

Ministry of Housing

B.12 FR (02)

**DEPARTMENTAL FORECAST
REPORT**

2002-2003



Ministry of Housing

ISSN 1173-4663

CONTENTS

	Page
Statement of responsibility	3
PART A – INTRODUCTION AND HIGHLIGHTS	4
Strategic Framework.....	4
Contribution to the Government’s Goals	4
The Ministry’s Operating Environment	5
The Ministry’s Strategic Direction for 2002-06	6
How the Ministry’s Outcomes and Output Classes Link.....	15
Financial Highlights	16
PART B – FORECAST FINANCIAL STATEMENT	17
Statement of objectives : output performance	24
D1 Administration of residential tenancies bond monies	24
D2 Residential tenancies information, advice and dispute resolution.....	24
D3 State Housing Appeal Services	24
D4 Housing Agency Purchase and Monitoring.....	25
Statement of significant underlying assumptions.....	27
Statement of significant accounting policies.....	27
Service performance objectives	29
Output class D1 – Administration of residential tenancies bond monies.....	29
Output class D2 – Residential tenancies information, advice and dispute resolution	31
Output class D3 – State Housing Appeals Authority	34
Output class D4 – Housing Agency Purchase and Monitoring	35
PART C – ADDITIONAL INFORMATION.....	37
Residential Tenancies Trust Account	37
Management Structure	37

STATEMENT OF RESPONSIBILITY

The forecast financial statements for the Ministry of Housing for the year ending 30 June 2003 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 2003 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 2003 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 2003 that are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed

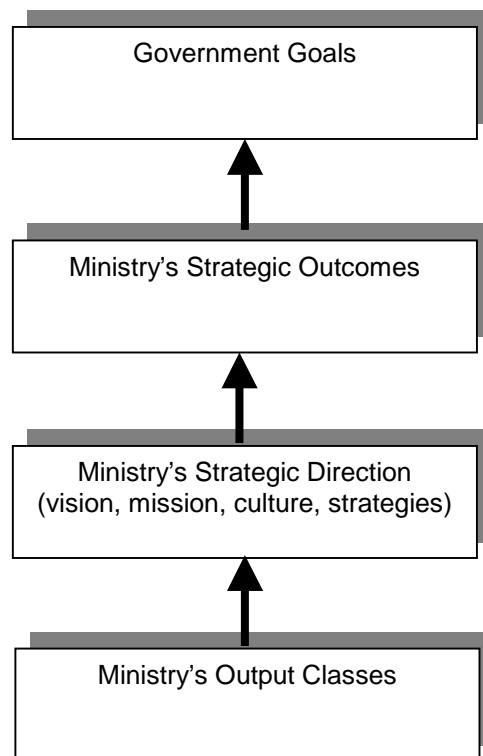
Countersigned

*Acting Chief Executive
29 April 2002*

*Financial Controller
29 April 2002*

PART A: INTRODUCTION AND HIGHLIGHTS**Strategic Framework**

This Departmental Forecast Report (DFR) outlines the activities planned by the Ministry of Housing in 2002/03, along with its forecast financial and non-financial performance for the year. The activities planned within each output class will contribute towards the achievement of the Ministry's strategic direction and its strategic outcomes. This in turn will contribute towards the achievement of the Government's key goals. This framework is illustrated in the diagram below.

**Contribution to the Government's Goals**

The government goals that guide public sector policy and performance are:

- Strengthen National Identity and Uphold the Principles of the Treaty of Waitangi
- Grow an Inclusive, Innovative Economy for the Benefit of All

- Restore Trust in Government and Provide Strong Social Services
- Improve New Zealanders' skills
- Reduce Inequalities in Health, Education, Employment and Housing
- Protect and Enhance the Environment

The Ministry's work predominantly contributes to the third and fifth of these goals.

Particular issues that arise from these goals for the Ministry of Housing are:

- The need to address issues that give rise to social inequalities in the rental housing market;
- The need to ensure that services are provided in a way that instils trust in Government services; and
- The need to ensure that a co-ordinated approach is taken across Government services to develop policy and implementation plans to address housing issues.

The current Review of the Centre¹, aimed at assessing how well the public management system responds to the needs and expectations of Ministers and of citizens, has the following implications for the Ministry:

- Need to ensure integrated service delivery particularly in areas where complex social problems are dealt with by a range of agencies; and
- A greater focus on outcomes. In the past, the Ministry's focus for performance has been placed on the efficiency of the process more than on the outcome of the intervention. Although timeliness is still an important indicator of efficiency, there needs to be a greater focus on achieving outcomes.

The Ministry's Operating Environment

Rental Market

The residential rental market in New Zealand, and in Auckland in particular, has experienced significant growth in recent years. The residential tenancy market is made up of a number of distinct tenant segments including low-income households that cannot afford homeownership, high-income renters who choose to rent, and younger people and students who are renting before moving into homeownership. The rental market comprises a disproportionate number of low-income households with Maori and Pacific Island

¹ Report of the Advisory Group on the Review of the Centre (2001)

households over-represented within this population. Within the residential tenancy market there are significant differences in the length of tenancies. A large number of tenancies last for less than year, while a small number stay in their tenancies for several decades.

