



Report of the
Ministry of Housing

for the year ended
30 June 2000

Presented to the House of Representatives pursuant to section 39 of the Public Finance Act 1989 and section 126 of the Residential Tenancies Act 1986.

ISSN 1772-7063

CONTENTS

PART I: INTRODUCTION

Directory.....	3
Purpose and functions of the Ministry.....	4
Chief Executive's Overview.....	5
Administration of the Residential Tenancies Act.....	7
"Closing the Gaps" Statement.....	11

PART II: PERFORMANCE

Statement of responsibility.....	13
Report of the Audit Office.....	14
Statement of Objectives and Service Performance.....	16
<i>Output Class I: Policy Advice</i>	16
<i>Output Class II: Administration of Residential Tenancies</i>	16
<i>Bond Monies</i>	
<i>Output class III: Residential Tenancies Advice and Information</i>	22
<i>and Dispute Resolution</i>	
<i>Ministerial Services</i>	29
Financial information.....	
<i>Statement of Accounting Policies</i>	30
<i>Statement of Financial Performance</i>	34
<i>Statement of Movements in Taxpayers' Funds</i>	35
<i>Statement of Financial Position</i>	36
<i>Statement of Cash Flows</i>	37
<i>Reconciliation of Net Surplus to Net Cash Flow from Operating</i>	38
<i>Activities</i>	
<i>Statement of Commitments</i>	39
<i>Statement of Contingent Liabilities</i>	39
Supplementary information.....	
<i>Statement of Departmental Appropriations and Expenditure</i>	40
<i>Statement of Non-Departmental Appropriations and</i>	41
<i>Expenditure</i>	
<i>Notes to the Financial Statements</i>	42
Residential Tenancies Trust Account	
<i>Report of the Audit Office</i>	48
<i>Statement of Financial Position</i>	50
<i>Statement of Financial Performance</i>	51
<i>Statement of Cash Flows</i>	52
<i>Statement of Accounting Policies</i>	53
<i>Notes to the Financial Statements</i>	55

PART III: MANAGEMENT

Management of the Ministry.....	
<i>Human Resources</i>	58
<i>Information Technology</i>	63
<i>Property administration</i>	63
Management structure.....	65

PART I: INTRODUCTION

DIRECTORY

Head Office

Level 12
Vogel Building
Aitken St
WELLINGTON

Postal Address

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

Auditor

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

Bankers

WestpacTrust
NZ Government Branch
WELLINGTON

Solicitors

Chapman Tripp Sheffield Young
WELLINGTON

Insurer

NZI Insurance NZ Ltd
WELLINGTON

HIH Winterthur
AUCKLAND

PURPOSE AND FUNCTIONS OF THE MINISTRY

The Ministry of Housing/Te Whare Ahuru exists to assist the Government protect the rights of residential landlords and tenants through the Ministry's administration of the provisions of the Residential Tenancies Act 1986.

MISSION STATEMENT

To meet the needs of residential tenants and landlords by providing efficient and effective educational, advisory, tenancy bond and dispute resolution services.

CHIEF EXECUTIVE'S OVERVIEW

The strategic focus and key result area for the Ministry of Housing in 1999/00 was to enhance its capability and performance to meet the needs of residential tenants and landlords. We are expanding the range of our performance measures beyond direct assessment of efficiency, quality and timeliness, to broader measures of customer satisfaction.

The objectives of enhanced capability and performance will contribute to the Government goals of:

- Restoring trust in government and provide strong social services
- Closing the gaps for Maori and Pacific people in health, education, employment and housing.

The contribution to "closing the gaps" includes a programme to provide information and education for Maori and Pacific peoples on tenancy issues and tenant/landlord relationships. The strategy to enhance capability also includes recruitment of Maori and Pacific staff, and training in cultural awareness and responsiveness.

The Ministry has undertaken a comprehensive review of its training and development framework. This has ensured that training is linked effectively to the Ministry's objectives for enhanced capability and the associated competencies.

Tenancy Services

There has been a significant increase in the number of applications to the Tenancy Tribunal. For the period October 1999 to June 2000, applications increased by 16.9% compared to the same period during the previous year. The initial impact of the \$20 fee for applications, which was introduced in October 1998, is diminishing. Property Managers and landlords also advise that in present rental market conditions their returns are reduced and they are increasing their efforts to follow up on arrears of rent, claims for damages, etc.

During the last year, the Ministry continued to promote self resolution through a nationwide education program for landlords and tenants which was initiated in February 1999. During 1999/00, there were 22 landlord seminars and 32 tenant seminars. The landlord seminar programme was very successful and attracted large numbers of landlords both in larger centres and smaller provincial centres. As it proved difficult to attract tenants to seminars by newspaper advertising, as with the landlord seminars, a different strategy was employed for tenant education. This entailed co-operation with community organisations, slotting into their existing information programmes, in order to reach our target audience.

All 21 Tenancy Services offices are now on the overflow system for general advice enquiries to the Call Centre, located at the Bond Centre in Porirua. This means that if a call is not answered in the local office within 15 seconds, the call overflows automatically and is answered in the call centre.

Customer Survey

The Ministry commissioned a survey to evaluate the level of customer satisfaction with our three main services: bond management, telephone advice enquiries and dispute resolution services, and to establish benchmarks so that we can compare changes in customer satisfaction over time. An initial survey identified customer needs by in-depth interviewing with a small sample of landlords and tenants. A follow up quantitative survey using a much larger sample reconfirmed these needs and measured the level of satisfaction with the services provided by Tenancy Services.

The results showed that the levels of satisfaction for bond management and telephone advice services are at a high level; for dispute resolution, the satisfaction level was a little lower but still at a reasonable level. In this case it was very noticeable that if parties were not happy with the substantive outcome of their dispute hearing, that strongly influenced their level of satisfaction with our services. This survey has indicated some specific areas to focus on and the Ministry will use the results to formulate action plans for the coming year.

I would like to acknowledge the work of the staff and managers of the Ministry in achieving high quality performance and an excellent standard of outputs in 1999/00.

David Smyth
Chief Executive

ADMINISTRATION OF THE RESIDENTIAL TENANCIES ACT

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

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

Highlights of dispute-resolution performance in 1999/00 were;

- 41,705 applications were made to the Tenancy Tribunal. This is an increase of 2.8% over the number of applications received in 1998/99 but represents a 16.9% increase between October 1999 and June 2000 over the same period in the previous year.
- Of the applications received, 81.4% were referred to mediation, which is a significant increase from 72.5% in the previous year.
- About 55.2% of applications that were referred to mediation were resolved or withdrawn at the mediation stage; the remainder were unresolved or only partially resolved and referred to the Tenancy Tribunal.
- About 52.1% of all applications were finally resolved in the Tenancy Tribunal after being referred directly to the Tribunal or from mediation, and 2.5% were transferred back to mediation.

Approximately 92.8% of applications were from landlords and only 7.2% from tenants in 1999/00. In 1998/99 tenant applications accounted for 9.2% of total applications. The proportion of total applications that were for rent arrears increased from 71.2% in 1998/99 to 76.3% in 1999/00. Applications for rent arrears include applications for the recovery of rent arrears, termination of the tenancy for rent arrears and for termination for rent arrears after a 10 working day letter has not been complied with. The balance of applications were mainly for compensation for damages, abandonment and bond-refund disputes.

