

Ministry of Housing

B.12 FR (00)

**DEPARTMENTAL FORECAST
REPORT**

2000



Ministry of Housing

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STATEMENT OF RESPONSIBILITY

The forecast financial statements for the Ministry of Housing for the year ending 30 June 2001 contained in this report 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 he is responsible for the forecast financial statements contained in this report.

The financial performance forecast to be achieved by the department for the year ending 30 June 2001 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 2001 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 report is consistent with the appropriations contained in the Estimates for the year ending 30 June 2001 that are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed

Countersigned

*Chief Executive
22 May 2000*

*Financial Controller
22 May 2000*

PART A - INTRODUCTION AND HIGHLIGHTS

The Ministry of Housing / Te Whare Ahuru helps the Government protect the rights of landlords and tenants by administering the Residential Tenancies Act 1986.

Contributions to Government's Key Goals

Administration of Residential Tenancies Bond Monies and Residential Tenancies Information and Advice and Dispute Resolution contributes directly to the outcome of the efficient and equitable protection of the rights of landlords and tenants. Through delivering services to protect the rights of landlords and tenants equitably and efficiently, the Ministry will contribute to government goals of:

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

The Ministry of Housing

The Ministry was set up by an Executive Order in Council under section 27(2) of the State Sector Act 1988. It began operation on 1 July 1992.

The Ministry's principal functions are to receive and invest residential tenancies bond monies and refund them when lawfully due; and to provide information, advice and a dispute-resolution service for tenants and landlords.

The Ministry's housing policy advice function was transferred to the then Department of Social Welfare in December 1998.

The Ministry's corporate office (including the Tenancy Services national office) is in Wellington, and as at 30 April 2000 employs 23 staff. The Ministry has 78 staff in 21 offices from Invercargill to Whangarei who provide mediation and dispute resolution through the Offices of the Tenancy Tribunal. The processing of tenancy bonds has been centralised to Porirua since 1992; 35 staff are employed at the Bond Centre. Advice and information to tenants and landlords are provided through both the Bond Centre and the district offices.

Tenancy Services: Bond Centre

The Bond Centre has been required to deal with an increased volume of business in recent years. Further growth is forecast and, as in the past, largely will be met by the application of innovative communication and processing technology.

Tenancy Services: Dispute Resolution

Until October 1998 there had been a rapid increase in the work of dispute resolution services demanded from and provided by the Ministry. The introduction of a \$20 fee for applications to the Tenancy Tribunal in October 1998 resulted in a decline in the number of applications received.

From 1999/00 the number of applications and enquiries resumed an upward trend, requiring further efficiency increases at the same time as the Ministry endeavoured to enhance the quality of its services for landlords and tenants. The Ministry also extended its tenancy public education programmes.

Financial Highlights

There are now only two output classes delivered by the Ministry as former Output Class D1 (Policy Advice) was transferred to Vote: Social Services from 1 January 1999.

The Ministry expects:

- to earn \$5.5million (GST not applicable) from interest on the Residential Tenancies Trust Account;
- to earn \$0.747 million (GST exclusive) from fees for applications to the Tenancy Tribunal;
- to earn \$6.746 million (GST exclusive) for the sale of outputs to the Crown;
- to spend \$12.993 million (GST exclusive) on the production of outputs for the two output classes detailed in the Service Performance Objectives.

PART B – FORECAST FINANCIAL STATEMENTS

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDING 30 JUNE 2000 AND 2001**

	1999/00		2000/01
	Budgeted ¹ \$000	Estimated actual \$000	Budget \$000
Revenue			
Crown	5,877	5,877	6,746
Other	7,011	7,336	6,247
Total revenue	12,888	13,213	12,993
Expenses			
<i>Output expenses:</i>			
Personnel	6,374	5,709	6,406
Operating	5,481	5,253	5,533
Depreciation	736	723	757
Capital charge	298	298	298
Loss on sales of assets	(1)	4	(1)
Total output expenses	12,888	11,987	12,993
Surplus/(deficit) from operations	0	1,226	0
Net surplus/(deficit)	0	1,226	0

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies on pages 15 to 16.

¹This column incorporates both Main Estimates and Supplementary Estimates appropriations for 1999/00.