In terms of landlords, the market comprises one large public sector landlord, Housing New Zealand Corporation (HNZC) and a myriad of small, private sector landlords. In many cases these landlords have entered the market as an investment proposition rather than as a rental business and are often unaware of what it is to be a landlord.

For the Ministry this environment is likely to mean a growth in demand for the Ministry's services from an increasingly multi-cultural client base, particularly in Auckland. Historically demand for Tenancy Services has tended to track growth in the private rental market.

Legislative Change

The Residential Tenancies Amendment Bill is currently before the House. This Bill introduces statutory provisions to govern long-term boarding house tenancies and is expected to improve the quality of life of long-term boarding housing tenants many of whom suffer from some form of mental illness. The impact of this change on the Ministry of Housing is likely to be an increased demand for its services with a particular emphasis on providing services to customers with a mental illness.

Operational Environment

A current issue for the Ministry is that the percentage of cases being resolved out-of-court is falling. Although 81% of disputes are resolved once two parties are brought together in a mediation, it is getting increasingly difficult to get all parties to a dispute to mediation. There are two reasons for this. The first is that an increased number of applicants are waiving mediation and choosing to go straight to court. The second is that when a mediation is set up, it is often the case that one of the parties does not attend. Reversing these trends and increasing the proportion of disputes resolved in an out-of-court setting are key challenges facing the Ministry.

The Ministry's Strategic Direction for 2002-2006

The Ministry has recently conducted a strategic planning process that has involved all the Ministry's staff as well as a range of external stakeholders. Out of this process, the Ministry developed vision and mission statements, strategic outcomes and seven key strategies. These form the Ministry's strategic direction and will guide its activities during the coming years. This strategic direction is summarised in the diagram on page 7.

Vision

The Ministry's vision is that all New Zealanders will enjoy stable, quality housing in strong and viable communities.

Mission

The Ministry's mission is to maximise housing outcomes for all New Zealanders by providing outstanding education, dispute resolution, advice and quality services and facilitating positive relationships

Desired Outcomes

1. The Ministry's customers will be highly satisfied with the quality of the services and advice it provides and it will be recognised by stakeholders as a Centre of Excellence providing solutions and advice that work.
2. Tenants and landlords will enjoy positive relationships built on mutual knowledge of rights and obligations.
3. The Ministry will be recognised as making a positive contribution to reducing inequalities for Maori and Pacific Peoples.
4. The Ministry will be recognised as an organisation that works collaboratively with other government agencies and communities in order to assist the government achieve its objectives.
5. The Government will achieve its housing outcomes using the best mix of programmes and services.

1. Prevent and resolve disputes that affect the stability of housing

2. Develop services that respond to changing customer needs

3. Develop and implement effective partnership practices to reduce inequalities between Maori and other New Zealanders.

4. Develop and implement strategies aimed at reducing inequalities between Pacific Peoples and other New Zealanders.

5. Establish the monitoring service as an integral part of the whole housing model

Strategies

6. Continually develop the capabilities, competencies and culture necessary to achieve the Ministry's outcomes
7. Demonstrate effectiveness and efficiency in the provision of all services

Vision

The Ministry's vision is that all New Zealanders enjoy stable, quality housing in strong and viable communities.

This vision focuses on a future where every New Zealander has access to stable, quality housing in strong and viable communities. In this future, tenants and landlords will enjoy positive relationships and there will be fewer residential tenancy disputes. When disputes do occur they will be resolved amicably by those involved without recourse to the state but, where recourse to the state is necessary, disputes will largely be resolved out of court in the most efficient and effective way possible.

Mission

The Ministry's mission is to maximise housing outcomes for all New Zealanders by providing outstanding education, dispute resolution, advice and quality services and by facilitating positive relationships.

The Ministry's mission focuses on what the organisation needs to do if it is to achieve the future outlined in its vision. It emphasises the Ministry's focus on a range of activities aimed at both preventing and resolving disputes that affect the stability of housing. It also highlights the Ministry's focus on providing high-quality advice and services that enable landlords and tenants to avoid or resolve disputes and Ministers to manage their interests in HNZC. Finally, it recognises that much of the Ministry's work is about managing relationships and emphasises the need for it to work collaboratively with others to achieve its desired outcomes.

Desired Outcomes

If the Ministry is successful in its mission then:

1. The Ministry's customers will be highly satisfied with the quality of the services and advice it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work.
2. Tenants and landlords will enjoy positive relationships built on mutual knowledge of rights and obligations.
3. The Ministry will be recognised as making a positive contribution to reducing inequalities for Maori and Pacific Peoples.

4. The Ministry will be recognised as an organisation that works collaboratively with other government agencies and communities in order to assist the government achieve its objectives.
5. The Government will achieve its housing outcomes using the best mix of programmes and services.

Desired Culture

To be successful in achieving its vision, the Ministry needs a culture that supports its strategic direction. So that it can continuously respond to an increasingly diverse, complex and changing environment, the principles that need to underpin its work are:

- **respect others**
understand and anticipate the needs of others; treat others with dignity, objectivity and fairness; recognise and encourage diversity; value the contributions of others; participate fully; share information and provide support; value the whole person and their life outside work; and celebrate successes.
- **challenge our thinking**
exercise judgement; think broadly; seek opportunities to learn and grow and encourage others to do so; learn from mistakes; be accountable; and ask questions.
- **deliver solutions**
strive for excellence and innovation; act professionally; focus on customer outcomes; provide options and flexibility; see and act within the big picture; and make a real difference.
- **collaboration**
support and help each other; look for linkages inside and outside the Ministry; work collaboratively with other agencies and communities; and understand the bigger picture.