Detailed statistics of applications to the Tenancy Tribunal are shown on pages 9 and 10 of this report.

The Ministry received 167,047 lodgements of bonds and made 166,799 bond refunds (including transfers) during the year. The value of the bondholders' funds held increased to \$108.02 million as at June

2000. The number of the bonds rose by over 4.9% from 282,939 to 296,889.

Bonds received under the provisions of the Act are lodged in the Residential Tenancies Trust Account. The audited accounts for the year to 30 June 2000 are given on pages 50-57 of this report.

	Applications received	
	1998/99	1999/00
Resolved after previous reporting period	152	524
On hand at beginning	3,534	3,234
Received	40,552	41,705
Resolved	40,323	40,486
On hand at end	3,758	4,445
*Unallocated	5	8

	Mediations	
	1998/99	1999/00
Resolved after previous reporting period	61	28
On hand at beginning	1,359	1,195
Received	29,403	33,959
Resolved	29,534	33,719
On hand at end	1,223	1,427
*Unallocated	5	8

	Mediation outcomes	
	1998/99	1999/00
Resolved at Mediation	12,757	13,538
Withdrawn	4,226	3,884
Referred to Tribunal	11,787	13,919
Transferred to another office or mediator	764	2,378
*Outcome Unallocated	0	0

	Hearings	
	1998/99	1999/00
Resolved after previous reporting period	76	504
On hand at beginning	1,841	1,818
Received	27,971	28,394
Resolved	27,489	27,722
On hand at end	2,322	2,483
*Unallocated	1	7

	Hearing outcomes	
	1998/99	1999/00
Resolved at Tribunal	21,382	21,718
Withdrawn	1,375	854
Adjourned	2,673	3,245
Transferred to Mediation	1098	1,062
Rescheduled	960	842
*Outcome Unallocated	1	0

*Cannot be allocated owing to lack of details

APPLICATION STATISTICS

Application Type	Total Received
	1999/00
Bond not lodged	251
Bond refund	1,828
Compensation/damage	3,058
Disposal of goods	339
Discrimination	1
Exemplary damages	224
Failure to allow entry	22
Market rent	17
Money owing (other than rent)	266
Notice/general	74
Other miscellaneous orders	396
Outgoings inc. water rates	65
Possession/general	366
Possession/illegal tenancy	29
Rent arrears	7,163
Rent Arrears vacated*	2,822
Retaliatory	37
Recovery of overpaid rent	115
Reduction of fixed-term tenancy	226
Right of Audience	2
Remedy of breach	100
Abandonment	1,608
Assault	71
Termination Breach - Arrears	4,789
Termination Breach - Other	514
Termination for Rent Arrears	17,048
Substantial damage	44
Unlawful entry	30
Work order	200
Unknown	-
Total	41,705

Bonds Held

	1998/99	1999/00
Number of bonds at end of period	282,939	296,889

*New application type introduced for Rent Arrears Vacated from 1 March 2000.

“Closing the Gaps”

The strategies being developed and implemented by the Ministry of Housing are aimed at contributing to the key government goal of “Closing the Gaps” and at meeting the Treaty of Waitangi obligation that our services to Maori tenants and landlords should be fully responsive to their cultural needs in meeting their requirements for Tenancy Services. These strategies should enhance both the services we provide directly and the capabilities of staff and systems of the Ministry to provide those services.

The Ministry’s strategies are incorporated in its Strategic Business Plan and its Chief Executive’s Performance Agreement for 2000/01. In preparing these strategies, managers have engaged with the Ministry’s Maori staff network, Pou Tokomanawa, and have also advised Te Puni Kokiri on actions the Ministry has taken in response to the TPK Review of the Ministry completed at the end of 1998.

The specific strategies put in place by the Ministry are listed below. Some of these incorporate objectives for Pacific Island tenants and landlords given that they too are designed to meet the Government’s “Closing the Gaps” objective.

- i) Establish and implement a programme to provide information and education for Maori and Pacific Island tenants on issues and tenant/landlord relationships, by tenant seminars and using Maori and Pacific media, community organisations and events.
- ii) Enhance Tenancy Services capability by:
 - Recruiting Maori and Pacific Island staff;
 - Ensuring all staff have appropriate training in cultural awareness and responsiveness, with the objective that all Ministry staff have had the opportunity for such training by June 2003;
 - Developing a Maori Language Strategy and implementation plan which encourages the development and use of te reo Maori within the Ministry and in its dealings with its customers; and
 - Inclusion of cultural competencies in performance agreements for managers and staff, by 2001.
- iii) Develop and implement responses to any specific needs or requirements of Tenancy Services’ Maori or Pacific customers that are identified in the May 2000 customer survey;

- iv) Improve the collection, use and understanding of data relating to Maori rental housing issues, and specifically the assessment of the feasibility of the collection of ethnic data for Tenancy Services;
- v) Support for the Ministry's Maori staff group "Pou Tokomanawa", and Pacific Island staff group "Vanua Pasifika".

The Ministry has established employment related targets for Maori on its staff through to 2010 under its EEO policy. Currently 27.8% of the Ministry's staff have declared their primary ethnicity as Maori or Pacific Islander.

Actual versus Budgeted Expenditure:

Category 1: Expenditure targeted solely at improving outcomes for Maori	1999/00 Budget \$	1999/00 Actual \$
Staff Development	10,000	8,737
Tenants Seminars for Maori Groups including Advertising	5,400	3,000
Customer Surveys of Maori Landlords and Tenants	5,000	5,000
Bi-Cultural training for new and existing staff	8,000	5,500
Category 2: Expenditure intended to improve outcomes of at-risk groups, but not targeted solely at Maori.		
Mediation services including advice	230,000	230,000
TOTAL – Categories 1 and 2	258,400	252,237

STATEMENT OF RESPONSIBILITY

In terms of sections 35 and 37 of the Public Finance Act 1989 and section 126 of the Residential Tenancies Act 1986, I am responsible, as Chief Executive of the Ministry of Housing, for the preparation of the Ministry'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 Ministry and the Residential Tenancies Trust Account for the year ended 30 June 2000.

David Smyth
Chief Executive

Countersigned by:

Ruth Jamieson
Financial Controller

29 September 2000

REPORT OF THE AUDIT OFFICE
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE
MINISTRY OF HOUSING
FOR THE YEAR ENDED 30 JUNE 2000

We have audited the financial statements on pages 16 to 47. The financial statements provide information about the past financial and service performance of the Ministry of Housing and its financial position as at 30 June 2000. This information is stated in accordance with the accounting policies set out on pages 30 to 33.

Responsibilities of the Chief Executive

The Public Finance Act 1989 requires the Chief Executive to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the Ministry of Housing as at 30 June 2000, the results of its operations and cash flows and the service performance achievements for the year ended 30 June 2000.

Auditor's responsibilities

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

The Controller and Auditor-General has appointed A J Shaw, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Ministry's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in the Ministry of Housing.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Ministry of Housing on pages 16 to 47:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 2000;
 - the results of its operations and cash flows for the year ended on that date; and
 - the service performance achievements in relation to the performance targets and other measures set out in the forecast financial statements for the year ended on that date.

