



Report of the
Ministry of Housing

for the year ended
30 June 2001

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

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PART I: INTRODUCTION

DIRECTORY

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Auditor

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

Bankers

WestpacTrust
NZ Government Branch
WELLINGTON

Insurer

NZI Insurance NZ Ltd
WELLINGTON

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 by administering the Residential Tenancies Act 1986, and by advising on the governance and monitoring of the Housing New Zealand Corporation including its subsidiaries Housing New Zealand Limited and Community Housing Ltd (HNZC).

MISSION STATEMENT

To meet the needs of residential tenants and landlords by providing efficient and effective services.

CHIEF EXECUTIVE'S OVERVIEW

The mission statement for the Ministry has been revised in the light of the wider range of activities now undertaken by the Ministry. The core objective of meeting the needs of residential tenants and landlords remains. The Ministry's new activities of monitoring the performance of Housing New Zealand Corporation and providing administrative support for the State Housing Appeal Authority also contribute to that goal, so the mission statement states just the mission, and does not now list all the activities of the Ministry.

The Ministry had two key priorities for 2000/01:

- Achieve the best quality service to maximise customer satisfaction
- Increase targeted education and information, so that tenants and landlords maintain their tenancy relationships in a businesslike manner.

These objectives contribute to the Government goals of:

- Restoring trust in government and provide strong social services
- Reduce inequalities in health, education, employment and housing

A number of initiatives to enhance the effectiveness and quality of services have been put in place. A major upgrade of the Bond Centre database system, still in progress at the end of the financial year, will provide a more efficient system for the lodgement and refund of tenancy bonds. The new database system will also provide the basis for a future upgrade of the system supporting the administration of tenancy dispute resolution, and enable the future development of electronic transaction capability.

In Henderson and Christchurch, the Ministry in November 2000 began a pilot of the integration of administrative support for the Tenancy Tribunal into one organisation. This represents a shift from the current model of provision of administration being shared between the Ministry and Department for Courts.

An evaluation of the pilot found that the integration of the support and administrative services into one organisation had resulted in the elimination of a significant amount of double-handling and manual recording of Tribunal information. There had been benefits to landlords and tenants from only having one organisation to contact for all Tenancy matters.

A toll free 0800 number was introduced for tenancy advice inquiries in September 2000 which improved access to tenancy advice for tenants and landlords without telephones or in rural areas, who previously had to pay for a toll call to talk to a Tenancy Services office. For the first time, the Tenancy Advice Call centre opened for three days between Christmas and New Year. There were more than 400 calls a day for advice during this period.

In relation to the priority for targeted information and education, the Ministry created three new roles to develop staff capability and to enable better services, information and education on tenancy issues to be provided for Maori and Pacific peoples. The three roles are Kaiwhakahaere Whakatapu (Partnership Development Manager), Pasifika Developments Co-ordinator, and Public Education Adviser. Initial work plans have been developed for these roles for targeted education and information programmes and building staff capability.

Tenancy Services

The introduction of income-related rents in December 2000 has resulted in a significant reduction in the number of applications for dispute resolution for Housing New Zealand tenancies. The number of applications for Housing New Zealand tenancies received between December 2000 and June 2001 has fallen by 30.5% from the number received for the same seven-month period in 1999/00.

The result of this change was that the number of applications (all tenancies) lodged for dispute resolution rose by only 0.1% to 41,736 in 2000/01. This represents a significant shift from the trend of steady growth experienced in the previous two years. There continues to be a growth in the number of applications from private landlords, with an increase of 5.6% from the previous year, although this has slowed from 8.1% in the first three months to 2.9% in the last three months of the financial year. The slower growth in applications has contributed to an improvement in timeliness, with an increase in the proportion meeting timeliness targets for the period from receipt of application to Tribunal hearing date rising from 70.6% in 1999/00 to 76.5% in 2000/01.

The volume of tenancy bond transactions was similar to 1999/00, with 168,920 lodgements and 162,059 refunds.

New Activities

In February 2001 the Ministry took over responsibility for monitoring Housing New Zealand and Housing Corporation from the Crown

Company Monitoring Advisory Unit and the Ministry of Social Policy. This change was to enable the Ministry to establish the capability to monitor the restructured Housing New Zealand Corporation as from 1 July 2001.

At the end of the 2000/01 financial year accountability documents for 2001/02 for the new Corporation had been approved, and recruitment for the Ministry's new monitoring unit was in progress.

With the introduction of income related rents in December 2000, the Government established a State Housing Appeals Authority to hear appeals from decisions by Housing New Zealand on the level of income related rents paid by tenants, and on the eligibility and level of need of applicants for state houses.

The Ministry was given responsibility for setting up the Authority, and provides ongoing administrative support for its operations.

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 2000/01.

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 2000/01 were;

- 41,736 applications were made to the Tenancy Tribunal, a slight increase on the previous year.
- Of the applications received, 79% were referred to mediation. This is a reduction from the previous year when 81.4% of applications were referred to mediation
- About 55.8% 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 54% of all applications were finally resolved in the Tenancy Tribunal after being referred directly to the Tribunal or from mediation, and 2.8% were transferred back to mediation.

