



MINISTRY OF
HOUSING
TE WHARE AHURU

Statement of Intent 2004



MINISTRY OF
HOUSING
TE WHARE AHURU

Statement of Intent 2004



Contents

Minister's Foreword.....	02
Chief Executive's Overview.....	03
Part A: Strategic Overview	
The Ministry of Housing.....	06
Our Context.....	10
Our Strategic Direction.....	16
Achieving Our Outcomes.....	20
Managing for Outcomes.....	25
Our Risk Strategy.....	28
Part B: Forecast Financial Statements	
Statement of Responsibility.....	32
Financial Highlights.....	33
Forecast Financial Statements.....	34
The Outputs that Deliver Our Outcomes – Statement of Objectives.....	42

Rental housing is an important component of the New Zealand housing market and is continuing to increase its prominence as a housing choice. A rental housing market that provides stable, quality housing and that balances the needs of tenants and landlords is essential for the wellbeing and economic security of New Zealanders.

The Ministry of Housing has a fundamental part in making this vision a reality, in its role advising on and administering the regulatory framework for the residential rental market, providing services to landlords and tenants and advising the Government on the performance of Housing New Zealand Corporation.

The focus on increasing accessibility to tenancy services and developing better connections with landlords, tenants and communities is important in achieving good outcomes in the rental housing market.

The Ministry will be leading a review of the Residential Tenancies Act 1986 to ensure it meets the needs of today's landlords and tenants and is still relevant to today's market. This forms part of the Government's broader strategy for housing and responds to feedback received by the Ministry and Government from stakeholder groups.

This review and the implementation of the current amendments of the Residential Tenancies Act that are before the House are an important part in achieving better social and economic outcomes for all New Zealanders.

I look forward to working with the Ministry of Housing to achieve the outcomes set out in this Statement of Intent.

A handwritten signature in blue ink that reads "Steve Maharey". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steve Maharey

Minister of Housing

Our Vision

Our vision is that all people in New Zealand will enjoy stable, quality housing in strong and viable communities; balancing the needs of tenants to have a home with those of landlords to manage their business investments effectively.

Our Role

The Ministry of Housing makes an important contribution to achieving a well-functioning housing sector through its role in ensuring effective regulation of the rental housing market and through working with others to deliver better housing outcomes.

Making Progress Towards Our Outcomes

In the past year we have implemented many new initiatives focusing on improving the stability and quality of rental housing. While it is early days the results are pleasing. As at 31 January 2004, the number of tenancy dispute applications had decreased by 3.5% and out-of-court dispute settlements increased by 4% compared with the previous year. This is the result of factors such as:

- better provision of education and information for landlords and tenants on their rights and obligations. We have delivered two series of landlord seminars nationally and are working towards providing all new landlords and tenants entering our system with an essential information toolkit;
- implementing a quality assurance framework for Tenancy Services Centre advice to ensure quality and strengthen the focus on resolving disputes and sustaining tenancies;
- encouraging landlords to act early to prevent disputes escalating. This has included changes in the way we process applications to encourage more rapid dispute processing and resolution;
- strengthening our partnerships with other agencies. For example, the Rent Help for Tenants in Difficulty package with Work and Income helps find solutions for tenants who have difficulty meeting rental payments; and
- working closely with the Ministries of Justice and Social Development to improve the Tenancy Tribunal's effectiveness for landlords and tenants by facilitating the enforcement of Tribunal orders.

We have also worked closely with Housing New Zealand Corporation and other agencies in developing the discussion document on a New Zealand Housing Strategy and worked closely with the Ministry of Consumer Affairs on housing buy-back schemes.

Challenges in the Year Ahead

During the next year the Ministry's strategic priorities will be to:

- review the Residential Tenancies Act 1986 to ensure the regulatory framework for residential tenancies is relevant and effective in today's housing market;
- improve access to our services for landlords, tenants and communities. We will continue to review our services and the way we deliver them to ensure they are effective;
- increase our focus on education, information and working with other agencies to improve awareness of and compliance with the law and reduce and resolve disputes between landlords and tenants;
- continue our emphasis on improving the quality of property management and investment practices in the rental housing market by working with property investors and financial institutions to better inform decision-making; and
- build our organisational capability with a focus on leadership, organisational systems that underpin service delivery and communication. We will also build our policy capability and enhance the collection of, use of and access to our market data to better inform government and private sector decision-making.

These priorities will drive the Ministry towards achieving our vision, and assist New Zealanders enjoy the benefits of a well-functioning rental housing market that meets the needs of both tenants and landlords.



Katrina Bach

Chief Executive

Part A: Strategic Overview

The Ministry of Housing's principal functions are to:

- provide policy advice on the rental housing market in relation to the Residential Tenancies Act 1986;
- administer the Residential Tenancies Act 1986, including providing information, advice and a dispute resolution service for tenants and landlords; and receiving, investing and refunding residential tenancy bond monies;
- administer the State Housing Appeals Authority, which hears appeals on Housing New Zealand Corporation decisions concerning income-related rents and the allocation of state housing; and
- provide purchase and monitoring advice to the Government on Housing New Zealand Corporation.

Our Core Roles

Ensuring an effective regulatory environment for the rental housing market

The Residential Tenancies Act provides the regulatory framework for rental housing, setting the rights and obligations of landlords and tenants. We provide policy advice in relation to the Act and work with tenants and landlords at national and local levels to identify issues or barriers that reduce the effectiveness of the rental housing market. We also have a compliance function, examining risk areas where people might be acting outside the Act's provisions.

We hold comprehensive data on the rental housing market which, combined with independent research and information from other agencies, we use to monitor trends and emerging issues.

Promoting a stable rental housing market environment by preventing and resolving rental housing disputes

One of our core roles is, where possible, to prevent and resolve disputes between tenants and landlords to improve the stability and quality of housing. This recognises that stable, quality housing plays an essential role in achieving better health, education and employment outcomes.

Our public information, public education and tenancy advice services focus on educating landlords and tenants on their rights and obligations and on the way the rental market works. Where self-resolution is not possible we provide mediation services. Where disputes cannot be resolved out of court, landlords and tenants can apply to the Tenancy Tribunal, which is operated by the Ministry of Justice with administrative support provided by us.

In our preventative role we work collaboratively with other agencies and community groups. Our comparatively small size and limited resources mean that our role is often facilitative, working with others to achieve results and better outcomes.

Administering and investing tenancy bond funds

We are responsible for administering residential tenancy bonds, which all landlords collecting bonds are legally required to lodge with us. We hold the bonds in trust for landlords and tenants across New Zealand and refund them at the end of tenancies on the instructions of landlords and tenants or the Tenancy Tribunal. We also advise landlords and tenants on bonds. All bonds lodged are held in the Residential Tenancies Trust Account and invested according to the Residential Tenancies Act 1986 and the Public Finance Act 1989.

