our housing, other buildings we use and the built environment generally affects all other aspects of our lives.

New Zealand's current economic situation

Residential building and all building work in New Zealand has been experiencing a period of rapid growth, with output expanding since the March 2001 quarter.²

During 2005, the value of residential building consents was worth \$6,849 million and the value of non-residential building consents another \$4,106 million. The contribution made by the construction industry to gross domestic product (GDP) was \$6,123 million in the 2005 March year. The construction industry has expanded by 43 percent in size since 2001.

While industry output remains at high levels, some economic forecasters are expecting a slowdown this year, followed by a gradual recovery. For the economy as a whole, the short-term outlook is for an orderly slowing of economic activity.

New Zealanders' assets are heavily concentrated in housing when compared to residents of G7 countries. Approximately 90 percent of New Zealand households' net assets are held in housing.³ The growth in household assets was around \$600 billion at November 2005. This growth is aligned to the rise in house prices, which have increased by over 60 percent in the last 3 years. Debt servicing costs, relative to disposable income, are also at unprecedented high levels. Household wealth in New Zealand is therefore vulnerable to movement in house prices.

New Zealand is not alone among western economies in experiencing unusually rapid house price inflation in recent years. The Organisation for Economic Co-operation and Development (OECD)⁴ reports that:

- over the last 35 years New Zealand's housing 'booms' have been more frequent (there have been four) and volatile (experiencing a cumulative real price increase equalling or exceeding 15 percent) than in any other OECD country

1 New Zealand is a signatory to the International Covenant on Economic, Social and Cultural Rights (1996).

2 Statistics New Zealand.

3 The Reserve Bank of New Zealand, <http://www.rbnz.govt.nz/statistics/monfin/HHAandL2004webcopy.xls>

4 Organisation for Economic Co-operation and Development, *Recent House Price Developments: The Role of Fundamentals*, ECO/CPE (2005)12.

- New Zealand house price to household income ratios are high, both historically and compared with other OECD countries (exceeding their long-term average by about 40 percent)
- the level of mortgage debt in New Zealand (129 percent of household income in 2003) compared unfavourably with the average for 15 OECD countries (95 percent of household income)
- an index of the cost of owning versus renting a house in New Zealand (the house price-to-rent ratio) suggests that housing bought in 2004 was not greatly overvalued (7.6 percent) compared with Australia (51.8 percent).

How environmental concerns affect our business

Regulating the building and construction industry must take account of environmental concerns, in line with government and wider societal expectations.

The Building Act, for example, requires consideration be given to sustainable development and improving energy efficiency in housing and buildings. These considerations are in turn underpinned by the dynamic effects of social trends, globalisation, the labour market and demographic changes.

The Government has a strong commitment to sustainable development. To that end, the Government has a programme of action to set directions and outline the initial actions it will take. The focus will be on water quality and allocation, energy efficiency and sustainable cities. Partnerships with other organisations are at the heart of the Government's sustainable development approach.⁵

How society and demography affect our business

Good-quality housing contributes positively to New Zealanders' sense of wellbeing, health, and educational and social development. It provides a stable base for beneficial community engagement, developing community links and networks. Well-built commercial buildings provide workplaces that are safe, healthy and encourage productivity, as well as spaces for recreation and business that meet the needs of the community.

The population of New Zealand has grown at an average rate of 1.4 percent per year between 1951 and 2004.⁶ During that period net migration into the country has influenced trends in the residential housing sector. This has led to a significantly increased demand for housing, especially in Auckland. The demand is expected to continue in the short term with a continued flow of migrants, albeit at a slowing rate.

⁵ Department of Prime Minister and Cabinet, January 2003.

⁶ Statistics New Zealand, *National Population Projections 2004–2051*.

The population is projected to continue growing slowly from 4.113 million in June 2006 to 4.246 million by 2011 (a 3 percent increase). There will be significant changes in the age structure of the population over the next 40-50 years, with more older people. The median age of the population is, for example, forecast to increase by 10 years (from 35 to 45) over the period 2001 to 2051.