Approximately 92.6% of applications were from landlords and only 7.4% from tenants in 2000/01. The proportion of total applications that were for rent arrears decreased slightly from 76.3% in 1999/00 to 75.8% in 2000/01. 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 10 and 11 of this report.

The Ministry received 168,920 lodgements of bonds and made 162,059 bond refunds (including transfers) during the year. The value of the bondholders' funds held increased to \$115.62 million as at June 2001. The number of the bonds rose by over 6.1% from 296,889 to 315,061.

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 2001 are given on pages 51-58 of this report.

	Applications received	
	1999/00	2000/01
Resolved after previous reporting period	524	1,198
On hand at beginning	3,234	3,247
Received	41,705	41,736
Resolved	40,486	41,732
On hand at end	4,445	3,245
*Unallocated	8	6

	Mediations	
	1999/00	2000/01
Resolved after previous reporting period	28	90
On hand at beginning	1,195	1,337
Received	33,959	32,971
Resolved	33,719	33,161
On hand at end	1,427	1,143
*Unallocated	8	4

	Mediation outcomes	
	1999/00	2000/01
Resolved at Mediation	13,538	13,157
Withdrawn	3,884	4,031
Referred to Tribunal	13,919	13,594
Transferred to another office or mediator	2,378	2,379
*Outcome Unallocated	0	0

	Hearings	
	1999/00	2000/01
Resolved after previous reporting period	504	1,181
On hand at beginning	1,818	1,302
Received	28,394	29,785
Resolved	27,722	29,491
On hand at end	2,483	1,588
*Unallocated	7	8

	Hearing outcomes	
	1999/00	2000/01
Resolved at Tribunal	21,718	23,061
Withdrawn	854	998
Adjourned	3,245	3,031
Transferred to Mediation	1,062	1,181
Rescheduled	842	1,220
*Outcome Unallocated	0	0

*Cannot be allocated owing to lack of details

APPLICATION STATISTICS

Application Type	Total Received
	2000/01
Bond not lodged	220
Bond refund	1,789
Compensation/damage	3,239
Disposal of goods	347
Discrimination	2
Exemplary damages	226
Failure to allow entry	20
Market rent	21
Money owing (other than rent)	162
Notice/general	48
Other miscellaneous orders	335
Outgoings inc. water rates	94
Possession/general	421
Possession/illegal tenancy	34
Rent arrears	2,082
Rent Arrears vacated	7,367
Retaliatory Notice	53
Recovery of overpaid rent	89
Reduction of fixed-term tenancy	235
Right of Audience	3
Remedy of breach	100
Abandonment	1,750
Assault	101
Termination Breach - Arrears	3,988
Termination Breach - Other	556
Termination for Rent Arrears	18,203
Substantial damage	25
Unlawful entry	47
Work order	178
Unknown	1
Total	41,736

	Bonds Held	
	1999/00	2000/01
Number of bonds at end of period	296,889	315,061

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 2001.

David Smyth
Chief Executive

Countersigned by:

Ruth Jamieson
Financial Controller
28 September 2001

REPORT OF THE AUDIT OFFICE
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE
MINISTRY OF HOUSING
FOR THE YEAR ENDED 30 JUNE 2001

We have audited the financial statements on pages 15 to 48. 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 2001. This information is stated in accordance with the accounting policies set out on pages 31 to 34.

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 2001, the results of its operations and cash flows and the service performance achievements for the year ended 30 June 2001.

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 15 to 48:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 2001;
 - 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 28 September 2001 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 1 - 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 164,000 lodgements will be made.*

	Estimated	Actual	% Variance	Last year
Lodgements	164,000	168,920	3.0	167,047

Timeliness: *All money to be banked on the day received. 90% of bonds to be receipted and verified within one working day of receipt within the Bond Centre and the remainder within two working days.*

The Bond Centre has continued to improve processes and achieve efficiency gains. The percentage of bonds lodged within one day has

increased from 95.7% in 1999/00 to 96.9% in 2000/01. The introduction of the new Bond database in 2001/02 will enable tenancy addresses to be matched with property data from Statistics New Zealand, which will improve the quality of the data entry for bond lodgements.

Banking	\$	%
Banked on the same day	71,061,505	100
Not banked on the same day	0	0
Recording, verifying and acknowledging bonds:	Number	%
Completed within 1 working day	163,747	96.9
Completed within 2 working days	5,120	3.0
Not lodged in 2 working days	53	0.0

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 164,000 refunds will be made.

	Estimated	Actual	% Variance	Last Year
Refunds	164,000	162,059*	(1.2)	166,799

*Includes transfers

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

Refunds	Number	%
Refunded the same day	164,023	100.0
Not refunded within 1 working day	52	0.0

There was a significant increase in the number of bond refund transactions between September and December 2000. There were more than 14,000 transactions for partial bond refunds for Housing New Zealand tenancies as a result of the introduction of Income-related rents (not included in the above data). The Bond Centre has continued to improve their service to customers by encouraging the use of direct credit for bond refunds as this enables landlords and tenants to receive their refunds overnight.

