

# Statement of Intent

2001/02 – 2003/4

Housing New Zealand Corporation



*Together we're* **Housing** New Zealand



# 2001–2004 *Statement of Intent*

Table of Contents	page
1. Executive Summary	4
1.1 The Establishment of Housing New Zealand Corporation	4
1.2 The Operating Environment	4
1.3 The Corporation's Response	4
2. Key Challenges in the Operating Environment	5
3. SOI Purpose	6
4. Legislative Framework	6
5. Support for Key Government Goals	7
6. Government Expectations for Social Housing	7
7. Corporation Response	7
8. Key Strategic Initiatives	8
9. Nature and Scope of Activities Undertaken	9
9.1 Services	9
9.2 Activities and Outputs	9
9.3 Statement of Output Objectives – Linking Corporation Objectives and Outputs	12
9.4 The Corporation's Organisational Support Objective	19
10. Financial Summary	20
11. Exercise of the Powers, Functions and Discretions Relating to Income-Related Rents and Allocation of Houses	20
11.1 Discretion Relating to Calculation and Administration of Income-Related Rents	21
11.2 Allocation of HNZ Housing	21
12. Financial Structure and Accounting Policies	21
12.1 Financial Distribution to the Crown	21
12.2 Information to be Provided to Ministers	22
12.3 Procedures for Acquisition of Shares	22
12.4 Business Diversification	22
12.5 Agreements for Which the Corporation Seeks Compensation from the Crown	22
12.6 Value of the Crown's Investment	22
12.7 Statement of Accounting Policies	22
12.8 Other Matters Agreed by the Ministers and the Board	22
Appendix 1 – Allocation of Housing – Principles and Process	23
Appendix 2 – Accounting Policies	26

In response to the Crown's housing objectives, Housing New Zealand Corporation has adopted a new mission statement:

HNZC provides access to  
New Zealanders manage  
and contribute to



# o decent homes, helping their own circumstances community life.

This will be achieved through the following strategic objectives:

1. Providing access to sustainable housing solutions that are affordable and of good quality to those in greatest need;
2. Establishing partnerships with community organisations, local government, iwi, and other providers to deliver locally based housing solutions;
3. Providing assistance to householders on low and modest incomes who wish to become homeowners; and
4. Providing advice to the Minister of Housing on housing policy matters.



# 1 Executive Summary

## 1.1 The Establishment of Housing New Zealand Corporation

The Housing Corporation Amendment Act 2001 establishes Housing New Zealand Corporation (the Corporation). The new Corporation combines the previously known agencies of Housing New Zealand Limited (HNZ), Community Housing Limited (CHL), Housing Corporation of New Zealand (HCNZ) and the housing policy function of the Ministry of Social Policy, into one organisation that will provide leadership in social housing. The new Corporation has two distinct roles: to deliver housing assistance and to be the principal adviser to Government on housing and housing policy.

## 1.2 The Operating Environment

The ongoing change to employment and household structures in New Zealand will result in a fluid and dynamic housing environment in the decade ahead. With the growing diversification of housing needs, housing assistance must be flexible and responsive. Government-backed interventions address housing needs by filling the gaps not met by the market. The Corporation has reviewed and reorganised internal management structures and practices, and is actively building bridges into the community to expand the range of social housing options by working along with other social housing providers. This new approach to housing will simplify access for customer groups by creating a single customer interface, and it will help build more flexible and responsive social housing providers working in partnership with the Corporation.

A commitment to partnership forms a cornerstone of the new Corporation's Statement of Intent (SOI). If the Corporation is to lead the way in the delivery of housing assistance and the provision of policy advice, it can only get there by developing the best possible housing solutions for customer groups. In the process, the Corporation has to harness the combined efforts of lenders, landlords, renters and home owners, local councils, non-governmental social housing providers and other sectors of Government. Partnership is the pathway to building capacity and capability across the whole housing sector. The Government's housing solutions will foster the capabilities of individuals and communities and help strengthen the capacity of other sectors of, and regions throughout, the New Zealand economy.

## 1.3 The Corporation's Response

To achieve the Government's expectations for social housing, the Corporation has adopted the following strategic objectives:

1. Providing access to sustainable housing solutions that are affordable and of good quality to those in greatest need;
2. Establishing partnerships with community organisations, local government, iwi, and other providers to deliver locally based housing solutions;
3. Providing assistance to householders on low and modest incomes who wish to become homeowners; and
4. Providing advice to the Minister of Housing on housing policy matters.

In the delivery of the above, the Corporation is committed to being a good employer and to operating in a business-like manner, which includes a sense of social, environmental and financial responsibility.

The following key services will assist in the Corporation's delivery of strategic objectives: Housing Services, Asset and Development Services, Home Ownership Services, Housing Partnerships, and Policy Development and Ministerial Services.

These products and services are grouped into the following output classes:

- 1: Housing Services
- 2: Asset Management
- 3: Housing Partnerships
- 4: Home Ownership
- 5: Policy Advice
- 6: Ministerial Support

It is envisaged that these services, together with centralised business initiatives, will achieve the desired Corporation outcomes and strategic objectives.

The Corporation will operate within the financial framework and the discretions permitted by legislation in the application of the social allocation system and income-related rents. These legal discretions and financial guidelines are set out herein.

## 2 Key Challenges in the Operating Environment

**A scan of the socio-economic environment in which the Corporation will have to operate over the triennium 2001–2004 brings six key challenges into focus:**

- Housing demand in New Zealand is growing and is more varied than in the past. For example, 25% and 9% of European/Pakeha households are couples only or persons living alone. The comparable figures for Māori are 9% and 4%, for Pacific Island people 5% and 2%, and for people of Asian origin, 10% and 2%. Over the next decade, the number of households in New Zealand is expected to increase by 12 percent. Key drivers of household formation and aggregate housing demand include ageing, changing family size and composition, and the size and ethnic composition of major urban centres. Underlying demographic trends will place pressures on the private rental market, especially in the Auckland region.
- Much of the public rental stock built in the post-war decades for predominantly nuclear families is now dated, ill-suited for households currently on the waiting list, and fails to meet energy efficiency standards and other environmental criteria. 'One-size fits all' housing solutions are no longer appropriate given the increasingly diverse and complex nature of housing demand.
- Efforts to modernise the Corporation's dwelling stock, undertake community renewal, and build partnerships with alternate social housing providers will be constrained by the availability of capital funds.
- Tenants of the Corporation have an increasingly complex array of needs and this has significant repercussions for a number of the urban and rural communities that house them. Instances of market failure leave some elderly pensioners, youth, and people with disabilities without suitable housing and support services. In some cases, where tenants are concentrated on the Corporation housing estates, they face the risk of social exclusion. The Corporation will be working in partnership with local communities to improve housing conditions and build capacity in these suburbs.

