



Department of  
Building and Housing  
*Te Tari Kaupapa Whare*

Annual Report 2008-2009

**2008-**  
**2009**

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## Chief Executive's overview

The Department delivered successfully during a year that proved very challenging for us, as it was for the building and housing sector and the economy as a whole.

Our focus on delivering value for money and lifting productivity was sharpened by tough economic conditions. We also needed to respond to changed Government expectations and strategic priorities.

After a period of sustained growth from 2002 to 2007, the building and housing sector was immediately affected by the economic downturn. The number of new residential building consents fell to their lowest level since records began in 1965, while 8,800 fewer people were employed in the construction industry by the end of June 2009 compared with the peak in December 2006.

These changes added urgency to our work to support the sector's long-term development and to our focus on delivering value. The Department's budget, which is two-thirds funded by third-party revenue from the investment of residential tenancy bonds and from building and licensing fees and levies, was also significantly affected.

At the same time, the incoming Government brought an increased emphasis on delivering value for money, streamlining legislation and reducing compliance costs.

Key achievements for the 2008/09 year included work on the Building Amendment Act, which was passed in August 2009. The Act includes several measures to simplify the building consent process, particularly for building designs that are being replicated in different locations. The changes will benefit the industry and consumers by saving costs and time.

A comprehensive review of the Building Act 2004 is now under way as part of the Government's regulatory reform programme and we are also implementing changes to simplify and clarify the Building Code. The focus is on continuing to lift the quality of building in New Zealand while ensuring the regulatory system works well and doesn't impose unnecessary costs or delays.

Further work on the Licensed Building Practitioner Scheme during the year has resulted in Government decisions on the types of critical building work that will be restricted to licensed practitioners from March 2012. These decisions give building practitioners a strong reason to become licensed, which will contribute to skills development in the sector and increased consumer confidence. The Department is now working with the sector to further streamline the scheme and give greater recognition to existing trade qualifications, further reducing costs.

The new Government requested a review of the approach to leaky homes, to focus more on getting homes repaired than on attributing fault or litigation. A full evaluation of the present approach has been used to underpin new policy options for Government consideration.

A Building and Construction Sector Forum held in August 2008 established two sector-led taskforces which delivered practical recommendations on ways to improve the sector's skills and productivity, and to facilitate better quality urban development.

Changes made to our tenancy services operations during the year achieved worthwhile savings despite increased demand, and without compromising the quality of service to clients. Our current review of the operating model for the delivery of our services should result in further improvements.

Overall, the Department's focus on value for money identified savings of \$3.171 million for the 2008/09 year. Our Value for Money Programme has included identifying ways to improve the efficiency and effectiveness of our services, activities and programmes, as well as discontinuing any that are not delivering value for money.

At the same time, we have continued to emphasise research and evaluation to ensure high quality decisions and robust policy advice. For example, our innovative study of land supply in the Auckland region will underpin future policy development and is already being used by local councils to inform their planning decisions.

We have continued our investment in developing leaders across the Department and in improving our core business systems. These investments will increase productivity and deliver long-term value.

I'd like to thank the many individuals and organisations who work closely with us in this important sector. Homes and buildings affect the lives of all of us, and the building and construction sector is a significant player in the New Zealand economy – in June 2009 the sector generated one dollar in every 23 and employed one in 12 workers.

The year ahead will be just as challenging as this one has been. We will continue to find ways to deliver more with less, as we work hard to achieve a building and housing market that delivers good quality homes and buildings for New Zealanders that contribute to strong communities and a prosperous economy.

I am pleased to present the Annual Report of the Department of Building and Housing for the year ended 30 June 2009.



Katrina Bach  
Chief Executive

# Part 1: Achieving outcomes

## Summary of key achievements 2008/09

- Productivity and Urban Taskforces developed practical recommendations on ways to improve the sector's skills and productivity and to facilitate higher quality urban development, now being considered by Government and the sector
- New options developed for resolving weathertight issues that focus more on getting homes repaired than on attributing fault and litigation, now being considered by Government
- Accreditation achieved by all building consent authorities, ensuring a consistent level of performance across the country
- Building Amendment Act 2009 (passed in August 2009) introduced national multiple-use building consent approvals, to streamline consents for buildings of the same design in different locations
- Terms of reference developed for a full review of the Building Act 2004 to take place in 2009/10
- Successful design competition for starter homes supported affordable housing and good design
- Improved performance measures for state housing assets developed in collaboration with Housing New Zealand Corporation
- Revised Residential Tenancies Amendment Bill introduced, to clarify rights and responsibilities of tenants and landlords
- Unit Titles Bill, which provides a modern, flexible framework for joint ownership and management of land, buildings and facilities, progressed through Parliament
- Comprehensive review of expenditure achieved \$3.171 million of savings in 2008/09 and identified further savings for 2009/10
- Good progress made on new employee information, financial management information, and electronic data and records management business systems and IT infrastructure to support service delivery

# Our performance against our Statement of Intent 2008/11

The Department's Statement of Intent 2008/11 established the Department's overall outcome for 2008/09 as follows:

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

Four intermediate outcomes were identified to contribute towards achieving this overall outcome:

- buildings that perform well in the New Zealand environment and contribute to sustainability
- a strong, well-performing sector with skilled building and housing professionals
- well-designed, well built, warm, safe and healthy homes and buildings that meet the changing needs of New Zealanders and contribute to strong, effective communities
- confident building and home owners, tenants and users.

This Annual Report addresses the Department's performance against the above outcomes.

## **PERFORMANCE MEASUREMENT FROM 2009/10 ONWARDS**

The Department's Annual Report for the 2009/10 year will report against revised outcomes and measures developed in response to Government priorities and published in our Statement of Intent 2009/12. The measures for outputs, included in the Information Supporting the Estimates for Vote Housing in Budget 2009, were also revised.

## **INTERMEDIATE OUTCOME 1: BUILDINGS THAT PERFORM WELL IN THE NEW ZEALAND ENVIRONMENT AND CONTRIBUTE TO SUSTAINABILITY**

During 2008/09 the Department continued to work closely with the building and housing sector and the Government on implementing and refining the framework established under the Building Act 2004. The Act established the basis for systems for building consent authority accreditation, the licensing of building practitioners and a regulatory framework for product certification.

### **Building Amendment Act 2009**

The Building Amendment Act 2009 made three key changes to the Building Act 2004:

- national multiple-use building consent approvals were introduced
- a new streamlined process was set up for minor variations to building plans after building consent
- a project information memorandum will become voluntary from 1 February 2010.

Robust policy development resulted in a short, well-targeted Bill with practical application that enjoyed wide sector support and came into force on 1 August 2009. The Act will simplify the building consent process, particularly for building designs that are being replicated such as stand-alone garages and simple house designs, once the relevant regulations have been approved by Government. This is a first step to streamlining the Building Act 2004.

### **Reviewing the Building Act**

As part of the Government's regulatory reform programme, the Building Act 2004 will be reviewed in response to concerns about:

- implementation at a local government/consent authority level
- costs and complexity of the building consent process
- consumer confidence in the technical ability of practitioners
- allocation of risk and liability.

Terms of Reference have now been agreed for the review, and initial work completed on the allocation of risk and liability, including advice on home warranty insurance.

### **Building Code changes**

Obtaining building consent for simple homes will become easier following the development of a new Compliance Document which sets out basic building specifications. This was promoted through a very successful design competition for starter homes. The document includes the key elements to ensure building consent and is due for publication in November 2009. A Compliance Document was also developed to streamline the consent requirements for Department of Conservation backcountry huts. A number of other recommendations arising from a review of the Building Code were incorporated into the Department's technical work programme.

Good progress was made on developing a new fire safety framework that will include fire safety performance requirements and approved design methods.

### **Product certification scheme**

The product certification scheme was put in place from 30 October 2008, as a voluntary way of demonstrating that products meet required building standards. The Department has worked with two organisations to become certifying bodies. A number of seminars were delivered, and several product applications are now being evaluated.

### **Building consent authority accreditation**

All 76 local authorities and the five private organisations currently providing services to councils have achieved accreditation against phase 1 standards. The standards promote consistent and good quality building controls, and will encourage continuous improvement and better customer service. Building control functions for the Chatham Islands were transferred to Christchurch City Council. In addition 26 local authorities completed their biennial assessments (including phase 2 accreditation requirements).

A review of the implementation of phase 1 has identified ways in which the scheme can be improved in the future.

### **Review of Fencing of Swimming Pools Act 1987**

The Department is reviewing the Act in response to concerns about clarity and consistency of enforcement. Options for improving the regulatory regime without compromising child safety are currently being investigated.

## **INTERMEDIATE OUTCOME 2: A STRONG, WELL-PERFORMING SECTOR WITH SKILLED BUILDING AND HOUSING PROFESSIONALS**

### **Encouraging professional skills through licensing**

Licensing building practitioners recognises their professional standards and skills, and lifts those standards and skills over time. It also gives confidence to consumers and building control authorities that work meets required standards.

Proposals to simplify and streamline the licensing scheme were developed in consultation with an industry reference group during the year. The Department is now consulting more widely on these proposals, which aim to give greater recognition to trade qualifications and further reduce costs.

From March 2012, critical building work will need to be supervised or carried out by licensed practitioners, where it affects the following areas:

- the primary structure of a house
- external moisture management systems of a house, such as roof or wall cladding
- design of fire safety systems in small to medium sized apartments.

Owner-builders will be able to seek an exemption from these requirements.

New licensing classes for roofing, bricklaying and blocklaying, and external plastering, were launched on 1 November 2008 following consultation with industry groups.

### **Productivity Taskforce**

Building and construction sector leaders were brought together for a forum in August 2008. The Productivity Taskforce, one of two taskforces set up by the forum, made a series of practical recommendations to the sector and to the Government to lift skills and performance in building and construction. The recommendations include:

- providing greater disclosure of the Government's forward capital investment programme to help the sector plan better
- improving the efficiency and effectiveness of the Government's building and construction procurement practice, by adopting approaches already used by the New Zealand Transport Authority
- developing a sector skills strategy which includes improving entry level training, continuous professional development and stronger career opportunities within the industry.

A subsequent Building and Construction Sector Forum of industry and Government leaders held in July 2009 has endorsed the findings of the Taskforce. Industry and central and local government leaders will work together to take the Taskforce recommendations forward.

### Technical education programme

A technical education programme was developed for implementation in 2009/10. The programme aims to lift building quality by developing a better understanding of the Building Code and Compliance Documents among building officials in territorial authorities, designers and architects, and residential builders.

### **INTERMEDIATE OUTCOME 3: WELL-DESIGNED, WELL BUILT, WARM, SAFE AND HEALTHY HOMES AND BUILDINGS THAT MEET THE CHANGING NEEDS OF NEW ZEALANDERS AND CONTRIBUTE TO STRONG, EFFECTIVE COMMUNITIES**

Increasing innovation in the housing market is a Government priority. This includes increasing the supply of affordable housing and broadening the range of options for consumers.

### Innovation in housing design

A starter home design competition to encourage interest in high quality, simple house designs for first home buyers attracted more than 140 entries. The Minister for Building and Construction announced five awards in March 2009, and the supreme winner was Stephen Smith of S3 Architects Limited in Auckland.

Finalists' designs will be widely promoted through public displays, publications, technical education material and master classes. Housing New Zealand Corporation will build the winning design as a show home on a site in Mangere.

### Research and sector trends

The Department worked to improve the collection and presentation of data on trends in the building and housing sector. This will continue to be an area of focus, to support decisions by businesses and local authorities as well as our own policy development.

Research commissioned by the Department found that meeting projected future household population growth in the Auckland area, given current land availability and existing zoning rules, will require a significant shift to higher-density housing (including dwellings suitable for families).

This innovative modelling and analysis of land supply and related issues will be used by the Department as a basis for developing policy recommendations and by councils to inform their planning decisions.

The Department also commissioned a study of ten intensive urban residential developments on greenfield and brownfield sites in Auckland, Wellington and Christchurch. The study highlighted ways to better facilitate medium density development in the future, and this work was used to develop the Urban Taskforce's recommendations.

### **Urban Taskforce**

The Building and Construction Sector Forum held in August 2008 established two taskforces that developed practical proposals on skills and productivity and on urban development, presented at a second forum in July 2009. The Urban Taskforce identified ways to improve urban development by removing barriers and reducing the cost of good quality urban development projects.

### **Housing New Zealand Corporation**

The Department worked with Housing New Zealand Corporation on a number of initiatives delivered through the Corporation, such as Welcome Home Loans that provide mortgage insurance to help aspiring homeowners into their first home; and loans to support social and affordable housing, particularly in relation to not-for-profit providers and Māori.

Further initiatives to be introduced in the coming year include the Gateway programme, where leasehold land will be made available to aspiring homeowners; and giving state housing tenants the option of purchasing their home.

## **INTERMEDIATE OUTCOME 4: CONFIDENT BUILDING AND HOME OWNERS, TENANTS AND USERS**

### **Developing an alternative approach to weathertightness with greater emphasis on getting homes fixed**

The Department worked on a possible new approach to weathertight issues that focuses more on getting properties repaired and fit for purpose again, rather than on attributing fault and litigation. Policy advice from the Department is currently being considered by the Government.

### **Improving services to owners of leaky homes**

The Department currently provides claims advice, assessment and dispute resolution services to owners of non-weathertight homes. In 2008/09, the Department received 783 eligible claims, issued 923 assessment reports and resolved 195 claims through mediation.

The Department has continued to improve weathertight services for clients. In 2008/09, this included:

- actively following up claims to identify where clients were finding it difficult to make progress, and providing additional support to clients at these stages
- improving the quality and timeliness of assessment reports.

### **Unit Titles Bill**

The Unit Titles Bill will establish a more modern and flexible legal framework for joint ownership and management of land, buildings and facilities by communities of individual owners. With increasing numbers of people living in apartments, it is essential for the legal framework to reflect modern realities. The number of apartments in unit title developments increased by almost 50 percent during the three years to 30 June 2009.

Strong sector engagement contributed to the draft Bill and continued as the legislation progressed. Public submissions were of a high quality, and a significant number supported the proposals in the Bill, which was reported back to Parliament in September 2009.

### **Residential Tenancies Amendment Bill**

The revised Residential Tenancies Amendment Bill will clarify the rights and responsibilities of tenants and landlords. Some aspects of the Bill were refocused in a short timeframe to address new Government priorities. The Bill is due to be reported back to Parliament in October 2009.

### **Supporting the effective operation of the rental housing market for landlords and tenants**

The Department reduced our operating costs of delivering services to the rental market, despite an increase in demand for services such as dispute resolution. Changes included:

- increasing use of telephone mediation, which offers more flexibility for clients as well as lower costs
- reviewing the number of community venues directly serviced
- developing new channels for delivering education and advice to landlords, such as web based seminars.

During 2008/09 advice was given in over 450,000 telephone calls, over 500,000 bond transactions were processed and over 37,500 disputes were resolved through mediation.

The 2009 annual survey of clients of the Department's mediation services showed positive results. There were high levels of client satisfaction with mediation, the Service Centre and local offices among those surveyed.

### **Monitoring the Government's investment in Housing New Zealand Corporation**

The Department worked with Housing New Zealand Corporation (the Corporation) to raise the quality of performance measurement relating to state housing assets and improve accountability.

Improved asset based performance measures were included in the Corporation's Statement of Intent for 2009/10, and will underpin the Minister of Housing's Ownership Schedule (a key component of his Accountability Agreement with the Corporation).

The Department also worked with the Corporation on their value for money programme, including asset efficiency indicators and savings for the 2009 Budget.

### **Retirement villages**

The Retirement Villages Code of Practice 2008 was passed in October 2008 and will come into force on 2 October 2009.

The Code of Practice will provide better consumer protection in line with the Retirement Villages Act 2003, by ensuring retirement village operators give full disclosure to existing and intending residents.

The Department and the Retirement Commission carried out extensive consultation in developing the Code of Practice. The Department also worked with residents, operators and other key stakeholders to publish a *Best practice guide – Determining refurbishment and fair wear and tear in retirement villages* in June 2009.

### **Working with the timber industry**

The Department is working closely with the timber sector to develop clearer, simpler and more effective requirements for structural timber used in houses and buildings. This includes simplifying treatment and grading requirements, improving identification and having a more robust quality assurance regime. Timber growers, millers, treaters, auditors and sellers are all involved in the change process, which will enable consumers to be confident that timber supplied is fit for purpose. This has followed some instances of timber being inappropriately used in structural applications.

# Evaluation

A number of evaluation projects were completed or started by the Department in 2008/09. These included:

- evaluation of weathertight services including:
  - collection and analysis of data from ten territorial authorities as well as Weathertight Homes Resolution Service claims
  - a survey of claimants and other parties to obtain additional information about repair costs, other costs incurred, lags between noticing leaks and making a claim, and other claim related matters.The results led to some immediate improvements in the handling of weathertight claims, and were also used to inform the development of new policy options which are currently being considered by the Government
- three evaluation projects carried out on residential tenancy services, to identify improvements and deliver better services at lower cost. The current review of our operating model for the delivery of services builds on this work and will be implemented in 2009/10. The review aims to further reduce costs and improve services to clients
- a review of the implementation of phase 1 of the Building Consent Authority Accreditation and Registration Scheme, to identify:
  - successes to carry forward to phases 2 and 3 of accreditation
  - opportunities for improvement
  - lessons and opportunities for key stakeholders and other government departments undertaking similar accreditation programmes
- finalising monitoring and evaluation strategies for the Licensed Building Practitioner Scheme and the Building Consent Authority Accreditation and Registration Scheme
- gathering baseline data for the Licensed Building Practitioner Scheme and the Building Consent Authority Accreditation and Registration Scheme through a survey of residential builders
- starting work on measuring the impact of the Department's new business systems and infrastructure on productivity.