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	825	3.2	828

Timeliness: *80% of enquiries on the Bond Centre's toll-free line will be answered within 20 seconds and the abandonment rate shall not exceed 2%. All oral and written enquiries will be responded to within four working days.*

There continues to be a reduction in the number and length of calls for bond inquiries as the Bond Centre improves its timeliness standards for bond lodgements and refunds. Calls are being answered more quickly, with 89.4% of calls being answered within 20 seconds. There was an increase in the number of inquiries between September and December in relation to partial refunds for Housing New Zealand tenancies.

Telephone enquiries (daily average)	Number	%
Answered within 20 seconds	738	89.4
Not answered within 20 secs (plus hang-ups)	87	10.6
Written enquiries	Number	%
Answered within 4 working days	77	98.7
Not answered within 4 working days	1	1.3

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

Regular training and section meetings verify staff knowledge.

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

(iv) Market rent information

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

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

	Estimated	Actual	% Variance	Last year
Reports produced	700	90	(87.1)	783

A summary of market rent information was added to the Ministry's website in April 2000, which has significantly 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.*

Deadlines are negotiated with customers at the time the report is requested.

Quality: *The database will be accurately updated to allow market rent reports to be provided.*

The deadlines that were negotiated with Critchlow Associates Ltd. were met, which enabled information to be provided to customers as required.

(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 \$109.27m.

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.*

Investments exceeded the counterparty limits at times during the year to take advantage of better interest rates, but all were within 0.25% of the prevailing daily rate.

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

for the year ended 30 June 2001

Actual 2000 \$000		Actual 2001 \$000	Budget 2001 \$000
	Revenue		
0	Crown	0	0
6,681	Other	7,861	7,000
<hr/> 6,681	Total Revenue	<hr/> 7,861	<hr/> 7,000
	Expenditure		
3,309	Total Expenses	3,478	3,551
<hr/> 3,372	Net surplus /(deficit)	<hr/> 4,383	<hr/> 3,449

OUTPUT CLASS II: 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.*

251 educational events were completed in accordance with the activities planned (282 in 1999/00). A position was created for a Public Education Adviser to develop and implement a strategy for public education to better meet the needs of landlords and tenants. In 2000/01, a greater emphasis was placed on tenant education following the successful landlord seminar programme in 1999/00. 81.7% of educational events were targeted at tenants, future tenants, or organisations which work with tenants. 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 (phone and counter) will be answered each day.

Timeliness: 80% of calls to the general enquiries line will be answered within 35 seconds.

	Estimated	Actual	% Variance	Last Year
General enquiries	1,000	1,075	7.5	1,294

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

Written enquiries	Number	%
Written enquiries answered in 4 working days	405	99.5
Answered within 10 working days	2	0.5

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.

Overflow enquiries answered in call centre	Daily average	%
Answered within 35 seconds	472	88.0
Not answered within 35 seconds	64	12.0

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.

There continue to be regular assessments for Call Centre staff on the quality of customer service and advice provided.

(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 20 per year.

	Estimated	Actual	Variance	Last Year
Non-compliance-Bond	20	12	(40.0)	22
Non-compliance – RTA	20	15	(25.0)	35

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	26	96
Not within 5 days	1	4

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 45,000 applications to the Tenancy Tribunal, of which about 75% are expected to proceed to mediation.*

	Estimated	Actual	% Variance	Last Year
Applications to the Tenancy Tribunal	45,000	41,736	(7.3)	41,705

The number of applications for the financial year has remained at the same level as last year. Applications increased by 8.4% for the first five months of the financial year. The introduction of Income-related rents in December 2000 resulted in a sharp decline in the number of applications for Housing New Zealand tenancies. For the seven months to the end of June 2001, applications from HNZ fell by 30.5% from the number received in the previous year, resulting in a 17.9% decrease in 2000/01. Growth in applications for private tenancies was slower in the second half of the year. There was an increase of 5.6% in the number of private sector applications for 2000/01.

Of the applications received, 32,971 or 79.0% went to mediation.

Timeliness: *85% of contacts to arrange mediation with the other party will be made within two working days of each application being received and the remaining 15% within 5 days.*

Contacts initiated	Number	%
In 2 days	26,910	93.3
In 3 - 5 days	1,536	5.3
More than 5 days	399	1.4

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 27,500 Tribunal hearings scheduled nationally.

	Estimated	Actual	% Variance	Last year
Tribunal hearings scheduled	27,500	29,785	8.3	28,394

Timeliness: 75% of applications proceeding to the Tribunal will have a hearing date scheduled within two working days of receipt or mediation outcome and the remainder within 4 working days. Tribunal applications will be heard within 10 or 15 days of receipt or mediation outcome (depending on location).

Scheduled direct to Tribunal	Number	%
Within 2 days	9,573	90.2
Within 3 - 4 days	533	5.0
Not within 4 days	503	4.7
Scheduled via mediation		
Within 2 days	11,718	89.7
Within 3 - 4 days	741	5.7
Not within 4 days	602	4.6

Tribunal Applications	Number	%
10 day court		
Heard within 10 days	7,742	69.9
Not heard within 10 days	3,331	30.1

15 day court		
Heard within 15 days	10,383	82.2
Not heard within 15 days	2,249	17.8

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

There has been a significant improvement in timeliness for applications reaching the Tribunal especially for 15-day courts. 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 2001

Actual 2000 \$000		Actual 2001 \$000	Budget 2001 \$000
	Revenue		
5,877	Crown	5,166	5,166
774	Other	756	747
<hr/> 6,651	Total Revenue	<hr/> 5,922	<hr/> 5,913
	Expenditure		
<hr/> 8,975	Total Expenses	<hr/> 9,155	<hr/> 9,362
<hr/> (2,324)	Net surplus /(deficit)	<hr/> (3,233)	<hr/> (3,449)

OUTPUT CLASS III: STATE HOUSING APPEALS AUTHORITY**Description**

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

No performance measures were established for 2000/01 as the Authority only came into existence in October 2000 and this is a new output class.