The ethnic make-up of New Zealand is also changing. Māori, Pacific peoples and Asian communities within New Zealand are growing at faster rates than the general population. By 2016 these groups will constitute an increasing proportion of the workforce. The Māori population, for example, is expected to increase from 16 percent of the total population in 1996 to 21 percent by 2051.

As the New Zealand population ages and the workforce changes, the construction and housing sector will need to respond to its needs.

How globalisation affects our business

New technology, building systems and products, and building standards and design are increasingly international in nature. The effects of globalisation on the building and housing sectors are also felt indirectly through varying exchange rates and international price movements.

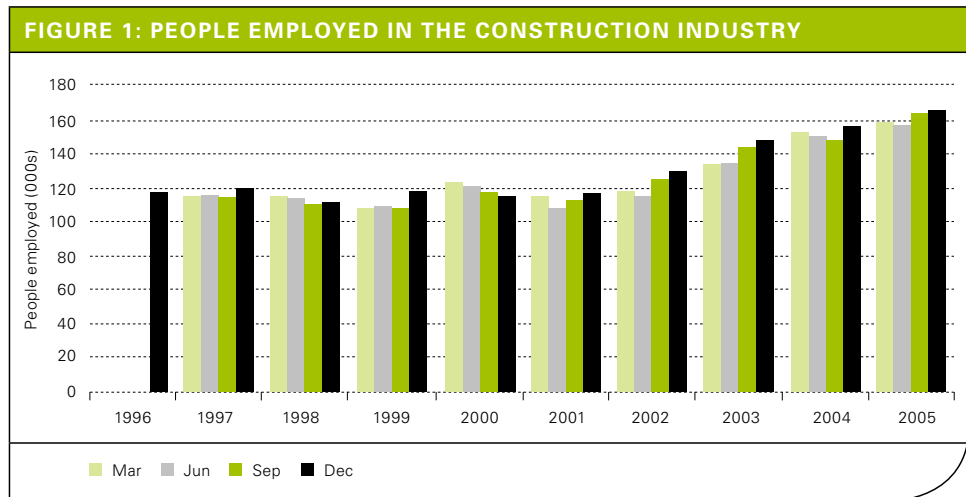
In spite of the complexity that globalisation brings, efforts toward harmonising building standards are occurring in Europe with the role of individual countries' national standards bodies being redefined. As in Europe, diversity of population, differing legal jurisdictions, and varying pricing and taxation regimes make harmonising standards in the Pacific region challenging. The intent of harmonising standards is that no substantial differences exist in safety standards between and within nations.

How the labour market affects our business

The strong domestic economy has put increasing demands on the labour market with the unemployment rate being at a 20-year record low of 3.4 percent,⁷ with the seasonally adjusted unemployment rate being 3.6 percent for the December 2005 quarter. The shortage of skilled labour has helped increase wages over the 2004/05 period.

The increasing output of the construction industry has increased employment from around 115,000 in the late 1990s to approximately 165,900 in December 2005, according to the Statistics New Zealand's Household Labour Force Survey (see Figure 1).

7 Reserve Bank of New Zealand, *Monetary Policy Statement*, December 2005.



Source: Statistics New Zealand

Information on vacancies collected by the Department of Labour shows a decline in advertised vacancies for building tradespeople. The Trades Vacancy Index, measuring numbers of jobs advertised for tradespeople, has fallen by 14 percent from December 2004 to December 2005. This indicates improved recruiting conditions for employers in what appears to be a slowing construction sector. Skills shortages are, however, still an issue.

How new technology affects our business

New technology will continue to influence building and construction design, systems and products. It has ongoing implications for both our regulation of the building sector and the skill development requirements of all personnel involved in the sector.

One of the most significant applications of technology in the construction and housing industry is increasing homeowners' sense of security by using more technologically advanced building materials, and applying sustainable design and integrated systems for users' particular needs.