Advising on housing sector interventions and Housing New Zealand Corporation's performance

We provide purchase and monitoring advice to enable the Government to make informed decisions on Housing New Zealand Corporation's performance, the effectiveness of its interventions, its policy work programme and future investment decisions. We also administer the external State Housing Appeals Authority, which hears appeals against Housing New Zealand Corporation decisions on the assessment of income-related rents, and applicants' eligibility and need for Housing New Zealand Corporation housing.

The Ministry’s core roles are summarised in the following diagram.



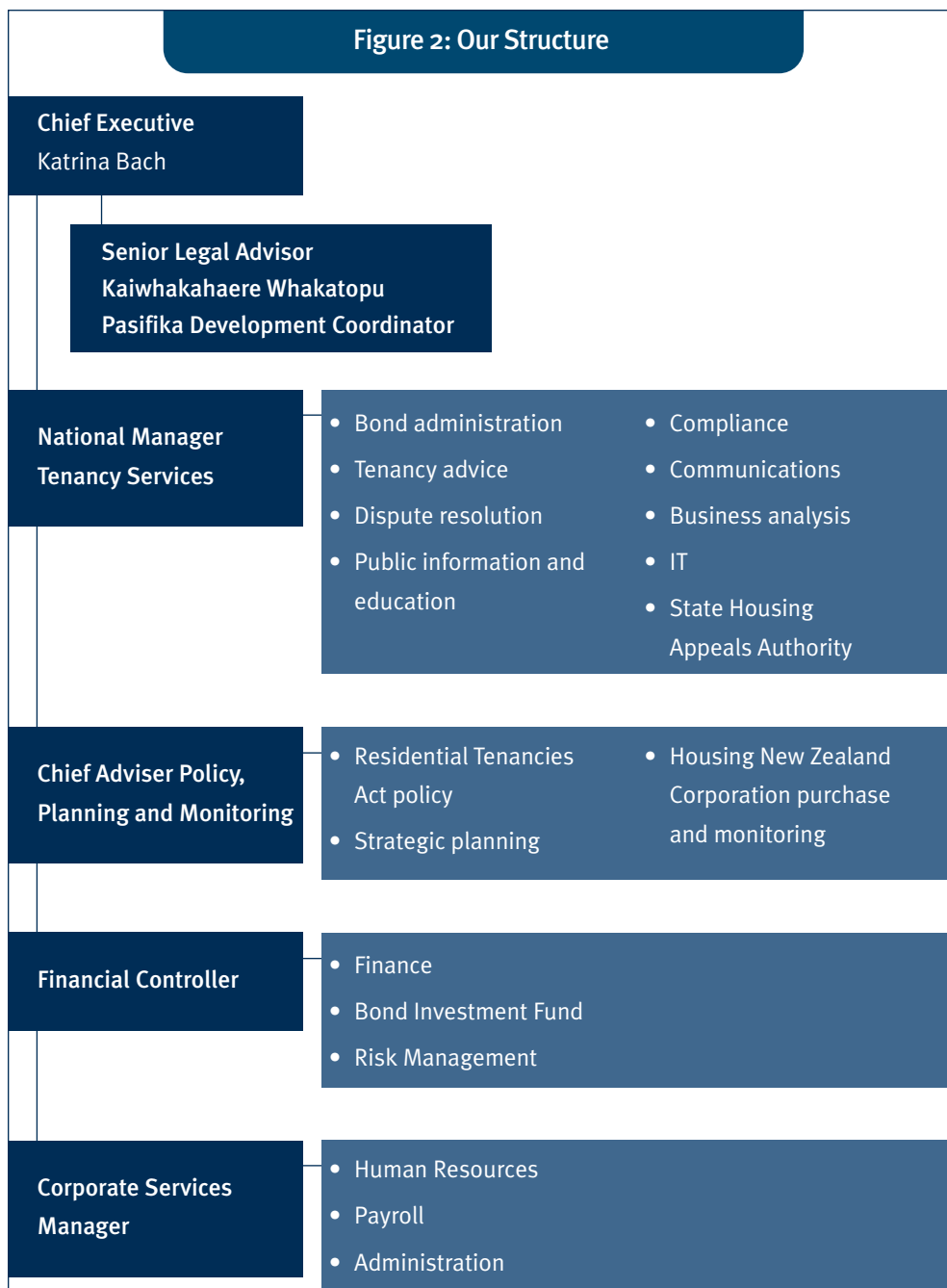
Our Structure

The Ministry employs 151 permanent staff. Our Wellington-based Corporate Office has a governance role and is also responsible for developing policy and providing policy advice to the Government.

We have 22 local offices throughout the country, from Invercargill to Whangarei, employing 55 mediators and 21 tenancy officers. These offices provide advice, education and mediation services as well as administration for the Tenancy Tribunal. The Tenancy Services Centre in Porirua employs 51 staff and deals with all tenancy and bond advice calls and bond processing¹.

¹ Figures as at March 2004.

Figure 2: Our Structure



Māori, Pacific Island and Migrant Communities

The Ministry focuses on educating and providing information and services to communities with recognised needs. In doing this we consider the Government's key goals and commitments to reducing inequalities, and our obligations to be a good employer.

The Importance of Housing

All New Zealanders are involved in housing as consumers, users or investors. The quality of people's housing affects all other aspects of their lives. Shelter is recognised internationally as a basic human right².

Our homes influence our wellbeing, our sense of worth and our ties to our families, communities and work. If we live in stable, quality housing we are more likely to benefit from good health, higher educational attainment and better-paid work.

Housing makes important direct and indirect contributions to economic output and growth. The industry is a source of direct and indirect employment and, as a property-owning democracy, housing is the main source of capital investment for many, with an important role in wealth creation and retirement savings.

The Government's Role in the Housing Sector

Most people in New Zealand are well housed and can satisfy their own housing needs within the private housing market. For these people, central government has a limited role in providing and administering effective regulatory frameworks that ensure the market works well. It ensures that rights and obligations are clear and that there are no unnecessary barriers, disincentives or unnecessarily high compliance costs that reduce people's ability to buy or rent houses without help.

A sizeable minority of New Zealanders do need housing assistance, either short or long term and with differing levels of severity and complexity. The affordability of home ownership and rental accommodation has become an issue in some locations. The Government intervenes to reduce housing need by:

- increasing the number of people who can participate in housing markets without help by removing policy, legislative and information barriers; and
- helping those people who cannot find or keep housing without assistance to access housing through targeted assistance and state housing.

The Housing Market

New Zealand's housing market is made up of many local markets. These markets reflect regional and local differences in demand and supply, which change in response to factors such as economic activity, employment, educational opportunities and demographic changes.

² New Zealand is a signatory to the International Covenant on Economic, Social and Cultural Rights (1966).

Population and Demographic Change

The demand for housing in New Zealand continues to be high owing to a number of economic and social factors.