Our audit was completed on 29 September 2000 and our unqualified opinion is expressed as at that date.

A J Shaw
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

PART II - PERFORMANCE

STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

OUTPUT CLASS I: POLICY ADVICE

The Ministry of Housing's housing policy advice function moved to the Social Policy Agency in the Department of Social Welfare (now Ministry of Social Policy) on 31 December 1998.

OUTPUT CLASS II - ADMINISTRATION OF RESIDENTIAL TENANCIES BOND MONIES

Description

The Minister of Housing requires the efficient, effective and impartial administration of residential tenancies bond monies. This includes:

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

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

(i) Lodgements

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

Quantity: *It is estimated that approximately 160,000 lodgements will be made.*

	Estimated	Actual	% Variance	Last year
Lodgements	160,000	167,047	4.4	162,368

Timeliness: All money to be banked on the day received. 80% of bonds to be receipted and verified within one working day of receipt within the Bond Centre and the remainder within two working days.

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

Banking	\$	%
Banked on the same day	68,377,794	100
Not banked on the same day	0	0
Recording, verifying and acknowledging bonds:	Number	%
Completed within 1 working day	159,890	95.7
Completed within 2 working days	7,070	4.2
Not lodged in 2 working days	87	0.1

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

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

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

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

Customer complaints are followed up and reported on.

(ii) Refunds

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

Quantity: It is expected that approximately 160,000 refunds will be made.

	Estimated	Actual	% Variance	Last Year
Refunds	160,000	166,799*	4.2	162,769

*Includes transfers

Timeliness: Refunds applications will be processed within one working day of receipt at the Bond Centre.

Refunds	Number	%
Refunded the same day	149,429	99.8
Not refunded within 1 working day	341	0.2

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

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

Random samples are checked by senior bond officers prior to verification based on staff skill levels and size of refunds.

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

Complaints are followed up and reported on.

Returned mail is followed up on a daily basis.

(iii) Bond Enquiries

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

Quantity: It is expected that the average number of telephone enquiries per day will be 800.

	Estimated	Actual	% Variance	Last Year
Number of Calls	800	828	3.5	829

Timeliness: 80% of enquiries on the Bond Centre's toll-free line will be answered within 20 seconds and less than 2% of calls will remain unanswered. All oral and written enquiries will be responded to within four working days.

More timely lodgements and refunds have reduced the number and length of bond enquiry calls. Calls are now being answered more quickly. 87.4% of calls are answered within 20 seconds.

Telephone enquiries (daily average)	Number	%
Answered within 20 seconds	723.5	87.4
Not answered within 20 secs (plus hang-ups)	104.5	12.6
Written enquiries	Number	%
Answered within 4 working days	125	91.9
Not answered within 4 working days	11	8.1

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

Regular training and section meetings verify staff knowledge.

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

A quality evaluation and training programme for telephone advice was introduced for Call Centre staff in July 1999.

(iv) Market rent information

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

Quantity: Information will be updated monthly. It is estimated that there will be 700 ad hoc requests for market information during the year.

	Estimated	Actual	% Variance	Last year
Reports produced	700	783	11.9	1039

A summary of market rent information was added to the Ministry's website in April 2000, which has reduced the number of separate enquiries for general market rental information.

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

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

Quality: *The database will be accurately updated as agreed with Statistics New Zealand to allow market rent reports to be provided.*

During the year the supplier was changed to Critchlow Associates Ltd. The supply of information was provided to comply with contracts with customers.

(v) Bond fund investment

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

Quantity: *The average daily balance in the bond fund is expected to be \$99-104m, consisting of a predetermined daily float level and a portfolio of call deposits and securities.*

The average daily balance was \$102.67m.

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

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

Quality: *All Investments will be correctly accounted for and will be made in terms of the criteria in the Ministry's Investment Strategy. All new investments will be within 0.25% of the prevailing daily rate.*

All investments complied with the investment strategy and were within 0.25% of the prevailing daily rate.

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

for the year ended 30 June 2000

Actual 1999 \$000		Actual 2000 \$000	Budget 2000 \$000
	Revenue		
0	Crown	0	0
6,802	Other	6,681	5,000
<u>6,802</u>	Total Revenue	<u>6,681</u>	<u>5,000</u>
	Expenditure		
3,334	Total Expenses	3,309	3,401
<u>3,468</u>	Net surplus /(deficit)	<u>3,372</u>	<u>1,599</u>

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

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

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

Quantity, quality, timeliness and cost of residential tenancies information and advice and dispute resolution**(i) Education**

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

Quantity: *Education will be provided in accordance with the quarterly plan of educational activities.*

282 educational events were completed in accordance with the activities planned (222 in 1998/99). The successful landlord seminar programme continued in larger centres but was also extended later in the year to smaller provincial centres. A different strategy was employed for tenant education. This entailed co-operation with community organisations, slotting into their existing information programmes, in order to reach an audience who would not normally be attracted by newspaper advertising in the way the landlord seminars did. Tenancy Services continued to contribute a monthly

article on preventing tenancy problems in the Residential Property Investor Magazine.

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

Educational activities were performed within the timetable of the plan.

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

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

(ii) Advice

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

Quantity: *It is expected that 1,000 general enquiries will be answered each day. This year the measure was changed to a daily rather than an annual measure.*

Timeliness: *90% of information and advice requests will be responded to within four working days, the remaining 10% will be responded to within ten working days. 80% of general telephone calls will be answered in 35 seconds.*

	Estimated	Actual	% Variance	Last Year
General enquiries	1,000	1,294	(29.4)	1,497

General enquiries include telephone calls and counter enquiries answered at the Dispute Resolution offices.

Written enquiries	Number	%
<i>Written enquiries answered in 4 working days</i>	285	98.6
<i>Answered within 10 working days</i>	4	1.4

If calls cannot be answered within 15 seconds at the Dispute Resolution offices, they overflow to the call centre. As the following table shows, the target of 80% of calls answered within 35 seconds is met, even for the overflow calls.

Telephone enquiries answered in call centre	Daily average	%
<i>Answered within 35 seconds</i>	378	87.5
<i>Not answered within 35 seconds</i>	54	12.5

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

A call centre is in place to answer general enquiries that overflow from dispute resolution offices.

Training on advice giving and Residential Tenancy Act provided to all dispute-resolution and call-centre staff.

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

A quality evaluation and training programme for telephone advice was introduced for Call Centre staff in July 1999.

(iii) Monitoring of compliance

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

Quantity: *It is expected 20 reports of non-compliance of lodging specific bonds will be investigated annually. Other reports of non-compliance with the Residential Tenancies Act are expected to number ten per year.*

	Estimated	Actual	Variance	Last Year
Non-compliance-Bond	20	22	10%	18
Non-compliance - RTA	10	35	250%	6

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

Non-compliance complaints	Number	%
First steps within 5 days	53	93
Not within 5 days	4	7

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

All non-compliance complaints received were investigated.

(iv) Mediation

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

Quantity: This output is based on an assumed 38,000 applications to the Tenancy Tribunal, of which about 70% are expected to proceed to mediation.