Users' needs include adequate ventilation, accessibility to and from the building, fire safety and earthquake-proof design. Buildings need to accommodate the needs of those with disabilities or reduced mobility and allow them easy movement in and out of the building or within the floors of a building. Technology can help by providing amenities that reflect users' special needs, and for those who want to work from home.

THE LEGISLATION THAT DRIVES OUR BUSINESS

The Building Act 2004

The Building Act 2004, as amended in April 2005, aims to improve the control of, and encourage better practices in, building design and construction. It regulates constructing, altering, demolishing and maintaining new and existing buildings throughout New Zealand. It sets standards and provides procedures for people involved in building work to ensure buildings are built properly first time.

The Act aims to achieve more:

- clarity on the standards we expect buildings to meet
- guidance on how those standards can be met
- certainty that capable people are undertaking building design, construction and inspection
- scrutiny in the building consent and inspection processes
- protection for homeowners by introducing mandatory warranties.

Some measures in the new legislation will be implemented over 3 to 5 years, others came into effect on 30 November 2004 and on 31 March 2005.

Implications for the Department

Implementing the Building Act will remain a key priority for the Department. We will continue to work closely and collaboratively with building consent authorities (as co-regulators) and the building industry to develop an effective regulatory system.

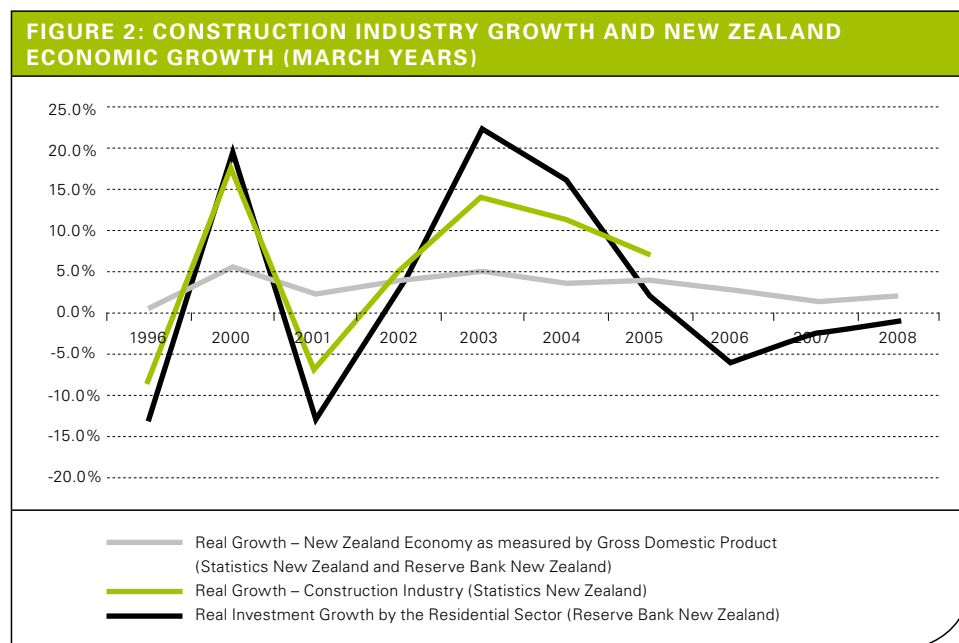
RECENT TRENDS IN THE BUILDING INDUSTRY

Building and construction activity

The New Zealand building and construction industry has for the last 4 years experienced a period of rapid growth. However, building volumes are starting to ease. In contrast, the housing markets continue to reach new and higher price peaks. Trends in the market include the following.

- Continued housing market buoyancy. Measures of the annual increase in house prices and the time taken on average to sell a house indicate that the housing market is robust.
- Price pressures continuing in the building and construction industry (quarterly cost increases continue faster than general inflation).
- Commercial and industrial property values have increased strongly. Anecdotal evidence indicates that lower increases in rents has resulted in declining yields on the increased property values.
- The mortgage debts of households continuing to rise, even though interest rates are increasing and household debt levels are high.

