



Report of the
Ministry of Housing

for the year ended
30 June 1998

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.

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CONTENTS

PART I: INTRODUCTION

Directory.....	3
Purpose and functions of the Ministry.....	4
Chief Executive's Overview.....	5
Highlights of the year: Policy Advice.....	8
Administration of the Residential Tenancies Act.....	10

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>	20
<i>Bond Monies</i>	
<i>Output class III: Residential Tenancies Advice and Information</i>	26
<i>and Dispute Resolution</i>	
Financial information.....	
<i>Statement of Financial Performance</i>	33
<i>Statement of Movements in Taxpayers' Funds</i>	34
<i>Statement of Financial Position</i>	35
<i>Statement of Cash Flows</i>	36
<i>Reconciliation of Net Surplus to Net Cash Flow from Operating</i>	37
<i>Activities</i>	
<i>Statement of Accounting Policies</i>	38
<i>Notes to the Financial Statements</i>	42
Supplementary information.....	
<i>Statement of Departmental Appropriations and Expenditure</i>	48
<i>Statement of Non-Departmental Appropriations and</i>	49
<i>Expenditure</i>	
<i>Statement of Commitments</i>	50
<i>Statement of Contingent Liabilities</i>	50
Residential Tenancies Trust Account	
<i>Report of the Audit Office</i>	51
<i>Statement of Financial Position</i>	53
<i>Statement of Financial Performance</i>	54
<i>Statement of Cash Flows</i>	55
<i>Statement of Accounting Policies</i>	56
<i>Notes to the Financial Statements</i>	58

PART III: MANAGEMENT

Management of the Ministry.....	
<i>Human Resources</i>	60
<i>Information Technology</i>	65
<i>Property administration</i>	65
Management structure.....	67

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

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 to:

- develop and implement the Government's strategic priorities for housing, based on the principles of:
 - targeting of resources to areas of highest priority; and
 - fairness, both among those who receive government assistance and between taxpayers and beneficiaries.
- protect the rights of landlords and tenants through the provisions of the Residential Tenancies Act 1986.

MISSION STATEMENT

To provide the Government with high quality and timely advice on housing policy, and to provide landlords and tenants with efficient and effective tenancy bond and dispute-resolution services

CHIEF EXECUTIVE'S OVERVIEW

The key result areas for the Ministry of Housing in 1997/98 focused on the Government's priorities for housing in terms of affordability needs and the priorities of Maori for housing, enhancement of the Ministry's relationships across the housing sector, and the quality of performance in the Ministry.

Policy Advice

Affordability remains the cornerstone of the Government's housing policies. The Ministry contracted a major research project on affordability measurement and the assessment of alternative approaches to entitlement for the Accommodation Supplement. Research was also initiated at the end of the year on the issue of whether the Accommodation Supplement is affecting the level of rent and/or house prices.

The Ministry has also compiled a series of tables from which entitlements to the Accommodation Supplement can be estimated. This guide is to be distributed to community groups early in 1998/99.

Together with Te Puni Kokiri, the Ministry has reviewed and provided advice to the Government on the enhancement of the Low Deposit Rural Lending programme provided by the Housing Corporation of New Zealand.

The Ministry has extended its monitoring of the housing sector Crown entities (Housing New Zealand, Housing Corporation of New Zealand and Community Housing Ltd). In addition, it has been developing a new framework for monitoring the housing-sector Crown entities which will be put into place during 1998/99.

Contacts with community groups have been extended considerably during 1997/98. As well as a number of meetings with umbrella organisations in the voluntary sector, discussions have been held with individual organisations providing housing-related services. A questionnaire has been developed and piloted to ascertain the number and range of services provided by community organisations for accommodation assistance and other housing-related services. A full survey involving some 1,400 organisations is to be conducted early in 1998/99.

Tenancy Services

The continued growth in demand for mediation and Tenancy Tribunal services was a key feature of the 1997/98 year. Applications for these services grew by almost 15% over the previous year. This increase was met by the Tenancy Services Division with very little increase in resources through the achievement of considerable efficiency gains.

These gains were made possible by the introduction of new technology and work processes. They continue the efforts made in the division to ensure that there is a culture of continual improvement in the efficiency with which services are provided, while maintaining a clear focus on the quality of the services provided to customers.

Key features in the 1997/98 year included piloting a national call centre for general inquiries on residential rental issues, and the provision of unbroken service in the northern region while the Mercury Energy power crisis affected the Auckland central business district.

Management Issues

Highlights in the management of the Ministry in 1997/98 include:

- the implementation of upgraded project management and quality assurance systems in the Policy Division;
- implementation of a Windows-based interface for the Tenancy Tribunal system;
- final evaluation of trials of remote scheduling of Tenancy Tribunal hearings, prior to their wider implementation in 1998/99;
- a focus on ensuring that action is planned and underway so that the Ministry's systems and services are Year 2000 compliant by June 1999;
- the completion of a year's activity within budget in all three output classes of the Ministry.

At the beginning of the year Christopher Blake served as Acting Chief Executive, until I took up my appointment on 20 October 1997.

I would like to acknowledge the work of the managers and staff of the Ministry in achieving a further year of excellent results in 1997/98.

David Smyth
Chief Executive

Highlights of the 1997/98 year: Policy Advice

During 1997/98, the Ministry provided advice on a range of housing issues. The main achievements from the year's policy work programme are outlined below.

In addition to the annual review of Accommodation Supplement maxima, a review of the Accommodation Supplement was carried out in relation to the 1998 requirement for budget savings. Various savings options were evaluated, in conjunction with Social Welfare and the Treasury, and advice was offered on the basis of the findings.

The Ministry contracted a research project on affordability measurement and an evaluation of alternative formulations of Accommodation Supplement entitlement. Research was also initiated to investigate whether there is any evidence to suggest that the Accommodation Supplement is affecting rents and/or house prices.

The Ministry compiled a guide to the Accommodation Supplement including a series of tables from which Accommodation Supplement entitlements can be estimated. It is intended that this guide will be distributed to community groups early in the 1998/99 year.

The Ministry continues to be closely involved in the development of policy advice as to which agencies should fund the provision of community houses. These houses provide residential accommodation for people with disabilities who receive other services funded by the Government. At present the cost of supplying community houses is shared between health and welfare government purchasing agencies, and Community Housing Ltd (CHL). These issues were moving closer to resolution at the end of 1997/98.

The Ministry has also been developing and maintaining effective relationships with the community sector. A database has been set up to maintain contacts with community organisations, assist in monitoring need (especially in crisis accommodation), and to measure the importance of CHL as a provider.