## Strengthening our capability

The Department aims to be a flexible and responsive organisation that anticipates changing circumstances, is 'fit for purpose' and adds value to the Government, sector stakeholders and consumers alike.

We have continued to build organisational capability to support the November 2007 Development Goals for the State Services.

- 1 Employer of Choice – ensure the State Services is an employer of choice attractive to high achievers with a commitment to service.
- 2 Networked State Services – use technology to transform the provision of services to New Zealanders.
- 3 Value for Money – use resources and powers in an efficient, effective and appropriate way.
- 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.

The Department focused on five priorities for organisational development in 2008/09:

- ensuring every person in the Department is clear about what they are expected to do, the authority they have and the performance management and development systems in place to support them
- alignment of strategic, business and financial planning systems and reporting, including monthly operating reviews of organisational performance
- an integrated system of internal service delivery
- leadership capability, including continuing our leadership programme and developing a master class to support continued development for managers
- employee engagement, including developing a strategy, policy and processes and refining the induction programme.

During 2008/09 the Department also:

- made good progress on the implementation of a number of new business systems that will increase efficiency and productivity:
  - new integrated network for telephones and computers that will enhance business operations and business continuity across the Department
  - financial management information system
  - electronic document and records management system
  - new employee information system
  - server replacement and upgrade and a PC replacement programme
- implemented a new risk measurement and assessment methodology
- implemented a new legislative compliance system as part of the planning, performance and assurance system
- implemented new IT system development life cycle and project management methodologies.

# Employees

As at 30 June 2009, the Department had 372 employees of whom 322 were full-time and 50 were part-time. There were also a number of people undertaking contracting roles to fill vacant positions or provide specialist skills or additional capability for specific work.

Our employees are based at:

- National Office in Wellington (204 employees)
- Service Centre in Porirua (79 employees)
- 20 regional offices located throughout the country from Invercargill to Whangarei (89 employees).

## **People management policy and equal employment opportunities**

The Department has redeveloped policies and procedures that support employee engagement and enhance equality and diversity. Employee engagement workshops were carried out that provided useful feedback to guide further capability development for employees, systems and processes, and established a benchmark for future engagement surveys.

We are committed to equal opportunity for our employees. The Department continues to support and encourage participation in Pou Tokomanawa and Vanua Pasifika, two network groups that enable Māori and Pacific employees to connect with and support each other in a professional and cultural context.

# Our organisation's health

INDICATOR	MEASUREMENT	PROGRESS TO 30 JUNE 2009
<b>Internal controls</b>		
An increase in the Treasury's Departmental Internal Control Evaluation (DICE) rating	The Treasury's Departmental Internal Control Evaluation (DICE) rating	2007/08 score 4.01 2008/09 score 3.98  As a result of employee turnover in the first quarter of 2009, some of the standard reconciliations were not completed on time.
<b>Financial</b>		
Improve the Auditor-General's ratings over the period	The Auditor-General's ratings	The Auditor-General's ratings were unchanged. Management control: good Financial systems and controls: very good
Improved forecasting and expenditure closer to budget over the period	Financial management system	2007/08 Forecast \$73.785 million 2007/08 Actual \$66.754 million 2007/08 Variance \$7.031 million  2008/09 Forecast \$67.810 million 2008/09 Actual \$66.105 million 2008/09 Variance \$1.705 million Expenditure was closer to budget.
<b>Employee capability and capacity</b>		
The percentage of roles filled by permanent employees will increase over the period	Rolling 12-monthly average reported quarterly	The percentage of permanent roles filled by permanent employees increased from 82% to 85% over the year.
<b>Employee engagement</b>		
Employees reporting positively on their employment relationship with, and role clarity in, the Department will increase over the period	Analysis of feedback from employee workshops	The Department carried out culture workshops with 228 employees, led by the Department's Chief Executive and Deputy Chief Executives. The workshops generated generally positive feedback and identified improvements to be made.
<b>Health and safety – employee wellbeing</b>		
A decrease in sick leave incidence	Number of sick leave days taken	Sick leave days increased slightly from 2.70% of work days to 2.94% in 2008/09.
A decrease in workplace incidents	Number of lost-time incidents	There were no workplace incidents. There was time lost for 12 non-work incidents.
<b>Performance development</b>		
Increase in the percentage of permanent employees with performance development and expectation letters completed within two months of the start of the financial year or starting work at the Department	Percentage completed, reported quarterly	The percentage of permanent employees with performance and development expectation letters completed within two months of the start of the financial year or starting work at the Department remained unchanged.

INDICATOR	MEASUREMENT	PROGRESS TO 30 JUNE 2009
<b>Capital programme</b>		
Complete the Financial Management Information System and Human Resources Information System including payroll upgrades in 2008/09	Financial Management Information System and Human Resources Information System completed in 2008/09	These systems will now be completed in 2009/10. Completion dates for these systems were revised due to the additional time required to complete procurement processes and conclude contract negotiations with preferred suppliers.
Complete the Electronic Document and Records Management System in 2009/10	Electronic Document and Records Management System completed in 2009/10	On track for completion in 2009/10.
Complete the Voice over Internet Protocol (Network) upgrade by December 2009	Voice over Internet Protocol (Network) upgrade completed by December 2009	On track for completion by December 2009.
Commence the integrated licensing system in 2008/09 for completion in 2009/10	Integrated licensing system started in 2008/09 for completion in 2009/10	On track for completion in 2009/10.
Complete the requirements for the integrated service delivery system in 2009/10	Requirements for the integrated service delivery system completed in 2009/10	On track for completion in 2009/10.

# Managing in a changeable environment – our risk response

Risk management is a key component of our Planning, Performance and Assurance System. The Department has a risk management policy and a standardised approach to identification, measurement, treatment and reporting of key risks.

Our capability to identify and manage risks effectively is enhanced through our leadership development programme.

The following table sets out our response to the risks identified in our Statement of Intent 2008/11.

ISSUE/RISK IDENTIFIED IN THE 2008/11 STATEMENT OF INTENT	HOW WE RESPONDED TO THE ISSUE/RISK
<p><b>Affordability</b></p> <p>The Department has been working with other agencies to understand the drivers of affordability and the declining rates of homeownership.</p>	<p><b>Developing the response to affordability</b></p> <p>Streamlined consents for simple homes were progressed through the Building Amendment Act 2009, and a major study of Auckland's land supply fed into Government consideration of planning and resource management legislation. An Urban Taskforce (supported by the Department) pinpointed the main impediments to improving urban development, setting out an agenda for change for industry, central and local government leaders. The Department also advised the Government on increasing the size and scale of the not-for-profit housing sector and institutional investors as a way of improving supply and affordability.</p>
<p><b>Managing in the political context</b></p> <p>The Department is well through the implementation of the reforms across the building sector that were identified by the Hunn Report on weathertightness of buildings and given effect through the Building Act 2004.</p> <p>As the reforms progress, there is likely to be reaction from across the sector as the changes are fully implemented and adjustments are made.</p>	<p><b>Ensuring the context for the reforms is clearly articulated</b></p> <p>The Department used various mechanisms to communicate with clients, consumers and other sector interest groups about the reforms. For example during the year the Department:</p> <ul style="list-style-type: none"> <li>• was represented at, and/or spoke at a number of sector conferences and forums</li> <li>• published information and newsletters such as <i>Codewords</i>, <i>BCA Update</i> and contributed to sector publications such as <i>Build</i> magazine, <i>Progressive Building</i> magazine</li> <li>• used our website to publicise and promote our work programme.</li> </ul>
<p><b>Building sector capacity and capability</b></p> <p>The building sector does not have the ability or will to implement the changes brought about by the Building Act 2004.</p>	<p><b>Working better with the sector</b></p> <p>Reviewed the implementation of some of the schemes administered under the Act with the sector and streamlined and simplified requirements.</p> <p>Specific examples include:</p> <ul style="list-style-type: none"> <li>• <b>Building Consent Authority Accreditation and Registration Scheme</b> – changes were made to ensure clearer interpretation of the required standards and accreditation (particularly with the accreditation body).</li> <li>• <b>Licensed Building Practitioner Scheme</b> – application forms have been simplified and proposals developed to reduce costs and give greater recognition to trade qualified practitioners.</li> </ul> <p>The <b>Building Amendment Act 2009</b> resulted in three key changes to the Building Act 2004: national multiple-use building consent approvals were introduced; a new streamlined process for minor variations to building plans after building consent was set up; and a project information memorandum became voluntary.</p> <p>Terms of reference for the <b>Building Act</b> review to reduce red tape, ensure the requirements of the Act are streamlined and cost effective, and move to a more risk-based approach.</p>

ISSUE/RISK IDENTIFIED IN THE 2008/11 STATEMENT OF INTENT	HOW WE RESPONDED TO THE ISSUE/RISK
<b>Building consent authority capacity and capability</b>	<b>Supporting local government's accreditation progress</b>
Some councils' level of preparedness and current capacity limitations could prevent them from achieving accreditation and, subsequent to accreditation, progressing through the next phase.	All territorial and regional authorities were accredited and registered by 31 March 2009. An independent evaluation of phase 1 identified opportunities to make accreditation more effective. Options for refining and streamlining phases 2 and 3 of the scheme are under development.
<b>Effectiveness of the WHRS reforms</b>	<b>Working closely with key stakeholder groups</b>
The outcomes expected by claimants and stakeholders from the Weathertight Homes Resolution Services Act 2006 will not be realised.	Improved weathertight services to ensure that disputes are resolved as quickly as possible. Claims lodged under the 2006 Act are taking less time to reach resolution compared with the 2002 Act.  The Government has initiated a review of the approach to weathertightness. The Department has worked with stakeholders, including territorial authorities, to identify issues and develop policy options for Government consideration.
<b>Capacity, capability and infrastructure</b>	<b>Building capacity and capability at all levels</b>
Departmental capacity, capability and infrastructure, which is being built at the same time as delivering on a substantial work programme in a changing environment, may result in significant demands and pressure on the Department. This could compromise the quality of the reforms for which we are accountable and the health and wellbeing of our people.	Our Value For Money Programme and Planning, Performance and Assurance System are designed to ensure resources are appropriately prioritised and focused on the key deliverables. Our investment in core business infrastructure over 2008/09 and 2009/10 will support effective service delivery. More broadly, our employee engagement system supports the recruitment, retention and development of employees to do a good job. Our investment in people through development and training is enhancing our overall capability.
<b>Financial pressures</b>	<b>Managing with limited resources</b>
With reducing appropriations and additional functions being expected of the Department, the quality of the work and capacity to deliver will be compromised.	Financial pressures were exacerbated by the economic downturn and its impact on the Department's revenues. Our Value For Money Programme aims to maximise our ability to meet projected shortfalls in funding through performance improvements. These include the design of future policies and the discontinuation of any services, activities and programmes that are not delivering value for money. During 2008/09 the Programme identified a range of actions that generated savings/cost reductions of \$3.171 million. Additional Performance Improvement Actions have been identified for 2009/10.



## Part 2: Performance information

## Statement of responsibility

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

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

In my opinion these financial statements fairly reflect the financial position and operations of the Department and the Residential Tenancies Trust Account for the year ended 30 June 2009.

Signed:

Countersigned:



Katrina Bach  
Chief Executive  
30 September 2009



Karl Phillips  
Chief Advisor Finance and Administration  
30 September 2009

**AUDIT REPORT  
TO THE READERS OF  
THE DEPARTMENT OF BUILDING AND HOUSING'S  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

The Auditor-General is the auditor of the Department of Building and Housing (the Department). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the financial statements and statement of service performance included in the annual report of the Department for the year ended 30 June 2009.

**Unqualified Opinion**

In our opinion:

- The financial statements of the Department on pages 48 to 72:
  - o comply with generally accepted accounting practice in New Zealand; and
  - o fairly reflect:
    - the Department's financial position as at 30 June 2009;
    - the results of its operations and cash flows for the year ended on that date;
    - its expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2009; and
    - its unappropriated expenses and capital expenditure for the year ended 30 June 2009.
- The schedules of non-departmental activities on pages 73 to 82 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Department on behalf of the Crown for the year ended 30 June 2009.
- The statement of service performance on pages 26 to 47:
  - o complies with generally accepted accounting practice in New Zealand; and
  - o fairly reflects for each class of outputs
    - its standards of delivery performance achieved, as compared with the forecast standards in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included the forecast standards in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 30 September 2009, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

**Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support the opinion above.

### **Responsibilities of the Chief Executive and the Auditor**

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Department as at 30 June 2009 and the results of its operations and cash flows for the year that ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2009. The financial statements must also fairly reflect the Department's unappropriated expenses and capital expenditure for the year that ended on that date.

In addition, the Chief Executive is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2008 that fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Department on behalf of the Crown for the year ended 30 June 2009.

The statement of service performance must fairly reflect, for each class of outputs, the Department's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with forecast standards, revenues and expenses adopted at the start of the financial year.

The Chief Executive's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

## Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Department.

A handwritten signature in black ink that reads "John O'Connell". The signature is written in a cursive style with a long, sweeping underline.

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

**Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of the Department of Building and Housing for the year ended 30 June 2009 included on the Department of Building and Housing's web site. The Department of Building and Housing's Chief Executive is responsible for the maintenance and integrity of the Department of Building and Housing's web site. We have not been engaged to report on the integrity of the Department of Building and Housing's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 September 2009 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Statement of service performance

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output class 1: Building Regulation and Control</b>		
<b>To provide regulatory and control services for the building industry under the Building Act 2004 and related consumer information</b>		
<b>Output 1.1: Set Standards for Building</b>		
Maintaining and reviewing existing Building Code and Compliance Documents; issuing warnings and bans as required		
<b>1.1.1 Quantity</b>		
Undertake five programmes of work to develop Building Code Compliance Documents or guidance documents	Five programmes of work undertaken	Achieved Amendments to Compliance Documents or guidance completed for: <ul style="list-style-type: none"> <li>• fire standards</li> <li>• indoor environment</li> <li>• structure</li> <li>• energy efficiency</li> <li>• Department of Conservation's backcountry huts.</li> </ul>
Programmes undertaken in accordance with the requirements of the Building Act 2004 and the Department's quality standards for policy advice	Quality standards met	Achieved All programmes of work have undergone internal review, and meet the quality standards.
<b>Output 1.2: Implement the Review of the Building Code</b>		
<b>1.2.1 Quality</b>		
Implement the findings of the review of the Building Code, as instructed by the Minister	Findings of review implemented	Achieved The findings of the review were implemented through the development of a fire safety framework, and Compliance Documents for Department of Conservation huts and simple housing.
Policy development is undertaken in accordance with the Department's quality standards for policy advice.	Quality standards met	Achieved All programmes of work have undergone internal review and meet the quality standards.
<b>Output 1.3: Sector Advice and Guidance</b>		
Provide information, advice and guidance to the building sector on the new regulatory schemes under the Building Act 2004		
<b>1.3.1 Quantity</b>		
Information on building standards, Code compliance and product certification is available and awareness campaigns conducted	Information provided and awareness campaigns conducted	Achieved Information is available (by website and hard copy) and awareness campaigns are conducted as required. For example, during 2008/09 information campaigns for product certification and thermal insulation were delivered.
Provide guidance on the achievement of Building Code compliant buildings	Guidance provided	Achieved All changes to the Building Code and/or Compliance Documents were issued with the applicable guidance, for example energy efficiency guidance
Respond to technical queries from local authorities and the building sector	Responses provided	Achieved Responses were provided to enquiries received through the Building Controls 0800 number and email.
<b>1.3.2 Quality</b>		
Information provided on time and developed in accordance with the Department's guidelines on professional communication	Guidelines met	Achieved

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 1.4: Operate Regulatory Schemes</b> Administer product certification scheme		
<b>1.4.1 Quantity</b>		
Product certification: Develop and operate the product certification scheme.	Scheme developed and operating	Achieved The regulations are in place and the scheme has been operational since November 2008. Three applications for product certification are being processed.
<b>1.4.2 Quality</b>		
Measures for product certification scheme to be developed on establishment of finalised scheme	Measures developed	Achieved
All operational policy development meets our quality standards for policy advice	Quality standards met	Achieved All programmes of work have undergone internal review, and meet the quality standards.
<b>Output 1.5: Resolve Disputes</b> Investigate and resolve disputes about territorial local authorities and issue determinations		
<b>1.5.1 Quantity</b>		
Disputes <sup>1</sup> received and managed	Demand-driven	Achieved 133 determinations were received and managed.
Determinations issued (demand-driven)	160	Below forecast demand 116 determinations were issued (the budget standard of 160 was an estimated figure, as these are demand-driven).
<b>1.5.2 Quality</b>		
Percentage of determinations successfully appealed	Less than 2%	Achieved None successfully appealed.
Percentage of determinations subject to clarification	Less than 3%	Achieved 2.6% were subject to clarification.
<b>1.5.3 Timeliness</b>		
Percentage of determinations completed within the statutory timeframe (60 days) without agreement of the parties to extend timeframes	95%	Achieved 98% (average number of days is 38).

1 Determination rather than dispute is the legally accurate term used in the Building Act 2004. The wording of this measure was corrected in the 2009/10 Estimates of Appropriation.