Core Roles

- **Prevention of disputes**
A core role of the Ministry is to prevent disputes. It does this primarily by means of a public education service and the provision of tenancy advice. The primary aim of these services is to prevent disputes and to enable the self-resolution of disputes should they occur. A key focus for the Ministry is to put more emphasis on its preventative role. This will involve the Ministry working collaboratively with other agencies and community groups to identify the problems and to develop the most appropriate solutions. As a small agency with limited resources, the Ministry's role will often be facilitative, working with others to achieve the desired outcomes.

- **Dispute resolution**

A key area of the Ministry's work involves assisting landlords and tenants resolve residential tenancy disputes where self-resolution has not been possible. This is primarily done through the Ministry's mediation service. A key focus for the Ministry is to broaden its thinking about dispute resolution so that it becomes wider than mediation, recognising that there may be more efficient and effective ways of assisting clients resolve some of the disputes with which they present. The Ministry also provides administration for the Tenancy Tribunal for those disputes that cannot be resolved out of court.

- **Bond advice and processing**

The Ministry is responsible for the administration of residential tenancy bonds. The Ministry receives tenancy bonds, and holds them in trust for landlords and tenants across New Zealand. The Ministry refunds these bonds at the end of tenancies upon the instruction of landlords and tenants, or the Tenancy Tribunal. The Ministry also provides landlords and tenants with bond advice.

- **Advice on housing sector interventions and housing agency performance**

The Ministry of Housing is accountable for providing Ministers with monitoring and governance advice in relation to HNZC.

- **State Housing Appeals Authority**

The State Housing Appeals Authority is accountable for hearing appeals against HNZC decisions on income-related rent assessments and applicants' eligibility and need for HNZC housing. The Ministry is responsible for the ongoing provision of administrative support for the Appeals Authority.

Key Strategies

In order to progress towards its strategic outcomes, the Ministry has developed seven key strategies to guide its activities over the next five years. These are:

1. Preventing and Resolving Disputes that Affect the Stability of Housing

This strategy aims to reduce the number of disputes that occur, increase self-resolution rates and increase the number of cases settled out of court². It is based on the following four assumptions:

- The best approach for the government, landlords and tenants is to reduce the number of disputes occurring thus minimising the need for dispute resolution services.
- If a dispute occurs then self-resolution by the parties involved is preferred.
- If a dispute cannot be self-resolved, the Ministry will use the most efficient and effective method to help the parties resolve it without recourse to the court.
- If a dispute does end up in court then the Crown will employ the most efficient and effective processes to resolve the dispute and to enforce its decisions.

Key elements of the strategy include:

- providing accessible dispute avoidance, education and know-how;
- understanding and promoting self-resolution;
- increasing the flow of applications to non-court based resolution methods;
- developing Tribunal support for non-adversarial solutions;
- promoting a second chance to settle out of court;
- understanding and improving the impact of dispute resolution and mediation on the provision of sustainable solutions;
- effective inter-agency co-operation to prevent repeat problems; and
- influencing the development of an effective court-based dispute resolution process.

Key areas of focus in 2002/03 are:

- The development and implementation of a quality assurance framework for the provision of tenancy advice;

² Although it will not be possible to measure these impacts straight away, the Ministry is developing the capability to do so.

- The development and implementation of intake and assessment procedures for all dispute applications. This will enable the streaming of applications and allow the development of specific strategies targeted at certain types of applications;
- Increasing the resolution rate of the Ministry's dispute resolution service by focusing on increasing the number of applicants wanting to attend mediation and increasing the success rate of making contact with the other party;
- Developing dispute resolution frameworks and procedures with the newly appointed Practice Development Advisor ; and
- Expanding the level of compliance with the Residential Tenancies Act by:
 - Increasing awareness of landlord and tenant rights and responsibilities through effective information and education programmes; and
 - Enhancing the Ministry's capability to investigate breaches of the Act that are in the public interest.

2. Developing Services that Respond to Changing Customer Needs

The Ministry is operating in a diverse and ever-changing environment. The increasing trend for applicants to waive mediation and go straight to the Tenancy Tribunal and for parties to choose not to attend a booked mediation represent significant challenges for the Ministry. The proposed extension of the Residential Tenancies Act to include boarding houses is likely to increase demand for the Ministry's services and will require it to develop the capability to meet the needs of this customer group. This strategy aims to meet these and other challenges facing the organisation by better understanding customer need and developing services that respond to these needs.

Key areas of focus in 2002/03 are:

- The implementation of the Tenancy System by the end of August 2002. The primary efficiency gain as a result of implementation will be improved workflow management. The system also provides the architectural base for further e-commerce development, with the potential to offer more services electronically in the future;
- Centralising all general advice calls and data entry administration at the Tenancy Services Centre in Porirua; and
- Supporting government processes for proposed amendments to the Residential Tenancies Act, and the implementation of those changes.

