



Department of  
Building and Housing  
*Te Tari Kaupapa Whare*

# Annual Report 06/07



## Our Vision

The people of New Zealand have access to quality homes and buildings that meet their needs, reflect our environment and contribute to a sustainable New Zealand.

# Contents

## CHIEF EXECUTIVE'S OVERVIEW 02

## PART 1: ACHIEVING OUTCOMES 05

### Role of the Department 06

### Key achievements in 2006/07 07

Our contribution to Government outcomes and priorities 07

Economic Transformation 09

Families – Young and Old 12

National Identity 15

New Zealand Housing Strategy 16

Achieving by working with others 17

### Strengthening our capability 18

Continuing to develop our organisational capability 18

Progressing our development priorities 18

Our organisation's health 23

People management policy and equal employment opportunities 24

### Our risk response 25

### Measuring outcomes 29

Measuring progress 29

Cost-effectiveness of interventions 29

Evaluative activity 30

## PART 2: PERFORMANCE INFORMATION 31

### Statement of Responsibility 32

### Report of the Auditor-General 33

### Statement of Service Performance 35

### Financial Statements 67

### Non-departmental schedules and statements 85

## PART 3: RESIDENTIAL TENANCIES TRUST ACCOUNT 93

### Report of the Auditor-General 94

### Financial Statements 96

## PART 4: ADDITIONAL INFORMATION 103

### Legislation administered by the Department 104

### Sector governance 107

### Quality standards for policy advice 111

### Structure 113

### Organisational chart 114

### Service locations 115

### Directory 117

## Chief Executive's overview



2006/07 has been a significant year for the Department of Building and Housing. We have made substantial progress in the implementation of the Building Act reforms. We have also been working with the sector on a wide range of other initiatives including energy efficiency and improved services to help people resolve weathertightness problems.

Key achievements in the past year have been:

- putting in place the requirements for the operation of the Licensed Building Practitioners Scheme due to commence in November
- reviewing the Building Code with a strong focus on setting clear performance requirements, improving building quality and lifting performance in relation to energy efficiency and sustainability, to ensure the Code stands the test of time in terms of what we want of our buildings
- overseeing the implementation of the Building Consent Authority Accreditation and Registration Scheme, with councils now being assessed against standards to improve their building control functions and customer service
- developing a suite of energy efficiency initiatives for homes and buildings
- improving the effectiveness of the Weathertight Homes Resolution Service and assistance to those affected and working with the Ministry of Justice in establishing the new Weathertight Homes Tribunal on 1 April 2007
- providing comprehensive consumer guidance and information on weathertightness to ensure better understanding and assistance to those who need it
- extending and enhancing the services we provide to landlords and tenants through better online access, new products and increased presence across a wider range of communities and locations.

At the same time, we have:

- completed reviews of the Residential Tenancies Act 1986 and the 35-year-old Unit Titles Act, to better reflect the realities of today's rental housing market and the realities of multi-unit developments
- continued our involvement in the steering group overseeing the New Zealand Housing Strategy
- continued to update and make improvements to the Building Code and Compliance Documents
- provided technical standards and guidance to the sector with 135 determinations issued on questions or disputes about the rules applying to buildings.

The Department has been reconfigured to better align functions and structure to deliver on the outcome we are working towards: *The people of New Zealand have access to quality homes and buildings that meet their needs, reflect our environment and contribute to a sustainable New Zealand.* We are working to build an integrated organisation that delivers value to the Government, to sector stakeholders, clients and consumers.

The new structure is focused on core parts of the Department's role – Sector Policy, Building Quality, Service Delivery and Sector Capability. These are supported by Corporate and Organisational Development and Strategy. I am pleased with the way the transition process has gone and at how the new structure is coming together. The Department will continue to evolve as the new structure beds in and the Deputy Chief Executives align their respective areas of responsibility to deliver on the Department's priorities and strategies.

In September 2006 we welcomed the Electrical Workers Licensing Group.

Underpinning all our work, particularly the Building Act reforms, has been working with sector stakeholders, clients and consumers to help identify critical issues, to plan and develop workable solutions, to test our thinking and to get feedback on proposals so we can do our job well and provide well-informed advice to Government.

I thank the many individuals and organisations that contributed to our work during the year under review and look forward to your ongoing assistance in helping us strive to meet our vision.

We also work in close collaboration with other government agencies towards achieving the Government's goals. I am grateful for the relationship we share with these agencies.

We had an ambitious work programme for 2006/07 which continues in 2007/08. We have achieved a lot and there is more to do. In some areas timeframes have been revised to accommodate work priorities or in light of further information and work required.

I thank the staff of the Department and acknowledge their substantial efforts and contributions to our achievements and progress made throughout 2006/07.

I am pleased to present the Annual Report of the Department of Building and Housing for the year ended 30 June 2007.



Katrina Bach  
Chief Executive



# Part 1: Achieving outcomes

# Role of the Department

## OUR ROLE

The Department of Building and Housing (the Department) was established in November 2004, bringing together building and housing sector policy and related regulatory functions and dispute resolution services from across a range of government agencies, into one organisation.

The consolidation of the Government's building- and housing-related activities:

- ensures an effective regulatory system for the building and housing sector
- delivers good-quality advice to the Government
- improves and streamlines services to the public.

## OUR RESPONSIBILITIES

The Department is responsible for:

- ensuring an effective regulatory environment for the building and housing sector
- regulating the building and rental housing sectors
- delivering effective information, advice and dispute resolution services (including tenancy services and the Weathertight Homes Resolution Service (WHRS))
- providing purchase and monitoring advice to the Government on Housing New Zealand Corporation
- administering the State Housing Appeal Authority
- providing policy advice to the Government on the building sector and residential tenancy market, including emerging trends and issues
- providing policy advice on housing and building regulation
- providing advice on regulating the residential rental market
- managing occupational licensing within the building sector.

The Department works with Housing New Zealand Corporation on:

- defining housing outcomes for the sector
- analysing the housing environment, including monitoring the supply, quality and affordability of housing
- influencing the wider government sector to ensure it meets the Government's goals for housing
- working with other agencies to influence and promote delivering the Government's outcomes for the building and housing sector
- undertaking specific initiatives under the New Zealand Housing Strategy Programme of Action.

The legislation administered by the Department is outlined in Part 4 on page 104.



## Key achievements in 2006/07

The Department's key achievements in 2006/07 are mentioned throughout this report and some of these are highlighted below under the headings:

- Our contribution to Government Outcomes and Priorities
- New Zealand Housing Strategy
- Achieving by working with others.

These sections capture what is important to the Department in what we do, why we do what we do and how we do it. Ensuring we achieve by working with others is central to the activities of the Department. This approach underpins all our activities and achievements.

### **OUR CONTRIBUTION TO GOVERNMENT OUTCOMES AND PRIORITIES**

The building and housing sector is an important contributor to New Zealand's economic and environmental performance and social wellbeing. It contributes around 5 percent to Gross Domestic Product and impacts on every person in New Zealand in terms of where we live and work, and how our communities function.

The sector has an important contribution to make to a sustainable economy, a sustainable environment and sustainable communities. It covers physical building and construction, building professionals and local authorities through to home and building owners, investors, landlords and tenants, and property managers.

Government influences the overall performance of the sector, the quality of building and housing, and the built environment. These contribute to our economic performance, to improved wellbeing and living standards for families and communities, and to a built environment that reflects who we are, where we live and how we live our lives in New Zealand.

The Department's role in this includes:

- setting building and housing performance standards and systems that deliver quality homes and buildings, and encourage and support good design and innovation in the built environment
- requiring transactions in the building and housing market to be done in ways that ensure openness and transparency, with appropriate protection for parties involved including consumers
- registration of building consent authorities – requiring that they be appropriately accredited and monitoring their performance in carrying out their building control functions
- providing information, guidance and services to landlords, tenants, building practitioners and consumers

- working with the sector to promote, encourage and support professional skills and behaviour and investment in these through training, education and ongoing professional development
- providing technical advice and detailed guidance to the building sector on technical issues, building systems and products
- undertaking research and working with the sector to set the forward research agenda for building systems, science and design
- providing dispute resolution services.

The Government has established key priorities for Economic Transformation, Families – Young and Old, and National Identity. The Department contributes to these goals through the outcome it is committed to achieve:

**The people of New Zealand have access to quality homes and buildings that meet their needs, reflect our environment and contribute to a sustainable New Zealand.**

The Department's 2006/09 Statement of Intent set out four intermediate outcomes we expect to see if we are progressing towards this goal:

- buildings and homes that perform well in the New Zealand environment
- a vibrant building, construction and housing sector with skilled building and housing professionals
- homes and buildings that meet the changing needs of New Zealanders
- confident owners, tenants and users.

These indicators have been further refined in the 2007/10 Statement of Intent.

The work of the Department contributes to the Government's three key themes in a number of ways including:

- **Economic Transformation** – by supporting the development of a sustainable economy based on innovation and quality
- **Families – Young and Old** – by sustaining family and community living standards
- **National Identity** – by supporting innovation and good design in the built environment.

Examples of the Department's specific contributions to the Government's three key themes are outlined on the following pages.

## **Economic Transformation**

The Department contributes to the theme of Economic Transformation by supporting the development of a sustainable economy based on innovation and quality.

The Department's contributions include:

- implementation of the Building Act 2004
- Building Consent Authority Accreditation and Registration Scheme
- Licensed Building Practitioners Scheme
- Building Code review
- product certification scheme
- building standards, technical guidance and determinations.

### **Implementation of the Building Act 2004**

The Building Act 2004 requires buildings to have attributes that contribute appropriately to the health, safety, physical independence and wellbeing of the people who use them. A greater emphasis has been placed on the needs of consumers (defined as occupiers of housing and other buildings) and on recognising the special place that houses have in people's lives.

The Act is a significant regulatory reform and will take 3 to 5 years to fully implement. This reform will result in the rollout of key systems around building consent authority accreditation, licensed building practitioners and product certification. A significant amount of other related work is being progressed, some of which is highlighted below, including the review of the Building Code.

### **Building Consent Authority Accreditation and Registration Scheme**

As at 30 June 2007, 69 of the 87 territorial authorities and regional authorities had applied for accreditation as building consent authorities. This significant success has been achieved through hard work and commitment by councils, supported by a \$3 million accreditation assistance package.

The majority of councils are expected to be accredited or close to completion of the accreditation process by 30 November 2007. The date by which territorial and regional authorities are required to be accredited has been extended to 30 June 2008.

### **Licensed Building Practitioners Scheme**

The Building Practitioners Board and the Minister approved the Licensed Building Practitioner Rules after consultation with and support from sector industry representatives. The Rules are fundamental to and underpin the licensing scheme. They include the licence class standards which describe the competencies required by a practitioner to be licensed. The Rules are in preparation for the voluntary licensing scheme commencing on 1 November 2007.

### Building Code review

The Building Act 2004 sets the legal framework for all building work. All building work, both in the design and construction of new buildings and in the upgrading of existing buildings, must comply with the Building Code.

The Building Code sets out performance standards that buildings must meet. It covers aspects such as health and safety, fire, access, moisture control, durability, energy efficiency, amenity, services and facilities.

During the year the Department progressed a comprehensive review of the Building Code as required by section 451 of the Building Act 2004, to ensure the Code:

- meets the requirements of the Building Act 2004
- is stated in sufficient detail to provide clear guidance on the performance standards that buildings must meet to ensure compliance
- supports innovation in building systems that meet quality standards.

The Department:

- received and analysed submissions on a first discussion document, released in May 2006, that addressed the shape and overall principles for a new Building Code
- convened workshops with people and organisations who made submissions on the discussion document
- held focus group meetings with a wide cross-section of building users
- published a synopsis of submissions on the discussion document in January 2007
- prepared, with input from the sector and other government departments and agencies, and submitted to the Minister for public consultation, a second discussion document that includes specific proposals for building performance requirements.

The second discussion document seeks public consultation in August and September 2007, with the Department on track to submit a report on proposals for change to the Code to the Minister by 30 November 2007, as required under the Building Act 2004.

The review of the Building Code will contribute to the Government's overall sustainability goals through planned improved performance requirements for buildings that will:

- enhance people's health, safety and wellbeing
- improve the energy efficiency of buildings
- take better account of 'whole of life' use of natural resources such as energy, water and construction materials.

### **Product certification scheme**

A key element of achieving high-quality buildings is a well-functioning building industry, including reliable standards, testing and design guides for materials and processes used in construction.

During the year, the Department continued work on establishing a product certification scheme as provided for in the Building Act 2004 and in particular on a trans-Tasman scheme (CodeMark) that will be tied to international standards of quality and accountability.

By 30 June 2007, the scheme's rules (developed by the Australian Building Codes Board in consultation with the Department, Australian State and Territory governments, industry groups and prospective certification bodies) had been agreed to in principle by the Chief Executive.

Outstanding work that will be completed during the 2007/08 financial year comprises:

- the development of a formal agreement with the product certification accreditation body, the Joint Accreditation System of Australia and New Zealand (JAS-ANZ)
- putting in place the necessary regulations (as required by the Building Act 2004) covering the scheme's criteria and standards and JAS-ANZ's fees
- enactment of the amendments included in the Building Amendment Bill 2007 allowing JAS-ANZ to charge fees for accreditation services on a variable fees basis, and to provide for a power of suspension for a product certification accreditation body and a product certification body.

Further work will also be undertaken in 2007/08 on the management of legacy certificates of accreditation issued under the Building Act 1991.

The CodeMark scheme will provide greater assurance to the sector about building product performance when implemented.

### **Building standards, technical guidance and determinations**

During the last quarter of the financial year, Building Code Clauses for E2 External Moisture, F4 Safety From Falling, F6 – formerly Lighting for Emergency now Visibility in Escape Routes, G13 Foul Water and G14 Industrial Liquid Waste were amended and came into effect.

Other initiatives over the year included:

- publishing ten amended Building Code Compliance Documents, clarifying and improving building and performance requirements
- work on eighteen New Zealand Standards that are cited as a means of Building Code compliance
- completing nine technical research projects with a number of others continuing

- developing and distributing guidance documents on earthquake-prone buildings, timber treatment, weathertightness principles, access for people with disabilities, and storage racking systems
- preparation of guidance on weathertightness remediation.

In terms of support for the sector, the Department:

- ran a seminar series on timber grading, weathertightness, and fire engineering design to inform and educate the sector on Code developments
- answered in excess of 3,000 technical enquiries received through the Services Centre
- participated and presented papers at numerous sector organisation conferences and meetings.

These initiatives contribute to ensuring building practitioners are well-informed, buildings are built properly the first time, and buildings perform well for their users in the New Zealand environment.

The Department issued 135 determinations during the year. One notification of appeal was received. A determination is a binding decision made by the Department. It provides a way of solving disputes or questions about the rules that apply to buildings, how buildings are used, building accessibility, and health and safety. The Department's determinations function contributes to ensuring the integrity of building regulatory processes.

### **Families – Young and Old**

The Department contributes to the theme of Families – Young and Old by sustaining family and community living standards.

The Department's contributions include:

- supporting the effective operation of the rental housing market
- improving outcomes for the owners of non-weathertight homes
- energy efficiency initiatives
- monitoring and purchase advice on Housing New Zealand Corporation.

#### **Supporting the effective operation of the rental housing market**

The effective operation of the rental housing market contributes to the achievement of social and economic outcomes for New Zealanders. It is a market that has been growing and changing on both the demand and supply side. Over 33 percent of New Zealand households rent their homes. On the supply side, the private sector provides over 80 percent of this housing, characterised by many New Zealanders who own and operate a small number of properties for savings and investment purposes. It is important that the rental housing market works well.

The Department supports the effective operation of the rental housing market through its administration of the Residential Tenancies Act 1986. It provides tenancy services that support tenants and landlords to make well-informed decisions, operate with confidence in the rental housing market and resolve disputes.

In 2006/07 the Department completed a comprehensive review of the Residential Tenancies Act 1986. The changes to the Residential Tenancies Act 1986 are designed to clarify and enable better enforcement of landlords' and tenants' rights and responsibilities. A Bill incorporating these changes is expected to be introduced towards the end of 2007.

The Department also implemented significant changes to how it delivers tenancy services in 2006/07. These changes are designed to improve clients' access to services and better connect tenancy services to communities. The changes implemented in 2006/07 included:

- extending hours of operation of the free phone 0800 TENANCY advice line and providing access from mobile telephones to this service
- new tenancy tools and information available on an upgraded website
- ability to make applications to the Tenancy Tribunal online and pay by credit card
- introduction of SWIFT telephone mediation for a more rapid resolution of straightforward tenancy disputes
- face-to-face and mediation services extended to 85 locations, including 17 new locations
- education and information seminars targeted at selected landlord, tenant, industry and community organisations, including a national series of landlord seminars, 18 radio shows on Pacific radio, training for Citizens Advice Bureaux, budget and student services.

The Department also managed growing demand for its tenancy services with increases of 18 percent and 16 percent respectively in tenancy advice telephone enquiries and tenancy bond activity. Resources were reprioritised from the lodgement of tenancy bonds to manage this increase in demand, and to maintain services for clients in more time-critical areas of Tenancy Tribunal dispute applications, bond refund payments and answering telephone enquiries.

### **Improving outcomes for the owners of non-weathertight homes**

A major focus for the Department in 2006/07 was the implementation of a suite of changes designed to improve the efficiency and effectiveness of the WHRS process. The changes were implemented in April 2007 following enactment of the Weathertight Homes Resolution Services Act 2006. The changes are designed to achieve better outcomes for affected homeowners.

The Department:

- implemented new assessment methodology and reports so homeowners have accurate and comprehensive assessment of the damage to their homes, both actual and probable, and the work needed to effectively repair their homes
- made improvements to case management with enhanced information and guidance material for claimants
- introduced a streamlined process for the resolution of lower value claims
- worked with the Ministry of Justice to implement an enhanced and more authoritative dispute resolution process, including the transfer of the adjudication function from the Department, establishment of the specialist Weathertight Homes Tribunal and time-limited mediation for WHRS claims
- worked with Housing New Zealand Corporation in the design and implementation of a targeted 2-year lending assistance pilot to assist eligible homeowners to undertake repairs to their homes
- worked with Local Government New Zealand to implement a protocol to provide WHRS claim information on affected properties to territorial authorities for inclusion on Land Information Memoranda, giving prospective purchasers access to authoritative information
- implemented the first year of a 2-year consumer awareness campaign for both leaky home owners and prospective home purchasers, including the enhancement of the ConsumerBuild website in partnership with the Consumers' Institute.

These changes are designed to enable faster and more effective resolution of weathertightness problems. The changes are expected to reduce the time it takes for claims to be resolved and should lower the legal and expert costs faced by both claimants and respondents. The Department also developed a 3-year monitoring and evaluation framework in 2006/07 to assess the effectiveness of the changes and whether the Government's objectives are being achieved. The Department will complete its first evaluation report to the Minister in May 2008.

### **Energy efficiency initiatives**

During the year the Department was involved in an extensive programme of initiatives aimed to improve the energy efficiency performance of our buildings.

Improvements to the energy efficiency performance requirements in the Building Code and related Compliance Documents for house insulation, commercial lighting and the installation of solar water heaters were developed. These will progressively come into effect from mid-2007 to late 2008.

The development of further energy efficiency proposals relating to heating, ventilation and air-conditioning in commercial buildings, and domestic water heating, were also undertaken. Public consultation on these proposals closed at the end of June 2007 and analysis of submissions is under way.



The Department also led the development and delivery of an energy efficiency consumer awareness programme to encourage New Zealanders to use energy more wisely in their homes, leading to financial, health and environmental benefits. Working with other agencies including the Consumers' Institute, the Energy Efficiency and Conservation Authority and the Electricity Commission, a series of publications were developed including a newspaper insert and a booklet. These initiatives were supported by a nationwide television commercial campaign. Key messages of the campaign were:

- saving energy reduces your power/gas bills
- a warm home is a more comfortable and healthier one
- maintaining your property will retain or improve its value
- reducing energy helps the environment.

#### **Monitoring and purchase advice on Housing New Zealand Corporation**

The Department provides monitoring and purchase advice to the Minister of Housing in relation to Housing New Zealand Corporation (HNZC).

Advice was provided on key strategic documents (Letter of Expectations, Statement of Intent, Annual Report and Output Agreement) and related reporting. In addition, the Department initiated joint work with the Treasury to review the financial governance and output class structure for HNZC. The Department also provided support for the appointment of four new board members and the reappointment of one member.

The Department also provides governance advice on nine statutory boards, including HNZC, to both the Minister for Building and Construction and the Minister of Housing.

This year the Department worked on further strengthening relationships with these boards and on building an understanding of the performance targets monitored by the Department, including drafting Output Agreements for boards. The Department has also provided support for the appointment and reappointment of members to nine boards.

#### **National Identity**

The Department contributes to the theme of National Identity by supporting innovation and good design in the built environment.

The Department's contributions include:

- an integrated approach to the built environment
- the review of the Unit Titles Act.

#### **An integrated approach to the built environment**

There are a number of elements to achieving high-quality buildings and ensuring good design in the built environment. Key elements in the building system include:

- a well-functioning building industry, including skilled building professionals such as designers, architects, builders, tradespeople, manufacturers and consumers
- a sound legal framework for conducting business so all parties can be held accountable for their actions
- reliable standards, testing and design guides for materials and processes used in construction
- warranties to provide reassurance to building owners
- education and training to provide knowledge and skills to people involved in the building process.

The Department leads or contributes to all of these elements to ensure good design in the built environment. Other examples of the Department's contribution to an integrated approach to the built environment are the Department's work on building standards and the review of the Unit Titles Act 1972.

#### **Review of the Unit Titles Act**

The Department progressed the review of the Unit Titles Act 1972 during the year. Since 1972 when the Act first came into force, there have been major changes in the number, scale and nature of property developments in New Zealand. The Act has become outdated and is no longer able to provide a sound basis for the creation and sustainable management of intensive, multi-unit developments. The review of the Act has led to the decision to comprehensively amend the current unit titles regime. A Bill to repeal and replace the current Act is being drafted and is expected to be introduced in 2007/08.