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 1.6: Building and Construction Monitoring, Research and Evaluation</b>		
Undertake regulator and industry performance monitoring and reporting, and commission building-related research		
<b>1.6.1 Quantity</b>		
Four industry advisory panels operating	Ongoing	Achieved Advisory Panels for Access, Fire, Structure and Building Envelope met with the Department on a regular basis to advise on trends and issues.
Programmes of research undertaken to support the setting of standards	Programmes undertaken	Achieved The following research projects are under way. <ul style="list-style-type: none"> <li>Commercial building energy end use study (BEES) – year two of six years' work has been completed.</li> <li>Fire performance research to support the development of a fire safety framework is on track for completion in March 2010.</li> <li>Research into an option for a single timber framing treatment hazard class is on track and due for completion in September 2010.</li> <li>Effectiveness of paint on remedial timber treatments for leaky houses is on track and due for completion in October 2010.</li> <li>An initial investigation into a commercial building energy rating scheme (BERS) has been completed. Recommendations will be prepared by November 2009.</li> <li>Investigation into extreme snow loadings was completed by 30 June 2009.</li> </ul>
Implement the strategic research programme	Ongoing	The development of the research strategy took longer than expected; particularly the work involved and time required to consult with the sector. A draft strategy has been developed and will be finalised in 2009/10.
<b>1.6.2 Quality</b>		
Industry advisory panels operate within their agreed terms of reference	Terms of reference met	Achieved
Research projects completed in accordance with the terms of reference	Terms of reference met	Achieved

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 1.7: Advice and Guidance</b>		
Provide information, advice and guidance to the sector		
<b>1.7.1 Quantity</b>		
Provide local authorities information, advice and guidance on: <ul style="list-style-type: none"> <li>• Dam Safety Scheme</li> <li>• Licensed Building Practitioner Interface</li> <li>• Building Consent Authority functions</li> <li>• Infringement Scheme</li> </ul>	Information, advice and guidance provided	Achieved Publication of the following guidance, along with advice and guidance made available on the Department's website. <ul style="list-style-type: none"> <li>• Guidance document disseminated to councils about new Infringement Scheme in August 2008.</li> <li>• <i>BCA Update</i> (accreditation and building control) guidance documents published in August, October and December 2008.</li> <li>• <i>Dam Safety Scheme: Guidance to regional authorities and owners of large dams</i> in September 2008.</li> <li>• <i>Dam Safety Scheme: An overview for rural owners of large dams</i> in September 2008.</li> <li>• Schedule 1 (exempt building work) guidance material provided to building sector in October 2008.</li> <li>• Phase 2 Accreditation (Quality Assurance) guidance material provided to councils in November 2008.</li> <li>• Guidance document disseminated to councils and practitioners about changes to Schedule 1 of the Building Act (exempt building work) in November 2008.</li> <li>• Amendments to building consents guidance material provided to sector in November 2008.</li> <li>• National training course in phase 2 accreditation requirements delivered to all building consent authorities in November and December 2008.</li> <li>• Assessment of alternative solutions guidance material provided to building sector in December 2008.</li> <li>• Non-load bearing timber guidance provided to the sector in December 2008.</li> <li>• <i>A beginner's guide to building consent and resource consent processes</i> provided to sector in June 2008.</li> </ul>
Provide the building sector and consumers with information, guidance and advice through: <ul style="list-style-type: none"> <li>• <i>Codewords</i> issues</li> </ul>	10	Achieved 10 issues published.
<ul style="list-style-type: none"> <li>• Call centre enquiries (demand-driven)</li> </ul>	12,000	Above forecast demand 14,374 enquiries received (demand-driven).
<b>1.7.2 Quality</b>		
All communications developed in accordance with our guidelines on professional communication	Guidelines adhered to	Achieved
Percentage of queries resolved by call centre (not escalated)	70%	Not achieved 67%

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 1.8: Building Sector Skills and Education</b> Improving sector skills through training and education		
<b>1.8.1 Quantity</b>		
Support development of National Qualification for Building Officials	Qualification development supported	Achieved Supported the Local Government Industry Training Organisation-led development of two National Qualifications: <ul style="list-style-type: none"> <li>• National Diploma in Building Control Surveying (Small Buildings)</li> <li>• National Diploma in Building Control Surveying (Medium and Large Buildings).</li> </ul>
<b>1.8.2 Quality</b>		
National qualification meets NZQA requirements	NZQA requirements met	Achieved National Diploma in Building Control Surveying (Small Buildings) and National Diploma in Building Control Surveying (Medium and Large Buildings) qualifications registered on the qualifications framework.
<b>Output 1.9: Consent Authority Performance</b> Improve the performance of Local Government Consent Authorities		
<b>1.9.1 Quantity</b>		
Undertake and complete technical reviews of territorial authorities	5	Achieved Technical reviews completed for the following territorial authorities. <ul style="list-style-type: none"> <li>• Bay of Plenty Council cluster (four councils – Tauranga, Rotorua, Taupo and South Waikato District Councils)</li> <li>• Northland councils (three councils – Far North, Kaipara and Whangarei District Councils)</li> <li>• Queenstown Lakes District Council</li> <li>• Selwyn District Council</li> <li>• Thames-Coromandel District Council</li> </ul>
Operate Building Consent Authority accreditation and registration scheme	Scheme operated	Achieved Scheme operated as intended. All councils who applied for phase 1 accreditation achieved it and have been registered as building consent authorities.
Monitor performance of accreditation body against appointment agreement	Agreement met	Achieved Agreement met. Ongoing operational performance discussions held and monitoring occurring through: <ul style="list-style-type: none"> <li>• monthly performance and project planning/implementation meetings with International Accreditation New Zealand (IANZ)</li> <li>• consistency workshops, which are undertaken quarterly to ensure shared understanding of accreditation requirements between IANZ and the Department</li> <li>• review of IANZ performance reports: <ul style="list-style-type: none"> <li>– Feb – Jun 08 report received and response provided September 2008</li> <li>– Jul – Sep 08 report received and response provided November 2008</li> <li>– Oct 08 – Jan 09 report received and response provided February 2009</li> </ul> </li> <li>• independent review of phase 1 of accreditation scheme, including IANZ's role and performance, completed March 2009, and disseminated to relevant stakeholders in May 2009.</li> </ul>

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
Investigate and resolve complaints about territorial and building consent authorities	Demand-driven	Achieved 22 formal complaints about building consent authorities were received and investigated between July 2008 and June 2009. Of these: <ul style="list-style-type: none"> <li>• 19 showed no evidence of negligence or failure on the part of the building consent authority in the performance of a statutory building control function, although opportunities for performance and customer service improvements were identified</li> <li>• one related to Resource Management Act issues and the complainant was referred to the Ministry for the Environment</li> <li>• one complainant elected not to continue with the complaint</li> <li>• one council was found to have been negligent and failed to perform a statutory building consent authority function. The council involved has: <ul style="list-style-type: none"> <li>– improved its business processes, which have been independently audited</li> <li>– been accredited as a building consent authority.</li> </ul> </li> </ul>
<b>1.9.2 Quality</b>		
Technical reviews completed in accordance with the Department's Technical Review Guidelines	Guidelines adhered to	Achieved
Complaints resolved in a timely manner and in accordance with departmental policy	Departmental policy met	Achieved
Evaluation criteria developed for the effectiveness of accreditation scheme	Evaluation criteria developed	Achieved

#### Financial performance: Building Regulation and Control

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
372	Revenue Crown	1,708	840	1,708
80	Revenue Department	100	77	97
17,228	Revenue other	16,969	23,111	18,582
17,680	Total revenue	18,777	24,028	20,387
12,706	Total expenses	16,992	17,461	18,470
<b>4,974</b>	<b>Net surplus/(deficit)</b>	<b>1,785</b>	<b>6,567</b>	<b>1,917</b>

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output class 2: Occupational Licensing</b>		
Developing, implementing and maintaining registration and licensing regimes for building practitioners and electrical workers		
<b>Output 2.1: Occupational Licensing</b>		
2.1.1 Progress the development of a new registration system which incorporates the requirements of the electrical workers scheme and the Licensed Building Practitioner scheme	New registration system progressed	Achieved
<b>Output 2.2: Licensing of Building Practitioners</b>		
Administration and development of the occupational licensing scheme for building practitioners under the Building Act 2004		
<b>2.2.2 Quantity</b>		
Provide information, advice and guidance on the Licensed Building Practitioner scheme and register	Information, advice and guidance provided	Achieved 4,743 queries about the scheme responded to. Four <i>Licensing Updates</i> distributed to registered subscribers. 12 articles published in 9 trade magazines.
Number of voluntary licences received	2,400–4,000	Below forecast demand 432 building practitioner licensing applications were received and processed during the year. Licensing volumes were below forecast as policy decisions were awaited on proposals to streamline the system, on restricted building work and on an owner-builder exemption from restricted building work.
Progress development of new licence classes: <ul style="list-style-type: none"> <li>introduce new licence classes for roofing, brick/blocklaying and external plastering</li> <li>progress development of remaining licence classes</li> </ul>	Licence classes implemented or progressed	Achieved New licensing classes for roofing, bricklaying and blocklaying, and external plastering were launched on 1 November 2008. Draft competencies for the concrete structure, steel structure, and foundations licensing classes were developed in conjunction with industry working groups. Sector consultation on these competencies is expected in 2009/10.
<b>2.2.3 Timeliness</b>		
Percentage of complete voluntary licence applications registered in the system and forwarded to the assessment agent within two working days of receipt, to a maximum of 22 applications/day	100%	Achieved 100%
Percentage of complete desktop assessments progressed within seven working days of receipt by the assessment agent and acceptance into the Assessment Support Application (provided that the total number of assessments per month does not exceed 530)	100%	Not achieved 83% (408/491) During the year, the assessment agent, Assessment Systems Limited identified the following difficulties that impacted on performance. <ul style="list-style-type: none"> <li>Difficulties contacting applicants or applicants' referees</li> <li>More appropriate referee/s or application information required (the Department is progressively upgrading the application forms as they are reprinted to address literacy review recommendations)</li> <li>Shortage of Site 3 assessors (additional Site 3 assessors were appointed in the third quarter)</li> <li>Appointment of new licensing classes assessors (appointments were made in the third quarter)</li> </ul>

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
Percentage of face to face assessment for Design 1, 2 and 3 licence classes processed within 25 working days of receipt by the assessment agent and acceptance into the Assessment Support Application (provided that the total number of assessments per month does not exceed 530)	100%	Not achieved 99% The assessment agent (ASL) identified the following difficulty that impacted on performance. More appropriate referee/s or application information required (the Department is progressively upgrading the application forms as they are reprinted to address literacy review recommendations).
Percentage of complete face to face assessments for Carpentry and Site 1, 2 and 3 licence classes processed within 20 working days of receipt by the assessment agent and acceptance into the Assessment Support Application (provided that the total number of assessments per month does not exceed 530)	100%	Achieved 100%
Percentage of decisions taken on licence assessment recommendation and licence ID cards issued within 15 working days	95%	Achieved 100%
<b>2.2.4 Quality</b>		
Regulations and rules developed meet our quality standards for policy advice	Quality standards met	Achieved
Percentage of completed voluntary licence application assessments peer reviewed by the Assessment Agent	At least 10%	Achieved 29%
Percentage of completed voluntary licence application assessments externally moderated	At least 5%	Achieved 34%
<b>Output 2.3: Licensing of Electrical Workers</b>		
Administer and develop the electrical occupational licensing requirements under the Electricity Act 1992		
<b>2.3.1 Quantity</b>		
Process electrical workers' registrations	1,600	Below forecast demand 1,575
Issue practising licences	22,500	Above forecast demand 25,800
Conduct:		
– electrical audits	1,000	Achieved 1,013
– telephone competency audits of registered electrical workers who have not uplifted a practising licence	6,000	Achieved 6,048
– competency audits of electrical workers who hold a provisional licence and/or are supervised trainees	200	Achieved 202

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
Progress the transfer of the online licensing, contact centre and processing centre functions for the Electrical Workers Registration Board (EWRB) from the Ministry of Economic Development to the Department of Building and Housing	Transfer progressed	Achieved Business case approved and vendor selected. Work commenced on the new electrical workers' register with a scheduled delivery date of February 2010.
Implement the amendments contained in the Electricity Amendment Act 2006 which relate to EWRB	Amendments implemented	Not achieved The amendments cannot be implemented before the related electricity regulations are promulgated. Decisions on the regulations are yet to be taken.
<b>2.3.2 Quality</b>		
All decisions that are referred to the EWRB comply with the Electricity Act 1992 and Electricity Regulations 1997 and with published policies	All referrals to the board approved and legislative requirements met	Achieved
<b>2.3.3 Timeliness</b>		
Licensing and Registrations		
Process correctly completed practising licence applications	95% within 10 clear business days of receipt	Achieved 98.5% completed within 10 clear business days of receipt.
Process correctly completed registration applications	95% within 10 clear business days of receipt	Achieved 100% completed within 10 clear business days of receipt.
Complaints against non-registered electrical workers		
Period from the date a complaint is received by the Electrical Workers Licensing Group to be referred to the Registrar for decision to prosecute	80% within 12 weeks of receipt	Not achieved 76% completed within 12 weeks of receipt. During 2008/09, we identified an error in the formula being applied to calculate performance against this measure, which meant we appeared to be meeting the standard when we were not. The formula has now been corrected and resources re-focused to ensure the standard will be met.
Complaints against registered electrical workers		
(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	75% within 18 weeks of receipt	Achieved 83% within 18 weeks of receipt.
(b) Period from the date a complaint is received from the Complaints Assessment Committee to the date of the Electrical Workers Registration Board decision, where the committee decides to refer a complaint to the Board for decision	70% within 15 weeks of receipt	Achieved 100% within 15 weeks of receipt.

**Financial performance: Occupational Licensing**

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
-	Revenue Crown	-	-	-
37	Revenue Department	36	20	38
5,472	Revenue other	5,244	7,216	5,616
5,509	Total revenue	5,280	7,236	5,654
9,657	Total expenses	8,070	9,501	9,511
<b>(4,148)</b>	<b>Net surplus/(deficit)</b>	<b>(2,790)</b>	<b>(2,265)</b>	<b>(3,857)</b>

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output class 3: Purchase and Monitoring Advice – Housing New Zealand Corporation</b>		
Provision of purchase and performance monitoring advice to Government in relation to Housing New Zealand Corporation		
<b>Output 3.1: Monitoring and Purchase Advice on Housing New Zealand Corporation</b>		
Provide purchase and monitoring advice to the Minister on any matters relating to the Corporation's performance, governance, advice (including Board appointments), vote administration for Vote Housing, and any other matters as requested by the Minister		
<b>3.1.1 Quantity</b>		
Provide advice to the responsible Ministers on: <ul style="list-style-type: none"> <li>the Corporation's accountability documents</li> <li>the Corporation's performance</li> <li>the Corporation's governance (including Board appointments)</li> <li>administration of Vote Housing</li> <li>any other matters requested by the Minister</li> </ul>	Measure achieved	Achieved Advice was provided within agreed timeframes to the Minister on: <ul style="list-style-type: none"> <li>Corporation quarterly reporting</li> <li>the Hobsonville development</li> <li>Fiscal Stimulus monitoring</li> <li>development of accountability documents</li> <li>Budget process and Vote management</li> <li>governance.</li> </ul>
<b>3.1.2 Quality</b>		
Ministerial satisfaction assessed through a structured discussion with the Minister three times per year. This will include performance on quality standards agreed with the Minister	Measure achieved	Achieved The Minister of Housing in the new Government provided feedback and the Department has acted on this. The Minister is satisfied with the performance of the Department.
<b>3.1.3 Timeliness</b>		
Advice is timely and meets the needs of the Minister to agreed deadlines	100%	Achieved The Minister has provided feedback and the Department has acted on this. The Minister is satisfied with the performance of the Department.

#### Financial performance: Purchase and Monitoring Advice – Housing New Zealand Corporation

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
527	Revenue Crown	659	629	659
7	Revenue Department	6	4	14
-	Revenue other	-	-	-
534	Total revenue	665	633	673
514	Total expenses	623	633	673
<b>20</b>	<b>Net surplus/(deficit)</b>	<b>42</b>	<b>-</b>	<b>-</b>

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output class 4: Residential Tenancy Services</b>		
Administration of residential tenancies and bond monies (including collecting and repaying bond monies, managing and investing bond monies), provision of information, advice and dispute resolution services to tenants and landlords in relation to residential tenancies as required by Residential Tenancies Act 1986		
<b>Output 4.1: State Housing Appeal Authority</b>		
<b>4.1.1 Quantity</b>		
Reduction in the number of State Housing Appeals over time	1–5	Achieved Five appeals were received and held.
<b>4.1.2 Quality</b>		
Meet the standard expected by the Principal Member of the Authority	Met	Achieved
<b>4.1.3 Timeliness</b>		
The Department schedules hearings for the Authority which are held within thirty working days of the application being made	80%	Achieved 80% held within 30 working days.
<b>Output 4.2: Residential Tenancies Act 1986 Statutory Functions</b>		
Manage bond lodgements, refunds and investment as required under the Residential Tenancies Act 1986. Ensure compliance with the Residential Tenancies Act 1986		
<b>4.2.1 Quantity</b>		
Number of bond lodgements	210,000–230,000	Above forecast demand 211,728 bond lodgements, 5.7% higher than 2008.
Number of bond refund requests	190,000–210,000	Above forecast demand 223,324 bond refund requests, 13.6% higher than 2008.
Number of bond advice enquiries	182,000–206,000	Above forecast demand 215,556 calls for bond advice. More clients are choosing to access advice online due to direct promotion of this lower cost channel for service delivery.
<b>4.2.2 Quality</b>		
Percentage of bond lodgements processed to agreed quality standards	95%	Achieved 99% of bond lodgements processed to agreed quality standards.
Percentage of bond refund requests processed to agreed quality standards	95%	Achieved 100% of bond refund requests processed to agreed quality standards.
Percentage of bond advice that meets or exceeds quality standards	90%	Achieved 92% of bond advice met or exceeded quality standards.
<b>4.2.3 Timeliness</b>		
Percentage of bond lodgements processed within 10 working days of receipt	98%	Achieved 99% of bond lodgements processed within 10 working days of receipt.
Percentage of bond refund requests with the correct information completed within two working days	95%	Achieved 98% of correct bond refund requests refunded within 2 working days.