Our population is continuing to grow. Between the 1996 and 2001 Censuses the overall population grew by 3%. The Auckland region represented 76% of the overall increase and was the fastest-growing region in 2002/03, with a growth rate of 3.1%. Over 32% of New Zealanders now live in the Auckland region. Auckland's population growth is expected to continue, with the Auckland Regional Council estimating it could double between now and 2050.

The availability of housing is coming under increasing pressure in high-demand areas like Auckland, fuelled by a combination of natural population growth and internal and external migration.

New Zealand's population is also ageing. Households are getting smaller and the number of households is growing faster than the rate of population growth. The number of households in New Zealand is projected to increase from 1.285 million in 1996 to 1.527 million in 2011, an increase of 242,000 or approximately 16,000 per annum.

In Auckland, it is estimated that the combination of an increasing regional population and an expected fall in occupancy rates³ will require approximately 201,000 new dwellings until 2021 (using 1996 as a base).

New Zealand's population is also becoming increasingly diverse. In the 2001 Census, 10% of the population recorded an ethnicity that was different from the majority of people in New Zealand, including Māori and Pacific people in New Zealand.

Home Ownership vs Rental Markets

The 2001 Census recorded 1,344,267 private occupied dwellings in New Zealand. Home ownership rates are falling and the rental sector is growing. This represents a significant shift and indicates that the tenure structure of the country's housing market is changing.

³ The number of people living in each household.

Figure 3: Home Ownership vs Rental Markets

	Owner occupied		Not owned by the usual resident	
	%	Number	%	Number
Census 1991	74%	848,913	26%	301,167
Census 2001	68%	868,656	32%	412,197
Rate of growth	2%		37%	

Rental market growth has not been even throughout New Zealand. The areas with the highest growth between 1996 and 2001 were West Auckland (45%), South Auckland (42%), North Auckland (40%) and Tauranga (39%).

The factors contributing to this trend include:

- population growth and increasing household formation rates;
- low-income people being unable to afford home ownership owing to rising house prices, unemployment and less secure employment;
- younger households putting off home ownership because of delayed family formation and student loans; and
- high-income households choosing to rent to enable greater flexibility to move for employment opportunities.

The trends relating to changing lifestyle preferences and needs, growing household diversity and labour market flexibility are likely to continue.

State Rental vs Private Rental Housing

Rental housing patterns in New Zealand have changed significantly over the past ten years. Of the households paying rent in 2001, 74% were renting from a private landlord or trust and 22% from a public landlord⁴. This compares with 1991 when 51% of rental households rented from private owners or trusts.

⁴ Public landlords include Housing New Zealand Corporation, local authorities and other government-owned housing. These figures only include households that identified their landlord.

Who lives in the Rental Market?

Those more likely to rent, when compared with the general population, include:

- low-income households;
- Māori and Pacific households; and
- one-parent, single-person and extended-family households.

Over half of the households with people of Pacific ethnicity did not own their homes in 1991; this increased to over 60% in 2001.

In 2001, the median household income for private dwellings was \$39,600, compared with \$30,900 in 1991 (these figures do not account for inflation). By contrast, the median income for renting households was considerably lower at \$29,900 in 2001 and \$23,300 in 1991. This contrast is clearly apparent in the higher income brackets: in 2001, 48,159 renting households (14.6%) had a total household income of \$70,001 or more, compared with 198,939 (26.6%) of owning households.

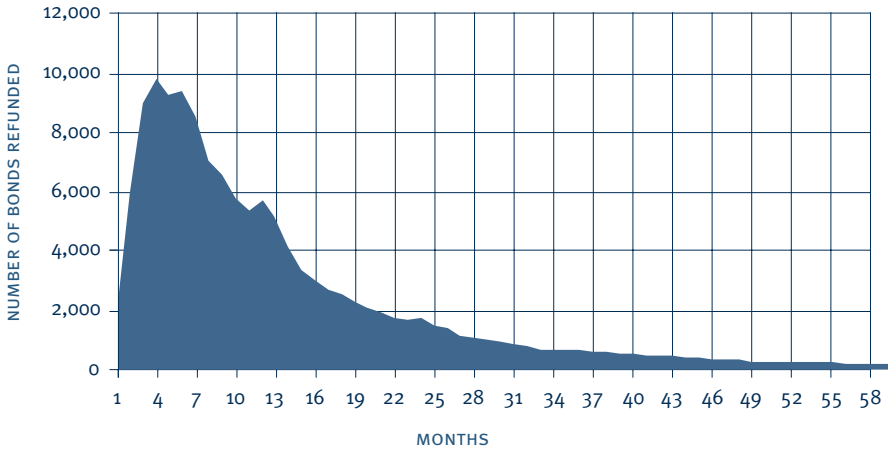
There are also distinct differences in the housing tenure patterns of Māori and non-Māori households. In the 2001 Census, 43% of households that identified as Māori were paying rent for their housing compared with 23% of European households. Māori and Pacific households are also more likely to rent from Housing New Zealand Corporation. Māori households tend to be over represented in areas with a higher proportion of short-term tenancies.

Other significant groups also choose rental as the tenure of choice. These include the new migrant and refugee communities, youth and students, and middle-income tenants.

How long do Tenancies last?

Tenancies have a high turnover, with the average duration of all tenancies that ended in the year ending 31 December 2002 being less than 15 months. More than half of all tenancies in that year ended within ten months, 33% within six months and 13% within three months.

Figure 4: Distribution of length for all tenancies that ended during 2002



The rental market does exist, in part, to offer flexibility in housing. However, some tenancies fail, making it difficult for households to maintain schooling, contact with health professionals and social links and networks and to participate in their communities. This can have negative effects on health, education and other social outcomes. There are also financial costs associated with landlords finding new tenants, tenants moving and setting up a new home, and the potentially negative effects of sharing accommodation with others where this results in overcrowding.

Who supplies the Residential Rental Market?

New Zealand has one large central government landlord (Housing New Zealand Corporation), a range of other local government and third sector providers and a large number of private sector landlords.

An estimated 20% of owners employ property managers to manage their properties for them. As with owners, property managers have a wide range of experience and skills. They are not required to be licensed or registered in New Zealand, although many are licensed real estate agents governed by the Real Estate Agents Act 1976. The recent growth in rental properties has seen an increase in first-time landlords and independent property managers.

How often do Rental Disputes happen?

Each year, approximately 44,000 rent-paying households (12% of the total) experience disputes that need help with resolution. The single largest cause is tenants' failure to pay rent.

Figure 5: Tenancy Tribunal Applications received (January 2004 YTD)

Reason for the application	Number	%
Current tenancy (excluding rent)	2,234	9
Current rent arrears	892	4
Vacated tenancy	2,559	10
Vacated arrears	3,190	13
Termination – arrears	10,525	42
Termination – breach rent arrears	4,020	16
Termination – other	548	2
Tribunal urgent	1,010	4
Total	24,978	

Why do People invest in Residential Rental Property?