### **NEW ZEALAND HOUSING STRATEGY**

The Government is committed to ensuring people on low and modest incomes or with special housing needs receive the help they need to find and stay in affordable, good-quality housing. The Government's Housing Strategy sets out the priorities for housing and a programme of action over the next 10 years. The strategy covers sustainable housing supply, assistance and affordability, homeownership, the private rental sector, housing quality, sector capability and meeting diverse needs.

The Department is on the steering group overseeing the strategy. The Department, together with other agencies, continues to work on priority areas identified under the New Zealand Housing Strategy.

Examples of significant initiatives progressed in 2006/07 include:

- Housing Quality – improving the quality of New Zealand's housing stock. The Department is continuing to review the Building Code with input from consumers, the building industry and local government.

- Sector Capability – the Department is working with local government to implement the building consent authority accreditation provisions of the Building Act 2004. Building consent authority accreditation and a national licensing system for the building industry are part of a package of changes introduced by the Building Act 2004 to encourage better practices in building and construction. The Licensed Building Practitioners Scheme will contribute to lifting and recognising the professional standards and skills of building practitioners.

## ACHIEVING BY WORKING WITH OTHERS

Key to the activities and achievements of the Department is working with the building and housing sector. This sector includes:

- building and construction companies
- building and housing professionals such as architects, engineers, builders and building trades
- sector organisations
- building and home owners
- others with an interest in building and housing and the performance of the sector such as the Ministry of Economic Development, Ministry of Social Development and Ministry for the Environment.

Working actively with local government on the design of the Building Consent Authority Accreditation and Registration Scheme and supporting its implementation has been a key part of the Department's work and focus on lifting the capability and performance of local authorities' building control functions.

The Department contributed to the following whole-of-government initiatives during the year.

- The Steering Group established by the Ministry of Economic Development to oversee the development of the New Zealand Energy Strategy and the New Zealand Energy Efficiency and Conservation Strategy
- The Ministry for the Environment's Household Sustainability initiative
- The development of a consumer energy efficiency awareness programme, as lead agency in conjunction with the Consumers' Institute, the Energy Efficiency and Conservation Authority and the Electricity Commission
- The Ministry for the Environment's work in developing and implementing the SmarterHomes website designed to provide consumers with practical information on how to make homes more sustainable
- The Social Services Cluster (Ministry of Social Development, Housing New Zealand Corporation, Department of Building and Housing) initiatives in the housing sector

These initiatives contribute to the Government's overall sustainability goals, and demonstrate our commitment to working with others to achieve better building and housing outcomes.

# Strengthening our capability

## **CONTINUING TO DEVELOP OUR ORGANISATIONAL CAPABILITY**

The Department needs to strengthen and build the capability of its people and systems to achieve its vision.

The Department is focused on:

- creating a strong organisation with clearly defined roles aligned with the Department's vision, outcomes and strategies, that can adapt to a changing world
- ensuring core organisational systems support the strategic priorities and performance culture the Department wants
- strengthening organisational leadership capability
- engaging employees throughout their entire relationship with the Department, from recruitment to transition to other roles within the Department
- building a culture of high performance and achievement that is open to new ideas and learning, that encourages innovation and leadership
- investing in skill development.

Work on the new organisational structure was completed and announced to staff in November 2006, with the new structure coming into effect in March 2007. Feedback from staff was considered before the final structure was announced.

## **PROGRESSING OUR DEVELOPMENT PRIORITIES**

The Department continues to adapt to changes in our operating context, work programme, resourcing needs and capability requirements.

Our organisational development components have been pulled together into a single plan, the purpose of which is to build a capable, adaptive organisation.

This supports the Chief Executive and Deputy Chief Executives to lead the Department to its next stage of development and deliver on its strategies.

The Organisational Development Plan has a 3-year horizon. The proposed approach is to complete the foundation elements in the first 2 years, with subsequent refinements and follow-on projects. The Plan will be monitored and feedback mechanisms used to evaluate how the Department is doing and how the Plan needs to evolve over time as the Department's operating context changes.

The programme for the 2006/07 year and beyond is based around five priority areas.

- 1 Building appropriate staffing capability and skills
- 2 Developing leadership and management capability
- 3 Strengthening our capability for monitoring and advising on Crown entities and statutory boards
- 4 Developing and enhancing business systems to enhance service delivery, improve data and knowledge, and to strengthen capability
- 5 Strengthening and maintaining our relationship with the building and housing sector

### **Building appropriate staffing capability and skills**

Competition for skills and talent is a feature of the current labour market, particularly in areas of technical expertise and leadership. Recruiting, selecting and retaining the right people is critical to success. The Department has developed an Employee Engagement System which focuses on staff from recruitment development through to transition to other roles within the Department. The first stage of this system is being implemented. A recruitment strategy is in place that has a key goal of getting the right people, with the right skills (or potential to develop the right skills) in place. This is designed to build permanent staff capability and skills.

For the 12 months to 30 June 2007, the average percentage of full complement against approved positions was 94.6 percent. This represents very good progress against the recruitment strategy.

New role descriptions have been developed to provide better definition of roles and related authorities, accountabilities and required capability. These are being implemented progressively through the Department. Role descriptions will be used as a cornerstone of performance development across the organisation, to identify individual and group capability development needs and opportunities.

Training needs were assessed and, where required, targeted training was developed and implemented to achieve the required capability. A Plain English writing programme was delivered to staff and a comprehensive induction programme for all new staff is under development.

### **Developing leadership and management capability**

Building leadership capability is a key priority. Leadership programmes tailored to managers and team leaders were designed and rolled out in 2006/07. This is an ongoing programme and all managers will have the opportunity to participate. Development and implementation of core management training is also under way. This technical management training programme will assist new managers and existing managers in developing vital financial, human resources, business planning and communications skills. The initial focus has been on front-line managers, recognising the critical importance of leadership of front-line staff to quality service delivery.

The Chief Executive leads regular discussions with the Department's leadership group to identify priorities for work in the Department and core systems improvement to enhance overall organisational performance.

### **Strengthening our capability for monitoring and advising on Crown entities and statutory boards**

Our advice on and monitoring of Housing New Zealand Corporation must be of the highest standard to provide appropriate support to the responsible Ministers – the Minister of Housing and Minister of Finance. In 2006/07 we committed to investing further in developing our capability to perform this role, and to providing advice to the Minister for Building and Construction on statutory boards.

In line with the Crown Entities Act 2004, the Department has strengthened its capability for monitoring and advising on Crown entities and statutory boards to provide increased support to the responsible Ministers on governance and performance of Crown entities and statutory boards.

A capability assessment was undertaken in the first quarter of 2006/07 and, based on this, a training and recruitment plan was developed and implemented for staff responsible for monitoring and advising on Crown entities.

The Department reviewed the skills required to cover the workload relating to statutory responsibilities and performance advice. As a result of this review, a revised structure for this team was put in place, and recruitment and training to fill the newly established positions was completed.

### **Developing and enhancing business systems to enhance service delivery, improve data and knowledge, and to strengthen capability**

We have committed to developing and enhancing a number of business systems to enhance service delivery, improve data and knowledge, and strengthen capability. In doing so, we identified a number of development priorities to be progressed over a 3-year period commencing in 2006/07 to support this priority area.

Solid progress has been made during the year to advance the priorities outlined here.

#### *National, consolidated voice and data network*

The consolidation of the Department's existing voice and data network onto a single platform will enable us to mobilise our tenancy services workforce and extend our services over a greater geographic area. The Department is currently identifying and documenting its immediate and long-term telecommunications requirements. These requirements will form the basis of a business case that will be progressed during the latter half of 2007.

#### *Human Resource Business Application Systems*

The Department is currently identifying and documenting enhancement opportunities for its existing Human Resource Information Systems that support organisational development and improve reporting capabilities. These enhancement opportunities will form the basis of a business case that will be progressed during 2007/08.

#### *Knowledge Management System*

The Department has progressed the development of a Knowledge Management System to better meet statutory record-keeping requirements, knowledge management initiatives, and e-government metadata standards and principles.

An Electronic Document and Records Management System (EDRMS) proposal that will capture the Department's records and documents was approved in June 2007. A Request For Proposals for an EDRMS solution was posted on the Government Electronic Tenders Service on 29 June 2007.

#### *Customer Relationship Management System to support our nationwide Services Centre*

The Department is currently reviewing customer relationship management requirements with a view to introducing a customer management system to support the Department's Services Centre now and to provide for future needs.

An enhanced Customer Relationship Management System capability will ensure the Services Centre can provide consistent, accurate information and advice to the public. It is also expected to improve accessibility and the cost-effectiveness of existing services, and allow the data collected by Services Centre staff to be used for analysis of trends and research into future policy. A business case for this project will be progressed during 2007/08.

#### *Financial data and reporting systems*

Work commenced during the year to enhance our financial data and reporting systems to better assist managers in understanding and managing financial responsibilities. Monthly reporting to the Strategic Leadership Team and the Minister has been improved to provide timely and strategic advice.

The Finance and Procurement Policies and Procedures have been revised and are being updated. This will be completed in the first quarter of 2007/08.

The Financial Management Information System review is to be completed in the first quarter of 2007/08 with a view to identifying the business requirements and replacing or upgrading the existing system to enhance budgeting, reporting, transaction processing, costing and purchasing functions.

#### *Human resource systems*

In addition to the organisational development priorities, work on developing a comprehensive suite of appropriate human resource systems continued to be advanced during the year. Our focus was to ensure effective application of the performance development and remuneration systems and improve staff and managers' understanding of these systems. This work has included additional training, provision of a managers' handbook and implementation of an employee feedback loop.

### **Strengthening and maintaining our relationship with the building and housing sector**

The Department is committed to building and maintaining strong relationships with the sector and local government to ensure building reforms occur in a practical and 'do-able' way, and changes required are supported by the sector.

The Department is committed to early and active engagement with the sector on policy development, regulatory system design and technical issues. We have developed better capability (skills and systems) to enable us to engage effectively with the sector to support this. This has been factored into the performance expectations and individual development plans for staff who are responsible for engaging with the sector.

Performance plans were put in place during the year incorporating training and development initiatives that support the development of more effective policy capability and engagement with the sector.





## OUR ORGANISATION'S HEALTH

We are committed to ensuring we have the capability required to perform our functions and conduct our operations effectively and efficiently.

The following table sets out some of the indicators we use to help us monitor organisational health and capability.

ORGANISATIONAL HEALTH INDICATORS		
Indicator	Measurement	Progress to 30 June 2007
<b>Internal controls</b>		
The Treasury's Departmental Internal Control Evaluation (DICE) rating	Reported in October 2006 for the 2005/06 year	The DICE rating for 2006/07 was received in June 2007. The overall rating was 'Good', with a score of 4.01 out of a possible 5.00.
<b>Staff capability and capacity</b>		
Vacant positions as a percentage of total positions (rolling 12-monthly average)	Rolling 12-monthly average reported quarterly	Rolling average over 12 months was 8.7 percent.
Rolling 12-monthly staff turnover	Rolling 12-monthly average reported quarterly	Rolling average for all turnover during past 12 months was 20 percent.
Percentage of approved positions filled by contractors (rolling 12-monthly average)	Rolling 12-monthly average reported quarterly	Rolling average over 12 months was 3.69 percent.
<b>Health and safety – staff wellbeing</b>		
Accident frequency	Number of lost-time accidents reported quarterly	One lost-time accident in Quarter 1. One lost-time accident in Quarter 2. Three lost-time accidents in Quarter 3. Nil lost-time accidents in Quarter 4.
Accident severity	Average lost time per lost-time accident reported quarterly	Average 1.5 hours' lost time per Quarter 1 lost-time accident. Average 15.2 hours' lost time per Quarter 2 lost-time accident. Average 67.13 hours' lost time per Quarter 3 lost-time accident. Average 0 hours' lost time per Quarter 4 lost-time accident.
Sick leave incidence	Number of sick leave days taken	1,919 days' sick leave taken in year to 30 June 2007.
<b>Performance development</b>		
Percentage of performance development process expectation letters completed	Percentage completed, reported quarterly	All letters of expectation were completed by 31 August 2006 for the 2006/07 period. Managers continued to complete these with new employees during the year.
Percentage of performance development process annual review letters completed	Percentage completed by 30 June 2006	All reviews relating to performance to 30 June 2006 were completed and output was considered in the annual remuneration review process completed in October 2006.

## **PEOPLE MANAGEMENT POLICY AND EQUAL EMPLOYMENT OPPORTUNITIES**

The Department is committed to equal opportunity in all its employment policies and practices. Data is collected to monitor and report on the diversity of the workforce. The Department has two network groups, Pou Tokomanawa and Vanua Pasifika. These two groups enable Māori and Pacific staff to connect with and support each other in a professional and cultural context.



# Our risk response

The Department is committed to identifying, monitoring and responding appropriately to risks to our business at all levels. We aim to prevent, minimise or mitigate risks as appropriate.

Identifying and managing risk is incorporated into the Department's business planning and management practices and is part of day-to-day business.

At the strategic level, we seek to identify risks that have the potential to impact on achieving our outcomes. At the operational level, our business group plans identify risks that have the potential to impact on the delivery of our services.

The Department's risk management system and processes are still being developed. Over the coming year we will align our risk management system and identification, monitoring and review process with our internal audit work programme.

The following table highlights a number of risks to achieving our outcomes, and our proposed response and actual response to those risks. Our consideration of and response to these risks informed the development of our strategies and capability development initiatives.

ISSUE/RISK	PROPOSED RESPONSE	ACTUAL RESPONSE
<p><b>Local authority and building sector buy-in to Building Act 2004 implementation</b></p> <p>There is a risk that the outcomes being sought from implementing the Building Act 2004 are compromised or delayed as a result of insufficient stakeholder buy-in and capacity limitations.</p> <p>The building and housing sector is operating at near-full capacity. The sector's capacity to participate in, implement and respond to major policy and regulatory change is limited.</p> <p>The provisions of the Building Act 2004 are administered by territorial authorities. Their cooperation is necessary to effectively implement the provisions of the Building Act 2004.</p>	<p><b>Working better with the sector</b></p> <p>We have established a joint governance group with local government and the Building Officials Institute of New Zealand to ensure that we work with regulatory partners and key stakeholders in developing, testing and implementing policy and regulatory changes.</p> <p>We want to ensure:</p> <ul style="list-style-type: none"> <li>• our interventions are practical and cost-effective</li> <li>• the benefits outweigh the costs</li> <li>• regulatory partners understand and work to their role in the regulatory framework</li> <li>• the implementation timeframes result in a reasonable pace of change (given current sector capacity constraints).</li> </ul>	<p><b>Working better with the sector</b></p> <p>The Department worked with Local Government New Zealand and the Society of Local Government Managers to assist the Building Officials Institute of New Zealand to develop a national qualification for building officials.</p> <p>An assistance package was put in place to support territorial authorities to prepare for the building consent authority accreditation and registration processes.</p> <p>Engagement with other key stakeholders included representative bodies and industry practitioners to progress licensing of building practitioners.</p> <p>The Department has carried out initial work to test the cost-effectiveness of its interventions. It has also participated in the Ministry of Economic Development-led Quality Regulation Review and, in so doing, has led a work programme to better integrate and coordinate consenting processes to provide more efficient and seamless services for consent applications.</p> <p>Work with stakeholders has been a key element in the way the Department has implemented the Building Act 2004. In particular, stakeholders have been involved in design, development and implementation of new systems including: dam safety; licensed building practitioners; and building consent authority accreditation and registration.</p>

ISSUE/RISK	PROPOSED RESPONSE	ACTUAL RESPONSE
<p><b>Respondents' behaviour arising from weathertightness claims liability</b></p> <p>There is a risk that respondents will seek to delay resolving weathertightness claims because of the costs associated with their liabilities.</p>	<p><b>Working better with the sector</b></p> <p>We are engaging with local authorities and other respondents to develop a shared view on the long-run benefits of resolving weathertightness claims earlier.</p>	<p><b>Working better with the sector</b></p> <p>The Weathertight Homes Resolution Services Act 2006 (WHRS Act 2006) came into force from 1 April 2007. The new legislation introduced a suite of enhancements designed to improve the efficiency and effectiveness of the WHRS process. These changes were developed and implemented by working with both claimant and respondent groups. A 3-year evaluation strategy was also developed to monitor whether the expected outcomes are being achieved. Continual feedback from these groups will be sought as part of this work.</p>
<p><b>Consumer confidence</b></p> <p>There is a risk that consumers will lose confidence in building-related dispute resolution processes. Confidence in the weathertight homes resolution process will be further tested by delays in the settlement process.</p> <p>The leaky building issue highlighted the difficulties faced by homeowners in resolving building-related disputes. Consumers continue to face significant difficulties in enforcing their rights and gaining redress when buildings fail due to problems other than weathertightness. Building and housing transactions can be complex and involve significant knowledge imbalances between suppliers and consumers.</p>	<p><b>Better awareness and understanding</b></p> <p>Our consumer information campaign aims to ensure homeowners and prospective homeowners are aware of weathertightness issues and how these can be addressed.</p> <p><b>More accessible and connected services</b></p> <p>In addition we aim to foster consumer confidence through the improvements we are making to the weathertight homes resolution process.</p> <p><b>More effective regulation and better building standards</b></p> <p>The Building Act 2004 will provide more clearly defined rights and obligations, and improved building standards.</p> <p>The social and economic policy implications of changes to the Building Code will be considered as part of the review.</p>	<p><b>Better awareness and understanding and more accessible and connected services</b></p> <p>The first year of a 2-year weathertightness consumer-awareness campaign was implemented in 2006/07.</p> <p>The campaign was developed with the Consumers' Institute and focused on improving access to information for both owners and prospective buyers of homes. Significant enhancements were made to the ConsumerBuild website, new tools and checklists developed and general awareness-raising activities were undertaken.</p> <p>As part of the WHRS Act 2006, information on all WHRS claims is now provided to territorial authorities, who are required to make this information available on Land Information Memoranda. This provides prospective home buyers with access to information to make informed decisions.</p> <p>Changes to the process were designed to deliver better outcomes for leaky building homeowners, reduce the time taken to resolve disputes and lower the costs faced by both claimants and respondents. These changes included:</p> <ul style="list-style-type: none"> <li>• more comprehensive assessment with the ability to claim both probable and actual damage</li> <li>• strengthened case management for better advice and guidance for claimants</li> <li>• authoritative dispute resolution, with the establishment of a specialist Weathertight Homes Tribunal and time-limited mediation</li> <li>• expedited processes for the settlement of lower-value claims.</li> </ul>

ISSUE/RISK	PROPOSED RESPONSE	ACTUAL RESPONSE
<b>Consumer confidence (continued)</b>		<b>More effective regulation and better building standards</b> <p>Significant progress has been made on the implementation of the new regulatory schemes introduced under the Building Act 2004:</p> <ul style="list-style-type: none"> <li>• licensed building practitioners</li> <li>• building consent authority accreditation and registration</li> <li>• dam safety.</li> </ul> <p>Extensive work was completed on the design of the Licensed Building Practitioners Scheme including approval of the Rules for the operation of the scheme.</p> <p>The licensing regime and accreditation of building consent authorities will enable consumers to have greater confidence in the capability and skills of building practitioners, and the standard of building control functions at the local level.</p> <p>The Department also progressed the review of the Building Code, to ensure buildings are fit for purpose, sustainable and perform well into the future. These changes are designed to ensure future consumers can have confidence in performance requirements.</p> <p>The Department's statutory role in issuing determinations under the Building Act 2004 contributes to ensuring the integrity of the regulatory process.</p>
<b>Housing affordability</b> <p>There is a risk that rising property values in some areas (especially Auckland) place homeownership beyond the means of low- to middle-income earners. This means more families and older people are renting.</p>	<b>Working better with the sector</b> <p>We are working with Housing New Zealand Corporation and the Ministry for the Environment to ensure building and housing policies and regulations respond to trends in land use and urban design. We are also working to better understand the implications of policies and regulations for the supply of affordable housing.</p>	<b>Working better with the sector</b> <p>The Department worked with Housing New Zealand Corporation, the Ministry for the Environment and other departments in a supply-side overview group. The group worked on issues of housing affordability, regulatory mechanisms and related areas of housing policy.</p>
<b>The built environment</b> <p>There is a risk that the limited availability of land for development (especially in Auckland), and concern for the social and environmental effects of building and urban development, will result in higher-density housing. It may also result in an increased focus on the role of land use, planning and other regulatory interventions in supplying and developing new housing stock.</p>	<b>More effective regulation and better building standards</b> <p>The review of the Building Code is actively considering sustainable development, energy efficiency, and building quality and design issues.</p>	<b>More effective regulation and better building standards</b> <p>The review of the Building Code will support overall sustainability goals through planned performance requirements for buildings that will:</p> <ul style="list-style-type: none"> <li>• enhance people's health, safety and wellbeing</li> <li>• respond to and connect with the environment</li> <li>• provide for the efficient 'whole of life' use of natural resources such as energy, water and construction materials</li> <li>• contribute to economic and social wellbeing.</li> </ul> <p>The Department has prioritised energy efficiency issues by developing changes to the current Building Code and Compliance Documents to promote higher performance requirements for house insulation, commercial lighting, the installation of solar water heaters, domestic water heating, heating, ventilation and air-conditioning systems.</p>

ISSUE/RISK	PROPOSED RESPONSE	ACTUAL RESPONSE
<p><b>Implementing a wide-ranging reform programme</b></p> <p>There is a risk that departmental capability and capacity constraints will compromise either:</p> <ul style="list-style-type: none"> <li>the implementation of the wide-ranging programme of reforms for which we are responsible, or</li> <li>the quality of our 'business as usual' services.</li> </ul>	<p><b>Capability development</b></p> <p>Our recruitment programme and investment in skills development is aimed at ensuring we acquire the necessary specialist skills, and will ensure we have the capability and capacity to deliver our core services.</p> <p>We will continue to contract external resources to manage one-off or occasional peaks in workload associated with implementing reforms or new initiatives and to provide specialist skills where needed.</p>	<p><b>Capability development</b></p> <p>The Department has developed an organisational development system which specifically focuses on building individual and organisational capability.</p> <p>The Department has put an Employee Engagement System in place. This system supports our ability to identify and recruit people with the capability required to support the Department in delivering our core services. It also supports individual capability development and effective transition to other roles within the Department.</p> <p>We will continue to contract external resources to manage one-off or occasional peaks in workload associated with implementing reforms or new initiatives and to provide specialist skills where needed.</p>

# Measuring outcomes

## MEASURING PROGRESS

The Department continues to develop indicators to measure progress in achieving intermediate outcomes.