- Housing is an underlying source of inequality in New Zealand. In the Auckland region especially, access to appropriate and affordable housing raises a series of wide-ranging policy and management issues relating to house prices and rents, increased demand, housing conditions, overcrowding, poor health, and access to adequate services. In depressed parts of rural New Zealand like Northland and the East Cape, the housing available to some Māori families is sub-standard.
- Māori and Pacific Island adults are much more likely to live in rental housing than European adults and are even more highly concentrated in the state rental sector. This will present a mounting challenge to the Corporation, given the higher natural birth rate of Māori and Pacific Island people reaching adulthood and their propensity to apply for public rental housing. Addressing these needs runs into issues relating to the multiple ownership of land and the financial and social risks inherent in funding housing in areas where job prospects are lower than in urban areas.
- The co-ordination of housing programmes has had conflicting social and financial objectives. Separation of policy development and advice from the operational end of the business meant that, in some cases, policy was drafted without due regard to operational experience.

These challenges have been considered when developing the Corporation's strategic direction and initiatives for the 2001/2002 period.



### 3 SOI Purpose

This Statement of Intent for the Corporation provides the information required by section 41D of the Public Finance Act 1989 for the years ending June 2002, June 2003 and June 2004. As required by the Act, this document sets out:

- The objectives of the Corporation;
- The nature and scope of the activities to be undertaken;
- The performance targets and other measures by which the performance may be judged in relation to its objectives;
- Information about the Corporation's financial structure and accounting policies;
- The exercise by the Corporation of the powers, functions and discretions conferred by Part 5<sup>1</sup> of the Housing Restructuring Act 1992, as inserted by the Housing Restructuring (Income-Related Rents) Amendment Act 2000;
- The procedures to be followed before the Corporation or any subsidiary acquires shares in any company or other organisation;
- The output objectives and classes of outputs to be produced; and
- Any activities for which the Corporation will be seeking compensation from the Crown.

### 4 Legislative Framework

The Corporation is a Crown Entity, established under the Housing Corporation Act 1974 (as amended by the Housing Corporation Amendment Act 2001) which sets out the following objectives for the Corporation:

- To give effect to the Crown's social objectives by providing housing, and services related to housing, in a business-like manner, and to that end to be an organisation that:
  - exhibits a sense of social responsibility by having regard to the interests of the community in which it operates;
  - exhibits a sense of environmental responsibility by having regard to the environmental implications of its operations; and
  - operates with good financial oversight and stewardship, and efficiently manages its assets and liabilities and the Crown's investment.
- To ensure that the Minister of Housing receives appropriate policy advice, other advice, and information, on housing and services related to housing.



<sup>1</sup> The new Part 5 of the Housing Restructuring Act 1992 deals with matters relating to income-related rents, social allocation and the right of appeals in relation to decisions made under this part.

## 5 Support for Key Government Goals

Through its activities and outputs, the Corporation will contribute to the key Government goals of:

- Strengthening national identity and upholding the principles of the Treaty of Waitangi;
- Growing an inclusive, innovative economy for the benefit of all;
- Restoring trust in Government and providing strong social services;
- Improving New Zealanders' skills;
- Reducing inequalities in Health, Education, Employment and Housing; and
- Protecting and enhancing the environment.

## 6 Government Expectations for Social Housing

Based on the legislative framework and the Government's social objectives letter to the Corporation, it is expected that the Corporation will:

*Reduce inequalities by facilitating access to affordable and sustainable housing of adequate quality for people on low incomes and addressing special needs by the provision of appropriate housing, thereby contributing to the well-being of communities and individuals.*

The main activities that the Government expects of the Corporation include:

- The provision of good quality, affordable and secure rental accommodation through the social allocation system, to those who need it most;

- The provision of appropriate housing to community organisations providing residential support services for people with special needs;
- Assistance and advice to householders on low and modest incomes who wish to become homeowners but who are finding it difficult to achieve home ownership; and
- The provision of quality advice to the Minister of Housing on the formation of housing policy based on ongoing consultation with all parts of the housing sector.

The Purchase Agreement sets out the performance, financial management and reporting standards for the Corporation's delivery of policy advice. The policy workplan is agreed between the Minister and the Corporation on a quarterly basis.

## 7 Corporation Response

This section sets out the Corporation's strategic response to legislative and Government requirements. In response to the Crown's housing objectives, the Corporation has adopted a new mission statement:

*HNZC provides access to decent homes, helping New Zealanders manage their own circumstances and contribute to community life.*

We will achieve this mission by:

1. Providing access to sustainable housing solutions that are affordable and of good quality to those in greatest need;
2. Establishing partnerships with community organisations, local government, iwi, and other providers to deliver locally based housing solutions;
3. Providing assistance to households on low and modest incomes who wish to become homeowners; and
4. Providing advice to the Minister of Housing on housing policy matters.

In the delivery of these responses, the Corporation is committed to being a good employer and to operating in a business-like manner, which includes a sense of social, environmental and financial responsibility.

## 8 Key Strategic Initiatives

**A comprehensive framework of strategic initiatives has been developed in response to the key challenges for implementation by the Corporation over the 2001–2004 period.**

- The Corporation plans to respond to the growth and diversification of housing demand, particularly amongst low-income households, by acquiring new stock and reconfiguring the existing stock. The overall quantum of social housing and related services in New Zealand will gradually be expanded in line with Government policy by entering into housing partnerships with local authorities, non-governmental providers, iwi, and Pacific Island communities. The feasibility of developing additional lending packages tailored to the needs of low to moderate income households will be investigated. Turnover rates will be lowered by improving the quality of tenancy management services and fostering greater interest and involvement on the part of tenants in their housing situation. Worthwhile practices will be adopted from the community housing model.
  - The capital constraint that the Corporation faces is shifting the investment focus to include leasing and drawing in alternate social housing providers to help start or grow their operations. Within this environment the Corporation will maintain a strong focus on innovative stock reconfiguration initiatives to produce a better alignment of available dwellings with tenant needs.
  - The Corporation will begin to exercise greater environmental responsibility by ensuring that future (re)development and design work pays heed to the need for comfortable, healthy, energy efficient homes. A new environmental management system, including energy conservation guidelines, will be implemented in July 2001.
  - Many low-income households may prefer other forms of social housing provided by local government, community trusts, housing associations and housing co-ops to that provided by the Corporation. An important policy project for the Corporation will be to scope a Housing Partnership strategy to deliver additional alternate forms of housing and services. This will involve consultation with non-government organisations (NGOs) in the third sector, local government, and iwi/Māori and Pacific communities so as to obtain the most appropriate social housing delivery model for the community.
  - The establishment of the Corporation, with its revised structure, services and culture, will enhance the co-ordination of the Government's housing programmes and streamline the delivery of social housing services by expanding the Neighbourhood Unit concept to ensure a "one stop shop" concept for accessing a range of housing solutions. Public service standards will be adopted by the Corporation, and organisational development initiatives will include added training and opportunities for the professional development of staff.
  - The Corporation plans to reduce inequality through various programmes. Responses will be in line with local need. The Low Deposit Rural Lending programme (LDRL) will be expanded and increased funding will be sought for the Special Housing Action Zone programme (SHAZ). Housing partnerships will prepare proposals to respond to reducing inequality, with regard to high risk areas such as Far North, East Cape and South Auckland.
- Other initiatives to reduce inequality are:
- obtaining access to use of appropriate land for building;
  - overcoming difficulties in establishing collateral on multiply-owned Māori land;
  - considering the costs associated with providing infrastructure and housing in remote areas;
  - working in partnership with Te Puni Kokiri (TPK) and the Ministry of Pacific Island Affairs (MPIA) to co-ordinate housing responses; and
  - joint and combined funding (capital and operating) with other Government agencies to maximise impact of housing interventions (e.g. Health, TPK, and MPIA).
- Housing policy advice to the Minister of Housing covering all the key elements of strategic, sectoral and operational housing policy will be informed by high quality research and analysis. The Corporation's aim is to provide leadership in housing research and information dissemination. A framework will be developed to monitor the housing environment and report on market dynamics and trends so that social housing providers can respond to market failure and serious housing need. A Government Relations Unit has been established within the Corporation to co-ordinate activities relating to ministerial support.