People invest in rental housing for a number of reasons. Most buy rental units as an investment, but approximately 20% enter the market in other ways, such as by inheriting a property. The main attractions of residential property investment include the low cost of market entry and the relatively low cost of growing a portfolio. Other attractions include the potential returns over the long run, the ability to reduce taxable income by negative gearing, and the prospect of capital gain without having to pay capital gains tax.

The Policy Environment

Legislative change

The two key priorities for rental market legislation in 2004/05 are the Residential Tenancies Amendment Bill 2001 and the review of the Residential Tenancies Act 1986.

The Residential Tenancies Amendment Bill is currently before Parliament. It broadens the scope of the Residential Tenancies Act to include long-term tenancies in forms of accommodation not previously covered, including boarding houses and some hostels. This will present challenges for the Ministry, as many boarding house residents are among the most vulnerable and transient in our society.

During 2004/05 the Ministry will lead a review of the Residential Tenancies Act, which has been in force since 1987. The review will involve a number of other agencies and will focus on ensuring the Act facilitates an effective rental housing market in New Zealand.

This Statement of Intent builds on the direction set out in the 2003 Statement of Intent. While aiming for stability and continuity in pursuing our strategies, we have strengthened our focus to better reflect the importance of housing in the economy and the key role we play in ensuring an effective rental market.

Our Outcome Framework

The activities planned within each of the Ministry's output classes will contribute to achieving the Ministry's outcomes, intermediate outcomes and vision. This in turn will contribute towards achieving the Government's key goals.

Measuring Success

To measure progress in achieving our outcomes, we have developed performance measures related to our outcomes, intermediate outcomes and outputs. The output measures support the intermediate outcome measures, which in turn contribute to the outcome measures.

We also have a number of indicators for measuring changes in our high-level outcomes over time.

Figure 6: Measuring Success

Desired Outcome	Measure
Overall outcomes	
<p>A rental housing market that provides stable, quality housing for those who choose or need to rent their homes: balancing the needs of tenants to have a home and of landlords to manage their business investments effectively</p>	<ul style="list-style-type: none"> • Average length (and turnover) of tenancies • Number (and turnover) of households housed by the private rental sector
Intermediate outcomes	
<p>The Residential Tenancies Act provides an effective regulatory framework that balances the needs of tenants and landlords</p>	<ul style="list-style-type: none"> • Level of Residential Tenancy Act awareness and satisfaction (tenants and landlords) • The timeliness of dispute resolution
<p>Tenants and landlords are aware of and meet their obligations at the start, during and at the end of tenancies</p>	<ul style="list-style-type: none"> • The number of tenancy disputes as a proportion of bond lodgements • Improved self-resolution rate • Successful self-resolution for compliance investigations
<p>Increased duration of tenancies for tenants most likely to face difficulties retaining their rental housing</p>	<ul style="list-style-type: none"> • Average length of tenancies for 'at risk' groups
<p>Government decisions related to Housing New Zealand Corporation are informed by quality purchase and monitoring advice from the Ministry of Housing</p>	<ul style="list-style-type: none"> • Level of Ministerial satisfaction

The Residential Tenancies Act review will include developing a robust monitoring and evaluation framework. Policy work has yet to be completed on the suitability of the high-level indicators as outcome measures; on identifying and addressing issues with data collection and monitoring; and on evaluating and confirming if the intermediate outcome measures are appropriate.

Figure 7: Our Outcome Framework

Key Government Goals

- Grow an inclusive, innovative economy for the benefit of all
- Maintain trust in government and provide strong social services
- Reduce inequalities in health, education, employment and housing

Vision

All people in New Zealand enjoy stable, quality housing in strong and viable communities

Outcome

A rental housing market that provides stable, quality housing for those who choose or need to rent their homes: balancing the needs of tenants to have a home and of landlords to manage their business investments effectively

Intermediate Outcomes

- The Residential Tenancies Act provides an effective regulatory framework that balances the needs of tenants and landlords
- Tenants and landlords are aware of and meet their obligations at the start, during and at the end of tenancies
- Increased duration of tenancies for tenants most likely to face difficulties retaining their rental housing
- Government decisions related to Housing New Zealand Corporation are informed by quality purchase and monitoring advice from the Ministry of Housing

Strategy 1

Provide quality evidence based policy advice supporting an effective regulatory framework for the rental market, working with landlord and tenant groups to identify and address any issues that are reducing the effectiveness of the rental market

Strategy 2

Improve the quality of business and property management practices used by landlords and property managers in New Zealand

Strategy 3

Prevent and resolve disputes that affect the stability of rental housing, with a particular focus on increasing the ability of 'at risk' groups to retain their rental housing and reducing the incidence and level of rent arrears

Strategy 4

Ensure high quality evidence based advice is provided to Ministers on Housing New Zealand Corporation's activities and on the performance of these activities. This advice will be based on the available rental market information; and knowledge and understanding of housing issues and purchase and monitoring functions

Outputs

- Market monitoring and policy advice on the Residential Tenancies Act
 - Communication and education - public information, tenancy advice
 - Dispute resolution and Tenancy Tribunal administration
 - Residential Tenancies Act compliance
 - Bond fund administration and investment – lodgements, refunds, advice, and investment
 - Housing agency purchase and monitoring advice
 - State Housing Appeals Authority
- Output Class D4
Output Class D2
Output Class D2
Output Class D2
Output Class D1
Output Class D4
Output Class D3

This section describes our outcomes, intermediate outcomes and outputs, linking them with the strategies we intend to follow to achieve our outcomes.

Outcome

A rental housing market that provides stable, quality housing for those who choose or need to rent their homes; balancing the needs of tenants to have a home and of landlords to manage their business investments effectively.

The Ministry's activities contribute to a well-functioning rental housing market that provides housing for those who need it. Tenants who choose or need to rent should be able to find and keep homes that meet their needs. Landlords should choose and continue to invest in rental housing because they are able to get a return on their investments, protect their assets and manage their businesses effectively.

The Ministry focuses on achieving four intermediate outcomes that it can strongly influence and that contribute to the above outcome. These are:

- the Residential Tenancies Act provides an effective regulatory framework that balances the needs of tenants and landlords;
- tenants and landlords are aware of and meet their obligations at the start, during and at the end of tenancies;
- increased duration of tenancies for tenants most likely to face difficulties retaining their rental housing; and
- government decisions related to Housing New Zealand Corporation are informed by quality purchase and monitoring advice from the Ministry of Housing.

Four key strategies enable us to achieve our outcomes.

Strategy 1: Provide quality, evidence-based policy advice supporting an effective regulatory framework for the rental market, working with landlord and tenant groups to identify and address any issues that are reducing the effectiveness of the rental market

There are two key priorities within this strategy in 2004/05:

- A comprehensive review of the Residential Tenancies Act. The Ministry will lead the review, building on its existing knowledge of issues in the market. The review will identify, analyse and recommend ways to address issues with the regulatory framework, including implementation issues. It will include significant involvement from government agencies, landlords, tenants and other stakeholder groups.
- Information and data. We keep comprehensive data on the rental market and maintain strong relationships with landlord and tenant groups. These are significant assets for the review. We will continue to use our information and integrate it with other data sources to monitor market trends, provide quality advice to the Government, inform operational improvement initiatives and provide information to the rental sector.