A list of indicators to measure the Department's outcomes was included in the Department's first Statement of Intent in 2005. Since then we have continued to make progress in the links between our outputs and the outcomes we seek to achieve. All our achievements seek to contribute to the overall outcome, refined further in our Statement of Intent 2007/10 to 'the people of New Zealand have access to quality homes and buildings that meet their needs, reflect our environment and contribute to a sustainable New Zealand'.

In our Statement of Intent 2006/09, our outcomes framework depicted the connections between our capability initiatives, outputs and key strategies to deliver our intermediate outcomes, our overall outcome and the Government's priorities. We also identified four intermediate outcomes required in order to achieve the overall outcome. We will continue to improve the way we express and measure these intermediate outcomes.

The Department's progress in identifying indicators for our four intermediate outcomes is shown in the table below.

INTERMEDIATE OUTCOME	INDICATORS CURRENTLY UNDER CONSIDERATION INCLUDE
2006 SOI: Buildings and homes that perform well in the New Zealand environment	<ul style="list-style-type: none"><li>• A framework for a new Building Code that emphasises adaptability and sustainability</li><li>• Take-up of energy-efficient products such as insulation and solar heating</li></ul>
2006 SOI: A vibrant building, housing and construction sector with skilled building and housing professionals	<ul style="list-style-type: none"><li>• The number of licensed building practitioners in the sector</li><li>• The number of people in building sector education and training</li></ul>
2006 SOI: Homes and buildings that meet the changing needs of New Zealanders	<ul style="list-style-type: none"><li>• Rental tenure</li><li>• Building Code review provisions for wellbeing and physical independence</li></ul>
2006 SOI: Confident owners, tenants and users	<ul style="list-style-type: none"><li>• Measures on weathertightness, consents and determinations</li><li>• Measures on dispute resolution services</li></ul>

The Department actively monitors sector outcomes and maintains oversight of the performance of building regulation systems. As part of this role, the Department monitors territorial authorities to ensure adherence to standards in the building sector. Monitoring activities will continue to include conducting technical reviews to ensure building control functions are being carried out to appropriate standards. Our 2007/10 Statement of Intent requires us to undertake and complete six technical reviews of territorial authorities in 2007/08. Accreditation is being implemented as a new assurance mechanism for future building consent authorities.

## COST-EFFECTIVENESS OF INTERVENTIONS

As the impact of changes such as those described above occur, the Department will continue to assess the effectiveness of implementation in addressing the underlying problems for which reforms have been put in place. These assessments will build on the expected regulatory effectiveness anticipated at the time regulatory reforms were expressed in legislation.

The cost-effectiveness of interventions is to be investigated in 2007/08.

## EVALUATIVE ACTIVITY

The Government has introduced a number of significant regulatory reforms, many of which will be in implementation phase in 2007/08. Regulatory changes coming into effect include, for example, changes to building quality requirements and the building industry workforce under the Building Act 2004, and changes to the operational requirements for retirement villages. Many of the programmes initiated by the Department are recent and their full effects are not yet evident.

In 2006/07 the Department worked to develop evaluative frameworks and enhanced data collection to support measurement of the impact of reforms once put in place.

A framework for monitoring the effectiveness of occupational licensing arrangements has been developed and will come into use once the first phase of the voluntary Licensed Building Practitioners Scheme commences in November 2007.

A framework has been developed to evaluate the effectiveness of the Weathertight Homes Resolution Service reforms. The first report to the Minister is due in May 2008.

In 2006/07 the Department participated in a range of activities as part of the Government's overall programme to examine compliance issues for business, to understand and assess administrative practices by agencies working under the requirements of the Building Act 2004 and other statutes, such as the Resource Management Act 1991.

Initiatives that have emerged from this work include, for example, providing practical help by developing links on core departmental Building Act web pages to relevant consent information on other websites. The Department will continue to provide support to enable stakeholders and users to better understand legislative and regulatory requirements. The Department will also continue to work with territorial authorities to identify where common approaches to interpretation and decision-making would be desirable, appropriate and practical, and to facilitate consistent approaches.

The Department has Local Government New Zealand's commitment to the collection of a nationally consistent set of data by their members. This will inform the implementation of reforms and provide local information to reassure communities that territorial authorities have consumer protections in place afforded by the Building Act 2004.

Key national and local indicators will be:

- improved timeliness of consent processing
- better quality of building consent applications
- improved information provision to the building sector and building/home owners on regulatory requirements.

Looking to the future, planned legislation to reform the Residential Tenancies Act 1986 and the Unit Titles Act 1972 aims to make processes easier and more efficient, and support better quality decision-making. Clarifying rights and responsibilities, and improving the processes for resolving disputes, are also planned for inclusion. The Department will measure the effect of implementing any change.

In addition, the Department will use existing research, data and relevant information on housing affordability to make further progress on outcome measurement.



## Part 2: Performance information

# Statement of Responsibility


In terms of the Public Finance Act 1989 and section 126 of the Residential Tenancies Act 1986, I am responsible, as Chief Executive of the Department of Building and Housing, for the preparation of the Department's and the Residential Tenancies Trust Account's financial statements and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion these financial statements fairly reflect the financial position and operations of the Department and the Residential Tenancies Trust Account for the year ended 30 June 2007.

Signed:

Countersigned:



Katrina Bach  
Chief Executive  
28 September 2007



David Pearson  
Chief Advisor Finance, Planning and Administration  
28 September 2007

# Report of the Auditor-General

## **To the readers of the Department of Building and Housing financial statements and performance information for the year ended 30 June 2007**

The Auditor-General is the auditor of the Department of Building and Housing (the Department). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements, statement of service performance and schedules of non-departmental activities included in the annual report of the Department for the year ended 30 June 2007.

### **Unqualified opinion**

In our opinion:

- The financial statements of the Department on pages 67 to 84:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Department's financial position as at 30 June 2007; and
    - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Department on pages 35 to 66:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - its standard of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.
- The schedules of non-departmental activities on pages 85 to 92 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Department on behalf of the Crown for the year ended 30 June 2007.

The audit was completed on 28 September 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

### **Basis of opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Chief Executive and the Auditor**

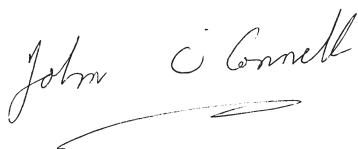
The Chief Executive is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Department as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Department's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. In addition, the schedules of non-departmental activities must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Department on behalf of the Crown for the year ended 30 June 2007. The Chief Executive's responsibilities arise from sections 45A, 45B and 45(1)(f) of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Department.



John O'Connell  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

# Statement of Service Performance

## STATEMENT OF SERVICE PERFORMANCE

for the Department of Building and Housing for the year ended 30 June 2007

### RESIDENTIAL TENANCY SERVICES

This output expense involves the administration of the Residential Tenancies Act 1986. It includes providing information, education, advice and dispute resolution services. It also involves undertaking compliance activity and administering residential tenancy bond monies.

**Output: Residential Tenancy Advice and Guidance:** Provide improved access to tenancy information and advice that meets clients' needs, including public education and targeted community and industry liaison work with:

- groups who are at risk in the housing market to improve housing outcomes
- industry to raise standards of property and property management
- government and non-government agencies to achieve common client outcomes.

Actual 2005/06 <sup>1</sup>	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
201,213 <sup>2</sup>	Forecast telephone enquiries for tenancy advice	200,000–220,000	237,744 telephone enquiries for tenancy advice were received. The demand for tenancy advice increased by 18 percent compared with 2005/06.
	Quality		
84 percent <sup>3</sup>	Percentage of tenancy advice that meets or exceeds quality standards <sup>4</sup>	85 percent	88 percent of tenancy advice met or exceeded quality standards.
	Timeliness		
7 percent	Call abandonment rate for tenancy advice	Not to exceed 7 percent	The call abandonment rate was 6.28 percent. This is within the expected performance forecast despite the 18 percent increase in call demand.

**Output: Bond Management:** Manage bond lodgements, refunds and investment as required under the Residential Tenancies Act 1986.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
210,207 <sup>5</sup>	Forecast bond lodgements	180,000–200,000	217,329 bond lodgements were received. The volume received increased by 3 percent compared with 2005/06.
210,533 <sup>6</sup>	Bond refund requests	205,000–215,000	211,049 bond refund requests were processed.
183,246 <sup>7</sup>	Calls for bond advice	180,000–200,000	213,150 calls for bond advice were received. The demand for bond advice increased by 16 percent compared with 2005/06.

<sup>1</sup> All 2005/06 percentages have been rounded to the nearest whole number.

<sup>2</sup> The target was revised in 2006/07. The target in 2005/06 was 200,000–250,000.

<sup>3</sup> The target was revised in 2006/07. The target in 2005/06 was 80 percent.

<sup>4</sup> The quality assurance framework for the provision of bond and tenancy advice defines what quality advice is, and specifies the expectations for the delivery of advice. A sample of calls is assessed against the quality standards each year.

<sup>5</sup> The target was revised in 2006/07. The target in 2005/06 was 190,000–210,000.

<sup>6</sup> The target was revised in 2006/07. The target in 2005/06 was 190,000–210,000.

<sup>7</sup> The target was revised in 2006/07. The target in 2005/06 was 180,000–220,000.

# RESIDENTIAL TENANCY SERVICES (CONTINUED)

## Output: Bond Management (continued)

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	<b>Quality and timeliness</b>		
91 percent	Percentage of bond advice that meets or exceeds quality standards	85 percent	93 percent of bond advice met or exceeded quality standards.
96 percent	Percentage of bond refunds refunded correctly based on information held at the time of refund, completed within 2 days	100 percent	93 percent of bond refunds refunded correctly based on information held at the time of refund, completed within 2 days.
100 percent	All bond investments made within our investment strategy criteria and within 0.25 percent of prevailing daily rates	100 percent	All bond investments met the investment strategy criteria and were within 0.25 percent of prevailing daily rates.
	<b>Timeliness</b>		
96 percent	Percentage of bond lodgements processed within 5 working days of receipt	100 percent	<p>31 percent of bond lodgements processed within 5 working days of receipt.</p> <p>There has been a reduction in lodgement processing timeliness in 2006/07. Performance in this area has been impacted as resources have been diverted to manage increases in demand and performance in more time sensitive areas (telephone calls for advice, bond refunds and dispute resolution timeliness).</p> <p>There has been no significant impact on our clients from taking longer to process bond lodgements. Bond monies are banked on the day received and the lodgement processed at a later date. Lodgement timeliness improved in June 2007 and it is expected that the timeliness standard in the first quarter of 2007/08 will be achieved.</p>
6 percent	Call abandonment rate for bond advice calls	Not to exceed 5 percent	The bond advice call abandonment rate was 4.7 percent. The demand for bond advice increased by 16 percent in 2006/07.

# RESIDENTIAL TENANCY SERVICES (CONTINUED)

**Output: Compliance:** Investigate and respond to alleged breaches of the Residential Tenancies Act 1986.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Number of investigations	60–70	42 investigations were undertaken. The result is mainly attributable to the Compliance Investigating Officer position being vacant and the time taken to make a suitable appointment to this role. The position has been filled recently and it is expected that the forecast number of investigations will be met in the first quarter of 2007/08.
	Quality		
100 percent <sup>8</sup>	Percentage of compliance interventions resulting in voluntary compliance	90 percent	95 percent of compliance interventions resulted in voluntary compliance.
	Timeliness		
New measure in 2006/07	Investigations completed within 20 working days	100 percent	100 percent of investigations were completed within 20 working days.

**Output: Residential Tenancy Dispute Resolution:** Provide timely dispute resolution services that are accessible to our clients and connect with the different communities we serve.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
47,268 <sup>9</sup>	Forecast volumes of Tenancy Tribunal applications	43,000–50,000	45,874 Tenancy Tribunal applications were received.
	Quality		
66 percent	Percentage of applications for dispute resolution resolved out of court (excluding vacated positions)	65–70 percent	69 percent of applications for dispute resolution (excluding vacated positions) were resolved out of court.
	Timeliness		
New measure in 2006/07	Percentage of disputes resolved within 24 hours using telephone mediation	5 percent	6.4 percent of disputes resolved within 24 hours using telephone mediation.
New measure in 2006/07	Percentage of applications referred to mediation that are scheduled within 10 working days of receipt	80 percent	63 percent of applications referred to mediation were scheduled within 10 working days of receipt. There was improvement during the fourth quarter with 71 percent meeting the target, and 80 percent achieved in June. The full year target was not met due to issues that arose with implementation of the new service delivery model. These issues regarding application processing delays resulting from changes to forms and technology have been resolved.

<sup>8</sup> The target was revised in 2006/07. The target in 2005/06 was 80 percent.

<sup>9</sup> The target was revised in 2006/07. The target in 2005/06 was 45,000–50,000.

## RESIDENTIAL TENANCY SERVICES (CONTINUED)

**Output: Residential Tenancy Public Information and Education:** Provide information and education to consumers and providers to enable them to make informed decisions.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Number of information seminars for target landlord and tenant groups	28	A total of 29 landlord or tenant seminars were delivered.
	Quality		
Achieved	Survey awareness of Tenancy Services, rights and obligations, and the use of high-quality property management practices	Standard to be set following baseline survey	A National Landlords Survey was conducted during 2006/07.
	Timeliness		
Achieved	Assess effectiveness of information for target groups using focus groups and surveys	Measure achieved	Surveys of seminar attendees show that the seminars were very well received. Another series is planned for 2007/08.

**Output: Tenancy Tribunal Administration:** Provide administrative support for the Tenancy Tribunal.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
25,367	Forecast volume of Tenancy Tribunal hearings scheduled	22,000–27,000	24,297 Tenancy Tribunal hearings were scheduled.
	Quality		
New measure in 2006/07	Hearings are scheduled in accordance with guidelines and standards set by the Principal Tenancy Adjudicator	100 percent	The guidelines and standards set by the Principal Tenancy Adjudicator were not met a number of times. When this happened we worked with the Principal Tenancy Adjudicator to ensure issues were addressed.
	Timeliness		
74 percent	Percentage of tenancy applications proceeding to the Tenancy Tribunal have a hearing within 20 days (excluding vacated applications)	80 percent	54 percent of tenancy applications proceeding to the Tenancy Tribunal had a hearing scheduled within 20 working days (excluding vacated applications). There was improvement during the final quarter, with 71 percent of applications in June scheduled within 20 working days. The target for 2006/07 was not met due to issues that arose with the implementation of the new service delivery model, which have been addressed.



## Financial Performance

2006		2007	2007	2007
Actual		Actual	Supplementary Estimates	Main Estimates
\$000		\$000	\$000	\$000
2,761	Revenue – Crown	1,064	1,064	3,921
144	Revenue – departmental	134	150	167
14,827	Revenue – other	17,858	17,045	13,788
<b>17,732</b>	<b>Total revenue</b>	<b>19,056</b>	<b>18,259</b>	<b>17,876</b>
<b>17,740</b>	<b>Total expenses</b>	<b>18,256</b>	<b>18,259</b>	<b>17,876</b>
<b>(8)</b>	<b>Net surplus/(deficit)</b>	<b>800</b>	<b>–</b>	<b>–</b>

RESIDENTIAL TENANCY SERVICES (CONTINUED)			
Output: State Housing Appeal Authority Administration: Provide administrative support to the State Housing Appeal Authority. <sup>10</sup>			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Number of appeals	1–5	Four appeals were received and heard.
	Quality		
New measure in 2006/07	Administration of appeals meets the standards set by the Principal Member of the Authority	Measure achieved	Administration of appeals met the standards set by the Principal Member of the Authority.
	Timeliness		
N/A <sup>11</sup>	Hearings held within 20 working days of application	100 percent	50 percent of hearings were held within 20 working days of receipt of the application. Two of the four hearings were held within 20 working days of the application. In the other two cases the unavailability of the parties meant the hearing could not take place within this timeframe.

#### Financial Performance<sup>12</sup>

2006		2007	2007	2007
Actual		Actual	Supplementary Estimates	Main Estimates
\$000		\$000	\$000	\$000
67	Revenue – Crown	–	–	–
–	Revenue – departmental	–	–	–
–	Revenue – other	–	–	–
<b>67</b>	<b>Total revenue</b>	–	–	–
<b>32</b>	<b>Total expenses</b>	–	–	–
<b>35</b>	<b>Net surplus/(deficit)</b>	–	–	–

<sup>10</sup> State Housing Appeal Services was a separate output expense in 2005/06.

<sup>11</sup> The result was N/A as there were no hearings in 2005/06.

<sup>12</sup> This table records the actual financial performance of the output expense State Housing Appeal Services in 2005/06 as State Housing Appeal Services was a separate output expense in 2005/06. The State Housing Appeal Services output expense was subsumed into the Residential Tenancy Services output expense in 2006/07.

# **PURCHASE AND MONITORING ADVICE – HOUSING NEW ZEALAND CORPORATION**

**This output expense involves providing purchase and monitoring advice in relation to Housing New Zealand Corporation.**

## **Output: Monitoring and Purchase Advice on Housing New Zealand Corporation**

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	<b>Quantity</b>		
New measure in 2006/07	Provide advice to the Minister <sup>13</sup> on accountability documents, including: <ul style="list-style-type: none"> <li>Letters of Expectation</li> <li>Statement of Intent</li> <li>Quarterly Reports within 15 working days of receipt</li> <li>Annual Report</li> </ul>	Measure achieved	Advice provided to the Minister of Housing on accountability documents, including: <ul style="list-style-type: none"> <li>Letters of Expectation</li> <li>Statement of Intent – advice provided on draft and final versions</li> <li>Quarterly Reports – advice provided on four Quarterly Reports within 15 working days of receipt</li> <li>Annual Report – analysis of, and discussion on, the draft Annual Report showed no outstanding issues. As such, feedback was provided directly to HNZN and not to the Minister.</li> </ul>
New measure in 2006/07	Provide advice to the Minister on any matters relating to monitoring the Corporation's performance, governance advice (including board appointments), vote administration for Vote Housing and any other matters as requested by the Minister	Measure achieved	Advice has been provided on a number of matters, including: <ul style="list-style-type: none"> <li>board appointments</li> <li>vote administration</li> <li>other matters as requested or directed by the Minister.</li> </ul>
	<b>Quality</b>		
Measure achieved	Ministerial satisfaction assessed through a structured discussion with the Minister. This will include performance on quality standards agreed with the Minister	Measure achieved	The Department has regular meetings with the Minister and feedback has been provided. The Minister is satisfied with the performance of the Department.
	<b>Timeliness</b>		
New measure in 2006/07	Advice is timely and meets the needs of the Minister	Measure achieved	The Department has regular meetings with the Minister and feedback has been provided. The Minister is satisfied with the performance of the Department.

<sup>13</sup> Purchase and monitoring advice on Housing New Zealand Corporation is provided to the Minister of Housing.

## Financial Performance

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
386	Revenue – Crown	485	485	385
9	Revenue – departmental	5	7	19
–	Revenue – other	–	–	–
<b>395</b>	<b>Total revenue</b>	<b>490</b>	<b>492</b>	<b>404</b>
<b>389</b>	<b>Total expenses</b>	<b>464</b>	<b>492</b>	<b>404</b>
<b>6</b>	<b>Net surplus/(deficit)</b>	<b>26</b>	<b>–</b>	<b>–</b>

## SECTOR AND REGULATORY POLICY

This output expense involves providing policy advice in relation to the building and housing sector in New Zealand. It includes providing policy advice on the Government's regulation of the building and housing sector (including the regulation of trades and professions operating in the sector), monitoring the building and housing sector (including the effectiveness of statutory boards), and providing the regulatory framework for the building industry.

Output: Sector and Regulatory Policy Advice			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Provide policy and regulatory advice on occupational licensing	Measure achieved	A series of policy papers provided advice on the Licensed Building Practitioners Scheme design in the course of the year.
New measure in 2006/07	Provide policy and regulatory advice on Residential Tenancies Act 1986, Unit Titles Act 1972, Building Act 2004, Retirement Villages Act 2003, Registered Architects Act 2005, Construction Contracts Act 2002, Weathertight Homes Resolution Services Act 2002 and advice on the minimum requirements for buildings	Measure achieved	<p>Policy and regulatory advice has been provided on the following.</p> <p><b>Residential Tenancies Act 1986</b> A review of the Act was completed in August 2006 in concert with the development of an associated implementation strategy. The Bill was drafted in 2006/07.</p> <p><b>Unit Titles Act 1972</b> A review of the Act was completed in November 2006 in concert with the development of an implementation strategy. An amendment Bill is presently being drafted. Targeted consultation with industry experts on an exposure draft of the Bill is taking place in August and September 2007.</p> <p><b>Building Act 2004</b> Advice provided to the Minister on the Act included proposals to fine-tune the Act. An amendment Bill was introduced on 18 July 2007. The Building Amendment Bill, amongst other things:</p> <ul style="list-style-type: none"> <li>clarifies and reorganises building consent exemptions; in particular, to ensure that weathertightness repairs are not made without a building consent</li> <li>makes minor adjustments to the future dam safety scheme and gives dam owners an incentive to become accredited</li> <li>helps to improve compliance with building accessibility requirements at the building design stage</li> <li>clarifies the language and rules relating to licensing of building practitioners.</li> </ul> <p><b>Retirement Villages Act 2003</b> The Retirement Villages (General) Regulations 2006, Retirement Villages (Disputes Panel) Regulations 2006 and Retirement Villages (Fees) Regulations 2006 were completed in September 2006.</p> <p>A Code of Practice specifying the minimum requirements in occupation right agreements was also completed in September 2006. The Code of Practice is deemed regulations and will come into force on 25 September 2007.</p>

SECTOR AND REGULATORY POLICY (CONTINUED)			
Output: Sector and Regulatory Policy Advice (continued)			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity (continued)		
			<p>Implementation of Part 4 of the Act that relates to complaints and disputes came into force in October 2006.</p> <p>The General and Fees Regulations came into effect on 1 May 2007 by way of a Commencement Order on 28 September 2006.</p> <p>The Department has promoted the implementation of the Act by producing information guides, attendance at Retirement Commission Sector Group meetings and presenting the Code of Practice to operators through a series of Retirement Villages Association workshops.</p> <p><b>Weathertight Homes Resolution Services Act 2002</b> Amendments to the Weathertight Resolution Services Act 2002 were completed with a new Weathertight Homes Resolution Services Act passed in December 2006 and implemented from 1 April 2007.</p> <p><b>The minimum requirements for buildings</b> A discussion document regarding a review of housing standards and existing building quality has not been issued because resources have been used for higher priority work. The focus, scope and timelines of the project are being reviewed.</p> <p><b>Home warranty insurance</b> A report on costs, benefits and options for achieving widespread home warranty insurance coverage in New Zealand was completed in December 2006.</p> <p><b>Professional indemnity insurance</b> A report on costs, benefits and options for achieving increased availability of professional indemnity type insurance coverage for building practitioners was completed in December 2006.</p>
	Quality and timeliness		
New measure in 2006/07	Meet our <i>Quality Standards for Policy Advice</i> <sup>14</sup>	Measure achieved	<p>All reports and advice have undergone peer review. In 2006 a mechanism for assessing reports and advice against the quality standards as part of the peer review process was developed. This mechanism was piloted in the Sector Policy Branch and implemented across the Department.</p> <p>A sample of policy advice was independently reviewed and shown to meet a good standard.</p> <p>The Department has regular meetings with the Minister and feedback has been provided. The Minister is satisfied with the quality of policy advice.</p>

<sup>14</sup> The Quality Standards for Policy Advice are set out in Part 4.