3. Developing and Implementing Effective Partnership Practices to Reduce Inequalities between Maori and other New Zealanders

The Ministry recognises the special relationship between it and Maori. In early 2001, the Ministry created a new position, Kaiwhakahaere Whakatopu/Partnership Development Manager, aimed at developing its capability to meet the needs of Maori customers and staff. Although implications for Maori customers and staff will be considered in all of the Ministry's strategies, specific initiatives will also be taken as part of an approach designed to build up the Ministry's consciousness and responsiveness to Maori.

Key areas of focus in 2002/03 are:

- Developing frameworks covering cultural competency and effective partnership practices for the Ministry; and
- Providing staff with cultural awareness training in order to develop their ability to deal confidently and effectively with Maori customers.

4. Developing and Implementing Strategies aimed at Reducing Inequalities between Pacific Peoples and other New Zealanders

In early 2001, the Ministry created a new position, Pasifika Developments Co-ordinator, aimed at developing its capability to meet the needs of Pacific Island customers and staff. Although implications for Pacific Island customers and staff will be considered in all of the Ministry's strategies, specific initiatives will also be taken as part of an approach designed to build up the Ministry's consciousness and responsiveness to Pacific People.

Key areas of focus in 2002/03 are:

- Developing an education and advertising programme targeted at Pacific Island customers' needs; and
- Developing the capability of Pacific Island staff through the provision of training and career progression opportunities.

5. Establishing the Monitoring Service as an Integral Part of the Whole Housing Model

It is the Ministry's belief that although the Monitoring Unit is not making policy or delivering services, it is an integral part of the government's organisational design for the housing sector with an important role to play. To become an integral part of the system the Ministry needs to add value to key stakeholders and provide advice that is valued and trusted.

Key areas of focus in 2002/03 are:

- The facilitation of positive relationships with the Minister and their office, Housing New Zealand Corporation (HNZC) and the Treasury; and
- Developing the capability to provide excellent advice.

6. Continually Developing the Capabilities, Competencies and Culture Necessary to Achieve our Outcomes

To be successful now and in the future, the Ministry needs two sets of capabilities, those that enable it to change effectively as the needs of its customers and environment change, and those required to ensure current business performance and results. The Ministry's organisational capability to develop future strategy and to bring this to life by achieving commitment and action across the organisation will be a key focus in the coming years. It is also planned to focus on continually developing the resources (people, physical, technological, systems and processes) needed to achieve the Ministry's strategic direction.

Key areas of focus in 2002/03 are:

- The implementation of a revised performance management and development system that ensures the Ministry gets where it wants to go, builds the culture it needs to get there and motivates staff to perform; and
- The development of mechanisms aimed at providing Maori and Pacific staff opportunity to progress within the Ministry.

7. Demonstrating Effectiveness and Efficiency in the Provision of all Services

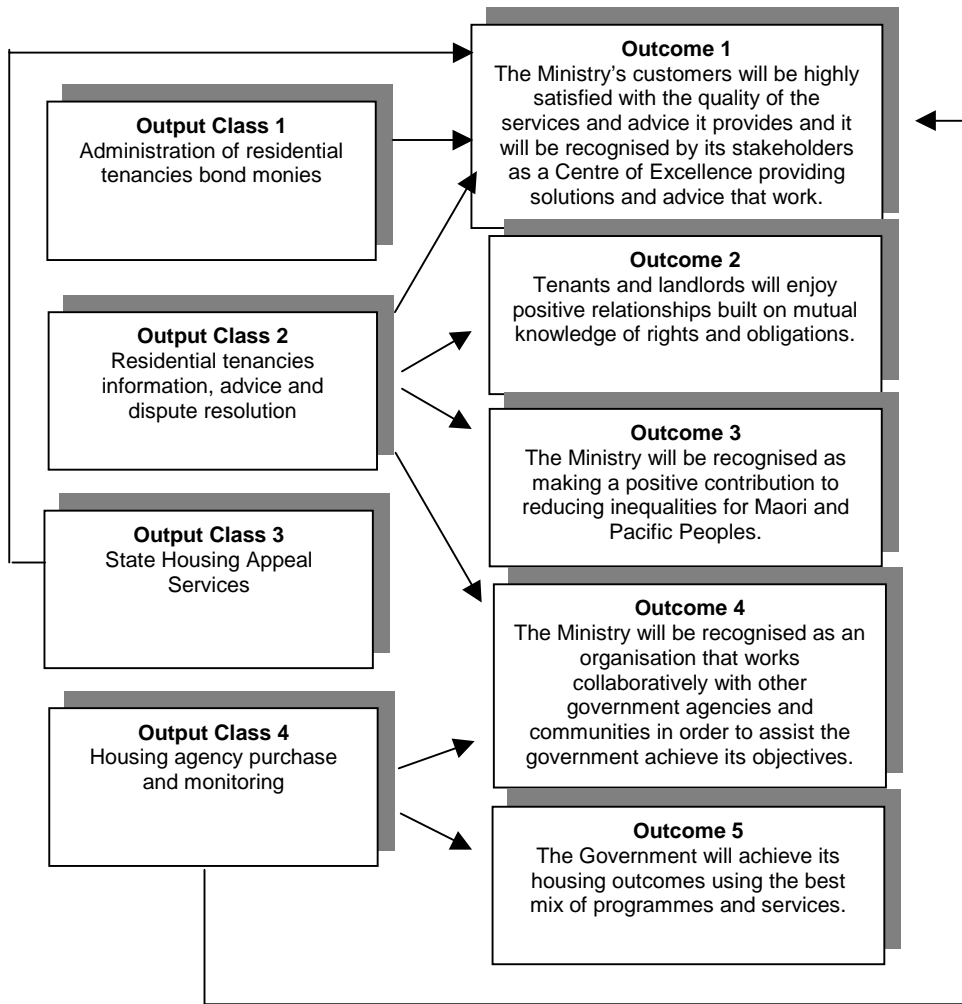
If the Ministry is to achieve its strategic direction, it needs to ensure that its resources are aligned with its changing business needs. This strategy involves optimising the Ministry's resource allocation and looking at ways to free up resources from overheads and lower priority activities thus maximising the resources available for service delivery activities. It also involves looking at whether the Ministry can use its resources more effectively to achieve the same or better outcomes.