During the year, the Ministry established an enhanced monitoring regime for Crown housing entities. Monitoring reports continued to be provided quarterly on Housing New Zealand's (HNZ) performance in meeting its financial objectives and in assisting the Government to meet its social objectives. The monitoring of Housing Corporation of New Zealand (HCNZ) and CHL was increased. The Ministry gave advice on the Crown's letter to HNZ setting out social objectives for 1998/99, as well as providing advice on the company's statement of corporate intent and HCNZ's statement of intent.

Advice was provided on a variety of HNZ and HCNZ programmes, for example, HCNZ's Homebuy Suspensory Loan scheme, Lenders Mortgage Insurance, and HNZ's Homebuy programme.

As well as reviewing and providing advice on the enhancement of HCNZ's Low Deposit Rural Lending Programme, the Ministry, along with Te Puni Kokiri, scoped and began investigating the priorities of Maori for housing and the effectiveness of the current housing assistance programmes in meeting the particular needs of Maori.

In September 1997 Ms Claudia Shay, Executive Director of the Self Help Housing Corporation of Hawaii, visited New Zealand as a guest of the Ministry. The purpose of the visit was to share in Ms Shay's experience of programmes that help people on low incomes to achieve home ownership. Ms Shay advised the Ministry and HCNZ on this subject. She also held public seminars on home-ownership education and a co-operative "sweat equity" housing approach to low-income home ownership.

Work was undertaken on the better definition and measurement of housing need, and on the linkages between housing and health problems. It is expected that both will remain ongoing issues for the Ministry's work programme. The Ministry is liaising closely with other government agencies on these issues.

As required by the Government's response to Parliament's Social Services Committee, the Ministry investigated amending the building code to require the installation of permanent smoke detectors in all rental accommodation.

The Ministry continued to provide the Minister with regular monitoring reports on the rental market, the Auckland housing market, local-authority housing, the CPI, and the Auckland City Mission survey of applicants for food parcels.

General support for the Minister (in addition to preparation of drafts for ministerial correspondence and Parliamentary Questions) continued to account for a significant part of the Policy Division's time. Examples include responding to *ad hoc* requests from the Minister for advice and other assistance on policy issues, commentaries on housing and housing-related statistics, and preparing drafts of speeches and media material as required. Responsibility for ministerial correspondence relating to HNZ was moved from the Ministry to HNZ in mid-March.

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 97/98 were:

- A total of 50,306 applications to the Tenancy Tribunal, or 14.7% more than in the previous year.
- Of the applications received, 69.3% (34,850) were referred to mediation, an increase of 15.37% over the previous year.
- About 63.2% of applications referred to mediation were resolved or withdrawn at the mediation stage; the remainder were unresolved or only partially resolved and referred on to the Tenancy Tribunal.
- About 61.9% of all applications received were finally resolved in the Tenancy Tribunal after being referred directly to the Tribunal or from mediation, withdrawn or transferred back to mediation.

Approximately 89.16% of all applications to the Tribunal were made by landlords, slightly higher than in 1996/97. Of all applications received, 66.87% were for recovery of rent arrears or termination of the tenancy for rent arrears, including applications for termination for breach which were for rent arrears. Other major reasons for applying to the Tribunal were compensation for damages, abandonment, and bond-refund disputes.

Detailed statistics of applications to the Tenancy Tribunal are shown on pages 11 and 12 of this report.

During the year the Ministry received 154,948 lodgements of bonds and made 152,701 full refunds. Total bonds held stood at 269,953 at the end of the year, an increase of nearly 6.1%. The value of the bondholders' funds held increased by \$9.6m to \$93.49m at the end of the year.

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 1998 are given on pages 53-59 of this report.

	Applications received	
	1996/97	1997/98
Resolved after 97/98 reporting period	531	830
On hand at beginning	3,595	3,150
Received	43,862	50,306
Resolved	43,477	49,770
On hand at end	3,971	3,684
*Unallocated	9	2

	Mediations	
	1996/97	1997/98
Resolved after 96/97 reporting period	41	80
On hand at beginning	1,562	1,349
Received	30,207	34,850
Resolved	30,340	34,779
On hand at end	1,424	1,404
*Unallocated	5	16

	Mediation outcomes	
	1996/97	1997/98
Resolved	12,820	15,583
Withdrawn	5,932	6,452
Referred to Tribunal	10,798	11,961
Transferred to another office	790	781
*Outcome Unallocated	0	2

	Hearings	
	1996/97	1997/98
Resolved after 95/96 reporting period	318	643
On hand at beginning	1,792	1,765
Received	28,426	31,305
Resolved	27,810	31,151
On hand at end	2,399	1,918
*Unallocated	9	1

	Hearing outcomes	
	1996/97	1997/98
Resolved at Tribunal	21,648	23,923
Withdrawn	2,253	2,571
Adjourned	2,570	2,672
Rescheduled	798	863
Transferred to Mediation	541	987
*Outcome Unallocated	0	225

*Cannot be allocated owing to lack of details

APPLICATION STATISTICS

Application Type	Total Received
Bond not lodged	328
Bond refund	5,652
Compensation/damage	3,600
Disposal of goods	548
Discrimination	10
Exemplary damages	393
Failure to allow entry	31
Market rent	94
Money owing (other than rent)	432
Notice/general	115
Other miscellaneous orders	996
Outgoings inc. water rates	90
Possession/general	558
Possession/illegal tenancy	61
Rent arrears	11,492
Retaliatory	50
Recovery of overpaid rent	180
Reduction of fixed-term tenancy	329
Remedy of breach	355
Abandonment	1,485
Assault	89
Breach of agreement (rent arrears)	6,538
Termination for rent arrears	15,609
Termination for breach –other	711
Substantial damage	50
Unlawful entry	33
Work order	471
Unknown	6
Total	50,306

Bonds Held

	1996/97	1997/98
Number of bonds at end of period	254,520	269,953

STATEMENT OF RESPONSIBILITY

Section 33 of the Public Finance Act 1989 charges the Chief Executive with responsibility for the financial performance and financial management of the Ministry of Housing. The financial information presented in the statements and notes to the accounts set out on pages 16 to 50 has been produced in accordance with subsection 3 of section 35 of the Act and sets out the financial results of the Ministry for the period 1 July 1997 to 30 June 1998.

The accounts are prepared in accordance with generally accepted accounting practices and are based on the accounting policies as set out on pages 38 to 41 of this report. Systems of internal control operate in the Ministry and provide reasonable assurance as to the integrity and reliability of the information contained in the statements of account.

The statements of account set out on pages 16 to 50 fairly reflect the financial position, operations and performance of the Ministry of Housing for the year ended 30 June 1998.