	Estimated	Actual	% Variance	Last Year
Applications to the Tenancy Tribunal	38,000	41,705	9.7	40,552

Applications have increased 1.3% over the previous year but increased 16.9% in the nine months prior to June 2000. This shows that the \$20 fee for applications is having less effect on the level of applications. The percentage of applications that are referred to mediation has increased from 72.5% on 1998/99 to 81.4% of applications received in 1999/00.

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

Of the applications received 33,959 or 81.4% went to mediation.

Contacts initiated	Number	%
In 5 days	28,940	96.3
Other*	1,110	3.7

*Includes no contact initiated

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

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

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

All mediators attended a two-day training course by an international mediation specialist.

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

(v) Tenancy Tribunal administration

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

Quantity: This output is based on an assumed 25,000 Tribunal hearings scheduled nationally.

	Estimated	Actual	% Variance	Last year
Tribunal hearings scheduled	25,000	28,394	13.6	27,971

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

Scheduled direct to Tribunal	Number	%
Within 4 days	8,618	88.7
Not within 4 days	1,096	11.3
Scheduled via mediation		
Within 4 days	11,988	88.1
Not within 4 days	1,620	11.9

Tribunal Applications	Number	%
10 day court		
Heard within 10 days	7,110	68.4
Not heard within 10 days	3,291	31.6
15 day court		
Heard within 15 days	9,371	72.4
Not heard within 15 days	3,579	27.6

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

Scheduling of the Tribunal hearings met the requirements of the Principal Tenancy Adjudicator.

Hearings continue to be scheduled according to priorities of types of cases.

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

OUTPUT STATEMENT
for the year ended 30 June 2000

Actual 1999 \$000		Actual 2000 \$000	Budget 2000 \$000
	Revenue		
5,760	Crown	5,877	7,356
514	Other	774	532
<hr/> 6,274	Total Revenue	<hr/> 6,651	<hr/> 7,888
	Expenditure		
<hr/> 9,139	Total Expenses	<hr/> 8,975	<hr/> 9,487
<hr/> (2,865)	Net surplus /(deficit)	<hr/> (2,324)	<hr/> (2,131)

MINISTERIAL SERVICES

As well as its formal outputs, the Ministry provides Ministerial services which relate to its residential tenancies outputs. Performance of these services is assessed below.

Description

Ministerial services include the provision of advice to the Minister, draft responses to Parliamentary Questions and Ministerial correspondence and replies to Official Information Act requests.

Service Objective:

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

Quantity:

For this financial year an estimated 20 reports to the Minister, 20 draft answers to Parliamentary Questions and 20 draft replies to ministerial correspondence will be prepared. Information will be supplied in response to 10 Official Information Act or Privacy Act requests.

	Year ending 30 June 2000		
	Actual	Forecast	% completed
Parliamentary Questions	49	20	245%
Ministerials	38	20	190%
Official Information Act	13	10	130%
Reports to Minister	31	20	155%

Timeliness:

All answers to written Parliamentary Questions to be provided within deadlines agreed with Minister. Answers to Questions of the Day to be provided before 11.30am on the day the question is to be answered. All draft replies to correspondence to be completed within 10 working days of receipt (3 working days for correspondence from MPs). Other specific requests will be delivered within deadlines negotiated with the Minister. OIA and Privacy Act requests to be met within statutory deadlines.

All responses were delivered on time.

Quality:

Less than 5% of Ministerial or PQ drafts are returned as inadequate or inappropriate. Responses to OIA requests or Privacy Act requests comply with the legislation.

All standards were met.

FINANCIAL INFORMATION

STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2000

Reporting Entity

The Ministry of Housing is a government department as defined by section 2 of the Public Finance Act 1989.

The financial statements of the Ministry of Housing have been prepared in accordance with section 35 of the Public Finance Act 1989.

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

Measurement System

The general accounting systems recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis have been followed.

Accounting Policies

- **Budget Figures**

The Budget figures are those presented in the Budget Night Main Estimates, and those amended by the Supplementary Estimates and any transfer made by Order in Council under section 5 of the Public Finance Act 1989.

- **Commitments**

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

- **Contingent Liabilities**

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

- **Cost Allocation**

The Ministry has determined the cost of outputs using a cost allocation system which is outlined below.

Cost Allocation Policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

Criteria for Direct and Indirect Costs

"Direct costs" are those costs directly attributable to an output.

"Indirect costs" are those costs that cannot be identified, in an economically feasible manner, with a specific output.

Direct Costs Assigned to Outputs

Direct costs are charged directly to outputs. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Property and other premises costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output.

For the year ended 30 June 2000, direct costs accounted for 56% of the Ministry's costs (1999: 56%).

Basis for Assigning Indirect and Corporate Costs to Outputs

Indirect costs are assigned to outputs based on the proportion of direct costs for each output.

- **Debtors and Receivables**

Receivables are stated at their expected realisable value.

- **Depreciation**

Depreciation of fixed assets is calculated on a straight-line basis to allocate the cost of the asset over its economic life.

The depreciation rates applied are:

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

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

- **Employee entitlements**

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

- **Financial instruments**

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

Fixed assets costing more than \$2,000 are capitalised and recorded at historical cost. No revaluations have been performed on any class of fixed assets.
- **Foreign Currency**

Foreign currency transactions are recorded at the date of settlement of the transaction.
- **Goods and Services Tax (GST)**

The Statements of Departmental and Non-Departmental Expenditure and Appropriations are inclusive of GST. All other statements are GST-exclusive. The Statement of Financial Position is also exclusive of GST, except for Creditors and Payables and Debtors and Receivables, which are stated inclusive of GST.
- **Leases**

The Ministry leases office premises, office equipment and motor vehicles. These leases are operating leases and the costs are expensed in the period in which they are incurred.
- **Revenue**

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

Residential Tenancies Trust Account

In accordance with the Residential Tenancies Act 1986, the Ministry administers a trust account for tenancy bond investments. Interest is payable to the Ministry and interest income is recognised on an accrual basis.
- **Statement of Cash Flows**

Cash means cash balances on hand, held in bank accounts, and deposits with the New Zealand Debt Management Office. Operating activities include cash received from all income sources of the Ministry and record the cash payments for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise capital injections by, or repayment of capital to, the Crown.

- **Taxation**
Government departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.
- **Taxpayers' Funds**
This is the Crown's net investment in the Ministry.

Changes in accounting policies

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

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2000

30/6/99 Actual \$000		Notes	30/6/00 Actual \$000	30/6/00 Main Estimates \$000	30/6/00 Supp. Estimates \$000
Revenue					
5,760	Revenue-Crown		5,877	7,356	5,877
7,316	Revenue-other	2	7,455	5,532	7,011
0	Interest	3	0	6	0
892	Discontinued activities				
<u>13,968</u>	Total operating revenue		<u>13,332</u>	<u>12,894</u>	<u>12,888</u>
Expenses					
5,977	Personnel costs	4	5,952	6,380	6,374
5,389	Operating costs	5	5,278	5,425	5,481
755	Depreciation		725	746	736
347	Capital charge	6	298	342	298
5	Net loss/(gain) on the sale of fixed assets		31	(5)	(1)
892	Discontinued activities		0	0	0
<u>13,365</u>	Total expenses		<u>12,284</u>	<u>12,888</u>	<u>12,888</u>
<u>603</u>	Net surplus from Operations		<u>1,048</u>	<u>6</u>	<u>0</u>
511	Other Expenses	7	0	0	0
<u>92</u>			<u>1,048</u>	<u>6</u>	<u>0</u>

This statement is to be read in conjunction with the statement of accounting policies on pages 30-33 and notes to the financial statements on pages 42-47.