Recent investments in our information infrastructure have seen us integrate historical information and establish a sound information structure for the future. In 2004/05 we will use new funding to improve the integrity of our data, which will in turn better inform our service delivery and the value of the information we provide to other agencies.

We will work collaboratively with Housing New Zealand Corporation to share information and minimise duplication in implementing this strategy.

Strategy 2: Improve the quality of business and property management practices used by landlords and property managers in New Zealand

We will continue working with landlords, property managers, landlord groups and financial institutions to encourage quality business and property management practices. Our main approach will involve providing landlord education and information to raise knowledge and awareness. We will:

- encourage and help Housing New Zealand Corporation, local authorities and other large property management firms to incorporate best practice property management into their business processes;
- provide public information and education through landlord groups and financial institutions;
- deliver a range of products to influence the behaviour and quality of landlord property management practices;
- send information with new bond lodgements to new landlords; and
- focus our compliance activity on unlawful practices.

Key work in 2004/05 will be policy development on property management issues in relation to the revision of the Real Estate Agents Act and delivering an advanced seminar programme for landlords.

Strategy 3: Prevent and resolve disputes that affect the stability of rental housing, with a particular focus on increasing the ability of ‘at risk’ groups to retain their housing and reducing the incidence and level of rent arrears

We are continuing our work on reducing the number of disputes and increasing self-resolution rates and the number of cases settled out of court. We will continue:

- working collaboratively with government and community agencies to understand the causes of disputes and develop solutions. We will continue to provide information to agencies such as Housing New Zealand Corporation and the Ministry of Social Development on trends that may inform their policy development and service delivery;
- increasing the self-resolution focus of our advice on disputes to tenants and landlords;
- targeting our public information and education to reduce disputes. Research in 2003 established benchmarks of client groups’ awareness of the Ministry’s activities. Initial information indicates that landlords change their property management practices after attending landlord education seminars. We will use this information in 2004/05 to increase the effectiveness of our education and information programmes; and
- more effectively targeting our compliance activities on education, voluntary compliance and, where appropriate, prosecution.

We will also focus on the future shape of dispute resolution, ensuring it is well connected with communities and accessible to landlords and tenants. We will look at new channels and endeavour to make our service delivery approach more flexible and accessible.

We will continue investigating the causes of rent arrears. While we cannot directly measure the reduction in their value, we will continue to address this core area of rental dispute.

Strategy 4: Ensure high-quality, evidence-based advice is provided to Ministers on Housing New Zealand Corporation’s activities and on the performance of these activities. This advice will be based on the available rental market information; and knowledge and understanding of housing issues and purchase and monitoring functions.

The Ministry provides purchase and monitoring advice so that the Government can make informed decisions about the Corporation’s performance, the effectiveness of its activities, its policy work programme and future investment decisions. This advice needs to be evidence based and accurate, to consider the risks, and to present the options available to the Government.

We will ensure we provide high-quality advice by:

- increasing our knowledge and understanding of housing issues;
- using information from our rental market monitoring in our purchase and monitoring role;
- working closely with other agencies to understand how they deliver purchase and monitoring advice to ensure we use best practice in undertaking this role.

To achieve our outcomes in a changing environment we need to be able to respond effectively and efficiently to our stakeholders' and clients' needs. To do this we need to be able to access the right combination of resources, people and systems in the right place at the right time.

Our Strengths

- There is strong staff commitment to our strategic direction and our role in contributing to an effective, well functioning rental housing market.
- Our workforce is highly experienced, capable and motivated.
- We have a comprehensive understanding of housing issues. Our knowledge of national and local rental markets is informed by our working relationships with other government, community and representative organisations working in the housing sector.
- We have centralised all tenancy and bond advice calls and processing at the Tenancy Services Centre, leaving regional staff to focus on preventing and resolving disputes that affect the stability of rental housing.
- We have implemented a quality assurance framework for tenancy advice. Service standards have continued to improve.
- Our services are valued by those that use them.

Areas for Development

Over the next three years we will build our internal capability so we can better deliver on our outcomes. The key areas of focus will be leadership, organisational systems and structure, and enhancing our policy capability.

We will continue to review the services we provide and the way these are delivered to ensure these are aligned with our strategic direction and continue to be effective and deliver value.

This year we will focus on:

- building leadership and management capability within the Ministry through support and training and well designed management structures.
- building and strengthening our capability and capacity to provide quality policy and regulatory advice to the government on the rental housing sector. We will do this through recruiting and developing policy staff who have the ability, knowledge and experience to make a significant contribution to housing sector policy.
- deepening our understanding and knowledge of the dynamics of the housing sector through improved use of our housing data and focused research.
- continuing to build and develop effective organisational support capability and systems to better support business units to deliver on outcomes. We will
 - continue to improve IT systems and put in place a comprehensive Information Systems Strategic Plan to guide future investment;
 - bed in our new Risk Management Framework;
 - develop a Human Resources strategy that focuses on recruitment and retention of skilled staff and putting in place a core organisational training programme;
 - enhance our financial and administrative reporting systems in order to better support managers deliver services and manage their areas of responsibility effectively;
 - improve our internal performance reporting and forecasting systems and enhance the collection, use and accessibility of our market data; and
 - complete work on a new funding model for service delivery that provides greater flexibility in responding to market demand for tenancy services.
- managing an effective change process as a result of the review of housing agencies. A key focus of this will be an enhanced, internal communications capability so staff are kept well-informed and are able to participate in decision making where appropriate.

As a Ministry we face risks and opportunities in everything we do, and seek to make informed, risk-aware decisions for all key strategic, business and operational aspects of our business. The Ministry has developed a risk management framework that is consistent with best practice and is employed throughout the Ministry to ensure we are aware of, and actively managing, our total risk profile.

Below is a summary of those key risks.

Strategic

- Regulatory framework reviews – The forthcoming reviews of the Residential Tenancies Act and the Real Estate Agents Act risk not delivering on stakeholder expectations.
- Policy linkages – Quality policy advice and investment decisions depend on policy staff having the capability, relevant and reliable research data and a strong alignment with the Ministry's operations. Without these, policy advice may not be relevant, appropriate or accurate.

Operational

- Implementing policy – Misaligned policy and line divisions could result in new initiatives and legislative changes not being appropriately implemented.
- Business continuity – The Ministry's business requires day-to-day continuity to meet the rental market's needs. Continuity and disaster recovery plans need to be comprehensive and reliable.