SECTOR AND REGULATORY POLICY (CONTINUED)			
Output: Sector, Industry and Market Monitoring			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Develop a framework for monitoring and evaluating the effectiveness and performance of occupational licensing regimes in the building and housing sector by 30 June 2007	Measure achieved	A framework for monitoring the effectiveness of occupational licensing arrangements has been developed. This framework will come into use once the first phase of the voluntary Licensed Building Practitioners Scheme commences in November 2007.
	Quality and timeliness		
New measure in 2006/07	Meet our <i>Quality Standards for Policy Advice</i>	Measure achieved	<p>All reports and advice have undergone peer review. In 2006, a mechanism for assessing reports and advice against the quality standards as part of the peer review process was developed. This mechanism was piloted in the Sector Policy Branch and has been implemented across the Department.</p> <p>A sample of policy advice was independently reviewed and shown to meet a good standard.</p> <p>The Department has regular meetings with the Minister and feedback has been provided. The Minister is satisfied with the quality of policy advice.</p>

Output: Statutory Board Responsibilities <sup>15</sup>			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Board member appointments	Number of additional Board positions established	<p>Responsibility for the Electrical Workers Registration Board was transferred to the Department from the Ministry of Economic Development in September 2006.</p> <p>Two members have been reappointed and a new member has been appointed. Additional appointments/reappointments are currently under way.</p>
New measure in 2006/07	Board member reappointments	Number of vacancies that arise	<p>The following appointments have been completed.</p> <ul style="list-style-type: none"> <li>• State Housing Appeal Authority – six members reappointed</li> <li>• The Board of Housing New Zealand Corporation – one member reappointed, four new members appointed</li> <li>• Electrical Workers Registration Board – two members reappointed, one new member appointed</li> <li>• Complaints Assessment Committee – four members reappointed, one new member appointed</li> <li>• Chartered Professional Engineers Council – three members reappointed, one new member appointed</li> <li>• Engineering Associates Registration Board – three members reappointed, seven new members appointed</li> </ul> <p>Support was also provided to the Ministry of Health for appointments to the Plumbers, Gasfitters and Drainlayers Board, with ten new members appointed.</p>

<sup>15</sup> Statutory Board Responsibilities was an output in the Occupational Licensing output expense in 2005/06. The only comparable measure, although not directly, was 'Appointments comply with Cabinet Office guidelines'.

# SECTOR AND REGULATORY POLICY (CONTINUED)

## Output: Statutory Board Responsibilities (continued)

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity (continued)		
New measure in 2006/07	Reports on Board performance produced	4	<p>Reports on performance of seven Boards have been provided.</p> <ul style="list-style-type: none"> <li>• Chartered Professional Engineers Council</li> <li>• Engineering Associates Registration Board</li> <li>• Electrical Workers Registration Board</li> <li>• Registered Architects Board</li> <li>• Building Practitioners Board</li> <li>• Housing New Zealand Corporation Board</li> <li>• Plumbers, Gasfitters and Drainlayers Board</li> </ul>
	Quality		
Compliance with guidelines	Appointments comply with Cabinet Office guidelines	100 percent of advice and papers comply with guidelines	100 percent. All appointments complied with Cabinet Office guidelines.
New measure in 2006/07	Board performance reports against output agreements	100 percent of recommendations to Minister approved	100 percent. All recommendations to the Minister were approved.
	Timeliness		
New measure in 2006/07	Appointments completed	By agreed date	Appointments completed by agreed date.
New measure in 2006/07	Reappointments completed	By term expiry date	One reappointment was made to the Electrical Workers Registration Board by the term expiry date. Reappointments to the Chartered Professional Engineers Council, Registered Architects Board and Engineering Associates Registration Board could not be made until nominations were received from nominating bodies. Board members continue in office despite expiry of their term until they are reappointed or a new appointment made.
New measure in 2006/07	Reports on Board performance produced	Within 3 months of end of reporting period	Six reports were delivered within the required timeframe, and one was delivered outside the expected timeframe due to the Board's delay in producing the Annual Report.



# SECTOR AND REGULATORY POLICY (CONTINUED)

## Output: Ministerial Services

This includes:

- responses to parliamentary questions
- ministerials
- Official Information Act and Privacy Act requests.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	<b>Quantity</b>		
56	Forecast number of parliamentary questions	58–62	114 responses to parliamentary questions were provided, including four oral questions.
243	Forecast number of ministerials	340–380	494 responses to ministerial correspondence were drafted.
65	Forecast number of Official Information Act and Privacy Act requests	70–75	122 Official Information Act requests were received and responded to. No Privacy Act requests were received.
	<b>Quality</b>		
Measure achieved	Ministerial satisfaction assessed through a structured discussion with the Minister. This will include performance on quality standards agreed with the Minister	Measure achieved	The Department has regular meetings with the Minister and feedback has been provided. The Department has acted on the feedback provided and the Minister is now satisfied with the performance on parliamentary questions, ministerials and Official Information Act requests.
92 percent	Answers to Official Information Act and Privacy Act requests to comply with the legislation	100 percent	86 percent of responses to Official Information Act requests complied with legislation. No Privacy Act requests were received.  The variance relates to statutory timeframes. Compliance with statutory timeframes was affected by the large number of requests received, almost twice the number of 2005/06.  Work to be undertaken in 2007/08 to improve compliance includes: <ul style="list-style-type: none"> <li>• further development and targeted delivery of in-house training on the Official Information Act</li> <li>• improvements to the ministerials servicing database to assist data capture, analysis, compliance and reporting.</li> </ul>
	<b>Timeliness</b>		
100 percent	Answers to parliamentary questions provided within the deadlines agreed with the Minister	100 percent	99 percent of responses to parliamentary questions were provided within agreed deadlines.  Timeframes of responses were affected by the number of questions received, more than twice the number of 2005/06.

SECTOR AND REGULATORY POLICY (CONTINUED)			
Output: Ministerial Services (continued)			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Timeliness (continued)		
78 percent	Answers to ministerial drafts are provided within the deadlines agreed with the Minister	100 percent	<p>72 percent of responses to ministerial correspondence were provided within agreed deadlines.</p> <p>Timeframes of responses were affected by the number of ministerials received, more than twice the number of 2005/06.</p> <p>The ministerial servicing guidelines were applied since 1 September 2006. However, reporting applies the standards of ministerial servicing for the entire period. This has in part resulted in a negative impact on the full year reporting. The full year result was also negatively impacted on at the start of the year when the 5-day turnaround standard for ministerial correspondence from MPs was not applied.</p>
92 percent	Answers to Official Information Act and Privacy Act requests provided within statutory deadlines	100 percent	<p>86 percent of responses to Official Information Act requests were provided within the statutory deadlines. No Privacy Act requests were received.</p> <p>Timeframes of responses were affected by the large number of requests received, almost twice the number of 2005/06.</p> <p>Work to be undertaken in 2007/08 to improve compliance with statutory guidelines includes:</p> <ul style="list-style-type: none"> <li>• further development and targeted delivery of in-house training on compliance with the Official Information Act</li> <li>• improvements to the ministerials servicing database to assist data capture, analysis, compliance and reporting.</li> </ul>

## Financial Performance

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
3,659	Revenue – Crown	5,825	5,825	5,225
17	Revenue – departmental	44	59	33
–	Revenue – other	–	–	–
<b>3,676</b>	<b>Total revenue</b>	<b>5,869</b>	<b>5,884</b>	<b>5,258</b>
<b>3,356</b>	<b>Total expenses</b>	<b>5,412</b>	<b>5,884</b>	<b>5,258</b>
<b>320</b>	<b>Net surplus/(deficit)</b>	<b>457</b>	<b>–</b>	<b>–</b>

## BUILDING ACT 2004 IMPLEMENTATION

This output expense involves implementing provisions of the Building Act 2004 with supporting regulations. It includes establishing regulatory schemes and operational frameworks, such as the building consent authority accreditation and registration scheme, providing advice and guidance on the new regulatory systems, and reviewing the Building Code.

**Output: Building Code Review:** Provide policy advice in respect of the review of the Building Code.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Release of final consultation document in anticipation of the report on the review of Building Code delivered by 30 November 2007	31 May 2007	The final consultation document was released in August 2007. The report on the review of the Building Code is on target to be delivered by 30 November 2007.
	Quality		
New measure in 2006/07	Report delivered on time and meets requirements of section 451 of the Building Act 2004	Quality measure met	The report is on track to be delivered on time and will meet the requirements of the Building Act 2004.
New measure in 2006/07	All operational policy development is undertaken in accordance with our <i>Quality Standards for Policy Advice</i>	Quality standard met	All reports and advice have undergone peer review. During 2006, a mechanism for assessing reports and advice against quality standards as part of the peer review process was developed. This mechanism was piloted in the Sector Policy Branch and has been implemented across the Department.  The Department has regular meetings with the Minister and feedback has been provided. The Minister is satisfied with the quality of policy advice.

**Output: Establish Regulatory Schemes:** Establish product certification scheme, building consent authority accreditation and registration scheme, and dam safety scheme.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	CodeMark scheme for product certification established by 31 March 2007	31 March 2007	The target of 31 March 2007 was not met. However, by 30 June 2007, the CodeMark scheme rules had been agreed in principle by the Chief Executive.  Outstanding work that will be completed during the 2007/08 financial year comprises: <ul style="list-style-type: none"> <li>the development of a formal agreement with the product certification accreditation body JAS-ANZ</li> <li>putting in place the necessary regulations, as required by the Building Act 2004, covering the scheme's criteria and standards and JAS-ANZ's fees</li> <li>enactment of the amendments included in the Building Amendment Bill 2007 allowing JAS-ANZ to charge fees for accreditation services on a variable fees basis, to provide for a power of suspension for a product certification accreditation body and a product certification body.</li> </ul> Further work will be undertaken in 2007/08 on the management of legacy certificates of accreditation issued under the Building Act 1991.

# **BUILDING ACT 2004 IMPLEMENTATION (CONTINUED)**

## **Output: Establish Regulatory Schemes (continued)**

<b>Actual 2005/06</b>	<b>Measures</b>	<b>Standard 2006/07</b>	<b>Performance to 30 June 2007</b>
	<b>Quantity (continued)</b>		
New measure in 2006/07	Scheme rules are in place for building consent authority accreditation and registration in anticipation of the Building Consent Authority (BCA) scheme being established by 30 November 2007	30 June 2007	As at 30 June 2007 the only outstanding activity is completion of regulations for registration standards and criteria, due for completion by 30 November 2007.  Work is on track to establish the scheme by 30 November 2007.  Regulations for accreditation standards and criteria were promulgated in December 2006.  Regulations for accreditation fees were promulgated in May 2007.
New measure in 2006/07	Dam safety scheme established by 30 June 2007	30 June 2007	Consultation on the dam safety scheme was completed in January 2007.  Regulations are being developed with a view to promulgation by 30 March 2008.
	<b>Quality</b>		
New measure in 2006/07	Regulatory schemes established on time, and in accordance with the requirements of the Building Act 2004	On time requirements met	Regulatory schemes have been developed; however, consultation with the sector has taken longer than anticipated.

## **Output: Building Officials' Education: Establish national qualifications for building officials.**

<b>Actual 2005/06</b>	<b>Measures</b>	<b>Standard 2006/07</b>	<b>Performance to 30 June 2007</b>
	<b>Quantity</b>		
New measure in 2006/07	Our ongoing assistance in developing agreed national qualifications for building officials	Standard met	A national qualification for building officials is being developed by the Building Officials Institute of New Zealand (BOINZ) supported by the Department, Local Government New Zealand (LGNZ) and the New Zealand Society of Local Government Managers (SOLGM). The qualification will be sent to the New Zealand Qualifications Authority (NZQA) in August 2007 for ratification.
	<b>Quality</b>		
New measure in 2006/07	A national qualification is developed that is endorsed by the building sector	30 June 2007	A national qualification for building officials is being developed by BOINZ supported by the Department, LGNZ and SOLGM. The qualification will be sent to the NZQA in August 2007 for ratification.

**BUILDING ACT 2004 IMPLEMENTATION (CONTINUED)**

**Output: Public Information and Education:** Inform the general public about the Building Act 2004's new regulatory schemes.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	<b>Quantity</b>		
New measure in 2006/07	Baseline awareness survey undertaken on changes introduced under the Building Act 2004 by 30 September 2006	30 September 2006	This work was deferred due to other priorities.
New measure in 2006/07	Public information and education campaign undertaken based on findings of survey	30 June 2007	This work was deferred due to other priorities.
	<b>Quality</b>		
New measure in 2006/07	Public information and education campaign undertaken and developed in accordance with our guidelines on professional communication	Guidelines met	The work was deferred.
New measure in 2006/07	Percentage increase in awareness generated by public information and education campaign (to be measured by awareness surveys undertaken in subsequent financial years)	Target to be established based on baseline survey results	The work was deferred.

**Output: Sector Advice and Guidance:** Provide advice and guidance for the building sector on the Building Act 2004's new regulatory schemes.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	<b>Quantity</b>		
New measure in 2006/07	Information on CodeMark scheme for product certification available by 31 December 2006	31 December 2006	Information was published in the December issue of <i>Codewords</i> and a number of visits to stakeholders, manufacturers, importers and prospective product certification bodies were undertaken in late 2006. As outlined above, in the Establish Regulatory Schemes output, the product certification scheme provided for in the Building Act 2004 was not in place at 30 June 2007. Appropriate guidance information will be prepared when the scheme is finalised.
New measure in 2006/07	Building consent authority scheme information available by 30 June 2007	30 June 2007	A range of advice, guidance and regulatory update information has been released to support and inform councils throughout the year. An assistance package has provided additional support and advice to councils.
New measure in 2006/07	Dam safety scheme information available by 30 June 2007	30 June 2007	Additional consultation has resulted in a new timeframe for the implementation of the dam safety scheme. This work will be completed when regulations are promulgated in March 2008.

BUILDING ACT 2004 IMPLEMENTATION (CONTINUED)			
Output: Sector Advice and Guidance (continued)			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quality		
New measure in 2006/07	Information provided on time, developed in accordance with our guidelines on professional communication, and meets the requirements of the Building Act 2004	On time Guidelines and legislative requirements met	While information on progress was provided on time, some deadlines were not met as indicated above.  Additional consultation has resulted in a new timeframe for implementation of the dam safety scheme. This work will be completed when regulations are promulgated in 2008.

## Financial Performance

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
71	Revenue – Crown	113	113	113
1	Revenue – departmental	27	12	1
–	Revenue – other	5,135	6,574	–
72	Total revenue	5,275	6,699	114
3,262	Total expenses	5,275	6,699	4,288
(3,190)	Net surplus/(deficit)	–	–	(4,174)

## OCCUPATIONAL LICENSING

This output expense involves developing, implementing and maintaining registration and licensing regimes for building practitioners and electrical workers.

**Output: Develop and Implement Building Practitioners Licensing Scheme:** Design, establishment and maintenance of an occupational licensing regime for building practitioners under the Building Act 2004.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Develop regulations for all licence classes, complaints, fees and levies by 30 June 2007	Measure achieved	Regulations for all licence classes were completed. The regulations were gazetted on 24 May 2007.  Advice on regulations for fees and levies has been prepared. The regulations are expected to be progressed for completion by 1 November 2007.  Advice on regulations regarding disciplinary matters has been prepared.
New measure in 2006/07	Develop rules for selected licence classes, including competency standards and information requirements by 30 June 2007	Measure achieved	Advice on rules for selected licence classes, including competency standards and information requirements, has been prepared. The rules were promulgated in June 2007 and will come into effect on 1 November 2007.
New measure in 2006/07	Make substantial progress towards developing operating processes for assessments, complaints, appeals, fees and levies by 30 June 2007 for implementation on 1 November 2007	Measure achieved	Substantial progress was made towards developing operational procedures and processes including: <ul style="list-style-type: none"> <li>location of processing centre functionality was determined</li> <li>the framework for managing appeals was endorsed by the Building Practitioners Board on 7 June 2007.</li> </ul>
New measure in 2006/07	Design and develop information technology and business support systems for end-user testing by 30 June 2007	Revised measure achieved	The Department originally designed the scheme with significant process automation. However, issues arising with the development of the system led the Department to conclude that a simplified solution with limited low-cost automation would better serve the scheme and the Department.  There are no anticipated impacts on licensed building practitioners as a result of the change in approach. The simplified solution will be ready for the start of licensing on 1 November 2007.
	Quality		
New measure in 2006/07	Regulations and rules developed meet our <i>Quality Standards for Policy Advice</i>	Measure achieved	All reports and advice have undergone peer review. In 2006, a mechanism was developed for assessing reports and advice against the quality standards as part of the peer review process. This mechanism was piloted in the Sector Policy Branch and implemented across the Department.  The Department has regular meetings with the Minister and feedback has been provided.

OCCUPATIONAL LICENSING (CONTINUED)			
Output: Licensing of Electrical Workers <sup>16</sup>			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity <sup>17</sup>		
N/A <sup>18</sup>	Process electrical workers registrations	1,250	1,537 electrical workers registrations were processed.
N/A	Issue practising licences	13,500	16,414 practising licences were issued.
	Conduct:		
N/A	<ul style="list-style-type: none"> <li>electrical audits</li> </ul>	2,400	<p>861 electrical audits were completed.</p> <p>The target was not met due to difficulties experienced in reintroducing an externally contracted certificate of compliance based audit programme. In recent years only 500 certificate of compliance audits were carried out per annum in line with the Electrical Workers Registration Board's risk-based strategy. The Board asked that the 2,400 audits be conducted to ensure the risk based philosophy was still reliable.</p> <p>The difficulties experienced related to delays in the tendering and contract issuing process, re-establishing systems and the availability of the applicable prerequisite certificates of compliance, as the Board has an agreement for industry self-auditing programmes with a major electrical contracting organisation.</p>
N/A	<ul style="list-style-type: none"> <li>telephone competency audits of registered electrical workers who have not uplifted a practising licence</li> </ul>	6,000	6,000 telephone competency audits of registered electrical workers who have not uplifted a practising licence were conducted.
N/A	<ul style="list-style-type: none"> <li>competency audits of electrical workers who hold a provisional licence and/or are supervised trainees</li> </ul>	200	44 competency audits of electrical workers who hold a provisional licence and/or are supervised trainees were conducted. A further 146 were completed in July 2007.
	Quality		
N/A	All decisions that are referred to the Electrical Workers Registration Board comply with the Electricity Act 1992, Electricity Regulations 1997 and published policies	All referrals to the Board were approved and legislative requirements met	All decisions referred to the Board were agreed to by the Board and satisfied the legislative requirements.

<sup>16</sup> The administration of the Electrical Workers Licensing Regime was transferred from the Ministry of Economic Development on 1 September 2006.

<sup>17</sup> Quantities shown are based on projections for the 10-month period to 30 June 2007.

<sup>18</sup> There is no comparative data as the administration of the Electrical Workers Licensing Regime was transferred from the Ministry of Economic Development on 1 September 2006. Furthermore, the forecast quantities are based on projections for the 10-month period to 30 June 2007.



OCCUPATIONAL LICENSING (CONTINUED)			
Output: Licensing of Electrical Workers (continued)			
Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Timeliness		
	<i>Licensing and Registrations</i>		
N/A	Process correctly completed practising licence applications	95 percent within 10 clear business days of receipt	98 percent of correctly completed practising licence applications were processed within 10 business days of receipt.
N/A	Process correctly completed registration applications	95 percent within 10 clear business days of receipt	98 percent of correctly completed registration applications were processed within 10 business days of receipt.
N/A	Process correctly completed overseas registration applications	65 percent within 10 clear business days of receipt	73 percent of correctly completed overseas registration applications were processed within 10 business days of receipt.
	<i>Complaints against registered electrical workers</i>		
N/A	(a) Period from the date a complaint is received by the Electrical Workers Licensing Group to the date of the Complaints Assessment Committee's decision	70 percent within 18 weeks of receipt	73 percent of the decisions of the Complaints Assessment Committees were determined within 18 weeks of receipt of the complaint by the Electrical Workers Licensing Group.
N/A	(b) (where the Committee decides to refer a complaint to the Board for decision) Period from the date a complaint is received from the Complaints Assessment Committee to the date of the Electrical Workers Registration Board decision	70 percent within 15 weeks of receipt	All decisions of the Electrical Workers Registration Board were determined within 15 weeks of receipt of complaints from the Complaints Assessment Committee.

## Financial Performance

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
–	Revenue – Crown	–	–	–
6	Revenue – departmental	36	45	9
–	Revenue – other	3,178	3,363	4,260
<b>6</b>	<b>Total revenue</b>	<b>3,214</b>	<b>3,408</b>	<b>4,269</b>
<b>2,815</b>	<b>Total expenses</b>	<b>8,828</b>	<b>8,885</b>	<b>7,535</b>
<b>(2,809)</b>	<b>Net surplus/(deficit)</b>	<b>(5,614)</b>	<b>(5,477)</b>	<b>(3,266)</b>

## BUILDING REGULATION AND CONTROL

This output expense involves delivering a regulatory regime that ensures buildings are built properly the first time and meet the needs of New Zealanders. It includes specifying the regulatory environment, setting standards for buildings and building sector capability, and providing advice and guidance about the regulations and standards.