Figure 2 illustrates trends in building industry growth compared to growth in the New Zealand economy.



Source: Statistics New Zealand and Reserve Bank

Residential construction

Following a period of growth, the number of building consents issued for residential dwellings has fallen by 17 percent from calendar year 2004 to 2005. The number of building consents issued is an indicator of future building, so this decline implies some weakening in the residential property and building sectors in the near future.

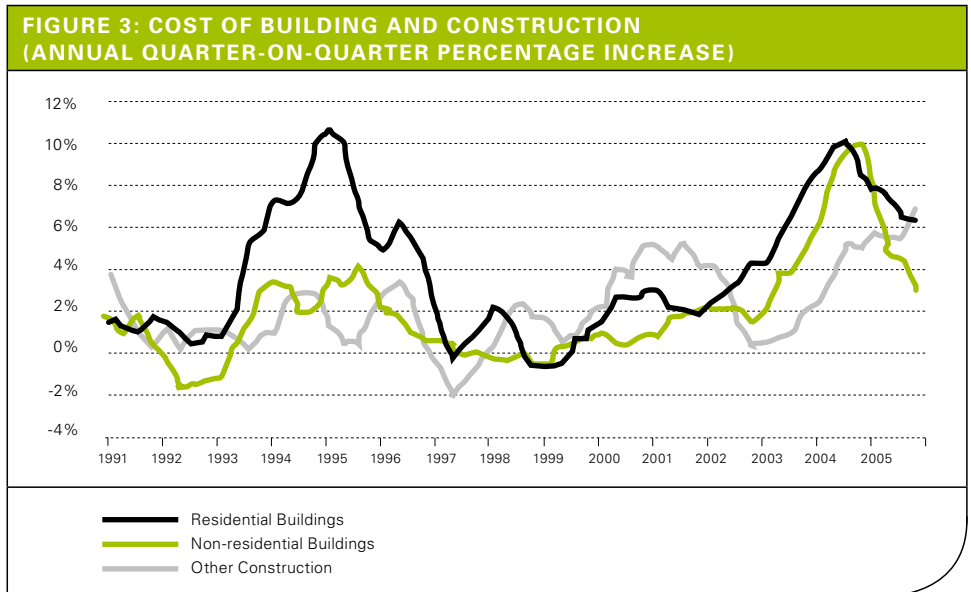
The number of building consents issued for new apartments varies from quarter to quarter. However, the large drop in building consents for new apartments over the last year suggests that apartment consents may have reached a local peak. It is uncertain how long this decline in consents will take to translate into a decline in actual building activity, given anecdotal evidence that builders have a considerable amount of work on their books.

Non-residential construction

The number of building consents for non-residential buildings increased strongly during 2004. However, growth slowed slightly in 2005 with the number of building consents issued that year being only 0.8 percent higher than in 2004.

Building costs and construction

The Capital Goods Price Index from Statistics New Zealand shows the cost of building and construction continues to rise. The annual increase in the December 2005 quarter is 6.4 percent for residential buildings, 3.1 percent for non-residential buildings and 6.9 percent for other construction.



Source: Department of Building and Housing

Implications for the Department

The level of building activity in the New Zealand economy has continued to grow over the last few years, and is continuing to create challenges within the sector.

A major challenge for us is to foster an environment where practical solutions for meeting demand are balanced with the need for safety, quality and affordability.

With the passing of the Building Act 2004 and subsequent amendments, considerable pressure has been put on all regulatory bodies to balance the need for improving building quality, accessibility and sustainability with increasing levels of domestic demand and house price inflation.

Forecasters are predicting a market slowdown that will relieve the pressure on the building and construction industry. All participants in the sector will still need to work together to implement the Building Act 2004, and successfully manage 'business as usual' at whatever level market activity eventually stabilises to.

Building quality

Defects in the weathertightness of some homes built during the 1990s became evident at the end of that decade. Following a report from the Overview Group on the Weathertightness of Buildings ('the Hunn Report') in 2002, the Government established the Weathertight Homes Resolution Service (WHRS).