Financial

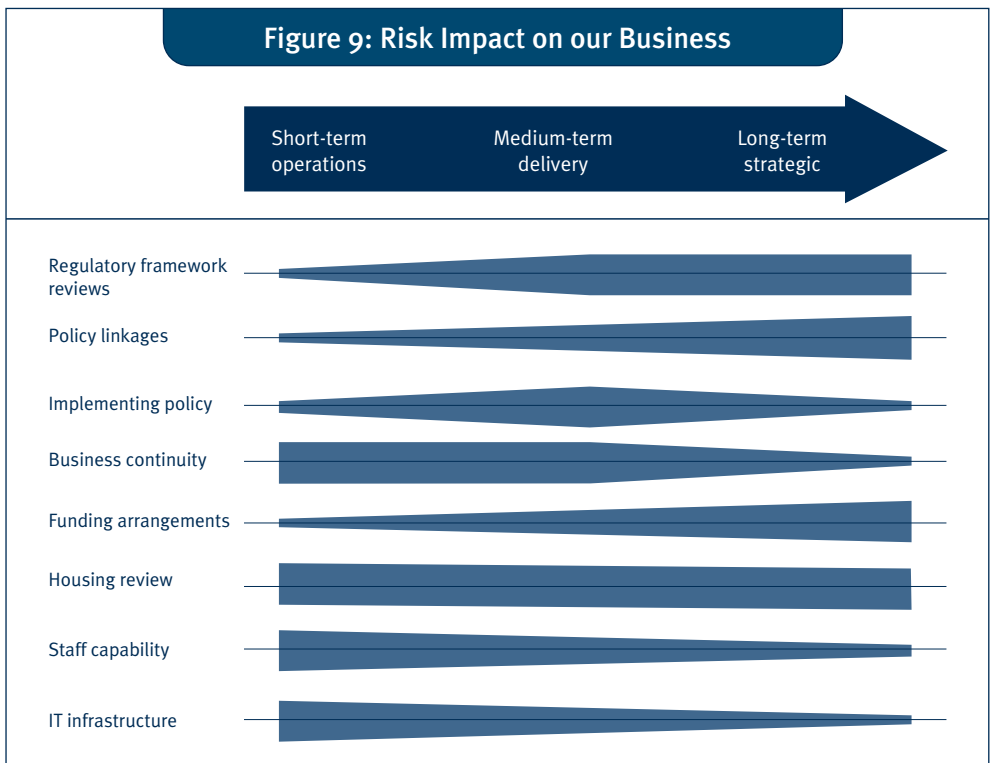
- Financial appropriations may not provide the flexibility needed to quickly respond to changing demand pressures, new business practices or the results of the Residential Tenancies Act review.

Capability

- Housing review – Uncertainty created by the ongoing review of government agencies in the housing sector may affect the Ministry's ability to carry out its role and functions.

- Staff capability – The Ministry faces challenges in recruiting and retaining staff with the necessary skills in some corporate roles.
- IT infrastructure – While considerable investment is underway in the Ministry’s IT infrastructure further changes will be required to ensure the potential for future service delivery models that enable greater flexibility and accessibility to services.

The diagram below indicates how each of these risks affects our business, whether it be short-term operations, medium-term business delivery or long-term strategy. The wider the bar, the greater the impact.



Part B: Forecast Financial Statements

STATEMENT OF RESPONSIBILITY

B12SOI (04)

The forecast financial statements for the Ministry of Housing for the year ending 30 June 2005 contained in this Statement of Intent have been prepared in accordance with section 34A of the Public Finance Act 1989.

The Chief Executive of the Ministry of Housing acknowledges, in signing this statement, that she is responsible for the forecast financial statements contained in this Statement of Intent.

The financial performance forecast to be achieved by the department for the year ending 30 June 2005 that is specified in the Statement of Objectives is as agreed with the Minister of Housing, who is the Minister responsible for the financial performance of the Ministry of Housing.

The performance for each class of outputs forecast to be achieved by the Ministry for the year ending 30 June 2005 that is specified in the Statement of Objectives is as agreed with the Minister of Housing, who is responsible for the Vote administered by the Ministry.

We certify that the information contained in this Statement of Intent is consistent with the appropriations contained in the Estimates for the year ending 30 June 2005 that are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed:

Countersigned:



Katrina Bach

Marie Warner

Chief Executive

Acting Financial Controller

30 April 2004

30 April 2004

There are four departmental output classes delivered by the Ministry.

The Ministry expects in the 2004/05 year:

- to earn \$9.027 million (GST not applicable) from interest on the Residential Tenancies Trust Account;
- to earn \$0.800 million (GST exclusive) from fees for applications to the Tenancy Tribunal;
- to earn \$0.107 million (GST exclusive) from fees to assist Tenancy Tribunal judgement creditors to recover judgement debts;
- to earn \$0.145 million (GST exclusive) from contributions for the State Sector Superannuation Scheme;
- to earn \$7.279 million (GST exclusive) from the sale of outputs to the Crown; and
- to spend \$17.358 million (GST exclusive) on the production of outputs for the four departmental output classes detailed in the Statement of Objectives.

The Ministry will also administer payments and receipts under the appropriation as follows:

- non-departmental output classes payable to Housing New Zealand Corporation for policy advice of \$1.615 million, contracted housing support services of \$2.305 million, and housing support services of \$2.960 million;
- benefits and unrequited expenses for income-related rental subsidy paid to Housing New Zealand Corporation of \$366.074 million;
- benefits and unrequited expenses for housing assistance payments of \$15.528 million;
- non-departmental other expenses payable to Housing New Zealand Corporation for the community housing rent relief programme of \$4.500 million;
- interest receipts on loans to Housing New Zealand Corporation of \$70.045 million;
- dividend receipts from Housing New Zealand Corporation of \$30.256 million; and
- capital contributions to Housing New Zealand Corporation of \$231.830 million.

Details of how the non-departmental appropriations will be applied appear in parts C2, D1, D3, E1 and F1 of Vote Housing in the 2004/05 Estimates of Appropriations for the Government of New Zealand.

FORECAST FINANCIAL STATEMENTS

Statement of Financial Performance for the Years Ending 30 June 2004 and 2005

	2003/04		2004/05
	Budgeted ¹ \$000	Estimated Actual \$000	Budget \$000
Revenue			
Crown	6,477	6,477	7,279
Department	30	30	145
Other	9,210	9,690	9,934
Total revenue	15,717	16,197	17,358
Expenses			
Output expenses:			
Personnel	8,463	8,463	9,379
Operating	6,277	6,251	6,783
Depreciation	710	724	901
Capital charge	267	267	295
Loss on sales of assets	0	4	0
Total output expenses	15,717	15,709	17,358
Surplus/(deficit) from operations	0	488	0
Net surplus/(deficit)	0	488	0

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies.

¹ This column incorporates both Main Estimates and Supplementary Estimates appropriations for 2003/04.