**STATEMENT OF ESTIMATED FINANCIAL POSITION
AS AT 30 JUNE 2000
AND FORECAST FINANCIAL POSITION
AS AT 30 JUNE 2001**

	Actual Financial position as at 30 June 1999 \$000	Estimated Financial position as at 30 June 2000 \$000	Budgeted position as at 30 June 2001 \$000
Assets			
<i>Current assets</i>			
Cash and bank balances	65	219	93
Prepayments	77	90	90
Receivable and Advances	2,554	3,200	2,025
Debtor - Crown	177	38	38
<i>Total current assets</i>	2,873	3,547	2,246
<i>Non-current assets</i>			
Fixed assets	1,988	1,674	1,863
<i>Total non-current assets</i>	1,988	1,674	1,863
Total assets	4,861	5,221	4,109
Liabilities			
<i>Current liabilities</i>			
Payables and provisions	880	619	733
Provision for payment surplus	603	1,226	0
Employee entitlements	298	296	300
<i>Total current liabilities</i>	1,781	2,141	1,033
<i>Non-Current liabilities</i>			
Employee entitlements	99	99	95
Total liabilities	1,880	2,240	1,128
Taxpayers' funds			
General funds	2,981	2,981	2,981
Total taxpayers' funds	2,981	2,981	2,981
Total liabilities and taxpayers' funds	4,861	5,221	4,109

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies on pages 15 to 16.

**STATEMENT OF CASH FLOWS FOR THE YEARS ENDING
30 JUNE 2000 AND 2001**

	1999/00		2000/01
	Budgeted \$000	Estimated actual \$000	Budget \$000
Cash flows from operating activities			
Cash provided from:			
supply of outputs to:			
Crown	5,954	6,016	6,746
Other	6,983	6,633	7,422
Cash disbursed to:			
cost of producing outputs	(11,109)	(11,181)	(11,832)
output expenses – capital charge	(298)	(298)	(298)
Net cash flows from Operating activities	1,530	1,170	2,038
Cash flows from investing activities			
Cash provided from:			
Sale of physical assets	1	11	1
Cash disbursed to:			
Purchase of physical assets	(893)	(424)	(939)
Net cash flows from investing activities	(892)	(413)	(938)
Cash flows from financing activities			
Cash disbursed to:			
payment of surplus to the Crown	(603)	(603)	(1,226)
Net cash flows from financing activities	(603)	(603)	(1,226)
Net increase/(decrease) in cash held	35	154	(126)
Opening total cash balances at 1 July	65	65	219
Closing total cash balances at 30 June projected	100	219	93

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies on pages 15 to 16.

**RECONCILIATION OF NET CASH FLOWS FROM OPERATING
ACTIVITIES TO NET SURPLUS/(DEFICIT) IN THE OPERATING
STATEMENT FOR THE YEARS ENDING 30 JUNE 2000 AND 2001**

	1999/00		2000/01
	Budgeted \$000	Estimated actual \$000	Budget \$000
Net surplus from operations	0	1,226	0
<i>Add/(deduct) non-cash expenses/ (revenues) from Operating Statement</i>			
Depreciation and amortisation	736	723	750
<i>Add/(deduct) non-cash working capital reductions/(increases) from balance sheet</i>			
(Increase)/decrease in receivables and advances	(39)	(659)	1,175
(Increase)/decrease in Debtor Crown	77	139	0
(Increase)/decrease in payables and provisions	722	(297)	114
Increase/(decrease) in other accrued liabilities	35	34	0
<i>Items classified as investing activities</i>			
Net (gain)/loss on sale of physical assets	(1)	4	(1)
Net cash flows from operating activities	1,530	1,170	2,038

**STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS (EQUITY)
AS AT 30 JUNE 2000 AND 2001**

	Estimated position as at 30 June 2000	Projected position as at 30 June 2001
	\$000	\$000
Taxpayers' funds at start of period	2,981	2,981
<i>Movement during the year (other than flows to and from the Crown)</i>		
Add net surplus	1,226	0
<i>Total recognised revenues and expenses for the period</i>	1,226	0
<i>Adjustment for flows to and from the Crown</i>		
(Deduct) Provision for payment of surplus to the Crown	(1,226)	0
<i>Total adjustments for flows to and from the Crown</i>	(1,226)	0
Taxpayers' funds at the end of the period	2,981	2,981

FORECAST DETAILS OF FIXED ASSETS BY CATEGORY

	30 June 2000	30 June 2001 projected position		
	Estimated actual position	Cost	Accumulated Depreciation	Net book value
	\$000	\$000	\$000	\$000
Office equipment	85	224	(169)	55
Office renovations	557	1,424	(845)	579
Furniture and fittings	50	134	(96)	38
Computer hardware	659	2,785	(2,205)	580
Computer software	51	791	(416)	375
Motor Vehicles	272	334	(98)	236
Communications	0	6	(6)	0
Total	1,674	5,692	(3,829)	1,863