**Output: Setting the Standards for Buildings:** Maintaining and reviewing existing Building Code and Compliance Documents; issuing warnings and bans as required.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
Measure revised in 2006/07	Completion of 20 Building Code priority review projects relating to Code clauses and/or Compliance Documents	20	<p>32 projects were completed. Examples include:</p> <ul style="list-style-type: none"> <li>• a decision to amend the Building Code Compliance Document B1 (Structure) recognising a new timber grading regime (through citing amendments to a New Zealand Standard) was announced on 14 September 2006. This became effective on 1 April 2007. A series of seminars around the country explained the changes</li> <li>• two guidance documents on accessibility for people with disabilities were distributed in February 2007</li> <li>• amendments to nine Building Code Compliance Documents were published on 22 March 2007. These amendments were for hygiene, ventilation, hazardous substances, electricity, piping, gas, water supply, foul water and safety barriers</li> <li>• public comment on a proposal to amend the Compliance Document for structure by citing the new loading Standard and the Masonry Design Standard closed on 3 April 2007. Submissions are being analysed</li> <li>• a consultation document seeking public comment for amendments to fire and ventilation Compliance Documents was issued. Submissions closed on 13 April 2007 and are being analysed</li> <li>• revisions to Building Code clauses for visibility in escape routes, safety from falling, liquid waste, and external moisture came into effect on 21 June 2007</li> <li>• projects relating to moisture that have been completed during the year include: <ul style="list-style-type: none"> <li>– distribution of the principles of weathertightness guidance document</li> <li>– development of the draft weathertightness remediation guide</li> <li>– publication of standards for building underlays and solid plastering</li> <li>– undertaking a further seminar series on weathertightness</li> </ul> </li> <li>• a proposal to amend the Building Code and Compliance Document for sound (protection against noise) is being finalised</li> </ul>

# **BUILDING REGULATION AND CONTROL (CONTINUED)**

## **Output: Setting the Standards for Buildings (continued)**

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity (continued)		
			<ul style="list-style-type: none"> <li>the amendments to the Building Code and Compliance Documents on energy efficiency relating to domestic space heating, solar water heating and commercial lighting were announced on 3 May 2007. Compliance Documents and amendments to the Building Code were being finalised at 30 June 2007</li> <li>the discussion document on energy efficiency of commercial heating, ventilation and air-conditioning equipment and on domestic water heating closed for public comment on 29 June 2007. Submissions are being analysed.</li> </ul>
	Quality		
Measure revised in 2006/07	Projects completed before 30 June 2007 and in accordance with the requirements of the Building Act 2004	Requirements met by 30 June 2007	The projects were completed by 30 June 2007 and process requirements were met for all completed projects.

## **Output: Building Sector Education: Building officials' education and increasing learning across the building sector.**

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Establish a baseline by 30 June 2007 on building practitioner performance to inform a strategy to enhance practitioner competency in 2007/08	Baseline established by 30 June 2007	A gap analysis on technical reviews of territorial authorities and pilot studies under new building consent authorities has led to a more specific study on training quality and availability. This will be completed in September 2007, and is one of a number of inputs planned to establish a baseline measure of performance.
	Quality		
New measure in 2006/07	Building sector bodies endorse the findings of the baseline assessment	Standard met	This work was deferred due to other priorities.

# **BUILDING REGULATION AND CONTROL (CONTINUED)**

**Output: Public Information and Education:** Provide information and education to enable better informed consumer decisions.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity (continued)		
New measure in 2006/07	Baseline survey of consumers' awareness of building sector information and practices undertaken by 30 September 2006	30 September 2006	This work was deferred due to other priorities.
New measure in 2006/07	Strategy developed and activity commenced to enhance consumer awareness and influence behaviour toward better informed decision-making when purchasing homes and other buildings by 30 June 2007	30 June 2007	The Weathertightness Consumer Awareness Campaign has information to influence consumer awareness of the importance of better decision-making when purchasing homes.
	Quality		
New measure in 2006/07	All communications developed in accordance with our guidelines on professional communication	Guidelines met	Guidelines met.

**Output: Building Regulation Advice and Guidance:** Provide advice and guidance information to the building sector and consumers.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Guidance material releases	15	<p>The following guides have been published and distributed in hardcopy.</p> <ul style="list-style-type: none"> <li>• Compliance Schedule Handbook (June 2007)</li> <li>• New Zealand Building Code Handbook (June 2007)</li> <li>• ITM Trade Mailer: <ul style="list-style-type: none"> <li>– <i>Warmer houses on the way</i> (March 2007)</li> <li>– <i>Amendment 2 to NZS 3604</i> (May 2007)</li> <li>– <i>Licensing for Builders</i> (May 2007)</li> <li>– <i>New rules for timber framing for housing</i> (May 2007)</li> </ul> </li> <li>• Mitre 10 Trade Mailer <i>Building a deck</i> (November 2006)</li> <li>• Real estate magazines: <ul style="list-style-type: none"> <li>– <i>From BCAs to CCCs – a guide to Building Code jargon</i> (December 2006)</li> <li>– <i>Location location – the effect of the environment on houses</i> (December 2006)</li> <li>– <i>Painting your house</i> (December 2006)</li> </ul> </li> <li>• Promotion for cavities booklet with the Building and Construction Industry Training Organisation (30 March 2007)</li> <li>• Variations and building consents amendments published in <i>Codewords</i> (May/June 2007)</li> </ul>

# **BUILDING REGULATION AND CONTROL (CONTINUED)**

## **Output: Building Regulation Advice and Guidance (continued)**

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity (continued)		
New measure in 2006/07			<ul style="list-style-type: none"> <li>• Applying for a building consent – simple residential buildings (February 2007)</li> <li>• Accessible reception and service counters (January 2007)</li> <li>• The international symbol of access (January 2007)</li> <li>• Building consent exemptions in <i>Codewords</i> (January 2007)</li> <li>• Energy efficiency article in <i>DIY Retailer</i> magazine (March 2007)</li> <li>• External Moisture – An introduction to weathertightness design principles (August 2006)</li> <li>• New Zealand Society for Earthquake Engineering Recommendations for the Assessment and Improvement of the Structural Performance of Buildings in Earthquakes (July 2006).</li> </ul>
New measure in 2006/07	<i>Codewords</i> issues	8	Eight issues of <i>Codewords</i> have been published. A readership survey indicated that <i>Codewords</i> was highly regarded by respondents.
New measure in 2006/07	Forecast of queries answered by call centre (demand-driven)	12,000	14,145 queries were answered by the call centre. 12,213 of those related to the Building Act 2004 and 1,932 related to the Licensed Building Practitioners Scheme.
	Quality		
New measure in 2006/07	All communications developed in accordance with our guidelines on professional communication	Guidelines met	Guidelines met.
New measure in 2006/07	Percentage of queries resolved by call centre (not escalated)	60 percent	63 percent of queries were resolved by the call centre.

## **Output: Operate Regulatory Schemes:** Administer product certification scheme, building consent authority accreditation and registration scheme, and dam safety scheme.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Operational processes and procedures are developed prior to the start of building consent authority accreditation and registration scheme, dam safety scheme and product certification scheme	Processes and procedures are developed	<ul style="list-style-type: none"> <li>• BCA accreditation scheme initiated 1 February 2007</li> <li>• BCA registration scheme – policy design completion is scheduled for August 2007</li> <li>• Dam safety scheme – regulations will be promulgated in 2008</li> <li>• Product certification scheme – procedures are now being developed</li> </ul>

# **BUILDING REGULATION AND CONTROL (CONTINUED)**

## **Output: Operate Regulatory Schemes (continued)**

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quality		
New measure in 2006/07	Measures to be developed on establishment of finalised schemes, in accordance with the requirements of the Building Act 2004	Requirements met	Measures have not been developed as the product certification scheme is not yet finalised. Measures will be developed when the scheme has been finalised. Measures are on track for the other two schemes.
New measure in 2006/07	All operational policy development meets our <i>Quality Standards for Policy Advice</i>	Standard met	All reports and advice have undergone peer review. In 2006, a mechanism for assessing reports and advice against the quality standards as part of the peer review process was developed. This mechanism was piloted in the Sector Policy Branch and has been implemented across the Department.  The Department has regular meetings with the Minister and feedback has been provided. The Minister is satisfied with the quality of policy advice.

## **Output: Monitor Building Consent Authorities: Ensure adherence to standards in the building sector.**

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Undertake and complete technical reviews of territorial authorities	6	The Department has undertaken six technical reviews and published reports regarding the following territorial authorities. <ul style="list-style-type: none"> <li>Selwyn District Council</li> <li>Ruapehu District Council</li> <li>Wellington City Council</li> <li>Waitakere City Council</li> <li>Franklin District Council</li> <li>Porirua City Council</li> </ul>
	Quality		
New measure in 2006/07	Technical reviews completed in accordance with the Department's <i>Technical Review Guidelines</i>	Guidelines met	All technical reviews completed in accordance with the Department's <i>Technical Review Guidelines</i> .

# **BUILDING REGULATION AND CONTROL (CONTINUED)**

**Output: Resolve Complaints and Disputes:** Investigate and resolve complaints and disputes about territorial authorities, building consent authorities, Building Consent Accreditation Body and Product Certification Accreditation Body and issue determinations.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Forecast complaints and disputes received and managed	Demand-driven	Complaints were resolved, or redirected to the appropriate authority (eg, the determinations team, the Ministry for the Environment or a territorial authority).
New measure in 2006/07	Determinations issued (demand-driven)	160	135 determinations were issued during the year.
	Quality		
New measure in 2006/07	Percentage of determinations appealed	Less than 3 percent	Less than 1 percent (one notification of appeal received).
	Timeliness		
New measure in 2006/07	Percentage of determinations completed within the statutory timeframe (60 days)	90 percent	Achieved 76 percent. Timeliness slowed while seeking legal advice on the interpretation of section 436 of the Building Act 2004. Most determinations were issued following receipt of advice, but there was an impact on full-year timeliness performance.

**Output: Building and Construction Monitoring, Research and Evaluation:** Undertake regulator and industry performance monitoring and reporting; and commission building-related research.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Four industry advisory panels operating	Ongoing	Four industry advisory panels are operating.
New measure in 2006/07	Reports published each year on sector trends	4 per year	The following quarterly Building and Housing Trends Reports were published. <ul style="list-style-type: none"> <li>• June Quarter Report published early October 2006</li> <li>• September Quarter Report published mid-December 2006</li> <li>• December Quarter Report published mid-April 2007</li> <li>• March Quarter Report published on 5 July 2007</li> </ul>
New measure in 2006/07	Research projects completed	7	Nine research projects were completed during the year. This included two additional projects relating to maximum bracing capacity and international weathertightness research.
	Quality		
New measure in 2006/07	Industry advisory panels operate within their agreed terms of reference	Terms of reference met	Each of the four panels met on two occasions during the year as scheduled. The panels provided input to our understanding of relevant issues, consistent with their terms of reference.

## Financial Performance

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
–	Revenue – Crown	1,200	1,200	200
85	Revenue – departmental	63	63	62
18,910	Revenue – other	16,933	10,528	18,072
<b>18,995</b>	<b>Total revenue</b>	<b>18,196</b>	<b>11,791</b>	<b>18,334</b>
<b>11,124</b>	<b>Total expenses</b>	<b>11,873</b>	<b>13,641</b>	<b>12,640</b>
<b>7,871</b>	<b>Net surplus/(deficit)</b>	<b>6,323</b>	<b>(1,850)</b>	<b>5,694</b>



## WEATHERTIGHT HOMES RESOLUTION SERVICE

This output expense involves the provision of assessment and dispute resolution services for homeowners whose homes are affected by the 'leaky building syndrome'. The operations of the Service and the Weathertight Homes Resolution Services Act 2002 have been comprehensively reviewed and a series of legislative and operational changes are proposed to be implemented during 2006/07. These changes will enhance the delivery of each stage of the WHRS process and the effective implementation of these changes will be the major focus for 2006/07.

### Output: Implementation of WHRS Changes (including providing advice and information)

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	The delivery of changes to each stage of the WHRS process within the agreed timeframes, quality and budget set out in the implementation plan	Measure achieved	<p>All stages were successfully implemented. New staff members were appointed and comprehensive training delivered as well as support provided for the Ministry of Justice (MoJ). A Memorandum of Understanding between the Department and MoJ was signed to ensure cooperation between the two agencies.</p> <p>The Department worked with HNZN to finalise the criteria for the lending assistance pilot, completed new assessment methodology and report formats, and claimant advice and guidance material.</p> <p>The new system under the WHRS Act 2006 began on 1 April 2007.</p>

**Output: Weathertight Homes Claims Assessment:** Provide owners of leaky homes with an assessor's report prepared in relation to their claim. The primary statutory role of the assessment report is to provide the basis for establishing the eligibility of a claim. Claim assessment is completed when a claimant is advised of the claim's eligibility. Changes are to be made to the assessment process to provide a more comprehensive report that identifies all weathertightness damage and repairs and support the changes to the resolution process. Completed reports may also be provided with addenda or revised to enable their use in the enhanced resolution process.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity		
New measure in 2006/07	Forecast new claims received	1,250–1,850	<p>752 new claims were received.</p> <p>This number is below the original target that was based on legislative changes taking effect from 1 September 2006.</p> <p>Claim numbers increased in the last 2 months of the year to around 70 per month, significantly higher than the monthly average of 55 to 30 April 2007.</p> <p>Anecdotally, it appears that some claimants may be holding off applying until the Weathertight Homes Resolution Services (Remedies) Bill 2007 is passed. This will clarify that the Tribunal has power to award general damages.</p>
1,199 <sup>19</sup>	Forecast volume of assessments completed	1,200–1,800	<p>933 assessments were completed.</p> <p>Despite a lower-than-expected number of new claims, the high number of assessments completed reflects the success of the new structures and procedures put in place to support the WHRS Act 2006.</p>

<sup>19</sup> The target was revised in 2006/07. The target in 2005/06 was 1,050–1,550.

# WEATHERTIGHT HOMES RESOLUTION SERVICE (CONTINUED)

## Output: Weathertight Homes Claims Assessment (continued)

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	Quantity (continued)		
New measure in 2006/07	Forecast volume of addenda or revisions completed	400–850	345 addenda or revisions were completed. The forecast was based on the anticipated start date of 1 September 2006.
	Quality		
New measure in 2006/07	Assessment reports, including addenda and revisions, produced following implementation of the new business model will meet the quality criteria established as part of the assessment methodology and code of practice	95 percent	100 percent of assessment reports produced following implementation of the new business model have met the quality criteria established as part of the assessment methodology and code of practice.  This performance reflects the success of the new business model in supporting delivery of services under the WHRS Act 2006.  All reports are subject to rigorous quality checks before release to claimants.
	Timeliness		
98 percent	Percentage of applicants receiving acknowledgement, and accurate and timely information and advice is provided within 5 working days of receipt of their applications by the WHRS	95 percent	100 percent of applicants received acknowledgement, and accurate and timely information, and advice was provided within 5 working days of receipt of their applications by the WHRS.
91 percent	Percentage of claims assessments for single homes completed within 6 months of receipt of their application	85 percent	93 percent of claims assessments for single homes were completed within 6 months of receipt of their application.
91 percent	Percentage of claims assessments from multi-dwelling complexes completed within 12 months of receipt of their application	85 percent	93 percent of claims assessments from multi-dwelling complexes completed within 12 months of receipt of their application.
New measure in 2006/07	Percentage of addenda or report revisions requested by adjudicators or mediators completed within 6 months of receipt of their request	85 percent	100 percent of addenda and report revisions requested by adjudicators or mediators were completed within 6 months of receipt of their request.

# WEATHERTIGHT HOMES RESOLUTION SERVICE (CONTINUED)

**Output: Dispute Resolution:** Provide a service for homeowners with eligible claims to establish the parties to the claims, collate the evidence and hold either mediation or adjudication hearings to resolve the claims. New processes will be implemented during 2006/07 to enhance this service.

Actual 2005/06	Measures	Standard 2006/07	Performance to 30 June 2007
	<b>Quantity</b>		
New measure in 2006/07	Forecast number of claims commencing dispute resolution	1,100–2,450	168 claims commencing dispute resolution were received. The forecast numbers were based on enhancements to WHRS expected to take effect from September 2006, but only occurred 1 April 2007.
New measure in 2006/07	Forecast number of claims ready for mediation or adjudication hearings	700–2,200	134 claims were ready for mediation or adjudication hearings. Anecdotally, it appears that some claimants may be holding off applying until the Weathertight Homes Resolution Services (Remedies) Bill 2007 is passed. This will clarify that the Tribunal has power to award general damages.
New measure in 2006/07	Forecast number of claims resolved	350–1,100	155 claims were resolved.
	<b>Quality</b>		
New measure in 2006/07	Performance measures to be established during implementation of the new business model		Measures were developed in the fourth quarter of 2006/07.
	<b>Timeliness<sup>20</sup></b>		
Measure revised in 2006/07	Percentage of claims processed to be ready for mediation or adjudication hearings within a specified time period of the claimant electing to commence the resolution process	80 percent	The measure was reviewed against the new business model in the fourth quarter of 2006/07 and it was found to be inappropriate. New timeliness measures have been established in the Department's 2007/10 Statement of Intent.
Measure revised in 2006/07	Percentage of claims resolved by mediation within a specified time period of the claim being ready for mediation hearing	80 percent	The measure was reviewed against the new business model in the fourth quarter of 2006/07 and it was found to be inappropriate. New timeliness measures have been established in the Department's 2007/10 Statement of Intent.
Measure revised in 2006/07	Percentage of claims determined by adjudication within a specified time period of the claim being ready for adjudication hearing	80 percent	The measure was reviewed against the new business model in the fourth quarter of 2006/07 and it was found to be inappropriate. New timeliness measures have been established in the Department's 2007/10 Statement of Intent.

<sup>20</sup> The specific time periods for these measures are to be established during implementation of the new business model.

## Financial Performance

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
17,575	Revenue – Crown	19,155	19,155	23,672
36	Revenue – departmental	78	50	57
88	Revenue – other	64	84	113
<b>17,699</b>	<b>Total revenue</b>	<b>19,297</b>	<b>19,289</b>	<b>23,842</b>
<b>15,721</b>	<b>Total expenses</b>	<b>17,638</b>	<b>19,289</b>	<b>23,842</b>
<b>1,978</b>	<b>Net surplus/(deficit)</b>	<b>1,659</b>	<b>–</b>	<b>–</b>

# Financial Statements

## STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2007

### Reporting entity

The Department of Building and Housing is a government department as defined by section 2 of the Public Finance Act 1989.

The financial statements of the Department of Building and Housing have been prepared pursuant to section 35 of the Public Finance Act 1989, and comply with generally accepted accounting practice.

In addition, the Department of Building and Housing has reported on the Crown activities and trust monies that it administers.

### Measurement system

The financial statements have been prepared on a historical cost basis.

### Accounting policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

#### *Budget figures*

The budget figures are those presented in the Budget Night Main Estimates, and those amended by the 2006/07 Supplementary Estimates and any transfer made by Order in Council under the Public Finance Act 1989.

#### *Revenue*

The Department derives revenue through the provision of outputs to the Crown, for services to third parties and interest from the Residential Tenancies Trust Account. Revenue is recognised when earned and is reported in the financial period to which it relates.

Residential Tenancies Trust Account: In accordance with the Residential Tenancies Act 1986, the Department administers a trust account for tenancy bond investments. Interest is payable to the Department and interest income is recognised on an accrual basis.

#### *Cost allocation*

The Department has determined the cost of outputs using a cost allocation system outlined below.

Cost allocation policy: Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

Criteria for direct and indirect costs: 'Direct costs' are those costs directly attributable to an output. 'Indirect costs' are those costs that cannot be identified, in an economically feasible manner, with a specific output.

Assignment of costs to outputs: Direct costs are charged directly to outputs. Indirect costs are assigned to outputs based on a number of cost drivers. Depreciation and capital charge are charged on the basis of asset utilisation. Personnel costs are charged on the basis of actual time incurred. Property and other premises costs, such as maintenance, are charged on the basis of floor area occupied for the production of each output. Remaining indirect costs are assigned on the proportion of direct costs for each output.

## STATEMENT OF ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2007

### *Foreign currency*

Foreign currency transactions are recorded at the date of settlement of the transaction.

### *Leases*

Finance leases: A liability equal to the present value of the future minimum lease payments is recognised for office equipment acquired by way of finance lease. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The interest expense component of the finance lease payments is recognised in the Statement of Financial Performance using the effective interest rate method.

Operating leases: The Department leases office premises. These leases are operating leases and the costs are expensed in the period in which they are incurred.

### *Debtors and receivables*

Debtors and receivables are stated at their estimated realisable value, after providing for doubtful and uncollectable debts.

### *Property, plant and equipment*

Fixed assets costing more than \$2,000 are capitalised and recorded at historical cost. Any write-down of an item to its recoverable amount is recognised in the Statement of Financial Performance. No revaluations have been performed on any class of fixed assets.

### *Depreciation of property, plant and equipment*

Depreciation is provided on a straight-line basis on all property, plant and equipment which will write-off the cost of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows.

Office equipment	5 years	20 percent per annum
Leasehold improvements	5–10 years	10–20 percent per annum
Furniture and fittings	10 years	10 percent per annum
Computer hardware	4 years	25 percent per annum
Computer software	3–8 years	12.5–33 percent per annum
Motor vehicles	6 years	16 percent per annum

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. The depreciation rate for motor vehicles is based on rates that will write down the cost of vehicles to their estimated residual value (40 percent of retail value at time of purchase) over 4 years.

Capital work in progress is not depreciated. The total cost of the work is transferred to the relevant asset category on its completion and then depreciated.

### *Creditors and payables*

Payments due to suppliers for goods and services received at balance date but not paid for are included in the financial statements. They are recorded at the estimated obligation to pay.