The number of claims being made to the WHRS continues to increase, with the majority of affected houses and multi-unit apartment blocks in Auckland. Other major territorial authority regions affected, in order of significance, are North Shore City, Wellington City, Waitakere City and Christchurch City. The majority of active claims involve apartment complexes (72 percent).

Territorial authorities as regulatory partners and regulators of the building industry

The building regulatory framework in New Zealand, which controls the quality of building work, is mainly implemented by territorial authorities through their role as building consent authorities.⁸ Half of New Zealand's building regulation activity is undertaken by only 15 of the 74 territorial authorities, which is partially explained by shared arrangements between them.

The greatest volume of regulatory activity continues to take place in the Auckland region with six Auckland region territorial authorities among the top 15 by volume.

Implications for the Department

We will continue to help territorial authorities to:

- improve their performance as building consent authorities
- improve building quality
- address the consequences of weathertightness failure
- address the consequences of any other failures in building quality.

⁸ The Building Act 2004 provides for building control services to be undertaken by private building consent authorities.

Sustainable development in the Building Act 2004

The new Building Act requires considering sustainable development and the effects of buildings on their users' health. Two important ways to achieve this are by conserving scarce resources and reducing waste products. These initiatives need government policies to reduce greenhouse gas emissions, use materials sensibly, use energy and water prudently, and use appropriate materials.

The initiatives being advanced include the following.

- **Govt³ Programme:** This programme, established by the Ministry for the Environment, helps government agencies improve the sustainability of their social, economic and particularly environmental bottom-line performance. We are a signatory to the programme. Our commitment requires preparing an action plan that considers our ongoing practices for, at least, managing waste, cleaning, buying and using consumables, and printing.
- **Urban Design Protocol:** The Department is a signatory to the Urban Design Protocol (Ministry for the Environment, March 2005). The Protocol states: 'Becoming a signatory to the Urban Design Protocol... recognises [an organisation's] role in helping set an example for others in their sector... Signatories commit to putting the Urban Design Protocol into effect by developing, monitoring and reporting on a set of actions specific to their organisation...' We are participating in these and associated initiatives, such as the Sustainable Cities programme.
- **Sustainability indicators:** Using sustainability indicators encompassing economic, sociocultural and environmental factors is a common and effective means of setting targets and recording performance. The Ministry for the Environment and Statistics New Zealand, among others, use sustainability indicators to monitor performance against a range of factors. We are considering developing sustainability indicators for building and housing. This work is at an early stage, but will support our other commitments to sustainable development.

In promoting energy efficiency:

- the current Building Code sets standards for the amount of energy to be used for heating a house, and the energy efficiency of hot water heating and storage
- the current Building Code sets standards for building performance, but does not specify how to meet those standards
- the Acceptable Solutions documents published by the Department set out the means to comply with the current Building Code for consumers, designers and other building practitioners
- the review of the Building Code will examine all aspects of energy use and energy efficiency in the design of new buildings and renovation of existing ones

- the review of the Building Code will examine all aspects of energy efficiency in the design of new buildings and renovation of existing ones
- we have identified areas where changes to the Building Code and Acceptable Solutions could be made in the interim.

Implications for the Department

We will continue to work with the Ministry for the Environment and local government to contribute actively to the Government's work on Sustainable Cities and the Urban Design Protocol. These initiatives are part of the Sustainable Development for New Zealand Programme of Action.

A key component of this work is addressing issues around building design and construction that take a broader 'whole of lifecycle' perspective on resource use, including energy efficiency. This is all about creating buildings and homes that deliver a quality environment, that work well in the future and are consistent with sound use of resources and environmental values.

With the notion of sustainable development becoming more widely understood, buildings are increasingly likely to take account of environmental, social and economic values.

We will give priority to ensuring the Building Code addresses energy efficiency and sustainability to meet the principles contained in the Building Act.