Key areas of focus in 2002/03 are:

- A proposed move of the Corporate office to smaller premises, and some Tenancy Services offices to premises more suited to customer needs; and
- A review aimed at reducing overhead costs to fund more service delivery activities.

How the Ministry's Outcomes and Output Classes Link

The diagram below shows how the Ministry's output classes link to the achievement of its strategic outcomes.



Financial Highlights

There are four output classes delivered by the Ministry.

The Ministry expects in the 2002/03 year:

- to earn \$7 million (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 \$5.885 million (GST exclusive) for the sale of outputs to the Crown;
- to spend \$13.632 million (GST exclusive) on the production of outputs for the four output classes detailed in the Service Performance Objectives.

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

- Non-departmental output classes payable to the HNZN for Policy Advice, \$1.365 million, and Contracted Housing Support Services of \$2.343 million;
- Benefits and unrequited expenses for income-related rental subsidy paid to HNZN of \$286.184 million;
- Benefits and unrequited expenses for Housing Assistance payments of \$6.820 million;
- Non-departmental Other expense payable to HNZN for community housing rent relief programme of \$4.500 million.

Details of how the non-departmental appropriations will be applied appear in parts C2, D1 and D3 of Vote Housing in the 2002/03 Estimates of Appropriations for the Government of New Zealand.

PART B – FORECAST FINANCIAL STATEMENTS

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDING 30 JUNE 2002 AND 2003**

	2001/02		2002/03
	Budgeted ³	Estimated Actual	Budget
	\$000	\$000	\$000
Revenue			
Crown	6,884	5,884	5,885
Other	6,747	8,068	7,747
Total revenue	13,631	13,952	13,632
Expenses			
<i>Output expenses:</i>			
Personnel	6,944	6,827	6,944
Operating	5,639	5,783	5,640
Depreciation	780	686	780
Capital charge	268	268	268
Loss on sales of assets	0	0	0
Total output expenses	13,631	13,564	13,632
Surplus/(deficit) from operations	0	388	0
Net surplus/(deficit)	0	388	0

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies on pages 17 to 18.

³ This column incorporates both Main Estimates and Supplementary Estimates appropriations for 2001/02.

**STATEMENT OF ESTIMATED FINANCIAL POSITION
AS AT 30 JUNE 2002
AND FORECAST FINANCIAL POSITION
AS AT 30 JUNE 2003**

	Actual Financial Position as at 30 June 2001 \$000	Estimated Financial Position as at 30 June 2002 \$000	Budgeted Position as at 30 June 2003 \$000
Assets			
<i>Current assets</i>			
Cash and bank balances	244	328	386
Prepayments	33	37	35
Receivable and Advances	3,673	2,467	2,334
Debtor - Crown	89	83	51
<i>Total current assets</i>	4,039	2,915	2,806
<i>Non-current assets</i>			
Fixed assets	1,859	1,883	1,504
<i>Total non-current assets</i>	1,859	1,883	1,504
Total assets	5,898	4,798	4,310
Liabilities			
<i>Current liabilities</i>			
Payables and provisions	1,170	1,039	939
Provision for payment of surplus	1,309	388	0
Employee entitlements	342	297	297
<i>Total current liabilities</i>	2,821	1,724	1,236
<i>Non-Current liabilities</i>			
Employee entitlements	96	93	93
Total liabilities	2,917	1,817	1,329
Taxpayers' funds			
General funds	2,981	2,981	2,981
Total taxpayers' funds	2,981	2,981	2,981
Total liabilities and taxpayers' funds	5,898	4,798	4,310

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies on pages 27 to 28.