**Statement of Estimated Financial Position
as at 30 June 2004
and Forecast Financial Position
as at 30 June 2005**

	Actual Financial Position as at 30 June 2003 \$000	Estimated Financial Position as at 30 June 2004 \$000	Budgeted Position as at 30 June 2005 \$000
Assets			
Current assets			
Cash and bank balances	15	78	84
Prepayments	47	25	25
Receivables and advances	3,903	2,819	2,450
Debtor Crown	57	56	55
Total current assets	4,022	2,978	2,614
Non-current assets			
Fixed assets	1,889	2,208	2,337
Total non-current assets	1,889	2,208	2,337
Total assets	5,911	5,186	4,951
Liabilities			
Current liabilities			
Payables and provisions	1,020	813	686
Provision for payment of surplus	1,376	488	0
Employee entitlements	366	363	363
Total current liabilities	2,762	1,664	1,049
Non-current liabilities			
Employee entitlements	168	221	221
Total liabilities	2,930	1,885	1,270
Taxpayers' funds			
General funds	2,981	3,301	3,681
Total taxpayers' funds	2,981	3,301	3,681
Total liabilities and taxpayers' funds	5,911	5,186	4,951

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies.

Statement of Cash Flows for the Years Ending 30 June 2004 and 2005			
		2003/04	2004/05
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Cash flows from operating activities			
Cash provided from:			
Supply of outputs to:			
Crown	6,478	6,478	7,280
Department	30	30	145
Other	10,765	10,757	10,303
Cash disbursed to:			
Cost of producing outputs	(14,858)	(14,832)	(16,289)
Capital charge	(267)	(267)	(295)
Net cash flows from operating activities	2,148	2,166	1,144
Cash flows from investing activities			
Cash provided from:			
Sale of physical assets	0	14	0
Cash disbursed to:			
Purchase of physical assets	(1,029)	(1,061)	(1,030)
Net cash flows from investing activities	(1,029)	(1,047)	(1,030)
Cash flows from financing activities			
Cash provided from:			
Capital Contributions from Crown	320	320	380
Cash disbursed to:			
Payment of surplus to the Crown	(1,376)	(1,376)	(488)
Net cash flows from financing activities	(1,056)	(1,056)	(108)
Net increase/(decrease) in cash held	63	63	6
Opening total cash balances at 1 July	15	15	78
Closing total cash balances at 30 June projected	78	78	84

**Reconciliation of Net Cash Flows from
Operating Activities to Net Surplus/(Deficit)
in the Operating Statement for the
Years Ending 30 June 2004 and 2005**

	2003/04		2004/05
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Net surplus from operations	0	488	0
Add/(deduct) non-cash expenses/ (revenues) from operating statement			
Depreciation and amortisation	710	724	901
Add/(deduct) non-cash working capital reductions/(increases) from balance sheet			
(Increase)/decrease in receivables and advances	1,594	1,106	369
(Increase)/decrease in Debtor Crown	1	1	1
Increase/(decrease) in payables and provisions	(60)	(60)	(97)
Increase/(decrease) in other accrued liabilities	(97)	(97)	(30)
Items classified as investing activities			
Net (gain)/loss on sale of physical assets	0	4	0
Net cash flows from operating activities	2,148	2,166	1,144

**Statement of Movements in
Taxpayers' Funds (equity)
as at 30 June 2004 and 2005**

	Estimated Position as at 30 June 2004 \$000	Projected Position as at 30 June 2005 \$000
Taxpayers' funds at the start of the period	2,981	3,301
Add		
Net surplus	488	0
(Deduct)		
Provision for payment of surplus to the Crown	(488)	0
Add		
Capital Contribution from Crown	320	380
Taxpayers' funds at the end of the period	3,301	3,681

Forecast Details of Fixed Assets by Category

	30 June 2004		30 June 2005 Projected Position	
	Estimated Actual Position \$000	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Office equipment	18	234	(222)	12
Office renovations	299	1,207	(938)	269
Furniture and fittings	19	144	(131)	13
Computer hardware	1,070	2,518	(1,505)	1,013
Computer software	765	1,798	(841)	957
Motor vehicles	37	332	(259)	73
Communications	0	6	(6)	0
Total	2,208	6,239	(3,902)	2,337

**Statement of Objectives Specifying the
Estimated Financial Performance to 30 June 2004
and Forecast Financial Performance
for the Year Ending 30 June 2005**

	Unit	2003/04		2004/05
		Budgeted	Estimated Actual	Budget
Operating expenses				
Revenue: other	\$000	9,210	9,690	9,934
Output expenses	\$000	15,717	15,709	17,358
Operating surplus before capital charge	\$000	267	267	295
Surplus from operations	\$000	0	488	0
Working capital				
Net current assets	\$000	1,314	1,314	1,565
Resource utilisation				
Physical assets:				
Total physical assets at year end	\$000	2,208	2,208	2,337
Taxpayers' funds:				
Level at year end	\$000	3,301	3,301	3,681
Forecast net cash flows				
Surplus/(deficit) operating activities	\$000	2,148	2,166	1,144
Surplus/(deficit) investing activities	\$000	(1,029)	(1,047)	(1,030)
Surplus/(deficit) financing activities	\$000	(1,056)	(1,056)	(108)
Net increase/(decrease) in cash held	\$000	63	63	6

Reconciliation of Appropriation and Operating Expenses to 30 June 2005			
	Appropriation \$000	Less GST \$000	Expenses \$000
Output Classes			
D1 Administration of Residential Tenancies Bond Monies	3,372	(3)	3,369
D2 Residential Tenancies Information, Advice and Dispute Resolution	13,065	(820)	12,245
D3 State Housing Appeals Services	75	(8)	67
D4 Policy, Purchase and Monitoring Advice	1,887	(210)	1,677
Total	18,399	(1,041)	17,358

Statement of Significant Underlying Assumptions

These statements have been compiled on the basis of Government policies at the time the statements were finalised.

These forecast financial statements comply with generally accepted accounting practice and the Public Finance Act 1989.

The measurement base applied is historical cost.

The accrual basis of accounting has been used for the preparation of these financial statements.

These statements have been prepared on a going-concern basis.

Statement of Significant Accounting Policies

Specific accounting policies

Fixed assets

Fixed assets are stated at acquisition cost less accumulated depreciation.

Cost allocation

Cost drivers employed to assign indirect costs to outputs are resource usage, where available, based on floor space, staff numbers and fixed asset values.

Accounts receivable

Accounts receivable are recorded at the amounts expected to be ultimately collected.

Goods and Services Tax (GST)

Income, expenditure, assets and liabilities are recorded exclusive of GST, with the exception of accounts payable and receivable, which are recorded inclusive of GST.

Depreciation rates

Depreciation is accrued monthly using the straight-line method for all categories of assets. Depreciation is based on the expected life of the assets. The amount to be depreciated is the historic cost.

Furniture and fittings are depreciated over ten years, the bond database system over eight years, other software over three years, other equipment over three to five years, and office renovations over two to ten years. Vehicles are written down to residual value over four years.

Commitments

Office accommodation and most photocopiers are leased. The value of contractual lease commitments at 30 June 2004 is estimated to be \$1,502,000.

