



Department of
Building and Housing
Te Tari Kaupapa Whare

Annual Report 2011-2012

**2011 -
2012**

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Foreword

This is the final annual report for the Department of Building and Housing.

On 1 July 2012, it was transferred to the newly-established Ministry of Business, Innovation and Employment (MBIE) to consolidate the functions of four government agencies: Ministry of Economic Development, Ministry of Science and Innovation, Department of Building and Housing, and Department of Labour.

MBIE will be building on the strengths of the four agencies to be a catalyst for a high-performing economy to ensure New Zealand's lasting prosperity and wellbeing.

From next year, a single annual report for MBIE will be produced.

All assets and liabilities will be transferred on the basis of a going concern. Expenditure relating to the merger that was incurred prior to 30 June 2012 has been included in the financial statements that form part of this annual report.

Chief Executive's overview

This has been another year of significant achievement and challenges for the Department of Building and Housing. This was also its final year as a standalone government department. From 1 July it became part of the newly-formed Ministry of Business, Innovation and Employment.

Our work programme for 2011/12 was ambitious and wide-ranging, and I am proud of the dedication, flexibility, focus and resourcefulness shown by my staff during the course of the year.

Our work was spread across four broad areas:

- Canterbury earthquake recovery
- Building sector transformation
- Weathertightness
- Social housing.

In response to the devastating 4 September 2010 and 22 February 2011 earthquakes and subsequent aftershocks, the Government made rebuilding Canterbury one of the Department's five medium-term priorities. The Department is strongly focused on the Canterbury rebuild leadership role it has been given. This work programme is top priority.

Following the initial emergency response efforts in late 2010 through to early 2011, the Department shifted its focus to rebuilding and recovery.

Our work has been across four main fronts:

- Regulatory and technical advice and guidance
- Technical Investigations
- Residential tenancy assistance
- Temporary accommodation provision.

Over the past year the Department has provided, and continues to update, technical guidance documents for the building and construction sector. By providing robust and well-researched engineering solutions, we can reduce the likelihood of injury to people and damage to homes and buildings in future earthquakes in a way that is cost effective relative to the risks involved. The reconstruction effort is not just about rebuilding, it is about rebuilding better, more efficiently and more safely.

Allied to this work, we also conducted major Technical Investigations into the failure of four key buildings in the Christchurch CBD; the PGC, Forsyth Barr, Hotel Grand Chancellor and CTV buildings. Our reports have identified the factors that led to these building failures. The reports' findings and recommendations are now informing the work of the Royal Commission of Inquiry currently underway. The Royal Commission released the first three volumes of its final report in mid-August 2012 and is scheduled to release the rest of its report by mid-November.

The Department also provided its report on the failure of the CTV Building to New Zealand Police and the Institution of Professional Engineers NZ (IPENZ) for their consideration.

Consequent to the Technical Investigations, the Department is now undertaking a review of seismic performance of buildings policy. It is also working with territorial authorities to identify, assess and – where necessary – recommend remedial action for buildings of a similar age and with similar design features to the CTV Building.

Through the Canterbury Earthquake Temporary Accommodation Service (CETAS), a joint venture with the Ministry of Social Development, we worked with over 2,100 households to assess their accommodation needs and source the best available accommodation options.

There has also been steady and increasing demand for units at the Department's two temporary accommodation villages built at Kaiapoi and Linwood. Occupancy rates have fluctuated between 65% and 100% across both villages. More than 136 households transitioned through the villages during the year while repairs were made to their earthquake-damaged homes. The average length of stay was 12 weeks.

At the time of writing, the Department was building a third village at Rawhiti Domain expected to be fully operational in mid-August 2012 to meet the growing demand for temporary accommodation. The village has 20 two-bedroom units.

The Department is currently working with Christchurch, Waimakariri and Selwyn Councils to ensure repair and rebuilding work can be undertaken as quickly as possible and without unnecessary delays, while ensuring quality of work. It is investigating risk-based consenting where building consent authorities can waive or streamline consent requirements for low-risk building and repair work. Risk-based consenting pilots have been conducted in Christchurch, Hastings and Auckland and are being evaluated.

The availability of appropriately-skilled building practitioners is critical to the Canterbury rebuild and also to driving productivity gains across the sector.

The Department's successful promotion of the Licensed Building Practitioner (LBP) scheme means there are sufficient LBPs available to meet the estimated demand for the Canterbury rebuild.

At the beginning of 2011/12, the Department had issued 9,261 licences nationwide and was well on track to meeting its target of 10,000 licences (excluding Site) issued by 1 March 2012 when the Restricted Building Work (RBW) designation came into effect. As at 30 June 2012, 21,101 licences had been issued. In Canterbury 3,667 licences had been issued against an overall target of 2,456. As at 31 March 2012 the backlog was 4,644 compared to 2,253 as at 31 August 2011. The recruitment of additional assessors has been successful in reducing the backlog, which is expected to further decrease significantly in 2012/13.

There was a surge in LBP applications over the second half of 2011/12. After averaging 540 a month in 2010/11, LBP application volumes averaged 1,119 a month in 2011/12 and 1,385 in the second half of the year. This reflects the success of the Department's extensive 'Build It Right' media campaign which resulted in growing consumer awareness of the LBP scheme, prompting increasing numbers of building practitioners to apply to be licensed. Also, the use of licensed building practitioners was strongly supported by the sector and by all involved in house repair work in Canterbury. Sector organisations and suppliers encouraged and supported building practitioners to become licensed.

Delivering the Weathertight Homes Financial Assistance Package (FAP) is another major programme of work for the Department and provides a way forward to help homeowners get their leaky homes fixed faster. The FAP became available on 29 July 2011 with 32 territorial authorities, accounting for an estimated 98% of the country's leaky homes, signing relationship agreements with the Crown to participate in the package.

As at 30 June 2012 the Department had active claims from 5,418 properties of which 3,969 homeowners had indicated an interest in accessing the FAP. The Department expects to see a significant number of these claims move into the repair phase of the FAP in 2012/13.

In May, the Department released an independent engineering report into the September 2010 collapse of Invercargill's Stadium Southland. The report identified several key contributing factors, including construction defects and design problems.

The Department has accepted the report's findings and recommendations, and has issued guidance on the design and construction of structures with long-span steel trusses. It is also researching issues specific to buildings susceptible to snow loadings as part of its review of the Building Code.

Working together with the sector the Department continues to make good progress through the Building and Construction Sector Productivity Partnership towards the goal of boosting sector productivity by 20% by 2020. This is an innovative partnership the Government and private sector have formed to achieve shared goals around a common purpose and vision for the sector.

In February 2012, the Partnership released a Skills Strategy and Roadmap outlining how it intends to achieve its goals. The same month, the Auckland Procurement Pipeline Project was launched through which 11 public or semi-public Auckland infrastructure/construction sector organisations have started to work together to get better value for taxpayers' and ratepayers' money through improved procurement practices. A further five organisations are expected to join the project shortly.

This Pipeline allows industry, and local and central government to work together to ensure supply chains of products and skills are available at the right time in the right place and in a way that drives work forward rather than holding it back.

Turning to the housing sector, the Department is delivering on an ambitious programme of work by leading the Government's social housing reforms to increase the provision of social and affordable housing and ensure assistance is targeted at those most in need. The Social Housing Unit (SHU) is a semi-autonomous unit within the Department which was established and became operational in September 2011. The SHU aims to increase the supply of social and affordable housing by non-government or third-sector providers.

During the year the SHU allocated \$36.68 million in grants to 17 third-sector housing providers. The funding will help provide 269 housing units and 707 beds. Successful applicants' own contributions to agreed projects total \$63.52 million (63%) and range from 50% to 74% of estimated total project costs.

In recognition and support of this new approach to housing provision, the SHU received a \$104.1 million multi-year appropriation in Budget 2012. An increase of \$3 million in funding was also received for policy advice as part of the Social Housing Reform Programme.

The Department has had another busy year on the legislative front. It continues to make solid progress on implementing the Building Act Review reforms. In February of this year the Building Amendment Act was passed introducing the regulatory framework to enable risk-based consenting. The Act also contains an exemption for owner-occupiers allowing them to undertake Restricted Building Work on their own homes without having to engage a licensed building practitioner. It also clarifies accountabilities for building work and Building Code compliance for all parties involved in building projects.

The companion piece of legislation to the Act, Building Amendment Bill No. 4 which introduces a range of consumer protection measures for people building or renovating their homes, was introduced in September 2011 and received its first reading in May 2012. It has since been referred to the Local Government and Environment Select Committee with the Committee's report back due in November.

In summary, in 2011/12 the Department has delivered on a challenging work programme for the benefit of all New Zealanders.

It is an indication of the Department's contribution to enhanced productivity and performance across the building and housing sectors that it has now become part of the new Ministry of Business, Innovation and Employment, the lead agency responsible for delivering on the Government's priorities of:

- Building a more productive and competitive economy
- Delivering better public services
- Rebuilding Canterbury.

These last few years in particular have been very challenging with the Global Financial Crisis and Canterbury earthquakes impacting on all of us. I would like to record my sincere gratitude to staff and colleagues for their unwavering focus, diligence and commitment to getting the job done and to all those involved in the building and housing sector who have worked with us to deliver results. I would also like to acknowledge the support of our Ministers.

I am pleased to present the final Annual Report for the Department of Building and Housing for the year ended 30 June 2012.

A handwritten signature in black ink, appearing to read 'Nigel Bickle', written in a cursive style.

Nigel Bickle
Acting Deputy Chief Executive Building and Housing,
Ministry of Business, Innovation and Employment



Part 1: Summary of Key Achievements

Summary of key achievements

PLAYED A MAJOR PART IN THE ONGOING CANTERBURY RECOVERY AND REBUILD, BY:

- Supporting ongoing enhancements to earthquake engineering practice and design so people can rebuild and repair homes and buildings more safely and with greater assurance
- Completing a Technical Investigation into the reasons for the failure of four key Christchurch CBD buildings: CTV, PGC, Hotel Grand Chancellor and Forsyth Barr buildings. Briefings were held for key stakeholders including media, diplomatic missions and next of kin, including Chinese and Japanese families of victims from the CTV building
- Supporting the Royal Commission of Inquiry into building failure through the provision of the four Technical Investigation reports to inform its deliberations along with submissions on the key issues the Royal Commission has considered, and by proactively providing technical information to support its work
- Undertaking seismic testing programmes at QEII park to investigate ground and foundations improvement options
- Helping to improve building standards through applying what has been learnt from the Canterbury earthquakes, in particular the findings and recommendations of the Department's Technical Investigations
- Facilitating the repair and reconstruction of homes and buildings by encouraging efficient building consent processes, supported by a skilled, productive workforce and informed consumers
- Working with local authorities, the Canterbury Earthquake Recovery Authority (CERA), sustainability support groups and construction companies to develop strategies for improving the thermal performance of houses being repaired and to ensure sustainable and affordable houses are provided in new subdivisions
- Leading a review of seismic performance of buildings policy
- Jointly (with MSD) running the Canterbury Earthquake Temporary Accommodation Service (CETAS) to help people displaced by the earthquakes find alternative accommodation
- Providing temporary housing to assist those with damaged homes while repairs are made or they make decisions on future housing options. Two temporary villages (Kaiapoi and Linwood) were established in mid-2011, and a third (Rawhiti) will be completed by mid-August 2012.

HELPED PEOPLE IN THE BUILDING, RENTAL AND HOUSING MARKETS MAKE MORE INFORMED DECISIONS, BY:

- Launching *Key Indicator Reports*, a suite of six online, dashboard reports providing regularly-updated information and commentary on activity levels and trends across the building, rental and housing markets
- Implementing Service Improvement Initiatives for Residential Tenancy Services and Unit Titles Services clients.

LED THE GOVERNMENT'S SOCIAL HOUSING REFORM PROGRAMME, BY:

- Providing support and allocating \$36.68 million funding through the Social Housing Unit to increase the diversity of providers and the supply of social and affordable housing
- Providing advice to the Government on the performance of Housing New Zealand Corporation (HNZC) to ensure the best use is made of the Government's \$15 billion investment in state housing
- Working with HNZC to refocus it on its core business of housing those with greatest need and managing their tenancies.

IMPROVED THE REGULATORY FRAMEWORK FOR NEW ZEALANDERS WANTING TO BUILD SAFE, HIGH-QUALITY HOMES AND BUILDINGS, BY:

- Progressing the Building Act Review reforms to lead to a sector that builds homes and buildings right the first time and stands behind the quality of its work
- Implementing the Building Amendment Act, which was enacted in March 2012
- Completing policy work which resulted in the introduction and first reading of the Building Amendment Bill (No. 4) to implement the next tranche of reforms from the Building Act Review
- Launching the Restricted Building Work designation on 1 March 2012
- Promoting the Licensed Building Practitioner scheme to ensure there are sufficient practitioners for Restricted Building Work and the Canterbury rebuild
- Managing occupational licensing within the building sector to lift skills, performance, accountability and productivity
- Designing and implementing a streamlined and cost-effective regulatory environment to ensure good quality, affordable homes and buildings and public safety
- Jointly developing (with Land Information New Zealand and Ministry for the Environment) the GeoBuild initiative, an integrated set of online tools intended to link all aspects of the construction process from design through to procurement, construction and maintenance
- Supporting the new Auckland Council's efforts to gain accreditation as a BCA. Accreditation was awarded on 28 October 2011
- Releasing an engineering report into the September 2010 collapse of Invercargill's Stadium Southland, and subsequently issuing a Practice Advisory on long-span steel roof trusses. The Department previously commissioned the report in the aftermath of the collapse.

HELPED LIFT SKILLS AND PRODUCTIVITY IN THE BUILDING AND CONSTRUCTION SECTOR, BY:

- Working with the Productivity Partnership to increase productivity in the sector by 20% by 2020
- Completing the Productivity Partnership Roadmap outlining the strategy, short-term objectives and action points for the Partnership's four workstreams through to late 2012
- Supporting the launch of the Auckland Procurement Pipeline project
- Creating monitoring and evaluation frameworks for the Building Act Review and Plumbers, Gasfitters, and Drainlayers Act to assess the efficacy of recent reforms to these two statutes.

ASSISTED OWNERS OF LEAKY HOMES TO GET THEIR BUILDINGS FIXED FASTER, BY:

- Supporting owners of leaky homes with timely, cost-effective and accessible information, advice and dispute resolution services
- Managing the Financial Assistance Package for homeowners wishing to pursue a practical alternative to litigation and dispute resolution.

Performance Summary

The Department's overall outcome for New Zealand is:

A building and housing market that delivers good quality, affordable homes and buildings for New Zealanders that contribute to strong communities and a prosperous economy.

The Department measures and manages its performance against five medium-term outcomes. Each medium-term outcome is measured by one or two overarching measures. An evaluation and outcome-to-date of these measures are outlined in the next section. The medium-term outcomes are:

1. A cost-effective business environment for the sector, with fit-for-purpose regulation that ensures public safety and good quality, affordable homes and buildings.
2. A market that delivers a range of houses and buildings, including social housing, at prices and standards that are accessible to all New Zealanders.
3. A productive and innovative building and housing sector that has the right information, skills, systems and technology to do the job well and deliver quality homes and buildings.
4. People participate with confidence in the building and housing market and resolve disputes in timely and cost-effective ways.
5. The Canterbury region is successfully rebuilt to a satisfactory state.

Each medium-term outcome contributes to the Department's outcome for New Zealand as demonstrated below.

A BUILDING AND HOUSING MARKET THAT DELIVERS GOOD QUALITY, AFFORDABLE HOMES AND BUILDINGS FOR NEW ZEALANDERS THAT CONTRIBUTE TO STRONG COMMUNITIES AND A PROSPEROUS ECONOMY					
Medium-term outcomes	1	2	3	4	5
Impacts (difference we are making)	Increase in sector productivity The Department's regulation of building and construction supports an increase in sector productivity without compromising safety and quality	Improve diversity of quality and affordable housing options	Increase skills within the building sector and ensure practitioners are well informed	Access to advice, information and education that support decision-making in the building and housing market	People are housed
Outputs (activities in 2011/12)	Implemented the Building Act Review reforms Enabling risk-based consenting Delivered Determinations services Provided MultiProof services Delivered framework for Protection from Fire Provided product assurance support and the product certification scheme	Social housing funding Further development of the Tamaki Transformation Programme Progressed the Hobsonville Housing Project Provided high-level advice to Ministers	Productivity Partnership: boosting sector productivity by 20% by 2020 Significant increase in licensed building practitioners Restricted Building Work (RBW) designation commenced Increase in registering, licensing and auditing of electrical workers Supported regional authorities with dam safety developments	Supported well-informed decisions by our clients/ stakeholders Provided high-quality residential tenancy services including tenancy bond processing Provided high-quality residential tenancy dispute resolution Provided Weathertight Homes Services including dispute resolution and the Financial Assistance Package	Provided temporary accommodation in the Canterbury region Allocated tenancies and management of the villages Established Rawhiti Domain Village temporary accommodation Conducted Technical Investigations into the performance of four Christchurch multi-storey buildings Drove efficiencies in the Building Control system

A BUILDING AND HOUSING MARKET THAT DELIVERS GOOD QUALITY, AFFORDABLE HOMES AND BUILDINGS FOR NEW ZEALANDERS THAT CONTRIBUTE TO STRONG COMMUNITIES AND A PROSPEROUS ECONOMY

↑	↑	↑	↑	↑	↑	↑
Outputs (activities in 2011/12) (continued)	Introduced initiatives to reduce the proportion of building work requiring consents Completed investigation into the Stadium Southland collapse		Supported sector-led implementation of tertiary qualifications for building officials Worked with metropolitan building consent authorities to streamline their processes and developed a moderation process Supported Canterbury BCAs' and PMOs' earthquake recovery work		Significantly increased licensed building practitioners in Canterbury Provided ongoing support to other agencies for a quality rebuild Provided residential rebuild and repair guidance Provided ongoing support and information for the Canterbury Earthquakes Royal Commission of Inquiry Conducted desktop review of buildings built between 1982 and 1995 Initiated a seismic performance of buildings policy review Community engagement	

Our performance against our Statement of Intent 2011/14

OUTCOMES	MEDIUM-TERM OUTCOME 1	A COST-EFFECTIVE BUSINESS ENVIRONMENT FOR THE SECTOR, WITH FIT-FOR-PURPOSE REGULATION THAT ENSURES PUBLIC SAFETY AND GOOD QUALITY, AFFORDABLE HOMES AND BUILDINGS
	THE GOVERNMENT'S PRIORITIES FOR 2011/12	Implement the Building Act Review reforms with a focus on legislation and regulations introducing risk-based consenting and improving consumer protection, accountability and dispute resolution services, make decisions about the design of the regulatory and Building Code systems.
	OUTCOME MEASURE Average cost per Determination remains constant to 2014 (baseline 2010/11– \$8,888 / future: 2014 – \$8,444)	PERFORMANCE The like-on-like average cost is estimated to be \$10,500; however, the average cost achieved in 2011/12 was \$11,656 due to a 26% decrease in the number of Determinations without a corresponding decrease in fixed costs. The cost remains constant toward 2014 and is on track.
	A reduction in the amount of building work requiring consents by the end of 2013.	Several initiatives are underway to streamline the consenting process and increase productivity in the sector. These include a move to risk-based consenting where the level of involvement of the building consent authority is related to the complexity of the building work and competence of those conducting the work. The legislative framework for risk-based consenting was established through the Building Amendment Act 2012 and will be implemented once a set of pre-conditions has been met. This measure has changed in 2012/13 to - 'an increase in the value and volume of building consents (benchmark to be established using new definition from 1 July 2012)' to reflect amendments in legislation.

WHAT WE DID

Implementing the Building Act Review reforms

The Department further progressed implementing the Building Act Review reforms, which aim to provide clearer accountabilities, enhanced consumer protection and remedies, risk-based building consenting and improved consistency and efficiency in building regulatory systems. The Building Amendment Act 2012 (Building Amendment Bill No. 3) was enacted in March and Building Amendment Bill No. 4 passed its first reading in May and is now at the Select Committee stage.

Risk-based consenting

The Building Amendment Act more clearly signals and reinforces accountabilities for building work and Building Code compliance of all the parties involved in construction projects. It also introduced the framework for providing for a risk-based approach to building consent and inspection requirements so that these are aligned to the risk and consequences of building defects, and the skills and capabilities of those doing the work. Risk-based consenting pilots commenced in Christchurch, Auckland and Hastings.

The principal reforms in Building Amendment Bill No. 4 are:

- new consumer protection measures to help New Zealanders who are building or renovating their homes to hold those responsible for their building work to account,
- mandatory written contracts for all residential building work over a prescribed value to be set by Regulations once the Bill is enacted,
- new information disclosure requirements for building contractors about their skills, qualifications, licensing status and track record, and
- building contractors will be required to fix any defects in their work that are reported within 12 months of completion.

Delivered Determination services

Delivered 99 determinations to resolve disputes or questions about decisions made by building consent authorities, the rules that apply to buildings, how buildings are used, building accessibility, and health and safety. Indications are that the overall Determinations costs, application fees, representation costs and tribunal costs are lower.