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 4.3: Investigate and Respond to Alleged Breaches of the Residential Tenancies Act 1986</b>		
<b>4.3.1 Quantity</b>		
Number of investigations	60–70	Above forecast demand 469 investigations were undertaken. The Department has worked with a number of key stakeholders to improve their understanding of tenancy issues resulting in more tenancy issues being raised and requiring investigation. Issues raised in investigations are used to inform consumer awareness and education programmes. Investigations are forecast to decrease over time.
<b>4.3.2 Quality</b>		
Percentage of compliance interventions resulting in voluntary compliance	90%	Achieved 100% of compliance interventions resulted in voluntary compliance.
<b>4.3.3 Timeliness</b>		
Investigations complete within twenty working days	95%	Achieved 100% of investigations completed within 20 working days.
<b>Output 4.4: Residential Tenancy Dispute Resolution</b> Provide timely dispute resolution services that are accessible to our clients and connect with the different communities we serve		
<b>4.4.1 Quantity</b>		
Forecast volumes of Tenancy Tribunal applications	45,000–50,000	Above forecast demand 51,162 Tenancy Tribunal applications received, 8% higher than 2008.
<b>4.4.2 Quality</b>		
Percentage of applications for dispute resolution resolved out of court (excluding vacated tenancies)	65%	Achieved 70% of applications for dispute resolution (excluding vacated tenancies) resolved out of court.
Percentage of Tenancy Tribunal applications resolved through telephone mediation	5–10%	Achieved 8% of Tenancy Tribunal applications resolved through telephone mediation.
<b>4.4.3 Timeliness</b>		
Percentage of applications referred to mediation that are scheduled within ten working days	80%	Achieved 86% of applications referred to mediation scheduled within 10 working days of receipt.

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 4.5: Guidance and Information for Landlords and Tenants</b>		
Provide information and education to consumers to enable them to make informed decisions. Deliver education programmes to community groups and the general public and liaise with industry groups.		
<b>4.5.1 Quantity</b>		
Increased use of departmental resources and advice		
Number of hits on the departmental website:		New measures
• Landlords	16,800	Above forecast demand 112,966 hits. Promoted greater use of online resources through release of the Landlord CD Rom, the landlord e-newsletter and proactive media work.
• Tenants	72,000	Above forecast demand 86,815 hits. Increased promotion of online tools, including the launch of <a href="http://www.flatting101.co.nz">www.flatting101.co.nz</a>
Number of publications viewed/requested	650,000	Above forecast demand 1,085,676 publications were viewed/requested.
Number of tenancy advice inquiries	220,000–240,000	Below forecast demand 214,990 tenancy advice enquiries. Lower than forecast demand (and calls) reflects improvements made to call abandonment rates at the Contact Centre (meaning fewer call backs); greater focus on advice that promotes self-resolution of disputes resulting in fewer follow-up advice calls to the Department; and increased use of online and other advice channels ie, Landlord CD Rom and the Department's highly successful <a href="http://www.flatting101.co.nz">www.flatting101.co.nz</a> website targeting first time renters.
Number of information seminars held for landlords	25	Achieved 25
Number of advice seminars for tenants	25	Achieved 35
<b>4.5.2 Quality</b>		
Advice delivered meets client needs	85%	Achieved 90% of survey respondents have rated advice delivered meets clients' needs.
Client satisfaction with the Department's website	80%	Achieved 84% of survey respondents were satisfied with the Department's website.
Attendees satisfied with landlord and tenant seminars	75%	Achieved 95% of attendees satisfied with seminars.
Reduction in the numbers of landlords and tenants that have been involved in at least one tenancy-related problem over the preceding three years:		Not achieved 49%
• Landlords	35%	Separate landlord and tenant surveys were not completed due to the high cost of these surveys relative to their value. A combined survey, developed primarily to measure client satisfaction with the Department's dispute resolution services, was used as an alternative.
• Tenants	15%	

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>4.5.3 Timeliness</b>		
Increased efficiency of client facing services	Compare call percentages and abandonment rates against other similar sized government contact centres.	Achieved Compared against Housing New Zealand Corporation (HNZC) abandonment rate result. The Department's Contact Centre's average overall abandonment rate was 4.04% (all inbound 0800 lines) against 15% for HNZC.
	Abandonment rate not to exceed 7% and meet government standards	Achieved 4.82% of tenancy advice calls abandoned. This reflects well compared to similar sized government agency contact centres, refer comments above.
Appropriate level of departmental intervention is available to ensure stability of landlord and tenant relationships	85%	The survey normally used to measure this was not completed due to the high cost. Instead, a more cost effective approach was taken, using data obtained from another survey. This showed appropriate levels of Department intervention for all areas except for the Department's website, which our clients are seeking to use more as a channel for self-service and information to help their landlord/tenant relationships.
<b>4.5.4 Value for money</b>		
Fewer tenancy issues resulting in applications to the Tenancy Tribunal	Less than 25%	Achieved 24% fewer tenancy issues resulted in applications to the Tenancy Tribunal.

#### Financial performance: Residential Tenancy Services

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
37	Revenue Crown	-	-	-
170	Revenue Department	167	161	218
21,900	Revenue other	22,164	20,799	23,686
22,107	Total revenue	22,331	20,960	23,904
19,732	Total expenses	19,764	21,589	21,458
<b>2,375</b>	<b>Net surplus/(deficit)</b>	<b>2,567</b>	<b>(629)</b>	<b>2,446</b>

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output class 5: Sector and Regulatory Policy</b>		
To provide sector and regulatory policy advice on the building and housing sector		
<b>Output 5.1: Sector and Regulatory Policy Advice</b>		
Provide policy advice both regulatory and non regulatory, in relation to the efficiency and effectiveness of the building and housing sector in New Zealand. It includes providing policy advice on the regulatory framework for the sector, monitoring, analysing and providing information on the sector and evaluating the effectiveness of the sector and statutory boards		
<b>5.1.1 Quantity</b>		
Contribute to the housing affordability work programme as it relates to building and construction sector and the residential tenancy market	Quality standards met	Achieved Provided advice on growing a not-for-profit sector in the housing market, linking in with Housing New Zealand Corporation advice on the future of the Housing Innovation Fund.
Provide policy and regulatory advice on the Residential Tenancies Act 1986, Unit Titles Act 1972, Building Act 2004 and Retirement Villages Act 2003	Quality standards met	Achieved The <b>Residential Tenancies Amendment Bill</b> received its first reading on 26 May 2009 and was referred to the Social Services Committee. An initial briefing on the <b>Unit Titles Bill</b> was provided to the Social Services Committee on 13 May 2009, and support provided to the Committee during its hearing of oral submissions. The <b>Building Act Amendment Bill No. 2</b> had its first reading on 10 March 2009 and was referred to the Local Government and Environment Committee. Public submissions closed on 9 April 2009 and the Departmental Report was submitted on 11 May 2009 and was passed by the Committee. The Bill received its second reading on 26 May 2009 and is waiting for the Committee of the Whole House stage. The <b>Retirement Villages Act 2003</b> was successfully implemented, including a Code of Practice passed on 2 October 2008 and a supporting best practice guide released.
<b>5.1.2 Quality and timeliness</b>		
Meet our quality standards for policy advice.	100%	Achieved All reports and advice have undergone peer review, and been assessed against our quality standards.
<b>Output 5.2: Sector, Industry and Market Monitoring</b>		
Monitor trends and developments in the building and housing sector.		
<b>5.2.1</b> Provide a framework for the monitoring and evaluation of sector performance	New measure	This work was not completed due to resources being reprioritised to higher priority work programmes (including weathertightness). The framework is now being advanced as part of two new reports on sector performance – a Housing Supply Report to be produced by the end of December 2009 and an Industry Economic Outlook Report by the end of February 2010.
Provide for the development of research to inform policy development	New measure	Achieved Proposal for the development of two new reports on sector performance developed and approved.
<b>5.2.2 Quality and timeliness</b>		
Meet our quality standards for policy advice.	Quality standards met	Achieved All reports and advice have undergone peer review, and been assessed against our quality standards.

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 5.3: Statutory Board Responsibilities</b>		
Advice on the efficient and effective regulation of trades and professions operating within the building and housing sector, including monitoring the effectiveness of statutory boards		
<b>5.3.1 Quantity</b>		
Board membership maintained at agreed levels	100%	Achieved For the year, 35 appointments were completed including: <ul style="list-style-type: none"> <li>• six members to the Chartered Professional Engineers Council</li> <li>• four members to the Electrical Workers Registration Board</li> <li>• nine members to the Engineering Associates Registration Board</li> <li>• one member to the Housing New Zealand Corporation Board</li> <li>• 10 members to the Plumbers, Gasfitters and Drainlayers Board</li> <li>• two members to the New Zealand Registered Architects Board</li> <li>• three members to the State Housing Appeal Authority.</li> </ul>
Board member appointments and reappointments within statutory guidelines and requirements	Number of vacancies that arise	35 vacancies Appointments and reappointments were made within statutory guidelines and requirements.
Annual report on each Board's performance within statutory guidelines and requirements	Quality standards met	Achieved Annual reports met statutory guidelines and requirements.
Interim or by exception reports on performance issues	Quality standards met	Achieved
Advice on output agreements for each Board	Quality standards met	Not achieved Output agreements were replaced by Accountability Agreements, which then had to be negotiated with each Board. This consultation process took longer than expected. It is now anticipated that all Agreements will be with the Minister for signing by 31 December 2009.
<b>5.3.2 Quality</b>		
Appointments comply with Cabinet Office guidelines	100%	Achieved
Board performance reports against output agreements	100%	Achieved
<b>5.3.3 Timeliness</b>		
Appointments (or reappointments) completed	By agreed date	Achieved
Annual reports on performance	Within one month of receipt of report	Not achieved Timing of the Election resulted in delays in forwarding reports to the Minister.

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 5.4: Ministerial Services</b> This includes: <ul style="list-style-type: none"> <li>• responses to parliamentary questions</li> <li>• ministerial correspondence</li> <li>• Official Information Act 1982 and Privacy Act 1993 requests</li> </ul>		
<b>5.4.1 Quantity</b>		
Forecast number of responses to parliamentary questions	120–140	Below forecast demand 72 responses to parliamentary questions were provided, of which 71 were written and one was an oral question.
Forecast number of responses to ministerial correspondence	400–450	Above forecast demand 637 responses to ministerial correspondence were drafted.
Forecast number of responses to Official Information Act 1982 and Privacy Act 1993 requests	220–240	Above forecast demand 484 Official Information Act requests were received and 472 were responded to within the year. Eight Privacy Act requests were received and responded to.
<b>5.4.2 Quality</b>		
Ministerial satisfaction assessed through a structured discussion with the Minister three times per year. This will include performance against quality standards agreed with the Minister	Quality standards met	Achieved The Minister for Building and Construction in the new Government provided feedback and the Department has acted on this. The Minister is satisfied with the performance of the Department.
Responses to Official Information Act requests comply with the legislation	100%	Not achieved 96% of responses to Official Information Act requests complied with the legislation.
Responses to Privacy Act requests comply with the legislation	100%	Achieved 100% of responses to Privacy Act requests complied with the legislation.
<b>5.4.3 Timeliness</b>		
Responses to parliamentary questions provided within the deadlines agreed with the Minister	100%	Achieved 100% of responses to parliamentary questions were provided within the agreed deadlines.
Responses to ministerial correspondence provided within the deadlines agreed with the Minister	100%	Not achieved 91% of responses to ministerial correspondence were provided within the agreed deadlines. Some responses were delayed due to redrafting and revision of responses, and waiting for ministerial advice.
Responses to Official Information Act requests provided within statutory deadlines	100%	Not achieved 96% of responses to Official Information Act requests were provided within the statutory deadlines. Some were delayed due to redrafting and revision of responses, quantity of information requested, and waiting for Cabinet Office and ministerial advice.
Responses to Privacy Act requests provided within statutory deadlines	100%	Achieved 100% of responses to Privacy Act requests were provided within statutory deadlines.

**Financial performance: Sector and Regulatory Policy**

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
4,082	Revenue Crown	5,388	4,498	5,388
137	Revenue Department	168	64	81
-	Revenue other	-	-	-
4,219	Total revenue	5,556	4,562	5,469
4,095	Total expenses	4,812	4,562	5,469
<b>124</b>	<b>Net surplus/(deficit)</b>	<b>744</b>	-	-

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output class 6: Weathertight Homes Resolution Service</b>		
To provide owners of dwellinghouses affected by the leaky building syndrome with information and access to speedy, flexible and cost-effective procedures for assessment and resolution of claims relating to those buildings		
<b>Output 6.1: Claims Assessment</b>		
Provide owners of leaky homes with a comprehensive assessor's report that identifies water damage and necessary repairs in relation to their claim		
<b>6.1.1 Quantity</b>		
Number of eligible claims in respect of individual dwellinghouses received	1,000	Below forecast demand 783  This measure is based on single dwellings and does not take into account the increased number of multi claims. One large property with multiple units not meeting eligibility has an overall impact on meeting target.  The volume of eligible claims fluctuated each quarter, peaking at 269 in the third quarter. The Weathertight Review has resulted in claimants holding off lodging a claim until there is greater certainty.
Numbers of assessments completed	900	Achieved 923
<b>6.1.2 Quality</b>		
Percentage of assessment reports meeting agreed quality standards	90%	Achieved 100% of assessment reports met agreed quality standards.
Percentage of estimated repair costs accurate to within 20%	75%	Not achieved 50%  Assessor's reports estimate likely damage based on sample testing at a point in time. Time delays between assessment and repair result in further damage occurring and increase the scale of repairs (and costs). In addition, more significant damage is often revealed when actual repairs are done.
<b>6.1.3 Timeliness</b>		
Percentage of claim assessments for single homes completed within three months of receipt of their application	75%	Not achieved 62%  Delays result from a range of reasons including: claimants taking time to review reports; extra laboratory tests being required; and difficulty in gaining access for investigation.  Earlier intervention has been taken to address delays resulting in improvements compared to last year when only 51% of claims achieved the full year target.
Percentage of claim assessments from multi-dwelling complexes completed within 6 months of receipt of their application	75%	Not achieved 47%  The statistics are based on dwellings and not claims, and a single multi report can cover a large number of dwellings. The reports for large complexes take a longer time to produce, are likely to be over time and can effectively skew the results.  A number of 'transitional' claims lodged under the WHRS Act 2002 transferred to the WHRS Act 2006.  During 2008/09 a new team was established to focus solely on multi-dwelling complexes, resulting in faster assessments in the third and fourth quarters.

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
<b>Output 6.2: Claimant Advice</b>		
Provision of information and advice to claimants that allows them to better manage their claim		
<b>6.2.1 Quantity</b>		
Increased use of departmental resources and advice:		
<ul style="list-style-type: none"> <li>Number of hits on departmental website</li> </ul>	18,000	Above forecast demand 21,567
<ul style="list-style-type: none"> <li>Number of referrals to the ConsumerBuild website</li> </ul>	8,400	Above forecast demand 10,401
<ul style="list-style-type: none"> <li>Number of publications viewed/requested</li> </ul>	3,600	Below forecast demand 3,253 Demand-driven and directly related to the number of eligible applications received, which is below forecast.
<ul style="list-style-type: none"> <li>Number of weathertightness advice inquiries</li> </ul>	12,000	Below forecast demand 4,935 The Department is promoting its online advice channels and clients are increasingly using online and printed channels to access information, rather than calling the advice line.
<ul style="list-style-type: none"> <li>Number of meetings held with claimants</li> </ul>	300	Achieved 406
<ul style="list-style-type: none"> <li>Number of claims closed</li> </ul>	200	Achieved 439
<b>6.2.2 Quality</b>		
Increased satisfaction with advice provided	Greater than the 2007/08 actual	No comparison with customer satisfaction for 2007/08 was completed. The focus was on reviewing the approach to weathertightness problems. A Weathertight Claimant and Respondent Survey was completed in June 2009 as an input to the review. This, along with anecdotal customer feedback, suggests a high level of satisfaction with the weathertight assessment and claims advice service. This is countered by a lack of satisfaction with the dispute resolution aspect of the current service (largely the outcomes from the Weathertight Homes Tribunal).
<b>6.2.3 Timeliness</b>		
Reduction in average time to refer claims to the Weathertight Homes Tribunal once a decision to proceed has been made	Reduction from the 2007/08 actual of 120 days	Not achieved 205 days 157 claims were referred to the Tribunal. The majority of these claims were lodged under the WHRS Act 2002 taking significantly longer on average to proceed than those lodged under the WHRS Act 2006. The WHRS Act 2006 provides for faster resolution, the ability to terminate claims not pursued (tardy claims), and improved service due to historical knowledge and the ability to provide tailored advice and guidance to claimants.