# 9 Nature and Scope of Activities Undertaken

The Corporation's services contribute to the achievement of one or more strategic objectives. Services are delivered through a combination of processes, each of which are described in detail below. Corporate expectations and performance measures for each service allow the Corporation to monitor progress in achieving its strategic direction.

## 9.1 Services

Overall, the Corporation offers the following services:

- **Housing Services**

Housing Services is responsible for delivering a broadening range of housing services to meet need as well as managing the rental housing portfolio. This group will focus on meeting need, achieving greater efficiencies in service, performance and cost, changing behaviours consistent with responsible Ministers' objectives and providing frontline capability.

- **Asset and Development Services**

The objective of the group is to initiate, coordinate and deliver a range of projects and programmes that will improve the overall standard of housing, foster strong, sustainable living environments and provide housing solutions that better meet housing needs. This group will work closely with frontline operations and Strategic Services in the development and delivery of solutions to meet customer need.

- **Housing Partnerships**

The objective of this group is to broaden the range of housing options available within New Zealand by working in partnership with the community sector, iwi, and local government, among others.

- **Home Ownership Services**

Home Ownership Services will provide financial risk management services for lending activities. This group will also process lending transactions for the Corporation. A key focus is to develop and implement a programme for a range of lending services to support home ownership for low to modest income households in line with Government policy.

- **Strategic Services**

This group is responsible for developing and translating Corporation strategy into action and managing the process through which the Corporation is governed. They will provide policy advice, Ministerial Services, support the Board, prepare business plans, Statements of Intent and monitor performance. Active networking and effective communication with stakeholders and other Corporation groups will ensure collaborative, well informed service delivery.

- **Support Services**

Support Services will provide critical functions, systems and processes for effective and efficient operation of the Corporation.

- **Assurance Services**

This group provides assurance to the Board that the Corporation will deliver against its objectives on time, efficiently and in a legally compliant manner.

The Corporation's organisational structure reflects the above service groups, as each area has a General Manager responsible for the activities that fall within each functional group.

## 9.2 Activities and Outputs

Each Corporation activity or output is assigned an output class in accordance with the Public Finance Act 1989. Output classes represent logical groupings for the provision of final product goods or services. Internal outputs (e.g. organisational capability objectives and results) are not given an output class, rather they affect the delivery of all outputs taken together. Performance measures around output classes disclose the quality expected for these services.

The Corporation's products and services are set out in six output classes with the following specific outputs:

## Output Class 1: Housing Services

### Output Objective

Deliver all frontline housing services and core functions associated with providing solutions for people with housing need as well as managing the state housing portfolio.

### Specific Activities/Outputs

- 1.1 Needs Assessment**  
Accurately assesses housing need from enquiry to prioritisation in a timely manner.
- 1.2 Housing Assistance Service**  
Provides an information and referral service for those that require housing assistance.
- 1.3 Waiting List Management**  
Matches those in greatest need with appropriate housing solutions.
- 1.4 Tenancy Management**  
Manages the tenancy and housing portfolio to promote tenant and community stability.
- 1.5 High Needs Tenancy Management**  
Provides individual case management to support those with complex needs into sustainable housing solutions.
- 1.6 Income-Related Rent Administration**  
Administers income-related rent policy.
- 1.7 Suitable Homes**  
Provides modified homes for people with disabilities.
- 1.8 Community Group Housing**  
Manages the Community Group Housing portfolio.

## Output Class 2: Asset Management

### Output Objective

Provide, maintain and redevelop housing stock to meet customer need.

### Specific Activities/Outputs

- 2.1 Access Appropriate Stock to Meet Need**  
Facilitates access to supply through acquisition, redevelopment and reconfiguration that meets need and supports community stability.
- 2.2 Modernisation and Housing Improvement**  
Provides a decent well maintained home with appropriate amenities that enhance health and well-being.

## Output Class 3: Housing Partnerships

### Output Objective

Develop and manage initiatives that expand housing options, choices of housing and housing service providers in line with Government policy.

### Specific Activities/Outputs

- 3.1 Develop Partnerships to Deliver Additional Housing Supply and Services**  
Develop partnerships with third sector groups, social agencies, local authorities and iwi groups so as to leverage resources, build relationships and identify opportunities.

## Output Class 4: Home Ownership

### Output Objective

Provide a range of home ownership products and services that assist people with low and moderate incomes to achieve and sustain home ownership in line with Government policy.

### Specific Activities/Outputs

- 4.1 Home Ownership Assistance**  
Provide home ownership education and support.
- 4.2 Home Ownership Finance**  
Provision of finance for low and modest income people to achieve home ownership.

## Output Class 5: Policy Advice

### Output Objective

Provide to the Minister of Housing policy advice, research, and evaluation relating to the development of sustainable housing solutions that are affordable and of good quality; and contribute to the development of wider social policy advice impacting on housing outcomes.

### Specific Activities/Outputs

#### 5.1 Provide Strategic and Sectoral Policy Advice on:

- Current and potential Government responses to market failure and serious housing need
- Housing partnerships
- Dynamics and trends of the housing market
- Strategic and inter-sectoral issues

#### 5.2 Provide Operational Policy Advice on Rental, Home Ownership, Stock Management and Community Group Housing

#### 5.3 Provide Strategic Housing Research Capability

## Output Class 6: Ministerial Services

### Output Objective

Provide high quality ministerial support to enable the Minister to discharge Parliamentary and executive duties effectively.