HOUSING

Homeownership in New Zealand

New Zealand has a strong tradition of homeownership and investment in the housing sector. However, New Zealand's housing environment is not unique. It shares many of the trends, characteristics and policy dilemmas of similar western democracies. However, New Zealanders' household wealth is heavily concentrated in housing when compared to G7 countries. It is estimated that approximately 90 percent of New Zealand households' net assets are held in housing.

The probability that householders in New Zealand will own their own home has been falling since 1991 (73.8 percent ownership), and if current trends continue will fall to 61.8 percent by 2016. This trend is occurring despite the total number of householders owning property having risen since 1991.⁹ Accompanying the fall in ownership rates has been a redistribution of homeownership away from younger to older households.

Research produced on housing tenure by the Centre for Housing Research, Aotearoa New Zealand indicates that:

- homeownership aspirations remain strong among New Zealanders
- consumerism and high levels of personal debt are barriers to homeownership
- structural change is occurring in the housing market with increasing reliance on rental accommodation
- the current trends in homeownership rates combined with our aging population will have a maximum impact in 2050
- both the absolute number of houses required and the proportion of rental houses to owner-occupied houses will increase.

9 Housing Tenure Aspirations and Attainment, Centre for Housing Research, Aotearoa New Zealand, July 2005.

Implications for the Department

Homeownership and affordable rental housing are important public policy issues. We have taken steps to build our understanding of the homeownership market. We are continuing to work with other government agencies on ways to remove barriers to homeownership and to make housing more affordable to those on modest incomes.

The forecast decline in homeownership and changes in ownership mean policies and strategies may have to be more adaptable in the future.

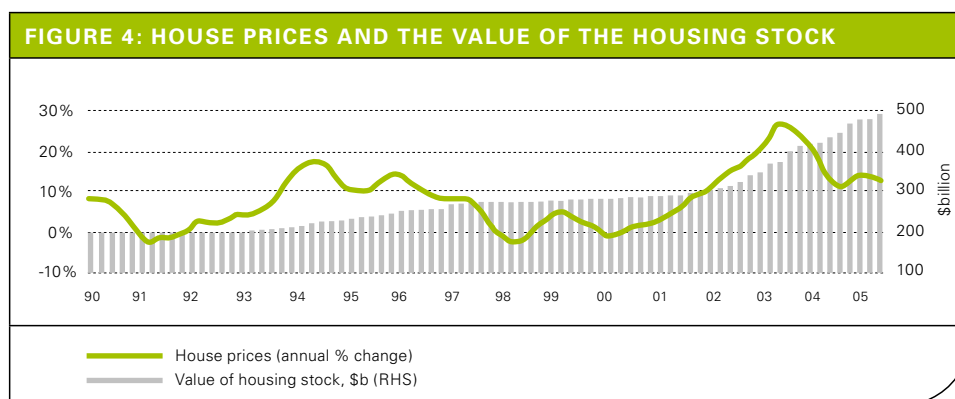
Factors affecting homeownership and aspirations that need to be considered in future policies are:

- budget constraints
- mortgage servicing ability
- employment
- income
- relationship status
- number of dependants
- likelihood of moving
- leisure and recreation needs.

We will contribute to developing and implementing the New Zealand Housing Strategy in collaboration with Housing New Zealand Corporation, the Ministry of Social Development and The Treasury.

Trends in house prices

The market for existing housing cooled during 2004. Nearly all housing market indicators, such as house sales, house price inflation and residential investment, eased back from their peaks in late 2003 and early 2004 (see Figure 4).



Source: Quotable Value Limited

Trends in rental housing

Another feature of the changing housing landscape is the growth in the number of rental units. As reported in the 2001 census, rental units stood at 461,440. This level is projected to grow by 206,490 units to reach 667,930 by 2016. Auckland, as the country's biggest city, is expected to dominate the growth in both owned and rented households during that period.