David Smyth
Chief Executive

Countersigned by:

Ruth Jamieson
Financial Controller

REPORT OF THE AUDIT OFFICE
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE
MINISTRY OF HOUSING
FOR THE YEAR ENDED 30 JUNE 1998

We have audited the financial statements on pages 16 to 50. 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 1998. This information is stated in accordance with the accounting policies set out on pages 38 to 41.

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 1998, the results of its operations and cash flows and the service performance achievements for the year ended 30 June 1998.

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 John O'Connell, 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 in 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.

We carried out two other assurance related assignments for the Ministry of Housing. 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 50:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 1998;
 - 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 24 September 1998 and our unqualified opinion is expressed as at that date.

John O'Connell
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*****Description**

This output class involves the provision of housing policy advice to the Minister of Housing. It also includes the provision of draft replies to ministerial letters, speech notes, briefings and draft responses to Parliamentary Questions for the Minister of Housing.

There were no amendments to this output class during the year.

Policy advice will be provided on:

- broadening the options available to low-income New Zealanders to meet their accommodation needs;
- appropriate community-based accommodation to maximise the options of individuals with mental-health and disability support needs;
- specific housing problems such as rural Maori housing;
- the provision of housing in areas where housing needs are not being met by the private sector;
- appropriate institutional structures for the Crown's ownership interest in housing.

The Ministry is also responsible for administering payments under the Housing Assistance appropriation.

Quantity, quality, timeliness and cost of policy advice**(i) Advice**

Service objective: A comprehensive policy advice service for the Minister which supports a high quality of government decision-making on housing-policy issues.

Quantity: *As specified from time to time during the year.*

175 written reports were completed during the year, along with numerous oral briefings at *ad hoc* meetings with the Minister.

Timeliness: *Services meet deadlines specified.*

20 papers (of a total 175) did not meet the deadlines specified as compared with 26 in the 1996/97 year. Many of these were standard reports delayed by the late arrival of information from external sources.

Quality: *All major policy papers will be subject to the quality assurance process. Quality standards are included in Part C. The Minister will expect to be invited to assess quarterly the advice given.*

All policy papers are subject to a quality assurance process based on peer review, and are signed out by the Chief Executive, Policy Manager, or Managing Analyst. The Minister continues to be invited every quarter to indicate his level of satisfaction with the quality of advice. When reporting to the Social Services Select Committee, however, he noted that if he considered any reports inadequate he raised the matter with the Chief Executive at that point. During the year these provisions for feedback on quality were supplemented by consultation between the Policy Manager and the Minister's senior staff.

(ii) Ministerials

Service objective: Relevant, well-researched and well-written drafts of material for personal delivery by the Minister.

Quantity: *An estimated 155 draft answers will be made to Parliamentary Questions, 840 draft replies to ministerial correspondence and 85 replies to Official Information Act requests. Information will be supplied in response to an anticipated 190 work requests from the Minister, and an estimated 300 ministerial reports will be prepared.*

	Estimated	Actual	% Variance	Last year
Parliamentary Questions	155	145	(6)	110
Ministerials	840	537	(36)	659
Work requests	190	95	(50)	140

Ministerial Reports	300	175	(42)	219
Official Information Requests	85	66	(22)	91

Timeliness: All answers to written Parliamentary Questions to be provided within specified deadlines. Answers to Questions of the Day to be provided before 11.30 am on the day the question is to be answered. All draft replies to ministerial correspondence to be completed within three weeks of request. Other specific requests will be delivered within deadlines negotiated with the Minister.

Parliamentary Questions have to be answered by the due date set by the Office of the Clerk. The Ministry's deadlines are then set on a question-by-question basis within that timeframe by the Minister's staff. Responses to "Questions of the Day" are provided as soon as possible, and any expected delay beyond 11:30 am is negotiated with the Minister's office at the time.

	Provided on time	Number not provided on time	% of volume	Last year not provided on time
Parliamentary Questions	144	1	N/A	0
Ministerials	533	4	0.7	10
Work requests	92	3	3.1	5

Quality: Less than 2% of ministerial or Parliamentary Question drafts will be rejected by the Minister's office as failing to meet the quality standards. The Minister will expect to be invited to assess quarterly the advice given.

Less than 2% of ministerial and Parliamentary Question drafts were rejected as failing to meet requirements, the same as for the 1996/97 year.

The quarterly satisfaction reporting was not used as a quality measure because issues were addressed with the Minister and his staff as they arose.

POLICY ADVICE**OUTPUT STATEMENT**

for the year ended 30 June 1998

Actual 1997 \$000		Actual 1998 \$000	Budget 1998 \$000
	Revenue		
1,851	Crown	2,008	2,008
0	Other	0	0
<hr/> 1,851	Total Revenue	<hr/> 2,008	<hr/> 2,008
	Expenditure		
<hr/> 1,790	Total Expenses	<hr/> 1,865	<hr/> 2,008
<hr/> 61	Net surplus /(deficit)	<hr/> 143	<hr/> 0

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.

There was a fiscally-neutral transfer to Output Class III (Residential Tenancies Information and Advice and Dispute Resolution) made through 1997/98 Supplementary Estimates. This reflected further efficiency gains at the Bond Centre.

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 148,000 lodgements will be made.*

	Estimated	Actual	% Variance	Last year
Lodgements	148,000	154,948	4.7	144,295

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

The main focus for the Centre has been on refunding bonds on a timely basis. Answering calls to the Centre and banking the money on the same day are also high priority tasks.

Now that the new imaging technology and workflows are in place the focus has been on maximising resources and increasing productivity through the use of flexible working hours to spread the workflow.

Banking	%
Banked on the same day	100
Not banked on the same day	0
Recording, verifying and acknowledging bonds:	Cumulative %
Completed within 1 working day	81.8
Completed within 2 working days	99.4
Completed within 3 working days	100
Over 3 working days	0

Quality: *All new bonds received will be recorded correctly 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 148,000 refunds will be made.*

	Estimated	Actual	% Variance	Last Year
Refunds	148,000	152,701*	3.2	141,062

*Includes transfers

Timeliness: *All refunds will be made within one working day of receipt.*

Refunds	Number	%
Refunded the same day	133,938	99.3
Refunded within 2 working days	806	0.6
Not refunded within 2 working days	69	0.1

Bedding in of new technology and outsourcing of non-core work, together with more flexible working hours to smooth the workflow, has enabled the Bond Centre to provide an excellent grade of service. 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 750.*

	Estimated	Actual	% Variance	Last Year
Number of Calls	750	838	11.7	806

Timeliness: *80% of enquiries on the Bond Centre's toll-free line will be answered within 36 seconds. 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. 91% of calls are answered within 36 seconds. Until February 1998 the average calls per day were 781. However, as a result of the Mercury Energy crisis, calls for the Auckland Disputes Resolution Office were transferred to the Bond Centre. Subsequently a pilot project of a centralised call centre for general disputes-resolution advice calls has been established with five offices in the initial project. This increased the average daily number of calls.