Costs are incurred for set-up, and recruitment and training of panel members.

OUTPUT STATEMENT

for the year ended 30 June 2001

Actual 2000 \$000		Actual 2001 \$000	Budget 2001 \$000
	Revenue		
0	Crown	382	382
0	Other	0	0
<hr/> 0	Total Revenue	<hr/> 382	<hr/> 382
	Expenditure		
<hr/> 0	Total Expenses	<hr/> 246	<hr/> 382
<hr/> 0	Net surplus /(deficit)	<hr/> 136	<hr/> 0

OUTPUT CLASS IV: HOUSING AGENCY MONITORING**Description**

This new output class involves the provision of governance and monitoring advice to the Ministers of Housing and Finance regarding the proposed Housing New Zealand Corporation (HNZC) following its establishment on passage of the Housing Corporation Amendment Bill 2000.

No performance measures were instituted for 2000/01 because funding was for set-up costs and transitional monitoring requirements put in place from February 2001.

OUTPUT STATEMENT

for the year ended 30 June 2001

Actual 2000 \$000		Actual 2001 \$000	Budget 2001 \$000
	Revenue		
0	Crown	141	141
0	Other	0	0
<hr/> 0	Total Revenue	<hr/> 141	<hr/> 141
	Expenditure		
<hr/> 0	Total Expenses	<hr/> 118	<hr/> 141
<hr/> 0 <hr/>	Net surplus /(deficit)	<hr/> 23 <hr/>	<hr/> 0 <hr/>

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 25 reports to the Minister, 30 draft answers to Parliamentary Questions and 30 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 2001		
	Actual	Forecast	% completed
Parliamentary Questions	50	30	167%
Ministerials	98	30	327%
Official Information Act	16	10	160%
Reports to Minister	46	25	184%

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 2001

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.

Assignment of Costs to Outputs

Direct costs are charged directly to outputs. Indirect costs are assigned to outputs on a number of cost drivers. 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. Remaining indirect costs are assigned on the proportion of direct costs for each output

For the year ended 30 June 2001, direct costs accounted for 71% of the Ministry’s costs (2000: 71%). The method of calculating direct costs has been changed in 2000/01 in the interests of greater accuracy. The prior year figure has been altered for consistency.

- **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 and office equipment. 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 2001

30/6/00 Actual \$000		Note	30/6/01 Actual \$000	30/6/01 Main Estimates \$000	30/6/01 Supp. Estimates \$000
Revenue					
5,877	Revenue-Crown	13	5,689	6,746	5,689
7,455	Revenue-other	2	8,617	6,247	7,747
<u>13,332</u>	Total operating revenue		<u>14,306</u>	<u>12,993</u>	<u>13,436</u>
Expenses					
5,952	Personnel costs	3	6,335	6,406	6,655
5,278	Operating costs	4	5,674	5,533	5,731
725	Depreciation		651	757	753
298	Capital charge	5	298	298	298
31	Net loss/(gain) on the sale of fixed assets		39	(1)	(1)
<u>12,284</u>	Total expenses		<u>12,997</u>	<u>12,993</u>	<u>13,436</u>
<u>1,048</u>	Net surplus from Operations		<u>1,309</u>	<u>0</u>	<u>0</u>

This statement is to be read in conjunction with the statement of accounting policies on pages 31-34 and notes to the financial statements on pages 43-48.

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS
for the year ended 30 June 2001

30/6/00 Actual \$000		30/6/01 Actual \$000	30/6/01 Main Estimates \$000	30/6/01 Supp. Estimates \$000
2,981	Taxpayers' funds as at 1 July 2000	2,981	2,981	2,981
1,048	Add Net surplus/deficit	1,309	0	0
1,048	<i>Total recognised revenues and expenses for the year</i>	1,309	0	0
	<i>Adjustment for flows to and from the Crown:</i>			
	(Deduct)			
(1,048)	Provision for payment of surplus to the Crown	(1,309)	0	0
2,981	Taxpayers' funds as at 30 June 2001	2,981	2,981	2,981

This statement is to be read in conjunction with the statement of accounting policies on pages 31-34 and notes to the financial statements on pages 43-48.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2001

30/6/00 Actual \$000		Notes	30/6/01 Actual \$000	30/6/01 Main Estimates \$000	30/6/01 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
<hr/>					
	Current assets				
95	Cash		244	93	70
35	Prepayments		33	90	35
3,544	Debtors and receivables	6	3,762	2,063	2,504
3,674	Total current assets		4,039	2,246	2,609
<hr/>					
	Non-current assets				
1,684	Fixed assets	7	1,859	1,863	1,481
1,684	Total non-current assets		1,859	1,863	1,481
<hr/>					
5,358	Total assets		5,898	4,109	4,090
<hr/>					
	Current liabilities				
939	Creditors and payables	8	1,170	733	719
1,048	Provision for repayment of surplus to the Crown		1,309	0	0
297	Employee entitlements	9	342	300	297
2,284	Total current liabilities		2,821	1,033	1,016
<hr/>					
	Non-Current Liabilities				
93	Employee Entitlements	9	96	95	93
2,377	Total Liabilities		2,917	1,128	1,109
<hr/>					
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 31-34 and notes to the financial statements on pages 43-48.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2001