MultiProof services

The Department continued to provide the MultiProof service, which allows volume builders to obtain a Multiple-Use Approval for standardised building designs that are intended to be replicated several times. MultiProof enables time and cost savings for volume builders who use designs in multiple locations. MultiProof approvals issued during the year include several for designs used for temporary housing in Christchurch as part of the Canterbury recovery and rebuild effort. There has been a high level of interest in the MultiProof service from building companies developing permanent housing solutions for Christchurch.

Protection from Fire framework

In May 2012 the Department launched a world-leading framework for Protection from Fire which was incorporated into the NZ Building Code. The Department also published supporting documents and ran an education programme with workshops throughout the country to assist compliance with the new framework and Building Code amendments.

Attendees rated the workshops very highly. Workshop evaluations were completed by attendees:

- 99% advised that the training provided the key information they needed
- 97% considered that the workshops enabled them to become 'familiar' with the changes, and
- 98% considered that the workshops answered their questions.

The Department also attracted attention from overseas with several countries with performance-based building codes expressing an interest in it.

Product assurance support and the product certification scheme

The Department provided continuing product assurance support and administered its product certification scheme. It developed, and published on its website, new guidance material on product certification and assurance including case studies. The product certification scheme was promoted at the Building Officials Institute of NZ and Registered Master Builders Federation conferences during the year.

Reducing consents by the end of 2013

Several initiatives are underway to streamline the consenting process and increase productivity in the sector. These include a move to risk-based consenting, where the level of involvement of the building consent authority will be proportionate to the complexity of the building work and the competence of those doing it. The legislative framework for risk-based consenting was established through the Building Amendment Act 2012 and will be implemented once a set of pre-conditions has been met. These are: having consumer protection measures in place; having sufficient numbers of licensed building practitioners; achieving greater awareness of the Building Code; and having an effective monitoring and evaluation programme in place. In the meantime, pilots of aspects of risk-based consenting are underway in Auckland, Christchurch and Hastings. A report back to the Minister on risk-based consenting is due in December 2012.

The Department is also working to improve national consistency and the overall efficiency of the administration of the consenting system. A paper is scheduled to go to Cabinet by 30 November 2012 on its final design and scope.

Stadium Southland collapse

In May 2012 the Department released the findings of an independent investigation it commissioned into the September 2010 collapse of Stadium Southland. The investigation found that the Stadium collapsed because of substandard building design and construction.

Four key contributing factors were identified:

1. Heavy snowfall
2. Problems with remedial works during construction
3. Construction defects, and
4. Design problems.

The Department accepted the report's findings and recommendation that it provide guidance on the design of roof structures that are subject to snow loading.

The Department subsequently referred the investigation report to the NZ Police and the Department of Labour, and provided a copy to IPENZ – the body responsible for monitoring the competence of engineers.

OUTCOMES	MEDIUM-TERM OUTCOME 2	A MARKET THAT DELIVERS A RANGE OF HOUSES AND BUILDINGS, INCLUDING SOCIAL HOUSING, AT PRICES AND STANDARDS THAT ARE ACCESSIBLE TO ALL NEW ZEALANDERS
	THE GOVERNMENT'S PRIORITIES FOR 2011/12	Work with Housing New Zealand Corporation on providing social housing for high-needs tenants. Tamaki Transformation Programme. Engagement on Auckland's Spatial Plan.
	OUTCOME MEASURE There will be an increase in the number of third party social housing providers by 2014 (baseline: current HNZC housing stock/future: HNZC housing stock plus third party providers).	PERFORMANCE The Social Housing Unit (SHU) aims to increase the supply of social and affordable housing through non-government providers. With the recent funding round approvals, we have projected a 4% increase in homes to current housing stock. In its first year of operation, a total of 17 third-sector providers were funded via the \$37.35 million SHU Fund.

WHAT WE DID

Social Housing Unit

The Department's Social Housing Unit (SHU) became operational in September 2011. The SHU engaged with the Auckland Council, following its completion of the Auckland Spatial Plan in May 2012, to explore opportunities for social and affordable housing providers.

The SHU encouraged the provision of social and affordable housing by third-sector providers, by:

- Providing funding via the \$37.35 million Social Housing Fund to a range of growth, niche, Māori and rural housing providers, including Pasifika providers
- Partnering with third-sector providers, in particular Māori providers, to establish new programmes to create more social housing opportunities
- Holding a series of 11 social housing forums throughout the country to engage with providers and help them build effective, long-term working relationships with Crown agencies.

Tamaki Transformation Programme

Led the Tamaki Transformation Programme to redevelop social housing in Tamaki. In June, Cabinet agreed to establish a Crown Company to redevelop Tamaki with the Crown and Auckland Council as shareholders. A Chief Executive designate has been appointed and is due to start in September 2012 following the incorporation of the proposed Crown Company.

Hobsonville

Provided advice to Government on the Hobsonville Managed Divestment Plan to enable the Crown to divest its 147-hectare interest in the former Hobsonville airforce base to enable the development of the site and the construction of up to 3,000 houses, including a proportion of affordable housing. This would increase the Auckland housing supply and improve regional housing affordability.

Residential tenancy market

The Courts and Criminal Matters Act was enacted on 7 July 2011 and received Royal Assent on 22 July 2011. The Act impacts on the Department's business by improving civil debt collection issues of interest to landlords and tenants.

The Residential Tenancies Act 1986 was amended to enable Tenancy Tribunal Adjudicators and Mediators to record in their orders the details of an Attachment Order agreed by the parties at the end of a hearing. This will enable an Attachment Order to be imposed immediately. The Department has fully incorporated the operational elements that the Amendment to the Act requires and continues to deliver quality services to landlords, tenants and other participants in the residential tenancy market.

High-level advice to Ministers

The Department provided high-level advice to Ministers on the social housing sector, performance and strategy, and on the performance of HNZC, its Asset Management Strategy and major projects.

Worked with HNZC to:

- Redefine its role as one of an expanded range of social housing providers
- Focus its activities on allocating state houses and managing tenancies for those most in need
- Implement a changed approach to assets and tenancy management
- Introduce reviewable tenancies for new tenants
- Extend the 'Assistance to independence' pilot programme.

Impact

Budget 2012 provided funding over three years to improve housing affordability and provide assistance to households in need. Funding will also be used to trial greater innovation, diversity and scale in the social housing sector.

The Department is working with the housing sector to use current investments in state houses and annual subsidies more effectively to house people in need. The Government will also work with councils to improve housing affordability for all New Zealanders.

OUTCOMES	MEDIUM-TERM OUTCOME 3	A PRODUCTIVE AND INNOVATIVE BUILDING AND HOUSING SECTOR THAT HAS THE RIGHT INFORMATION, SKILLS, SYSTEMS AND TECHNOLOGY TO DO THE JOB WELL AND DELIVER QUALITY HOMES AND BUILDINGS													
	THE GOVERNMENT'S PRIORITIES FOR 2011/12	Work with the sector and others to develop and implement a sector skills strategy and productivity-related research programme.													
	OUTCOME MEASURE A 20% improvement in sector productivity by 2020	PERFORMANCE <p>Through the Building and Construction Productivity Partnership, a joint venture between sector and government, four workstreams have been established which include Evidence, Skills, Procurement and Construction Systems. Each workstream has a targeted programme of work to support an increase in sector productivity.</p> <p>A Skills Strategy, Roadmap and communications plan released during the year outline how the Partnership intends to achieve its goals and actively engage with the sector, with targets to be established at the end of 2013.</p> <p>The targeted 20% improvement in productivity is based on a 2004 BERL report estimating that a 10% improvement in productivity in the building and construction sector will result in a 1% increase in GDP. Hence, a 20% improvement will result in a 2% increase in GDP (in 2010 approximately \$3 billion).</p> <p>The Partnership's improvement programme is based on the cumulative effect of numerous small changes, in addition to some large interventions. Quantification of the effects of each of these small changes will be possible to measure in the coming years after analysis of each change and how the sector responds is completed.</p> <p>The Partnership was formally established in 2011. Official statistics on productivity for specific sectors take a minimum of two years to be published. The 2009/10 year figures will be released in November 2012, at which time a baseline will be established.</p> <p>It is likely that productivity improvements will show as an 's-curve', reflecting a long gestation time, followed by increasingly rapid productivity gains as the benefits of working more productively become more widely recognised. The Partnership intends to provide the industry with tools and information for the next three years and then support the sector's use of those tools in its own self-improvement initiatives beyond that until 2020.</p>													
	Increase the number of licensed building practitioners from 1,600 (January 2010) to more than 10,000 by March 2012 and 20,000 by March 2014	<p>As at 30 June 2012, 17,173 building practitioners have been issued 21,101 licences (not including applications under assessment).</p> <div style="text-align: center;"> <p>Number of licensed building practitioners</p> <table border="1"> <caption>Data for Number of licensed building practitioners</caption> <thead> <tr> <th>Month</th> <th>Number of practitioners</th> </tr> </thead> <tbody> <tr> <td>Jul-11</td> <td>10,000</td> </tr> <tr> <td>Sep-11</td> <td>12,000</td> </tr> <tr> <td>Nov-11</td> <td>14,000</td> </tr> <tr> <td>Jan-12</td> <td>15,000</td> </tr> <tr> <td>Mar-12</td> <td>18,000</td> </tr> <tr> <td>May-12</td> <td>21,000</td> </tr> </tbody> </table> <p>Produced by Sector Trends and Performance, Building & Housing Group</p> </div>	Month	Number of practitioners	Jul-11	10,000	Sep-11	12,000	Nov-11	14,000	Jan-12	15,000	Mar-12	18,000	May-12
Month	Number of practitioners														
Jul-11	10,000														
Sep-11	12,000														
Nov-11	14,000														
Jan-12	15,000														
Mar-12	18,000														
May-12	21,000														
Maintain the proportion of building firms identifying labour as the main constraint to growth at under 10% to 2014, except in the Canterbury region	The percentage in the last quarter was 8% with a 12% annual growth rate nationally. This was impacted by apprenticeship/training volumes and slow sector activity which is expected to increase over time.														

WHAT WE DID

Productivity Partnership: boosting sector productivity by 20% by 2020

The Productivity Partnership is a joint venture between sector and government focused on lifting productivity in the sector. Its goal is to increase building and construction sector productivity by 20% by 2020. It is estimated this will add around \$3 billion to the economy each year.

The key to transforming the industry is to provide the tools it needs to transform itself. These tools need to be robust, integrated across the value chain and valuable to all levels of the industry.

The Productivity Partnership is working together on the development of an online platform that will provide the industry with access to data, information and tools to enable smart, efficient building. This will help businesses make value-based decisions at key points throughout the construction process, from concept to end-use.

After leading the establishment of the Productivity Partnership in late 2010, the Department led its progression from work with the sector and others to establish a productivity partnership that will bring together government and industry representatives to:

- Identify and remove barriers to improving productivity
- Build on our strengths
- Focus attention on building value in a sustainable way.

In March, the Productivity Roadmap was published, setting out the Partnership's vision and identifying the key milestones for each of the Partnership's four workstreams: Evidence, Skills, Procurement and Construction Systems.

A key milestone achieved by the Procurement workstream was launching the Auckland Procurement Pipeline. This project has seen 11 public or semi-public Auckland organisations starting to work together to get better value for taxpayers' and ratepayers' money through improved procurement practices. With a combined average annual spend of almost \$2 billion, the potential for productivity gains is substantial. A further five organisations plan to join the project shortly.

During the year, the Department also provided briefings to the Productivity Commission on affordability issues and to the Ministers of Building and Construction, and Housing on the Commission's draft findings.

Research shows that a 10% increase in sector productivity brings about a 1% increase in New Zealand's GDP or a lift in value of around \$1.5 billion annually.

Licensed Building Practitioner (LBP) scheme

The Department's ongoing promotion of the Licensed Building Practitioner (LBP) scheme has contributed to the lifting of professional skills within the building sector, increasing consumer confidence in the quality of building work, and ensuring building practitioners are more accountable for their work.

The licensing target for the 1 March implementation of the Restricted Building Work designation was 10,000 licences (excluding Site). By March the Department had issued 16,278 licences. At the end of June 17,173 practitioners had been licensed and 21,101 licences issued, well in excess of the target.

Restricted Building Work (RBW) designation

At 1 March 2012, when the Restricted Building Work (RBW) designation came into effect, the Department had issued licences in excess of its target.

RBW is building work which is critical to the structural integrity or weathertightness of houses or small-to-medium sized apartment buildings. RBW must be carried out by an LBP or under the direct supervision of an LBP.

To facilitate compliance, the Department produced a series of guides – a general guide and a specific guide for each LBP licence class – to assist practitioners and homeowners to understand RBW and their new obligations. A guide was also developed specifically for building consent authorities (BCAs).

The Department also ran a series of workshops throughout the country to raise awareness of RBW by practitioners, along with a series of training workshops for BCA staff.

Four RBW offences have been made infringement offences, and from 3 September 2012 can be dealt with through an instant fine. Guidance material is being produced for BCAs and the sector.

The Department is now confirming the processes to enable enforcement action to be taken against non-LBPs who breach the RBW requirements.

An owner-builder exemption allowing DIY-ers to continue carrying out building work themselves came into effect in March 2012 with the enactment of the Building Amendment Act.

Registering, licensing and auditing of electrical workers

During the year, the Department achieved all of its processing targets for the registration, licensing and auditing of electrical workers with:

- 1,606 new electrical workers registered
- 1,581 registrations (98%) completed within 10 working days of receipt of applications
- 25,027 electrical workers licensed
- 24,276 practising licences (97%) issued within 10 working days.

On behalf of the Electrical Workers Registration Board, the Department completed:

- 504 Certificate of Compliance audits
- 50 Provisional Licence/Limited Certificate audits
- 6,033 telephone audits.

The Board's Accountability Agreement with the Minister for Building and Construction requires it to complete 500 Certificate of Compliance, 50 Provisional Licence/Limited Certificate and 6,000 telephone audits in a given financial year.

A review of electrical workers' safety refresher training was completed in late 2011 and new training requirements gazetted. In April the Board announced a further review of competency programme training to evaluate the efficacy of the new requirements. The review is scheduled for completion by December 2012.

The Department will continue to improve the processing of applications to ensure a timely and efficient service is maintained and targets are met.

Dam safety

The Department has responsibility for assisting regional authorities and large dam owners with the implementation of agreed dam safety changes.

Amendments to the Building (Dam Safety) Regulations 2008 have been included in the Building Amendment Bill No 4. Due to the timing of the Amendment Bill and the extent of the changes to the scheme, a two-year deferral has been approved.

Tertiary qualifications for building officials

The Department has continued to support the sector-led implementation of tertiary qualifications for building officials.

The Building (Accreditation of Building Consent Authorities) Regulations 2006 require that all building officials hold, or be working towards, an appropriate qualification by November 2013. The Department is aware this deadline is fast approaching, and is consulting with building officials and Local Government New Zealand on how feasible this requirement still is, and whether a different approach could be used to achieve the same outcome.

The Department has completed its work on the statutory qualifications for building officials with industry representatives confirming their support for these qualifications.

National competency assessment system for BCAs

The Department continued to work with metropolitan building consent authorities which had adopted a national competency assessment system to assist them to streamline their processes. The Department also developed a moderation process.

By the end of the 2011/12 year, all but one of the country's metropolitan BCAs had adopted the national competency assessment system. The Department's target was for 50% of metropolitan BCAs to have adopted the system.

Supporting Canterbury BCAs' and PMOs' earthquake recovery work

The Department has provided ongoing technical and regulatory advice and guidance to the Christchurch City Council, Waimakariri District Council, Selwyn District Council and the project management offices to support their earthquake recovery work programmes.

The Department's support has included:

- Restructuring the Building Consenting Group to provide greater operational management and oversight of the consenting process
- Streamlining existing systems
- Ongoing improvement to workflow timeframes.

OUTCOMES	MEDIUM-TERM OUTCOME 4	PEOPLE PARTICIPATE WITH CONFIDENCE IN THE BUILDING AND HOUSING MARKET AND RESOLVE DISPUTES IN TIMELY AND COST-EFFECTIVE WAYS
	THE GOVERNMENT'S PRIORITIES FOR 2011/12	Progress the implementation of a new operating model for the delivery of services. Support homeowners to get their leaky homes fixed faster via the Weathertight Homes Financial Assistance Package.
	OUTCOME MEASURE Reduce the number of landlords and tenants who have been involved in more than one tenancy-related problem over the preceding three years. Reduction by 2014 to: <ul style="list-style-type: none"> • fewer than 35% of landlords • fewer than 15% of tenants 	PERFORMANCE As at 30 June 2012 the number of active (private) landlords reduced to 6.4% and of active (private) tenants to 4.3%. The Department continues to work with landlords and tenants to ensure that disputes are reduced by providing advice, information and education (AIE) around parties' rights and obligations under the Residential Tenancies Act.
	Dispute Resolution Process: <ul style="list-style-type: none"> • 85% of stand-alone Weathertight Homes Resolution Service claimants close, commence to repair or resolve their dispute within 12 months of lodging a claim with a 1% improvement annually to 2014 • 100% of body corporate representatives resolve their WHRS dispute within their agreed targeted timeframes. 	By the end of June 2012, 35% of claims had taken less than 12 months to enter into a resolution path and had either: <ul style="list-style-type: none"> • signed an FAP contribution agreement • indicated a decision to repair prior to lodging a Tribunal claim • lodged a claim with the Weathertight Homes Tribunal • indicated pursuit of an alternative resolution, or • closed the claim. <p>A significant number of claims was lodged in the 2010/11 year, with many applicants delaying their decisions as to which resolution option to choose pending the launch of the FAP scheme. Following the FAP launch, many applicants then took time to determine the benefits of the FAP compared to other resolution options before making a final decision on which resolution path best fits their circumstances.</p> <p>The results improved in the second half of 2011/12 as claimants' understanding of and confidence in the FAP scheme improved. This has been reflected in the result for the month of June which was 68% indicating which resolution option they wished to pursue.</p> <p>No bodies corporate established with the Department agreed timeframes for assessments to be completed. There is therefore no data to report for this measure.</p> <p>The FAP provides an alternative to litigation for owners of leaky homes and helps them to get their homes fixed faster. At 30 June, 1,039 claims had been assessed against the FAP criteria of which 434 (42%) qualify for both the Government and territorial authority contribution, while 394 (38%) qualify for the Government contribution only.</p>

WHAT WE DID

Supporting well-informed decisions by our clients/stakeholders

A national strategy to improve the provision of advice, information and education (AIE) was implemented in August 2011 across all the Department's lines of service: boarding houses, retirement villages, residential tenancies and unit titles.

During the year, the Department achieved its target of ensuring that Residential Tenancy Services and Unit Titles Services clients could access AIE 90% of the time on a 24/7 basis.

Residential Tenancy Services

The Department's Residential Tenancy Services successfully ensured that clients can access a full range of AIE services online 24/7 to enable informed decision-making and reduce the incidence of disputes.

As at 30 June 2012, only 6.4% of active private-sector landlords and 4.3% of active tenants in private sector accommodation had been involved in more than one tenancy-related dispute over the preceding three years, against targets of fewer than 35% of landlords and 15% of tenants.

Tenancy bond processing

Tenancy bond refund processing exceeded quality and timeliness targets of 95% processed within two working days of receipt in all four quarters of the year.

Tenancy bond lodgement timeliness exceeded targets of 98% lodged within 10 working days of receipt in the first three quarters of the year. However, in the fourth quarter, processing timeliness dropped to 88.3% within 10 working days. This was due to licensed building practitioner (LBP) application volumes being 55% higher than forecast, requiring some tenancy bond staff to be temporarily reassigned to processing LBP applications. Bond lodgement timeliness was back at target levels by the end of the quarter.

Residential tenancy dispute resolution

The Department aims to identify the best fit dispute resolution avenue for claimants at their initial application. The target for 2011/12 was a 70% settlement rate using the first touch method of resolution for disputes.

At the end of December 2011 53% of disputes were resolved by the first method used, compared to 27% 12 months previously. By the end of 2011/12 this had improved to 58%.

While the Department has achieved a significant efficiency gain in resolving disputes, better progress has been hampered by applicants opting back into mediation once a Tenancy Tribunal hearing had been scheduled and cases adjourned. In all, 84% of applications were resolved either through mediation or the Tenancy Tribunal.

Weathertight Homes Services

The new Weathertight Services Group operating model has been successfully implemented. The model is designed to deliver a stronger client-centric approach to claimants to ensure services and products, in particular the Financial Assistance Package (FAP), facilitate the objective of getting more leaky homes fixed faster. The Department website links and information sheets are updated regularly to ensure potential and current claimants and other interested parties of the Weathertight Homes Tribunal and Financial Assistance Package process are fully informed.

a) Dispute resolution

The Department allocates resources to provide mediation services to up to 200 claimants per annum. In 2011/12 it provided mediation services to 112 claimants.

The interest in this service is demand-driven. As more claimants use the FAP the need for mediation to resolve disputes is likely to reduce.

b) Financial Assistance Package

The FAP was launched on 29 July 2011 following the enactment of the Weathertight Homes Resolution Services (Financial Assistance Package) Amendment Bill. Thirty-eight territorial authorities accounting for an estimated 98% of the country's leaky homes have now signed agreements to participate in the FAP.