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS

for the year ended 30 June 2000

30/6/99 Actual \$000		30/6/00 Actual \$000	30/6/00 Main Estimates \$000	30/6/00 Supp. Estimates \$000
3,545	Taxpayers' funds as at 1 July 1999	2,981	2,981	2,981
603	Add Net surplus/deficit	1,048	6	0
603	<i>Total recognised revenues and expenses for the year</i>	1,048	0	0
	<i>Adjustment for flows to and from the Crown:</i>			
	(Deduct)			
(603)	Provision for payment of surplus to the Crown	(1,048)	(6)	0
(53)	Assets transferred to Department of Social Welfare	0	0	0
(436)	Transition costs for transfer of Policy Division to Vote: Social Services	0	0	0
(75)	Long service leave accrual	0	0	0
2,981	Taxpayers' funds as at 30 June 2000	2,981	2,981	2,981

This statement is to be read in conjunction with the statement of accounting policies on pages 30-33 and notes to the financial statements on pages 42-47.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2000

30/6/99 Actual \$000		Notes	30/6/00 Actual \$000	30/6/00 Main Estimates \$000	30/6/00 Supp. Estimates \$000
	Taxpayers' funds				
2,981	General funds		2,981	2,981	2,981
2,981	Total taxpayers' funds		2,981	2,981	2,981
	Current assets				
65	Cash		95	151	100
77	Prepayments		35	70	100
2,731	Debtors and receivables	8	3,544	2,671	2,670
2,873	Total current assets		3,674	2,892	2,870
	Non-current assets				
1,988	Fixed assets	9	1,684	2,334	2,145
1,988	Total non-current assets		1,684	2,334	2,145
4,861	Total assets		5,358	5,226	5,015
	Current liabilities				
880	Creditors and payables	10	939	1,789	1,634
603	Provision for repayment of surplus to the Crown		1,048	6	0
298	Employee entitlements	11	297	450	300
1,781	Total current liabilities		2,284	2,245	1,934
	Non-Current Liabilities				
99	Employee Entitlements	11	93	0	100
1,880	Total Liabilities		2,377	2,245	2,034
2,981	Net assets		2,981	2,981	2,981

This statement is to be read in conjunction with the statement of accounting policies on pages 30-33 and notes to the financial statements on pages 42-47.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2000

30/6/99 Actual \$000	30/6/00 Actual \$000	30/6/00 Main Estimates \$000	30/6/00 Supp. Estimates \$000
Cash flows from operating activities			
Cash was provided from:			
Supply of outputs to			
6,988	6,016	7,356	5,954
7,422	6,478	5824	6983
0	0	6	0
Cash was applied to:			
(12,239)	(11,111)	(11,406)	(11,109)
(363)	(298)	(342)	(298)
(436)	0	0	0
1,372	1,085	1,438	1,530
Net cash inflow/ (outflow) from operating activities			
Cash flows from investing activities			
Cash was provided from:			
10	2	5	1
Cash was disbursed for:			
(852)	(454)	(935)	(893)
(842)	(452)	(930)	(892)
Net cash inflow/(outflow) from investing activities			
Cash flows from financing activities			
Cash was disbursed for:			
(801)	(603)	(498)	(603)
(801)	(603)	(498)	(603)
Net cash flows from financing activities			
(271)	30	10	35
336	65	141	65
65	95	151	100
Closing cash and deposits			
Cash and deposits comprises:			
65	95	151	100
0	0	0	0
65	95	151	100

This statement is to be read in conjunction with the statement of accounting policies on pages 30-33 and notes to the financial statements on pages 42-47.

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

for the year ended 30 June 2000

30/6/99		30/6/00	30/6/00	30/6/00
Actual		Actual	Main	Supp.
\$000		\$000	Estimates	Estimates
			\$000	\$000
603	Net surplus/(deficit)from operations	1,048	6	0
(436)	Other Expenses	0	0	0
	Add/(less) non-cash items			
783	Depreciation	725	746	736
	Add/(less) movements in working capital items			
151	(Increase)/decrease in debtors and receivables	(910)	292	(39)
336	(Increase)/decrease in Debtor Crown	139	0	77
(70)	Increase/(decrease) in other payables	52	399	757
	Add/(less) investing activity items			
5	Net loss/(gain) on sale of fixed assets	31	(5)	(1)
1,372	Net cash flows from operating activities	1,085	1,438	1,530

This statement is to be read in conjunction with the statement of accounting policies on pages 30-33 and notes to the financial statements on pages 42-47.

STATEMENT OF COMMITMENTS*as at 30 June 2000*

The Ministry has long-term leases on its offices situated throughout New Zealand. The annual lease payments are subject to reviews on a range of terms. The amounts disclosed below as future commitments are based on current rental rates.

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

	30/6/00 Actual \$000	30/6/99 Actual \$000
Operating commitments		
Leases		
Less than one year	790	789
One to two years	389	722
Two to five years	271	524
Over five years	0	6
Total operating commitments	1,450	2,041
Capital Commitments	111	0
Total commitments	1,561	2,041

The Ministry has entered into non-cancellable contracts for building renovations and IT equipment totalling \$110,870 as at 30 June 2000. (There were no non-cancellable contracts as at 30 June 1999)

STATEMENT OF CONTINGENT LIABILITIES*as at 30 June 2000*

The Ministry had \$6,000 of contingent liabilities as at 30 June 2000.

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

STATEMENT OF UNAPPROPRIATED EXPENDITURE*as at 30 June 2000*

There was no unappropriated expenditure for the year ended 30 June 2000 (1999: \$NIL).

STATEMENT OF DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 2000

30/6/99 Expenditure Actual \$000		30/6/00 Expenditure Actual \$000	30/6/00 Appropriation Voted* \$000
Appropriations for outputs to be supplied by the Ministry (mode B gross)			
892	1. Policy advice	0	0
112	GST	0	0
<u>1,004</u>		<u>0</u>	<u>0</u>
	2. Administration of residential tenancies bond monies*	3,309	3,401
3,334	GST	0	0
<u>3,334</u>		<u>3,309</u>	<u>3,401</u>
	3. Residential tenancies information and advice and dispute resolution*	8,975	9,487
9,139	GST	831	824
<u>784</u>		<u>9,806</u>	<u>10,311</u>
<u>9,923</u>			
13,365	Total (GST exclusive)	12,284	12,888
896	GST	831	824
<u>14,261</u>	Total (GST inclusive)	<u>13,115</u>	<u>13,712</u>

* This includes adjustments made in the Supplementary Estimates and transfers under section 5 of the Public Finance Act.

This statement is to be read in conjunction with the statement of accounting policies on pages 30-33 and notes to the financial statements on pages 42-47.