**STATEMENT OF CASH FLOWS FOR THE YEARS ENDING
30 JUNE 2002 AND 2003**

	2001/02		2002/03
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Cash flows from operating activities			
Cash provided from:			
Supply of outputs to:			
Crown	6,890	5,890	5,885
Other	8,022	9,087	7,747
Cash disbursed to:			
cost of producing outputs	(12,722)	(12,606)	(12,584)
output expenses – capital charge	(268)	(268)	(268)
Net cash flows from Operating activities	1,922	2,103	734
Cash flows from investing activities			
Cash provided from:			
Sale of physical assets	0	40	0
Cash disbursed to:			
Purchase of physical assets	(455)	(750)	(750)
Net cash flows from investing activities	(455)	(710)	(750)
Cash flows from financing activities			
Cash disbursed to:			
Payment of surplus to the Crown	(1,309)	(1,309)	0
Net cash flows from financing activities	(1,309)	(1,309)	0
Net increase/(decrease) in cash held	158	84	(16)
Opening total cash balances at 1 July	244	244	402
Closing total cash balances at 30 June projected	402	328	386

This statement should be read in conjunction with the statement of significant underlying assumptions and statement of significant accounting policies on pages 27 to 28.

**RECONCILIATION OF NET CASH FLOWS FROM OPERATING
ACTIVITIES TO NET SURPLUS/(DEFICIT) IN THE OPERATING
STATEMENT FOR THE YEARS ENDING 30 JUNE 2002 AND 2003**

	2001/02		2002/03
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Net surplus from operations	0	388	0
<i>Add/(deduct) non-cash expenses/ (revenues) from Operating Statement</i>			
Depreciation and amortisation	780	686	780
<i>Add/(deduct) non-cash working capital reductions/(increases) from balance sheet</i>			
(Increase)/decrease in receivables and advances	1,290	1,089	0
(Increase)/decrease in Debtor Crown	6	6	(46)
Increase/(decrease) in payables and provisions	(140)	51	0
Increase/(decrease) in other accrued liabilities	(14)	(117)	0
<i>Items classified as investing activities</i>			
Net (gain)/loss on sale of physical assets	0	0	0
Net cash flows from operating activities	1,922	2,103	734

**STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS (EQUITY)
AS AT 30 JUNE 2002 AND 2003**

	Estimated position as at 30 June 2002 \$000	Projected Position as at 30 June 2003 \$000
Taxpayers' funds at start of period	2,981	2,981
Add Net surplus	388	0
(Deduct) Provision for payment of surplus to the Crown	(388)	0
Taxpayers' funds at the end of the period	2,981	2,981

FORECAST DETAILS OF FIXED ASSETS BY CATEGORY

	30 June 2002	30 June 2003 projected position		
	Estimated Actual Position	Cost	Accumulated Depreciation	Net book value
	\$000	\$000	\$000	\$000
Office equipment	51	236	(219)	17
Office renovations	365	1,346	(1,172)	174
Furniture and fittings	33	145	(131)	14
Computer hardware	480	3,068	(2,515)	553
Computer software	782	1,113	(495)	618
Motor Vehicles	172	334	(206)	128
Communications	0	6	(6)	0
Total	1,883	6,248	(4,744)	1,504

**STATEMENT OF OBJECTIVES SPECIFYING THE ESTIMATED
FINANCIAL PERFORMANCE TO 30 JUNE 2002 AND FORECAST
FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE
2003**

	Unit	2001/02		2002/03
		Budgeted	Estimated actual	Budget
Operating Expenses				
Revenue: other	\$000	6,747	8,068	7,747
Output expenses	\$000	13,631	13,564	13,632
Operating surplus before capital charge	\$000	268	1,656	268
Surplus from operations	\$000	0	1,388	0
Working capital				
Net current assets	\$000	1,540	1,191	1,570
Resource utilisation				
Physical assets: Total physical assets at year end	\$000	1,534	1,883	1,504
Taxpayers' funds: Level at year-end	\$000	2,981	2,981	2,981
Forecast net cash flows				
Surplus/(deficit) operating activities	\$000	1,735	2,103	734
Surplus/(deficit) investing activities	\$000	(800)	(710)	(750)
Surplus/(deficit) financing activities	\$000	(608)	(1,309)	0
Net increase/ (decrease) in cash held	\$000	327	84	(16)

STATEMENT OF OBJECTIVES – OUTPUT PERFORMANCE

The Ministry of Housing is committed to provide outputs in 2002/03 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 ⁴	Surplus/ (deficit) \$000
0	7,000	3,151	3,849

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 ⁵	Surplus/ (deficit) \$000
5,357	747	9,953	(3,849)

D3 State Housing Appeal Services

Provision of support to the State Housing Appeals Authority dealing with appeals from HNZA tenants against determinations of rights for income-related rents and applicants' eligibility and need for housing.

Revenue: Crown \$000	Revenue: other \$000	Total Expenses \$000 ⁶	Surplus/ (deficit) \$000
128	0	128	0

⁴ Exclusive of GST

⁵ Exclusive of GST

⁶ Exclusive of GST

D4 Housing Agency Purchase and Monitoring

Assisting Ministers with HNZC board appointments, the negotiation of accountability documents for HNZC and the purchase of outputs, administering reimbursement of the cost of providing income-related rents, monitoring entity performance and providing oversight of the Crown’s ownership interest in HNZC.

Revenue: Crown \$000	Revenue: other \$000	Total Expenses \$000 ⁷	Surplus/ (deficit) \$000
400	0	400	0

⁷ Exclusive of GST

**RECONCILIATION OF APPROPRIATION
AND OPERATING EXPENSES TO 30 JUNE 2003**

	Appropriation \$000	Less GST \$000	Expenses \$000
Output Class			
D1 Administration of Residential Tenancies bond monies	3,151	0	3,151
D2 Residential Tenancies information, advice and dispute resolution	10,716	(763)	9,953
D3 State Housing Appeal Services	145	(17)	128
D4 Housing agency purchase and monitoring	450	(50)	400
Total	14,462	(830)	13,632

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 71% 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

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, the bond database system over 8 years, other software over 3 years, other equipment over 3 - 5 years, and office renovations over 6-10 years. Vehicles are written down to residual value over 3 years.