The FAP provides an alternative to litigation for owners of leaky homes and helps them to get their homes fixed faster. At 30 June, 1,039 claims had been assessed against the FAP criteria of which 434 (42%) qualify for both the Government and territorial authority contribution while 394 (38%) qualify only for the Government contribution.

OUTCOMES	MEDIUM-TERM OUTCOME 5	THE CANTERBURY REGION IS SUCCESSFULLY REBUILT TO A SATISFACTORY STATE
	THE GOVERNMENT'S PRIORITIES FOR 2011/12	Canterbury earthquake recovery assistance
	OUTCOME MEASURE The Canterbury Earthquake Recovery Authority (CERA) and Canterbury mayors are increasingly satisfied year on year with the Department's contribution to achieving their goals for the rebuild of their region by 2021.	PERFORMANCE CERA and the local councils have written to the Department of Building and Housing to indicate their satisfaction with the Department's performance.

SUPPORTING A QUALITY REBUILD

This is a new outcome and was adopted by the Department as an outcome commitment following the 22 February 2011 earthquake. As such, it is early days in terms of measuring the efficacy of the programme of work the Department has implemented to achieve this outcome.

The Department is a key contributor to the rebuild and is working in collaboration with other agencies to achieve a broad, shared outcome incorporating a range of specific work programmes, including:

- urban planning
- construction sector workforce planning
- construction sector skills maintenance and advisory
- temporary accommodation (CETAS and temporary accommodation villages)
- infrastructure reinstatement and repair
- residential property rebuild and repair
- commercial/industrial property rebuild and repair
- seismic engineering research and guidance
- construction technical guidance
- streamlining building consent and approvals processes.

The prominence of the Department's role in these work programmes relative to other agencies varies significantly from principal leadership roles (eg construction technical guidance) to joint venture roles (eg CETAS) to providing support and assistance (eg residential property rebuild and repair).

Consequently, agreed quantitative measures to assess the year-on-year efficacy of the Department's progress against Medium-Term Outcome 5 are yet to be finalised for all of its constituent work programmes. The agreed Outcome Measures currently in place – that CERA and Canterbury mayors are increasingly satisfied with the Department's year-on-year contribution to rebuilding Canterbury – are qualitative, subjective measures.

WHAT WE DID

The Department continues to have a strong presence on the ground in Christchurch, working in a number of capacities. We work collaboratively with CERA, councils, the building and construction and housing sectors, the Ministry of Social Development and others to support the recovery effort.



Technical guidance for the construction sector

The Department has published and continues to update technical guidance on repairing and rebuilding houses affected by the Canterbury earthquake sequence. This guidance forms part of the Government's support for long-term recovery in Canterbury. It gives robust and well-balanced engineering solutions that will reduce risk of injury to people and damage to homes in future earthquakes.

A comprehensive sector education programme is underway to ensure the engineering community, Canterbury councils, insurers and their project management offices, building practitioners and others involved in the rebuild process know how to apply the Department's technical guidance for Canterbury. This will ensure a quality rebuild and minimise delays.

Temporary accommodation

The Canterbury Earthquake Temporary Accommodation Service (CETAS), a joint venture between the Department and Ministry of Social Development, continues to find temporary accommodation solutions for those in housing need. This includes accommodation in the private market and the Government-supported temporary accommodation villages.

The two temporary accommodation villages we built at Linwood Park and Kaiapoi Domain are delivering an extra 63 houses to the market. These villages are ideal for households who need a temporary place to stay while earthquake repairs are carried out on their homes. This could be for a few months or longer, depending on need.

The Department has worked with over 2,100 households to assess their accommodation needs and source the best available accommodation options. As at June 2012 over 1,650 requests were resolved and the Department was working with over 450 households who were actively seeking accommodation.

There has also been steady and increasing demand for units at the Department's Kaiapoi and Linwood temporary accommodation villages. Occupancy rates have fluctuated between 65% and 100% across both villages. More than 136 households transitioned through the villages during the year while repairs were made to their earthquake-damaged homes. The average length of stay was 12 weeks.

Establishment of the Rawhiti Domain Village

The Department recently established a third temporary accommodation village at Rawhiti Domain in the New Brighton area to meet the growing demand for temporary accommodation. The village has 20 two-bedroom units.

Technical Investigation into the performance of four Christchurch multi-storey buildings

The Department completed its Technical Investigation into the performance of four Christchurch multi-storey buildings – CTV, PGC, Forsyth Barr and Hotel Grand Chancellor. The Technical Investigation reports were peer-reviewed by an independent Expert Panel prior to release. The findings of our investigation are now being applied for the benefit of the Canterbury rebuild and New Zealand as a whole.

The Department has a comprehensive programme of work underway to address the recommendations of the Expert Panel and the Interim Report of the Royal Commission and will follow through on necessary changes to the Building Act, Building Code, standards and professional practices. The Final Report of the Technical Investigation and recommendations of the Expert Panel have been provided to the Royal Commission and have enabled research and analysis to be available and given in evidence.

Driving efficiencies in the Building Control system

An effective and efficient consenting process is critical to the rebuilding of Canterbury.

The Department is supporting the Christchurch City Council to improve its consenting processes.

It is working with the Council to:

- improve building consent policies and procedures
- apply a risk-based methodology for consenting
- provide training and assistance on how to apply to building consent applications the Department's guidance for rebuilding houses affected by the Canterbury earthquake sequence.

Licensed Building Practitioner (LBP) scheme

The Department's ongoing promotion of the Licensed Building Practitioner (LBP) scheme has contributed to the lifting of professional skills within the building sector, increasing consumer confidence in the quality of building work, and ensuring building practitioners are more accountable for their work.

The Department's online portal has enabled LBPs to edit their profiles, update their contact details and the record of their skills and experience, and relicence via the internet.

During the year the Department issued 13,225 licences for practitioners throughout the country, including 3,667 licences in Canterbury alone.

Residential rebuild and repair guidance

Since the September 2010 earthquake, the Department has published and continues to update a range of technical guidance material for homeowners wishing to repair or rebuild their homes.

Desktop review of buildings built between 1982 and 1995

In response to the findings of the CTV building Technical Investigation, the Department initiated a desktop review of buildings throughout New Zealand which are three storeys or more and were built between 1982 and 1995. The purpose of this review is to identify buildings that may have characteristics similar to that of the CTV building, specifically, non-ductile, gravity columns.

At the time these buildings were constructed, the standards of the day allowed the use of non-ductile, reinforced gravity concrete columns, provided that certain conditions were met to limit the expected displacement of the buildings.

The Department has been working with territorial authorities across New Zealand to review more than 1,300 building plans. Where buildings are identified as having non-ductile gravity columns, the Department notifies the appropriate territorial authorities and will support them to encourage building owners to undertake a detailed engineering assessment, if they have not done so already, and follow through on any strengthening work should it be found necessary. Notification of territorial authorities is expected to be completed in August 2012.

Canterbury Earthquakes Royal Commission of Inquiry

The Department is supporting the Canterbury Earthquakes Royal Commission of Inquiry. The findings of the Technical Investigation have been provided to the Royal Commission to inform its deliberations and have enabled research and analysis to be available and given in evidence. The Department has accepted all of the recommendations from the Commission's Interim Report, and lessons learnt from the Inquiry will inform future policy development and building and construction practices.

Seismic performance of buildings policy review

The Department is currently reviewing the earthquake-prone buildings policy. This will help prepare the Government to make improvements to policies and practice, in response to the recommendations of the Royal Commission.

The review is a sensible and practical government response to an issue of major public concern. It will result in better decisions on earthquake-prone buildings, taking into account future earthquake risks and the impact on building owners and the wider economy.

Community engagement

In Canterbury, following the earthquakes, people are very motivated to understand complex building issues. Our engineers and staff have been active participants at public meetings facilitated by others and have also set up their own public meetings to ensure homeowners receive clear, easily accessible and useful information they can act on immediately to progress their repairs.

Strengthening capability

In order to ensure that our organisational development actions are accurately targeted to meet specific and critical needs, the Department undertook a thorough analysis of its operations, taking account of:

- Its strategic direction, operating intentions and the challenges and risks of delivering on those
- The external environment, including the market for talent
- The internal environment, including the leadership, people capability, employee engagement, organisational culture, information and communication technology, internal management systems, policies and processes
- Government expectations in terms of the organisational health and capability of public service agencies.

On the basis of this analysis, the Department developed an Organisational Development Plan for 2011/14 to ensure it remains adaptive and fit for purpose, and that our future service and capability needs over time are responsive to the Department's changing outcomes, environment and the state of our capabilities.

Our priority initiatives for organisational development are listed and measured in the chart below.

INITIATIVE	PERFORMANCE INDICATOR	TARGET/STANDARD	PROGRESS TO JUNE 2012
Continue the development of a partnership model for the delivery of internal specialist advice and support services	Manager satisfaction with the professional advice and support they receive	Continuous improvement in level of satisfaction as measured by surveys	The Service Catalogue detailing service provided and service levels was completed in May 2012. Feedback was incorporated into the 2012/13 BS&SS business plan.
Develop and implement an Information Systems Strategic Plan (ISSP)	Manager satisfaction with information and communication systems and services	Continuous improvement in level of satisfaction as measured by feedback	ISSP completed in December 2011. Implementation started in 2012.
Review and refine the Department's information and communications technology sourcing rationale and approach	Total cost of information and communications systems and services as a proportion of running costs	Cost of information and communications systems and services represents value for money	Review completed. Analysis identified that the Department should continue to identify opportunities to outsource where the cost was justified. Internal standardisation and consolidation of infrastructure services will continue.
Implement a people management business process improvement programme	Cost per employee of delivering human resource services	Maintenance or reduction of cost per employee of delivering human resource services	An online recruitment tool was implemented to streamline processing time and cost to recruit.
Develop and deploy a new Learning & Development Framework	Manager satisfaction with performance improvements	Improvement in performance as measured by performance review	An induction and leadership programme, including change leadership training, was developed and delivered in 2012.
Introduce a talent management programme	Number of permanent positions and project roles filled by internal candidates	Increase in number of permanent positions and project roles filled by internal candidates who are successful in the role	Tier 2 and 3 positions were mapped to skills required, with critical roles to retain identified. Other components of the talent management programme were deferred until transition of the Department into the Ministry of Business, Innovation and Employment (MBIE).

INITIATIVE	PERFORMANCE INDICATOR	TARGET/STANDARD	PROGRESS TO JUNE 2012
Develop and deliver an enhanced Leadership and Management Development Programme	Senior manager satisfaction with quality of plans and outputs	Improvement in performance as measured by performance review	Deferred until transition of the Department into MBIE.
	Employee engagement	Culture survey employee engagement index at 70% or higher	Deferred until transition of the Department into MBIE.
Implement an internal communications plan		Annual sick and domestic leave below public sector average	The internal communication plan was refocused to support the transition to MBIE communications.
Implement a programme of activities to further embed the Charter in the culture of the Department		Annual core unplanned turnover at public sector average or below	Change management courses for leaders incorporating leadership behaviours from the Charter were run in 2012.
Implement a stakeholder engagement plan	Sector views on the levels of engagement with the Department	Continuous improvement in sector engagement, as measured by surveys	Stakeholder identification and mapping for MBIE was developed during April-June 2012.

Our people

As at 30 June 2012, the Department had 409 employees of whom 363 were full-time and 46 part-time. There was also a number of people undertaking contracting roles to fill vacant positions or provide specialist skills or additional capability for specific work.

Our employees are based at:

- National Office in Wellington (250 employees)
- Service Centre in Porirua (75 employees)
- Regional offices located throughout the country from Invercargill to Whangarei (84 employees).

PEOPLE MANAGEMENT POLICIES AND EQUAL EMPLOYMENT OPPORTUNITIES

We are committed to equal opportunity for our employees. The Department continues to support and encourage participation in Pou Tokomanawa and Vanua Pasifika, two network groups that enable Māori and Pacific employees to connect with and support each other in a professional and cultural context.

Our organisation's health

INDICATOR	MEASUREMENT	PROGRESS TO 30 JUNE 2012
Financial		
The Auditor-General's ratings for: <ul style="list-style-type: none"> • management control environment • financial information systems and controls • service performance information and associated systems and controls 	As assessed by Audit New Zealand for 2010/2011: <ul style="list-style-type: none"> • Good • Good • Good 	Audit New Zealand has advised that, as the Department is merging into MBIE, an assessment will not be provided this year end.
Forecasting and expenditure	Forecast outturn accuracy base position 5.9% under forecast. Improved year-on-year to 1% in 2012.	Not achieved This is due to high levels of funding not required for the Weathertight Services output that offsets the lower-than-forecast third-party revenue.
People capability		
Employees with up to date performance expectations	Improve or maintain baseline: 90% (2010)	Achieved 90%
Employees with current Individual Development Plans	Improve or maintain baseline: 90% (2010)	Not achieved Not implemented due to MBIE merger. A stocktake of Individual Development Plans will be conducted after the merger.
Annual leave outstanding	Improve or maintain public sector average (16 days)	Achieved 12.90 days
Health and safety – employee wellbeing		
Annual sick and domestic leave	Improve or maintain public sector average (7.6 days)	Achieved 7.03 days

Managing in a changing environment – our risk response

The Department reviewed its risk management policy and framework which embeds a standardised approach to identifying, measuring, addressing and reporting on key risks. The dynamic environment in which the Department has operated has required us to be effective in our risk management as it is critical to the successful achievement of the Department’s work programme.

Risk management is part of the accountability of all managers and staff, and through the organisational planning, performance and assurance system, it is embedded into strategic and operational planning and our day-to-day operations.

Our capability to manage risks effectively is enhanced through our leadership development programme, our risk management policy and framework, and through the Department’s Charter, which defines how we look to perform as an organisation.

The following table sets out our response to the risks identified in our Statement of Intent 2011/14.

ISSUE/RISK IDENTIFIED IN THE 2011/14 STATEMENT OF INTENT	RESPONSE
<p>Our Operating Environment</p> <p>The building and housing sector is a complex and important part of the economy. To keep abreast of the changing environment, the Department’s strategic leadership team and other senior managers maintain awareness and understanding of the economic, sector and political environment through regular interactions with key stakeholder groups and Ministers in various forums. The Department also collates, analyses and publishes a wide range of statistical information on the building and housing sector.</p>	<p>Effective Risk Management – Ongoing environmental scanning ensures we are aware of external and internal influences that may trigger risks. We also regularly monitor and review strategic and organisational risk profiles to ensure that we have effective mitigations in place. An outcome of implementing our risk management policy, framework and assurance system (including our internal audit) is that it creates a culture of risk awareness and enhanced risk management capability across the Department.</p> <p>Stakeholder Engagement Plan – Implementation of the stakeholder engagement plan has increased sector engagement.</p> <p>Effective Policy Development – As this is a key function, we engage actively with stakeholders throughout the policy development process, and test advice to ensure its practicality and effectiveness before advising Ministers. We consider and test the costs, benefits and impacts of all options, and include regulatory impact assessment in policy development and advice. The Department also has in place a robust quality assurance process as part of developing effective policy advice.</p>
<p>Our People</p> <p>Our principal resource is our people. Capability and capacity constraints could impact on our ability to implement the Department’s new workstreams and fully deliver the work programme.</p> <p>In recent years we have invested considerable effort in leadership development and in people management. In the coming period we will continue to prioritise these areas as well as focusing on workforce planning and talent management, to further mitigate capability and capacity risks.</p>	<p>Organisational Development Plan – The Department continued to invest in organisational development initiatives to develop a learning and development framework, a talent management programme, a leadership and management development programme, and a programme to embed the Charter in the culture of the Department and implement an internal communications plan.</p> <p>This includes initiatives for streamlining internal processes by implementing a people management business process improvement programme, reviewing and refining the Department’s information and communications technology sourcing rationale and approach, and developing the partnership model for delivery of internal services.</p> <p>Information Systems Strategic Plan – Developed and implemented for information and communication systems and services that meet the needs of the Department.</p>
<p>Our Resources</p> <p>The Department’s role is growing and demand for our services is increasing. The Department’s funding is partly determined by interest rates and the level of building activity, which have reduced in recent years. Government funding is also constrained.</p>	<p>Finance Strategy – the Department developed a strategy to review how it sets and collects third-party revenues, and continued progress on implementing plans relating to its procurement strategy.</p> <p>Value for Money – The Department has an ongoing Value for Money Programme. This Programme aims to improve, on a sustainable basis, the quality and economy of the services we deliver and to provide clarity on what we are delivering for the funds we receive, the rationale for this spending and the results that it is achieving.</p>

Part 2: Performance information

Statement of Responsibility

The Minister of Finance has transferred responsibility for the preparation of this Annual Report and the signing of the Statement of Responsibility to me as the Chief Executive of the Ministry of Business, Innovation and Employment.

As such, in terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry of Business, Innovation and Employment, for the preparation of the Ministry of Economic Development's/ Department of Building and Housing's/Ministry of Science and Innovation's/Department of Labour's financial statements and statement of service performance, and for the judgements made in them.

I have the responsibility for establishing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Ministry/Department for the year ended 30 June 2012.

Signed by



David Smol
Chief Executive
Ministry of Business, Innovation and Employment
27 September 2012

Countersigned by



Ben Bush
Acting Chief Financial Officer
Ministry of Business, Innovation and Employment
27 September 2012

**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
THE DEPARTMENT OF BUILDING AND HOUSING'S
FINANCIAL STATEMENTS AND NON-FINANCIAL PERFORMANCE INFORMATION
AND SCHEDULES AND STATEMENTS OF NON-DEPARTMENTAL ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2012**

The Auditor-General is the auditor of the Department of Building and Housing (the Department). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities of the Department on her behalf.

We have audited:

- the financial statements of the Department on pages 57 to 87, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenses and capital expenditure, statement of trust monies and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the non-financial performance information of the Department that comprises the statement of service performance on pages 38 to 56 and the report about outcomes on pages 13 to 27; and
- the schedules of non-departmental activities of the Department on pages 88 to 102 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2012, statement of expenses and capital expenditure against appropriations, statement of unappropriated expenses and capital expenditure, schedule of revenue and receipts, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Department on pages 57 to 87 that are prepared on a disestablishment basis:
 - o comply with generally accepted accounting practice in New Zealand; and
 - o fairly reflect the Department's:
 - financial position as at 30 June 2012;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2012; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2012.
- the non-financial performance information of the Department on pages 13 to 27 and 38 to 56:
 - o complies with generally accepted accounting practice in New Zealand; and
 - o fairly reflects the Department's service performance and outcomes for the year ended 30 June 2012, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and

- its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- the schedules of non-departmental activities of the Department on pages 88 to 102:
 - o comply with generally accepted accounting practice in New Zealand; and
 - o fairly reflect:
 - the assets, liabilities, contingencies and commitments as at 30 June 2012 managed by the Department on behalf of the Crown; and
 - the revenues, expenses, expenses and capital expenditure against appropriations and unappropriated expenses and capital expenditure for the year ended on that date managed by the Department on behalf of the Crown.

Emphasis of matter – the financial statements are appropriately prepared on a disestablishment basis

Without modifying our opinion, we draw your attention to the accounting policy on page 64 about the financial statements being prepared on a disestablishment basis because the Department was disestablished from 1 July 2012 and its assets and liabilities transferred to the new Ministry of Business, Innovation and Employment. We consider the disestablishment basis of preparation of the financial statements and the related disclosures to be appropriate to the Department’s circumstances.

Our audit was completed on 27 September 2012. This 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 our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Department’s preparation of the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the appropriateness of the reported non-financial performance information within the Department’s framework for reporting performance;

- the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities; and
- the overall presentation of the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- financial statements and non-financial performance information that:
 - o comply with generally accepted accounting practice in New Zealand;
 - o fairly reflect the Department's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - o fairly reflect its service performance and outcomes.
- schedules and statements of non-departmental activities, in accordance with the Treasury Instructions 2011 that:
 - o comply with generally accepted accounting practice in New Zealand; and
 - o fairly reflect those activities managed by the Department on behalf of the Crown.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, non-financial performance information and schedules and statements of non-departmental activities that are free from material misstatement, whether due to fraud or error.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

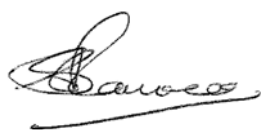
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, the non-financial performance information and the schedules and statements of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and 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 New Zealand Institute of Chartered Accountants.