### Specific Activities/Outputs

#### 6.1 Response to Parliamentary Questions

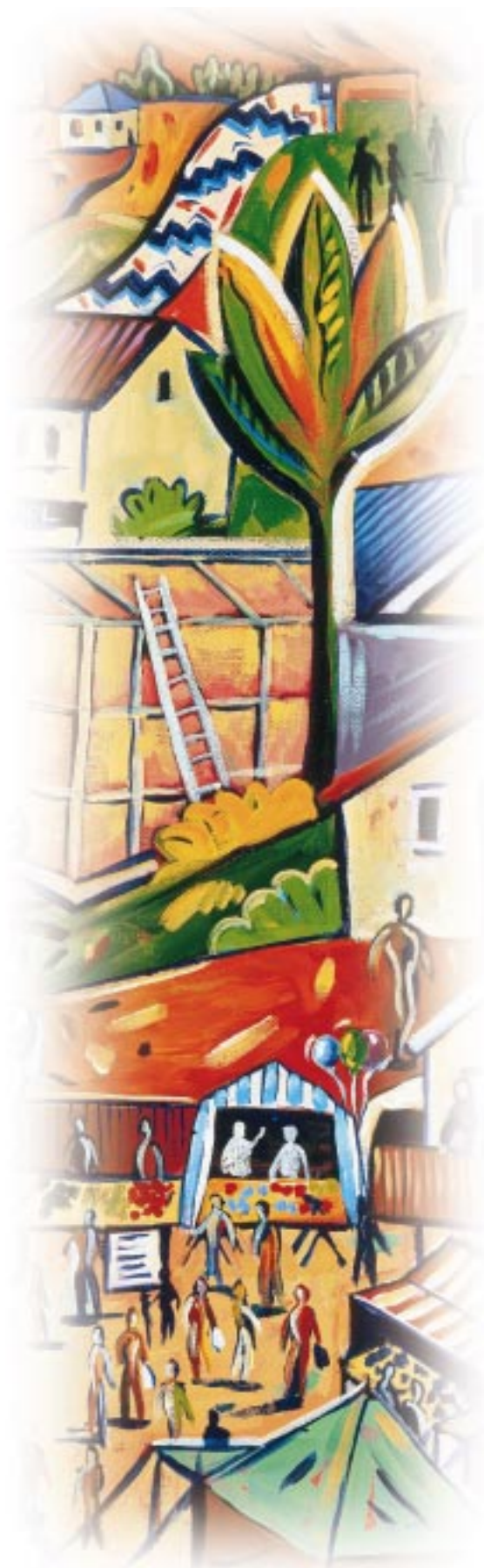
#### 6.2 Ministerial Correspondence

#### 6.3 Select Committee Requests

#### 6.4 Speech Notes for Minister and Other Briefing Notes

#### 6.5 Replies Required by Legislation

#### 6.6 Cabinet Committee Papers



### 9.3 Statement of Output Objectives – Linking Corporation Objectives and Outputs

Figure 1 illustrates the linkage between the Corporation’s strategic objectives, activities and output classes. Each output class contributes to the achievement of one or more of the Corporation’s strategic objectives. Each strategic objective is set out in the table below reflecting the output classes that support the achievement of that objective. For each output class, key expectations, performance measures and targets are provided. These performance indicators will be used throughout the SOI period to track and monitor progress against targets.

Figure 1

Summarised Statement of Corporate Objectives and Outputs			
<b>Strategic Objective</b>	1. Provide access to sustainable housing solutions that are affordable and of good quality to those in greatest need.		2. Establish partnerships with community organisations, local government and providers to deliver locally based housing solutions.
<b>Corporation’s Activities</b>	<p>Good quality, affordable and secure rental accommodation through the social allocation system, to those who need it most.</p> <p>Appropriate housing to community organisations providing residential support services for people with special needs.</p>		
<b>Output Classes Output Objective</b>	<b>1. Housing Services</b> Deliver all frontline housing services and core functions associated with providing solutions for people with housing need as well as managing the state housing portfolio.	<b>2. Asset Management</b> Provide, maintain and redevelop housing stock to meet customer need.	<b>3. Housing Partnerships</b> Develop and manage initiatives that expand housing options, choices of housing and housing service providers.
<b>Specific Outputs</b>	<ul style="list-style-type: none"> <li>• Needs Assessment</li> <li>• Housing Assistance Service</li> <li>• Waiting List Management</li> <li>• Tenancy Management</li> <li>• High Needs Tenancy Management</li> <li>• Income-Related Rent Administration</li> <li>• Suitable Homes</li> <li>• Community Group Housing</li> </ul>	<ul style="list-style-type: none"> <li>• Access to appropriate stock to meet need</li> <li>• Modernisation and housing improvement including Healthy Housing and Community Renewal projects</li> </ul>	<ul style="list-style-type: none"> <li>• Develop partnerships to deliver additional housing supply and services</li> </ul>

3. Provide assistance to households on low and modest incomes who wish to become home owners.	4. Provide advice to the Minister of Housing on housing policy matters.	
Assistance and advice to households on low and modest incomes who wish to become home owners but who are finding it difficult to achieve home ownership.	Quality advice to the Minister of Housing on the formation of housing policy based on ongoing consultation with all parts of the housing sector.	
<b>4. Home Ownership</b> Provide a range of home ownership products and services that assist people in low and moderate incomes to achieve and sustain home ownership.	<b>5. Policy Advice</b> Provide the Minister of Housing with policy advice, research and evaluation relating to the development of sustainable housing solutions that are affordable and of good quality; and contribute to the development of wider social policy advice impacting on housing outcomes.	<b>6. Ministerial Services</b> Provide high quality Ministerial support to enable the Minister to discharge parliamentary and executive duties effectively.
<ul style="list-style-type: none"> <li>• Home Ownership Assistance</li> <li>• Home Ownership Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Policy</li> <li>• Sectoral Policy</li> <li>• Operational Policy</li> <li>• Housing Research Capability</li> </ul>	<ul style="list-style-type: none"> <li>• Response to Parliamentary Questions</li> <li>• Ministerial correspondence</li> <li>• Select Committee requests</li> <li>• Speech notes for Minister</li> <li>• Replies required by Legislation</li> <li>• Cabinet Committee papers</li> </ul>

## Achievement of Strategic Objectives

This document represents the first SOI for the new Corporation. Some of the services are new or are being delivered through new means. As a result, not all outputs have performance measures. The collection of specific information will serve to inform the overall context for the Corporation's performance, and will contribute to the development of performance measures for subsequent years.

In addition, key strategies that contribute to the achievement of strategic objectives and the development of improved performance measures are set out below.

### Strategic Objective 1

**Provide access to sustainable housing solutions that are affordable and of good quality to those in greatest need.**

This strategic objective is supported by two output classes 1: Housing Services 2: Asset Management.