Commitments

Office accommodation and most photocopiers are leased. The value of contractual lease commitments at 30 June 2002 is estimated to be \$1,991,200.

The Ministry has contracted to update software systems. The estimated value of work still to be completed at 30 June 2002 is \$108,000.

CHANGES IN ACCOUNTING POLICIES

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

**SERVICE PERFORMANCE OBJECTIVES SPECIFYING THE
PERFORMANCE FOR EACH CLASS OF OUTPUTS FOR THE
YEAR ENDING 30 JUNE 2003**

**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:

- Lodging and refunding bond monies as required under the Residential Tenancies Act 1986;
- providing information in relation to lodgements and refunds of bond monies; and
- managing, investing and repaying bond monies as required under the Act.

Outcomes Sought

The aim of this output class is to assist the Government to:

- provide all landlords and tenants with an efficient bond lodgement and refund service; and
- provide all landlords and tenants with efficient and accurate bond advice.

Achievement of these objectives will count towards the following of the Ministry's strategic outcomes:

- The Ministry's customers will be highly satisfied with the quality of the services it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work.

Performance Measures

Bond Lodgements

- 100% of the expected 168,000 (164,000) bond lodgements will be actioned⁸ within 5 working days of receipt by the Tenancy Services Centre.
- All bond money will be banked on the day received.
- All new bonds received will be accurately recorded on the system, based on information supplied by the tenant and/or landlord.

Refunds

- 100% of the expected 160,000 (164,000) bond refund requests will be actioned within one working day of receipt.
- All bonds will be correctly refunded based on the information held at the time of the refund.

⁸ Where actioned is defined as being entered, verified and receipted/disbursed.

Bracketed figures are the 2001/02 measures from the 2002/01 Main Estimates.

Bond Advice

- 80% of the expected 197,000 calls on the Tenancy Services Centre's toll-free line will be answered within 20 seconds, and the abandonment rate will not exceed 2%.
- Replies to enquiries will be accurate and provide the information requested.

Bond Fund Investment

- The average daily balance in the bond fund is expected to be \$125 million-\$140 million (\$112 million-\$116 million), consisting of a predetermined daily float level and a portfolio of call deposits and securities.
- Investments will be made promptly to maintain the desired balance of maturities as stated in the Ministry's Investment Strategy.
- 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 \$3,151,000. This output class is funded from interest on the bond fund investments and is exclusive of GST.

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:

- providing residential tenancies information to the public and targeted groups;
- responding to enquiries from both tenants and landlords about tenancy matters;
- providing information and advice on specific residential tenancy disputes and mediation between the parties;
- administration of the Tenancy Tribunal; and
- investigating alleged breaches of the Residential Tenancies Act 1986.

Outcomes Sought

The aim of this output class is to:

- reduce the number of tenancy disputes;
- increase self resolution of tenancy disputes; and
- increase the number of cases settled out of court.

Achievement of these objectives will count towards the following of the Ministry's strategic outcomes:

- The Ministry's customers will be highly satisfied with the quality of the services and advice it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work;
- Tenants and landlords will enjoy positive relationships built on mutual knowledge of rights and obligations;
- The Ministry will be recognised as making a positive contribution to reducing inequalities for Maori and Pacific Peoples; and
- The Ministry will be recognised as an organisation that works collaboratively with other government agencies and communities in order to assist the government achieve its objectives.

Performance Measures*Public Information*

- The Ministry's website will contain up-to-date information on Tenancy Services and the rights and obligations of landlords and tenants.
- There will be a 10% increase year-on-year in visits to the Ministry's website.

- There will be a 10% increase year-on-year in the number of forms downloaded from the website.
- All website inquiries will be responded to within 2 working days.

Education

- The Ministry will provide at least one public awareness programme that is targeted at Maori.
- The Ministry will provide at least one public awareness programme that is targeted at Pacific Island peoples.
- The Ministry will provide at least one public awareness programme that is targeted at people living in or providing sub-standard housing.
- The Ministry will provide at least one public awareness programme targeted at those who work with mental health consumers and housing.

Community relations

- Residential Tenancies information will be delivered through 5 key partnership agencies.
- Partnership agencies will be surveyed at least annually to assess satisfaction with partnership.

Tenancy Advice

- 80% of the expected 197,000 calls on the Tenancy Services Centre's Tenancy Advice toll-free line will be answered within 20 seconds, and the abandonment rate will not exceed 7%.
- The proportion of enquiries for advice to applications made⁸ will increase to 7 to 1.
- Advice will be relevant and accurate.

Dispute Resolution

- 24,750 (55%) of the expected 45,000 (45,000) applications for dispute resolution will be resolved without recourse to the Tribunal.
- 80% of all mediations will be completed within 10 working days of receipt of application.
- A sample of mediations will be subject to peer review and client assessment in order to assess mediation quality.