STATEMENT OF NON-DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 2000

30/6/99 Expenditure Actual \$000		30/6/00 Expenditure Actual \$000	30/6/00 Appropriation Voted* \$000
Benefits and Other Unrequited Expenses			
<u>712</u>	Housing Assistance	<u>666</u>	<u>700</u>
<u>712</u>	Total	<u>666</u>	<u>700</u>

* This includes adjustments made in the Supplementary Estimates.
This statement is to be read in conjunction with the statement of accounting policies on pages 30-33 and notes to the financial statements on pages 42-47.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000**

Note 1: Budget Composition

	30/6/00 Main Estimates \$000	30/6/00 Supplementary Estimates Changes* \$000	30/6/00 Supp. Estimates \$000
REVENUE			
Crown	7,356	(1,479)	5,877
Other	5,532	1,479	7,011
Interest	6	(6)	0
Total Revenue	<u>12,894</u>	<u>(6)</u>	<u>12,888</u>
EXPENDITURE			
Personnel Costs	6,380	(6)	6,374
Operating Costs	5,425	56	5,481
Depreciation	746	(10)	736
Capital Charge	342	(44)	298
Other Expenses	(5)	4	(1)
Total Expenses	<u>12,888</u>	<u>0</u>	<u>12,888</u>
Net Operating Surplus/(deficit)	<u>6</u>	<u>(6)</u>	<u>0</u>

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

Note 2: Revenue - other

30/6/99 Actual \$000		30/6/00 Actual \$000	30/6/00 Main Estimates \$000	30/6/00 Supp. Estimates \$000
6,802	Interest from tenancy bonds	6,681	5,000	6,300
514	Other	774	532	711
<u>7,316</u>	Total	<u>7,455</u>	<u>5,532</u>	<u>7,011</u>

Note 3: Interest Revenue

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

Note 4: Personnel costs

30/6/99 Actual \$000		30/6/00 Actual \$000	30/6/00 Main Estimates \$000	30/6/00 Supp. Estimates
4,906	Salaries and wages	5,178	5,052	5,059
1,071	Other	774	1,328	1,315
<u>5,977</u>	Total	<u>5,952</u>	<u>6,380</u>	<u>6,374</u>

Note 5: Operating Costs

30/6/99 Actual \$000		30/6/00 Actual \$000	30/6/00 Main Estimates \$000	30/6/00 Supp. Estimates \$000
1,109	Administration	1,131	1,371	1,266
602	Communications	520	603	549
681	Computer costs	715	698	695
944	Lease costs	881	882	892
35	Fees for audit of financial statements	38	34	40
1,456	Tenancy Tribunal	1,450	1,400	1,422
562	Other	543	437	617
<u>5,389</u>	Total	<u>5,278</u>	<u>5,425</u>	<u>5,481</u>

Note 6: Capital Charge

The Ministry operates under the capital charge regime which requires payment of a capital charge to the Crown based on the taxpayers' funds held by the Ministry as at 30 June and 31 December each year. The capital charge rate for 2000 was 10% (1999: 11%).

Note 7: Other Expenses

30/6/99 Actual \$000		30/6/00 Actual \$000	30/6/00 Main Estimates \$000	30/6/00 Supp. Estimates \$000
	Restructuring Expenses:			
7	Audit fees	0	0	0
429	Other	0	0	0
75	Recalculation of Employee Entitlements**	0	0	0
<u>511</u>		<u>0</u>	<u>0</u>	<u>0</u>

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

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

Note 8: Debtors and Receivables

30/6/99 Actual \$000		30/6/00 Actual \$000
2,465	Tenancy bond current account	3,430
15	Trade and other debtors	25
74	GST receivable	51
177	Debtor Crown	38
<u>2,731</u>	Total	<u>3,544</u>

Note 9 Fixed Assets

	Cost 30/6/00 \$000	Accumulated depreciation 30/6/00 \$000	Net book value 30/6/00 \$000	Net book value 30/6/99 \$000
Office equipment	221	(135)	86	102
Office renovations	1,241	(711)	530	695
Furniture and fittings	145	(83)	62	60
Computer hardware	2,396	(1,730)	666	708
Software	311	(243)	68	115
Vehicles	334	(62)	272	308
Total	<u>4,648</u>	<u>(2,964)</u>	<u>1,684</u>	<u>1988</u>

Note 10: Creditors and Payables

	30/6/00 Actual \$000	30/6/99 Actual \$000
Trade creditors and accrued expenses	752	724
GST payable	55	71
Miscellaneous	132	85
Total	<u>939</u>	<u>880</u>

Note 11: Employee Entitlements

	30/6/00 \$000	30/6/99 \$000
Current:		
Annual leave	264	262
Resigning Leave	33	36
Non-Current:		
Retirement Leave	30	26
Long-service leave	63	73
Total Employee Entitlements	<u>390</u>	<u>397</u>

Note 12: Related party transactions

The Ministry of Housing is a wholly-owned entity of the Crown. The Government significantly influences the roles of the Ministry as well as being its major source of revenue.

The Ministry enters into numerous transactions with other government departments, crown agencies and state-owned enterprises on an arm's length basis. These transactions are not considered to be related party transactions.

Note 13: Financial instruments

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

Credit Risk

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

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

Maximum exposures to credit risk at balance date

	30/6/00 Actual \$000	30/6/99 Actual \$000
Cash on hand	3	3
Cash held with WestpacTrust	92	62
Accounts receivable	3,455	2,480
Total	<u>3,550</u>	<u>2,545</u>

There are no significant concentrations of credit risk with respect to accounts receivable.

Fair Value

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

Currency Risk

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

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

Interest Rate Risk

Interest rate risk is the risk that the Ministry's return on the funds it has invested will fluctuate owing to changes in market interest rates. The Ministry had no interest rate risk as no money was invested in this financial year.

Note 14: Contingencies

The Ministry does not have any contingent assets as at 30 June 2000 (1999: \$NIL). Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

Note 15: Major budget variations

Statement of Financial Performance

Explanations for major variations from the initial Budget Night Estimates were outlined in the Supplementary Estimates. They were:

Output D1 - Policy Advice

This output class was transferred to Vote: Social Services from 1 January 1999, so there was no appropriation in 1999/00.

Output D2 - Administration of Residential Tenancies Bond Monies.

There were no changes to this output class this year.

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

The decrease of \$162,000 in this appropriation reflects a reduction in GST due to reduced Revenue Crown requirement.

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE RESIDENTIAL TENANCIES TRUST ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000

We have audited the financial statements on pages 50 to 57. The financial statements provide information about the past financial performance of the Residential Tenancies Trust Account and its financial position as at 30 June 2000. This information is stated in accordance with the accounting policies set out on pages 53 to 54.

Responsibilities of the Chief Executive

The Residential Tenancies Act 1986 requires the Chief Executive of the Ministry of Housing to prepare financial statements in accordance with generally accepted accounting practice which fairly reflect the financial position of the Residential Tenancies Trust Account as at 30 June 2000, and the financial results of its operations and cash flows for the year ended 30 June 2000.