#### 1. Output Class 1: Housing Services

##### a) Strategies to achieve strategic objectives

- Develop a draft framework for the 'one-stop shop' access to social housing.
- Improve waiting list management.
- Optimise asset utilisation to ensure that only those with greatest needs are housed.
- Enhance tenancy management to support sustainable solutions.



b) Performance Expectations

\* Performance Target (PT)/Information (I)

Output	Performance Measure	*	Measure
Needs Assessment	1. Number of initial enquiries at Neighbourhood Unit	I	4,100 per month
	2. Number of needs assessments	I	3,300 per month
	3. % of correct assessment decisions – audit result	PT	98%
	4. Time from enquiry to assessment (A) <sup>2</sup>	PT	Within five working days
	5. Average time from enquiry to assessment (B, C and D)	I	Monitor Trend
Housing Assistance Service	6. Number of high-need calls received – 0800	I	420 calls
	7. Number of high-need referrals – 0800	I	100% of 420 calls
	8. Time to referral (high-need)	PT	<2 days
Waiting List Management	9. Number of priority applicants on the waiting list (for each of A & B)	I	To Monitor Trend
	10. Number of new lettings to priority applicants (for each A & B)	I	A – 525 per month B – 225 per month
	11. % of first offers accepted by priority applicants (for each A & B)	PT	90%
	12. Average time from priority (for each A & B) assessment to housed	I I	A – Monitor Trend B – Monitor Trend
Tenancy Management	13. Priority (A&B) tenants leaving within 180 days	PT	Annualised turnover less than the Corporation average 15%
	14. Total stock vacancy rate	PT PT	Rental Housing 1.5% Group Housing 5%
	15. Rental debt to monthly income	PT	<10%
High-Needs Tenancy Management	16. % of repeat cases – Case Management	PT	<20%
Income-Related Rent Administration	17. Income-related rent accuracy audit – results	PT	98%
Suitable Homes	18. % of modified homes let to people with disabilities	PT	95%
Community Group Housing	19. Number of new customer enquiries – Group Housing	I	215
	20. Time from property search to letting – Group Housing	PT	<230 days

<sup>2</sup> Refer to Appendix 1 for definitions of priority categories

## 2. Output Class 2: Asset Management

### a) Strategies to achieve strategic objectives

- Implement design guidelines to ensure appropriate housing.
- Develop five Community Renewal projects to address social exclusion and foster strong, sustainable communities.

- Implement an acquisition programme to respond to demand.
- Implement a modernisation programme to improve the standard of housing to meet need.
- Implement a Healthy Housing programme.
- Retrofit houses with energy efficient features.
- Expand housing to meet demand.

### b) Performance Expectations

\* Performance Measure (PT)/Information (I)

Output	Performance Measure	*	Measure
Access Appropriate Stock to Meet Need	21. Net increase in managed stock	PT	678
	22. Closing managed stock	PT	61,794 units by 30 June 2002
Modernisation and Housing Improvement	23. Number of units improved through the modernisation programme	I	415
	24. Meet property condition benchmark	PT	88%
	25. Number of households assisted through the Healthy Housing programme	I	1,000

## Strategic Objective 2

**Establish partnerships with community organisations, iwi, local government and other providers to deliver locally based housing solutions.**

This strategic objective is supported by output class 3: Housing Partnerships.

## 3. Output Class 3: Housing Partnerships

### a) Strategies to achieve strategic objectives

- Develop a framework to identify priorities for partnership development.
- Develop housing models to assist target groups to access housing e.g. the elderly or people with disabilities.
- Facilitate and participate in joint ventures.
- Facilitate and develop social agencies to access housing.
- Develop partnerships with third sector groups, social agencies, local authorities and iwi groups so as to leverage resources, build relationships and identify opportunities.
- Establish a framework for community housing networks.



### Strategic Objective 3

**Provide assistance to households on low and modest incomes who wish to become home owners.**

This strategic outcome is supported by output class 4: Home Ownership.

#### 4. Output Class 4: Home Ownership

Home ownership for low to modest income households will be supported through the provision of a home ownership assistance programme and home ownership finance through the Low Deposit Rural Lending (LDRL) programme and other lending options.

Performance will be reported quarterly and measures will be adjusted where appropriate.

##### a) Strategies to achieve strategic objectives

- Continue to deliver workshops on budgeting and home ownership saving.
- Assist low-income Pacific peoples in establishing emergency housing (Christchurch and Hutt Valley Regions).
- Explore how to increase the supply of rent-to-own opportunities for different groups .
- Disseminate information aimed at different tenant/customer groups on housing assistance, on how to access housing assistance and a broad range of housing related information (e.g., tenancy issues, bonds, refinancing or applying for a mortgage etc).



##### b) Performance Expectations

\* Performance Target (PT)/Information (I)

Output	Performance Measure	*	Measure
Home Ownership Assistance	26. Number of new geographical areas covered	PT	6
	27. Number of households assisted through SHAZ and Kapa Hanga Kainga projects	PT	50 new units and 130 home repairs
Home Ownership Finance	28. Number of LDRL loans approved	PT	250
	29. Number of other loans approved	I	Monitor Trend
	30. Loan application processing time	PT	< or = to three working days
	31. Loans portfolio arrears	I	Monitor Trend
	32. Income and expenses of home ownership finance	I	\$4.0m surplus

## Strategic Objective 4

**Provide advice to the Minister of Housing on housing policy matters.**

This strategic objective is supported by two output classes 5: Policy Advice and 6: Ministerial Services.

### 5. Output Class 5: Policy Advice

#### a) Performance Expectations

*\* Performance Target (PT)/Information (I)*

Output	Performance Measure	*	Measure
Policy Advice	33. % of advice delivered according to the agreed work programme, quality standards and deadlines as set out in the Corporation's Purchase Agreement with the Minister of Housing	PT	100%
	34. Cost of policy advice	PT	\$0.78m excluding GST

### 6. Output Class 6: Ministerial Services

#### a) Performance Expectations

*\* Performance Measure (PT)/Information (I)*

Output	Performance Measure	*	Measure
Ministerial Services	35. % of Ministerial Responses drafted in accordance with agreed quality standards and deadlines as set out in the Corporation's Purchase Agreement with the Minister of Housing	PT	100%
	36. Cost of ministerial servicing	PT	\$0.3m excluding GST



## 9.4 The Corporation's Organisational Support Objective

Each of the Corporation's groups develop their own strategic business plan to guide their core activities throughout the year (e.g., Organisational Development, Human Resources, Legal Services, Finance, etc). Highlights for the key areas are outlined below.

### a) Strategies to enhance operations in a business-like manner.

- Develop Corporation monitoring framework to measure customer satisfaction.
- Improve performance monitoring and reporting.
- Develop strategies to measure service costs and efficiency.
- Investigate options for triple bottom line reporting.
- Organisational Development strategy highlights:

The Corporation recognises the staff as our biggest asset and is changing the working environment to reflect this by:

- Emphasising skills development and training to ensure staff have the capability to deliver on new objectives and services, particularly in areas of policy and Ministerial Services to deliver on these new core functions and on enhancing front line customer service;

- Providing opportunities for staff to compare other housing systems and different roles within the organisation through secondment opportunities and by working in cross-functional teams; and
- Giving greater authority to managers to take flexible and innovative approaches for delivering on customer expectations.

To foster a strong staff culture, particularly with the integration of four different organisational cultures, management needs to convey its commitment to the new Corporation direction and to making the necessary changes happen. High standards of performance will be expected and measured within individual performance plans aligned to the Corporation strategic directions commencing 1 July 2001.