**STATEMENT OF OBJECTIVES SPECIFYING THE ESTIMATED
FINANCIAL PERFORMANCE TO 30 JUNE 2000 AND FORECAST
FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE
2001**

	Unit	1999/00		2000/01
		Budgeted	Estimated actual	Budget
Operating Expenses				
Revenue: other	\$000	7,011	7,336	6,247
Output expenses	\$000	12,888	11,987	12,993
Operating surplus before capital charge	\$000	298	1,524	298
Surplus from operations	\$000	0	1,226	0
Working capital				
Net current assets	\$000	1,092	2,632	1,213
Resource utilisation				
Physical assets:				
Total physical assets at year end	\$000	1,988	1,674	1,863
Taxpayers' funds:				
Level at year-end	\$000	2,981	2,981	2,981
Forecast net cash flows				
Surplus/(deficit) operating activities	\$000	1,530	1,170	2,038
Surplus/(deficit) investing activities	\$000	(892)	(413)	(938)
Surplus/(deficit) financing activities	\$000	(603)	(603)	(1,226)
Net increase/ (decrease) in cash held	\$000	35	154	(126)

STATEMENT OF OBJECTIVES - OUTPUT PERFORMANCE

The Ministry of Housing is committed to provide outputs in 2000/01 which meet the specifications of the Minister of Housing and various purchasers in terms of their nature, timeliness, quality, quantity and cost.

SUMMARY OF DEPARTMENTAL OUTPUT CLASSES

Departmental output classes to be delivered by the Ministry, and their associated revenue, expenses and surplus or deficit are summarised below:

D1 Administration of Residential Tenancies Bond Monies

Administration of residential tenancies bond monies including collecting and repaying bond monies as required by the Residential Tenancies Act 1986 and managing and investing bond monies.

Revenue: Crown \$000	Revenue: other \$000	Total expenses \$000 ²	Surplus/ (deficit) \$000
0	5,500	3,401	2,099

²Exclusive of GST

D2 Residential Tenancies Information and Advice and Dispute Resolution

Provision of information and advice and the provision of mediation and dispute resolution services to tenants and landlords in relation to residential tenancies.

Revenue: Crown \$000	Revenue: other \$000	Total expenses \$000 ³	Surplus/ (deficit) \$000
6,746	747	9,592	(2,099)

RECONCILIATION OF APPROPRIATION AND OPERATING EXPENSES TO 30 JUNE 2001

	Appropriation \$000	Less GST \$000	Expenses \$000
Output Class			
D1 Administration of Residential Tenancies bond monies	3,401	0	3,401
D2 Residential Tenancies information, advice and dispute resolution	10,529	(937)	9,592
Total	13,930	(937)	12,993

³Exclusive of GST

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

The Ministry has derived the costs of outputs shown in these statements using a cost allocation system which is expected to directly charge 54% of annual costs and indirectly allocate the balance.

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

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 10 years, other equipment over 3 - 5 years, and office renovations over 6-10 years. Vehicles are written down to residual value over 3 years.

Leases

Office accommodation and most photocopiers are leased. The value of contractual lease commitments at 30 June 2000 is estimated to be \$1,358,300.

CHANGES IN ACCOUNTING POLICIES

Lease commitments now include commitments for the full term of the contracts whereas prior years' commitment figures were for the financial year only.

<p style="text-align: center;">SERVICE PERFORMANCE OBJECTIVES SPECIFYING THE PERFORMANCE FOR EACH CLASS OF OUTPUTS FOR THE YEAR ENDING 30 JUNE 2001</p>
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**OUTPUT CLASS D1 - ADMINISTRATION OF RESIDENTIAL
TENANCIES BOND MONIES**

Description

This output class involves the efficient, effective and impartial administration of residential tenancies bond monies. This includes:

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

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

(i) Lodgements

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

Quantity: It is estimated that approximately 164,000 (160,000) lodgements will be made.

Timeliness: All money to be banked on the day received. 90% (80%) of bonds to be receipted and verified within one working day of receipt within the Bond Centre, and the remainder within two working days.

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

(ii) Refunds

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

Quantity: It is estimated that approximately 164,000 (160,000) refunds will be made.

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

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

Bracketed figures are the 1999/00 quantity, quality or timeliness measures from the 1999/2000 Main Estimates.

(iii) Bond Enquiries

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

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

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

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

(iv) Market Rent Information

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

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

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

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

(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 \$101 million-\$105 million (\$99 million-\$104 million), consisting of a predetermined daily float level and a portfolio of call deposits and securities.

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

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.

Outputs in this class will be provided for the appropriated sum of \$3,401,000. This output class is funded from interest on the Bond Fund investments and is exclusive of GST.