PERFORMANCE MEASURES	BUDGET STANDARD 2008/09	PERFORMANCE TO 30 JUNE 2009
Percentage of claims closed within 18 months of filing claim	90%	Not achieved 80% Claims are not closed until claimants have completed repairs and the adjudication process has reached a conclusion. More owners are choosing to repair and this often takes many months due to financing problems and the time needed to complete the repairs.
<b>6.2.4 Value for money</b>		
Percentage of clients completing repairs before proceeding to resolution	35%	Not achieved 18% Difficulties in accessing finance or remediation specialists means more homeowners are proceeding to dispute resolution without repairing first.
<b>Output 6.3: Dispute Resolution</b> The Department provides a mediation service on behalf, and at the direction, of the Weathertight Homes Tribunal		
<b>6.3.1 Timeliness</b>		
Percentage of mediations completed within specified timeframes	99%	Achieved 100% of mediations were completed within the specified timeframe.
<b>6.3.2 Quality</b>		
Percentage of mediations resulting in settlement	85%	Not achieved 78% of mediations resulted in settlement. 99 mediations completed, 76 settled. The current economic situation makes settlement more difficult as some respondents are unable or unwilling to voluntarily contribute to repair costs due to financial constraints.
Ministry of Justice quality requirements (met)	80%	Achieved 100% of mediations met the Ministry of Justice quality requirements.
<b>6.3.3 Value for money</b>		
Percentage of disputes resolved without the need for an adjudicated hearing by the Weathertight Homes Tribunal	85%	Achieved 93% were resolved without the need for an adjudicated hearing (192 out of 206 claims resolved).

#### Financial performance: Weathertight Homes Resolution Service

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
17,799	Revenue Crown	16,940	16,727	16,940
85	Revenue Department	71	81	97
112	Revenue other	150	124	124
17,996	Total revenue	17,161	16,932	17,161
16,879	Total expenses	15,844	16,815	17,044
<b>1,117</b>	<b>Net surplus/(deficit)</b>	<b>1,317</b>	<b>117</b>	<b>117</b>

# Financial statements

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2009

Actual 2008		Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000			\$ 000	\$ 000	\$ 000
<b>Income</b>					
22,817	Revenue Crown		24,695	22,694	24,695
521	Revenue Department		548	407	545
47,872	Revenue other	2	44,527	51,250	48,008
7	Gains	3	4	-	-
<b>71,217</b>	<b>Total income</b>		<b>69,774</b>	<b>74,351</b>	<b>73,248</b>
<b>Expenditure</b>					
32,066	Personnel costs	4	32,235	30,044	28,744
1,683	Depreciation and amortisation expense	9,10	1,721	2,553	2,063
850	Capital charge	5	861	1,223	1,000
-	Finance costs	6	3	-	-
108	Restructuring costs		26	-	-
32,047	Other operating expenses	7	31,259	36,741	40,818
<b>66,754</b>	<b>Total expenditure</b>		<b>66,105</b>	<b>70,561</b>	<b>72,625</b>
<b>4,463</b>	<b>Net surplus/(deficit)</b>		<b>3,669</b>	<b>3,790</b>	<b>623</b>

## STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

for the year ended 30 June 2009

Actual 2008		Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000			\$ 000	\$ 000	\$ 000
11,220	Balance as at 1 July		11,480	11,480	11,480
4,463	Surplus/(deficit) for the year		3,669	3,790	623
4,463	Total recognised income and expense		3,669	3,790	623
(9,289)	Repayment of surplus to the Crown	12	(8,558)	(6,526)	(1,436)
4,826	Capital injection to fund memorandum account deficit(s)		4,889	5,765	4,889
260	Capital injection for fixed assets		5,792	2,763	5,792
<b>11,480</b>	<b>Taxpayers' funds as at 30 June</b>	<b>16</b>	<b>17,272</b>	<b>17,272</b>	<b>21,348</b>

The accompanying notes form part of the financial statements.

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

Actual 2008		Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000			\$ 000	\$ 000	\$ 000
<b>Assets</b>					
<b>Current assets</b>					
1,770	Cash and cash equivalents		2,123	3,490	4,881
24,032	Debtors and other receivables	8	24,058	17,372	16,992
234	Prepayments		133	200	200
26,036	<b>Total current assets</b>		26,314	21,062	22,073
<b>Non-current assets</b>					
6,954	Property, plant and equipment	9	7,241	8,166	6,750
470	Intangible assets	10	4,195	6,110	6,501
7,424	<b>Total non-current assets</b>		11,436	14,276	13,251
<b>33,460</b>	<b>Total assets</b>		<b>37,750</b>	<b>35,338</b>	<b>35,324</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
10,372	Creditors and other payables	11	8,969	9,540	10,550
9,289	Repayment of surplus	12	8,558	6,526	1,436
488	Provisions	13	171	10	-
1,396	Employee entitlements	14	1,610	1,500	1,500
-	Finance leases	15	198	-	-
21,545	<b>Total current liabilities</b>		19,506	17,576	13,486
<b>Non-current liabilities</b>					
29	Provisions	13	29	40	40
406	Employee entitlements	14	200	450	450
-	Finance leases	15	743	-	-
435	<b>Total non-current liabilities</b>		972	490	490
21,980	<b>Total liabilities</b>		20,478	18,066	13,976
<b>11,480</b>	<b>Net assets</b>		<b>17,272</b>	<b>17,272</b>	<b>21,348</b>
<b>Taxpayers' funds</b>					
11,480	General funds	16	17,272	17,272	21,348
<b>11,480</b>	<b>Total taxpayers' funds</b>		<b>17,272</b>	<b>17,272</b>	<b>21,348</b>

The accompanying notes form part of the financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2009

Actual 2008		Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000			\$ 000	\$ 000	\$ 000
<b>Cash flows from operating activities</b>					
22,817	Receipts from Crown		22,080	22,694	24,695
46,928	Receipts from revenue other		44,523	50,014	55,270
(30,335)	Payments to suppliers		(31,675)	(36,608)	(41,003)
(31,828)	Payments to employees		(32,094)	(29,790)	(28,492)
(850)	Payments for capital charge		(861)	(1,223)	(1,000)
(227)	Goods and Services Tax (net)		531	(227)	139
<b>6,505</b>	<b>Net cash from operating activities</b>	<b>17</b>	<b>2,504</b>	<b>4,860</b>	<b>9,609</b>
<b>Cash flows from investing activities</b>					
11	Receipts from sale of property, plant and equipment		142	-	-
(1,028)	Purchase of property, plant and equipment		(991)	(1,858)	(2,890)
(86)	Purchase of intangible assets		(2,694)	(6,594)	(5,000)
<b>(1,103)</b>	<b>Net cash from investing activities</b>		<b>(3,543)</b>	<b>(8,452)</b>	<b>(7,890)</b>
<b>Cash flows from financing activities</b>					
5,086	Capital contribution		10,681	8,528	10,681
(9,191)	Repayment of surplus		(9,289)	(3,183)	(9,289)
<b>(4,105)</b>	<b>Net cash from financing activities</b>		<b>1,392</b>	<b>5,345</b>	<b>1,392</b>
<b>1,297</b>	<b>Net (decrease)/increase in cash</b>		<b>353</b>	<b>1,753</b>	<b>3,111</b>
473	Cash at the beginning of the year		1,770	1,737	1,770
<b>1,770</b>	<b>Cash at the end of the year</b>		<b>2,123</b>	<b>3,490</b>	<b>4,881</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

The accompanying notes form part of the financial statements.

## STATEMENT OF COMMITMENTS

as at 30 June 2009

### Non-cancellable operating lease commitments

The Department leases property and equipment in the normal course of its business. The majority of these leases are for premises, telecommunications equipment and photocopiers, which have a non-cancellable leasing period ranging from three to ten years.

Actual 2008 \$ 000		Actual 2009 \$ 000
	<b>Non-cancellable operating lease commitments</b>	
2,501	Not later than one year	2,435
8,181	Later than one year and not later than five years	8,208
4,075	Later than five years	2,487
<b>14,757</b>	<b>Total non-cancellable operating lease commitments</b>	<b>13,130</b>
-	Other non-cancellable commitments	-
<b>14,757</b>	<b>Total operating commitments</b>	<b>13,130</b>
	<b>Capital commitments</b>	
-	Not later than one year	2,188
-	Later than one year and not later than five years	-
-	Later than five years	-
-	<b>Total capital commitments</b>	<b>2,188</b>
<b>14,757</b>	<b>Total commitments</b>	<b>15,318</b>

## STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2009

### Contingent liabilities

The Department has no contingent liabilities (2008: nil).

### Contingent assets

The Department has no contingent assets (2008: nil).

The accompanying notes form part of the financial statements.

## STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2009

Expenditure after remeasurements 2008 \$ 000		Expenditure after remeasurements 2009 \$ 000	Appropriation Voted 2009* \$ 000
	<b>Appropriation for output expenses</b>		
3,172	Building Act 2004 Implementation	-	-
12,706	Building Regulation and Control	16,992	18,470
9,657	Occupational Licensing	8,070	9,511
514	Purchase and Monitoring Advice – Housing New Zealand Corporation	623	673
19,731	Residential Tenancy Services	19,764	21,458
4,095	Sector and Regulatory Policy	4,812	5,469
16,879	Weathertight Homes Resolution Service	15,844	17,044
<b>66,754</b>	<b>Total appropriation for output expenses</b>	<b>66,105</b>	<b>72,625</b>
	<b>Appropriation for capital expenditure</b>		
1,354	Department of Building and Housing – Capital Expenditure	5,871	7,890
<b>1,354</b>	<b>Total appropriation for capital expenditure</b>	<b>5,871</b>	<b>7,890</b>

\* This includes adjustments made in the Supplementary Estimates.

There were no remeasurements during the year.

## STATEMENT OF UNAPPROPRIATED EXPENDITURE

as at 30 June 2009

The Department of Building and Housing had no instances of unappropriated expenditure for the year ended 30 June 2009 (2008: nil).

The accompanying notes form part of the financial statements.

## STATEMENT OF TRUST MONIES

as at 30 June 2009

The Department of Building and Housing operates trust accounts under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances at 30 June 2009 are not included in the Department's own financial statements. Movements in these accounts during the year ended 30 June 2009 (as reported to the Treasury) were as follows:

	Opening balance 1 July 2008 \$ 000	Distributions made \$ 000	Capital increase \$ 000	Closing balance 30 June 2009 \$ 000
<b>Trust Accounts</b>				
Certifiers Bond Trust Account	187	-	5	192
Residential Tenancies Trust Account	260,445	(127,679)	159,069	291,835

### Certifiers Bond Trust Account

This account holds in trust deposits received from certifiers of building consents.

### Residential Tenancies Trust Account

This account holds all sums paid by way of a bond in respect of any tenancy pursuant to the Residential Tenancies Act 1986.

A full set of audited financial statements for the Residential Tenancies Trust Account, prepared on an accrual accounting basis in conformity with generally accepted accounting practice, is provided on pages 86 to 93.

The accompanying notes form part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

### NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009

#### Reporting entity

The Department of Building and Housing is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

In addition, the Department of Building and Housing has reported on the Crown activities and trust monies that it administers.

The primary objective of the Department is to provide services to the public rather than making a financial return. Accordingly, the Department has designated itself as a public entity for the purpose of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of the Department are for the year ended 30 June 2009. The financial statements were authorised for issue by the Chief Executive of the Department on 30 September 2009.

#### Basis of preparation

The financial statements of the Department have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$ 000). The functional currency of the Department is New Zealand dollars.

*Standards, amendments and interpretations issued that are not yet effective and have not been early adopted*  
Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Department, include:

- NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in equity resulting from transactions with the Crown in its capacity as 'owner' separately from 'non-owner' changes. The revised Standard gives the Department the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Department expects it will apply the revised Standard for the first time for the year ended 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

Standards and interpretations and amendments to published Standards that are not yet effective that do not give rise to material changes are NZ IAS 23 Borrowing Costs, NZ IFRIC 12 Service Concessions, NZ IFRS 8 Operating Segments and NZ IFRIC 13 Customer Loyalty Programmes.

### Accounting policies

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

#### *Budget figures*

The budget figures are those presented in the Main Estimates, and those amended by the 2008/09 Supplementary Estimates, and any transfer made by Order in Council under the Public Finance Act 1989.

#### *Revenue*

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

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

Revenue is measured at the fair value of consideration received.

#### *Capital charge*

The capital charge is recognised as an expense in the period to which the charge relates.

#### *Cost allocation*

The Department has determined the cost of outputs using a 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/usage information.

Criteria for direct and indirect costs: 'Direct costs' are those costs directly attributable to an output. 'Indirect costs' are those costs that cannot be identified, in an economically feasible manner, with a specific output.

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

#### *Foreign currency*

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### *Leases*

Finance lease: The Department leases communications equipment under a finance lease. The Department recognises the finance lease as an asset and liability in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is amortised over the term of the lease.

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

### *Cash and cash equivalents*

Cash includes cash on hand and funds on deposit with bank.

### *Debtors and receivables*

Debtors and receivables are stated at their estimated realisable value, after providing for doubtful and uncollectable debts.

### *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 Financial Performance.

No revaluations have been performed on any class of fixed assets.

### *Depreciation of property, plant and equipment*

Depreciation is provided on a straight-line basis on all property, plant and equipment, which will write off the cost of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Office and communications equipment	20% per annum
Leasehold improvements	10–35% per annum
Furniture and fittings	10% per annum
Computer hardware	25% per annum
Motor vehicles	20% per annum

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 three years.

Capital work in progress is not depreciated. The total cost of the work is transferred to the relevant asset category on its completion and then depreciated.

### *Intangible assets*

Software acquisition and development: Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Financial Performance.

The useful lives and associated amortisation rates of intangible assets have been estimated as follows:

Acquired computer software	12.5–33% per annum
----------------------------	--------------------

### *Creditors and payables*

Payments due to suppliers for goods and services received at balance date but not paid for are included in the financial statements. They are recorded at the estimated obligation to pay.

### *Employee entitlements*

Liabilities for annual leave are recognised as they accrue to employees. Provision is also made for payments of long-service leave, retirement leave and sick leave obligations to employees. Annual leave provisions, retirement leave and sick leave have been calculated on an actual entitlement basis at current rates of pay. Long-service leave is calculated on a present value basis.

### *Taxpayers' funds*

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

### *Financial instruments*

The Department is party to financial instruments as part of its normal operations. These financial instruments include accounts payable and receivable, cash and short-term deposits. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

### *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.

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

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

### *Taxation*

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided for.

### *Statement of cash flows*

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

## **NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

for the year ended 30 June 2009

### *Critical accounting estimates and assumptions*

In preparing these financial statements the Department has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Critical assumptions in applying the Department's accounting policies*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies, that have the most significant effect on the amount recognised in the financial statements, are described in the notes 14 and 15.

### **Changes in accounting policies**

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

All policies have been applied on a basis consistent with the previous year.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 2: REVENUE OTHER

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
20,202	Building levies	16,921	23,111	18,582
21,003	Interest from tenancy bonds	21,232	20,000	22,887
857	Tenancy Tribunal fees	1,067	799	799
5,291	Electrical workers' levy and fees	4,959	5,117	4,226
181	Licensed building practitioners' levy and fees	274	2,099	699
338	Other	74	124	815
<b>47,872</b>	<b>Total revenue other</b>	<b>44,527</b>	<b>51,250</b>	<b>48,008</b>

### NOTE 3: GAINS

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
7	Net gain on disposal of property, plant and equipment	4	-	-
<b>7</b>	<b>Total gains</b>	<b>4</b>	<b>-</b>	<b>-</b>

During the year the Department disposed of a motor vehicle in accordance with the Department's Vehicle Replacement Policy.

### NOTE 4: PERSONNEL COSTS

Actual 2008	Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
29,713	Salaries and wages	30,533	29,500	28,200
760	Recruitment costs	440	-	-
453	Superannuation	539	440	440
151	ACC Levy	134	104	104
26	Fringe Benefit Tax	37	-	-
963	Other	552	-	-
<b>32,066</b>	<b>Total personnel costs</b>	<b>32,235</b>	<b>30,044</b>	<b>28,744</b>

The salaries and wages figure includes payments to employment agencies for temporary staff, and staff contractors.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 5: CAPITAL CHARGE

The Department pays a capital charge to the Crown on taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2009 was 7.5% (2008: 7.5%).

### NOTE 6: FINANCE COSTS

Actual 2008 \$ 000		Actual 2009 \$ 000	Main Estimates 2009 \$ 000	Supplementary Estimates 2009 \$ 000
-	Interest on finance leases	3	-	-
-	<b>Total finance costs</b>	<b>3</b>	<b>-</b>	

### NOTE 7: OTHER OPERATING COSTS

Actual 2008 \$ 000		Actual 2009 \$ 000	Main Estimates 2009 \$ 000	Supplementary Estimates 2009 \$ 000
5,297	Administration	4,013	5,027	5,193
1,086	Communications	1,317	1,413	1,372
1,348	Computer costs	1,331	1,360	1,361
485	Premises costs	447	490	490
3,433	Rental and leasing costs	3,810	3,625	3,625
1,625	Tenancy Tribunal	1,811	1,641	1,641
2,599	Consultancy	3,513	5,275	5,694
1,984	Travel – domestic and overseas	1,749	2,250	2,234
82	Audit fees for the audit of financial statements	83	92	92
9	Audit fees for the audit of RTTA statements	9	-	-
5	Audit fees for the audit of NZ IFRS transition	10	-	-
4	Audit fees other services	-	-	-
9	Net loss on disposal/write-off of property, plant and equipment	126	-	-
-	Bad debts written off	11	72	72
14,081	Other	13,029	15,496	19,044
<b>32,047</b>	<b>Total operating costs</b>	<b>31,259</b>	<b>36,741</b>	<b>40,818</b>

Premises costs include insurance, rates, electricity, cleaning services and security.