## STATEMENT OF ACCOUNTING POLICIES CONTINUED

for the year ended 30 June 2007

### *Employee entitlements*

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

### *Taxpayers' funds*

This is the Crown's net investment in the Department.

### *Financial instruments*

The Department is party to financial instruments as part of its normal operations. These financial instruments include accounts payable and receivable, cash and short-term deposits. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

### *Commitments*

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations.

### *Contingent liabilities*

Contingent liabilities are disclosed at the point at which the contingency is evident.

### *Goods and Services Tax (GST)*

The Statement of Financial Position is exclusive of GST, except for creditors and payables and debtors and receivables, which are stated inclusive of GST. All other statements are GST-exclusive.

### *Taxation*

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided for.

### *Statement of cash flows*

Cash means cash balances on hand and held in bank accounts. Operating activities include cash received from all income sources of the Department and record the cash payments for the supply of goods and services. Investing activities are those activities relating to the acquisition and disposal of non-current assets. Financing activities comprise capital injections by, or repayment of capital to, the Crown.

## **Changes in accounting policies**

There were no changes in accounting policies, including cost allocation accounting policies, since the date of the last audited financial statements.

All policies have been applied on a basis consistent with the previous year.

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2007

2006 Actual		Note	2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000			\$000	\$000	\$000
<b>Revenue</b>					
24,519	Crown		27,842	27,842	33,516
298	Departmental		387	386	348
33,825	Other	1	43,168	37,594	36,233
<b>58,642</b>	<b>Total operating revenue</b>		<b>71,397</b>	<b>65,822</b>	<b>70,097</b>
<b>Expenses</b>					
26,239	Personnel	2	30,208	28,667	28,133
26,469	Operating	3	35,094	41,998	40,638
1,257	Depreciation	4	1,615	1,654	2,192
332	Capital charge	5	829	830	880
142	Write-off of property, plant and equipment		–	–	–
<b>54,439</b>	<b>Total operating expenses</b>		<b>67,746</b>	<b>73,149</b>	<b>71,843</b>
<b>4,203</b>	<b>Net surplus/(deficit)</b>		<b>3,651</b>	<b>(7,327)</b>	<b>(1,746)</b>

For information on major budget variances refer to Note 16 in the Notes to the Financial Statements.

## STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS

for the year ended 30 June 2007

2006 Actual		Note	2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000			\$000	\$000	\$000
4,152	<b>Taxpayers' funds at 1 July</b>		10,390	10,390	10,555
4,203	Net surplus/(deficit)		3,651	(7,327)	(1,746)
4,203	Total recognised revenues and expenses for the year		3,651	(7,327)	(1,746)
<i>Adjustment for flows to and from the Crown:</i>					
(7,012)	Provision for payment of surplus to the Crown	10	(9,192)	1,850	(1,520)
2,809	Capital contribution to fund memorandum account deficit(s)		5,541	5,680	3,254
5,638	Capital contributions for fixed assets		905	766	3,878
–	Other non-cash movements to cover forecast output deficit		–	7,327	–
	Net asset transfer from the Ministry of Economic Development				
600	(in 2006/07) and from the Department of Internal Affairs (2005/06)		139	139	583
<b>10,390</b>	<b>Taxpayers' funds as at 30 June</b>		<b>11,434</b>	<b>18,825</b>	<b>15,004</b>

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.



## STATEMENT OF FINANCIAL POSITION

as at 30 June 2007

2006 Actual		Note	2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000			\$000	\$000	\$000
<b>Taxpayers' funds</b>					
10,390	General funds		11,434	18,825	15,004
<b>10,390</b>	<b>Total taxpayers' funds</b>		<b>11,434</b>	<b>18,825</b>	<b>15,004</b>
<b>Current assets</b>					
1,138	Cash and bank balances		473	750	4,273
–	Inventory		67	–	–
–	Prepayments		200	–	–
16,223	Debtors and receivables	6	23,173	8,100	13,025
17,361	Total current assets		23,913	8,850	17,298
<b>Non-current assets</b>					
8,233	Property, plant and equipment	7	8,090	12,839	12,131
8,233	Total non-current assets		8,090	12,839	12,131
<b>25,594</b>	<b>Total assets</b>		<b>32,003</b>	<b>21,689</b>	<b>29,429</b>
<b>Current liabilities</b>					
6,442	Creditors and payables	8	8,296	9,375	10,827
175	Provision for restructuring	9	–	–	–
7,012	Provision for repayment of surplus to Crown	10	9,192	(9,177)	1,520
326	Other provisions		275	–	–
–	Deferred revenue		1,236	1,000	900
944	Employee entitlements	11	1,215	983	828
14,899	Total current liabilities		20,214	2,181	14,075
<b>Non-current liabilities</b>					
305	Employee entitlements	11	355	683	350
305	Total non-current liabilities		355	683	350
<b>15,204</b>	<b>Total liabilities</b>		<b>20,569</b>	<b>2,864</b>	<b>14,425</b>
<b>10,390</b>	<b>Net assets</b>		<b>11,434</b>	<b>18,825</b>	<b>15,004</b>

For information on major budget variances refer to Note 16 in the Notes to the Financial Statements.

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## STATEMENT OF CASHFLOWS

for the year ended 30 June 2007

2006 Actual		Note	2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000			\$000	\$000	\$000
<b>Cash flows from operating activities</b>					
	<i>Cash was provided from supply of outputs to:</i>				
24,596	Crown		27,842	29,151	33,516
27,357	Customers		36,948	45,794	38,381
	<i>Cash was disbursed to producing outputs:</i>				
(25,739)	Personnel		(29,754)	(28,667)	(27,945)
(27,152)	Operating		(33,119)	(36,816)	(43,066)
(336)	Net GST paid		208	(719)	–
(332)	Capital charge		(829)	(830)	(880)
<b>(1,606)</b>	<b>Net cash flows from operating activities</b>	<b>12</b>	<b>1,296</b>	<b>7,913</b>	<b>6</b>
<b>Cash flows from investing activities</b>					
	<i>Cash was provided from:</i>				
16	Sale of property, plant and equipment		36	–	–
	<i>Cash was disbursed to:</i>				
(4,989)	Purchase of property, plant and equipment		(2,867)	(7,863)	(4,673)
<b>(4,973)</b>	<b>Net cash flows from investing activities</b>		<b>(2,831)</b>	<b>(7,863)</b>	<b>(4,673)</b>
<b>Cash flows from financing activities</b>					
	<i>Cash was provided from:</i>				
7,738	Capital contributions from the Crown		7,755	6,446	7,132
	<i>Cash was disbursed to:</i>				
(188)	Payment of surplus to the Crown		(7,012)	(7,012)	(2,967)
<b>7,550</b>	<b>Net cash flows from financing activities</b>		<b>743</b>	<b>(566)</b>	<b>4,165</b>
971	Net increase/(decrease) in cash held		(792)	(516)	(502)
167	Opening cash balances at 1 July		1,138	1,138	4,413
–	Effect of exchange rate changes		–	–	–
	Transfer of cash balances from the Ministry of				
–	Economic Development		127	128	362
<b>1,138</b>	<b>Closing cash</b>		<b>473</b>	<b>750</b>	<b>4,273</b>

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## STATEMENT OF COMMITMENTS

as at 30 June 2007

2006 Actual \$000		2007 Actual \$000
	<b>Operating lease commitments</b>	
2,891	Less than 1 year	2,557
1,952	1 to 2 years	2,324
4,802	2 to 5 years	5,869
5,454	Over 5 years	5,751
<b>15,099</b>	<b>Total operating lease commitments</b>	<b>16,501</b>
–	Capital commitments	–
<b>15,099</b>	<b>Total commitments</b>	<b>16,501</b>

## STATEMENT OF CONTINGENT LIABILITIES

as at 30 June 2007

2006 Actual \$000		2007 Actual \$000
	<b>Contingent liabilities</b>	
108	Personal grievance(s)	–
–	Restructuring costs	40
–	Supplier disputes	519
<b>108</b>	<b>Total contingent liabilities</b>	<b>559</b>

## STATEMENT OF UNAPPROPRIATED EXPENDITURE

as at 30 June 2007

The Department of Building and Housing had no instances of unappropriated expenditure for the year ended 30 June 2007 (30 June 2006: \$258,000).

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## STATEMENT OF DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

for the year ended 30 June 2007

This statement shows expenditure incurred by the Department against each departmental output expense appropriation. All appropriations are GST-exclusive.

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Appropriation Changes	2007 Main Estimates
\$000		\$000	\$000	\$000	\$000
<b>Vote Housing – Departmental output expenses</b>					
3,262	Building Act 2004 Implementation	5,275	6,699	2,411	4,288
11,124	Building Regulation and Control	11,873	13,641	1,001	12,640
2,815	Occupational Licensing	8,828	8,885	1,350	7,535
	Purchase and Monitoring Advice –				
389	Housing New Zealand Corporation	464	492	88	404
17,740	Residential Tenancy Services	18,256	18,259	383	17,876
3,356	Sector and Regulatory Policy	5,412	5,884	626	5,258
32	State Housing Appeal Services	–	–	–	–
15,721	Weathertight Homes Resolution Service	17,638	19,289	(4,553)	23,842
<b>54,439</b>	<b>Total departmental output expenses and appropriations</b>	<b>67,746</b>	<b>73,149</b>	<b>1,306</b>	<b>71,843</b>

The State Housing Appeal Services output expense was subsumed into the Residential Tenancy Services output expense in 2006/07. For information on major budget variances refer to Note 16 in the Notes to the Financial Statements.

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## MEMORANDUM ACCOUNTS

for the year ended 30 June 2007

Memorandum accounts are notional accounts to record the accumulated balance of surpluses and deficits incurred for outputs operating on a full cost-recovery basis. They are intended to provide a long-run perspective on the pricing of outputs.

2006 Actual \$000		2007 Actual \$000
<b>Building Controls</b>		
(2,996)	Opening balance at 1 July	1,685
19,067	Revenue (primarily from building levies)	23,471
(14,386)	Expenses	(17,148)
<b>4,681</b>		<b>6,323</b>
–	Transfer of expenses from Occupational Licensing – Building Practitioners	(5,134)
<b>1,685</b>	<b>Closing balance at 30 June</b>	<b>2,874</b>

The transfer of expenses from the Occupational Licensing – Building Practitioners memorandum account is to reallocate expenses incurred since 2004/05 to the correct memorandum account.

2006 Actual \$000		2007 Actual \$000
<b>Occupational Licensing – Building Practitioners</b>		
(1,537)	Opening balance at 1 July	(4,346)
6	Revenue	29
(2,815)	Expenses	(5,623)
<b>(2,809)</b>		<b>(5,594)</b>
–	Transfer of expenses to Building Controls	5,134
–	Removal of non-chargeable expenses	1,181
<b>(4,346)</b>	<b>Closing balance at 30 June</b>	<b>(3,625)</b>

The transfer of expenses to the Building Controls memorandum account is to reallocate expenses incurred since 2004/05 to the correct memorandum account. Expenses that are not chargeable against the Licensed Building Practitioners Scheme have been removed.

2006 Actual \$000		2007 Actual \$000
<b>Occupational Licensing – Electrical Workers</b>		
	Opening balance at 1 July	–
–	Revenue	3,185
–	Expenses	(3,206)
<b>–</b>	<b>Closing balance at 30 June</b>	<b>(21)</b>

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## STATEMENT OF TRUST MONIES

as at 30 June 2007

The Department of Building and Housing operates trust accounts under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances at 30 June 2007 are not included in the Department's own financial statements. Movements in these accounts during the year ended 30 June 2007 (as reported to the Treasury) were as follows.

	Opening Balance 1 July 2006 \$000	Contributions Received \$000	Distributions Made \$000	Cash Receipts \$000	Cash Expenses \$000	Closing Balance 30 June 2007 \$000
<b>Trust account</b>						
Certifiers Bond Trust Account	178	–	–	5	–	183
Residential Tenancies Trust Account	207,519	130,895	(107,438)	–	–	230,976

### Certifiers Bond Trust Account

This account holds in trust deposits received from certifiers of building consents.

### Residential Tenancies Trust Account

This account holds all sums paid by way of a bond in respect of any tenancy pursuant to the Residential Tenancies Act 1986.

A full set of audited financial statements for the Trust Account, prepared on an accrual accounting basis in conformity with generally accepted accounting practice, is provided on pages 93 to 102.

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

### NOTE 1: OTHER REVENUE

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
18,683	Building levies	22,028	17,102	18,072
13,954	Interest from tenancy bonds	16,977	16,245	12,988
848	Tenancy Tribunal fees	825	800	800
–	Electrical workers levy and fees	3,178	3,363	2,861
–	Licensed building practitioners levy and fees	–	–	1,399
12	Gain on sale of property, plant and equipment	36	–	–
328	Other	124	84	113
<b>33,825</b>	<b>Total other revenue</b>	<b>43,168</b>	<b>37,594</b>	<b>36,233</b>

### NOTE 2: PERSONNEL COSTS

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
24,097	Salaries and wages	27,829	26,928	26,208
1,006	Recruitment costs	912	671	900
324	Superannuation	418	419	375
79	ACC levy	130	104	95
56	Fringe benefit tax	52	45	55
677	Other	867	500	500
<b>26,239</b>	<b>Total personnel costs</b>	<b>30,208</b>	<b>28,667</b>	<b>28,133</b>

The salaries and wages figures include payments to employment agencies for temporary staff, and staff contractors.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2007

### NOTE 3: OPERATING COSTS

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
3,703	Administration	4,378	5,148	5,000
1,200	Communications	1,159	711	700
1,423	Computer costs	2,606	1,513	1,400
509	Premises costs	474	453	500
2,990	Rental and leasing costs	3,633	3,630	2,638
1,432	Tenancy Tribunal	1,611	1,692	1,640
1,469	Travel – domestic and overseas	2,016	2,365	2,300
82	Audit fees for the audit of financial statements	77	90	82
–	– Audit fees for the audit of RTTA statements	10	–	–
–	– Auditor's fees for audit of NZIFRS opening balances	10	–	–
3	Change in provision for doubtful debts	–	–	–
–	– Bad debts written off	5	–	–
13,658	Other	19,115	26,396	26,378
<b>26,469</b>	<b>Total operating costs</b>	<b>35,094</b>	<b>41,998</b>	<b>40,638</b>

Premises costs include insurance, rates, electricity, cleaning services and security.

The Department pays costs associated with the management of the Residential Tenancies Trust Account, including for the audit of the financial statements.

### NOTE 4: DEPRECIATION

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
32	Office equipment	33	30	30
237	Leasehold improvements	658	684	744
16	Furniture and fittings	31	28	28
716	Computer hardware	376	374	801
224	Computer software	471	485	557
32	Motor vehicles	46	53	32
<b>1,257</b>	<b>Total depreciation</b>	<b>1,615</b>	<b>1,654</b>	<b>2,192</b>

### NOTE 5: CAPITAL CHARGE

The Department pays a capital charge to the Crown based on taxpayers' funds held by the Department as at 30 June and 31 December each year. The capital charge rate for 2007 was 7.5 percent (2006: 8 percent).



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2007

### NOTE 6: DEBTORS AND RECEIVABLES

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
1,237	Trade debtors and other receivables	4,024	1,000	1,000
(3)	Less provision for doubtful debts	(60)	–	–
1,234	Net trade and other receivables	3,964	1,000	1,000
13,261	Tenancy bond current account	18,338	7,100	12,025
419	GST receivable	871	–	–
1,309	Debtor Crown	–	–	–
<b>16,223</b>	<b>Total debtors and receivables</b>	<b>23,173</b>	<b>8,100</b>	<b>13,025</b>

### NOTE 7: PROPERTY, PLANT AND EQUIPMENT

2006 Cost	2006 Accumulated Depreciation	2006 Net Book Value		2007 Actual	2007 Accumulated Depreciation	2007 Net Book Value
\$000	\$000	\$000		\$000	\$000	\$000
299	214	85	Office equipment	291	227	64
6,446	1,014	5,432	Leasehold improvements	6,838	1,453	5,385
246	144	102	Furniture and fittings	452	164	288
3,121	1,793	1,328	Computer hardware	3,177	2,173	1,004
1,810	926	884	Computer software	2,088	1,397	691
397	267	130	Motor vehicles	543	124	419
			Work in progress			
139	–	139	– leasehold improvements	–	–	–
8	–	8	– computer hardware	239	–	239
125	–	125	– computer software	–	–	–
<b>12,591</b>	<b>4,358</b>	<b>8,233</b>	<b>Total property, plant and equipment</b>	<b>13,628</b>	<b>5,538</b>	<b>8,090</b>

### NOTE 8: CREDITORS AND PAYABLES

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
2,843	Trade creditors	3,668	4,075	10,547
1,614	Creditor for fixed assets	–	–	–
1,970	Accrued expenses	3,968	5,000	200
–	GST payable	660	300	80
15	Other	–	–	–
<b>6,442</b>	<b>Total creditors and payables</b>	<b>8,296</b>	<b>9,375</b>	<b>10,827</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2007

### NOTE 9: PROVISION FOR RESTRUCTURING

2006		2007	2007	2007
Actual		Actual	Supplementary	Main
			Estimates	Estimates
\$000		\$000	\$000	\$000
247	Opening balance of provision	175	175	175
(72)	Movement in provision	(175)	(175)	(175)
<b>175</b>	<b>Closing balance of provision for restructuring</b>	<b>-</b>	<b>-</b>	<b>-</b>

### NOTE 10: PROVISION FOR REPAYMENT OF SURPLUS TO CROWN

2006		2007	2007	2007
Actual		Actual	Supplementary	Main
			Estimates	Estimates
\$000		\$000	\$000	\$000
4,203	Net surplus/(deficit)	3,651	(7,327)	(1,746)
2,809	Adjustment for memorandum account deficit(s)/(surplus)	5,541	(1,850)	3,266
<b>7,012</b>	<b>Net surplus payable to Crown</b>	<b>9,192</b>	<b>(9,177)</b>	<b>1,520</b>

### NOTE 11: EMPLOYEE ENTITLEMENTS

2006		2007	2007	2007
Actual		Actual	Supplementary	Main
			Estimates	Estimates
\$000		\$000	\$000	\$000
<b>Current</b>				
944	Annual leave	1,215	983	828
<b>944</b>	<b>Total current</b>	<b>1,215</b>	<b>983</b>	<b>828</b>
<b>Non-current</b>				
204	Retirement and resigning leave	244	483	250
101	Long service leave	111	200	100
<b>305</b>	<b>Total non-current</b>	<b>355</b>	<b>683</b>	<b>350</b>
<b>1,249</b>	<b>Total employee entitlements</b>	<b>1,570</b>	<b>1,666</b>	<b>1,178</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2007

### NOTE 12: RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

2006 Actual		2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000		\$000	\$000	\$000
4,203	Net surplus/(deficit) from operations	3,651	(7,327)	(1,746)
	<b>Add/(less) non-cash items</b>			
1,257	Depreciation	1,615	1,654	2,192
36	Increase in non-current employee entitlements	50	—	—
	<b>Add/(less) movements in working capital</b>			
—	(Increase) in prepayments	(200)	—	—
—	(Increase) in inventories	(67)	—	—
(6,736)	(Increase)/decrease in debtors and receivables	(8,259)	8,721	—
(850)	Increase/(decrease) in creditors and payables	3,035	4,865	(440)
—	Increase in deferred revenue	1,236	—	—
354	Increase in current employee entitlements	271	—	—
	<b>Add/(less) investing activity items</b>			
(12)	Net gain on sale of plant, property and equipment	(36)	—	—
142	Fixed asset write-offs	—	—	—
<b>(1,606)</b>	<b>Net cash flows from operating activities</b>	<b>1,296</b>	<b>7,913</b>	<b>6</b>

### NOTE 13: RELATED PARTY TRANSACTIONS

The Department of Building and Housing is a wholly-owned entity of the Crown. The Government significantly influences the roles of the Department as well as being its major source of revenue.

The Department enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's-length basis. Where those parties are acting in the course of their normal dealings with the Department, related party disclosures have not been made for transactions of this nature.

Apart from those transactions described above, the Department has not entered into any related party transactions.

### NOTE 14: FINANCIAL INSTRUMENTS

The Department is party to financial instruments as part of its normal operations. These include bank balances, investments and accounts receivable and payable.

#### *Credit risk*

Credit risk is the risk that a third party will default on its obligations to the Department, causing the Department to incur a loss. In the normal course of its business, the Department incurs credit risk from trade debtors and transactions with financial institutions.

The Department does not require any security to support financial instruments with financial institutions that the Department deals with, as these entities have high credit ratings.

The Department is party to a letter of credit with ANZ National Bank for \$0.650 million (2006: \$0.650 million).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2007

### *Fair value*

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

### *Currency risk*

Currency risk is the risk that the value of debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

The Department has no currency risk with regard to cash and accounts receivable, as the financial instruments it deals with are in New Zealand dollars. The Department has no significant exposure to currency risk on accounts payable.

### *Interest rate risk*

Interest rate risk is the risk that the Department's return on the funds it has invested will fluctuate due to changes in market interest rates. The Department had no interest rate risk as no money was invested in this financial year.

## NOTE 15: CONTINGENT ASSETS

The Department does not have any contingent assets as at 30 June 2007 (2006: Nil).

## NOTE 16: EXPLANATION OF MAJOR BUDGET VARIANCES

### *Statement of Financial Performance*

Revenue Crown funding requirements were reduced by \$5.674 million or approximately 17 percent in the Supplementary Estimates.

The largest changes were:

- an expense transfer of \$1.600 million for the Weathertight Homes Resolution Service from 2006/07 into 2007/08
- the transfer of the Weathertight Homes Resolution Service adjudication function to the Ministry of Justice (\$1.196 million)
- a reduction of \$2.857 million in Crown funding for Residential Tenancy Services offset by an increase in interest income under revenue other.

Revenue other is \$6.935 million or approximately 19 percent above that forecast in the Main Estimates as a consequence of the following.

- Building levies received were \$3.956 million higher than Main Estimates forecast as the number and value of building consents lodged was higher than anticipated.
- Interest revenue from the Residential Tenancy Services output expense was \$3.989 million higher than forecast as interest rates and bond lodgements were higher than anticipated.
- Revenue from electrical workers levies and fees was \$0.317 million higher than forecast due to an increase in demand-driven activities.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2007

- The Main Estimates included revenue from licensed building practitioners of \$1.399 million with the assumption that the scheme would commence in the 2006/07 financial year. Subsequently the commencement date was confirmed as 1 November 2007 resulting in nil revenue for 2006/07.