The Ministry has contracted to update software systems and computer equipment. The estimated value of work still to be completed at 30 June 2004 is \$46,000.

Changes in accounting policies

It is not expected that there will be any changes in accounting policies.

Output Class D1: Administration of Residential Tenancies Bond Monies

This output class involves the efficient, effective and impartial administration of bond monies.

Key Business Strategies

The key business strategies in this output class are:

- work with other agencies and organisations to encourage the use of quality property management practices for bond administration;
- reduce the number of bond calls with improved quality, practices and processing standards; and
- investigate service delivery options using new technology to improve flexibility and reduce transaction costs.

Specific Outputs and Measures

Bond Lodgements Lodgement of bond monies on behalf of tenants and landlords as required under the Residential Tenancies Act 1986

Key measures:

- 100% of bond lodgements will be completed within five working days
- All new bonds received will be accurately recorded on the system, based on information supplied by the tenant and/or landlord

Bond Refunds Refund of bond monies to tenants and landlords as required under the Residential Tenancies Act

Key measures:

- 100% of bond refunds will be completed within two days
- All bonds will be correctly refunded based on the information held at the time of the refund

Bond Advice Provision of information and advice about bond lodgements and refunds

Key measures:

- 75% of bond advice will meet or exceed quality standards
- Abandonment rate will not exceed 5%

Bond Fund Investment Management and investment of bond monies as required under the Residential Tenancies Act 1986 and refunds

Key measures:

- All bond investments will be made within the criteria of the Ministry's investment strategy and within 0.25% of prevailing daily rates

Costs for Output Class 1 (figures exclusive of GST)

Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (Deficit) \$000
0	22	3,347	3,369	0

Output Class D2: Residential Tenancies Information, Advice and Dispute Resolution

This output class involves the administration of the Residential Tenancies Act 1986 through the provision of information, education, advice, dispute resolution services and compliance interventions.

Key Business Strategies

The key business strategies in this output class are to:

- work with other agencies and organisations to provide information about rights and obligations to target groups and to encourage the use of quality property management and business practices by landlords and property managers;
- encourage early intervention to reduce the incidence and level of rent arrears;
- understand the causes of high rates of short term tenancies, and develop and implement targeted responses to those groups where tenancies are failing;
- increase the proportion of disputes settled out of court;
- take, or support individuals to take, proceedings on breaches of the law which have an impact on the wider public interest; and
- investigate service delivery options that increase service flexibility to meet client needs.

Specific Outputs and Measures

Public Information and Education Provision of public information and education about residential tenancies to landlords, tenants and organisations that work with landlords and tenants

Key measures:

- Survey awareness of Tenancy Services, rights and obligations and the use of quality property management practices
- Use focus groups to survey the effectiveness of information for target groups

Tenancy Advice Provision of advice about tenancy matters in response to enquiries from landlords and tenants

Key measures:

- 75% of tenancy advice will meet or exceed quality standards
- The abandonment rate will not exceed 7%

Dispute Resolution Provision of dispute resolution services to landlords and tenants involved in tenancy disputes

Key measure:

- 65-70% of applications for dispute resolution will be resolved out of court (excluding vacated applications)¹

Tenancy Tribunal Administration Provision of administrative support for the Tenancy Tribunal

Key measure:

- 80% of tenancy applications proceeding to the Tribunal will have a hearing within 20 days (excluding vacated applications)

Compliance Investigation of, and response to, alleged breaches of the Residential Tenancies Act

Key measure:

- 80% of compliance interventions result in voluntary compliance

Costs for Output Class 2 (figures exclusive of GST)

Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (Deficit) \$000
5,542	116	6,587	12,245	0

¹ Applications to the Tenancy Tribunal where the tenant has vacated the tenancy premises. This is a revision of the previous measure to better reflect application processing.

Output Class D3: State Housing Appeals Services

The State Housing Appeals Authority is an external appeals authority established to hear appeals against Housing New Zealand Corporation decisions on the assessment of income-related rents, and applicants’ eligibility and need for Housing New Zealand Corporation housing. The Ministry of Housing will provide administrative support for the Appeals Authority.

Key Business Strategies

The key business strategy in this output class is:

- to review the structure and ongoing capability and training requirements of the State Housing Appeals Authority

Specific Outputs and Measures

State Housing Appeals Authority Administration Provision of administrative support to the State Housing Appeals Authority

Key measure:

- All hearings will be held within 20 working days of application

Costs for Output Class 3 (figures exclusive of GST)

Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (Deficit) \$000
67	0	0	67	0

Output Class D4: Policy, Purchase and Monitoring Advice

This output class involves the provision of purchase and monitoring advice in relation to Housing New Zealand Corporation and market monitoring, and policy advice in relation to the Residential Tenancies Act 1986.

Key Business Strategies

The key business strategies in this output class are to:

- review the Residential Tenancies Act 1986, in consultation with key stakeholder groups;
- provide advice on the implementation of the Residential Tenancies Amendment Bill;
- develop a market monitoring framework and regular reporting on issues and barriers in the rental market; and
- improve forecasting, data collection, analysis and dissemination to improve service delivery.

Specific Outputs and Measures

Purchase and Monitoring Provision of purchase and monitoring advice on Housing New Zealand Corporation

Key measure:

- Ministerial satisfaction is assessed through a structured discussion with the Minister. This will include performance on quality standards agreed with the Minister.

Market Monitoring and Policy Advice Market monitoring for the rental market and provision of policy advice on the Residential Tenancies Act 1986

Key measure:

- Ministerial satisfaction is assessed through a structured discussion with the Minister. This will include performance on quality standards agreed with the Minister.

Costs for Output Class 4 (figures exclusive of GST)

Revenue: Crown \$000	Revenue: Department \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (Deficit) \$000
1,670	7	0	1,677	0

Ministerial Servicing

This involves the provision of Ministerial services to assist the Minister to carry out his or her executive and legislative functions.

Key Business Strategies

The key business strategy in this output class is:

- work with the Minister's office to understand and meet the Minister's needs

Specific Outputs and Measures

Parliamentary Questions The provision of draft responses to Parliamentary questions

Key measures:

- Less than 5% of answers to Parliamentary questions are returned as inadequate or inappropriate
- All answers to Parliamentary questions are provided within the deadlines agreed with the Minister

Ministerials The provision of draft responses to Ministerial correspondence

Key measures:

- Less than 5% of answers to Ministerial drafts are returned as inadequate or inappropriate
- All answers to Ministerial drafts are provided within the deadlines agreed with the Minister

Official Information Act and Privacy Act Requests The provision of replies to requests made under the Official Information Act 1982 or Privacy Act 1993

Key measures:

- All answers to requests made under the Official Information and Privacy Acts comply with the legislation
- All answers to requests made under the Official Information and Privacy Acts are provided within statutory deadlines



MINISTRY OF
HOUSING
TE WHARE AHURU

www.minhousing.govt.nz



MINISTRY OF
HOUSING
TE WHARE AHURU

www.minhousing.govt.nz