Written enquiries	Number	%
Answered within 4 working days	145	91.2
Not answered within 4 working days	14	8.8

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 400 ad hoc requests for market information during the year.

	Estimated	Actual	% Variance	Last year
Reports produced	400	754	88.5	435

Timeliness: Updates of databases will be available for enquiry within one business day of update. Deadlines for dealing with specific enquiries will be negotiated with customers.

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 asked for.

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

The database is updated as agreed with Statistics New Zealand.

(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 \$83-88m, consisting of a predetermined daily float level and a portfolio of call deposits and securities.

The average daily balance was \$87.9m.

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 1998

Actual 1997 \$000		Actual 1998 \$000	Budget 1998 \$000
	Revenue		
0	Crown	0	0
6,618	Other	7,364	6,900
<hr/> 6,618	Total Revenue	<hr/> 7,364	<hr/> 6,900
	Expenditure		
3,148	Total Expenses	3,112	3,247
<hr/> 3,470 <hr/>	Net surplus /(deficit)	<hr/> 4,252 <hr/>	<hr/> 3,653 <hr/>

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

Description

This output class involves providing information and advice primarily relating to the Residential Tenancies Act 1986, and 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 and legal action on behalf of either tenant or landlord to enforce the provisions of the Residential Tenancies Act 1986.

There was a fiscally-neutral transfer from Output DII (Administration of Residential Tenancies Bond Monies) made through 1997/98 Supplementary Estimates. This was to cover costs related to increased demand for services.

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.

208 educational events were completed in accordance with the activities planned (206 in 1996/97). While the education conducted was mainly the result of requests from organisations, a major seminar programme for new landlords has been developed and one is planned for tenants. Tenancy Services also contributes a monthly article 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 meet the audience's needs. This will be assessed by audience surveys at selected educational events.

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 500,000 enquiries will be answered.

	Estimated	Actual	% Variance	Last Year
Oral enquiries	500,000	448,203	(10.4)	505,680

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.

Written enquiries	Number	%
Written enquiries answered in 4 working days	200	100
Answered within 10 working days	0	0

Quality: Advice will be informative and accurate. Accuracy of advice on specific topics will be assessed by a special survey. A survey of client satisfaction will be undertaken.

The mystery shopper survey identified an unacceptably high rate of use of call-minders and a pilot call-centre was established to answer general enquiries.

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

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

(iii) Monitoring of compliance

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

Quantity: It is expected 50 reports of non-compliance of specific bonds will be investigated annually. Other reports of non-compliance with the Residential Tenancies Act are expected to number ten per year. One project to ascertain the level of non-compliance with bond lodgements will be undertaken.

	Estimated	Actual	% Variance	Last Year
Bond non-compliance direct reports	50	29	(42)	20
Other reports	10	5	(50)	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	34	100
Not within 5 days	0	0

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 47,000 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	47,000	50,306	7	43,862

69.3% of applications received were referred to mediation.

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

Contacts initiated	Number	%
In 5 days	29,496	91.5
Other*	2,741	8.5

**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. One survey of client satisfaction will be undertaken.*

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.

A major mediation training exercise was undertaken during the year.

A client review form developed in 1996/97 was implemented in 1997/98, with each mediator required to provide 72 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 30,000 Tribunal hearings scheduled nationally.

	Estimated	Actual	% Variance	Last year
Tribunal hearings scheduled	30,000	31,305	4.4	28,426

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 the receipt or mediation outcome (depending on location).

Scheduled direct to Tribunal	Number	%
Within 4 days	13,236	87.0
Not within 4 days	1,974	13.0
Scheduled via mediation		
Within 4 days	10,441	88.8
Not within 4 days	1,313	11.2

Tribunal Applications	Number	%
10 day court		
Heard within 10 days	8,721	74.6
Not heard within 10 days	2,962	25.4
15 day court		
Heard within 15 days	11,965	78.6
Not heard within 15 days	3,252	21.4

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.

A pilot scheme for remote scheduling of tribunal hearings was completed in the South Island, and implementation in other regions has commenced.

A project to forecast times required by the Tribunal for unresolved mediations was initially implemented in Christchurch.

The project was successful and has been extended to all other South Island offices.

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

OUTPUT STATEMENT
for the year ended 30 June 1998

Actual 1997 \$000		Actual 1998 \$000	Budget 1998 \$000
	Revenue		
5,859	Crown	5,248	5,248
35	Other	37	0
<u>5,894</u>	Total Revenue	<u>5,285</u>	<u>5,248</u>
	Expenditure		
<u>8,861</u>	Total Expenses	<u>8,891</u>	<u>8,901</u>
<u>(2,967)</u>	Net surplus /(deficit)	<u>(3,606)</u>	<u>(3,653)</u>

FINANCIAL INFORMATION**STATEMENT OF FINANCIAL PERFORMANCE**

for the year ended 30 June 1998

Actual 1997 \$000		Notes	Actual 1998 \$000	Budget 1998 \$000
Revenue				
7,710	Revenue-Crown		7,256	7,256
6,653	Revenue-other	2	7,401	6,900
91	Interest	3	12	15
<u>14,454</u>	Total revenue		<u>14,669</u>	<u>14,171</u>
Expenses				
6,893	Personnel costs	4	7,123	7,485
5,723	Operating costs	5	5,672	5,612
754	Depreciation		684	649
408	Capital charge	6	390	390
21	Net loss/(gain) on the sale of fixed assets		(1)	20
<u>13,799</u>	Total expenses		<u>13,868</u>	<u>14,156</u>
<u>655</u>	Net surplus		<u>801</u>	<u>15</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38 - 50.

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS
for the year ended 30 June 1998

30 June 1997 \$000		30 June 1998 \$000	Budget 1998 \$000
<u>3,545</u>	Taxpayers' funds as at 1 July	<u>3,545</u>	<u>3,545</u>
<u>655</u>	Net surplus	<u>801</u>	<u>15</u>
<u>655</u>	<i>Total recognised revenues and expenses for the year</i>	<u>801</u>	<u>15</u>
<u>(655)</u>	Provision for payment of surplus to the Crown	<u>(801)</u>	<u>(15)</u>
<u>3,545</u>	Taxpayers' funds as at 30 June	<u>3,545</u>	<u>3,545</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38-50.