Operating expenditure is \$4.097 million or approximately 6 percent below that forecast in the Main Estimates primarily due to the following.

- Actual expenditure on the Weathertight Homes Resolution Service (WHRS) was \$6.204 million lower than the Estimates. The Main Estimates appropriation was reduced by an expense transfer of \$1.600 million from 2006/07 to 2007/08, and \$1.196 million from the transfer of the adjudication function to the Ministry of Justice in the Supplementary Estimates. The remainder of the variance reflects lower-than-forecast new claims activity and the WHRS enhancements being implemented later than originally envisaged when the Estimates were finalised.
- There was a net increase of \$1.306 million in appropriations approved in the Supplementary Estimates, the largest components being:
  - \$2.300 million for the building consent authority accreditation assistance package
  - an expense transfer of \$1.261 million for the post-regulatory phase of the Licensed Building Practitioners Scheme
  - \$0.453 million for electrical workers licensing activities
  - \$0.250 million for the review of the Unit Titles Act 1972 and Residential Tenancies Act 1986
  - \$0.100 million to purchase additional performance monitoring advice
  - \$0.100 million for building officials education
  - \$0.038 million for the state sector retirement savings scheme.

These increases were largely offset by reductions of:

- an expense transfer of \$1.600 million from 2006/07 to 2007/08 for the Weathertight Homes Resolution Service
- \$1.196 million for the transfer of the Weathertight Homes Resolution Service adjudication function from the Department to the Ministry of Justice
- an expense transfer of \$0.400 million from 2006/07 to 2007/08 for Occupational Licensing.
- Approval is being sought for the following expense transfers from 2006/07 into 2007/08.
  - \$0.709 million for the building consent authority accreditation assistance package
  - \$0.600 million for Building Act 2004 communications
  - \$0.750 million for the Energy Efficiency Awareness programme
  - \$1.000 million for the Weathertight Homes Resolution Service, to fund the anticipated increased costs for revising assessment reports for existing claimants who want to progress their claims under the enhanced provisions of the new legislation

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2007

### *Statement of Financial Position*

The main factors for the \$3.570 million variation between the net assets forecast in the Main Estimates and the actual financial position are as follows.

- Cash and bank balances were \$3.800 million lower than the Estimates largely because revenue from the Crown was reduced in the Supplementary Estimates.
- Debtors and receivables were \$10.148 million higher than the Estimates, being largely the result of interest earned on Tenancy Bondholders' funds.
- The net book value of property, plant and equipment was \$4.041 million lower than the Main Estimates, mainly as the result of capital expenditure on some infrastructure projects being deferred until 2007/08.
- Creditors and payables were \$2.533 million lower than the Main Estimates, reflecting the underspend for the year.
- The provision for the payment of the surplus to the Crown was \$7.672 million higher than the Main Estimates, as the net surplus was higher than the forecast net operating result.

### NOTE 17: TRANSITION TO NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The financial statements for the year ended 30 June 2007 have been prepared under current New Zealand GAAP. The Department will be adopting New Zealand IFRS for the first time in its audited financial statements for the year ending 30 June 2008 (although comparative information will be collected throughout the 2007/08 financial year). This timetable is in line with the adoption of New Zealand equivalents to IFRS in the consolidated financial statements of the Government reporting entity. The Department will be adopting the accounting policies of the financial statements of the Government. The Department has set up a New Zealand IFRS work programme to ensure that the Department is New Zealand IFRS compliant. At this stage no material issues have been identified. However, the actual impact of adopting New Zealand IFRS may vary from this initial assessment, and the variation may be material.

### NOTE 18: EVENTS AFTER BALANCE DATE

No events have occurred between the balance date and date of signing these financial statements that materially affect the financial statements.

# Non-departmental schedules and statements

## STATEMENT OF ACCOUNTING POLICIES: NON-DEPARTMENTAL

for the year ended 30 June 2007

### Reporting entity

The following non-departmental statements and schedules record the revenue and receipts, expenses, assets, liabilities, contingencies and commitments that the Department administers on behalf of the Crown. These, together with associated notes, are presented below.

### Measurement system

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

### Accounting policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

#### *Revenue and expenditure*

Revenue and expenditure are recognised when earned or incurred respectively and are reported in the financial period to which they relate.

#### *Receivables*

Receivables are recorded at estimated realisable value after providing, where necessary, for doubtful and uncollectable debts.

#### *Commitments*

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments (at the point a contractual obligation arises) to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

#### *Contingencies*

Contingent liabilities and assets are disclosed at the point at which the contingency is evident.

#### *Goods and Services Tax (GST)*

The Statement of Non-departmental Expenditure and Appropriations is exclusive of GST (where applicable). The Schedules of Assets and Liabilities are exclusive of GST, except for payables and receivables, which are GST-inclusive. All other figures are GST-exclusive (where applicable).

Any payments made for GST input tax are made under the authority of section 6 of the Public Finance Act 1989.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for the year ended 30 June 2007.

## SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

for the year ended 30 June 2007

2006 Actual		Note	2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000			\$000	\$000	\$000
<b>Non-tax revenue</b>					
96,748	Interest Housing New Zealand Corporation Loans		115,163	115,564	109,323
14,140	Dividend from Housing New Zealand Corporation		20,211	20,211	4,279
<b>110,888</b>	<b>Total non-tax revenue</b>	<b>1</b>	<b>135,374</b>	<b>135,775</b>	<b>113,602</b>

## STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

for the year ended 30 June 2007

2006 Actual		Note	2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000			\$000	\$000	\$000
<b>Non-departmental output expenses</b>					
9,162	Contracted Housing Support Services		9,604	10,635	11,183
8,877	HNZC Housing Support Services		9,198	10,119	11,491
3,128	Housing Policy Advice		3,315	3,320	2,912
225	Registration Regime for Architects		–	–	–
<b>21,392</b>	<b>Total non-departmental output expenses</b>		<b>22,117</b>	<b>24,074</b>	<b>25,586</b>
<b>Benefits and other unrequited expenses</b>					
4,511	Housing Assistance		6,439	6,724	8,666
395,491	Income Related Rental Subsidy		433,932	434,179	417,452
<b>400,002</b>	<b>Total benefits and other unrequited expenses</b>		<b>440,371</b>	<b>440,903</b>	<b>426,118</b>
<b>Other expenses to be incurred by the Crown</b>					
4,373	Community Housing Rent Relief Programme		4,145	4,500	4,500
460	Increase in Debt Provision		1,430	1,645	3,149
<b>4,833</b>	<b>Total other expenses to be incurred by the Crown</b>		<b>5,575</b>	<b>6,145</b>	<b>7,649</b>
<b>Capital expenditure</b>					
54,000	Activities for state housing purposes		–	–	–
	Housing New Zealand Corporation (HNZC) –				
–	Loans to refinance third party debt		259,342	259,342	259,342
	Capital injections to Housing New Zealand				
208,251	Corporation for housing activities		188,193	204,796	216,913
	Housing New Zealand Limited (HNZL) –				
30,000	Loans to refinance Crown debt		–	–	–
–	Loan to Architects Board		–	45	45
<b>292,251</b>	<b>Total capital expenditure</b>		<b>447,535</b>	<b>464,183</b>	<b>476,300</b>
<b>718,478</b>	<b>Total non-departmental expenditure and appropriations</b>	<b>2</b>	<b>915,598</b>	<b>935,305</b>	<b>935,653</b>

These financial statements and schedules are to be read in conjunction with the accompanying accounting policies and notes to the financial statements and schedules.



## SCHEDULE OF NON-DEPARTMENTAL ASSETS

as at 30 June 2007

2006 Actual		Note	2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000			\$000	\$000	\$000
<b>Current assets</b>					
501	Crown bank account		13,392	6,427	2,684
10,914	Receivables and prepayments	3	11,437	10,209	8,220
–	Assets held for sale		34	–	–
<b>11,415</b>	<b>Total current assets</b>		<b>24,863</b>	<b>16,636</b>	<b>10,904</b>
<b>Non-current assets</b>					
76,191	Investments	4	81,846	–	–
–	Physical assets		94,670	–	–
<b>76,191</b>	<b>Total non-current assets</b>		<b>176,516</b>	<b>–</b>	<b>–</b>
<b>87,606</b>	<b>Total assets</b>	<b>5</b>	<b>201,379</b>	<b>16,636</b>	<b>10,904</b>

In addition, the Department monitors the activities of Housing New Zealand Corporation. The investment in this Crown entity is recorded within the Crown Financial Statements on a line-by-line basis. No disclosure is made in this schedule.

## SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

as at 30 June 2007

2006 Actual		Note	2007 Actual	2007 Supplementary Estimates	2007 Main Estimates
\$000			\$000	\$000	\$000
<b>Current liabilities</b>					
45,926	Payables	6	82,026	42,842	67,205
<b>45,926</b>	<b>Total current liabilities</b>		<b>82,026</b>	<b>42,842</b>	<b>67,205</b>
<b>Term liabilities</b>					
22,191	Payables	6	27,846	22,191	–
<b>22,191</b>	<b>Total term liabilities</b>		<b>27,846</b>	<b>22,191</b>	<b>–</b>
<b>68,117</b>	<b>Total liabilities</b>	<b>5</b>	<b>109,872</b>	<b>65,033</b>	<b>67,205</b>

These financial statements and schedules are to be read in conjunction with the accompanying accounting policies and notes to the financial statements and schedules.

## STATEMENT OF COMMITMENTS

as at 30 June 2007

The Department reports no non-departmental commitments as at 30 June 2007 (2006: Nil).

## STATEMENT OF CONTINGENT LIABILITIES

as at 30 June 2007

2006 Actual \$000		2007 Actual \$000
–	Properties underwritten for Home Equity Scheme	900
–	<b>Total contingent liabilities</b>	<b>900</b>

These financial statements and schedules are to be read in conjunction with the accompanying accounting policies and notes to the financial statements and schedules.

## NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS

for the year ended 30 June 2007

### NOTE 1: NON-DEPARTMENTAL REVENUE AND RECEIPTS

The schedule of revenue and receipts summarises non-departmental revenue the Department collects on behalf of the Crown.

### NOTE 2: NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

The statement details expenditure incurred against each appropriation administered by the Department on behalf of the Crown.

### NOTE 3: RECEIVABLES AND PREPAYMENTS

2006 Actual \$000		2007 Actual \$000
5,917	Income related rent debt	7,917
(3,081)	Less: provision for doubtful debts	(4,511)
2,836	Net realisable value	3,406
7,862	Prepayment of income related rental subsidy	7,448
216	Receivable – Housing New Zealand Corporation	583
<b>10,914</b>	<b>Total receivables and prepayments</b>	<b>11,437</b>

### NOTE 4: INVESTMENTS

2006 Actual \$000		2007 Actual \$000
76,191	Purchase of land by Housing New Zealand Corporation, as agent for the Crown under the Housing Act 1955, for state housing purposes	81,846
<b>76,191</b>	<b>Total investments</b>	<b>81,846</b>

### NOTE 5: NON-DEPARTMENTAL ASSETS AND LIABILITIES

Non-departmental assets and liabilities are administered by the Department of Building and Housing on behalf of the Crown. As these assets and liabilities are neither controlled by the Department of Building and Housing nor used in the production of the Department's outputs, they are not reported in the Department's Statement of Financial Position.

## NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED

for the year ended 30 June 2007

### NOTE 6: PAYABLES

2006 Actual \$000		2007 Actual \$000
	<b>Current</b>	
	Payable to Housing New Zealand Corporation	
6,630	– Output expenses	–
–	– Income Related Rental Subsidy	–
1,151	– Housing Assistance	2,887
38,131	– Capital injection	35,346
14	– Other payables	10
<b>45,926</b>	<b>Total payable to Housing New Zealand Corporation</b>	<b>38,243</b>
–	Total payable to Housing Agency Account	43,783
<b>45,926</b>	<b>Total current</b>	<b>82,026</b>
	<b>Term</b>	
22,191	– Loan for Hobsonville land purchase	27,846
<b>68,117</b>	<b>Total payables</b>	<b>109,872</b>

### NOTE 7: EXPLANATION OF MAJOR BUDGET VARIANCES

#### *Non-tax revenue*

The increase in interest on Crown loans to Housing New Zealand Corporation primarily relates to increases in interest rates.

The increase in dividends received is mainly due to the net surplus achieved by Housing New Zealand Corporation for the financial year 2005/06 being significantly greater than forecast.

#### *Non-departmental output expenses*

The increase in expenditure of \$0.403 million under the Housing Policy Advice output is due to an increase in funding allocated: to the review of the accommodation supplement; for Housing New Zealand Corporation commissioned research projects; and for evaluation of the Housing Innovation Fund.

The Contracted Housing Support Services output was reduced by \$0.548 million during the year. \$0.300 million of the decrease was for the return of savings to the Crown and \$0.248 million was due to savings identified from the Low Deposit Rural Lending Education programme.

An in-principle transfer of \$0.178 million has been requested to carry forward expenses related to the Group Self Build (Kapa Hanga Kainga). The product and the way it is delivered is currently being reviewed.

The remaining under expenditure is explained by the impact of the introduction of Home Ownership Education on the Low Deposit Rural Lending (LDRL) scheme and the lower number of applicants for LDRL, Special Housing Action Zone, the Northland, East Coast, Bay of Plenty Rural Housing programme, and the Community Owned Rural Rental Loans.

## NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED

for the year ended 30 June 2007

The HNZC Housing Support Services appropriation was reduced by \$1.372 million during the year. This was due to a decrease of \$1.909 million relating to savings identified from Welcome Home Loans, an increased cost of \$0.291 million relating to Wellington City Council housing stock evaluation, an increase of \$0.050 million for the low-cost housing initiative and an increase of \$0.196 million for the Auckland City Pensioner Housing modernisation programme.

During 2006/07, a total of 1070 loans were settled against a budgeted target of 700 to 1000. This resulted in an under expenditure against the budget of \$0.693 million. This is mainly due to lower-than-expected administration costs for managing the project during the year.

The Housing Assistance appropriation was reduced by \$1.942 million during the year. Housing Assistance (Third Party and Local Government Housing Innovation Fund) was reduced by \$1.542 million due to a change in the ratio of allocating this funding between local authorities and community-based organisations, decided by the Minister of Housing in July 2006. This resulted in a reduction in the value of conditional grants required. Interest subsidies on Community Owned Rural Rental Loans were reduced by \$0.400 million due to the reforecasting of the interest on the revised loan profile.

The overall under expenditure compared to the Supplementary Estimates is \$0.285 million. This is mainly due to reduced payments in relation to the interest foregone across the loan portfolios caused by delays in the drawdown on new loans.

The under expenditure in Community Housing Rent Relief Programme of \$0.355 million is due to the impact of the introduction of new criteria since 1 January 2007 to access this fund.

The Increase in Debt Provision appropriation was reduced by \$1.504 million during the year. The reason for the reduction is forecast changes to market conditions.

This appropriation was established in 2005/06 to recognise any increase in the provision for doubtful debts on Income Related Rent debt. This is a new requirement under the Public Finance Act 1989. Prior to 2005/06, increases in debt provisions did not require an appropriation.

### *Capital expenditure*

Capital injections to Housing New Zealand Corporation for housing activities were reduced by \$12.117 million from the Main Estimates. The decrease consisted of:

- a \$10.270 million capital transfer for the Auckland City Pensioner Housing modernisation programme
- a decrease of \$1.861 million for financial assistance to non-weathertight homes
- an increase of \$0.014 million for a capital transfer for the lending programme – Community Owned Rural Rental Loans programme.

### *Output expense and capital expenditure transfers to 2008*

The Minister of Housing and Minister of Finance approved in principle the following transfers from 2006/07 to 2007/08.

- Transfer of up to \$11.250 million from 2006/07 to 2007/08 for housing acquisitions to enable HNZC to satisfy its contractual obligations under the acquisitions programme.

## NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED

for the year ended 30 June 2007

- Transfer of up to \$0.500 million from 2006/07 to 2007/08 for housing acquisitions to enable HNZN to provide financial assistance to homeowners who require help for issues relating to non-weather-tight houses.
- Transfer up to \$1.000 million from 2006/07 to 2007/08 due to delays in programme delivery caused by prolonged council consent processes including several sites being escalated to the Environment Court, relating to the Auckland City Pensioner Housing project.
- Transfer of \$4.500 million from 2006/07 to 2007/08 in relation to the Community Group Housing project.
- Transfer of \$4.500 million from 2006/07 to 2007/08 in respect of the Local Government and Third Sector Housing Lending programme.
- Transfer of \$0.500 million from 2006/07 to 2007/08 in respect of the Home Ownership Education Programme to cover for any increase in demand for the course in 2007/08.
- Transfer of \$0.178 million in respect of expenses related to the Group Self Build programme in 2007/08.

These expenses and capital transfers will be confirmed by joint Ministers in the October Baseline Update and included in the 2007/08 Supplementary Estimates.

## Part 3: Residential Tenancies Trust Account

# Report of the Auditor-General

## **To the readers of Residential Tenancies Trust Account's Financial Statements for the year ended 30 June 2007**

The Auditor-General is the auditor of Residential Tenancies Trust Account (RTTA). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the RTTA, on his behalf, for the year ended 30 June 2007.

### **Unqualified opinion**

In our opinion the financial statements of the RTTA on pages 96 to 102:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the RTTA's financial position as at 30 June 2007;
  - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 28 September 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

### **Basis of opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Chief Executive;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.



We evaluated the overall adequacy of the presentation of information in the financial statements.  
We obtained all the information and explanations we required to support our opinion above.

### **Responsibilities of the Chief Executive and the Auditor**

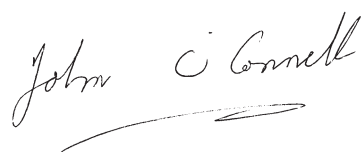
The Chief Executive of the Department of Building and Housing is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the RTTA as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date. The Chief Executive's responsibilities arise from section 126 of the Residential Tenancies Act 1986.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the RTTA.



John O'Connell  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand

# Financial Statements

## STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2007

### Reporting entity

The Department of Building and Housing manages the Residential Tenancies Trust Account pursuant to the Public Finance Act 1989 and the Residential Tenancies Act 1986. The Department took over direct management of the Residential Tenancies Trust Account on 18 August 1992.

All interest arising from any investment in the Residential Tenancies Trust Account belongs to the Crown and is treated as other revenue to the Department of Building and Housing.

Investments are held in approved securities under the Public Finance Act 1989. The Department of Building and Housing pays costs associated with the management of the Residential Tenancies Trust Account as departmental expenses.

### Measurement system

These financial statements have been prepared on the basis of modified historical cost except for certain items with specific accounting policies outlined below.

### Accounting policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

#### *Revenue*

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

#### *Cash*

Cash is defined as coins, notes and demand deposits in the Trust Account bank account and other deposits held on call.

#### *Accounts receivable*

Accounts receivable are stated at estimated realisable value.

#### *Investments*

Investments are not generally traded but held to maturity. Investments in government stock and bonds are valued at cost with premiums and discounts on investments accounted for on a yield-to-maturity basis. Investments in bank deposits are valued at cost.

#### *Financial instruments*

The Residential Tenancies Trust Account is party to financial instruments as part of its normal operations. These financial instruments include accounts payable and receivable, cash, deposits and investments. Revenue and expenditure in relation to all financial instruments are recognised in the Statement of Financial Performance. Except for those items covered by a separate accounting policy, all financial instruments are shown at estimated fair value.

#### *Taxation*

The Residential Tenancies Trust Account is exempt from income tax in terms of the Income Tax Act 2004. Accordingly, no charge for income tax has been provided for.

#### **Changes in accounting policies**

There have been no changes in accounting policies. All policies have been applied on a basis consistent with the previous year.

## STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2007

2006 Actual \$000		2007 Actual \$000
	<b>Revenue</b>	
263	Interest earned from government stock	97
13,691	Interest earned from bank deposits	16,880
<b>13,954</b>	<b>Total revenue</b>	<b>16,977</b>
	<b>Expenditure</b>	
<b>13,954</b>	<b>Interest to Department of Building and Housing</b>	<b>16,977</b>
<b>-</b>	<b>Operating surplus</b>	<b>-</b>

Note: Audit fees are paid by the Department of Building and Housing.

## RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

for the year ended 30 June 2007

2006 Actual \$000		2007 Actual \$000
187,065	<b>Bondholders' funds at 1 July</b>	207,519
-	Total recognised revenues and expenses for the year	-
117,837	Bonds lodged	130,895
(97,383)	Bonds refunded	(107,438)
<b>207,519</b>	<b>Bondholders' funds at 30 June</b>	<b>230,976</b>

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2007

2006 Actual \$000		Note	2007 Actual \$000
<b>Current assets</b>			
5,624	Bank	1	7,773
148,786	Investments	1	163,451
6,098	Accounts receivable		11,425
160,508	Total current assets		182,649
<b>Non-current assets</b>			
60,305	Investments	1	66,700
60,305	Total non-current assets		66,700
220,813	Total assets		249,349
<b>Current liabilities</b>			
13,261	Payable to Department of Building and Housing		18,338
33	Other		35
13,294	Total current liabilities		18,373
207,519	Net assets		230,976
<b>Bondholders' funds</b>			
187,065	Opening balance		207,519
20,454	Net increase		23,457
207,519	Closing balance of bondholders' funds		230,976

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2007

2006 Actual \$'000		2007 Actual \$'000
	<b>Cash flows from operating activities</b>	
	<i>Cash was provided from:</i>	
11,865	Interest received	11,650
	<i>Cash was disbursed to:</i>	
(8,480)	Interest payments to Department of Building and Housing	(11,900)
<b>3,385</b>	<b>Net cash flows from operating activities</b>	<b>(250)</b>
	<b>Cash flows from investing activities</b>	
	<i>Cash was provided from:</i>	
153,321	Proceeds from maturity of investments	166,986
	<i>Cash was disbursed to:</i>	
(179,653)	Purchase of investments	(188,046)
(1)	Disposal of goods	2
<b>(26,333)</b>	<b>Net cash flows from investing activities</b>	<b>(21,058)</b>
	<b>Cash flows from financing activities</b>	
	<i>Cash was provided from:</i>	
117,837	Lodgement of bonds	130,895
	<i>Cash was disbursed to:</i>	
(97,383)	Refund of bonds	(107,438)
<b>20,454</b>	<b>Net cash flows from financing activities</b>	<b>23,457</b>
(2,494)	Net increase/(decrease) in cash held	2,149
8,118	Opening cash	5,624
<b>5,624</b>	<b>Closing cash</b>	<b>7,773</b>

These financial statements are to be read in conjunction with the accompanying accounting policies and notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

### NOTE 1: INVESTMENTS BY COUNTERPARTY

Investments are undertaken in line with the Department's investment strategy. Investments were held with the following counterparties as at 30 June (investment values at book value).