Auditor's responsibilities

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

The Controller and Auditor-General has appointed A J Shaw, of Audit New Zealand, to undertake the audit.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Residential Tenancies Trust Account's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards including the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Controller and Auditor-General, we have no relationship with or interests in the Residential Tenancies Trust Account.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Residential Tenancies Trust Account on pages 50 to 57:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 2000; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 29 September 2000 and our unqualified opinion is expressed as at that date.

A J Shaw
Audit New Zealand
On behalf of the Controller and Auditor-General
Wellington, New Zealand

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2000

1999		2000
\$000		\$000
	Revenue	
1,757	Interest earned from stock	1,672
5,045	Interest earned from bank deposits	5,009
<u>6,802</u>		<u>6,681</u>
	Expenditure	
6,802	Interest to Ministry of Housing	6,681
<u>0</u>	Operating surplus	<u>0</u>

RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

for the year ended 30 June 2000

1999		2000
\$000		\$000
<u>93,493</u>	Bondholders' funds brought forward 1 July	<u>100,074</u>
0	Total recognised revenues and expenses for the year	0
65,199	Bonds lodged	67,391
<u>(58,618)</u>	Bonds refunded	<u>(59,448)</u>
<u>100,074</u>	Bondholders' funds as at 30 June	<u>108,017</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 53-57.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2000

1999 \$000		Notes	2000 \$000
	Cash flows from operating activities		
6,499	Cash provided from interest received		5,946
(6,892)	Cash disbursed to interest payments to Ministry of Housing		(5,717)
<u>(393)</u>	Net cash flows from operating activities	2	<u>229</u>
	Cash flows from investing activities		
136,725	Cash provided from proceeds from maturity of investments		158,883
(145,053)	Cash disbursed to purchase of investments		(166,321)
<u>(8,328)</u>	Net cash flows from investing activities		<u>(7,438)</u>
	Cash flows from financing activities		
65,200	Cash provided from lodgement of bonds		67,391
(58,618)	Cash disbursed to refund of bonds		(59,448)
<u>6,582</u>	Net cash flows from financing activities		<u>7,943</u>
(2,139)	Net increase/(decrease) in cash held		734
3,094	Opening total cash balances		955
<u>955</u>	Closing total cash balances at 30 June		<u>1,689</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 53 - 57.

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

- The Ministry of Housing manages the Residential Tenancies Trust Account pursuant to the Public Finance Act 1989 and the Residential Tenancies Act 1986.
- The Ministry took over direct management of the Residential Tenancies Trust Account on 18 August 1992.
- All interest arising from any investment in the Residential Tenancies Trust Account belongs to the Crown and is treated as department revenue to the Ministry of Housing.
- Investments are held in approved securities under section 68 of the Public Finance Act 1989.
- Costs associated with the management of the Residential Tenancies Trust Account are paid by the Ministry of Housing as departmental expenses.

Measurement System

These financial statements have been prepared on the basis of modified historical cost except for certain items with specific accounting policies outlined below.

Accounting policies

- **Accounts receivable**
Accounts receivable are stated at their expected realisable value.
- **Taxation**
The Residential Tenancies Trust Account is not liable for income tax.
- **Investments**
Investments are not generally traded but held to maturity. Investments in bonds are valued at cost with premiums and discounts on investments accounted for on a yield to maturity basis. Investments in bank deposits are valued at cost.
- **Cash**
Cash is defined as coins, notes and demand deposits in the Trust bank account and other deposits held on call.
- **Revenue**
The Trust derives revenue from interest on investments. Interest on investments is accrued on a monthly basis.

- **Financial instruments**

The Residential Tenancies Trust Account is party to financial instruments as part of its everyday operations, which have been recognised in these financial reports. These financial instruments include accounts payable and receivable, cash, deposits and investments.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

- **Fair value**

Fair values of the Trust's financial assets and liabilities at 30 June 2000 approximates with the carrying amounts reflected in these financial statements.

- **Changes in accounting policies**

There have been no changes in accounting policies.

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

NOTES TO THE FINANCIAL STATEMENTS**1 Investments by counterparty**

Investments are undertaken in line with the Ministry's investment strategy. Investments were held with the following counterparties at 30 June.

(Investments valued at book value)

	30 June 2000 \$000	30 June 1999 \$000
(a) CURRENT		
WestpacTrust	23,656	13,679
National Bank	18,490	10,749
ANZ	22,549	22,541
BNZ	19,493	15,702
Government Stock	<u>0</u>	<u>1,982</u>
	<u>84,188</u>	<u>64,653</u>
(b) NON-CURRENT		
WestpacTrust	0	10,000
National Bank	5,000	5,000
BNZ	0	2,000
Government Stock	8,257	8,392
Electricorp Stock	<u>9,357</u>	<u>9,329</u>
	<u>22,614</u>	<u>34,721</u>

(c) INTEREST RATES

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

	30 June 2000	30 June 1999
Short-term deposits	6.72%	4.86%
Term deposits	6.92%	7.33%
Government stock	8.57%	8.47%
Electricorp stock	10.36%	10.36%

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

	30 June 2000 \$000	30 June 1999 \$000
Operating surplus	0	0
Add movements in working capital items		
Increase in interest payable	965	(90)
(Increase) in interest receivable	<u>(736)</u>	<u>(303)</u>
Net cash from operating activities	<u>229</u>	<u>(393)</u>

3 Book value of investments

	30 June 2000 \$000	30 June 1999 \$000
Bank deposits	89,188	79,671
Government and Electricorp Stock	<u>17,614</u>	<u>19,703</u>
	<u>106,802</u>	<u>99,374</u>

4 Fair Value

The fair value of all financial instruments approximates the carrying amount disclosed in the Statement of Financial Position, apart from the investment in Government and Electricorp stock, the fair value of which is the market value of \$18,470,112 (1999: \$21,006,464)

5 Financial instruments

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

The maximum exposures to credit risk at balance date are:

	30 June 2000 \$000	30 June 1999 \$000
Cash held	1,689	955
Accounts receivable	2,974	2,227
Investments	<u>106,802</u>	<u>99,374</u>
Total	<u>111,465</u>	<u>102,556</u>

There are no major concentrations of credit risk with respect to accounts receivable.

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

The Residential Tenancies Trust Account has no interest rate risk, as all investments are held to maturity. Deposits are held with authorised New Zealand Banks.

6 Commitments and contingencies

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

PART III - MANAGEMENT

MANAGEMENT OF THE MINISTRY

HUMAN RESOURCES

Industrial relations

A new collective employment agreement has been negotiated and was ratified on 1 August 2000. The contract covers 48% of non-management staff, who are members of the PSA, and has a term of 18 months.

No industrial relations issues arose during the year.

Remuneration policy and performance management

The Ministry has had a comprehensive performance management system in place since 1997 and this is being utilised nationally. The Ministry's remuneration policy requires market reviews of all Ministry salary ranges to be carried out progressively over a two year period. Reviews for those positions scheduled for the 1999/2000 financial year have been completed and changes to salaries have been made where market rates for a position increased during the review period.

Human Resource Management Information System (HRMS)

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

Recruitment and Selection

The Human Resources team reviewed the recruitment process with the intention of making it more effective and more user friendly for applicants/appointees and managers. A more robust and transparent process has been achieved through linking job descriptions, self-assessments, interview questions and reference checks using competencies that form the basis of selection criteria.