30/6/00 Actual \$000		30/6/01 Actual \$000	30/6/01 Main Estimates \$000	30/6/01 Supp. Estimates \$000
	Cash flows from operating activities			
	Cash was provided from:			
	Supply of outputs to			
6,016	- Crown	5,638	6,746	6,409
6,478	- Customers	8,592	7,422	8,414
0	Interest	0	0	0
	Cash was applied to:			
(11,111)	- Output expenses	(11,870)	(11,832)	(12,942)
(298)	- Capital charge	(298)	(298)	(298)
0	- Other Expenses	0	0	0
1,085	Net cash inflow/ (outflow) from operating activities	2,062	2,038	1,583
	Cash flows from investing activities			
	Cash was provided from:			
2	Sale of fixed assets	10	1	0
	Cash was disbursed for:			
(454)	Purchase of fixed assets	(875)	(939)	(560)
(452)	Net cash inflow/(outflow) from investing activities	(865)	(938)	(560)
	Cash flows from financing activities			
	Cash was disbursed for:			
(603)	Repayment of surplus	(1,048)	(1,226)	(1,048)
(603)	Net cash flows from financing activities	(1,048)	(1,226)	(1,048)
30	Net (decrease) in cash held	149	(126)	(25)
65	Opening cash and deposits	95	219	95
95	Closing cash and deposits	244	93	70
	Cash and deposits comprises:			
95	Cash	244	93	70
0	Short-term deposits	0	0	0
95		244	93	70

This statement is to be read in conjunction with the statement of accounting policies on pages 31-34 and notes to the financial statements on pages 43-48.

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

for the year ended 30 June 2001

30/6/00 Actual \$000		30/6/01 Actual \$000	30/6/01 Main Estimates \$000	30/6/01 Supp. Estimates \$000
1,048	Net surplus/(deficit)from operations	1,309	0	0
	Add/(less) non-cash items			
725	Depreciation	651	750	763
	Add/(less) movements in working capital items			
(910)	(Increase)/decrease in debtors and receivables	(165)	1,175	1031
139	(Increase)/decrease in Debtor Crown	(51)	0	9
52	Increase/(decrease) in other payables	279	114	(220)
	Add/(less) investing activity items			
31	Net loss/(gain) on sale of fixed assets	39	(1)	0
1,085	Net cash flows from operating activities	2,062	2,038	1,583

This statement is to be read in conjunction with the statement of accounting policies on pages 31-34 and notes to the financial statements on pages 43-48.

STATEMENT OF COMMITMENTS*as at 30 June 2001*

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.

	30/6/01 Actual \$000	30/6/00 Actual \$000
Operating commitments		
Leases		
Less than one year	565	790
One to two years	376	389
Two to five years	530	271
Over five years	151	0
Total operating commitments	1,622	1,450
Capital Commitments	167	111
Total commitments	1,789	1,561

The Ministry has entered into a non-cancellable contract for computer software. Work not executed by balance date totalled \$167,000.

(Non-cancellable contracts totalled \$110,870 as at 30 June 2000)

STATEMENT OF CONTINGENT LIABILITIES*as at 30 June 2001*

The Ministry had no contingent liabilities as at 30 June 2001.

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

STATEMENT OF UNAPPROPRIATED EXPENDITURE*as at 30 June 2001*

There was no unappropriated expenditure for the year ended 30 June 2001 (2000: \$NIL).

STATEMENT OF DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 2001

30/6/00 Expenditure Actual \$000		30/6/01 Expenditure Actual \$000	30/6/01 Appropriation Voted* \$000
Appropriations for outputs to be supplied by the Ministry (mode B gross)			
	1. Administration of residential tenancies		
3,309	bond monies*	3,478	3,551
0	GST	0	0
<u>3,309</u>		<u>3,478</u>	<u>3,551</u>
	2. Residential tenancies information and advice		
8,975	and dispute resolution*	9,155	9,362
831	GST	740	740
<u>9,806</u>		<u>9,895</u>	<u>10,102</u>
	3. State House Appeals Authority		
0	GST	246	382
0		48	48
<u>0</u>		<u>294</u>	<u>430</u>
	4. Housing Agency Monitoring		
0	GST	118	141
0		18	18
<u>0</u>		<u>136</u>	<u>159</u>
12,284	Total (GST exclusive)	12,997	13,436
831	GST	806	806
<u>13,115</u>	Total (GST inclusive)	<u>13,803</u>	<u>14,242</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 31-34 and notes to the financial statements on pages 43-48.