2006 Actual \$000		2007 Actual \$000
<b>Current</b>		
34,200	Westpac	31,200
8,000	National Bank	6,500
39,925	ANZ	39,950
30,006	BNZ	33,001
32,633	ASB	52,800
4,022	Government stock	—
<b>148,786</b>	<b>Total current</b>	<b>163,451</b>
<b>Non-current</b>		
10,000	Westpac	24,000
—	National Bank	3,000
7,500	ANZ	11,200
18,005	BNZ	23,500
24,800	ASB	5,000
<b>60,305</b>	<b>Total non-current</b>	<b>66,700</b>
<b>209,091</b>	<b>Total investments by counterparty</b>	<b>230,151</b>
<b>Weighted average interest rates</b>		
7.02%	Short-term deposits	7.68%
7.42%	Term deposits	8.58%
6.48%	Government stock	7.98%

### NOTE 2: BOOK VALUE OF INVESTMENTS

2006 Actual \$000		2007 Actual \$000
197,425	Bank deposits	228,150
7,644	Bank bonds	2,001
4,022	Government stock	—
<b>209,091</b>	<b>Total book value of investments</b>	<b>230,151</b>

### NOTE 3: FINANCIAL INSTRUMENTS

Financial instruments that are potentially subject to credit risk principally consist of cash on hand, bank balances, accounts receivable, short-term deposits and investments.

#### *Credit risk*

The maximum exposures to credit risk at balance date are:

2006 Actual \$000		2007 Actual \$000
5,624	Cash held	7,773
6,098	Accounts receivable	11,425
209,091	Investments	230,151
<b>220,813</b>	<b>Total</b>	<b>249,349</b>

There are no major concentrations of credit risk for accounts receivable.

#### *Currency risk*

The Residential Tenancies Trust Account has no currency risk, as any financial instruments it deals with are in New Zealand dollars.

#### *Interest rate risk*

The Residential Tenancies Trust Account has no interest rate risk, as all investments are held to maturity. Deposits are held with authorised New Zealand banks.

#### *Fair value*

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position, apart from the bank bonds, the fair value of which is \$2,039,000 (2006: \$4,025,600), and the investment in government stock, the fair value of which is nil at 30 June 2007 (2006: \$4,045,200).

### NOTE 4: RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

2006 Actual \$000		2007 Actual \$000
–	Operating surplus	–
	<b>Add/(less) movements in working capital</b>	
(2,089)	(Increase)/decrease in interest receivable	(5,327)
5,474	Increase/(decrease) in interest payable	5,077
<b>3,385</b>	<b>Net cash flows from operating activities</b>	<b>(250)</b>

### NOTE 5: COMMITMENTS AND CONTINGENCIES

The Residential Tenancies Trust Account has no commitments or contingent liabilities at balance date (2006: Nil).



## Part 4: Additional Information

# Legislation administered by the Department

The Department administers the following legislation and regulations.

## **Building Act 2004**

- Building Regulations 1992
- Building (Forms) Regulations 2004
- Building (Specified Systems, Change the Use, and Earthquake-prone Buildings) Regulations 2005
- Building (Fee for Determinations) Regulations 2005
- Building Levy Order 2005
- Building (Accreditation of Building Consent Authorities) Regulations 2006
- Building (Consent Authority Accreditation Fees) Regulations 2007
- Building (Designation of Building Work Licence Classes) Order 2007
- Building (Design Work Declared to be Building Work) Order 2007

## **Chartered Professional Engineers of New Zealand Act 2002**

- Chartered Professional Engineers of New Zealand Rules 2002
- Chartered Professional Engineers of New Zealand Rules (No 2) 2002
- Chartered Professional Engineers of New Zealand (Appeals) Regulations 2002
- Chartered Professional Engineers of New Zealand Levy Regulations 2004

## **Construction Contracts Act 2002**

- Construction Contracts Regulations 2003

## **Electricity Act 1992** (provisions relating to registration of electrical workers only)

- Electricity Regulations 1997

## **Engineering Associates Act 1961**

- Engineering Associates Fees Regulations 2002

## **Fencing of Swimming Pools Act 1987**

## **Registered Architects Act 2005**

- Registered Architects Rules 2006

## **Residential Tenancies Act 1986**

- Residential Tenancies (Fees) Regulations 1998
- Residential Tenancies Regulations 1998
- Residential Tenancies Rules 1998

## **Retirement Villages Act 2003**

- Retirement Villages Act Commencement Order 2006
- Retirement Villages Act Commencement Order (No 2) 2006
- Retirement Villages (General) Regulations 2006
- Retirement Villages (Disputes Panel) Regulations 2006
- Retirement Villages (Fees) Regulations 2006

## **Weathertight Homes Resolution Services Act 2006**

- Weathertight Homes Resolution Services Act 2006 Commencement Order 2007
- Weathertight Homes Resolution Services (Fee) Regulations 2007
- Weathertight Homes Resolution Services (Lower-value Ceiling) Regulations 2007.

A summary of each of the Acts administered by the Department follows.

### **Building Act 2004**

The Building Act 2004, as amended in April 2005, aims to improve the control of, and encourage better practices in, building design and construction. It regulates constructing, altering, demolishing and maintaining new and existing buildings throughout New Zealand. It sets standards and provides procedures for people involved in building work to ensure buildings are built properly the first time.

### **Chartered Professional Engineers of New Zealand Act 2002**

The Chartered Professional Engineers of New Zealand Act 2002 establishes a registration system for chartered professional engineers in New Zealand. It requires a professional body to carry out the functions relating to the registration system, the code of ethics, the complaints and disciplinary process, and establishes the Chartered Professional Engineers Council and Registration Authority to oversee aspects of those functions.

### **Construction Contracts Act 2002**

The Construction Contracts Act 2002 reforms the law relating to construction contracts and in particular facilitates regular and timely payments between the parties to a construction contract, provides for the speedy resolution of disputes arising under a construction contract and provides remedies for the recovery of payments under a construction contract.

### **Electricity Act 1992**

The Department is responsible for administering the provisions in the Electricity Act 1992 that establish a registration system for electrical workers. The Act provides for a complaints and disciplinary process and establishes the Electrical Workers Registration Board and Complaints Assessment Committee to oversee these functions.

### **Engineering Associates Act 1961**

The Engineering Associates Act 1961 provides for the registration and control of certain persons associated with or employed in engineering work, and for the encouragement of better qualification in that work. The Act establishes the Engineering Associates Registration Board and Investigation Committee to oversee these functions.

### **Fencing of Swimming Pools Act 1987**

The Fencing of Swimming Pools Act 1987 promotes the safety of young children by requiring the fencing of certain swimming pools.

### **Registered Architects Act 2005**

The Registered Architects Act 2005 establishes a registration system for registered architects under which persons who wish to be registered architects must meet minimum standards. It provides for a code of ethics and a complaints and disciplinary process to apply to registered architects, and establishes a statutory body to carry out these functions.

### **Residential Tenancies Act 1986**

The Residential Tenancies Act 1986 defines the rights and obligations of landlords and tenants of residential properties. It establishes the Tenancy Tribunal for the purpose of expeditiously determining disputes arising between landlords and tenants, and also establishes a fund in which bonds payable by tenants are held.

### **Retirement Villages Act 2003**

The Retirement Villages Act 2003 aims to protect the interests of residents and intending residents of retirement villages. It also seeks to enable the development of retirement villages under a legal framework readily understandable by residents, intending residents and operators.

### **Weathertight Homes Resolution Services Act 2006**

The Weathertight Homes Resolution Services Act 2006 provides owners of dwellinghouses that are leaky buildings with access to speedy, flexible and cost-effective procedures for assessment and resolution of claims relating to those buildings.



# Sector governance

The Department administers a number of Acts and Regulations under which statutory entities are appointed.

The Department provides support to responsible Ministers by monitoring and reporting on the performance of statutory bodies and boards charged with providing building- and housing-related services and functions. The Department's role includes: providing advice on, and evaluating the delivery of the Government's social housing policies through Housing New Zealand Corporation; and advice on appointments and the performance of other building and housing entities such as occupational licensing boards.

The Department also provides support to statutory bodies and boards by providing some induction guidance, registrar functions and other administrative services. The boards/entities that are supported by the Department are listed below, together with the legislation under which the board/entity is established.

## Crown Entity

- Housing New Zealand Corporation (Housing Corporation Act 1974, Crown Entities Act 2004).

## Tribunals and other Statutory Bodies

- State Housing Appeal Authority (Housing Restructuring and Tenancy Matters (Appeals) Regulations 2000)
- Tenancy Tribunal (Residential Tenancies Act 1986)
- Weathertight Homes Resolution Service (Adjudicators and Mediators) (Weathertight Homes Resolution Services Act 2006).

## Occupational Licensing Boards

- Building Practitioners Board (Building Act 2004)
- Electrical Workers Registration Board and the Complaints Assessment Committee (Electricity Act 1992)
- Engineering Associates Registration Board and the Engineering Associates Investigation Committee (Engineering Associates Act 1961)
- New Zealand Registered Architects Board (Registered Architects Act 2005)
- Chartered Professional Engineers Council (Chartered Professional Engineers of New Zealand Act 2002).

## Chief Executive Statutory Appointments

- Building Advisory Panel (Building Act 2004).

The Department provides additional administrative and/or operational support to the following boards and entities.

### State Housing Appeal Authority

The State Housing Appeal Authority was established under provisions of the Housing Restructuring and Tenancy Matters (Appeals) Regulations 2000. The State Housing Appeal Authority consists of a Principal Member, Deputy Principal Member, and members (the number of members is not specified in the Regulations).

The Principal Member and Deputy Principal Member are appointed by the Governor-General on the joint recommendation of the Minister of Housing and the Minister of Justice.

The purpose of the State Housing Appeal Authority is to sit as a judicial body to determine appeals from applicants relating to decisions made by Housing New Zealand Corporation (HNZC) on the:

- assessment of income-related rents
- applicant's eligibility for HNZC housing
- applicant's assessed need for HNZC housing.

A panel is convened of either the Chair or Deputy Chair and two other members. In accordance with the Housing Restructuring and Tenancy Matters Act 1992, the State Housing Appeal Authority (in determining an appeal) has all the powers, duties, functions and discretions HNZC had in relation to the matter concerned and may confirm, modify or reverse the decision or determination; or refer all or any part of the matter back to HNZC for further consideration, together with any directions it thinks just relating to the reconsideration and a written statement of its reasons for doing so.

There are currently seven members on the Authority, including the Principal Member and the Deputy Principal Member.

On 30 July 2007, Kay McKelvie was appointed as the Principal Member, replacing Geoff Sharp, and Alister James was appointed as the Deputy Principal Member.

The members are:

- Dean Hyde
- Conrad Jackson
- June Kearney
- Jeannette MacKenzie
- Geoff Tucker.

Felicity Hutcheson resigned during the year.

The Department employs the Registrar for the Authority. The Registrar receives the appeal applications and makes arrangements for hearings to be conducted by panel members.

### **Building Practitioners Board**

The Building Practitioners Board comprises six to eight members who are appointed by the Governor-General on the recommendation of the Minister for Building and Construction under section 344 of the Building Act 2004.

The Minister may accept nominations for membership of the Board, but each member is appointed to undertake the functions and duties of a member, rather than to represent the interests of any person. One member of the Board must be a barrister or solicitor of at least 5 years' standing.

The functions of the Building Practitioners Board are to:

- approve rules relating to licensed building practitioners that are prepared in accordance with the Act
- receive, investigate, and hear complaints about, and to inquire into the conduct of, and discipline of, licensed building practitioners in accordance with the Act
- hear appeals against certain decisions of the Registrar in accordance with the Act
- review and report to the Minister on the performance of the functions and duties, and the exercise of the powers, of the Board under the Act.

The members of the Building Practitioners Board are:

- Alan Bickers (Chairperson)
- Paul Blackler (Deputy Chairperson)
- David Clark
- Jane Cuming
- Patrick Lawrence
- Graham Moor
- David O'Connell
- Colin Orchiston.

### **Electrical Workers Registration Board**

The Electrical Workers Registration Board comprises seven members all of whom are appointed by the Minister for Building and Construction under the Electricity Act 1992, for a term of up to 3 years. Members can be reappointed. Five members must be registered or entitled to be registered, and two lay persons must not be registered or entitled to be registered.

The functions of the Electrical Workers Registration Board are to:

- register and licence the four classes of registration under the Electricity Act 1992 (electrician, electrical inspector, electrical service technician and line mechanic)
- ensure registered persons maintain an adequate level of competency
- exercise disciplinary power according to the Act and initiate prosecutions for contravention of the Act in cases where the Board considers appropriate.

Complaints Assessment Committees are convened to hear complaints. Complaints Assessment Committees are appointed from a list of members who have been approved by the Minister. Members may be appointed for a term of up to 5 years.

The members of the Electrical Workers Registration Board are:

- Donald Pryde (Presiding Member)
- Samuel Ponga (Deputy Presiding Member)
- Edwin Eeles
- Bernardine Hannan
- Tom Leong
- Murray Willis.

At present there is one vacancy on the Board. Deborah Rundle resigned during the year.

The Registrar is employed by the Department to support the Board in carrying out their functions, and to process licensing applications. The Registrar of the Board is John Sickels.

## Building Advisory Panel

The Building Act 2004 provides that the Chief Executive of the Department of Building and Housing appoint a Building Advisory Panel that consists of experts in the building sector.

The Panel provides independent, specialist advice to the Chief Executive on trends in building design, quality and performance, building technology, sustainability, urban planning and consumer issues.

The members of the Building Advisory Panel are:

- Don Hunn (Chairperson)
- Professor Andy Buchanan
- Mike Fox
- John Jarvis
- Ann Magee
- Richard Michael
- Gordon Moller
- Peter Neilson
- Peter Neven
- David Russell
- George Skimming
- Adam Thornton.

The Panel met twice during 2006/07.



# Quality standards for policy advice

## Quality measure

We will seek written response, at least 6-monthly, from the Minister for Building and Construction and the Minister of Housing on our performance against the following quality standards. The assessment process will also incorporate an assessment of ministerial satisfaction through a structured discussion with each Minister focusing on the quality standards. The performance target will be 3 (good) or better, on an overall scale of 1 (poor) to 5 (excellent).

We will supply high-quality services meeting the standard quality characteristics below.

We will provide a comprehensive service that:

- has the capacity to act quickly in response to urgent/critical issues
- offers timely and relevant briefings on significant issues
- supports Ministers as required in Cabinet Committees, Select Committees and in the House.

## Standard quality characteristics

All advice will include the following.

### *Purpose*

An objective for the policy advice has been clearly stated, including its relationship to the Government's agreed outcomes and objectives.

### *Focus*

A clear and logical statement of the issue or problem and why it necessitates ministerial action.

### *Viability*

Viable options to address the issue are presented and costs/benefits will be assessed, winners and losers identified, cost-effectiveness addressed and any value judgements drawn to the attention of the Minister.

### *Logic and evidence-based*

The assumptions behind the advice and the logic of how the options will resolve issues and achieve objectives are clear. Assumptions and advice are evidence-based.

### *Accuracy*

The facts are accurate and based on reliable research or evaluation findings or other appropriate information.

### *Practicality*

The advice draws on appropriate knowledge and experience, and the practicalities of implementing it are clearly explained, including any industry, legal, machinery of government, Treaty of Waitangi or other issues that require management.

### *Consultation*

Interested government agencies and affected and interested parties have been consulted and their views considered.

### *Presentation*

The advice is presented clearly, logically, in plain and grammatically correct English, free from any typographical or spelling errors, and conforms to the Cabinet Office requirements.

*Recommendations*

Recommendations are clear, logical, action-oriented and able to stand alone from the rest of the advice.

*Timeliness*

Specified reporting deadlines are met.

*Cost*

Outturn is within budget.



# Structure

The Department was formed in November 2004 and incorporates the Ministry of Housing, the Building Industry Authority, the Weathertight Homes Resolution Service from the Department of Internal Affairs, the building policy functions from the Ministry of Economic Development, and related functions from the Ministry of Social Development and Housing New Zealand Corporation.

The functions of the Electrical Workers Registration Board were transferred to the Department in September 2006.

A new organisational structure for the Department was adopted from 1 March 2007. The Department is organised into branches by function (see the organisational chart on the following page).

As at 30 June 2007, there were 321 full-time employees and 49 part-time employees. There were also a number of people undertaking contracting roles to fill vacant positions, or providing specialist skills or additional capability for specific work.

Our employees are spread across:

- Wellington-based national office (194 employees)
- the Porirua-based Services Centre (77 employees)
- 19 regional offices located throughout the country from Invercargill to Whangarei (99 employees).

## ORGANISATIONAL CHART



SERVICE LOCATIONS



- FULL SERVICE OFFICES – YOU CAN VISIT WITHOUT AN APPOINTMENT
- LOCATIONS WHERE SERVICES ARE AVAILABLE BY APPOINTMENT



# Directory

## National office contact details

Department of Building and Housing  
Level 6, 86 Customhouse Quay  
PO Box 10-729, Wellington  
Phone: +64 4 494 0260  
Fax: +64 4 494 0290  
Department's Website: [www.dbh.govt.nz](http://www.dbh.govt.nz)

## Contact us

If you are phoning us for the first time, or you have a question about a service you are receiving from us, then our 0800 numbers listed will be of assistance.

### For tenancy advice and information

Call 0800 TENANCY (0800 83 62 62)  
From overseas: +64 4 238 4695  
Hours of operation: 8.00 am to 5.30 pm NZT Monday–Friday  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

### For bond advice and information

Call 0800 737 666  
From overseas: +64 4 238 4693  
Hours of operation: 8.00 am to 5.30 pm NZT Monday–Friday  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

### For building controls and Building Act information

Call 0800 242 243  
From overseas: +64 4 238 6362  
Hours of operation: 8.30 am to 5.00 pm NZT Monday–Friday  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

### For licensed building practitioners information

Call 0800 60 60 50  
From overseas: +64 4 238 6312  
Hours of operation: 8.30 am to 5.00 pm NZT Monday–Friday  
Email: [licensing@dbh.govt.nz](mailto:licensing@dbh.govt.nz)

### Weathertight Services

Call 0800 324 477  
From overseas: +64 4 237 1604  
Hours of operation: 8.00 am to 5.30 pm NZT Monday–Friday  
Fax: 0800 116 189  
Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

**For Sector Policy, Service Delivery, Building Quality, Sector Capability, Corporate, and Organisational Development and Strategy**

Department of Building and Housing

Level 6, 86 Customhouse Quay

PO Box 10-729, Wellington

Phone: +64 4 494 0260

Fax: +64 4 494 0290

Email: [info@dbh.govt.nz](mailto:info@dbh.govt.nz)

**Service location directory**

**Tenancy advice**

Freephone (in New Zealand) 0800 83 62 62 between 8.00 am and 5.30 pm weekdays, for advice or to make an appointment at your local office.

Calling from overseas +64 4 238 4695

**Bond enquiries**

Freephone (in New Zealand) 0800 737 666 between 8.00 am and 5.30 pm weekdays.

Calling from overseas +64 4 238 4693

Fax (04) 237 7884

PO Box 50 445

Porirua

Mediation and advice is available by appointment in many locations throughout New Zealand.

Call 0800 83 62 62 to make an appointment or to talk to someone about a renting problem. You can also visit one of our offices listed below. The offices are generally open between 8.30 am and 4.30 pm weekdays.

We are also available to provide public education to landlords, tenants and related organisations.

Call 0800 83 62 62 for more information.

**Visit us**

Call in to one of our main offices listed below.

**Auckland**

Level 3

AXA Building

41 Shortland Street

PO Box 90-172

Fax (09) 375 6402

**Christchurch**

Level 2

10 Nelson Street

Riccarton

PO Box 22-725

Fax (03) 341 7754



**Hamilton**

Level 2  
36 Bryce Street  
Private Bag 3124  
Fax (07) 834 1571

**Manukau**

Level 1  
CST Nexia Centre  
22 Amersham Way  
PO Box 76-469  
Fax (09) 263 6013

**Wellington**

60 Oriental Parade  
PO Box 10-797  
Fax (04) 801 2618

We also regularly visit 85 communities around New Zealand to provide information and dispute resolution services to tenants and landlords. To make an appointment, call 0800 83 62 62.

**Northern region venues**

Auckland CBD, Dargaville, Helensville, Henderson, Kaikohe, Kaitaia, Kerikeri, Mangere, Manukau, Orewa, Pukekohe, Takapuna, Waiheke, Warkworth, Whangarei.

**Central region venues**

Dannevirke, Feilding, Gisborne, Hamilton, Hastings, Hawera, Huntly, Kawerau, Levin, Lower Hutt, Mangakino, Marton, Masterton, Murupara, Napier, New Plymouth, Opotiki, Paeroa, Pahiatua, Palmerston North, Paraparaumu, Porirua, Putaruru, Rotorua, Ruatoria, Taihape, Taumarunui, Taupo, Tauranga, Te Awamutu, Te Kuiti, Te Puke, Thames, Tokoroa, Turangi, Upper Hutt, Wainuiomata, Waipukurau, Wairoa, Whakatane, Wanganui, Wellington, Woodville.

**Southern region venues**

Alexandra, Amberley, Ashburton, Balclutha, Blenheim, Christchurch, Cromwell, Dunedin, Fairlie, Gore, Greymouth, Hokitika, Hornby, Invercargill, Kaikoura, Motueka, Nelson, Oamaru, Picton, Queenstown, Rangiora, Takaka, Timaru, Twizel, Waimate, Wanaka, Westport.





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