STATEMENT OF FINANCIAL POSITION

As at 30 June 1998

30 June 1997 \$000		Notes	30 June 1998 \$000	Budget 1998 \$000
	Taxpayers' funds			
3,545	General funds		3,545	3,545
<u>3,545</u>	Total taxpayers' funds		<u>3,545</u>	<u>3,545</u>
	Current assets			
618	Cash		336	130
81	Prepayments		98	70
2,965	Debtors and receivables	7	3,198	2,779
<u>3,664</u>	Total current assets		<u>3,632</u>	<u>2,979</u>
	Non-current assets			
1,890	Fixed assets	8	2,062	2,321
<u>1,890</u>	Total non-current assets		<u>2,062</u>	<u>2,321</u>
<u>5,554</u>	Total assets		<u>5,694</u>	<u>5,300</u>
	Current liabilities			
970	Creditors and payables	9	936	1,320
655	Provision for repayment of surplus to the Crown		801	15
384	Employee entitlements	10	412	420
<u>2,009</u>	Total current liabilities		<u>2,149</u>	<u>1,755</u>
<u>3,545</u>	Net assets		<u>3,545</u>	<u>3,545</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38-50.

STATEMENT OF CASH FLOWS
for the year ended 30 June 1998

Actual 1997 \$000		Actual 1998 \$000	Budget 1998 \$000
	Cash flows from operating activities		
	Cash was provided from:		
	Supply of outputs to		
7,832	- Crown	7,477	7,477
6,223	- Customers	6,926	6,803
91	Interest	18	21
	Cash was applied to:		
(12,977)	- Output expenses	(12,775)	(12,616)
(408)	- Capital charge	(390)	(390)
<u>761</u>	Net cash inflow/ (outflow) from operating activities	<u>1,256</u>	<u>1,295</u>
	Cash flows from investing activities		
	Cash was provided from:		
40	Sale of fixed assets	13	0
	Cash was disbursed for:		
(888)	Purchase of fixed assets	(896)	(1,128)
<u>(848)</u>	Net cash inflow/(outflow) from investing activities	<u>(883)</u>	<u>(1,128)</u>
	Cash flows from financing activities		
	Cash was disbursed for:		
(630)	Repayment of surplus	(655)	(655)
<u>(630)</u>	Net cash flows from financing activities	<u>(655)</u>	<u>(655)</u>
(717)	Net (decrease) in cash held	(282)	(488)
1335	Opening cash and deposits	618	618
<u>618</u>	Closing cash and deposits	<u>336</u>	<u>130</u>
	Cash and deposits comprises:		
618	Cash	336	130
0	Short-term deposits	0	0
<u>618</u>		<u>336</u>	<u>130</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38 to 50.

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

for the year ended 30 June 1998

Actual 1997 \$000		Actual 1998 \$000	Budget 1998 \$000
655	Net surplus/(deficit)	801	15
	Add/(less) non-cash items		
754	Depreciation	684	649
55	Asset write-off	0	0
	Add/(less) movements in working capital items		
(440)	(Increase)/decrease in debtors and receivables	(474)	(28)
122	(Increase)/decrease in Debtor Crown	221	221
(406)	Increase/(decrease) in other payables	25	418
	Add/(less) investing activity items		
21	Net loss/(gain) on sale of fixed assets	(1)	20
761	Net cash flows from operating activities	1,256	1,295

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38 to 50.

STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 1998

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 Estimates as 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 1998, direct costs accounted for 66% of the Ministry’s costs (1997:67%).

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	25%

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

- **Employee entitlements**

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

- **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, from the Residential Tenancies Trust Account, and interest on its deposits with the New Zealand Debt Management Office (NZDMO). 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 policy during the period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998**

Note 1: Budget Composition

	30/6/98 Budget Forecasts \$000	30/6/98 Supplementary Estimates Changes* \$000	30/6/98 Budget Total \$000
REVENUE			
Crown	8,656	(1,400)	7,256
Other	5,500	1,400	6,900
Interest	70	(55)	15
Total Revenue	<u>14,226</u>	<u>(55)</u>	<u>14,171</u>
EXPENDITURE			
Personnel Costs	7,238	247	7,485
Operating Costs	5,717	(105)	5,612
Depreciation	806	(157)	649
Capital Charge	390	0	390
Other Expenses	5	15	20
Total Expenses	<u>14,156</u>	<u>0</u>	<u>14,156</u>
Net Operating Surplus/(deficit)	<u>70</u>	<u>(55)</u>	<u>15</u>

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

Note 2: Revenue - other

Actual 1997 \$000		Actual 1998 \$000	Budget 1998 \$000
6,618	Interest from tenancy bonds	7,364	6,900
35	Other	37	0
<u>6,653</u>	Total	<u>7,401</u>	<u>6,900</u>

Note 3: Interest Revenue

The Ministry invests surplus cash with the New Zealand Debt Management Office (NZDMO) and earns interest at variable rates.

Note 4: Personnel costs

Actual 1997 \$000		Actual 1998 \$000	Budget 1998 \$000
5,477	Salaries and wages	5,990	6,048
1,416	Other	1,133	1,437
<u>6,893</u>	Total	<u>7,123</u>	<u>7,485</u>

Note 5: Operating Costs

Actual 1997 \$000		Actual 1998 \$000	Budget 1998 \$000
1,283	Administration	1,344	1,387
55	Asset Write-offs	0	0
368	Communications	479	546
455	Computer costs	714	674
1,340	Lease costs	1,045	1,024
34	Audit fees for audit of financial statements	34	34
0	Audit fees for other audit services	10	13
1,400	Tenancy Tribunal	1,400	1,400
788	Other	646	534
<u>5,723</u>	Total	<u>5,672</u>	<u>5,612</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 1998 was 11% (1997: 11.5%).