STATEMENT OF NON-DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 2001

30/6/00 Expenditure Actual \$000		30/6/01 Expenditure Actual \$000	30/6/01 Appropriation Voted* \$000
Benefits and Other Unrequited Expenses			
666	Housing Assistance	0	0
666	Total	0	0

* This includes adjustments made in the Supplementary Estimates.
This statement is to be read in conjunction with the statement of accounting policies on pages 31-34 and notes to the financial statements on pages 43-48.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2001**

Note 1: Budget Composition

	30/6/01 Main Estimates \$000	30/6/01 Supplementary Estimates Changes* \$000	30/6/01 Supp. Estimates \$000
REVENUE			
Crown	6,746	(1,057)	5,689
Other	6,247	1500	7,747
Interest	0	0	0
Total Revenue	<u>12,993</u>	<u>443</u>	<u>13,436</u>
EXPENDITURE			
Personnel Costs	6,406	249	6,655
Operating Costs	5,533	198	5,731
Depreciation	757	(4)	753
Capital Charge	298	0	298
Other Expenses	(1)	0	(1)
Total Expenses	<u>12,993</u>	<u>443</u>	<u>13,436</u>
Net Operating Surplus/(deficit)	<u>0</u>	<u>0</u>	<u>0</u>

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

Note 2: Revenue - other

30/6/00 Actual \$000		30/6/01 Actual \$000	30/6/01 Main Estimates \$000	30/6/01 Supp. Estimates \$000
6,681	Interest from tenancy bonds	7,861	5,500	7,000
740	Tenancy Tribunal fees	734	747	747
34	Other	22	0	0
<u>7,455</u>	Total	<u>8,617</u>	<u>6,247</u>	<u>7,747</u>

Note 3: Personnel costs

30/6/00 Actual \$000		30/6/01 Actual \$000	30/6/01 Main Estimates \$000	30/6/01 Supp. Estimates
5,178	Salaries and wages	5,499	5,436	5,555
774	Other	836	970	1,100
<u>5,952</u>	Total	<u>6,335</u>	<u>6,406</u>	<u>6,655</u>

Note 4: Operating Costs

30/6/00 Actual \$000		30/6/01 Actual \$000	30/6/01 Main Estimates \$000	30/6/01 Supp. Estimates \$000
1,131	Administration	1,292	1,268	1,291
520	Communications	561	586	553
715	Computer costs	670	677	692
881	Lease costs	956	891	932
38	Fees for audit of financial statements	43	40	43
1,450	Tenancy Tribunal	1,459	1,470	1,514
543	Other	693	601	706
<u>5,278</u>	Total	<u>5,674</u>	<u>5,533</u>	<u>5,731</u>

Note 5: 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 2001 was 10% (2000: 10%).

Note 6: Debtors and Receivables

30/6/00 Actual \$000		30/6/01 Actual \$000
3,430	Tenancy bond current account	3,473
25	Trade and other debtors	40
51	GST receivable	160
38	Debtor Crown	89
<u>3,544</u>	Total	<u>3,762</u>

Note 7: Fixed Assets

	Cost 30/6/01 \$000	Accumulated depreciation 30/6/01 \$000	Net book Value 30/6/01 \$000	Net book value 30/6/00 \$000
Office equipment	230	(154)	76	86
Office renovations	1,224	(725)	499	530
Furniture and fittings	145	(98)	47	62
Computer hardware	1,759	(1,203)	556	666
Software	718	(295)	423	68
Vehicles	357	(99)	258	272
Total	<u>4,433</u>	<u>(2,574)</u>	<u>1,859</u>	<u>1,684</u>

Note 8: Creditors and Payables

	30/6/01 Actual \$000	30/6/00 Actual \$000
Trade creditors and accrued expenses	909	752
GST payable	113	55
Miscellaneous	148	132
Total	<u>1,170</u>	<u>939</u>

Note 9: Employee Entitlement

	30/6/01	30/6/00
	\$000	\$000
Current:		
Annual leave	312	264
Resigning Leave	30	33
Non-Current:		
Retirement Leave	30	30
Long-service leave	66	63
Total Employee Entitlements	<u>438</u>	<u>390</u>

Note 10: 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 11: 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

	30/6/01	30/6/00
	Actual	Actual
	\$000	\$000
Cash on hand	4	3
Cash held with WestpacTrust	240	92
Accounts receivable	3,762	3,544
Total	<u>4,006</u>	<u>3,639</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 12: Contingencies

The Ministry does not have any contingent assets as at 30 June 2001 (2000: \$NIL). Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

Note 13: 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 - Administration of Residential Tenancies Bond Monies.

The appropriation for this output class was increased by \$150,000 reflecting a fiscally neutral transfer from output D2.

Output D2 - Residential Tenancies Information and Advice and Dispute Resolution.

The decrease of \$427,000 in this appropriation reflects a reduction in GST due to reduced Revenue Crown requirement, and fiscally neutral transfers to outputs D1 and D4.

Output D3 - State Housing Appeals Authority.

This is a new appropriation for the administration of an appeal authority against decisions of Housing New Zealand on income-related rents and housing allocations.

Output D4 – Housing Agency Purchase and Monitoring

The appropriation for this output class includes set-up costs transferred from Vote: Social Services and a fiscally Neutral transfer from output D2.

Revenue Crown

Revenue Crown decreased due to an increase in Revenue other as a result of higher than expected interest income from the Residential Tenancies Trust Account.