Bracketed figures are the 1999/00 quantity, quality or timeliness measures from the 1999/2000 Main Estimates.

OUTPUT CLASS D2 - RESIDENTIAL TENANCIES INFORMATION AND ADVICE AND DISPUTE RESOLUTION**Description**

This output class involves the provision of information and advice primarily relating to the Residential Tenancies Act 1986, and the provision of mediation and dispute resolution services to tenants and landlords in relation to 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 tenant and landlord in relation to a tenancy agreement;
- investigating alleged breaches of the Residential Tenancies Act;
- providing information and advice on specific residential tenancy disputes and mediation between the parties;
- administration of the Tenancy Tribunal.

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

Service Objective: Provision of education that 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.

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

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

(ii) Advice

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

Quantity: It is expected that 1,000 (1,000) general enquiries (phone and counter) will be answered each day.

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

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

(iii) Monitoring of compliance**(iii) Monitoring of compliance**

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

Quantity: It is expected 20 (20) reports of non-compliance of lodging specific bonds will be investigated annually. Other reports of non-compliance with the Residential Tenancies Act are expected to number 20 (10) per year.

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

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

(iv) Mediation

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

Quantity: This output is based on an assumed 45,000 (38,000) applications to the Tenancy Tribunal, of which about 75% (70%) are expected to proceed to mediation.

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

Quality: A sample of mediations will be subject to peer review and client assessment.

(v) Tenancy Tribunal administration

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

Quantity: This output is based on an assumed 27,500 (25,000) Tribunal hearings scheduled nationally.

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

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

Outputs in this class will be provided within the appropriated sum of \$10,529,000 inclusive of GST. The GST-exclusive amount of \$9,592,000 will be partially funded by Revenue Crown of \$6,746,000 and Revenue Other of \$747,000; the remaining \$2,099,000 will be funded by third-party revenue from the Residential Tenancies Trust Account.

Bracketed figures are the 1999/00 quantity, quality or timeliness measures from the 1999 Main Estimates.

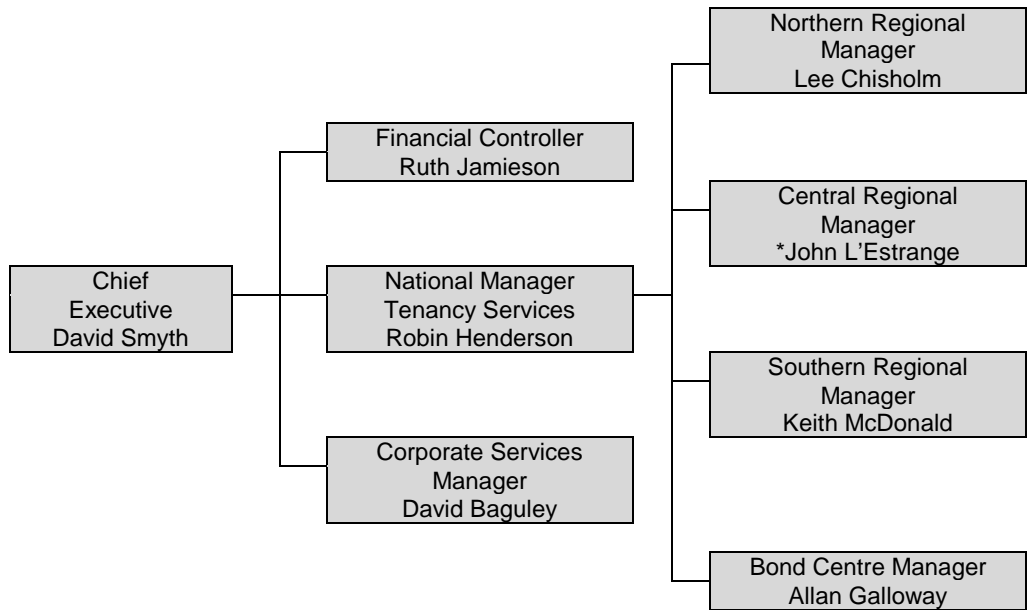
PART C - ADDITIONAL INFORMATION

RESIDENTIAL TENANCIES TRUST ACCOUNT

The Ministry manages the Residential Tenancies Trust Account pursuant to the Public Finance Act 1989 and the Residential Tenancies Act 1986.

Under the Residential Tenancies Act, interest from the Trust Account, and fees charged for Tenancy Tribunal applications, are considered Departmental Revenue for the Ministry of Housing.

MANAGEMENT STRUCTURE



*Also Principal Tenancy Mediator