Training and personal development

The major achievement this year has been a comprehensive review of the Ministry's training and development framework. This has resulted in a revised format for the Annual Training Plan that effectively links training to the Strategic Business Plan, organisational objectives and core competencies. A thorough evaluation process is to be piloted for key training programmes delivered throughout the 2000/2001 training year to ensure key objectives are being met. Individual Training Plans will be replaced by Personal Development Plans and, wherever possible, individual training needs will be integrated into the overall framework.

Health and Safety

A Health and Safety survey was completed during March 2000. This survey was sent to staff to ascertain whether they were experiencing pain/discomfort during the preceding 12 months.

Through heightened awareness of Health and Safety issues by regular updates to staff, particularly on OOS, the Ministry has developed a practice of early intervention which has led to a significant reduction in the number and OOS related problems being reported by staff.

Preparations are now complete for the introduction of new procedures arising from the changeover of workplace insurance cover from private insurers to the ACC.

Equal Employment Opportunities

During the year the Ministry undertook an EEO audit focussing on

- Leadership in the creation of a culture that welcomes, supports and values diverse staff
- The recruitment, retention and development of staff from EEO groups

As a result of the Audit:

- Management competencies have specific references to EEO and to issues relating to managing staff diversity.
- Managers attended a Managing Diversity Course.
- EEO initiatives have been integrated into the Strategic Planning process for the Ministry
- The Ministry is in the process of extending its sexual harassment policy to a general harassment policy.

The Maori Network group, Pou Tokomanawa, held a Hui and presented recommendations to the CEO. A fono for the Pacific Island staff group, Vanua Pasifika, is being planned for July 2000.

The Ministry of Housing's staff profile as at 30 June 2000 is shown in the tables following.

Ministry of Housing Staffing						
	1998/99		1999/00		Growth in FTE	
Service Units	Actual	FTE	Actual	FTE	No	Percent
Executive Management	1.0	1.0	1.0	1.0	0	0.00%
Corporate Services	15.0	13.8	14	11.2	-2.6	-18.84%
Finance	3.0	3.0	3	3	0	0.00%
Tenancy Services Corporate Office	4.0	3.8	5	4.8	1.0	26.32%
Bond Centre	33.0	31.3	35	32.15	0.85	2.71%
Northern Region	33.0	29.0	32	30.47	1.47	5.07%
Central Region	27.0	23.9	25	22.8	-1.1	-4.60%
Southern Region	17.0	15.2	19	17.06	1.86	1.22%
TOTAL	133.0	121.0	134	122.48	1.48	1.22%

GENDER	NUMBER	PERCENTAGE 2000	JUNE 1999
Female	85	64%	65%
Male	48	36%	35%
Total	133	100%	100%

PRIMARY ETHNICITY	NUMBER	PERCENTAGE 2000	JUNE 1999
NZ Maori	26	20%	8%
NZ European	73	55%	55%
Non NZ European	16	12%	11%
Pacific Islander	11	8%	9%
Other	5	3.5%	10%
Not Stated	2	1.5%	7%
Total	133	100%	100%

REMUNERATION BY GENDER Salary Level (\$) #	MALE 30/06/00	FEMALE 30/06/00	MALE 30/06/99	FEMALE 30/06/99
0-20,000	0	0	0	0
20,001-30,000	6	24	6	23
30,001-40,000	13	24	17	28
40,001-50,000	23	33	19	29
50,001-60,000	1	2	3	2
60,001 +	5	2	4	2
Total	48	85	49	84

STAFF DISABILITIES	BY NUMBER	PERCENTAGE 2000	JUNE 1999
No	113	85%	79%
Yes	18	13.5%	14.2%
Not Recorded	2	1.5%	6.8%
Total	133	100%	100%

INFORMATION TECHNOLOGY

The key information technology objectives established in the 1999 2002 Strategic Business Plan are to enhance the provision of services through the efficient and effective use of advanced business systems and to develop the ability to exchange business information to enhance service to customers and reduce costs.

Enhancements to the systems over the last twelve months include:

- Upgrades of all workstations to the Windows NT Operating System.
- Upgrade of Corporate Office, Bond Centre and Tenancy Office file servers.
- Upgrades and testing for Y2K.
- Major upgrade of the Wide Area Network with the implementation of Frame Relay circuits into all offices and contingency connections to our standby processor in Auckland.
- Ongoing improvements to both the external and internal Internet sites to enhance communications with both customers and staff.
- Specification of a replacement Client Server System for Bond Processing.
- Development of a replacement scanning system for the Bond Centre.

PROPERTY ADMINISTRATION

The Ministry leases all its office accommodation. The table below shows the location and size of every office, annual rental, staff numbers and associated costs as at 30 June 2000. There was a 2.8% increase in the amount of floor space occupied by the Ministry due to a small increase in size of the Henderson and Nelson offices. Rental costs have increased by a corresponding amount.

During the reporting period the Nelson office was relocated, and the offices at Tauranga and New Plymouth were upgraded to meet higher health and safety standards.

A property management plan for the period 1999 – 2004 is in place and is updated twice a year.

The Ministry has no unoccupied accommodation.

Location	No of Seats	Office Area (Sq Mtrs)	Rental	Office area Per Employee (Sq Mtrs)	Cost per Sq Metre	Cost per Employee
Whangarei	3	90.00	\$16,000	30.00	\$178	\$5,333
Takapuna	5	182.32	\$35,836	36.46	\$197	\$7,167
Henderson	4	178.13	\$25,294	44.53	\$142	\$6,323
Auckland	13	356.01	\$64,081	27.39	\$180	\$4,929
Manukau	10	305.21	\$39,586	30.00	\$137	\$4,167
Hamilton	5	166.28	\$31,240	33.26	\$257	\$8,566
Tauranga	3	100.54	\$15,100	33.51	\$150	\$5,033
Gisborne	1	30.39	\$3,190	30.39	\$214	\$6,500
Napier	2	40.00	\$9,923	20.00	\$248	\$4,961
Rotorua	2	98.40	\$12,000	49.20	\$158	\$7,788
Palmerston North	5	136.46	\$22,872	27.29	\$173	\$4,730
New Plymouth	3	85.41	\$10,450	28.47	\$143	\$4,071
Lower Hutt	4	158.03	\$20,500	39.51	\$179	\$7,073
Wellington	5	137.10	\$23,828	27.42	\$222	\$6,085
Corporate Office	26	1,062.45	\$186,172	40.86	\$202	\$8,238
Porirua	35	576.32	\$93,511	16.47	\$162	\$2,672
Nelson	2	98.00	\$12,500	49.00	\$128	\$6,250
Blenheim	1	25.10	\$4,500	25.10	\$179	\$4,500
Christchurch	11	324.00	\$43,620	29.45	\$142	\$4,200
Timaru	1	26.00	\$5,720	26.00	\$220	\$5,720
Dunedin	4	173.35	\$18,000	43.34	\$104	\$4,500
Greymouth	1	35.00	\$6,000	35.00	\$171	\$6,000
Invercargill	1	51.00	\$11,520	51.00	\$226	\$11,520
TOTALS:	147	4,435.50	\$711,443			

Notes:

Rentals include cost of official car parks.

Ministry of Housing Management Structure