Several new initiatives for the current year (e.g., including enhanced training and establishing a professional housing association) illustrate the Corporation's commitment to staff development. Ensuring the organisation has the capability to deliver on its strategic objectives is critical to success. The organisation is committed to a culture that fosters innovation and staff growth. Employee surveys and staff turnover data will help the Corporation gauge the satisfaction levels of our staff.

### b) Performance Expectations

\* Performance Measure (PT)/Information (I)

Output	Performance Measure	*	Measure
Efficient and Effective Management	37. Return on earnings after tax:average total equity	I	1.24%
	38. Portfolio IRR	PT	>6.55%
	39. Level of identified under-utilisation <sup>3</sup>	I	<5%
	40. Credit rating	I I	Moody's Aaz S&P AA or better
Environmental Responsibility	41. Number of properties with energy efficient features added	PT	2,500
Being a Good Employer	42. Staff turnover	I	Monitor Trend
	43. Quarterly audit result on organisational understanding	I	Monitor Trend
	44. Staff satisfaction	I	Monitor Trend

<sup>3</sup> Under-utilisation – defined as where a unit has more than one bedroom above the required standard for the household type.

## 10 Financial Summary

Budget 2001/2002

	\$000's
Rental Income	541,815
Interest Income	6,486
Other Income	1,635
<b>Total Income</b>	<b>549,936</b>
<b>Total Output Class Costs</b>	<b>334,664</b>
Interest Costs	108,265
Organisation Support	31,253
<b>Total Costs</b>	<b>474,182</b>
<b>Net Profit before Tax</b>	<b>75,755</b>
Tax Expense	37,834
<b>Net Profit after Tax</b>	<b>37,921</b>

**Note:**

1. Rental income includes \$4.5m rent relief for community housing and income-related rent subsidy.
2. Interest income includes mortgages interest and investment interest.
3. Total output class costs include lease cost for HLP, net gain on sale of properties and feasibility costs.
4. Organisation support includes costs not allocated to an output class.



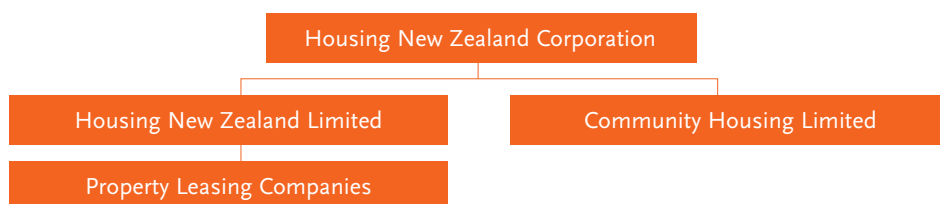
## 11 Exercise of the Powers, Functions and Discretions Relating to Income-Related Rents and Allocation of Houses

The Housing Corporation Amendment Act 2001 reconstitutes the former Housing Corporation of New Zealand as Housing New Zealand Corporation. The new Corporation has as its subsidiaries Housing New Zealand Limited and Community Housing Limited.

Part 5 of the Housing Restructuring Act 1992 (the Act), amended by the Housing Restructuring (Income-Related Rents) Act 2000 gives the Corporation's subsidiary HNZ, a number of powers, functions and discretions in relation to:

- The calculation and administration of income-related rents; and
- The allocation of HNZ housing.

**The Corporation Structure**



### 11.1 Discretion Relating to Calculation and Administration of Income-Related Rents

While the process for calculating and administering income-related rents is largely prescribed by Part 5 of the Act, HNZ is required to exercise a number of discretions. Areas where HNZ is required to exercise these discretions include:

- i) establishment of assessable income;
- ii) completeness and accuracy of information provided; and
- iii) adjustments to the outcomes of the calculation mechanism.

In exercising the discretions HNZ will endeavour at all times to be guided by the following objectives:

- a) to have regard where appropriate to the means by which other similar Government agencies have exercised similar discretions;
- b) to follow a process and/or apply guidelines (where they exist) in a manner that is transparent to the tenant or prospective tenant;

- c) to exercise each particular discretion in a manner that is consistent with how that particular discretion has previously been exercised by HNZ, unless it is not appropriate to do so; and
- d) to promptly advise tenants and prospective tenants, who enquire, as to the exercise of discretions in respect of themselves, of the decisions made and of the rights that they may have to seek reviews of the decisions.

### 11.2 Allocation of HNZ Housing

The process of allocating HNZ housing is not prescribed in the Act. HNZ and the Crown have established principles and a process to govern the allocation of houses to prospective residents. In allocating housing HNZ is authorised by Section 61 of the Housing Restructuring Act 1992 to have regard to matters which would or may, but for Section 61, constitute a breach of the Human Rights Act 1993. The principles and process are described in Appendix 1.

## 12 Financial Structure and Accounting Policies

**The ratio of consolidated shareholder funds, as a proportion of total assets, is forecast to be in the region of 66%, for 30 June 2002, and the next two years following<sup>4</sup>.**

The Corporation will maintain accounting policies in accordance with recent legislation and generally accepted accounting standards promulgated by the Institute of Chartered Accountants of New Zealand. A statement of the Corporation's<sup>5</sup> accounting policies is attached as Appendix 2.

### 12.1 Financial Distribution to the Crown

The Corporation must pay its surplus for each financial year into the Crown bank account, unless the Minister authorises the Corporation to keep all or any part of it.

Surplus means surplus capital, and any operating net surplus, after any provision the Minister thinks proper has been made for any matters that, in the Minister's opinion (reached in the light of the Corporation's Statement of Intent) are necessary for the efficient and effective conduct of the Corporation's operations.

It is intended that funds surplus to the Corporation's investment and operating requirements will be distributed to the Crown's bank account by way of a dividend. The last date for payment of the dividend will be at the business day closest to 31 October of the next financial year.

In determining dividend payments, we would recommend that Ministers consider the following factors:

- a) maintaining the Corporation's debt:equity ratio in the region of 34:66<sup>6</sup>;
- b) the Corporation's medium-term capital expenditure programme; and
- c) the Corporation's working capital requirements.

<sup>4</sup> Consolidated capital funds are the capital funds (consisting of the share capital, retained earnings and any reserves) of the parent and subsidiaries (i.e., the Group) accounted for using the purchase method of consolidating the entities in the Group. Total assets are the total assets (i.e., the current and non-current assets) of the Corporation and subsidiaries accounted for using the purchase method of consolidating the entities in the group.

<sup>5</sup> Reference to the Corporation includes HNZC.

<sup>6</sup> Debt includes the net present value of the property lease obligations which are not recorded on the balance sheet. The ratio is subject to establishing the appropriate capital structure for the Corporation by 31 December 2001.

The expected distribution by way of dividend is \$31m, \$30m, and \$36m respectively for each of the next three years.

## 12.2 Information to be Provided to Ministers

The Corporation will fully and promptly comply with all requests from Ministers for information relating to the affairs of the Corporation to the extent that systems and procedures exist to make it possible.