The Department pays costs associated with the management of the Residential Tenancies Trust Account and audit of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 8: DEBTORS AND OTHER RECEIVABLES

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
3,511	Trade debtors and other receivables	3,544	1,432	1,052
(60)	Less provision for doubtful debts	(60)	(60)	(60)
3,451	Net trade and other receivables	3,484	1,372	992
20,142	Tenancy bond current account	20,574	16,000	16,000
439	GST receivable	-	-	-
<b>24,032</b>	<b>Total debtors and receivables</b>	<b>24,058</b>	<b>17,372</b>	<b>16,992</b>

The carrying value of debtors and other receivables approximates their fair value.

As at 30 June 2009 and 2008, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2008			2009		
	Gross \$ 000	Impairment \$ 000	Net \$ 000	Gross \$ 000	Impairment \$ 000	Net \$ 000
Not past due	24,000	-	24,000	24,023	-	24,023
Past due 31–60 days	-	-	-	20	-	20
Past due 61–90 days	-	-	-	2	-	2
Past due > 91 days	92	(60)	32	73	(60)	13
<b>Total</b>	<b>24,092</b>	<b>(60)</b>	<b>24,032</b>	<b>24,118</b>	<b>(60)</b>	<b>24,058</b>

The provision for doubtful debts has been calculated based on the expected losses for the Department's pool of electrical workers debtors.

Expected losses have been determined based on a review of specific debtors.

Movements in the provision for doubtful debts are as follows:

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
60	Balance at 1 July	60	60	60
-	Additional provisions made during the year	11	-	-
-	Receivables written off during period	(11)	-	-
<b>60</b>	<b>Balance at 30 June</b>	<b>60</b>	<b>60</b>	<b>60</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Office equipment \$ 000	Leasehold improvements \$ 000	Furniture and fittings \$ 000	Computer hardware \$ 000	Motor vehicles \$ 000	Total \$ 000
<b>Cost or valuation</b>						
Balance at 1 July 2007	291	6,838	452	3,416	543	11,540
Additions	24	423	13	526	42	1,028
Disposals	(37)	-	-	(128)	(45)	(210)
<b>Balance at 30 June 2008</b>	<b>278</b>	<b>7,261</b>	<b>465</b>	<b>3,814</b>	<b>540</b>	<b>12,358</b>
Balance at 1 July 2008	278	7,261	465	3,814	540	12,358
Additions	1,009	130	83	688	22	1,932
Disposals	(46)	(286)	(3)	(1,285)	(21)	(1,641)
<b>Balance at 30 June 2009</b>	<b>1,241</b>	<b>7,105</b>	<b>545</b>	<b>3,217</b>	<b>541</b>	<b>12,649</b>
<b>Accumulated depreciation and impairment losses</b>						
Balance at 1 July 2007	227	1,453	164	2,173	124	4,141
Depreciation expense	29	717	36	576	101	1,459
Eliminate on disposal	(31)	-	-	(125)	(40)	(196)
<b>Balance at 30 June 2008</b>	<b>225</b>	<b>2,170</b>	<b>200</b>	<b>2,624</b>	<b>185</b>	<b>5,404</b>
Balance at 1 July 2008	225	2,170	200	2,624	185	5,404
Depreciation expense	75	737	43	550	102	1,507
Eliminate on disposal	(46)	(220)	(3)	(1,225)	(9)	(1,503)
<b>Balance at 30 June 2009</b>	<b>254</b>	<b>2,687</b>	<b>240</b>	<b>1,949</b>	<b>278</b>	<b>5,408</b>
<b>Carrying amounts</b>						
At 1 July 2007	64	5,385	288	1,243	419	7,399
At 30 June and 1 July 2008	53	5,091	265	1,190	355	6,954
At 30 June 2009	987	4,418	305	1,268	263	7,241

Property, plant and equipment includes work in progress of \$692,000 (2008: \$337,000). Leased assets with a carrying amount of \$941,450 (2008: nil) are included in the office equipment asset category.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 10: INTANGIBLE ASSETS

	Acquired software \$ 000
<b>Cost</b>	
Balance at 1 July 2007	1,785
Additions	86
Disposals	-
<b>Balance at 30 June 2008</b>	<b>1,871</b>
Balance at 1 July 2008	1,871
Additions	3,939
Disposals	-
<b>Balance at 30 June 2009</b>	<b>5,810</b>
<b>Accumulated amortisations and impairment losses</b>	
Balance at 1 July 2007	1,177
Amortisation expense	224
Disposals	-
<b>Balance at 30 June 2008</b>	<b>1,401</b>
Balance at 1 July 2008	1,401
Amortisation expense	214
Disposals	-
<b>Balance at 30 June 2009</b>	<b>1,615</b>
<b>Carrying amounts</b>	
At 1 July 2007	608
At 30 June and 1 July 2008	470
At 30 June 2009	4,195

Intangible assets include work in progress of \$4,008,690 (2008: \$69,000).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 11: CREDITORS AND PAYABLES

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
4,738	Trade creditors	1,917	8,150	8,200
-	Creditor for fixed assets	1,245	-	-
1,834	Accrued expenses	4,618	390	1,350
-	GST payable	92	(300)	(300)
2,616	Creditor Crown	-	-	-
1,184	Deferred revenue	1,097	1,300	1,300
<b>10,372</b>	<b>Total creditors and payables</b>	<b>8,969</b>	<b>9,540</b>	<b>10,550</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

### NOTE 12: REPAYMENT OF SURPLUS

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
4,463	Net surplus/(deficit)	3,669	3,790	623
4,826	Adjustment for memorandum account deficit(s)	4,889	2,736	813
<b>9,289</b>	<b>Net surplus payable to Crown</b>	<b>8,558</b>	<b>6,526</b>	<b>1,436</b>

The repayment of surplus is required to be paid by 31 October each year.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 13: PROVISIONS

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
<b>Current provisions are represented by:</b>				
10	Lease make-good	10	10	-
67	One-off payments	-	-	-
411	Staff training and development	161	-	-
<b>488</b>	<b>Total current portion</b>	<b>171</b>	<b>10</b>	<b>0</b>
<b>Non-current provisions are represented by:</b>				
29	Lease make-good	29	40	40
<b>29</b>	<b>Total non-current portion</b>	<b>29</b>	<b>40</b>	<b>40</b>
<b>517</b>	<b>Total provisions</b>	<b>200</b>	<b>50</b>	<b>40</b>

	Lease make-good \$ 000	One-off payments \$ 000	Restructuring \$ 000	Staff training and development \$ 000	Total \$ 000
<b>2008</b>					
Opening balance at 1 July	83	111	-	162	356
Additional provisions made	14	77	-	280	371
Amounts used	-	(90)	-	(31)	(121)
Unused amounts reversed	(58)	(31)	-	-	(89)
<b>Closing balance at 30 June</b>	<b>39</b>	<b>67</b>	<b>-</b>	<b>411</b>	<b>517</b>
<b>2009</b>					
Opening balance at 1 July	39	67	-	411	517
Additional provisions made	-	-	-	-	-
Amounts used	-	(67)	-	(250)	(317)
Unused amounts reversed	-	-	-	-	-
<b>Closing balance at 30 June</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>200</b>

#### *Lease make-good*

In respect of a number of its leased premises, the Department is required at the expiry of the lease terms to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Department. In many cases the Department has the option to renew these leases, which impacts on the timing of the expected cash outflows to make good the premises.

#### *One-off payments*

One-off payments are awarded to some staff as part of the annual performance review by the Department.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### *Staff training and development*

Staff training and development awards are made to staff to undertake a variety of development activities including leadership accountabilities. These may include full-time or part-time tertiary or postgraduate study, leadership and management development programmes, specific skills development programmes, carrying out a research project, secondments etc, here in New Zealand and internationally.

### NOTE 14: EMPLOYEE ENTITLEMENTS

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
	<b>Current</b>			
1,368	Annual leave	1,544	1,456	1,456
-	- Retirement leave	2	-	-
-	- Long-service leave	37	-	-
28	Sick leave	27	44	44
<b>1,396</b>	<b>Total current</b>	<b>1,610</b>	<b>1,500</b>	<b>1,500</b>
	<b>Non-current</b>			
236	Retirement leave	29	275	275
170	Long-service leave	171	175	175
<b>406</b>	<b>Total non-current</b>	<b>200</b>	<b>450</b>	<b>450</b>
<b>1,802</b>	<b>Total employee entitlements</b>	<b>1,810</b>	<b>1,950</b>	<b>1,950</b>

The present value of the retirement and long-service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 15: FINANCE LEASE

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
	<b>Minimum lease payments payable:</b>			
-	Not later than one year	198	-	209
-	Later than one year and not later than five years	743	-	733
-	<b>Total minimum lease payments</b>	<b>941</b>	<b>-</b>	<b>942</b>

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Department. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas with an operating lease no such asset is recognised. The Department has exercised its judgement on the appropriate classification of equipment leases, and has determined one lease arrangement to be a finance lease.

### NOTE 16: TAXPAYERS' FUNDS

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
	<b>General funds</b>			
11,220	Balance at 1 July	11,480	11,480	11,480
4,463	Net surplus/(deficit)	3,669	3,790	623
5,086	Capital contribution from the Crown	10,681	8,528	10,681
(9,289)	Provision for repayment of surplus to the Crown	(8,558)	(6,526)	(1,436)
<b>11,480</b>	<b>General funds at 30 June</b>	<b>17,272</b>	<b>17,272</b>	<b>21,348</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 17: RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
4,463	Net surplus/(deficit) from operations	3,669	3,790	623
	<b>Add/(less) non-cash items</b>			
1,683	Depreciation	1,721	2,553	2,063
30	Increase in non-current employee entitlements	(206)	-	-
	<b>Add/(less) movements in working capital</b>			
(34)	(Increase)/decrease in prepayments	101	-	-
67	(Increase)/decrease in inventories	-	-	-
(1,304)	(Increase)/decrease in debtors and receivables	(26)	(1,743)	6,635
1,408	Increase/(decrease) in creditors and payables	(2,878)	260	288
52	Increase/(decrease) in deferred revenue	(87)	-	-
137	Increase in current employee entitlements	214	-	-
	<b>Add/(less) investing activity items</b>			
(7)	Net gain on sale of property, plant and equipment	(4)	-	-
10	Fixed asset write-offs	-	-	-
<b>6,505</b>	<b>Net cash flows from operating activities</b>	<b>2,504</b>	<b>4,860</b>	<b>9,609</b>

### NOTE 18: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

The Department of Building and Housing is a wholly owned entity of the Crown. The government significantly influences the roles of the Department as well as being a major source of revenue.

The Department enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. No contracts have been entered into by the Department where the supplier had any connection to senior management of the Department.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### Salary with post-employment benefits

2008 Actual \$ 000		2009 Actual \$ 000
1,539	Salaries and other short-term employee benefits	1,547
16	Post-employment benefits	-
<b>1,555</b>	<b>Total key management personnel compensation</b>	<b>1,547</b>

Other long-term benefits and termination benefits: nil (2008: nil).

Key management personnel include the Chief Executive and the five members of the Strategic Leadership Team (2008: Chief Executive and the six members of the Strategic Leadership Team).

#### NOTE 19: EVENTS AFTER THE BALANCE DATE

No events have occurred between the balance date and date of signing these financial statements that materially affect the financial statements.

#### NOTE 20: FINANCIAL INSTRUMENTS RISKS

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

##### *Credit risk*

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

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

The Department is party to a letter of credit with ANZ National Bank of \$0.650 million (2008: \$0.650 million).

The Crown Retail Deposit Guarantee Scheme for deposits held with banks that have opted into the scheme provides a guarantee of \$1 million per depositor per guaranteed institution. Deposits beyond this level are not covered by this scheme.

##### *Fair value*

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### Currency risk

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

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

### Interest rate risk

Interest rate risk is the risk that the Department's return on the funds it has invested will fluctuate due to changes in market interest rates. The Department had no interest rate risk as no money was invested in this financial year apart from that which is recorded in the financial statements relating to the Residential Tenancies Trust Account.

## NOTE 21: 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 on the pricing of outputs.

### Building Controls

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
2,874	Opening balance at 1 July	8,500	5,354	8,500
20,480	Revenue	16,921	23,188	18,582
(14,766)	Expenses	(15,934)	(16,621)	(16,665)
(88)	Transfer of expenses from Occupational Licensing – Building Practitioners	-	-	-
<b>8,500</b>	<b>Closing balance at 30 June</b>	<b>9,487</b>	<b>11,921</b>	<b>10,417</b>

### Occupational Licensing – Building Practitioners

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
(3,625)	Opening balance at 1 July	(8,833)	(9,435)	(8,833)
181	Revenue	274	2,106	699
(5,477)	Expenses	(3,523)	(5,264)	(5,301)
88	Transfer of expenses to Building Controls	-	-	-
<b>(8,833)</b>	<b>Closing balance at 30 June</b>	<b>(12,082)</b>	<b>(12,593)</b>	<b>(13,435)</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### Occupational Licensing – Electrical Workers

Actual 2008		Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
(21)	Opening balance at 1 July	3,204	3,314	3,204
4,055	Revenue	4,329	4,439	4,226
(3,415)	Expenses	(3,917)	(3,546)	(4,172)
2,585	Transfer from Ministry of Economic Development	-	-	-
<b>3,204</b>	<b>Closing balance at 30 June</b>	<b>3,616</b>	<b>4,207</b>	<b>3,258</b>

#### NOTE 22: EXPLANATION OF MAJOR BUDGET VARIATIONS

##### *Statement of Financial Performance*

Revenue Crown funding requirements were increased by \$2.001 million during the year. This is made up of an increase due to in-principle transfers from 2007/08 to 2008/09 of \$3.491 million, and a reduction due to value for money savings of \$1.490 million which were offered up in the March Baseline Update. Not all value for money savings were funded from Revenue Crown. The significant in-principle transfer related to Weathertight Homes Resolution Service activities being delayed until the 2008/09 year but initially budgeted in 2007/08.

Revenue Other was initially forecast at \$51.250 million in the Main Estimates. This was updated to \$48.008 million due to improved projections during the year.

Revenue Other is \$3.481 million or approximately 7 percent below that forecast in the Supplementary Estimates as a consequence of the following.

- Building levies received were \$1.661 million below forecast, which relates to the downturn in building due to economic pressures.
- Interest revenue from Residential Tenancy Services was \$1.655 million lower than forecast due to lower interest rates on investments offset by higher levels of bond funds on investment.

Operating expenditure reflected in the Main Estimates was \$70.561 million. This was updated in the Supplementary Estimates to \$72.625 million. The main changes causing this were:

- carry forward of funding from 2007/08 of \$5.100 million for Weathertight Homes Resolution Service, and Building Regulation and Control projects that were not completed in 2007/08; partially offset by
- value for money savings of \$3.171 million.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

Operating expenditure is \$6.520 million or approximately 9 percent below that forecast in the Supplementary Estimates primarily due to the following.

- Actual expenditure for Building Regulation and Control was \$1.478 million lower than the Supplementary Estimates. This is due to operational savings identified during the later part of the year. Identified savings are attributed to a review of the Department's contribution to the New Zealand Energy Efficiency and Conservation Strategy initiatives, which resulted in the cessation of one project and the reduction in scope of three others.
- Actual expenditure for Sector and Regulatory Policy was \$0.657 million lower than the Supplementary Estimates. This is due to cancellation of the Weathertight Homes Resolution Service (WHRS) information programme, as a review of the WHRS was required.
- Actual expenditure for Occupational Licensing was \$1.441 million lower than the Supplementary Estimates. This is primarily due to building practitioner licensing volumes continuing to be low due to outstanding policy decisions, and the flow-on effect has reduced expenditure for this output. Other savings are due to contract savings and business process streamlining.
- Actual expenditure for Residential Tenancy Services was \$1.694 million lower than Supplementary Estimates. This was due to work associated with the Unit Titles Bill and Residential Tenancies Amendment Bill implementation being placed on hold pending the prioritisation of legislation by the incoming government. Savings can also be attributed to lifting overall productivity, specific performance improvement actions and expenditure control.
- Actual expenditure on the Weathertight Homes Resolution Service was \$1.200 million lower than the Supplementary Estimates. This is due to demand-driven volumes of claims being lower than expected, and the flow-on effect this has had on assessments.

### *Statement of Financial Position*

There is a variation between the net assets forecast in the Supplementary Estimates and the actual financial position as at 30 June 2009 of \$4.076 million. This variance is due to an incorrect calculation of the provision for surplus at the time of setting the Supplementary Estimates. This calculation overlooked the capital contributions received for the memorandum accounts.

The actual current assets, non-current assets and current liabilities vary when compared to the Supplementary Estimates due to the following.