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE RESIDENTIAL TENANCIES TRUST ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001

We have audited the financial statements on pages 51 to 58. The financial statements provide information about the past financial performance of the Residential Tenancies Trust Account and its financial position as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 54 to 55.

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 2001, and the financial results of its operations and cash flows for the year ended 30 June 2001.

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 51 to 58:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 2001; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 28 September 2001 and our unqualified opinion is expressed as at that date.

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

RESIDENTIAL TENANCIES TRUST ACCOUNT**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2001

2000 \$000		Notes	2001 \$000
	Assets		
	Current assets		
1,689	Bank		6,091
84,188	Investments	1	66,838
2,974	Receivables		2,833
<u>88,851</u>			<u>75,762</u>
	Non-current assets		
22,614	Investments	1	43,353
<u>111,465</u>	Total assets		<u>119,115</u>
	Less current liabilities		
3,430	Payable to Ministry of Housing		3,473
18	Other		21
<u>3,448</u>			<u>3,494</u>
<u>108,017</u>	Net assets		<u>115,621</u>
	Bondholders' funds		
100,074	Opening balance		108,017
7,943	Net increase		7,604
<u>108,017</u>	Closing balance		<u>115,621</u>

On behalf of the Ministry of Housing

Chief Executive

Financial Controller

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 54-58.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2001

2000 \$000		2001 \$000
	Revenue	
1,672	Interest earned from stock	1,564
5,009	Interest earned from bank deposits	6,297
<u>6,681</u>		<u>7,861</u>
	Expenditure	
6,681	Interest to Ministry of Housing	7,861
<u>0</u>	Operating surplus	<u>0</u>

RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

for the year ended 30 June 2001

2000 \$000		2001 \$000
<u>100,074</u>	Bondholders' funds brought forward 1 July	<u>108,017</u>
0	Total recognised revenues and expenses for the year	0
67,391	Bonds lodged	70,834
<u>(59,448)</u>	Bonds refunded	<u>(63,230)</u>
<u>108,017</u>	Bondholders' funds as at 30 June	<u>115,621</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 54-58.

STATEMENT OF CASH FLOWS
for the year ended 30 June 2001

2000 \$000		Notes	2001 \$000
	Cash flows from operating activities		
5,946	Cash provided from interest received		8,029
(5,717)	Cash disbursed to interest payments to Ministry of Housing		(7,819)
<u>229</u>	Net cash flows from operating activities	2	<u>210</u>
	Cash flows from investing activities		
158,883	Cash provided from proceeds from maturity of investments		158,067
(166,321)	Cash disbursed to purchase of investments		(161,479)
<u>(7,438)</u>	Net cash flows from investing activities		<u>(3,412)</u>
	Cash flows from financing activities		
67,391	Cash provided from lodgement of bonds		70,834
(59,448)	Cash disbursed to refund of bonds		(63,230)
<u>7,973</u>	Net cash flows from financing activities		<u>7,604</u>
734	Net increase/(decrease) in cash held		4,402
955	Opening total cash balances		1,689
<u>1689</u>	Closing total cash balances at 30 June		<u>6,091</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 54 - 58.

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 2001 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 2001 \$000	30 June 2000 \$000
(a) CURRENT		
WestpacTrust	16,218	23,656
National Bank	21,618	18,490
ANZ	5,855	22,549
BNZ	8,658	19,493
Government Stock	5,104	0
Electricorp Stock	<u>9,385</u>	<u>0</u>
	<u>66,838</u>	<u>84,188</u>
(b) NON-CURRENT		
ANZ	23,654	0
National Bank	3,000	5,000
BNZ	13,690	0
Government Stock	3,009	8,257
Electricorp Stock	<u>0</u>	<u>9,357</u>
	<u>43,353</u>	<u>22,614</u>

(c) INTEREST RATES

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

	30 June 2001	30 June 2000
Short-term deposits	6.12%	6.72%
Term deposits	6.86%	6.92%
Government stock	7.63%	8.57%
Electricorp stock	10.36%	10.36%

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

	30 June 2001 \$000	30 June 2000 \$000
Operating surplus	0	0
Add movements in working capital items		
Increase in interest payable	42	965
Decrease in interest receivable	<u>168</u>	<u>(736)</u>
Net cash from operating activities	<u>210</u>	<u>229</u>

3 Book value of investments

	30 June 2001 \$000	30 June 2000 \$000
Bank deposits	63,837	89,188
Bank bonds	28,856	0
Government and Electricorp Stock	<u>17,498</u>	<u>17,614</u>
	<u>110,191</u>	<u>106,802</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 \$18,193,626 (2000: \$18,470,112); and bank bonds, the fair value of which is \$34,258,594 (2000: nil).

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 2001 \$000	30 June 2000 \$000
Cash held	6,091	1,689
Accounts receivable	2,833	2,974
Investments	<u>110,191</u>	<u>106,802</u>
Total	<u>119,115</u>	<u>111,465</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

The current collective contract covers 48% of non-management staff, who are members of the PSA. Frequent meetings were held with the PSA and staff delegates to discuss issues of mutual interest. Negotiations for a new collective employment agreement with the PSA were completed in November 2000. The new Collective Employment Agreement expires on 1 March 2002.