Note 7: Debtors and Receivables

Actual 1997 \$000		Actual 1998 \$000
2,079	Tenancy bond current account	2,556
47	Trade and other debtors	55
99	GST receivable	74
734	Debtor Crown	513
6	Accrued interest	0
<u>2,965</u>	Total	<u>3,198</u>

Note: 8 Fixed Assets

	Cost 1998 \$000	Accumulated depreciation 1998 \$000	Net book value 1998 \$000	Net book value 1997 \$000
Office equipment	148	88	60	45
Office renovations	1,321	462	859	608
Furniture and fittings	260	139	121	168
Computer hardware	2,051	1,206	845	869
Software	1,170	993	177	200
Communications	6	6	0	0
Total	<u>4,956</u>	<u>2,894</u>	<u>2,062</u>	<u>1,890</u>

Note 9: Creditors and Payables

	Actual 1998 \$000	Actual 1997 \$000
Trade creditors and accrued expenses	766	825
GST payable	75	71
Miscellaneous	95	74
Total	<u>936</u>	<u>970</u>

Note 10: Employee Entitlements

	1998 \$000	1997 \$000
Retirement and long-service leave	112	108
Annual leave	300	276
Total Employee Entitlements	<u>412</u>	<u>384</u>

Note 11: 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 12: 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 June 1998 \$000	30 June 1997 \$000
Cash on hand	3	4
Cash held with Westpac Trust	333	614
Accounts receivable	2,591	2,132
Total	<u>2,927</u>	<u>2,750</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 has no interest rate risk as all investments are with the NZ Debt Management Office.

Note 13: Contingencies

The Ministry does not have any contingent assets as at 30 June 1998 (1997: \$NIL). Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

Note 14: 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

The appropriation for this output class was unchanged.

Output D2 - Administration of Residential Tenancies Bond Monies

The appropriation for this output class was reduced by \$400,000 reflecting a fiscally neutral transfer to output D3.

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

The appropriation for this output class was increased by \$225,000. This reflected a fiscally neutral transfer of \$400,000 from output D2 to fund increased demand for services, less a GST adjustment of \$175,000 because of increased interest income which is GST exempt.

SUPPLEMENTARY INFORMATION**STATEMENT OF DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE**

for the year ended 30 June 1998

Expenditure Actual 1997 \$000		Expenditure Actual 1998 \$000	Appropriation Voted* 1998 \$000
Appropriations for outputs to be supplied by the Ministry (mode B gross)			
1,790	1. Policy advice	1,865	2,008
231	GST	251	251
<u>2,021</u>		<u>2,116</u>	<u>2,259</u>
	2. Administration of residential tenancies bond monies*		
3,148	bond monies*	3,112	3,247
0	GST	0	0
<u>3,148</u>		<u>3,112</u>	<u>3,247</u>
	3. Residential tenancies information and advice and dispute resolution*		
8,861	and dispute resolution*	8,891	8,901
737	GST	656	656
<u>9,598</u>		<u>9,547</u>	<u>9,557</u>
13,799	Total (GST exclusive)	13,868	14,156
968	GST	907	907
<u>14,767</u>	Total (GST inclusive)	<u>14,775</u>	<u>15,063</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 and notes to the financial statements on pages 38 to 50.

STATEMENT OF NON-DEPARTMENTAL APPROPRIATIONS AND EXPENDITURE

for the year ended 30 June 1998

(Figures are GST-inclusive where applicable)

Expenditure Actual 1997 \$000		Expenditure Actual 1998 \$000	Appropriation Voted Budget 1998 \$000
	Benefits and Other Unrequited Expenses		
4,828	Housing Assistance	2,323	2,349
<u>4,828</u>	Total	<u>2,323</u>	<u>2,349</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 38 to 50.

STATEMENT OF COMMITMENTS*as at 30 June 1998*

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.

	Actual 1998 \$000	Actual 1997 \$000
Operating commitments		
Leases		
Less than one year	525	926
One to two years	337	341
Two to five years	520	382
Over five years	11	33
Total operating commitments	<u>1,393</u>	<u>1,682</u>
Capital Commitments	<u>0</u>	<u>59</u>
Total commitments	<u><u>1,393</u></u>	<u><u>1,741</u></u>

The Ministry has not entered into any non-cancellable contracts for building renovations as at 30 June 1998.

(Non-cancellable contracts totalled \$59,080 as at 30 June 1997)

STATEMENT OF CONTINGENT LIABILITIES*as at 30 June 1998*

The Ministry had \$29,000 of contingent liabilities as at 30 June 1998, relating to employment issues.

Note: These issues were resolved post balance date.

The Ministry had no contingent liabilities as at 30 June 1997.

STATEMENT OF UNAPPROPRIATED EXPENDITURE*as at 30 June 1998*

There was no unappropriated expenditure for the year ended 30 June 1998 (1997: \$NIL).

REPORT OF THE AUDIT OFFICE

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE RESIDENTIAL TENANCIES TRUST ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

We have audited the financial statements on pages 53 to 59. The financial statements provide information about the past financial performance of the Residential Tenancies Trust Account and its financial position as at 30 June 1998. This information is stated in accordance with the accounting policies set out on pages 56 to 57.

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 1998, and the financial results of its operations and cash flows for the year ended 30 June 1998.

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 John O'Connell, 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 in 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 53 to 59:

- comply with generally accepted accounting practice; and
- fairly reflect:
 - the financial position as at 30 June 1998; and
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 24 September 1998 and our unqualified opinion is expressed as at that date.

John O'Connell
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 1998

1997 \$000		Notes	1998 \$000
	Assets		
	Current assets		
9,860	Bank		3,094
47,462	Investments	1	71,248
1,745	Receivables		1,953
<u>59,067</u>			<u>76,295</u>
	Non-current assets		
26,912	Investments	1	19,778
<u>85,979</u>	Total assets		<u>96,073</u>
	Less current liabilities		
2,079	Payable to Ministry of Housing		2,556
13	Other		24
<u>2,092</u>			<u>2,580</u>
<u>83,887</u>	Net assets		<u>93,493</u>
	Bondholders' funds		
71,728	Opening balance		83,887
12,159	Net increase		9,606
<u>83,887</u>	Closing balance		<u>93,493</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 56-59.

STATEMENT OF FINANCIAL PERFORMANCE

for the period ending 30 June 1998

1997		1998
\$000		\$000
	Revenue	
2,342	Interest earned from stock	2,250
4,276	Interest earned from bank deposits	5,114
<u>6,618</u>		<u>7,364</u>
	Expenditure	
6,618	Interest to Ministry of Housing	7,364
<u>0</u>	Operating surplus	<u>0</u>

RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

for the year ended 30 June 1998

1997		1998
\$000		\$000
<u>71,728</u>	Bondholders' funds brought forward 1 July	<u>83,887</u>
0	Total recognised revenues and expenses for the year	0
57,828	Bonds lodged	62,986
<u>(45,669)</u>	Bonds refunded	<u>(53,380)</u>
<u>83,887</u>	Bondholders' funds as at 30 June	<u>93,493</u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 56- 59.