⁸ This ratio measures the success of tenancy advice in enabling callers to resolve their own disputes. If the Ministry is successful the proportion of enquiries that result in an application for dispute resolution will decrease.

^B Bracketed figures are the measures from the 2001/02 Main Estimates

Tenancy Tribunal administration

- 75% of the expected 20,250 applications proceeding to the Tribunal will have a hearing within 20 working days.
- There will be a 10% reduction year-on-year in the number of adjourned hearings.

Monitoring of compliance

- The Ministry expects to be involved with 50 investigations of non-compliance throughout the year.
- The Ministry will implement at least 5 compliance programmes.

Outputs in the class will be provided within the appropriated sum of \$10,716,000 inclusive of GST. The GST-exclusive amount of \$9,953,000 will be partially funded by Revenue Crown of \$5,357,000 and Revenue Other of \$747,000; the remaining \$3,849,000 will be funded by third-party revenue from the Residential Tenancies Trust Account

OUTPUT CLASS D3 – STATE HOUSING APPEAL SERVICES

Description

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

Outcomes Sought

The aim of this output class is to assist the Government to improve housing outcomes for all New Zealanders.

Achievement of this objective will count towards the following of the Ministry's strategic outcomes:

- The Ministry's customers will be highly satisfied with the quality of the services it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work.

Performance Measures

- This output is based on an estimated 10 appeals against HNZC decisions on income-related rent assessments and 5 appeals against decisions on the applicants' eligibility and need for HNZC housing.
- Administrative support and scheduling of appeals will meet the requirements of the Principal Member of the Authority.
- An appeal hearing will be scheduled and the appellant notified within five working days of receipt of application. The hearing will be held within twenty working days of receipt of application. The appellant will be notified of the decision of the Authority within ten working days of the hearing.

Outputs in this class will be provided for the appropriated sum of \$145,000 inclusive of GST. The GST exclusive amount of \$128,000 will be funded by Revenue Crown.

OUTPUT CLASS D4 – HOUSING AGENCY PURCHASE AND MONITORING**Description**

This output class involves the provision of governance and monitoring advice to the Ministers of Housing and Finance about Housing New Zealand Corporation (HNZC). This includes:

- assisting Ministers with Board appointments;
- assisting Ministers with setting performance expectations and negotiating accountability documents;
- providing the Minister of Housing with advice on the purchase of outputs;
- administration of the Crown's agreement with HNZC for reimbursement of the cost of providing income-related rents to qualifying tenants;
- monitoring HNZC's performance; and
- providing the Ministers of Housing and Finance with ownership advice.

Outcomes Sought

The aim of this output class is to assist the Government to:

- Improve housing outcomes for all New Zealanders;
- Achieve value for money expenditure on housing; and
- Protect the Crown's ownership interests in HNZC.

Achievement of these objectives will count towards the following of the Ministry's strategic outcomes:

- The Ministry's customers will be highly satisfied with the quality of the services it provides and it will be recognised by its stakeholders as a Centre of Excellence providing solutions and advice that work;
- The Ministry will be recognised as an organisation that works collaboratively with other government agencies and communities in order to assist the government achieve its objectives; and
- The Government will achieve its housing outcomes using the best mix of programmes and services.

Performance Measures

The Ministers of Housing and Finance will expect:

- Development of an annual expectation letter to the Chair of HNZC on behalf of the Ministers by 31 January 2003.
- Negotiation of a 2003-06 Statement of Intent that Ministers are satisfied is aligned with the Government's goals by 30 June 2003.
- Negotiation of a Purchase Agreement for the delivery of policy advice and ministerial servicing that Ministers are satisfied is aligned with the Government's goals by 30 June 2003.

- Provision of four reports to Ministers with analysis of HNZC's quarterly performance within 10 working days of receipt of the Corporation's quarterly performance information.
- Provision of ownership advice to the Ministers as required.
- Provision of purchase advice on housing funding proposals to the Minister of Housing in a timely manner.
- Completion of an independent review of the income-related rent setting and reimbursement processes in conjunction with HNZC by 30 June 2003.
- Ongoing management of the board appointment process.
- Administration of the Crown's income-related rents agreement with HNZC including forecasting of income-related rents and reimbursement of the cost of providing income-related rents to qualifying tenants.

All advice and reports to the Ministers will:

- Support the Government's strategic direction;
- Focus on strategy, capability and delivery dimensions;
- Be informed by comprehensive analysis of performance, results and impacts on service delivery;
- Identify and assess risks;
- Proactively provide solutions;
- Consider issues such as efficiency, effectiveness and Value for Money; and
- Incorporate accurate performance commentary and data which has been tested with HNZC.

The Chief Adviser, Monitoring will meet with Minister's Office staff quarterly to obtain feedback on:

- Relationship management between the Ministry and the Minister's office;
- Responsiveness of the Ministry to issues raised by the Minister and his office;
- Relationship management between the Ministry and HNZC; and
- Quality of the Ministry's purchase advice and monitoring commentary.

The Ministry will invite the Minister to assess the overall quality of the Ministry's monitoring services every six months.

Outputs in this class will be provided for the appropriated sum of \$450,000 inclusive of GST. The GST exclusive amount of \$400,000 will be funded by Revenue Crown.

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