All individual employment agreements were updated during the year to ensure compliance with the Employment Relations Act 2000.

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 2000/01 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. A capability study of the system was undertaken during the year and this lead to the implementation of the Performance Management System module. This will improve the range of reports available to managers from the system. Direct on-line access to the database is currently being extended to managers so they can develop their own management reports.

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 the linking of job descriptions, self-assessments, interview questions and reference checks using competencies that form the basis of selection criteria.

A vacancy web page has been developed and is being used to advertise all vacancies. This can be accessed by internal and external applicants.

Training and personal development

The revised training framework of 1999 continues to be utilised and all group-based training is linked to the Ministry's Strategic Objectives. A thorough evaluation process is to be piloted for key training programmes delivered throughout the 2001/2002 training year to ensure operational objectives are being met. Personal Development Plans for individual staff members are discussed during the February progress appraisal round and integrated into the Annual Training Plan.

Health and Safety

An audit of the Ministry's health and safety practices was conducted by the ACC and led to a primary rating and reduction in premium. Recommendations from the audit are already being implemented. 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 of OOS related problems being reported by staff.

Equal Employment Opportunities

EEO initiatives continue to be integrated into the Strategic Planning process for the Ministry. These are:

- ◆ EEO diversity competencies were included in manager's performance agreements and appraisals.
- ◆ The need for cultural competence has been included in all employees' performance agreements for 2001/2002.
- ◆ The Ministry's harassment policy was extended to include racial and general harassment.

- ◆ An EEO survey was conducted.
- ◆ A work-life balance policy was developed.
- ◆ Two new positions were introduced to encourage better customer responsiveness. These were: Kaiwhakahaere Whakatapu (Partnership Development Manager) to manage issues concerning the Ministry's relationship with Tangata Whenua and its own Maori staff; and a Pasifika Developments Coordinator to deal with similar issues for the Pacific Island staff and community.

The Ministry of Housing's staff profile as at 30 June 2001 is shown in the tables following:

Ministry of Housing Staffing							
		1999/00		2000/01		Growth in FTE	
Service Units	Actual	FTE	Actual	FTE	No	Percent	
Executive Management	1	1.0	1	1.0	0	0	
Corporate Services	14	11.2	14	12.9	1.7	15.2	
Finance	3	3.0	3	3.0	0	0	
Monitoring	0	0	1	1	1	n/a	
Tenancy Services Corporate Office	5	4.8	4	3.8	(1.0)	(20.8)	
Bond Centre	35	32.15	35	33.24	1.09	3.4	
Northern Region	32	30.47	31	29.8	(0.67)	(2.2)	
Central Region	25	22.8	27	25.3	2.5	11.0	
Southern Region	19	17.06	20	16.79	(0.27)	(1.6)	
TOTAL	134	122.48	136	126.83	4.35	3.6	

GENDER	NUMBER 2001	PERCENTAGE 2001	NUMBER 2000	PERCENTAGE 2000
Female	88	64.7%	85	64%
Male	48	35.3%	48	36%
Total	136	100%	133	100%

**PRIMARY
ETHNICITY**

NZ Maori	30	22.1%	26	20%
NZ European	76	55.9%	73	55%
Non NZ European	16	11.7%	16	12%
Pacific Islander	10	7.4%	11	8%
Other	1	0.7%	5	3.5%
Asian	3	2.2%	2	1.5%
Total	136	100%	133	100%

REMUNERATION BY GENDER Salary Level (\$) #	MALE 30/06/01	FEMALE 30/06/01	MALE 30/06/00	FEMALE 30/06/00
0-20,000	0	0	0	0
20,001-30,000	3	11	6	24
30,001-40,000	17	38	13	24
40,001-50,000	22	33	23	33
50,001-60,000	1	2	1	2
60,001 +	5	4	5	2
Total	48	88	48	85

STAFF BY DISABILITIES	NUMBER 2001	PERCENTAGE 2001	NUMBER 2000	PERCENTAGE 2000
No	122	89.7%	113	85%
Yes	14	10.3%	18	13.5%
Not Recorded			2	1.5%
Total	136	100%	133	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:

- ◆ Upgrade of Bond Centre and Tenancy Office fileservers.
- ◆ Upgrade of scanners in a number of Tenancy Offices.
- ◆ Introduction of digital audio recording equipment in the Tenancy Tribunal pilot sites in Henderson and Christchurch.
- ◆ Ongoing improvements to both the external and internal Internet sites to enhance communications with both customers and staff. Work in this area is being based on the requirements of the E-government strategy.
- ◆ Specification and development of a replacement Client Server System for Bond Processing.
- ◆ Implementation of a replacement scanning system at the Bond Centre.

PROPERTY ADMINISTRATION

The Ministry leases all its office accommodation. There was a 16% increase in the amount of floor space occupied by the Ministry and an 8% increase in rental costs.

The increase in floor space was due to the need to relocate the Bond Centre. This occurred at the end of the financial year and the increased costs will not be incurred until the 2001/02 financial year. During the reporting period the Palmerston North office was upgraded and additional temporary space was leased in Christchurch and Henderson to accommodate the Tenancy Tribunal Pilot project.

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

The Ministry has no unoccupied accommodation.

Ministry of Housing Management Structure