STATEMENT OF CASH FLOWS
for the year ended 30 June 1998

1997 \$000		Notes	1998 \$000
	Cash flows from operating activities		
6,276	Cash provided from interest received		7,159
(6,167)	Cash disbursed to interest payments to Ministry of Housing		(6,887)
<u>109</u>	Net cash flows from operating activities	2	<u>272</u>
	Cash flows from investing activities		
146,800	Cash provided from proceeds from maturity of investments		139,788
(153,447)	Cash disbursed to purchase of investments		(156,432)
<u>(6,647)</u>	Net cash flows from investing activities		<u>(16,644)</u>
	Cash flows from financing activities		
57,828	Cash provided from lodgement of bonds		62,986
(45,669)	Cash disbursed to refund of bonds		(53,380)
<u>12,159</u>	Net cash flows from financing activities		<u>9,606</u>
5,621	Net increase/(decrease) in cash held		(6,766)
4,239	Opening total cash balances		9,860
<u><u>9,860</u></u>	Closing total cash balances at 30 June		<u><u>3,094</u></u>

This statement is to be read in conjunction with the statement of accounting policies and notes to the financial statements on pages 56 - 59.

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

- **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 1998 approximates with the carrying amounts reflected in these financial statements.

- **Changes in accounting policy**

There have been no changes in accounting policy.

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 1998 \$000	30 June 1997 \$000
(a) CURRENT		
WestpacTrust	16,277	10,647
National Bank	14,367	9,644
ANZ	16,368	13,503
BNZ	17,235	9,664
Government Stock	<u>7,001</u>	<u>4,004</u>
	<u>71,248</u>	<u>47,462</u>

(b) NON-CURRENT

Government Stock	10,474	17,631
Electricorp Stock	<u>9,304</u>	<u>9,281</u>
	<u>19,778</u>	<u>26,912</u>

(c) INTEREST RATES

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

	30 June 1998	30 June 1997
Short-term deposits	9.05%	7.37%
Government stock	7.88%	7.24%
Electricorp stock	10.36%	10.37%

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

	30 June 1998 \$000	30 June 1997 \$000
Operating surplus	0	0
Add movements in working capital items		
Increase in interest payable	476	451
(Increase) in interest receivable	<u>(204)</u>	<u>(342)</u>
Net cash from operating activities	<u>272</u>	<u>109</u>

3 Book value of investments

	30 June 1998 \$000	30 June 1997 \$000
Bank deposits	64,247	43,458
Government and Electricorp Stock	<u>26,779</u>	<u>30,916</u>
	<u>91,026</u>	<u>74,374</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 \$27,841,388 (1997: \$32,165,488)

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 1998 \$000	30 June 1997 \$000
Cash held	3,094	9,860
Accounts receivable	1,953	1,745
Investments	<u>91,026</u>	<u>74,374</u>
Total	<u>96,073</u>	<u>85,979</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 Ministry's collective employment contract, covering those non-management staff who are members of the PSA, lapsed on 19 July 1997. Negotiations for a new contract began in February/March 1998 and have yet to be concluded. As stated in the 1996/97 report, the claim from the PSA is for a 15% across-the-board salary increase and other improvements to conditions of employment.

No industrial relations issues arose during the year.

Remuneration policy and performance management

The Ministry has now completed the first full year using its new remuneration policy and performance management system which was introduced on 1 July 1997. The new system incorporates new salary scales, new salary progression and reward criteria, quantitative and qualitative performance measures and transparent linkages between performance and pay.

Human Resource Management Information System (HRMS)

In April the Ministry implemented an integrated Human Resource Management System. Previously the Ministry operated separate payroll and Human Resources database systems which made management reporting relatively inefficient. The new integrated system now provides information which enables managers to plan effectively for staffing and organisational change, training and personal development, health and safety, and to conduct the annual review of salaries and staff performance.

Training and personal development

The Ministry continued implementing personal training and development plans for all staff during performance appraisal interviews. Induction training was increased from one day to 2.5 days for all new staff, reflecting the importance of this phase of staff development in the Ministry. New areas that are included in the training programme are health and safety, bi-cultural and cross-cultural training. Office automation has also been a major area of activity in the past year. This has included training associated with the upgrade to Windows NT, Internet training and preparation for the introduction of computer-based training for Tenancy Services staff.

Employee Assistance Programme (EAP)

During the year the Ministry established an Employee Assistance Programme. The programme provides a cost-effective counselling service so that staff may resolve personal or work-related issues which may impact upon their work. The new EAP replaces an Industrial Chaplains service.

Health and Safety

The Ministry's health and safety profile has increased dramatically in the last year. All managers and staff are now fully aware of their responsibilities through training and the distribution of a comprehensive new set of procedures. In the past year the Ministry revamped its health and safety policy, developed a rehabilitation policy, reduced and managed OOS-related injuries, conducted training for all health and safety officers and completed the hazard identification and management programme. The Health and safety activities have been directly linked to the Ministry's overall risk-management strategy.

Equal Employment Opportunities

1997/98 is the second year of the Ministry's current two-year EEO Plan. Key activities during the year were a Fono for Pacific Island staff and a Hui for members of the Maori staff network, "Pou Tokomanawa". The outcome of these gatherings will be considered in the development of future strategies for these groups.

A key focus this year has been the development of a new two-year EEO policy and plan in line with the Government's "EEO Policy to 2010". The Ministry's new policy concentrates on two key strategies: "Visibility and Leadership", which focuses on leadership and organisational culture objectives, and "Maori and Pacific Island Participation", which concentrates on objectives relating to management and employment of EEO groups.

The Ministry of Housing's staff profile as at 30 June 1998 is shown in the tables following.

The Ministry of Housing employed 160 people, including temporary staff and those on parental leave, as at 30 June 1998.

MINISTRY OF HOUSING STAFFING						
Service Units	1996/97		1997/98		Growth in FTE	
	Actual	FTE	Actual	FTE	No	Percent
Executive Management	1.0	1.0	2.0	2.0	1.0	100.00%
Policy	20.0	18.4	19.0	17.9	(0.5)	(2.72)%
Corporate Services	17.0	15.1	16.0	15.2	0.1	0.66%
Finance	4.0	4.0	4.0	3.7	(0.3)	(7.50)%
Tenancy Services Corporate Office	5.0	4.6	6.0	5.8	1.2	26.09%
Bond Centre	32.0	29.5	28.0	26.7	(2.8)	(9.49)%
Northern Region	38.0	31.1	36.0	31.8	0.7	2.25%
Central Region	27.0	25.0	30.0	26.6	1.6	6.40%
Southern Region	21.0	18.0	19.0	17.2	(0.8)	(4.44)%
TOTAL	165.0	146.7	160.0	146.9	0.2	0.14%

Gender	Number	Percentage	June 1997
			Percentage
Female	101	63.00	62.00
Male	59	37.00	38.00
Total	160	100.00	100.00