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



Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of service performance

ANNUAL REPORT STATEMENT OF SERVICE PERFORMANCE 2011/12

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Building Regulation and Control		
This appropriation is limited to activities associated with the setting of performance standards for buildings and the design and delivery of regulatory schemes and other initiatives to help ensure those standards are met.		
Implementation of the Building Act Review recommendations		
All advice to Ministers meets agreed timeframes and quality standards	100%	Achieved 100%
Provide Information, Advice and Guidance		
Provide information, advice and guidance to the building sector on regulatory schemes under the Building Act 2004		
Quality		
Percentage of users satisfied with information	70%	Achieved 90% for a range of seminars and workshops.
Set and Review Standards for Buildings		
Maintain and review the Building Code and supporting documents; issue warnings and bans as required		
Quality		
Standards setting and reviews undertaken in accordance with the requirements of the Building Act 2004	User communities are involved in identifying issues and developing options to address these. All proposed changes are cost effective and the benefits outweigh costs	Achieved
Product Assurance		
Provide product assurance support, including administration of the product certification scheme		
Quality		
Publish approved Product Certification Bodies and product certificates within 10 working days of receipt	100%	Achieved
Report annually on the performance of the Product Certification Scheme	Report produced by 30 June 2012	Achieved Report produced on 30 June 2012
Investigate and Issue Determinations		
Investigate and issue Determinations under the Building Act 2004. These are demand-driven, and the Department expects to complete approximately 135 Determinations per year		
Quality		
Determinations successfully appealed	Less than 2%	Achieved No appeals made.
Determinations subject to clarification due to inadequate coverage of issues	Less than 3%	Achieved 2%
Timeliness		
Determinations completed within the statutory timeframe (60 days) without agreement of the parties to extend timeframes	100%	Achieved

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Building Science and Design Research		
Undertake building science and design research that supports the regulatory system		
Quantity		
90% of projects progressing according to agreed project plan	Report each quarter	Not Achieved 80% 2 projects are behind schedule. Projects are expected to be back on schedule by 31 August 2012.
Quality		
Research projects completed in accordance with the terms of reference which include quality standards	Terms of reference met	Achieved
MultiProof Service		
Deliver MultiProof approvals of designs indicated to be replicated. These are demand driven and the Department expects to process approximately 200 MultiProof applications		
Quality		
No declined applications successfully appealed to the District Court	Measure achieved	Achieved No appeals lodged.
All applications processed within the statutory timeframe of 40 working days	100%	Achieved
Consent Authority Performance		
Improve the performance of local government consent authorities. This involves undertaking technical reviews and resolving complaints about territorial and building consent authorities		
Quality		
Councils provide positive feedback in annual process evaluation survey	80%	Not Achieved Three technical reviews have been undertaken but only one final report has been published (awaiting feedback from other two councils). The annual process evaluation will be undertaken once the additional reviews have been finalised.
Technical Reviews		
Quantity		
Technical performance reviews of territorial authorities' building control functions relating to life safety issues	Two	Achieved
Timeliness		
Complete technical reviews	By 30 June 2012	Achieved Three technical reviews have been undertaken.
All final review reports published within 60 working days of receipt of consultation feedback on the draft review report from Councils Revised standard	100%	Achieved 100% Feedback received and final report published.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
National Building Consent Authority Competency Assessment System		
Quantity		
Implement a National Competency Assessment System for Building Consent Authorities to achieve better consistency, standardisation, cost efficiencies, improved performance and technical capabilities	Adoption by 50% metropolitan Building Consent Authorities by June 2012	Achieved 5 out of the 6 metropolitan building consent authorities have adopted the system.
Complaints about Building Consent Authorities		
Quality		
Complaints successfully appealed to Ombudsman	No more than 2%	Achieved 0%
Timeliness		
Complaints formally acknowledged and preliminary enquiries commence within three working days of receipt of complete application	95%	Achieved 100%
Annual report on trends, issues and learnings identified produced	By 30 June 2012	Not Achieved Two complaints have been completed. Due to the low number of complaints received a report on trends and issues is not relevant. Complaints completed in the 2011/12 financial year will be included in the annual report for 2012/13.
Building Consent Authority Guidance, Advice and Support		
Quantity		
Develop three guidance documents on substantive issues	By 30 June 2012	Achieved Nine guidance documents developed and published. 14 seminars and 19 workshops delivered on substantive issues.
Users of guidance documents and advice provide positive survey feedback	70%	Achieved 90% positive feedback received from seminars and workshops.
Productivity Partnership		
Set-up and support joint venture with sector covering research, skills, procurement, production and supply chain	By June 2012	Achieved The Productivity Partnership is now functioning as a governance group with four fully operational workstreams. The Department continues to support the Partnership through its role as host to the Secretariat.

Building Regulation and Control

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
910	Revenue Crown	840	840	840
131	Revenue Department	130	100	100
13,928	Revenue other	16,205	16,041	16,041
14,969	Total revenue	17,175	16,981	16,981
16,111	Total expenses	20,782	16,214	21,332
(1,142)	Net surplus/(deficit)	(3,607)	767	(4,351)

PERFORMANCE

From 1 July 2010, funding for Building Regulation and Control was transferred from an annual appropriation to a three-year, multi-year appropriation. The figures presented in the Main and Supplementary Estimates columns represent that portion of the three-year appropriation which the Department allocated to 2011/12, the second year of the three-year period. The total appropriation for the three-year period to June 2013 has been increased during the year from \$49.863 million to \$59.763 million. The increase is in part funded from the Building Controls Memorandum Account, while the deficit generated for the year is in effect funded from surpluses accumulated in previous years and recorded in the Memorandum Accounts.

The deficit in this output class is due to increased activity relating to the Canterbury Earthquakes Technical Investigation, with revenue reflecting the growth in Building Levy revenues.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Canterbury Earthquakes: Arranging and Managing Emergency Temporary Accommodation		
This appropriation is limited to the expenses incurred in arranging and managing emergency and temporary accommodation for people displaced by the Canterbury earthquakes.		
Quality		
A current register of housing and temporary accommodation stock is available to associated agencies and households as required 24 hours a day, 7 days a week.	100% availability	Achieved
Manage available accommodation stock including maintenance and availability: <ul style="list-style-type: none"> Managed accommodation vacancy rate 	No greater than 20 consecutive nights vacant	Achieved Occupancy rates have fluctuated between 65% and 100% across both villages. More than 136 households transitioned through the villages during the year while repairs were made to their earthquake-damaged homes. The average length of stay was 12 weeks. Linwood and Kaiapoi villages are at capacity. Occupancy of units at Rawhiti Village will grow over the first quarter of the 2012/2013 financial year.
<ul style="list-style-type: none"> Properties maintained to the standards agreed in the lease. 	0% lease default	Achieved
Timeliness		
Meet with key stakeholders groups including construction and property management to identify and meet the needs of displaced households.	Monthly meetings	Achieved Regular meetings with construction and property management groups ongoing.
Quality and timeliness		
Placement of temporary accommodation on sites meets safety and utilities regulations of applicable authorities	100% of all placements comply with regulations	Achieved
Assessment of applications and matching profiles processed within 10 days	90%	Achieved
Supply of emergency temporary accommodation meets demand: <ul style="list-style-type: none"> Applications for emergency temporary accommodation remain unmet after 5 working days of the application being accepted¹ 	Less than 5%	Achieved 4% Urgent applications are assessed and processed within four hours of receipt. Social housing applicants accessing CETAS are referred back to their primary housing provider in a timely manner.
<ul style="list-style-type: none"> Maintenance checks carried out on properties within 5 days of departure 	90%	Achieved

1 Unmet being the application has not been responded to.

Canterbury Earthquake Temporary Accommodation

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
2,207	Revenue Crown	3,802	3,154	3,802
2	Revenue Department	30	-	-
2,209	Total revenue	3,832	3,154	3,802
1,559	Total expenses	3,289	3,154	3,802
650	Net surplus/(deficit)	543	-	-

PERFORMANCE

Throughout 2011/12 this appropriation was increased by a carry forward on the 2010/11 underspend of \$648,000 to give the appropriation of \$3.802 million.

As the work programme fluctuated during the year due to decisions around the construction of new accommodation options, the year-end surplus of \$543,000 was anticipated. Approval to carry forward \$500,000 of the surplus has been requested to allow the necessary flexibility in the programme.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Output Class 3 Housing, Building and Construction Policy Advice This appropriation is limited to the provision of policy advice to improve the performance of the building and housing sector; develop an effective social housing market; improve the efficiency and adequacy of support for people in housing need; monitor and provide information on sector trends and outcomes; and provide advice on the membership and effectiveness of statutory boards.		
Policy Advice Provide effective policy advice on building and housing to ensure issues are addressed for the New Zealand environment		
Quality		
Provide access to quality and timely information to inform decision-making demonstrated through independent assessment	Average rating of papers by NZIER at least 7.5 (on a 1– 10 scale)	Achieved The scale system used by NZIER is a different rating scale to that used in the Department's Budget Standard. This measure is achieved after comparing the two different scale systems.
Quality and timeliness		
Meet our quality standards for policy advice	100%	Achieved
Sector Performance and Trends Provide high-quality, timely information to assist participants in the sector to make informed decisions		
Quality and timeliness		
Accurate, timely, credible and valued by sector participants shown by the download and re-use of our information by external parties	Measure achieved	Achieved 20,732 page views and 4,686 downloads of Key Indicator Reports (KIRs) from March to June 2012. The KIRs were launched in March and replaced the quarterly Building and Construction Outlook (B&CO) report. The September and December 2011 B&CO reports combined had 3,891 page views and 296 downloads.
Statutory Board Responsibilities Advice on the efficient and effective regulation of trades and professions operating within the building and housing sector, including monitoring the effectiveness of statutory boards		
Quality		
Board member appointments and re-appointments within statutory guidelines and requirements	Guidelines and requirements met	Achieved Appointments made to Building Practitioners Board, Chartered Professional Engineers Council, Electrical Workers Registration Board, New Zealand Registered Architects Board, and Plumbers, Gasfitters and Drainlayers Board.
Timeliness		
Advice on annual reports on performance	Advice received within one month of receipt of report	Achieved Advice provided on all annual reports in addition to the Engineering Associates Registration Board, and the Plumbers, Gasfitters and Drainlayers Board.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Ministerial Services This includes: <ul style="list-style-type: none"> • responses to 70 to 90 (forecast) parliamentary questions • responses to 600 to 680 (forecast) ministerial correspondence items • responses to 440 – 500 (forecast) Official Information Act 1982 and Privacy Act 1993 requests 		
Quality		
Ministerial satisfaction assessed through regular feedback from Ministers	Measure achieved	Achieved
Responses to Official Information Act 1982 and Privacy Act 1993 requests comply with the legislation	100%	Achieved
Timeliness		
Responses to parliamentary questions and ministerial correspondence provided within the deadlines agreed with the Minister	100%	Not Achieved 99% 491 of 496
Responses to Official Information Act 1982 and Privacy Act 1993 requests provided within statutory deadlines	100%	Not Achieved 97% 361 of 370

Housing, Building and Construction Policy Advice

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
6,804	Revenue Crown	9,361	7,731	9,361
91	Revenue Department	123	84	84
-	Revenue other	30	-	-
6,895	Total revenue	9,514	7,815	9,445
6,215	Total expenses	9,433	7,815	9,445
680	Net surplus/(deficit)	81	-	-

PERFORMANCE

This is a new Appropriation in 2011/12. The comparative figures reflect the funding allocated to the Sector and Regulatory Policy output which expired at the end of 2010/11.

Of the \$1.630 million increase in appropriation, \$1.100 million was for additional policy capacity relating to the establishment of the Social Housing Reform Programme, and \$0.530 million for the Tamaki Transformation Programme.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Output Class 4 Occupational Licensing		
This appropriation is limited to the development, implementation and maintenance of the registration and licensing regimes for building practitioners and electrical workers.		
Licensing of Building Practitioners		
Administration and development of the occupational licensing scheme for building practitioners under the Building Act 2004. This is a demand driven activity that will involve issuing about 17,500 licences in 2011/12		
Timeliness		
License building practitioners (Design licensing classes). Priority has been given to enrolling building practitioners in the Canterbury region. While this focus has generated almost 2,000 applications in the Canterbury region alone, there have been delays in processing the high volumes. Additional resource was sourced and the licensing of building practitioners will achieve 95% from April – June	95% within 35 working days of receipt of a correctly completed application	Not Achieved 34% Of the 1,199 applications, 794 did not meet target and went over 35 working days. Applications were above forecast volumes. As a result, completion timeframes increased due to capacity constraints. Additional resources were sourced.
License building practitioners (Non-Design licensing class's not requiring face to face assessments). Priority has been given to enrolling building practitioners in the Canterbury region. While this focus has generated almost 2,000 applications in the Canterbury region alone, there have been delays in processing the high volumes. Additional resource was sourced and the licensing of building practitioners will achieve 95% from April – June	95% within 20 working days of receipt of a correctly completed application	Not Achieved 26% Of the 9,509 applications, 7,066 did not meet target and went over 20 working days. Applications were above forecast volumes. As a result, completion timeframes increased due to capacity constraints. Additional resources were sourced.
License building practitioners (non-Design licensing classes that require face-to-face assessments)	95% within 35 working days of receipt of a correctly completed application	Not Achieved 50% 10 out of 20 applications went over 35 working days. Face-to-face assessments for non-Design applications have been prioritised "low" due to resources available being redirected to standard assessments.
Increase licence volumes through marketing campaign	17,500 licences issued	Achieved Over 21,100 licences were issued.
Quality		
Regulations and rules developed meet our quality standards for policy advice	100%	Achieved 100% Building (Infringement Offences, Fees, and Forms) Regulations amended to establish four RBW offences as infringement offences.
Justified complaints received by the Registrar related to process abnormalities	None	Achieved: none received

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Licensing of Electrical Workers		
Administer the electrical occupational licensing requirements under the Electricity Act 1992. The licensing component is demand driven and will involve registering about 1,600 electrical workers, issuing about 23,000 practising licences and examining around 3,750 candidates per year		
Quality		
Complaints against registered electrical workers. Disciplinary hearing decisions able to be made by the Electrical Workers Registration Board on first time representation by departmental investigators (ie no further investigation or advice necessary for the Board to make a disciplinary decision).	90% of complaints received for disciplinary consideration	Achieved 95% 37 out of 39
Timeliness		
Register electrical workers	95% within 10 working days of receipt of a correctly completed registration application	Achieved 98% 1,581 out of 1,606
Issue practising licences	95% within 10 working days of receipt of a correctly completed licensing application	Achieved 97% 24,276 out of 25,027
Release examinations results	100% within 6 weeks of the date of the examination	Achieved August, September, November, May and June examinations.
Complaints against non-registered electrical workers. Period from the date a complaint is received by the Electrical Workers Licensing Group to be referred to the Registrar for decision on the action to be taken	80% within 12 weeks of receipt	Not Achieved 50% 13 out of 26
Complaints against registered electrical workers. Period from the date a complaint is received by the Registrar to the date the investigators determination is made available to the Electrical Workers Registration Board	95% within 12 weeks of receipt	Not Achieved 86% 50 out of 58 A proportion of complaints not completed within the timeframe were due to third parties taking longer than expected to provide required evidence.

Occupational Licensing

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
40	Revenue Department	36	43	43
7,552	Revenue other	12,646	9,898	9,898
7,592	Total revenue	12,682	9,941	9,941
8,701	Total expenses	10,677	9,966	9,966
(1,109)	Net surplus/(deficit)	2,005	(25)	(25)

PERFORMANCE

From 1 July 2010, funding for Occupational Licensing was transferred from an annual appropriation to a three-year, multi-year appropriation. The figures presented in the Main and Supplementary Estimates columns represent that portion of the three-year appropriation which the Department initially allocated to 2011/12, the second year of the three-year period. The total appropriation for the three-year period to June 2013 was reduced by \$0.043 million to \$27.298 million to reflect the Budget 2011 efficiency savings initiative applying from 1 July 2012.

The activities in this output reflect the combined impact of the Occupational Licensing – Building Practitioners and the Occupational Licensing – Electrical Workers Memorandum Accounts. Refer to pages 84 and 85 for commentary on each account.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Output Class 5 Performance Monitoring and Advice – Social Housing		
This appropriation is limited to the provision of advice to Ministers arising from the monitoring of Housing New Zealand Corporation's current and expected performance, and the monitoring of housing grants provided to Wellington City Council.		
Performance and Monitoring Advice on Housing New Zealand Corporation		
Advice provided to the Minister of Housing demonstrates a sound knowledge of HNZC's business, Ministerial expectations and the environment within which HNZC operates		
Quality		
Quality standards for policy advice met	100%	Achieved 100%
Ministerial satisfaction assessed through regular feedback from the Minister of Housing on the quality of monitoring advice on Housing New Zealand Corporation's performance	Measure achieved	Achieved
Timeliness		
Advice is timely and meets the needs of the Minister to agreed deadlines	100%	Achieved 100%

Performance Monitoring and Advice – Social Housing

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
625	Revenue Crown	778	778	778
12	Revenue Department	9	16	16
637	Total revenue	787	794	794
568	Total expenses	653	794	794
69	Net surplus/(deficit)	134	-	-

PERFORMANCE

Funds in this appropriation were transferred from the previous Performance Monitoring and Advice – Housing New Zealand Corporation appropriation. Additional funds were allocated to recognise the monitoring of Wellington City Council Social Housing programmes, responsibility for which transferred from HNZC to the Department from 1 July 2011. Although expenditure increased from last year as expected, the increase was lower than forecast and led to a surplus for this appropriation.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Output Class 6 Residential Tenancy and Unit Titles Services		
This appropriation is limited to the provision of residential tenancy and unit title dispute resolution services advice, information and education; administration and investment of residential tenancy bond monies; provision of administrative support to the State Housing Appeal Authority.		
Residential Tenancies Act and Unit Titles Act statutory functions		
Manage bond lodgements, refunds and investments as required under the Residential Tenancies Act 1986 and over 53,000 tenancy tribunal applications. Provide advice, education and information and dispute resolution as required under the Unit Titles Act 2010		
Quantity		
Ensure that departmental advice and information will be provided through a range of channels so that clients can access our services at least 90% of the time on a 24 hours a day, 7 days a week basis	90%	Achieved
Quality		
Maintain or improve overall satisfaction of the top 10 landlords (by volume of use) with the Department's delivery of Residential Tenancy Services	Achieved	Not Achieved A survey of the top 10 landlords will be conducted during the first quarter of 2012/13.
Increase the percentage of clients who use electronic channels to access services, advice and information by 30 June 2012	From 30% to 40%	Achieved 41% Bond Management Service transactions were completed using an electronic channel.
Residential tenancy dispute resolution		
Quality		
Best fit dispute resolution identified for claimant at initial application	70% settlement rate for residential tenancy dispute resolution	Not Achieved 58% of applications were resolved at the first method. Whilst we have seen a significant improvement, the final result has been impacted by clients opting back into mediation once a Tribunal hearing has been scheduled and cases being adjourned at the Tenancy Tribunal. 84% of total applications were resolved through the Tribunal or mediation.
State Housing Appeal Authority		
Quality		
Meet the standards set by the Principal Member of the State Housing Appeal Authority for hearing processes and scheduling	Met	Achieved
Unit titles disputes		
Quality		
Meet the performance standards expected to be developed and agreed with the Principal Tenancy Adjudicator	Met	Achieved

Residential Tenancy and Unit Title Services

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
197	Revenue Department	180	246	246
19,839	Revenue other	19,894	21,741	21,741
20,036	Total revenue	20,074	21,987	21,987
20,946	Total expenses	20,369	22,328	22,328
(910)	Net surplus/(deficit)	(295)	(341)	(341)

PERFORMANCE

From 1 July 2010, funding for Residential Tenancy and Unit Titles Services was transferred from an annual appropriation to a three-year, multi-year appropriation. The figures presented in the Main and Supplementary Estimates columns represent that portion of the three-year appropriation which the Department allocated to 2011/12, the second year of the three-year period. The total appropriation for the three-year period to June 2013 is \$67.134 million, having been adjusted to reflect the Budget 2011 efficiency savings applying from 1 July 2012.

Interest income received from the Residential Tenancies Trust Account continues to reflect the impact of reduced interest rates on long-term investments and was lower than forecast.