Approximately 80 percent of tenants in New Zealand rent their home from a private landlord or trust. The other 20 percent rent from a public landlord such as Housing New Zealand Corporation or a local council.¹⁰

Many landlords entering the market do so primarily because they see residential rental property as a good investment with an opportunity for making money, 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 an investor and those of tenants who want a stable home.

Rents have increased at an annual rate of 2.5 percent in the December 2005 quarter. In comparison, the cost of homeownership has risen by 6.9 percent in the same period.

Implications for the Department

The mismatch between landlord and tenant expectations is an ongoing issue. Private-sector investment – and, more specifically, institutional investment in new housing stock – is going to be critical to ensuring availability of rental properties to meet the anticipated increase in demand.

We need to examine the regulatory and supply side of the rental market to better understand and respond to drivers of, and barriers to, the supply of rental accommodation, particularly affordable housing and housing that can accommodate the needs of an ageing population.

Changes in the types of people renting homes

The changing nature of the New Zealand population will increasingly have an impact on rental housing.

The individual and family circumstances of those renting are diverse and have also been changing. The main trends in the characteristics of people renting between the 1991 and 2001 censuses reveal changes in the age, household structure and ethnicity of renters.

¹⁰ Department of Building and Housing, 2004. *Getting the Balance Right – Te mahi kia Tika ai te Wharite*.

TABLE 1: HOMEOWNERSHIP VERSUS RENTAL MARKETS				
	Owner occupied		Not owned by the usual resident	
	Percent	Number	Percent	Number
Census 1991	74%	848,916	26%	301,167
Census 2001	68%	868,656	32%	412,197
Rate of growth		2%		37%

People renting in 2001 were more likely to be:

- older than those renting in 1991 with a sharp increase in the proportion aged over 29 and especially in those aged over 40
- sole parent families and couples with children than those renting in 1991
- from a wider range of ethnic and cultural backgrounds than those renting in 1991.

Those renting in 2001 were also less likely to be just flatting together.¹¹

11 Department of Building and Housing, 2004. *Getting the Balance Right – Te mahi kia Tika ai te Wharite.*

Implications for the Department

The anticipated increase in rental housing demand continues to point to the need for the right balance between the rights of property owners and those of occupiers. This is a nationwide need, but is particularly significant in the Auckland region where most growth is forecast to occur.

There will always be new tenants and landlords entering the market who are not aware of their rights and obligations. All parties need appropriate protection. Moreover, ensuring good-quality property management practices and meeting the needs of an increasingly diverse population within the rental market will provide challenges.

A key priority for getting the future balance right in rental market legislation is the Residential Tenancies Amendment Bill 2001 and the review of the Residential Tenancies Act 1986.

The proposed Residential Tenancies Amendment Bill broadens the scope of the Residential Tenancies Act to include addressing:

- long-term tenancies
- accommodation in general, including boarding houses and some hostels
- the diversity of tenants and their tenure options
- the quality and standards of rental housing
- the professionalism of the private residential rental market
- dispute resolution and enforcement
- information exchange, education, advice and advocacy.

The Government's aim for the review of the Residential Tenancies Act is to ensure the Act strikes the right balance between the tenants' need for affordable and stable rental housing, and the commercial needs of landlords to manage their properties efficiently and effectively.

Another piece of legislation that is being reviewed and is critical to keeping in touch with changes in the market is the Unit Titles Act. The rapid and anticipated growth of unit title developments (apartments), particularly in the Auckland region, necessitates change to the legislation. The parties affected are unit owners, bodies corporate, developers and tenants. Key areas for attention are:

- improving the clarity and flexibility in the current legislation around financial management, maintenance obligations, information disclosure, consumer protection and dispute resolution
- the transparency and accountability of the parties involved
- the enforcement provisions for breaches of the law or body corporate rules.

Finally, at an operational level, we will be giving priority to implementing a new service delivery approach for dispute resolution within Tenancy Services.

Published in May 2006
by Department of Building and Housing
PO Box 10-729, Wellington
New Zealand

This document is also available on the
Department's website: www.dbh.govt.nz

ISSN: 1177-0503