Primary ethnicity	Number	Percentage	June 1997
			Percentage
NZ Maori	10	6.3	10.3
NZ European	92	57.5	60.6
Non-NZ European	16	10.0	8.5
Pacific Islander	10	6.3	7.2
Other	23	14.3	5.5
Not Stated	9	5.6	7.9
Total	160	100	100

Remuneration of Ministry staff by gender

Salary level (\$)	June 1998		June 1997	
	Male	Female	Male	Female
0-20000	0	0	1	2
20001-30000	7	24	13	39
30001-40000	19	41	30	43
40001-50000	19	29	6	10
50001-60000	5	3	5	4
60000+	9	4	8	4
Total	59	101	63	102

Staff reporting disabilities

	Number	Percentage	June 1997
			Percentage
No	124	77.5	76.0
Yes	24	15.0	15.0
No record	12	7.5	9.0
Total	160	100	100

INFORMATION TECHNOLOGY

The reporting period was the second year of the Ministry's current three-year IT Strategic Plan. Projects and activities established in this plan are proceeding on schedule and are linked to the key information technology objectives established in the 1996/99 Strategic Business Plan. These 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.

Projects and enhancements to the Ministry's systems over the last twelve months include:

- Implementation of a Ministry homepage on the Internet.
- Implementation of Internet services to selected staff.
- Upgrade of the Wide Area Network to a mixture of Frame Relay and Leased Data Circuits.
- Development of a Client Server System and redevelopment of the Systems Outputs for Dispute Resolution Offices.
- Upgrade of Corporate Office to Windows NT/95 operating system.
- Upgrade of the Corporate Office and Bond Centre servers.
- Upgrade of the Human Resources system.
- A project to ensure that Year 2000 issues have been dealt with across the Ministry.

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 1998. There was a 4.5% increase in the amount of floor space occupied by the Ministry and a 5.9% increase in rentals during the year. These increases were brought about by the need to relocate four offices following the closure of the Department of Internal Affairs Link Centres in December 1997, with which the Ministry had shared accommodation. This resulted in a need to rent additional space for facilities that were once shared. In addition, a fifth office was relocated to provide better customer service facilities and health and safety standards. A property management plan for the period 1997 - 2001 is in place and is updated twice a year.

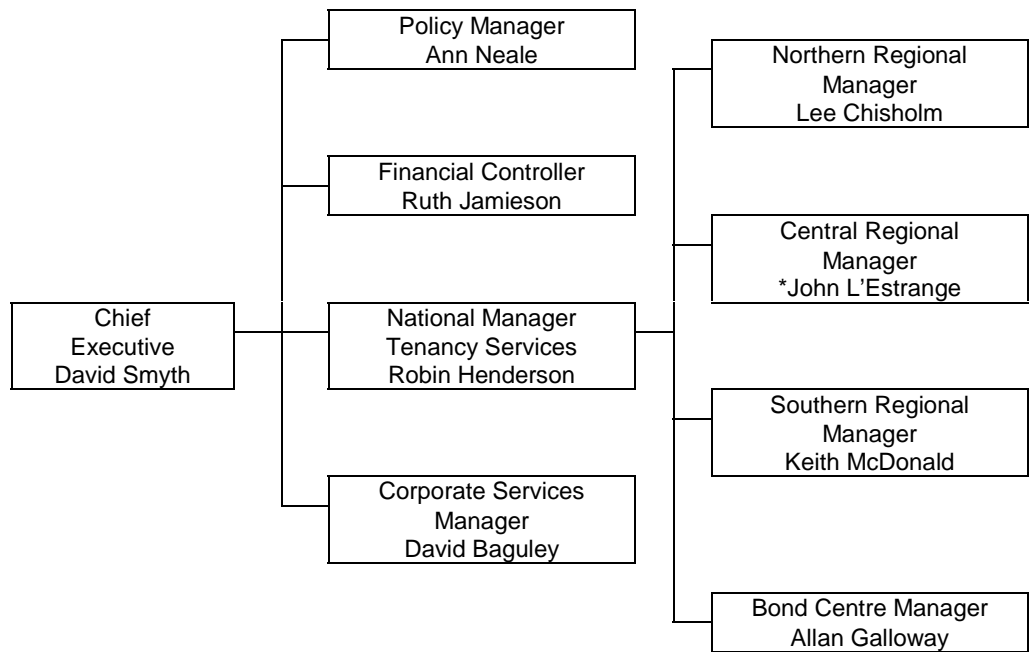
The Ministry has no unoccupied accommodation.

Location	No of Seats	Office Area (Sq Mtrs)	Rental	Office area per Employee (Sq Mtrs)	Cost per Sq Metre	Cost per Employee
Whangarei	2	35.90	\$3,806	17.95	\$126	\$2,262
Takapuna	6	182.32	\$32,000	30.39	\$176	\$5,333
Henderson	4	135.00	\$16,560	33.75	\$123	\$4,140
Auckland	15	341.00	\$53,800	22.73	\$158	\$3,587
Manukau	10	305.21	\$39,586	30.52	\$137	\$4,167
Hamilton	5	166.28	\$36,936	33.26	\$243	\$8,074
Tauranga	2	100.54	\$14,997	50.27	\$149	\$7,499
Gisborne	1	30.39	\$3,190	30.39	\$214	\$6,500
Napier	2	40.00	\$9,450	20.00	\$236	\$4,725
Rotorua	2	98.40	\$12,000	49.20	\$158	\$7,788
Palmerston North	4	136.46	\$19,960	34.12	\$146	\$5,185
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	\$195	\$5,358
Corporate Office	50	1,298.48	\$225,672	25.97	\$197	\$5,116
Porirua	32	576.32	\$93,511	18.01	\$162	\$2,922
Nelson	1	32.00	\$13,260	32.00	\$414	\$13,260
Blenheim	1	25.10	\$3,500	25.10	\$139	\$3,500
Christchurch	10	324.00	\$40,500	32.40	\$133	\$4,309
Timaru	1	26.00	\$5,316	26.00	\$204	\$5,316
Dunedin	5	173.35	\$18,000	34.67	\$104	\$3,600
Greymouth	1	11.02	\$1,014	11.02	\$112	\$1,235
Invercargill	1	51.00	\$11,520	51.00	\$226	\$11,520
TOTALS:	167	4,469.31	\$709,356			

Notes:

1. Rentals include cost of official car parks.
2. Corporate Office includes Wellington Regional office and staff
3. Nelson office is in temporary accommodation

Ministry of Housing Management Structure



*Also Principal Tenancy Mediator