Due to the reduced revenue, the Department has made best efforts to reduce costs and limit the extent of deficit recorded.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Output Class 7 Weathertight Services		
This appropriation is limited to assessing the eligibility of weathertight homes claims; independent technical assessment of claims, including reports on actual and probable damage with estimated costs of repair; administration of the Financial Assistance Package; claim management until repair or claim lodged with the Weathertight Homes Tribunal; provision of mediation services; and advice, information and education to support more informed consumer decisions.		
Claims Assessment, Management, and Financial Assistance Package Administration		
Quantity		
Provide advice, information and education services to owners of affected dwellings	3,500–4,500	Achieved 5,418 properties with active claims. The Department's Contact Centre received 4,942 calls seeking advice about the FAP and the wider Weathertight Services. The Department's website had 22,281 authentic hits for the year ended June 2012 on the Weathertight Services main page indicating that this is a successful channel for homeowners to obtain information.
Homeowners indicating through the application process an intention to access the Financial Assistance Package	1,500–2,500	Achieved 3,969 homeowners, includes 79% of existing claims lodged before 29 July 2011 and new claims since that date that have indicated an interest in the FAP.
Complete assessments of potentially affected dwelling houses	1,500–2,000	Achieved 2,136 assessments completed.
Quality		
Clients who have contacted the Department are: <ul style="list-style-type: none"> • Satisfied that their service expectations were met • Very satisfied that their service expectations were met 	65% 20%	Achieved 67% Not achieved 11% This was impacted by what stage FAP claims have progressed to in the FAP scheme. Claims Advisors are working closely with claimants with a key focus of setting realistic expectations on the time it will take to get a home repaired. The Department is also working with claimants on the key milestone phases that claimants need to complete and it is actively working with them to move their claim forward. This will improve the speed that a home is repaired and enable the claimant to be more in control of the process.
Assessments carried out for buildings affected by weathertight issues that meet the Department's technical quality standards	100%	Achieved 100%

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Actual cost of repairs is within 20% of the assessed cost to repair as recorded in the Contribution agreement, excluding betterment	75%	Achieved 100% One claim in the financial year was within 1% of the actual cost. It is anticipated that the trend for claimants to remediate in an alternative way to that recommended in their Assessment Report will continue.
Timeliness		
Assessments of multi-unit complexes with 10 or more units completed within times agreed with body corporate or representative	75%	Achieved 95%
Stand alone and multi-unit complexes with two units assessments are completed within the following parameters: <ul style="list-style-type: none"> • Short Form Assessments completed within 50 working days of assessment choice being made by homeowner • Full Assessments completed within 90 working days of assessment choice being made • Addendum Assessments completed within 90 working days of assessment choice being made 	75%	Achieved 93%
Multi-complexes with three to nine units assessments are completed within the following parameters: <ul style="list-style-type: none"> • Short Form Assessments completed within 50 working days of assessment choice being made by body corporate • Full Assessments completed within 120 working days of assessment choice being made • Addendum Assessments completed within 120 working days of assessment choice being made 	75%	Achieved 89% There were no Short Form Assessments completed for multi-unit complexes with three to nine units.
Within 12 months of a claim being accepted by the Department, the claimant has entered into a resolution path and has either: <ul style="list-style-type: none"> • Signed a FAP contribution agreement; or • Indicated a decision to repair prior to lodging a Tribunal claim; or • Lodged with the Weathertight Homes Tribunal; or • Indicated pursuit of an alternate resolution; or closed the claim 	75%	Not Achieved The measured claims were lodged last financial year and many delayed their decisions awaiting FAP commencement. 35% of claims within 12 months after being accepted. The results are improving now that the FAP is bedded in. The result for the month of June was 68%.
Claimants' request for Financial Assistance Package milestone payments are made within 15 working days of the Department's receipt of their request.	100%	Achieved 100%

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Dispute Resolution		
Under section 77 of the Weathertight Homes Resolution Services Act 2006 provide mediation services		
Quantity		
Provide mediation services to up to 200 claimants per annum	Met	Achieved 112 mediations provided. The interest in this service is demand-driven. As more claimants use the FAP the need for mediation to resolve disputes is likely to reduce.
Quality		
The mediation service provided meets agreed standards	Met	Achieved 112 mediations provided.

Weathertight Services

Actual 2011 \$ 000		Actual 2012 \$ 000	Main Estimates 2012 \$ 000	Supplementary Estimates 2012 \$ 000
25,458	Revenue Crown	18,561	52,561	18,561
73	Revenue Department	114	101	101
167	Revenue other	173	113	113
25,698	Total revenue	18,848	52,775	18,775
16,674	Total expenses	15,776	52,662	18,662
9,024	Net surplus/(deficit)	3,072	113	113

PERFORMANCE

The reduction in appropriation of \$34 million reflects surplus funding that proved to no longer be required in the output. The surplus has arisen from operational efficiencies in the administration of the service and claims demand being lower than forecast.

PERFORMANCE MEASURES	BUDGET STANDARD 2011/12	PERFORMANCE TO 30 JUNE 2012
Output Class 8 Social Housing This appropriation is limited to the administration costs of the Social Housing Unit.		
Contribute to growth in the supply of social and affordable housing through the provision of effective operational policy advice, and the efficient and effective delivery of the Social Housing Fund, stock transfer and sector development initiatives		
Quality		
Meet our quality standards for effective operational policy advice.	100%	Achieved 100% All operational policy advice met required quality standards and Ministers' approval.
Process developed for allocating the Social Housing Fund and possible stock transfers.	Meets Government and probity requirements	Tender processes through GETS implemented prior to 30 June 2012. Procurement process was developed in line with Government requirements and the end-to-end process subject to an independent review. No stock transfers were tendered by the SHU in this period. Consideration will be given to possible packages and options for future Government decisions.
Develop various engagement mechanisms with the non-government providers.	Guidelines and requirements met.	Met guidelines and requirements.
Timeliness		
Advice provided as per agreed timelines.	Ongoing	All advice provided within timelines, except in instances where external dependencies led to agreed deferral or postponement.
Process developed in order to allocate funds on time.	Ongoing	Processes were developed in order to allocate funds on time. <ul style="list-style-type: none"> \$36.68 million committed by 30 June 2012 with the remaining \$0.67 million being held over as contingency.
Establish effective systems for the monitoring of non-government providers and their delivery of funded housing.	By 1 December 2012	<ul style="list-style-type: none"> Comprehensive 'Relationship and Grant Agreement' (RGA) developed on time, consistent with best contract management practice now executed with all funded agencies. The RGA includes sufficient provision for the monitoring, collection of performance data, and evaluation of all funded projects and providers.

Social Housing Unit

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
-	Revenue Crown	2,500	-	2,500
-	Revenue Department	14	-	-
-	Total revenue	2,514	-	2,500
-	Total expenses	1,986	-	2,500
-	Net surplus/(deficit)	528	-	-

PERFORMANCE

This appropriation commenced from 1 July 2011 to fund the set-up of the new Social Housing Unit and to administer the Social Housing Fund. The surplus is due to the impact of this being the first year of operations and uncertainties around the level of support required to administer the Fund.

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

Actual 2011		Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000			\$ 000	\$ 000	\$ 000
	Income				
36,004	Revenue Crown		35,842	65,064	35,842
546	Revenue Department		636	590	590
41,486	Revenue other	2	48,948	47,793	47,793
14	Gain on disposal of property, plant and equipment		14	-	-
78,050	Total income		85,440	113,447	84,225
	Expenditure				
33,815	Personnel costs	3	38,283	41,420	34,897
2,834	Depreciation and amortisation expense	8,9	2,915	4,611	2,949
1,323	Capital charge	4	1,331	1,558	1,305
11	Finance costs	5	11	-	-
534	Restructuring costs	12	425	-	-
32,257	Other operating costs	6	40,000	65,344	49,678
70,774	Total expenditure		82,965	112,933	88,829
7,276	Net surplus/(deficit)		2,475	514	(4,604)
7,276	Total comprehensive income		2,475	514	(4,604)

Explanations of major variances against budget are provided in note 22.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

Actual 2011		Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000			\$ 000	\$ 000	\$ 000
17,645	Balance at 1 July		16,309	19,470	16,309
	<i>Comprehensive income/(expense)</i>				
7,276	Surplus/(deficit) for the year		2,475	514	(4,604)
(10,437)	Repayment of surplus to the Crown	11	(4,372)	(514)	(113)
1,825	Capital contributions for fixed assets		-	-	-
16,309	Balance at 30 June	15	14,412	19,470	11,592

Explanations of major variances against budget are provided in note 22.

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

Actual 2011		Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000			\$ 000	\$ 000	\$ 000
Assets					
Current assets					
11,023	Cash and cash equivalents		2,204	3,322	7,087
15,521	Debtors and other receivables	7	19,126	19,785	6,230
265	Prepayments		336	82	265
26,809	Total current assets		21,666	23,189	13,582
Non-current assets					
4,687	Property, plant and equipment	8	3,494	2,979	3,797
7,287	Intangible assets	9	5,991	8,527	9,312
11,974	Total non-current assets		9,485	11,506	13,109
38,783	Total assets		31,151	34,695	26,691
Liabilities					
Current liabilities					
8,866	Creditors and other payables	10	8,766	6,960	11,864
10,437	Repayment of surplus	11	4,372	514	113
315	Provisions	12	475	5,000	315
1,854	Employee entitlements	13	2,151	1,600	1,855
198	Finance leases	14	198	198	198
21,670	Total current liabilities		15,962	14,272	14,345
Non-current liabilities					
258	Provisions	12	218	40	258
199	Employee entitlements	13	410	500	199
347	Finance leases	14	149	413	297
804	Total non-current liabilities		777	953	754
22,474	Total liabilities		16,739	15,225	15,099
16,309	Net assets		14,412	19,470	11,592
Equity					
16,309	Taxpayers' funds	15	17,460	22,850	17,080
-	Memorandum Accounts	15	(3,048)	(3,380)	(5,488)
16,309	Total taxpayers' funds		14,412	19,470	11,592

Explanations of major variances against budget are provided in note 22.

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

Actual 2011		Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000			\$ 000	\$ 000	\$ 000
Cash flows from operating activities					
36,004	Receipts from Crown		35,842	65,064	35,842
46,058	Receipts from other revenue		46,145	37,744	57,672
(30,033)	Payments to suppliers		(40,532)	(60,683)	(46,974)
(34,121)	Payments to employees		(37,640)	(40,964)	(34,651)
(1,323)	Payments for capital charge		(1,331)	(1,558)	(1,305)
(445)	Goods and Services Tax (net)		(265)	-	-
16,140	Net cash flow from operating activities	16	2,219	(397)	10,584
Cash flows from investing activities					
35	Receipts from sale of property, plant and equipment		26	-	-
(369)	Purchase of property, plant and equipment	8	(237)	(584)	(584)
(831)	Purchase of intangible assets	9	(192)	(3,500)	(3,500)
(1,165)	Net cash flow from investing activities		(403)	(4,084)	(4,084)
Cash flows from financing activities					
3,889	Other capital injections		-	-	-
(8,329)	Repayment of surplus		(10,437)	(2,178)	(10,436)
(198)	Payment of finance leases	14	(198)	-	-
(4,638)	Net cash flow from financing activities		(10,635)	(2,178)	(10,436)
10,337	Net (decrease)/increase in cash		(8,819)	(6,659)	(3,936)
686	Cash at the beginning of the year		11,023	9,981	11,023
11,023	Cash at the end of the year		2,204	3,322	7,087

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, a) as the gross amounts do not provide meaningful information for financial statement purposes, and b) to be consistent with the presentation basis of the other primary financial statements.

The Department did not acquire any property, plant and equipment (2011: \$ nil) by means of finance leases during the year.

Explanations of major variances against budget are provided in note 22.

The accompanying notes form part of the financial statements.

STATEMENT OF COMMITMENTS

as at 30 June 2012

Non-cancellable operating lease commitments

The Department leases property and equipment in the normal course of its business. The majority of these leases are for premises, telecommunications equipment and photocopiers, which have a non-cancellable leasing period ranging from one to ten years.

Actual 2011 \$ 000		Actual 2012 \$ 000
	Non-cancellable operating lease commitments	
3,165	Not later than one year	3,495
8,016	Later than one year and not later than five years	6,164
978	Later than five years	546
12,159	Total non-cancellable operating lease commitments	10,205

CAPITAL COMMITMENTS

As at 30 June 2012 there were no capital commitments (2011: nil).

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2012

Quantifiable contingent liabilities

Actual 2011 \$ 000		Actual 2012 \$ 000
	Quantifiable contingent liabilities	
435	Legal proceedings and disputes	75
435	Total contingent liabilities	75

There were five Judicial Reviews at 30 June 2012 totalling \$75,000 (2011: three totalling \$45,000) relating to the Weathertight Homes Resolution Service with a potential for costs to be awarded against the Department.

In the previous year ended 30 June 2011, the Department was named as a defendant in a \$390,000 claim before the Weathertight Homes Tribunal. That claim was subsequently struck out by the Weathertight Homes Tribunal.

Unquantifiable contingent liabilities

The Department has given indemnities in relation to the Canterbury earthquake building performance Technical Investigation to the four consultants carrying out the investigations and the 12 members of the Expert Panel (including one member representing each consultant). The indemnities cover costs from claims

The accompanying notes form part of the financial statements.

STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS CONTINUED
as at 30 June 2012

by third parties against the contractors or their staff in relation to the reports produced, as well as media releases made by the Expert Panel Chair. There is no stated limit on the amount of each indemnity. The indemnities only apply where the contractor has complied with all obligations under the contract.

Contingent assets

The Department had no contingent assets as at 30 June 2012 (2011: nil).

STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2012

Expenditure after remeasurements 2011 \$ 000		Expenditure after remeasurements 2012 \$ 000	Appropriation Voted [^] 2012 \$ 000
Vote Housing			
Annual output expense appropriations			
6,215	Housing, Building and Construction Policy Advice*	9,433	9,445
568	Performance Monitoring and Advice – Social Housing*	653	794
-	Social Housing Unit	1,986	2,500
16,674	Weathertight Services	15,776	18,662
1,559	Canterbury Earthquakes: Arranging and Managing Emergency and Temporary Accommodation	3,289	3,802
25,016	Total annual output expense appropriations	31,137	35,203
Multi-year appropriations (second of three years)			
16,111	Building Regulation and Control	20,782	21,332
8,701	Occupational Licensing	10,677	9,966
20,946	Residential Tenancy and Unit Titles Services	20,369	22,328
45,758	Total multi-year output expense appropriations	51,828	53,626
70,774	Total output expense appropriations	82,965	88,829
Annual capital expenditure appropriation			
1,113	Department of Building and Housing – Capital Expenditure PLA	429	4,084
1,113	Total capital expenditure appropriation	429	4,084

There were no re-measurements during the year.

[^] This includes adjustments made in the Supplementary Estimates.

* For comparative purposes these two annual output expense appropriations were previously titled “Sector and Regulatory Policy” and “Performance Monitoring and Advice – Housing New Zealand Corporation”.

The accompanying notes form part of the financial statements.

STATEMENT OF DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS CONTINUED

for the year ended 30 June 2012

RECONCILIATION OF MULTI-YEAR APPROPRIATIONS

	\$ 000
Building Regulation and Control	
Original appropriation	46,898
Adjustments for 2010/11	2,965
Adjustments for 2011/12	9,900
Total adjusted appropriation	59,763
Actual expenses to 2010/11 year end	(16,111)
Actual expenses to 2011/12 year end	(20,782)
Total actual expenses	(36,893)
Balance of appropriation	22,870
Occupational Licensing	
Original appropriation	27,341
Adjustments for 2010/11	-
Adjustments for 2011/12	(43)
Total adjusted appropriation	27,298
Actual expenses to 2010/11 year end	(8,701)
Actual expenses to 2011/12 year end	(10,677)
Total actual expenses	(19,378)
Balance of appropriation	7,920
Residential Tenancy and Unit Titles Services	
Original appropriation	66,550
Adjustments for 2010/11	830
Adjustments for 2011/12	(246)
Total adjusted appropriation	67,134
Actual expenses to 2010/11 year end	(20,946)
Actual expenses to 2011/12 year end	(20,369)
Total actual expenses	(41,315)
Balance of appropriation	25,819

STATEMENT OF UNAPPROPRIATED EXPENSES AND CAPITAL EXPENDITURE

for the year ended 30 June 2012

Breach of net asset balance for Department

The Department of Building and Housing has exceeded appropriation as at 30 June 2012 by \$2.820 million and at 31 March and 30 April 2012 by \$1.556 million (2011: nil). The Department's net asset holding at

The accompanying notes form part of the financial statements.

STATEMENT OF UNAPPROPRIATED EXPENSES AND CAPITAL EXPENDITURE CONTINUED
for the year ended 30 June 2012

30 June 2012 was \$14.412 million. This is \$2.820 million more than the most recent projected balance of net assets for the Department at 30 June 2012, as set out in the Appropriation (2011/12 Supplementary Estimates) Act 2012. This constitutes a breach of section 22(3) of the Public Finance Act 1989.

This breach is attributed to the Department of Building and Housing operating three multi-year appropriations which are all funded from third-party sources. The forecast budget assumed higher operating deficits across these appropriations, resulting in a large decrease in Net Assets. The final deficits were lower than forecast.

STATEMENT OF TRUST MONIES

for the year ended 30 June 2012

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 2012 are not included in the Department's own financial statements. Movements in these accounts during the year ended 30 June 2012 (as reported to the Treasury) were as follows:

	Opening balance 1 July 2011 \$ 000	Distributions made \$ 000	Capital increase \$ 000	Closing balance 30 June 2012 \$ 000
Trust Accounts				
Certifiers Bond Trust Account	192	(9)	5	188
Weathertight Financial Assistance Package Account	-	(219)	219	-
Residential Tenancies Trust Account	342,009	(151,195)	176,497	367,311

Certifiers Bond Trust Account

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

Weathertight Financial Assistance Package Account

This account is used to hold the building consent authorities' 25% share of repair costs claimed by eligible leaky home owners under the Government's Weathertight Financial Assistance Package prior to payment being made to claimants of both the Government's and the building consent authorities' respective 25% contributions.

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 Residential Tenancies Trust Account, prepared on an accrual accounting basis in conformity with generally accepted accounting practice, is provided on pages 106 to 113.

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

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

The primary objective of the Department is to provide services to the public rather than making a financial return. Accordingly, the Department has designated itself as a public benefit entity (PBE) for the purpose of applying New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements are prepared pursuant to the Public Finance Act 1989, and cover all the activities of the Department of Building and Housing as set out in the 2011/12 Estimates of Annual Appropriations and Departmental Budgets for Vote Housing.

The financial statements were authorised for issue by the Chief Executive of the Ministry of Business, Innovation and Employment on 27 September 2012, under authority from the Minister of Finance in accordance with section 45J of the Public Finance Act 1989. The Department of Building and Housing became part of the new Ministry of Business, Innovation and Employment on 1 July 2012.

Basis of preparation

Statement of compliance

The financial statements of the Department have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and Treasury Instructions.

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Department is New Zealand dollars.

Disestablishment of the Department

From 1 July 2012, the Department of Building and Housing became part of the new Ministry of Business, Innovation and Employment. Therefore, these financial statements have been prepared on a disestablishment basis. Because the assets and liabilities of the Department of Building and Housing have been transferred to the new Ministry, no adjustments have been made to the measurements of assets and liabilities due to the disestablishment basis of preparation. Also, no adjustment has been made to the presentation of assets and liabilities as either current or non-current.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

Changes in accounting policies

As a result of the amalgamation of the Department into the new Ministry of Business, Innovation and Employment from 1 July 2012, immediately after this reporting date, the financial statements have been prepared on a disestablishment basis.

During the financial year the Department adopted the following revisions to accounting standards:

- Amendments to NZ IAS 1 *Presentation of Financial Statements*. The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Department has decided to present this analysis in note 15.
- NZ IAS 24 *Related Party Disclosures (Revised 2009)* which came into effect for all entities with reporting periods commencing on or after 1 January 2011. The revised NZ IAS 24 *Related Party Disclosures*:
 - Removes the previous disclosure concessions applied by the Department for arm's length transactions between the Department and entities controlled or significantly influenced by the Crown. The effect of the revised standard is that more information is required to be disclosed about transactions between the Department and entities controlled or significantly influenced by the Crown.
 - Provides clarity on the disclosure of related party transactions with Ministers of the Crown. Further, with the exception of the Minister for Building and Construction and the Minister of Housing, the Department will be provided with an exemption from certain disclosure requirements relating to transactions with other Ministers of the Crown. The clarification could result in additional disclosures should there be any related party transactions with Ministers of the Crown.
 - Clarifies that related party transactions include commitments with related parties.
- FRS 44 *New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments)* – These were issued in May 2012 with the purpose of harmonising Australia and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments have been adopted for the year ended 30 June 2012. There are no significant effects of FRS 44 and the Harmonisation Amendments on the financial statements of the Department.
- Amendments to NZ IFRS 7 *Financial Instruments: Disclosures* – The amendment reduces the disclosure requirements relating to credit risk. Note 19 has been updated for the amendments.

There have been no other changes in accounting policies during the financial year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted, and which are relevant to the Department, are:

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Department is classified as a Tier 1 reporting entity and would be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Department, reporting as part of the new MBIE from 1 July 2012, expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Department is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

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 included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2012, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

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 using the effective interest method.

Revenue is measured at the fair value of consideration received.

Capital charge

The capital charge is recognised as an expense in the period to which the charge relates.

Statement of cost accounting policies

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

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.

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 or usage information.

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. Headcount is used to allocate those indirect costs that are impacted by staff numbers. Other indirect costs are allocated on the basis of direct expenditure.

There have been no changes in cost accounting policies since the date of the last audited financial statements.

Foreign currency

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

Leases

Finance leases: A finance lease is a lease that transfers to the Department substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

The Department leases communications equipment under a finance lease. The Department recognises the finance lease as an asset and liability in the Statement of Financial Position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is amortised over the term of the lease.

Operating leases: An operating lease is a lease that does not transfer to the Department substantially all the risks and rewards incidental to ownership of an asset.

The Department leases office premises and office equipment. These leases are operating leases and the lease payments are expensed in the period in which they are incurred.