- Cash and cash equivalents were \$2.758 million lower because of a higher value of debtors.
- Debtors and receivables were \$7.066 million higher, being largely the result of interest earned on tenancy bondholders' funds which is available for use by the Department to meet the costs for Residential Tenancy Services.
- The net book value of property, plant and equipment and intangible assets was \$1.815 million lower, mainly as the result of capital expenditure on some infrastructure projects occurring later than originally planned.
- The provision for the repayment of surplus to the Crown was \$7.122 million higher than forecast in the Supplementary Estimates. As mentioned above, the calculation of the forecast surplus did not include the capital contribution on memorandum accounts.

# Non-departmental schedules and statements

The following non-departmental schedules and statements record the income, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that the Department manages on behalf of the Crown.

## SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

for the year ended 30 June 2009

Actual 2008		Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000			\$ 000	\$ 000	\$ 000
151,764	Interest on Housing New Zealand Corporation loans		108,725	126,601	126,601
12,999	Dividend from Housing New Zealand Corporation		1,661	1,661	1,661
-	Services to support homeownership		-	608	608
<b>164,763</b>	<b>Total non-departmental revenue and receipts</b>	<b>2</b>	<b>110,386</b>	<b>128,870</b>	<b>128,870</b>

The accompanying notes form part of the financial statements.

## STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2009

Actual 2008	Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000		\$ 000	\$ 000	\$ 000
<b>Non-departmental output expenses</b>				
11,029		2,375	3,446	2,641
10,472		7,371	11,194	7,713
2,416		2,554	2,376	2,554
-		22,000	-	22,000
69		1,468	9,672	1,468
<b>23,986</b>		<b>35,768</b>	<b>26,688</b>	<b>36,376</b>
<b>Benefits and other unrequited expenses</b>				
8,943		8,736	11,118	9,291
465,165		503,656	496,038	504,442
<b>474,108</b>		<b>512,392</b>	<b>507,156</b>	<b>513,733</b>
<b>Other expenses to be incurred by the Crown</b>				
4,000		3,829	5,000	4,500
1,767		1,366	2,251	2,251
-		7,500	-	7,500
<b>5,767</b>		<b>12,695</b>	<b>7,251</b>	<b>14,251</b>
<b>Capital expenditure</b>				
89,048		-	-	-
40,000		-	-	-
10,561		3,308	7,764	8,948
-		82,431	84,390	87,241
-		7,170	19,969	9,563
-		11,979	12,000	12,000
181,187		170,970	170,970	170,970
<b>320,796</b>		<b>275,858</b>	<b>295,093</b>	<b>288,722</b>
<b>824,657</b>	<b>3</b>	<b>836,713</b>	<b>836,188</b>	<b>853,082</b>

The accompanying notes form part of the financial statements.

## SCHEDULE OF NON-DEPARTMENTAL ASSETS

as at 30 June 2009

Actual 2008		Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000			\$ 000	\$ 000	\$ 000
<b>Current assets</b>					
3,996	Cash and cash equivalents		31,433	8,999	5,184
12,396	Receivables and prepayments	4	12,750	9,540	10,012
34	Assets held for sale	5	34	-	-
<b>16,426</b>	<b>Total current assets</b>		<b>44,217</b>	<b>18,539</b>	<b>15,196</b>
<b>Non-current assets</b>					
98,631	Physical assets	5	100,363	108,764	107,579
<b>98,631</b>	<b>Total non-current assets</b>		<b>100,363</b>	<b>108,764</b>	<b>107,579</b>
<b>115,057</b>	<b>Total assets</b>	<b>6</b>	<b>144,580</b>	<b>127,303</b>	<b>122,775</b>

## SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

as at 30 June 2009

Actual 2008		Note	Actual 2009	Main Estimates 2009	Supplementary Estimates 2009
\$ 000			\$ 000	\$ 000	\$ 000
<b>Current liabilities</b>					
12,012	Payables	7	37,475	93,067	11,000
<b>12,012</b>	<b>Total current liabilities</b>		<b>37,475</b>	<b>93,067</b>	<b>11,000</b>
<b>12,012</b>	<b>Total liabilities</b>		<b>37,475</b>	<b>93,067</b>	<b>11,000</b>

## STATEMENT OF COMMITMENTS

as at 30 June 2009

The Department reports nil non-departmental commitments as at 30 June 2009 (2008: nil).

The accompanying notes form part of the financial statements.

## STATEMENT OF CONTINGENT LIABILITIES

as at 30 June 2009

2008 Actual \$ 000		2009 Actual \$ 000
900	Properties underwritten for Home Equity Scheme	-
<b>900</b>	<b>Total contingent liabilities</b>	<b>-</b>

### Unquantifiable contingent liabilities

#### Guarantees and indemnities

The Crown has provided a warranty in respect of title to the assets transferred to Housing New Zealand Limited (HNZL) (HNZL was incorporated into the HNZC group as a subsidiary in 2001 as part of a legislated consolidation of government housing functions) and has indemnified HNZL against any breach of this warranty. In addition, the Crown has indemnified HNZL against any third-party claims that are a result of acts or omissions prior to 1 November 1992. It has also indemnified the directors and officers of HNZL against any liability consequent upon the assets not complying with statutory requirements, provided it is taking steps to rectify any non-compliance.

#### Contingent assets

The Department on behalf of the Crown has no contingent assets (2008: nil).

The accompanying notes form part of the financial statements.

## NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS

for the year ended 30 June 2009

### NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009

#### Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the Department on behalf of the Crown.

The schedules of non-departmental assets and liabilities incorporate the financial transactions of the Crown activities administered by the Department and also the Housing Agency Account assets and liabilities administered by HNZA.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should be made to the Financial Statements of the Government.

#### Accounting policies

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with relevant Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies have been applied.

##### *Budget figures*

The budget figures are consistent with the financial information in the Main Estimates. In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

##### *Revenue and expenditure*

Revenue and expenditure are recognised when earned or incurred respectively and are reported in the financial 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 they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

##### *Contingencies*

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

## **NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED**

for the year ended 30 June 2009

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

The Statement of Non-Departmental Expenditure and Capital Expenditure against Appropriations is exclusive of GST (where applicable). The Schedules of Assets and Liabilities are exclusive of GST, except for payables and receivables, which are GST inclusive. All other figures are GST exclusive (where applicable).

Any payments made for GST input tax are made under the authority of section 6 of the Public Finance Act 1989.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for the year ended 30 June 2009.

### *Critical accounting estimates and assumptions*

In preparing these financial statements the Department has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Critical assumptions in applying the non-departmental accounting policies.*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the note 4.

### *Credit risk*

The Crown Retail Deposit Guarantee Scheme for deposits held with banks that have opted into the scheme provides a guarantee of \$1 million per depositor per guaranteed institution. Deposits beyond this level are not covered by this scheme.

## **NOTE 2: NON-DEPARTMENTAL REVENUE AND RECEIPTS**

The schedule of revenue and receipts summarises non-departmental revenue that the Department collects on behalf of the Crown.

## **NOTE 3: NON-DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS**

This statement details expenditure incurred against each appropriation administered by the Department on behalf of the Crown.

**NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED**  
for the year ended 30 June 2009

**NOTE 4: RECEIVABLES AND PREPAYMENTS**

Actual 2008 \$ 000		Actual 2009 \$ 000
13,228	Income related rent debt	15,950
(6,278)	Less: provision for doubtful debts	(7,644)
6,950	Net realisable value	8,306
5,382	Prepayment of income related rental subsidy	3,739
64	Receivable – Housing New Zealand Corporation	705
<b>12,396</b>	<b>Total receivables and prepayments</b>	<b>12,750</b>

The carrying value of receivables and prepayments approximates their fair value.

As at 30 June 2009 and 2008, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	2008			2009		
	Gross \$ 000	Impairment \$ 000	Net \$ 000	Gross \$ 000	Impairment \$ 000	Net \$ 000
Not past due	11,034	-	11,034	4,594	-	4,594
Past due 31–60 days	-	-	-	1,110	-	1,110
Past due 61–90 days	-	-	-	1,186	-	1,186
Past due > 91 days	7,640	(6,278)	1,362	13,504	(7,644)	5,860
<b>Total</b>	<b>18,674</b>	<b>(6,278)</b>	<b>12,396</b>	<b>20,394</b>	<b>(7,644)</b>	<b>12,750</b>

The provision for impairment has been based on the non-departmental appropriation for doubtful debts.

Movement in the provision for doubtful debts is as follows:

Actual 2008 \$ 000		Actual 2009 \$ 000
(4,511)	Balance at 1 July	(6,278)
(1,767)	Additional provisions made during the year	(1,366)
<b>(6,278)</b>	<b>Balance at 30 June</b>	<b>(7,644)</b>

**NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED**  
for the year ended 30 June 2009

**NOTE 5: PHYSICAL ASSETS**

	Land \$ 000	Buildings \$ 000	Total \$ 000
<b>Cost</b>			
Balance at 1 July 2007	89,031	6,814	95,845
Additions	368	1,987	2,355
Revaluation	465	-	465
Disposals	-	-	-
<b>Balance at 30 June 2008</b>	<b>89,864</b>	<b>8,801</b>	<b>98,665</b>

Balance at 1 July 2008	89,864	8,801	98,665
Additions	1,892	305	2,197
Revaluation	(465)	-	(465)
Disposals	-	-	-
<b>Balance at 30 June 2009</b>	<b>91,291</b>	<b>9,106</b>	<b>100,397</b>

**Accumulated depreciation and impairment losses**

Balance at 1 July 2007	-	-
Depreciation expense	74	74
Revaluation	(74)	(74)
Disposals	-	-
<b>Balance at 30 June 2008</b>	<b>-</b>	<b>-</b>

Balance at 1 July 2008	-	-
Depreciation expense	305	305
Revaluation	(305)	(305)
Disposals	-	-
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>-</b>

**Carrying amounts**

At 1 July 2007	89,031	6,814	95,845
At 30 June and 1 July 2008	89,864	8,801	98,665
At 30 June 2009	91,291	9,106	100,397

**NOTE 6: NON-DEPARTMENTAL ASSETS AND LIABILITIES**

Non-departmental assets and liabilities are administered by the Department of Building and Housing on behalf of the Crown. As these assets and liabilities are neither controlled by the Department of Building and Housing nor used in the production of the Department's outputs, they are not reported in the Department's Statement of Financial Position.

**NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED**  
for the year ended 30 June 2009

**NOTE 7: PAYABLES**

Actual 2008 \$ 000		Actual 2009 \$ 000
	<b>Current</b>	
	Payable to Housing New Zealand Corporation	
3,724	– Output expenses	12,556
123	– Housing Assistance	106
6,651	– Capital injection	15,961
10,498	Total payable to Housing New Zealand Corporation	28,623
1,514	Total payable to Housing Agency Account	2,147
-	Income in advance	6,186
-	Other payables	519
12,012	<b>Total current</b>	<b>37,475</b>
<b>12,012</b>	<b>Total payables</b>	<b>37,475</b>

**NOTE 8: EXPLANATION OF MAJOR BUDGET VARIANCES**

**Non-tax revenue**

Interest on Housing New Zealand Corporation (HNZC) loans was \$17.876 million lower than the Supplementary Estimates, primarily due to lower interest rates driven by a significant reduction in the Official Cash Rate (OCR). When refinancing term loans, HNZC received lower interest rates which contributed to reduced cost of borrowings.

**Non-departmental output expenses**

The Contracted Housing Support Services output decreased between the Main and Supplementary Estimates due to value for money savings. The final output expenses were lower by \$0.266 million compared to the Supplementary Estimates due to a lower than forecast spend on the homeownership education programme.

The HNZC Housing Support Services output decreased between the Main and Supplementary Estimates due to value for money savings. The final output expenses were lower compared to the Supplementary Estimates by \$0.342 million. The variance was due to lower spend on Housing Innovation Fund (HIF) capacity grants and Welcome Home Loans.

The HNZC State House Upgrades output was established during the year as part of the Fiscal Stimulus package.

The Management of Crown Properties – Housing Act 1955 output reduced in the Supplementary Estimates as the capital charge was removed from these properties.

The Housing Assistance output decreased between the Main and Supplementary Estimates due to value for money savings. The final subsidy payable to HNZC was \$0.555 million lower than the Supplementary Estimates due to lower than forecast expenditure on interest subsidies.

**NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS** CONTINUED  
for the year ended 30 June 2009

The Income Related Rental (IRR) Subsidy funds the Corporation the difference between the income related rent received from tenants and the market rent. The demand for the subsidy fluctuates depending on tenants' circumstances, and the size of the state housing portfolio. The appropriation is reforecast during the year, with these changes being reflected in the Supplementary Estimates.

The Wellington City Council Social Housing Assistance other expense was established as part of the Supplementary Estimates process.

**Capital expenditure**

The acquisitions and improvement of properties under the Housing Act 1955 reported an underspend of \$5.640 million due to delays in obtaining resource consents for the Hobsonville development.

Loans to support homeownership decreased between the Main and Supplementary Estimates due to value for money savings. The final outturn was \$2.393 million lower than the Supplementary Estimates due to reduced demand for Shared Equity loans under the two-year pilot programme (2008-2010).

**Schedule of Non-Departmental Assets and Liabilities**

Cash balances are higher than forecast due to the high payables balance. This represents the year end claims from Housing New Zealand Corporation and the Housing Agency Account.

Payables was updated between the Main and Supplementary Estimates to better reflect the forecast balances.

## Part 3: Residential Tenancies Trust Account

**AUDIT REPORT  
TO THE READERS OF THE  
RESIDENTIAL TENANCIES TRUST ACCOUNT'S  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

The Auditor-General is the auditor of the Residential Tenancies Trust Account (the Trust). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements included in the annual report of the Department of Building and Housing for the year ended 30 June 2009.

**Unqualified Opinion**

In our opinion, the financial statements of the Trust on pages 86 to 93:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - o the Trust's financial position as at 30 June 2009; and
  - o the results of its operations and cash flows for the year ended on that date.

The audit was completed on 30 September 2009, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Chief Executive of the Department of Building and Housing and the Auditor, and explain our independence.

**Basis of Opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive of the Department of Building and Housing;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements.

We obtained all the information and explanations we required to support our opinion above.

**Responsibilities of the Chief Executive of the Department of Building and Housing and the Auditor**

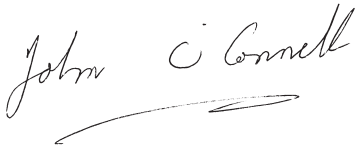
The Chief Executive of the Department of Building and Housing is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trust as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date. The Chief Executive's responsibilities arise from section 126 of the Residential Tenancies Act 1986.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45d (2) of the Public Finance Act 1989.

**Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no other relationship with or interests in the Trust.



John O'Connell

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

**Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of the Residential Tenancies Trust Account for the year ended 30 June 2009 included on the Department of Building and Housing's web site. The Department of Building and Housing's Chief Executive is responsible for the maintenance and integrity of the Department of Building and Housing's web site. We have not been engaged to report on the integrity of the Department of Building and Housing's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 September 2009 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Financial statements

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2009

Actual 2008 \$ 000		Actual 2009 \$ 000
	<b>Revenue</b>	
21,003	Interest earned from bank deposits	21,232
<b>21,003</b>	<b>Total revenue</b>	<b>21,232</b>
	<b>Expenditure</b>	
21,003	Interest to Department of Building and Housing	21,232
<b>-</b>	<b>Operating surplus</b>	<b>-</b>

Note: RTTA audit fees are paid by the Department of Building and Housing.

## RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

for the year ended 30 June 2009

Actual 2008 \$ 000		Actual 2009 \$ 000
230,976	<b>Bondholders' funds at 1 July</b>	260,445
144,604	Bonds lodged	159,069
(115,135)	Bonds refunded	(127,679)
<b>260,445</b>	<b>Bondholders' funds at 30 June</b>	<b>291,835</b>

The accompanying notes form part of the financial statements.

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

Actual 2008 \$ 000		Note	Actual 2009 \$ 000
	<b>Current assets</b>		
9,250	Cash and cash equivalents		8,988
180,950	Investments	2	212,150
14,212	Receivables		17,499
<b>204,412</b>	<b>Total current assets</b>		<b>238,637</b>
	<b>Non-current assets</b>		
76,200	Investments	2	73,800
<b>76,200</b>	<b>Total non-current assets</b>		<b>73,800</b>
<b>280,612</b>	<b>Total assets</b>		<b>312,437</b>
	<b>Current liabilities</b>		
20,142	Payables		20,574
25	Other		28
<b>20,167</b>	<b>Total current liabilities</b>		<b>20,602</b>
<b>260,445</b>	<b>Net assets</b>		<b>291,835</b>
	<b>Bondholders' funds</b>		
230,976	Opening balance		260,445
29,469	Net increase		31,390
<b>260,445</b>	<b>Closing balance of bondholders' funds</b>		<b>291,835</b>

The accompanying notes form part of the financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2009

Actual 2008 \$ 000		Note	Actual 2009 \$ 000
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
18,216	Interest received		17,945
<i>Cash was disbursed to:</i>			
(19,199)	Interest payments to Department of Building and Housing		(20,800)
<b>(983)</b>	<b>Net cash from operating activities</b>	<b>5</b>	<b>(2,855)</b>
<b>Cash flows from investing activities</b>			
<i>Cash was provided from:</i>			
185,451	Proceeds from maturity of investments		270,514
<i>Cash was disbursed to:</i>			
(212,450)	Purchase of investments		(299,314)
(10)	Disposal of goods		3
<b>(27,009)</b>	<b>Net cash from investing activities</b>		<b>(28,797)</b>
<b>Cash flows from financing activities</b>			
<i>Cash was provided from:</i>			
144,604	Lodgement of bonds		159,069
<i>Cash was disbursed to:</i>			
(115,135)	Refund of bonds		(127,679)
<b>29,469</b>	<b>Net cash from financing activities</b>		<b>31,390</b>
1,477	Net increase/(decrease) in cash		(262)
7,773	Cash at the beginning of the year		9,250
<b>9,250</b>	<b>Cash at the end of the year</b>		<b>8,988</b>

The accompanying notes form part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2009

### NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR RESIDENTIAL TENANCIES TRUST ACCOUNT

#### Reporting entity

The Department of Building and Housing manages the Residential Tenancies Trust Account pursuant to the Public Finance Act 1989 and the Residential Tenancies Act 1986. The Department took over direct management of the Residential Tenancies Trust Account on 18 August 1992.