In accordance with Section 41C of the Public Finance Act 1989 the Corporation will provide Ministers with a draft SOI no later than one month before the start of each financial year.

An Annual Report will be produced in accordance with Section 42 of the Housing Corporation Act 1974 (as amended).

The Corporation will provide quarterly reports to the Ministers or their agents to monitor compliance with specific operating procedures and activities that will assist in meeting the Crown's social and business objectives as identified.

The Corporation will provide, on request, other information pursuant to Section 45B of the Public Finance Act 1989.

## 12.3 Procedures for Acquisition of Shares

The Corporation will only invest in the shares of another housing services related business where shares acquired are considered necessary to achieve the Corporation's objectives. In the case where the Corporation intends to subscribe for, or otherwise acquire 20% or more of the issued capital, it will give prior written notice to the Ministers of its intention.

## 12.4 Business Diversification

The Corporation undertakes to obtain Ministers' agreement prior to any material changes to its business undertakings.

## 12.5 Agreements for Which the Corporation Seeks Compensation from the Crown

The Corporation may enter into contractual arrangements with the Crown as required from time to time. Such arrangements would include agreements pursuant to Section 20B of the Housing Corporation Act 1974. All contractual arrangements will be disclosed in the Annual Report.

HNZ and the Crown have entered into an agreement under Section 7 of the Housing Restructuring Act 1992 whereby HNZ will be compensated for any difference between market rents and income-related rents. The agreement is a consequence of HNZ being required to charge qualifying tenants income-related rent rather than a market rent.

## 12.6 Value of the Crown's Investment

The Corporation's rental properties will be revalued annually subject to agreement with the Board using an appropriate valuation methodology to be approved by the Board during the year.

The value of the Crown's investment in the Corporation as at 30 June 2001 was \$3bn.

The figures for the following three years, based on estimated book values, prior to any revaluation, are as follows:

30 June 2002	30 June 2003	30 June 2004
\$3.1bn	\$3.1bn	\$3.1bn

## 12.7 Statement of Accounting Policies

The Corporation's accounting policies are attached in Appendix 2.

## 12.8 Other Matters Agreed by the Ministers and the Board

No other matters have been agreed by Ministers and the Board for inclusion in this Statement of Intent pursuant to Section 41D(1)(j) of the Public Finance Act 1989.



# Allocation of Housing – Principles and Process

## 1.1 Government Policy

- The Government has directed that HNZ housing (being premises let or to be let by or on behalf of HNZ for occupation by any person as a place of residence) be allocated on the basis of need.
- The Government has defined “housing need” as an inability to access and/or sustain housing that is suitable, adequate and affordable.

## 1.2 Principles

### 1.2.1 Eligibility for HNZ Housing

- Eligibility of prospective residents for HNZ housing will be determined on the basis of the following three factors:
  - Residency status;
  - Income and assets; and
  - Need.
- HNZ will make a practice of contacting the appropriate authorities (e.g., New Zealand Police, Child Youth and Family Services Department, New Zealand Immigration Service, Customs New Zealand and Department of Corrections etc.) if, in the course of determining eligibility for a particular applicant, evidence of unlawful or criminal activities comes to light.

## 1.3 Allocation of HNZ Housing

- Once eligibility is established, priority will be given to households experiencing housing and financial stress that is severe, urgent and likely to persist over time and who are having difficulty functioning in the housing private market.

### 1.3.1 Segmentation of Waiting Lists

- Priority for housing will be determined by dividing the waiting list for HNZ housing into four segments:
  - An “A” priority household is one with severe and persistent housing needs that must be addressed immediately;
  - A “B” priority household is one with a significant and persistent housing need;
  - A “C” priority household is one with a moderate housing need; and

- A “D” priority household is one which is experiencing lower level housing need, or is disadvantaged, and/or may be able to function in the market.
- Which segment a household fits into will be determined by the priority matrix. The priority matrix involves an assessment of the level of risk each household faces by reference to the following need indicators:
  - **Affordability** of current housing on the basis of a residual income test;
  - **Adequacy** of current housing;
  - **Suitability** of current housing;
  - Ability to **access**/gain housing; and
  - Ability to **sustain**/retain housing.
- When HNZ housing becomes vacant, or a new supply is available, applicants will be matched with housing that meets their requirements, with priority being given to those with the greatest need. If three valid offers are rejected by an applicant without good reason then that applicant’s priority on the waiting list may be reassessed.
- Where a permanent solution is not immediately available, urgent temporary housing solutions will be offered to “A” priority applicants where it is considered that such a solution will reduce the level of risk that a household faces.

### 1.3.2 Management of Waiting Lists

- Waiting lists will be managed and regularly reviewed to:
  - ensure an applicant’s priority status remains valid;
  - ensure applicants are informed of the progress of their application; and
  - ensure HNZ is delivering an appropriate standard of service.
- Under Section 58(3) of the Housing Restructuring Act 1992 HNZ may suspend or decline an applicant’s application if, in the course of an investigation by HNZ, the applicant (or their partner):

- wilfully gives HNZ false or misleading information; or
- fails or refuses to fully answer any relevant question asked by HNZ; or
- fails or refuses to verify any information by statutory declaration when asked to do so by HNZ.

### 1.3.3 Internal Review/External Appeal

- A system of internal review of the eligibility/allocation process has been established by HNZ. A review of a decision on eligibility/allocation will be undertaken on request by an applicant.
- Applicants have the ability to appeal decisions to an external Appeal Authority, following completion of an internal review.

### 1.3.4 Fraud/Misleading Information

- HNZ may take certain actions if, during the course of an investigation by it into a tenant's or an applicant's circumstances, the tenant or applicant (or an applicable person):
  - wilfully gives HNZ false or misleading information; or
  - fails or refuses to fully answer any question asked by HNZ; or
  - fails or refuses to verify any information by statutory declaration when asked to do so by HNZ.

- The actions are:
  - If an applicant has applied for housing, but the application has not yet been accepted, rejected or withdrawn, then HNZ may suspend its consideration of that application, or HNZ may decline that application;
  - If an applicant has applied for housing and that application has been accepted, but housing has not yet been allocated, then HNZ may reassess that applicant's priority on the waiting list;
  - If housing has been allocated to a tenant, then the tenant's housing need will be reassessed, and:
    - ✦ if the false or misleading information was given before the housing was allocated to the tenant concerned and the tenant's actual circumstances mean that the tenant is **not eligible** for HNZ housing, then HNZ may issue the tenant with a notice of termination under Section 50 of the Residential Tenancies Act 1986, in which case the housing will be re-allocated to an eligible applicant;
    - ✦ if the false or misleading information was given, or the failure or refusal referred to above occurs, after the housing was allocated to the tenant concerned and the tenant's actual circumstances mean that the tenant is **still eligible** for HNZ housing, then HNZ may:
      - \* calculate an income-related rent for that tenant on the basis of HNZ's understanding of that tenant's circumstances, and recover as a debt due to the Crown any amounts that it is entitled to recover under Part 5 of the Housing Restructuring Act 1992; or
      - \* treat the market rent for that housing as the income-related rent for that tenant, and recover as a debt due to the Crown any amounts that it is entitled to recover under Part 5 of the Housing Restructuring Act 1992.