Cash and cash equivalents

Cash includes cash on hand and funds on deposit with the bank.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

Debtors and other receivables

Debtors and other receivables are stated at their estimated realisable value, after provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Department will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in the surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

Property, plant and equipment

Individual assets, or an asset that is part of a group of assets, are capitalised at historical cost if their total cost is greater than \$2,000. Any write-down of an item to its recoverable amount is recognised in the Statement of Comprehensive Income. 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 and communications equipment	20% per annum
Leasehold improvements	10-35% per annum
Furniture and fittings	10% per annum
Computer hardware	25% per annum
Motor vehicles	20% per annum

Leasehold improvements are depreciated 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% of retail value at time of purchase) over three 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.

Intangible assets

Software acquisition and development: Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

Amortisation of intangible assets

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

The useful lives and associated amortisation rates of intangible assets have been estimated as follows:

Acquired computer software 12.5-33% per annum

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to self and value in use.

Value in use is depreciated replacement cost of an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Department would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For the revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For an asset not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

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.

Employee entitlements

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

The Department recognises an expense and a liability for performance payments to staff where it considers a constructive obligation exists at balance date.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as a finance cost.

Equity

Equity is the Crown's investment in the Department, measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds and memorandum accounts.

Memorandum accounts reflect the cumulative surplus/(deficit) on those departmental services provided that are intended to be fully cost recovered from third parties through fees, levies or charges. The balance of each memorandum account is expected to trend toward zero over time.

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 Comprehensive Income.

Commitments

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

Goods and Services Tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of goods and service tax (GST), except for debtors and creditors, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it will be recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

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 activities relating to the acquisition and disposal of non-current assets. Financing activities comprise capital injections by, or repayment of capital to, the Crown.

Critical accounting estimates and assumptions

In preparing these financial statements the Department has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the Department's accounting policies

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, management judgements about significant areas of estimation uncertainty and critical assumptions in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 13 and 14.

NOTE 2: REVENUE OTHER

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates
\$ 000		\$ 000	\$ 000	\$ 000
13,828	Building levies	15,441	15,034	15,034
18,866	Interest from tenancy bonds	18,913	20,942	20,942
1,041	Tenancy Tribunal fees	927	912	912
4,684	Electrical workers' levy and fees	6,026	5,112	5,112
2,868	Licensed building practitioners' levy and fees	6,620	4,786	4,786
-	Productivity Partnership	708	640	640
199	Other	313	367	367
41,486	Total revenue other	48,948	47,793	47,793

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 3: PERSONNEL COSTS

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
32,002	Salaries and wages	36,305	40,448	34,333
446	Recruitment costs	667	-	-
576	Superannuation	361	436	313
205	ACC Levy	131	154	246
27	Fringe Benefit Tax	25	-	-
559	Other (including movements in employee entitlements)	794	382	5
33,815	Total personnel costs	38,283	41,420	34,897

Salaries and wages include payments to employment agencies for temporary and contractor staff.

NOTE 4: CAPITAL CHARGE

The Department pays a capital charge to the Crown on taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2012 was 8.0% (2011: 7.5%).

NOTE 5: FINANCE COSTS

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
11	Interest on finance leases	11	-	-
11	Total finance costs	11	-	-

A finance lease has been entered into for plant and equipment. The net carrying amount of the leased items within each class of property, plant and equipment is shown in note 8.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 6: OTHER OPERATING COSTS

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
3,862	Administration	5,213	5,090	6,890
1,374	Communications	1,353	1,389	1,389
2,228	Computer costs	2,533	2,574	2,574
489	Premises costs	520	555	555
3,417	Rental and leasing costs	3,527	3,625	3,786
1,411	Tenancy Tribunal	1,883	1,871	1,871
3,496	Consultancy	11,287	46,477	10,000
1,582	Travel – domestic and overseas	1,691	1,688	1,688
90	Audit fees for the audit of financial statements	141	80	95
12	Audit fees for the audit of RTTA statements	12	12	12
3	Bad debts written off	8	65	65
14,293	Other expenses	11,832	1,918	20,753
32,257	Total other operating costs	40,000	65,344	49,678

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

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

NOTE 7: DEBTORS AND OTHER RECEIVABLES

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
1,772	Trade debtors and other receivables	1,688	-	-
(54)	Less provision for impairment	(43)	-	-
1,718	Net trade and other receivables	1,645	-	-
13,573	Tenancy bond current account	16,986	20,000	6,000
230	GST receivable	495	(215)	230
15,521	Total debtors and other receivables	19,126	19,785	6,230

The carrying value of debtors and other receivables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

As at 30 June 2012 and 30 June 2011, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Gross 2011 \$ 000	Impairment 2011 \$ 000	Net 2011 \$ 000	Gross 2012 \$ 000	Impairment 2012 \$ 000	Net 2012 \$ 000
Not past due	15,473	-	15,473	18,875	-	18,875
Past due 31-60 days	1	-	1	31	-	31
Past due 61-90 days	1	-	1	-	-	-
Past due > 90 days	100	(54)	46	263	(43)	220
Total	15,575	(54)	15,521	19,169	(43)	19,126

The provision for impairment has been calculated based on a review of specific overdue debtors from the Department's pool of electrical worker debtors and a collective assessment.

Actual 2011 \$ 000		Actual 2012 \$ 000
54	Individual impairment	43
-	Collective impairment	-
54	Total provision for impairment	43

Those specific debtors that are insolvent are fully provided for.

Movements in the provision for impairment of receivables are as follows:

Actual 2011 \$ 000		Actual 2012 \$ 000
60	Balance at 1 July	54
(9)	Increase/(decrease) in the provision made during the year (note 7)	4
3	Receivables written off during the year	(15)
54	Balance at 30 June	43

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	Office equipment \$ 000	Leasehold improvements \$ 000	Furniture and fittings \$ 000	Computer hardware \$ 000	Motor vehicles \$ 000	Total \$ 000
Cost or valuation						
Balance at 1 July 2010	1,246	6,900	670	3,173	501	12,490
Additions	23	18	36	292	-	369
Transferred to intangible assets	86	48	(134)	-	-	-
Disposals	-	-	-	(11)	(69)	(80)
Balance at 30 June 2011	1,355	6,966	572	3,454	432	12,779
Balance at 1 July 2011	1,355	6,966	572	3,454	432	12,779
Additions	-	75	38	124	-	237
Transferred between asset classes	(19)	-	-	19	-	-
Disposals	(48)	(89)	(26)	(254)	(38)	(455)
Balance at 30 June 2012	1,288	6,952	584	3,343	394	12,561
Accumulated depreciation and impairment losses						
Balance at 1 July 2010	469	3,302	277	2,337	349	6,734
Depreciation expense	239	718	44	357	74	1,432
Eliminate on disposal	-	-	-	(11)	(63)	(74)
Balance at 30 June 2011	708	4,020	321	2,683	360	8,092
Balance at 1 July 2011	708	4,020	321	2,683	360	8,092
Depreciation expense	239	716	48	365	59	1,427
Eliminate on disposal	(45)	(89)	(26)	(254)	(38)	(452)
Balance at 30 June 2012	902	4,647	343	2,794	381	9,067
Carrying amounts						
At 1 July 2010	777	3,598	393	836	152	5,756
At 30 June and 1 July 2011	647	2,946	251	771	72	4,687
At 30 June 2012	386	2,305	241	549	13	3,494

Work in progress

The total amount of property, plant and equipment in the course of construction is \$129,101 (2011: \$331,141).

Finance leases

The net carrying amount of office equipment held under finance leases is \$347,257 (2011: \$560,967).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 9: INTANGIBLE ASSETS

	Total acquired software \$ 000
Cost	
Balance at 1 July 2010	10,426
Additions	744
Transferred from property, plant and equipment	-
Disposals	(16)
Balance at 30 June 2011	11,154
Balance at 1 July 2011	11,154
Additions	192
Transferred from property, plant and equipment	-
Disposals	-
Balance at 30 June 2012	11,346
Accumulated amortisation and impairment losses	
Balance at 1 July 2010	2,482
Amortisation expense	1,401
Disposals	(16)
Balance at 30 June 2011	3,867
Balance at 1 July 2011	3,867
Amortisation expense	1,488
Disposals	-
Balance at 30 June 2012	5,355
Carrying amounts	
At 1 July 2010	7,944
At 30 June and 1 July 2011	7,287
At 30 June 2012	5,991

Intangible assets include work in progress of \$6,026 (2011: \$385,063).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 30 June 2012

NOTE 10: CREDITORS AND OTHER PAYABLES

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
4,633	Trade creditors	6,040	5,560	10,465
271	Creditor for fixed assets	-	-	-
2,563	Accrued expenses	1,431	-	-
1,399	Deferred revenue	1,295	1,400	1,399
8,866	Total creditors and other payables	8,766	6,960	11,864

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates fair value.

NOTE 11: REPAYMENT OF SURPLUS

Actual 2011		Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000			\$ 000	\$ 000	\$ 000
7,276	Net surplus/(deficit)		2,475	514	(4,604)
	Adjustment for multi-year appropriation (surpluses)/deficits:				
1,142	Building Regulation and Control	21	3,608	-	4,351
1,109	Occupational Licensing	21	(2,005)	-	25
910	Residential Tenancy and Unit Titles Services	21	294	-	341
3,161	Total of multi-year appropriation adjustments		1,897	-	4,717
10,437	Net surplus payable to the Crown		4,372	514	113

Each year, repayment of the surplus is required by 31 October of the ensuing year. Although revenue and expenditure for multi-year appropriations attributed to the 2011/12 year were separately forecast in both the Main and Supplementary Estimates, their combined impact on the forecast Repayment of Surplus was not taken into account in the calculation of the surplus repayment in the Main Estimates.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 12: PROVISIONS

Actual 2011 \$ 000		Actual 2012 \$ 000	Main Estimates 2012 \$ 000	Supplementary Estimates 2012 \$ 000
	Current provisions are represented by:			
10	Lease make-good	10	5,000	315
305	Restructuring	465	-	-
315	Total current portion	475	5,000	315
	Non-current provisions are represented by:			
29	Lease make-good	29	40	29
229	Restructuring	189	-	229
258	Total non-current portion	218	40	258
573	Total provisions	693	5,040	573

	Leasehold make-good \$ 000	Restructuring \$ 000	Total \$ 000
2011			
Opening balance at 1 July	39	-	39
Additional provisions made	-	534	534
Closing balance at 30 June	39	534	573

2012			
Opening balance at 1 July	39	534	573
Additional provisions made for the year	-	465	465
Provision from previous year reversed	-	(40)	(40)
Provision expensed during the year	-	425	425
Provision utilised during the year	-	(305)	(305)
Closing balance at 30 June	39	654	693

Lease make-good

In respect of a number of its leased premises, the Department is required at the expiry of the lease terms to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Department. In many cases the Department has the option to renew these leases, which impacts on the timing of the expected cash outflows to make good the premises.

Restructuring

The current portion of the restructuring provision relates to the cost of potential redundancies arising from the proposed restructuring of Tier 2 and some Tier 3 positions as a result of transitioning roles into the new Ministry of Business, Innovation and Employment (MBIE).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

The non-current portion of the restructuring provision relates to the cost of expected redundancies when the Canterbury Earthquake Temporary Accommodation Service (CETAS) ceases to be required. Management does not expect this to be incurred within the next 12 months.

NOTE 13: EMPLOYEE ENTITLEMENTS

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
	Current			
1,531	Annual leave	1,762	1,600	1,565
21	Retirement leave	61	-	-
10	Long-service leave	66	-	-
2	Sick leave	62	-	-
290	Other employee entitlements	200	-	290
1,854	Total current	2,151	1,600	1,855
	Non-current			
16	Retirement leave	189	325	-
183	Long-service leave	221	175	199
199	Total non-current	410	500	199
2,053	Total employee entitlements	2,561	2,100	2,054

The present value of the retirement and long-service leave obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

NOTE 14: FINANCE LEASE

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
	Minimum lease payments payable:			
198	Not later than one year	198	198	198
347	Later than one year and not later than five years	149	413	297
545	Total minimum lease payments	347	611	495

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Department. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment, whereas with an operating lease no such asset is recognised.

The Department has exercised its judgement on the appropriate classification of equipment leases, and has determined one lease arrangement to be a finance lease.

NOTE 15: EQUITY

Actual 2011	Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
Taxpayers' Funds				
17,645	Balance at 1 July	16,309	19,470	16,309
7,276	Surplus/(deficit)	2,475	514	(4,604)
1,825	Capital contributions for fixed assets	-	-	-
-	Transfer of net memorandum account accumulated (surpluses)/deficits to 30 June 2011*	20	1,371	1,371
-	Transfer of net memorandum accounts (surplus)/deficit for the year	20	2,220	4,117
(10,437)	Return of operating surplus to the Crown	11	(514)	(113)
16,309	Balance at 30 June	17,460	22,850	17,080
Memorandum Accounts				
-	Balance at 1 July	-	-	-
-	Transfer from taxpayers' funds net memorandum account (surpluses)/deficits to 30 June 2011*	(1,371)	(1,160)	(1,371)
-	Net memorandum accounts (surplus)/deficit for the year	(1,677)	(2,220)	(4,117)
-	Balance at 30 June	20	(3,380)	(5,488)
16,309	Total equity	14,412	19,470	11,592

* As instructed by Treasury, Memorandum Accounts have changed from being notional accounts to 'real' accounts within the Department's total equity effective from 1 July 2011. Details of movements in each of the Department's Memorandum Accounts are disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 16: RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Actual 2011		Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
7,276	Net surplus/(deficit) from operations	2,475	514	(4,604)
	Add/(less) non-cash items			
2,834	Depreciation	2,915	4,611	2,949
(2,064)	Increase/(decrease) in Debtor Crown	-	-	-
113	Increase in non-current employee entitlements	211	-	-
	Add/(less) movements in working capital			
(183)	(Increase)/decrease in prepayments	(71)	-	(1)
5,501	(Increase)/decrease in debtors and receivables	(3,605)	(11,000)	9,290
1,640	Increase/(decrease) in creditors and payables	(5)	116	2,950
360	Increase/(decrease) in deferred revenue	(104)	-	-
534	Increase/(decrease) in provisions	120	5,362	-
143	Increase/(decrease) in current employee entitlements	297	-	-
	Add/(less) investing activity items			
(14)	Net (gain)/loss on sale of property, plant and equipment	(14)	-	-
16,140	Net cash flows from operating activities	2,219	(397)	10,584

NOTE 17: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

Significant transactions with government-related entities

The Department has received funding from the Crown of \$35.842 million (2011: \$36.004 million) to provide services to the public for the year ended 30 June 2012.

Collectively, but not individually significant transactions with government-related entities

In conducting its activities, the Department is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Department is exempt from paying income tax.

The Department also paid for goods and services purchased from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2012 amounted to \$6.578 million (2011: \$6.262 million). These purchases included the cost of air travel from Air New Zealand, legal services from Crown Law Office, Tenancy Tribunal services from the Ministry of Justice, sector standards regulation from Standards New Zealand, capital charge on funds from Treasury and postal services from New Zealand Post.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

Transactions with key management personnel and their close family members

Key management personnel compensation

Actual 2011 \$ 000		Actual 2012 \$ 000
1,381	Salaries and other short-term employee benefits	1,899
-	Post-employment benefits	34
77	Termination benefits	61
1,458	Total key management personnel compensation	1,994

Key management personnel include the Chief Executive and seven Tier 2 managers. With respect to the remuneration of the Chief Executive, it does not include any provision for redundancy or termination payments.

The above key management personnel compensation excludes the remuneration and other benefits the Minister for Building and Construction and Minister of Housing receive. The Ministers' remuneration and other benefits are not received only for their role as a member of key management personnel of the Department. The Ministers' remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and are not paid by the Department.

There are no related party transactions involving key management personnel or their close family members (2011: nil).

NOTE 18: EVENTS AFTER BALANCE DATE

The Department was disestablished on 30 June 2012. The functions, duties and powers of the Department are now the functions, duties and powers of the new Ministry of Business, Innovation and Employment (MBIE) with effect from 1 July 2012. The Department's assets, rights, liabilities, contracts, entitlements and engagements have been transferred to this new Ministry.

On 3 September 2012, the new Ministry of Business, Innovation and Employment (a merger of the Ministry of Economic Development, Ministry of Science and Innovation, Department of Building and Housing and Department of Labour) released a proposal for consultation on the detailed design of the new organisation. The proposal included a net reduction of 95 positions across the four combined entities. At the time of completion of these financial statements, the outcome of the proposal was uncertain and the associated financial effects unquantifiable.

There have been no other significant events after the balance date.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 19: 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.

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 denominated 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 apart from that which is recorded in the financial statements relating to the Residential Tenancies Trust Account.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 20: MEMORANDUM ACCOUNTS

Actual 2011 \$ 000		Actual 2012 \$ 000	Main Estimates 2012 \$ 000	Supplementary Estimates 2012 \$ 000
Building Controls				
11,918	Balance at 1 July	10,748	10,390	10,748
13,871	Revenue (primarily from building levy)	15,464	15,284	15,034
(15,041)	Expenses	(19,182)	(17,809)	(19,652)
(1,170)	Surplus/(deficit) for the year	(3,718)	(2,525)	(4,618)
10,748	Balance at 30 June	7,030	7,865	6,130
Occupational Licensing – Building Practitioners				
(14,309)	Opening balance at 1 July	(15,673)	(15,682)	(15,673)
2,868	Revenue	6,620	4,786	4,786
(4,232)	Expenses	(6,274)	(5,267)	(5,174)
(1,364)	Surplus/(deficit) for the year	346	(481)	(388)
(15,673)	Balance at 30 June	(15,327)	(16,163)	(16,061)
Occupational Licensing – Electrical Workers				
3,645	Opening balance at 1 July	3,862	4,202	3,862
3,993	Revenue	5,335	4,464	4,421
(3,776)	Expenses	(3,611)	(4,229)	(4,083)
217	Surplus/(deficit) for the year	1,724	235	338
3,862	Balance at 30 June	5,586	4,437	4,200
National Multi Use Approvals				
(88)	Opening balance at 1 July	(308)	(70)	(308)
58	Revenue	33	1,007	1,007
(278)	Expenses	(62)	(456)	(456)
(220)	Surplus/(deficit) for the year	(29)	481	243
(308)	Balance at 30 June	(337)	411	(65)
Total Memorandum Accounts				
1,166	Opening balance at 1 July	(1,371)	(1,160)	(1,371)
20,790	Revenue	27,452	25,541	25,248
(23,327)	Expenses	(29,129)	(27,761)	(29,365)
(2,537)	Surplus/(deficit) for the year	(1,677)	(2,220)	(4,117)
(1,371)	Balance at 30 June	(3,048)	(3,380)	(5,488)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

These accounts summarise financial information relating to the accumulated surpluses and deficits incurred in the provision of services required under statute administered by the Department on a full cost recovery basis.

Previously, memorandum accounts were 'notional' accounts included for transparency around outputs that are fully cost recovered from third parties through the fees charged for services. Effective from 1 July 2011, all government department memorandum accounts were required to change from being 'notional' accounts requiring note disclosure to being 'real' accounts requiring separate recognition within the financial statements.

These transactions are included as part of the Department's operating income and expenses in the surplus/ (deficit). However, effective from 1 July 2011, these transactions will be excluded from the calculation of the Department's return of operating surplus (refer note 11). The cumulative balance of the surplus/(deficit) of the memorandum accounts is recognised as a component of equity (refer note 15).

The balance of each memorandum account is expected to trend toward zero over a reasonable period of time, with interim deficits being met either from cash from the Department's Statement of Financial Position or by seeking approval for a capital injection from the Crown. Capital injections will be repaid to the Crown by way of cash payments throughout the memorandum account cycle.

Action taken to address surpluses

Building Controls

The surpluses accumulated to 30 June 2011 have been applied to funding increased expenditure during the current year. The increase in expenditure arose from increased activity relating to the Canterbury Earthquakes Technical Investigation, and will continue into the following year. The current forecast of building levy revenue indicates an increase over the medium term.

Occupational Licensing – Electrical Workers

The new fees are set at a level intended to utilise the current accumulated surpluses to fully fund expenditure. A further fees review will be conducted before all accumulated surpluses are exhausted.

Action taken to address deficits

Occupational Licensing – Building Practitioners

The cost structures supporting this activity are due to be reviewed with the objective of reducing the large deficit.