All interest arising from any investment in the Residential Tenancies Trust Account belongs to the Crown and is treated as other revenue to the Department of Building and Housing.

Investments are held in approved securities under the Public Finance Act 1989. The Department of Building and Housing pays costs associated with the management of the Residential Tenancies Trust Account as departmental expenses.

The financial statements of the Residential Tenancies Trust Account are for the year ended 30 June 2009. The financial statements were authorised for issue by the Chief Executive of the Department on 30 September 2009.

#### Basis of preparation

The financial statements of the Residential Tenancies Trust Account have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirements to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with, and comply with, NZ IFRS as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$ 000). The functional currency of the Residential Tenancies Trust Account is New Zealand dollars.

#### *Revenue*

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

#### *Cash*

Cash is defined as coins, notes and demand deposits in the Trust bank account and other deposits held on call.

#### *Receivables*

Receivables are stated at estimated realisable value.

## **NOTES TO THE FINANCIAL STATEMENTS** CONTINUED

for the year ended 30 June 2009

### *Investments*

Investments are not generally traded but held to maturity. Investments in government stock and bonds are valued at cost with premiums and discounts on investments accounted for on a yield to maturity basis. Investments in bank deposits are valued at cost.

### *Financial instruments*

The Residential Tenancies Trust Account is party to financial instruments as part of its normal operations. These financial instruments include accounts payable and receivable, cash, deposits and investments. Revenue and expenditure in relation to all financial instruments are recognised in the Statement of Financial Performance.

Except for those items covered by a separate accounting policy, all financial instruments are shown at estimated fair value.

### *Taxation*

The Residential Tenancies Trust Account is exempt from income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided for.

### *Changes in accounting policies*

There have been no changes in accounting policies. All policies have been applied on a basis consistent with the previous year.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 2: INVESTMENTS BY COUNTERPARTY

Investments are undertaken in line with the Department's investment strategy. Investments were held with the following counterparties as at 30 June (investment values at book value).

Actual 2008 \$ 000		Actual 2009 \$ 000
<b>Current</b>		
32,200	Westpac	41,000
80,450	ANZ/National Bank	54,950
25,500	BNZ	65,500
42,800	ASB	50,700
<b>180,950</b>	<b>Total current</b>	<b>212,150</b>
<b>Non-current</b>		
24,000	Westpac	5,000
12,700	ANZ/National Bank	7,500
20,500	BNZ	10,000
19,000	ASB	51,300
<b>76,200</b>	<b>Total non-current</b>	<b>73,800</b>
<b>257,150</b>	<b>Total investments by counterparty</b>	<b>285,950</b>
<b>Weighted average interest rates</b>		
8.77%	Short-term deposits	5.50%
8.83%	Term deposits	7.60%

### NOTE 3: BOOK VALUE OF INVESTMENTS

Actual 2008 \$ 000		Actual 2009 \$ 000
257,150	Bank deposits	285,950
<b>257,150</b>	<b>Total book value of investments</b>	<b>285,950</b>

Fair value of the investments approximates the book value.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 4: FINANCIAL INSTRUMENTS

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

#### *Credit risk*

Credit risk is the risk that a third party will default on its obligations. The maximum exposures to credit risk at balance date are:

Actual 2008 \$ 000		Actual 2009 \$ 000
9,250	Cash held	8,988
14,212	Accounts receivable	17,499
257,150	Investments	285,950
<b>280,612</b>	<b>Total</b>	<b>312,437</b>

There are no major concentrations of credit risk for accounts receivable.

The Crown Retail Deposit Guarantee Scheme for deposits held with banks that have opted into the scheme provides a guarantee of \$1 million per depositor per guaranteed institution. Deposits beyond this level are not covered by this scheme.

#### *Currency risk*

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

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

#### *Interest rate risk*

Interest rate risk is the risk that the return on the funds invested will fluctuate due to changes in market interest rates. The Residential Tenancies Trust Account has no interest rate risk, as all investments are held to maturity. Deposits are held with authorised New Zealand banks.

#### *Fair value*

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

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2009

### NOTE 5: RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Actual 2008 \$ 000		Actual 2009 \$ 000
-	Operating surplus	-
	<b>Add/(less) movements in working capital</b>	
(2,787)	(Increase)/decrease in interest receivable	(3,287)
1,804	Increase/(decrease) in interest payable	432
<b>(983)</b>	<b>Net cash flows from operating activities</b>	<b>(2,855)</b>

### NOTE 6: COMMITMENTS AND CONTINGENCIES

The Residential Tenancies Trust Account has no commitments or contingent liabilities at balance date (2008: nil).

### NOTE 7: EVENTS AFTER THE BALANCE DATE

No events have occurred between the balance date and date of signing these financial statements that materially affect the financial statements.

### NOTE 8: CAPITAL MANAGEMENT

The Residential Tenancies Trust Account's capital is its bondholders' funds and is represented by net assets.



## Part 4: Additional information

# Legislation administered by the Department

The Department administers the following legislation and regulations.

## **Building Act 2004**

- Building Regulations 1992
- Building (Forms) Regulations 2004
- Building (Fee for Determinations) Regulations 2005
- Building Levy Order 2005
- Building (Specified Systems, Change the Use, and Earthquake-Prone Buildings) Regulations 2005
- Building (Accreditation of Building Consent Authorities) Regulations 2006
- Building (Consent Authority Accreditation Fees) Regulations 2007
- Building (Registration of Building Consent Authorities) Regulations 2007
- Building (Designation of Building Work Licence Classes) Order 2007
- Building (Design Work Declared to be Building Work) Order 2007
- Building (Infringement Offences, Fees, and Forms) Regulations 2007
- Building Practitioners (Licensing Fees and Levy) Regulations 2007
- Building Practitioners (Register of Licensed Building Practitioners) Regulations 2008
- Licensed Building Practitioners Rules 2007 [deemed]
- Building Practitioners (Complaints and Disciplinary Procedures) Regulations 2008
- Building (Product Certification) Regulations 2008
- Building (Schedule 1) Order 2008
- Building (Dam Safety) Regulations 2008

## **Chartered Professional Engineers of New Zealand Act 2002**

- Chartered Professional Engineers of New Zealand Rules (No. 2) 2002
- Chartered Professional Engineers of New Zealand (Appeals) Regulations 2002
- Chartered Professional Engineers of New Zealand Levy Regulations 2004

## **Construction Contracts Act 2002**

- Construction Contracts Regulations 2003

## **Electricity Act 1992** (provisions relating to registration of electrical workers only)

- Electricity Regulations 1997

## **Engineering Associates Act 1961**

- Engineering Associates Fees Regulations 2002

## **Fencing of Swimming Pools Act 1987**

## **Plumbers, Gasfitters and Drainlayers Act 1976**

- Plumbers, Gasfitters and Drainlayers Regulations 1977

## **Plumbers, Gasfitters and Drainlayers Act 2006**

## **Registered Architects Act 2005**

- Registered Architects Rules 2006

**Residential Tenancies Act 1986**

- Residential Tenancies (Fees) Regulations 1998
- Residential Tenancies Regulations 1998
- Residential Tenancies Rules 1998

**Retirement Villages Act 2003**

- Retirement Villages (Disputes Panel) Regulations 2006
- Retirement Villages (General) Regulations 2006
- Retirement Villages (Fees) Regulations 2006
- Retirement Villages (Crossdale Courts) Order 2008
- Retirement Villages Code of Practice 2008 [deemed]

**Weathertight Homes Resolution Services Act 2006**

- Weathertight Homes Resolution Services (Lower-value Ceiling) Regulations 2002
- Weathertight Homes Resolution Services (Fee) Regulations 2007

# Sector governance

The Department administers a number of Acts and Regulations under which statutory entities are appointed.

The Department provides support to responsible Ministers by monitoring and reporting on the performance of statutory bodies and boards charged with providing building- and housing-related services and functions. The Department's role includes: providing advice on, and evaluating the delivery of the Government's social housing policies through Housing New Zealand Corporation; and advice on appointments and the performance of other building and housing entities such as occupational licensing boards.

The Department also provides support to statutory bodies and boards by providing some induction guidance, registrar functions and other administrative services. The boards/entities that are supported by the Department are listed below, together with the legislation under which the board/entity is established.

## Crown entity

- Housing New Zealand Corporation (Housing Corporation Act 1974, Crown Entities Act 2004)

## Tribunals and other statutory bodies

- State Housing Appeal Authority (Housing Restructuring and Tenancy Matters (Appeals) Regulations 2000)
- Tenancy Tribunal (Residential Tenancies Act 1986)
- Weathertight Homes Resolution Service (Adjudicators and Mediators) (Weathertight Homes Resolution Services Act 2006)

## Occupational licensing boards

- Building Practitioners Board (Building Act 2004)
- Chartered Professional Engineers Council (Chartered Professional Engineers of New Zealand Act 2002)
- Electrical Workers Registration Board and the Complaints Assessment Committee (Electricity Act 1992)
- Engineering Associates Registration Board and the Engineering Associates Investigation Committee (Engineering Associates Act 1961)
- New Zealand Registered Architects Board (Registered Architects Act 2005)
- Plumbers, Gasfitters and Drainlayers Board (Plumbers, Gasfitters and Drainlayers Act 1976)

## Chief Executive statutory appointments

- Building Advisory Panel (Building Act 2004)

The Department provides additional administrative and/or operational support to the following boards and entities.

### **State Housing Appeal Authority**

The State Housing Appeal Authority was established under provisions of the Housing Restructuring and Tenancy Matters (Appeals) Regulations 2000. The State Housing Appeal Authority consists of a Principal Member, Deputy Principal Member, and members (the number of members is not specified in the Regulations).

The Principal Member and Deputy Principal Member are appointed by the Governor-General on the joint recommendation of the Minister of Housing and the Minister of Justice.

The purpose of the State Housing Appeal Authority is to determine appeals from applications relating to decisions made by Housing New Zealand Corporation on the:

- assessment of income-related rents
- applicant's eligibility for state housing
- applicant's assessed need for state housing.

There are currently seven members on the Authority, including the Principal Member and the Deputy Principal Member.

The members are:

- Kay McKelvie, Principal Member
- Alister James, Deputy Principal Member
- Dean Hyde\*
- Conrad Jackson
- June Kearney\*
- Jeannette MacKenzie
- Geoff Tucker\*
- Rt Hon Jonathan Hunt
- Gregory Fortuin
- Selma Scott.

\* Have decided not to put themselves forward for consideration for another term

The Department employs the Registrar for the Authority.

## **Building Practitioners Board**

The Building Practitioners Board comprises six to eight members who are appointed by the Governor-General on the recommendation of the Minister for Building and Construction under section 344 of the Building Act 2004.

The Minister may accept nominations for membership of the Board, but each member is appointed to undertake the functions and duties of a member, rather than to represent the interests of any person. One member of the Board must be a barrister or solicitor of at least five years' standing.

The functions of the Building Practitioners Board are to:

- approve rules relating to licensed building practitioners that are prepared in accordance with the Act
- receive, investigate, and hear complaints about, and to inquire into the conduct of, and discipline of, licensed building practitioners in accordance with the Act
- hear appeals against certain decisions of the Registrar in accordance with the Act
- review and report to the Minister on the performance of the functions and duties, and the exercise of the powers, of the Board under the Act.

The members of the Building Practitioners Board are:

- Alan Bickers (Chairperson)
- Paul Blackler
- David Clark
- Jane Cuming
- Patrick Lawrence
- Graham Moor
- David O'Connell
- Colin Orchiston.

The Department employs the Registrar for the Board.

## **Electrical Workers Registration Board**

The Electrical Workers Registration Board comprises seven members all of whom are appointed by the Minister for Building and Construction under the Electricity Act 1992, for a term of up to three years. Members can be reappointed. Five members must be registered or entitled to be registered, and two lay persons must not be registered or entitled to be registered.

The functions of the Electrical Workers Registration Board are to:

- register and license the four classes of registration under the Electricity Act 1992 (electrician, electrical inspector, electrical service technician and line mechanic)
- ensure registered persons maintain an adequate level of competency
- exercise disciplinary power according to the Act and initiate prosecutions for contravention of the Act in cases where the Board considers appropriate.

Complaints Assessment Committees are convened to hear complaints. Complaints Assessment Committees are appointed from a list of members who have been approved by the Minister. Members may be appointed for a term of up to five years.

The members of the Electrical Workers Registration Board are:

- Donald Pryde
- Neil McLeod
- Michael Macklin
- Edwin Eeles (Presiding Member)
- Penelope Mudford (Deputy Presiding Member)
- David Bradshaw
- Stephen Albrecht.

The Registrar is employed by the Department to support the Board in carrying out their functions, and to process licensing applications. The Registrar of the Board is John Sickels.

### **Building Advisory Panel**

The Building Act 2004 provides that the Chief Executive of the Department of Building and Housing appoint a Building Advisory Panel that consists of experts in the building sector.

The Panel provides independent, specialist advice to the Chief Executive on trends in building design, quality and performance, building technology, sustainability, urban planning and consumer issues.

The members of the Building Advisory Panel are:

- Don Hunn (Chairperson)
- Professor Andy Buchanan\*
- Mike Fox\*
- John Jarvis\*
- Ann Magee
- Richard Michael\*
- Gordon Moller
- Peter Neilson\*
- Peter Neven
- David Russell\*
- George Skimming
- Adam Thornton.

The Panel met once during 2008/09.

\* Term completed during year.

# Quality standards for policy advice

## Quality measure

The Department will seek written response, at least four-monthly, from the Minister of Housing for the purchasing and monitoring advice to Housing New Zealand Corporation and the Minister for Building and Construction for all other Departmental appropriations 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.



# Directory

## National office contact details

Department of Building and Housing  
Level 6, 86 Customhouse Quay  
PO Box 10-729, Wellington 6143  
Phone: +64 4 494 0260  
Fax: +64 4 494 0290  
Department's website: [www.dbh.govt.nz](http://www.dbh.govt.nz)

## Contact us

### Tenancy advice and information

Call 0800 TENANCY (0800 83 62 62)  
From overseas: +64 4 238 4695  
Hours of operation: 8.00 am to 5.30 pm NZT  
Monday – Friday  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

### Bond advice and information

Call 0800 737 666  
From overseas: +64 4 238 4693  
Hours of operation: 8.00 am to 5.30 pm NZT  
Monday – Friday  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

### Building controls and Building Act information

Call 0800 242 243  
From overseas: +64 4 238 6362  
Hours of operation: 8.30 am to 5.00 pm NZT  
Monday – Friday  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

### Licensed building practitioners information

Call 0800 60 60 50  
From overseas: +64 4 238 6312  
Hours of operation: 8.30 am to 5.00 pm NZT  
Monday – Friday  
Email: [licensing@dbh.govt.nz](mailto:licensing@dbh.govt.nz)

### Weathertight services

Call 0800 324 477  
From overseas: +64 4 237 1604  
Hours of operation: 8:00 am - 5:30 pm NZT  
Monday – Friday  
Fax: 0800 116 189  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

## Sector Policy, Sector Trends and Performance, Service Delivery, Building Quality, Sector Capability and Corporate

Department of Building and Housing  
Level 6, 86 Customhouse Quay  
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Fax: +64 4 494 0290  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

## Visit us

Call in to one of our main offices or phone 0800 TENANCY (0800 83 62 62) to make an appointment.

We also regularly visit 87 communities around New Zealand to provide information and dispute resolution services to tenants and landlords. To make an appointment, call 0800 83 62 62.

## Service location directory

### Tenancy advice

Freephone (in New Zealand) 0800 83 62 62 between 8:00 am and 5:30 pm weekdays, for advice or to make an appointment at your local office.

Calling from overseas: +64 4 238 4695

### Bond enquiries

Freephone (in New Zealand) 0800 737 666 between 8:00 am and 5:30 pm weekdays.

Calling from overseas: +64 4 238 4693

Fax: (04) 237 7884

PO Box 50 445

Porirua 5240

Mediation and advice is available by appointment in many locations throughout New Zealand.

Call 0800 83 62 62 to make an appointment

or to talk to someone about a renting problem.

You can also visit one of our offices listed below.

The offices are generally open between 8:30 am and 4:30 pm weekdays.

We are also available to provide public education to landlords, tenants and related organisations.

Call 0800 83 62 62 for more information.

**Auckland**

Level 3  
AXA Building  
41 Shortland Street  
PO Box 90-172  
Auckland 1142  
Fax: (09) 375 6402

**Christchurch**

Level 2  
10 Nelson Street  
PO Box 22-725  
Christchurch 8142  
Fax: (03) 341 7754

**Hamilton**

Level 2  
36 Bryce Street  
Private Bag 3124  
Hamilton 3240  
Fax: (07) 834 1571

**Manukau**

Level 1, CST Nexia Centre  
22 Amersham Way  
PO Box 76-469  
Manukau 2241  
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