## 1.4 Process

- The process for determining eligibility and priority of allocation will be as follows:

Stage	Process	Purpose
Initial Enquiry	Completion of enquiry form.	To enable a preliminary assessment of eligibility and determine whether the inquirer should proceed to a needs assessment.
Needs Assessment	Face to face interviews between HNZ representative and applicant. Need is assessed by applying the priority matrix to the information provided by the applicant.	To confirm eligibility for housing and type of housing need the applicant is experiencing. To determine which segment of the waiting list the applicant fits into in order to determine priority.
Waiting List Management	Periodical review of the circumstances of persons on the waiting list to ensure that eligibility continues.	To review waiting lists to ensure priority status remains valid.
Placement	Matching of housing and applicants according to their housing requirements and their position on the waiting list.	To ensure that appropriate housing is allocated to applicants according to need.



## Appendix 2

# Accounting Policies

Housing New Zealand Corporation's accounting policies can be summarised as follows:

### Reporting Entity

The Housing Corporation Amendment Act 2001 renamed Housing Corporation of New Zealand as Housing New Zealand Corporation effective 1 July 2001. The Act vested the shares of Housing New Zealand Limited in Housing New Zealand Corporation. This transfer of shares from the shareholders of HNZ to HNZN was at book value. In substance, in vesting the shares of Housing New Zealand Ltd in HNZN, the Crown effectively made a capital contribution to Housing New Zealand Corporation equivalent to the book value of the net assets of HNZ.

Housing New Zealand Corporation is a Statutory Corporation under the Housing Corporation Act 1974 (as amended). The core business of Housing New Zealand Corporation and its subsidiaries is the delivery of housing services to low-income New Zealanders.

The Corporation's financial statements are for Housing New Zealand Corporation as a separate entity and the Group's financial statements are for the Housing New Zealand Corporation Group, which includes all its subsidiaries.

The financial statements have been prepared and presented in accordance with generally accepted accounting practice in New Zealand, the Financial Reporting Act 1993, the Public Finance Act 1989 and the Housing Corporation Act 1974 (as amended).

### Measurement Basis

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical-cost basis have been followed with the exception that under the modified historical cost basis, rental properties and freehold land have been revalued in accordance with FRS3.

### Specific Accounting Policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been consistently applied:

#### a) Basis of Consolidation – Purchase Method

The consolidated financial statements are prepared from the financial statements of the Parent entity and its subsidiaries, using the purchase method. All transactions between the group entities are eliminated on consolidation. In the Corporation's financial statements, investment in the subsidiaries are stated at cost.

#### b) Mortgage Advances

Mortgage advances are stated at the lower of amounts advanced plus accrued interest less repayments and are net of provisions made of advances considered doubtful of collection, or recoverable amount. Interest charged on loans which have been specifically provided for is not recognised as income.

The mortgage provision reflects an amount which is considered adequate to provide for probable losses based on the best information currently available. Where possible, specific provisions are made for loans which are identified as having particular risk, where security is considered inadequate.

**c) Revenues**

Incomes shown in the Statement of Financial Performance comprise the amounts received and receivable by the Group for the provision of housing services to customers.

**d) Fixed Assets**

The Group has the following classes of fixed assets:

- freehold land;
- rental properties;
- leasehold improvements;
- furniture and fittings;
- office equipment;
- computer equipment and software; and
- motor vehicles.

All fixed assets are initially recorded at cost. Freehold land and rental properties are revalued on an annual basis in accordance with FRS3. Any revaluation surplus arising on the revaluation of freehold land and rental properties is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve is recognised in the Statement of Financial Performance in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the Statement of Financial Performance, are recognised as revenue in the Statement of Financial Performance.

**e) Depreciation**

Depreciation is provided on a straight-line basis on all fixed assets, except for freehold land and leasehold improvements, at rates calculated to allocate the cost or valuation less estimated residual value of the assets, over their estimated useful lives.

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the improvement.

Major depreciation periods are:

Rental properties	up to 40 years
Leasehold improvements	period of the lease or estimated useful life
Furniture and fittings	10 years
Office equipment	5 years
Computer equipment and software	4 years
Motor vehicles	5 years

**f) Investment**

Investments in Government Securities, Local Authority Securities, Short Term and Other Investments are stated at face value less unamortised discounts and premiums. Discounts and premiums are amortised to income on either a yield-to-maturity basis or a straight line basis over the terms of the investments.

**g) Maintenance**

The Group recognises liabilities for maintenance on the following basis:

Work undertaken prior to balance date is recognised as liabilities and expenses, except where the expenditure creates additional service potential.

All identifiable obligations relating to building health and safety regulations are recognised at balance date. These amounts are expensed.

**h) Leases**

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

**i) Receivables**

Receivables are stated at their estimated realisable value.

**j) Income Tax**

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method. Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

**k) Goods and Services Tax**

The Corporation is principally an exempt supplier in respect of Goods and Services Tax. For this reason, Goods and Services Tax on the majority of inputs is included in expenditure.

**l) Financial Instruments**

The Group uses various financial instruments, some of which have off-balance sheet risk for the purpose of reducing its exposure to movement in interest rates and foreign currency exchange rates.

For interest rate swap agreements, the differential to be paid or received is accrued and is recognised as a component of the interest expense/income over the life of the agreement.

Premiums paid for interest rate options are expensed in the Statement of Financial Performance. Net settlements on maturity of forward rate agreements and options are amortised over the period of the hedged item. The group enters into currency and interest rate swaps and foreign currency forward exchange contracts to hedge foreign currency transactions. Any exposure to gains/losses on these forward contracts is generally off-set by a related loss or gain on the item being hedged.

The group is not involved in foreign exchange or interest rate speculating.

**m) Foreign Currencies**

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the transaction date.

Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts. At balance date foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the Statement of Financial Performance.

The exchange differences on hedging transactions undertaken to establish the price of particular sales or purchases, together with any costs associated with the hedge transactions, are deferred and included in the measurement of the purchases or sales.

**n) Lenders Mortgage Insurance****Underwriting Provisions**

Underwriting provisions consist of provision for unearned premiums and claims incurred but not reported.

The provision for unearned premiums is determined by apportioning premiums received over the effective periods of risk underwritten. The provision for claims incurred but not reported is the estimated cost of claims where the event occurred prior to balance date but was not reported until after the balance date.

**o) Mortgage Sale Insurance**

Provisions related to insurance provided on mortgages sold have been recorded based upon the present value of actuarially determined assessment of likely losses.

**Changes to Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous annual report.





Housing New Zealand Corporation  
PO Box 2628, Wellington 6015  
[www.hnzc.co.nz](http://www.hnzc.co.nz)

ISSN 1172 6385