National Multi Use Approvals (MultiProof)

A revised scope of work to generate increased business is currently being considered to ensure that this component of the building reforms meets the needs of the sector.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 21: MULTI-YEAR APPROPRIATIONS

Multi-year appropriations (MYAs) were established from 1 July 2010 to provide flexibility in planning and delivering services for each of the following appropriations:

Actual 2011 \$ 000		Actual 2012 \$ 000	Main Estimates 2012 \$ 000	Supplementary Estimates 2012 \$ 000
Building Regulation and Control				
-	Funding brought forward at 1 July	(1,142)	5,152	(2,178)
14,969	Revenue	17,174	16,981	16,981
(16,111)	Expenses	(20,782)	(16,214)	(21,332)
(1,142)	Surplus/(deficit) for the year	(3,608)	767	(4,351)
(1,142)	Funding carried forward at 30 June	(4,750)	5,919	(6,529)
Occupational Licensing				
-	Funding brought forward at 1 July	(1,109)	(167)	(362)
7,592	Revenue	12,682	9,941	9,941
(8,701)	Expenses	(10,677)	(9,966)	(9,966)
(1,109)	Surplus/(deficit) for the year	2,005	(25)	(25)
(1,109)	Funding carried forward at 30 June	896	(192)	(387)
Residential Tenancy and Unit Titles Services				
-	Funding brought forward at 1 July	(910)	542	(1,395)
20,036	Revenue	20,075	21,987	21,987
(20,946)	Expenses	(20,369)	(22,328)	(22,328)
(910)	Surplus/(deficit) for the year	(294)	(341)	(341)
(910)	Funding carried forward at 30 June	(1,204)	201	(1,736)
Total Multi-year Appropriations				
-	Funding brought forward at 1 July	(3,161)	5,527	(3,935)
42,597	Revenue	49,931	48,909	48,909
(45,758)	Expenses	(51,828)	(48,508)	(53,626)
(3,161)	Total Multi-year Appropriations surplus/(deficit) for the year	(1,897)	401	(4,717)
(3,161)	Funding carried forward at 30 June	(5,058)	5,928	(8,652)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 22: EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Statement of Comprehensive Income

Revenue Other

Interest from the Residential Tenancies Trust Account was \$2 million less than initially forecast as, on average, rates over all banks the Bond Fund invests with continued to decrease against those rates expected within the budget.

The licensed building practitioners' levy and fees increased by \$1.8 million against the initial forecast as the requirement to be licensed to perform restricted building work became compulsory from 1 March 2012.

Personnel Costs

The salary forecast fluctuated from the initial budget due to significant changes in the work the Department was involved in, particularly due to the Canterbury earthquakes. The recruitment costs were due to the establishment of the two new units for the Social Housing Unit and the Social Housing Reform Programme. The high "Other" category reflects the large increase in the Employee Entitlements due to the low level of annual leave taken during the period.

Restructuring Costs

This restructuring cost represents an estimate of the redundancy costs that will arise as a result of the merger of the Department into the new Ministry of Business, Innovation and Employment. As at 30 June 2012, the Tier 2 and some Tier 3 roles were identified as being directly affected by this announcement.

Other Operating Costs

Total Other Operating Costs were \$9 million lower than budget. The main factors in this were the under-spend in the Weathertight Services appropriation (mainly due to the slow uptake of the Financial Assistance Package) and the balance from reductions in spending within the Residential Tenancy and Unit Titles multi-year appropriation as the Department responded to the lower-than-forecast third-party revenue.

Statement of Financial Position

Cash and Cash Equivalents

Cash and cash equivalents were \$4.8 million lower at year end than forecast due to the high level of funds kept in the Residential Tenancies Trust Account and reflected as a debtor to the Department.

Debtors and Other Receivables

The significant debtor in this category is the Residential Tenancies Trust Account which holds interest revenue that is payable to the Department. This debtor was higher at the year end than was initially forecast.

Intangible Assets

Total intangible assets were \$3.3 million lower at year end than budget due to the upgrade of the Residential Tenancies Trust Account system not commencing in the 2011/12 year due to the announcement of the merger into the new Ministry.

Repayment of Surplus

The repayment of surplus liability is \$4.7 million higher than forecast. See Note 11 for a detailed explanation of this result.

Non-departmental schedules and statements

The following non-departmental schedules and statements record the income, expenses, assets, liabilities, commitments, contingent liabilities and contingent assets that the Department manages on behalf of the Crown.

SCHEDULE OF NON-DEPARTMENTAL REVENUE AND RECEIPTS

for the year ended 30 June 2012

Actual 2011	Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
Non-tax revenue				
71,000	Dividend from Housing New Zealand Corporation	68,000	62,000	68,000
-	Weathertight Services: loan guarantee fees	-	200	200
-	Rental income from Canterbury Earthquake Temporary Accommodation	624	-	-
-	Proceeds from Housing Agency Account	-	16,873	-
-	Sale of Canterbury Earthquake Temporary Accommodation Units	252	-	-
71,000	Total non-departmental revenue and receipts	68,876	79,073	68,200

The accompanying notes form part of the financial schedules and statements.

STATEMENT OF NON-DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

for the year ended 30 June 2012

Actual 2011	Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
Non-departmental output expenses				
6,647	Contracted Housing Support Services	886	2,400	1,410
9,741	HNZC Housing Support Services	15,383	15,343	15,383
2,554	Housing Policy Advice	-	-	-
1,217	Management of Crown Properties held under the Housing Act 1955	1,387	1,395	1,395
	Purchase of Housing and Related Services for Tenants			
553,121	Paying Income Related Rent	579,522	587,115	588,888
240	Canterbury Earthquake: Short Term Housing Assistance	-	-	-
	Canterbury Earthquakes: Emergency and Temporary			
2,163	Accommodation	6,442	9,517	16,845
575,683	Total non-departmental output expenses	603,620	615,770	623,921
Benefits and other unrequited expenses				
1,519	Housing Assistance	1,490	1,729	1,554
2,791	KiwiSaver Deposit Subsidy	9,466	5,200	10,626
4,310	Total benefits and other unrequited expenses	10,956	6,929	12,180
Other expenses to be incurred by the Crown				
3,843	Community Housing Rent Relief Programme	3,778	4,150	4,150
3,527	Increase in Debt Provision	11,571	5,000	8,000
37,500	Wellington City Council Social Housing Assistance	43,500	43,500	43,500
7,993	Housing Innovation Fund Grants	-	-	-
	Weathertight Services Financial Assistance Package:			
566,500	Present Value of Direct Payments	-	-	-
-	Weathertight Direct Payments: Unwind Discount Rate	27,332	1,100	1,100
-	Weathertight Loan Guarantee Payments (PLA)	-	30	30
-	Weathertight Services: Guarantee Fee Subsidy – MYA *	95	200	200
-	Social Housing Fund	2,562	-	37,350
619,363	Total other expenses to be incurred by the Crown	88,838	53,980	94,330

* This appropriation is a five-year, multi-year appropriation from 1 July 2010 to 30 June 2015.

Table continued over

The accompanying notes form part of the financial schedules and statements.

STATEMENT OF NON-DEPARTMENTAL EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS CONTINUED

for the year ended 30 June 2012

Actual 2011	Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000		\$ 000	\$ 000	\$ 000
Capital expenditure				
15		-	27	27
	Capital injections to Housing New Zealand Corporation for Housing Activities			
4,365		5,575	19,142	12,573
	Acquisition and Development of properties under the Housing Act 1955			
18,011		6,426	9,300	9,300
	Acquisition & Improvement of Housing New Zealand Corporation state houses			
7,993		-	-	-
	Loans to support Social and Affordable Housing			
160,757		175,495	175,496	175,496
	Refinancing of Housing New Zealand Corporation and Housing New Zealand Limited Debt			
2,988	5	11,910	-	18,946
	Canterbury Earthquake: Acquisition of Emergency and Temporary Accommodation**			
194,129	Total capital expenditure	199,406	203,965	216,342
1,393,485	Total non-departmental expenditure and capital expenditure against appropriations	3	902,820	880,644

** \$4.0 million of the Canterbury Earthquake: Acquisition of Emergency and Temporary Accommodation Supplementary Estimates was transferred to 2012/13 after the Supplementary Estimates were approved.

STATEMENT OF NON-DEPARTMENTAL UNAPPROPRIATED EXPENSES AND CAPITAL EXPENDITURE

for the year ended 30 June 2012

The following item of unappropriated expense occurred at 31 March 2012:

Unappropriated expenditure 31/03/11 \$ 000		Actual expense 31/03/12 \$ 000	Appropriation voted 31/03/12 \$ 000	Unappropriated expenditure 31/03/12 \$ 000
691	KiwiSaver Deposit Subsidy	6,196	5,200	996

This appropriation was exceeded by \$0.996 million as at 31 March 2012 due to a significant increase in demand for the scheme. As the increase in expenditure occurred before the Minister of Finance approved the March Baseline Update on 13 April 2012, a breach of appropriation occurred in March 2012 only. The Department has followed due process under section 26C of the Public Finance Act 1989 to get the unappropriated expenditure approved by Parliament. The KiwiSaver Deposit Subsidy annual appropriation was underspent for the year ended 30 June 2012.

The accompanying notes form part of the financial schedules and statements.

STATEMENT OF NON-DEPARTMENTAL UNAPPROPRIATED EXPENSES AND CAPITAL EXPENDITURE CONTINUED

for the year ended 30 June 2012

The following items were unappropriated for the full year ended 30 June 2012:

Unappropriated expenditure 30/06/11 \$ 000		Actual expense 30/06/12 \$ 000	Appropriation voted 30/06/12 \$ 000	Unappropriated expenditure 30/06/12 \$ 000
	Other expenses to be incurred by the Crown			
-	Weathertight Direct Payments: Unwind Discount Rate	27,332	1,100	26,232
-	Increase in Debt Provision	11,571	8,000	3,571
	Capital expenditure			
1,366	Canterbury Earthquake: Acquisition of Emergency and Temporary Accommodation	-	-	-

Weathertight Direct Payments: Unwind Discount Rate

As at 30 June 2011, the Department reported a provision for the present value of the future payments of Weathertight Financial Assistance Package (FAP) claims of \$566.5 million. At that time, the forecast actual expenditure was \$691.9 million. When the funding structure for the FAP was established, an appropriation totalling \$112.9 million for unwinding of the discount was approved for over the 2011/12 to 2017/18 outyear period. Of this amount, \$1.1 million was allocated to the 2011/12 year on the basis that there would be low levels of contributions made in the first year. However, this omitted the impact from 'unwinding' the first-year component of the discounted future payment stream through to the end of the scheme. This became evident upon receiving the Actuaries' report on the updated estimated present value of future contributions as at 30 June 2012. Based on the Actuaries' report, \$27.332 million was required to be recognised as the unwind of the discount rate for the 2011/12 year.

Increase in Debt Provision

The basis for calculating estimated recovery of individual debts in respect of income related rental subsidies was changed for 2012. Previously the provision was based on including the full amount of all individual debts, and only those debts for which no repayments had been received within 30 days prior to month end. The provision is now based on the age of individual debts and how long it will take to recover the entire debt. This change in estimation had resulted in a significant increase in the amount of the provision recognised as at 30 June 2012. As the change to the basis for calculating the provision was implemented subsequent to approval of the Supplementary Estimates, the corresponding Increase in Debt Provision recorded between 30 June 2011 and 30 June 2012 exceeded the amount appropriated for the year by \$3.571 million. The Department has followed due process under section 26C of the Public Finance Act 1989 to seek approval of the unappropriated expenditure by Parliament.

The accompanying notes form part of the financial schedules and statements.

SCHEDULE OF NON-DEPARTMENTAL ASSETS

as at 30 June 2012

Actual 2011		Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000			\$ 000	\$ 000	\$ 000
Current assets					
31,221	Cash and cash equivalents		47,039	18,449	13,277
24,767	Debtors and other receivables	4	18,023	23,347	22,888
11,530	Assets held for sale	5	1,768	-	-
67,518	Total current assets		66,830	41,796	36,165
Non-current assets					
112,187	Physical assets	5	126,790	135,272	143,706
-	Term loans		1,594	-	-
112,187	Total non-current assets		128,384	135,272	143,706
179,705	Total assets		195,214	177,068	179,871

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

as at 30 June 2012

Actual 2011		Note	Actual 2012	Main Estimates 2012	Supplementary Estimates 2012
\$ 000			\$ 000	\$ 000	\$ 000
Current liabilities					
41,071	Creditors and other payables	6	21,111	24,346	39,171
11,500	Provisions	7	21,173	-	11,500
52,571	Total current liabilities		42,284	24,346	50,671
Non-current liabilities					
555,000	Provisions	7	168,158	686,600	555,000
555,000	Total non-current liabilities		168,158	686,600	555,000
607,571	Total liabilities		210,442	710,946	605,671

The accompanying notes form part of the financial schedules and statements.

SCHEDULE OF COMMITMENTS

as at 30 June 2012

Actual 2011 \$ 000		Actual 2012 \$ 000
	Non-cancellable operating lease commitments	
106	Not later than one year	-
-	Later than one year and not later than five years	-
-	Later than five years	-
106	Total non-cancellable operating lease commitments	-
	Social Housing Fund grants	
-	Not later than one year	34,118
-	Later than one year and not later than five years	-
-	Later than five years	-
-	Total Social Housing Fund grants	34,118
	Capital commitments	
2,160	Not later than one year	7,810
-	Later than one year and not later than five years	-
-	Later than five years	-
2,160	Total capital commitments	7,810
2,266	Total commitments	41,928

The allocation of funding for Social Housing Fund grants of \$37.350 million was not fully expended by 30 June 2012, with an underspend of \$34.788 million. The actual spend is dependent on the timing of non-government providers' land acquisition and construction timelines. The underspend will be transferred into 2012/13 as \$36.680 million of the funding is contractually committed.

The Housing Agency Account has a \$0.510 million capital commitment in relation to the Gateway houses under contract. The Department has a \$7.300 million capital commitment to build further temporary housing as part of the response to the Canterbury earthquakes.

The accompanying notes form part of the financial schedules and statements.

SCHEDULE OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS

as at 30 June 2012

Quantifiable contingent liabilities

Actual 2011 \$ 000		Actual 2012 \$ 000
440	Contract disputes	-
48,000	HNZC loan indemnity	48,000
48,440	Total contingent liabilities	48,000

The Crown has provided an indemnity to Christchurch City Council in relation to the use of reserve land for temporary accommodation purposes. This is estimated to be around \$5.490 million.

There is also a contingency relating to Housing New Zealand Corporation (HNZC). From 1996 to 1999, HNZC sold a significant portion of its Crown mortgage portfolio to Westpac Banking Corporation. As a condition of the sale, HNZC on behalf of the Crown agreed to indemnify Westpac against any future losses arising from default. The indemnity applies over the life of the respective loans. The Crown's liability under this indemnity is currently estimated to continue until 2026, with the maximum exposure actuarially assessed at \$48 million.

Unquantifiable contingent liabilities

Guarantees and indemnities

The Crown has provided a warranty in respect of title to the assets transferred to Housing New Zealand Limited (HNZL). HNZL was incorporated into the HNZC group as a subsidiary in 2001 as part of a legislated consolidation of government housing functions. The Crown has indemnified HNZL against any breach of this warranty. In addition, the Crown has indemnified HNZL against any third-party claims that are a result of acts or omissions prior to 1 November 1992. It has also indemnified the directors and officers of HNZL against any liability consequent upon the assets not complying with statutory requirements, provided it is taking steps to rectify any non-compliance.

As part of the Financial Assistance Package for the Weathertight Services scheme, the Crown has agreements with trading banks on a loss share arrangement in order to assist homeowners to access bank finance for the remaining agreed repair costs. The appropriation to cover this expenditure can be seen in the Statement of Non-departmental Expenses and Capital Expenditure Against Appropriations – line item "Weathertight Services: Guarantee Fee Subsidy".

Contingent assets

The Department, on behalf of the Crown, had no contingent assets as at 30 June 2012 (2011: nil).

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS

for the year ended 30 June 2012

NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Reporting entity

These non-departmental schedules and statements present financial information on public funds managed by the Department on behalf of the Crown.

The schedules of non-departmental assets and liabilities incorporate the financial transactions of the Crown activities administered by the Department and also the Housing Agency Account assets and liabilities administered by Housing New Zealand Corporation (HNZC).

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should be made to the Financial Statements of the Government.

Accounting policies

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with relevant Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies have been applied.

Budget figures

The budget figures are consistent with the financial information in the Main Estimates. In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

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 they 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.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED

for the year ended 30 June 2012

Goods and Services Tax (GST)

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

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 Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for the year ended 30 June 2012.

Critical accounting estimates and assumptions

In preparing these financial statements, the Department has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical assumptions in applying the non-departmental accounting policies

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Credit risk

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

There are no major concentrations of credit risk for trade debtors.

NOTE 2: NON-DEPARTMENTAL REVENUE AND RECEIPTS

The Schedule of Non-departmental Revenue and Receipts summarises non-departmental revenue that the Department records on behalf of the Crown.

NOTE 3: NON-DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENSES AGAINST APPROPRIATIONS

The Statement of Non-departmental Expenses and Capital Expenditure Against Appropriations details expenditure incurred against each appropriation administered by the Department on behalf of the Crown.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED
for the year ended 30 June 2012

NOTE 4: DEBTORS AND OTHER RECEIVABLES

Actual 2011 \$ 000		Actual 2012 \$ 000
28,345	Income related rent debt	38,177
(14,377)	Less: provision for doubtful debts	(25,948)
13,968	Net realisable value	12,229
1,569	Prepayment of income related rental subsidy	-
6,662	Prepayments by the Housing Agency Account	1,356
2,568	Receivable from Housing New Zealand Corporation	4,438
24,767	Total receivables and prepayments	18,023

The carrying value of receivables and prepayments approximates their fair value.

As at 30 June 2012 and 30 June 2011, all overdue receivables have been assessed for impairment and appropriate provisions applied, as detailed below:

	Gross 2011 \$ 000	Impairment 2011 \$ 000	Net 2011 \$ 000	Gross 2012 \$ 000	Impairment 2012 \$ 000	Net 2012 \$ 000
Not past due	11,149	-	11,149	7,584	-	7,584
Past due 31-60 days	914	-	914	1,820	(8)	1,812
Past due 61-90 days	1,165	-	1,165	447	(199)	248
Past due > 90 days	25,916	(14,377)	11,539	34,120	(25,741)	8,379
Total	39,144	(14,377)	24,767	43,971	(25,948)	18,023

The provision for impairment has been based on the non-departmental Increase in Debt Provision appropriation.

Movement in the provision for doubtful debts is as follows:

Actual 2011 \$ 000		Actual 2012 \$ 000
(10,850)	Balance at 1 July	(14,377)
(3,527)	Additional provisions made during the year	(11,571)
(14,377)	Balance at 30 June	(25,948)

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED
for the year ended 30 June 2012

NOTE 5: PHYSICAL ASSETS

	Canterbury Earthquakes	Housing Agency Account				Total \$ 000
	Buildings and Ground Works \$ 000	Land \$ 000	Buildings \$ 000	Plant and Equipment \$ 000	Furniture and Fittings \$ 000	
Cost						
Balance at 1 July 2010	-	111,213	9,106	-	-	120,319
Reclassification	-	4,295	(4,295)	-	-	-
Additions	2,988	305	122	97	26	3,538
Revaluation	-	-	(120)	-	-	(120)
Disposals	-	-	-	-	-	-
Balance at 30 June 2011	2,988	115,813	4,813	97	26	123,737
Balance at 1 July 2011	2,988	115,813	4,813	97	26	123,737
Transferred to Assets Held for Resale	(1,768)	-	-	-	-	(1,768)
Reclassification	-	-	-	-	-	-
Additions	11,910	145	2,990	-	-	15,045
Revaluation	-	-	(120)	-	-	(120)
Disposals	-	(3,674)	(3,183)	-	-	(6,857)
Balance at 30 June 2012	13,130	112,284	4,500	97	26	130,037
Accumulated depreciation and impairment losses						
Balance at 1 July 2010	-	-	-	-	-	-
Depreciation expense	-	-	120	18	2	140
Revaluation	-	-	(120)	-	-	(120)
Disposals	-	-	-	-	-	-
Balance at 30 June 2011	-	-	-	18	2	20
Balance at 1 July 2011	-	-	-	18	2	20
Depreciation expense	3,205	-	120	19	3	3,347
Revaluation	-	-	(120)	-	-	(120)
Disposals	-	-	-	-	-	-
Balance at 30 June 2012	3,205	-	-	37	5	3,247
Carrying amounts						
At 1 July 2010	-	111,213	9,106	-	-	120,319
At 30 June and 1 July 2011	2,988	115,813	4,813	79	24	123,717
At 30 June 2012	9,925	112,284	4,500	60	21	126,790

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED
for the year ended 30 June 2012

NOTE 6: PAYABLES

Actual 2011 \$ 000		Actual 2012 \$ 000
	Current	
	Payable to Housing New Zealand Corporation	
7,812	– Output expenses	1,992
122	– Housing assistance	123
691	– KiwiSaver deposit subsidy	1,077
17,420	– Capital injection	9,725
26,045	Total payable to Housing New Zealand Corporation	12,917
11,670	Income in advance	479
-	Financial Assistance Package contributions	15
3,356	Other payables	7,700
41,071	Total payables	21,111

NOTE 7: PROVISIONS

Actual 2011 \$ 000		Actual 2012 \$ 000
	Current provisions are represented by:	
11,500	Weathertight Services Financial Assistance Package (FAP)	18,400
-	- Weathertight Services: Guarantee Fee Subsidy	32
-	- Housing Agency Account (HAA)	2,741
11,500	Total current portion	21,173
	Non-current provisions are represented by:	
555,000	Weathertight Services Financial Assistance Package (FAP)	168,100
-	- Weathertight Services: Guarantee Fee Subsidy	58
555,000	Total non-current portion	168,158
566,500	Total provisions	189,331

Provision for Weathertight Services Financial Assistance Package

This provision represents the Government's obligation to contribute 25% of agreed repair costs to eligible owners of leaky homes under the Weathertight Services Financial Assistance Package.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED

for the year ended 30 June 2012

Description of Weathertight Services Financial Assistance Package (FAP)

The FAP offers qualifying homeowners a share of the agreed actual repair cost of repairing leaky homes. The Government and the territorial authority (if the territorial authority is participating in the FAP) each pay 25% of the agreed repair cost and the homeowner pays the remaining 50%. Under the FAP the homeowner agrees not to sue contributing territorial authorities and the Government, although homeowners can still pursue other liable parties such as builders, developers and manufacturers of defective products.

The FAP scheme became available to homeowners from 29 July 2011 and eligible homeowners must lodge claims with the Department of Building and Housing prior to 29 July 2016. The 10-year limitation on lodging a weathertight claim means that over time the forecast eligible claims will reduce.

Key Assumptions

Due to the early stage of the claims process for this support package, there is considerable uncertainty attached to this provision and what the ultimate cost of the Government's contribution will be under the FAP.

Because there were no claims as at June 2011 under the FAP, actuarial analysis of experience was not possible. Therefore the Department of Building and Housing management estimated the provision applying three critical assumptions; the number of eligible homes, the take-up rate, and the cost of repair.

The most critical assumption in estimating the Government's obligations under the FAP is the number of weathertightness failures in New Zealand, from which a forecast of eligible claims can be derived, recognising the requirement that houses must have been built or altered (if the alterations leak) within 10 years of the date of lodging a claim.

In 2009, a report prepared by PricewaterhouseCoopers (PwC) estimated the total number and economic costs of weathertightness failures in New Zealand. The total estimated failures were in the range of 22,000 to 89,000, with experts agreeing on a consensus of approximately 42,000 failures. After taking into account those dwellings that were outside the 10-year eligibility period and a 70% take-up by those remaining, the provision as at 30 June 2011 assumed that 11,040 dwellings would enter the scheme.

As at 30 June 2012, after the first 11 months of the scheme, the actuary did not try to reconcile back to the PwC estimate but applied actual claim information and knowledge across the sector to develop an estimate of the weathertightness failures. This projected that 14,721 dwellings were affected.

The second most critical assumption is the take-up rate for the scheme. In preparing the provision as at 30 June 2011, given the absence of historical data or sufficiently comparable programmes that may be used as a proxy, a take-up rate of 70% was estimated.

In updating this estimate as at 30 June 2012, the assumed take-up of dwellings will now be 3,544. This assumes a 40% take-up rate for single dwellings and 15% for multi-unit properties.

The third critical assumption is the assumed average cost of repair per eligible home. As at 30 June 2011 the average cost was estimated to be \$241,474. The 30 June 2012 estimate is based on improved information and has been split between single dwellings at \$336,741, and multi-unit dwellings at \$134,696.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED
for the year ended 30 June 2012

Uncertainties

There are several reasons why the estimates are subject to a high level of uncertainty:

- The ultimate number and costs of leaky buildings claims is inherently uncertain
- The financial projection model is a simplification of the complex reality of the actual claims processes and, to the extent that hidden or unmodelled relationships are present, the model will be unreliable
- The past experience may not be a good guide as to what will happen in the future
- The data on which the analysis is based, and from which the assumptions are derived, is limited.

Sensitivity Analysis

Sensitivity for the FAP provision against the three critical assumptions above is as follows:

Sensitivity summary

ASSUMPTION	CHANGE	TOTAL COST AT 30 JUNE 2012 \$M	IMPACT ON PROVISION AT 30 JUNE 2012 \$M
Central estimate		186.5	
Take-up rates	+10%	204.1	+17.7
	-20%	151.1	-35.3
Repair costs	+10%	205.1	+18.6
	-10%	167.8	-18.6
Number of eligible houses	+1,000	199.6	+13.1
	-1,000	173.3	-13.1

NOTE 8: EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Non-tax revenue

Dividend received from HNZN increased from the original budget due to plans to fund the Social Housing Reform Programme in 2012/13.

Non-departmental output expenses

The appropriation for Canterbury Earthquakes: Emergency and Temporary Accommodation was underspent by \$10.403 million at year end. Due to the responsive nature of this output, this level of underspend was forecast and approval to carry forward \$10.233 million to future years was obtained.

Non-departmental other expenses

The Social Housing Fund was underspent by \$34.788 million as at 30 June 2012. This is the first year of the Fund and grants have been approved covering most of the appropriation. These grants will be recorded once all grant conditions are met. The full underspend will be transferred into 2012/13 to ensure the funding is still available to the social housing sector.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS CONTINUED
for the year ended 30 June 2012

The Increase in Debt Provision exceeded appropriation as at 30 June 2012. See the Statement of Non-departmental Unappropriated Expenses and Capital Expenditure.

Schedule of Non-departmental Assets and Schedule of Non-departmental Liabilities

The high balance of 'cash and cash equivalent' compared to the forecast reflects the level of underspend from the Statement of Non-departmental Expenses and Capital Expenditure Against Appropriations. The creditors and other payables variance to the Supplementary Estimates is due to the impact of consolidating the Housing Agency Account.

Part 3: Residential Tenancies Trust Account

**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
THE RESIDENTIAL TENANCIES TRUST ACCOUNT'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

The Auditor-General is the auditor of the Residential Tenancies Trust Account (the Trust). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on her behalf.

We have audited the financial statements of the Trust on pages 106 to 113, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of movements in bondholders' funds and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

Opinion

In our opinion the financial statements of the Trust on pages 106 to 113:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's:
 - o financial position as at 30 June 2012; and
 - o financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 September 2012. This 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 of the Department of Building and Housing and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive of the Department of Building and Housing

The Chief Executive is responsible for preparing financial statements that:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect the Trust's financial position, financial performance and cash flows.

The Chief Executive is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Executive's responsibilities arise from section 126 of the Residential Tenancies Act 1986.

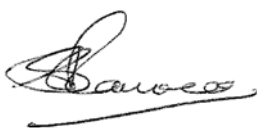
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 128 of the Residential Tenancies Act 1986.

Independence

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

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



Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

Actual 2011 \$ 000		Actual 2012 \$ 000
	Revenue	
18,866	Interest earned from bank deposits	18,913
	Expenditure	
18,866	Interest to Department of Building and Housing	18,913
-	Operating surplus	-
-	Total comprehensive income	-

Note: Residential Tenancies Trust Account (RTTA) audit fees are paid by the Department of Building and Housing.

RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

for the year ended 30 June 2012

Actual 2011 \$ 000		Actual 2012 \$ 000
314,475	Bondholders' funds at 1 July	342,009
170,469	Bonds lodged	176,497
(142,935)	Bonds refunded	(151,195)
342,009	Bondholders' funds at 30 June	367,311

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

Actual 2011 \$ 000		Note	Actual 2012 \$ 000
	Current assets		
6,455	Cash and cash equivalents		8,066
163,900	Investments	2	197,300
20,260	Receivables		24,965
190,615	Total current assets		230,331
	Non-current assets		
165,000	Investments	2	154,000
165,000	Total non-current assets		154,000
355,615	Total assets		384,331
	Current liabilities		
13,573	Payables		16,986
33	Other		34
13,606	Total current liabilities		17,020
13,606	Total liabilities		17,020
342,009	Net assets		367,311
	Bondholders' funds		
314,475	Opening balance		342,009
27,534	Net increase		25,302
342,009	Closing balance of bondholders' funds		367,311

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

Actual 2011 \$ 000		Note	Actual 2012 \$ 000
Cash flows from operating activities			
<i>Cash was provided from:</i>			
15,958	Interest received		14,208
<i>Cash was disbursed to:</i>			
(22,500)	Interest payments to Department of Building and Housing		(15,500)
(6,542)	Net cash flow from operating activities	5	(1,292)
Cash flows from investing activities			
<i>Cash was provided from:</i>			
225,906	Proceeds from maturity of investments		200,900
1	Disposal of goods		1
<i>Cash was disbursed to:</i>			
(249,756)	Purchase of investments		(223,300)
(23,849)	Net cash flow from investing activities		(22,399)
Cash flows from financing activities			
<i>Cash was provided from:</i>			
170,469	Lodgement of bonds		176,497
<i>Cash was disbursed to:</i>			
(142,935)	Refund of bonds		(151,195)
27,534	Net cash flow from financing activities		25,302
(2,857)	Net increase/(decrease) in cash held		1,611
9,312	Opening cash		6,455
6,455	Cash at the end of the year		8,066

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR RESIDENTIAL TENANCIES TRUST ACCOUNT

Reporting entity

From 1 July 2012, the Department of Building and Housing became part of the new Ministry of Business, Innovation and Employment and as such manages the Residential Tenancies Trust Account (RTTA) pursuant to the Public Finance Act 1989 and the Residential Tenancies Act 1986.

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 for the year ended 30 June 2012.

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

The financial statements of the Residential Tenancies Trust Account are for the year ended 30 June 2012 and were authorised for issue by the Chief Executive of the new Ministry of Business, Innovation and Employment on 27 September 2012.

Basis of preparation

The financial statements of the Residential Tenancies Trust Account have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirements to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements have been prepared in accordance with, and comply with, New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit entities.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Residential Tenancies Trust Account is New Zealand dollars.

Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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 bank account and other deposits held on call.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

Receivables

Receivables are stated at estimated realisable value.

Investments

Investments are not generally traded but are held to maturity. All investments are in bank deposits and 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 is recognised in the Statement of Comprehensive Income.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 2: INVESTMENTS BY COUNTERPARTY

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

Actual 2011 \$ 000		Actual 2012 \$ 000
Current		
48,000	Westpac	55,000
7,500	ANZ/National Bank	6,000
24,600	BNZ	99,000
83,800	ASB	37,300
163,900	Total current	197,300
Non-current		
50,000	Westpac	29,000
12,000	ANZ/National Bank	29,000
62,000	BNZ	50,000
41,000	ASB	46,000
165,000	Total non-current	154,000
328,900	Total investments by counterparty	351,300
Weighted average interest rates		
6.45%	Short-term deposits	5.48%
6.00%	Term deposits	5.18%

NOTE 3: BOOK VALUE OF INVESTMENTS

Actual 2011 \$ 000		Actual 2012 \$ 000
328,900	Bank deposits	351,300
328,900	Total book value of investments	351,300

Fair value of the investments approximates the book value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 4: 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

Credit risk is the risk that a third party will default on its obligations. The maximum exposures to credit risk at balance date were:

Actual 2011 \$ 000		Actual 2012 \$ 000
6,455	Cash held	8,066
20,260	Accounts receivable	24,965
328,900	Investments	351,300
355,615	Total	384,331

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

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

Interest rate risk

Interest rate risk is the risk that the return on the funds invested will fluctuate due to changes in market interest rates. As all investments are held to maturity, the Residential Tenancies Trust Account has no interest rate risk other than at the point of maturity and reinvestment of individual deposits. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2012

NOTE 5: RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Actual 2011 \$ 000		Actual 2012 \$ 000
-	Operating surplus	-
	Add/(less) movements in working capital	
(2,908)	(Increase)/decrease in interest receivable	(4,705)
(3,634)	Increase/(decrease) in interest payable	3,413
(6,542)	Net cash flows from operating activities	(1,292)

NOTE 6: COMMITMENTS AND CONTINGENT LIABILITIES

The Residential Tenancies Trust Account had no commitments or contingent liabilities as at 30 June 2012 (2011: nil).

NOTE 7: EVENTS AFTER THE BALANCE DATE

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

NOTE 8: CAPITAL MANAGEMENT

The Residential Tenancies Trust Account's capital is its bondholders' funds and is represented by net assets.



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 (Fee for Determinations) Regulations 2005
- Building Levy Order 2005
- Building (Specified Systems, Change the Use, and Earthquake-Prone Buildings) Regulations 2005
- Building (Accreditation of Building Consent Authorities) Regulations 2006
- Building (Consent Authority Accreditation Fees) Regulations 2007
- Building (Registration of Building Consent Authorities) Regulations 2007
- Building (Designation of Building Work Licence Classes) Order 2007
- Building (Design Work Declared to be Building Work) Order 2007
- Building (Infringement Offences, Fees, and Forms) Regulations 2007
- Building (Exempt Building Work) Order 2010
- Building (Definition of Restricted Building Work) Order 2011
- Licensed Building Practitioners Rules 2007 [deemed]
- Building Practitioners (Complaints and Disciplinary Procedures) Regulations 2008
- Building (Product Certification) Regulations 2008
- Building (Schedule 1) Order 2008
- Building (Dam Safety) Regulations 2008
- Building (Minor Variations) Regulations 2009
- Building (Designation of Building Work Licensing Classes) Order 2010
- Building Practitioners (Licensing Fees and Levy) Regulations 2010
- Building Practitioners (Register of Licensed Building Practitioners) Regulations 2010
- Building (National Multiple-Use Approval) Regulations 2011
- Canterbury Earthquake (Building Act) Order 2010

Chartered Professional Engineers of New Zealand Act 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 Safety Regulations 2010

Engineering Associates Act 1961

- Engineering Associates Fees Regulations 2002

Fencing of Swimming Pools Act 1987

Housing Restructuring and Tenancy Matters Act 1992

- Housing Restructuring and Tenancy Matters (Appeals) Regulations 2000

Plumbers, Gasfitters, and Drainlayers Act 2006

- Plumbers, Gasfitters, and Drainlayers Regulations 2010

Registered Architects Act 2005

- Registered Architects Rules 2006

Residential Tenancies Act 1986

- Residential Tenancies (Fees) Regulations 1998
- Residential Tenancies (Specified Databases) Regulations 2010
- Residential Tenancies Rules 2010
- Residential Tenancies (Unit Titles Dispute) Rules 2010

Retirement Villages Act 2003

- Retirement Villages (Disputes Panel) Regulations 2006
- Retirement Villages (General) Regulations 2006
- Retirement Villages (Fees) Regulations 2006
- Retirement Villages (Crossdale Courts) Order 2008
- Retirement Villages Code of Practice 2008 [deemed]

Unit Titles Act 2010 (joint responsibility with Land Information New Zealand and Ministry of Justice)

- Unit Titles Regulations 2011
- Unit Titles (Unit Title Disputes – Fees) Regulations 2011

Weathertight Homes Resolution Services Act 2006

- Weathertight Homes Resolution Services (Lower-value Ceiling) Regulations 2007
- Weathertight Homes Resolution Services (Fee) Regulations 2007

Home Ownership Savings Act 1974

Housing Act 1955

Housing Assets Transfer Act 1993

Housing Corporation Act 1974

Housing Restructuring Act 1992

- Housing Restructuring (Appeals) Regulations 2000

Sector governance

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

The Department provides support to responsible Ministers by monitoring and reporting on the performance of statutory entities 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 entities and boards by providing some induction guidance, registrar functions and other administrative services.

The Department supports the following boards/entities:

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)

Occupational licensing boards

- Building Practitioners Board (Building Act 2004)
- Chartered Professional Engineers Council (Chartered Professional Engineers of New Zealand Act 2002)
- Engineering Associates Registration Board and the Engineering Associates Investigation Committee (Engineering Associates Act 1961)
- New Zealand Registered Architects Board (Registered Architects Act 2005)
- Plumbers, Gasfitters and Drainlayers Board (Plumbers, Gasfitters, and Drainlayers Act 2006)
- Electrical Workers Registration Board (Electricity Act 1992)

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 (If appointed), and as many other members as the Minister considers are required to carry out the functions of the Authority promptly, efficiently and effectively.

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. Other members are appointed by the Minister of Housing.

The purpose of the State Housing Appeal Authority is to determine appeals from applications relating to decisions made by Housing New Zealand Corporation on the:

- assessment of income-related rents
- applicants' eligibility for state housing
- applicants' assessed need for state housing.

There are currently five members on the Authority.

The members are:

- Marilyn Wallace, Principal Member
- Selma Scott
- Gavin Cook
- Deborah Cranko
- Tu'inukutavake Afeaki.

The Department employs the Registrar and Appeals Officer for the Authority.

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 five 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, inquire into the conduct of, and discipline 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)
- David Clark (Deputy Chair)
- Jane Cuming
- Brian Nightingale
- Dianne Johnson
- Colin Orchiston
- Bill Smith.

The Department employs the Registrar for the Board.

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 three years. Members can be reappointed. The Board consists of four members who must be registered or entitled to be registered (two of whom must hold current practising licences), and three other persons (one of whom must be a person the Minister considers has appropriate electrical industry qualifications or experience).

Some of the functions of the Electrical Workers Registration Board are to:

- designate the classes of registration under the Act, and specify the prescribed electrical work a registered person of each class is authorised to do, or assist in doing
- register and license the nine classes for registration under the Electricity Act 1992:
 - Associated Tradesperson
 - o Plumber
 - o Gasfitter
 - o Plumber/Gasfitter
 - Cable Jointer
 - Electrical Appliance Service Person
 - Electrical Appliance Service Person (Disconnect/Reconnect)
 - Electrical Engineer
 - Electrical Installer
- ensure registered persons maintain an adequate level of competency
- exercise disciplinary power according to the Act and initiate prosecutions for contravention of the Act, or any relevant regulations, in cases where the Board considers appropriate.

The members of the Electrical Workers Registration Board are:

- Edwin Eeles (Presiding Member)
- Penelope Mudford (Deputy Presiding Member)
- David Bradshaw
- Shane Dolan
- Michael Macklin
- Neil McLeod
- Tony Ahern.

The Registrar is employed by the Department to support the Board in carrying out its 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 must appoint a Building Advisory Panel that consists of experts in the building sector, and that has one person to convene and chair the panel and no fewer than five other members. Panel members are appointed for a term not exceeding three years, and may be reappointed for a second term.

The Panel provides independent, specialist advice to the Chief Executive on:

- current and emerging trends in building design, building technologies, the Building Code and compliance documents, any warnings issued, or bans declared, under the Act in relation to any building method or product, any guidance information issued by the Chief Executive under the Act
- whether the Building Act 2004 and associated regulations are achieving their purpose
- building issues not covered by the Act but which the Panel considers should be dealt with by legislation.

The members of the Building Advisory Panel are:

- Bill Smith (Chairperson)
- Peter Neven
- George Skimming
- Gordon Moller
- Blair Cranston
- Mark Dobbs.

The Panel met three times during 2011/12 to consider and discuss the Building Act, Canterbury earthquakes, licensed building practitioners update, Restricted Building Work, Royal Commission and provide the Chief Executive with advice on this.

The Panel will have an ongoing role in assisting the Ministry of Business, Innovation and Employment to monitor the impact of changes made as a result of the Building Act Review implementation.

Fees and expenses for the Panel for 2011/12 were \$15,266.

Members of the Panel also contributed to the work of the Department during the year, including:

- Canterbury earthquakes, including:
 - Findings of the Technical Investigation into the failure of the PGC, Forsyth Barr, Hotel Grand Chancellor and CTV buildings, and the response to these
 - Tests for new foundation designs for TC3 category land
 - Wellington City Council earthquake resilience programme
 - Royal Commission
- Emerging trends/issues in building design
- Building consenting system
- Review of the seismic performance of buildings policy
- Stadium Southland
- Improving sector and consumer interests in weathertightness remediation.

Quality standards for policy advice

Quality measure

The Department will seek written response, at least four-monthly, from the Minister of Housing for the Purchasing and Monitoring Advice to Housing New Zealand Corporation and the Minister for Building and Construction for all other departmental appropriations 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

There is 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 are 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 can stand alone from the rest of the advice.

Timeliness

Specified reporting deadlines are met.

Cost

Outturn is within budget.



Directory

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Fax: +64 4 494 0290
Department's website: www.dbh.govt.nz

Contact us

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

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
Fax +64 4 237 7884
PO Box 50-445
Porirua 5240

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

Licensed building practitioners

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

Weathertight Services

Call 0800 116 926 for information and new claims
Call 0800 324 477 for current claims
From overseas: +64 4 237 1604
Hours of operation: 8:00 am to 5:00 pm NZT
Monday – Friday
Fax: +64 4 494 0290
Email: info@dbh.govt.nz

Electrical Workers Licensing Group

Level 6, 86 Customhouse Quay
PO Box 10-156, Wellington 6011
From overseas: +64 4 494 0260
Email: info@ewr.govt.nz
For Electrical Workers Registration Board enquiries
call 0800 66 1000
Website: www.ewrb.govt.nz

Language Line assistance

A free telephone interpreting service
is also available for non-English speakers
Call 0800 83 62 62 (tenancy advice)
or 0800 737 666 (bond enquiries)

Social Housing Unit

Call 0800 337 846 or + 64 4 817 4000
Level 4, 99 Customhouse Quay
PO Box 10-729, Wellington 6143
Fax: +64 4 494 0290
Email: info@socialhousingunit.govt.nz
Website: www.socialhousingunit.govt.nz

Visit us

Mediation and advice are available by appointment
in many locations throughout New Zealand.
Call 0800 83 62 62 to make an appointment or talk
to someone about a renting problem.

You can also visit one of our offices listed opposite.
The offices are generally open between 9:30 am
and 4:30 pm weekdays.

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