



Statement of Intent 2006-2007

HOUSING NEW ZEALAND CORPORATION

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Purpose

This Statement of Intent sets out Housing New Zealand Corporation's strategic direction over the next three years and forecast financial and service performance statements for 2006/07.

It describes our outcomes, explains how our activities will produce results, and identifies the measures that will show progress towards meeting the Government's themes.

Part one: Our three-year outlook presents the Corporation's strategic objectives and the results we seek to achieve over the next three years.

Part two: Forecast financial information presents our statement of responsibility, forecast service performance, forecast financial performance, policies and statements.

Foreword: Board Chair



For over 100 years, successive governments have recognised the importance of good housing in people's lives. Policies and services have focused on households with the greatest housing need having priority access to homes.

Housing contributes in many ways to the Government's themes of transforming the economy, lifting living standards for families, and further developing our sense of national identity. In particular, good housing supports families to be healthy, safe and strong. The housing market has a major role in regional economies and national economic performance. The building and construction sector alone employs 150,000 people.

The Corporation's business requires us to respond to a diverse range of housing needs. Different ethnic and cultural communities have specific housing requirements, as do people with intellectual or physical disabilities or mental health needs. We will fulfil our obligations as a Crown entity by working with Māori and iwi to successfully meet their housing needs.

The Board will give priority to working towards the Government's social goals in a business-like way. The Corporation will focus on working with a wide range of government and non-government agencies, the private sector and community groups to implement its responsibilities under the *New Zealand Housing Strategy*. The Board will undertake its stewardship role to ensure state housing is managed in a transparent and effective manner, housing is improved, and to promote access to affordable, good quality housing.

This year we will improve the Corporation's accountability systems and performance reporting to fulfil the requirements of the Crown Entities Act 2004, as we seek to be an exemplary public entity. We will continue working with central agencies and the Department of Building and Housing to refine our stated outcomes, outputs and performance indicators.

The Board looks forward to fulfilling its role to enable the Corporation to achieve the results in this Statement of Intent.

A handwritten signature in black ink, appearing to read 'Pat Snedden', with a horizontal line underneath.

Pat Snedden
Chair

Chief Executive's overview



The Corporation is much more than the nation's largest landlord. We offer a wide range of housing services to individuals and families, including low income households and those facing other inequalities. We help first home buyers into home ownership and we encourage social housing providers to help meet local housing need. We are also the Government's key adviser on strategic housing-related policy. Our strategic and operational policy capabilities have been significantly increased to deliver sound and evidence-based policy advice.

Our work supports the Government's three themes: economic transformation; families, young and old; and national identity. While families young and old most obviously fits with our work, we also have a role to play in supporting the other two themes. Strong families and communities underpin economic transformation, building foundations that allow individuals to contribute fully and excel. Good quality housing contributes to the wellbeing of New Zealanders, helps support families, safe communities and improved health, education and employment outcomes. The provision of affordable housing is strongly ingrained in the Kiwi culture that helps shape our national identity.

In line with the public sector focus on outcomes, the Corporation is working towards two intermediate outcomes: 'A supply of good quality housing' and 'Sustainable housing solutions'. The first outcome will be achieved when the housing sector has the capability to deliver good quality housing that is appropriate to changing needs. Effective implementation of the 10-year programme of action for the whole housing sector in the *New Zealand Housing Strategy* will make a major contribution to this, as will our effective stewardship and development of the Crown's housing.


The Corporation's second intermediate outcome 'Sustainable housing solutions' will be achieved when New Zealanders can obtain and maintain housing, and contribute to cohesive communities. Our work with community-based housing initiatives and our services to help people into suitable housing support this outcome.

We also make a significant contribution to the work and outcomes of many other government agencies. We look forward to further strengthening our relationship with the Ministry of Social Development and other public sector agencies with housing-related responsibilities, such as the Department of Building and Housing, Te Puni Kōkiri, the Treasury, and the Ministry of Pacific Island Affairs, Ministry for the Environment and Ministry of Health. We are working to increase the supply of social housing in partnership with local authorities and other not-for-profit housing providers, by providing lending and support through the Housing Innovation Fund.

The Corporation works in a challenging environment and deals with many issues that require innovative responses to meet changing demands. We are planning strategically for the future. The Corporation will need to ensure it develops and maintains the capability necessary to meet the housing expectations of all New Zealanders and the Government's social outcomes.

A handwritten signature in black ink, which appears to read 'Helen Fulcher'.

Helen Fulcher
Chief Executive



Part one: Our three-year outlook

Introduction

We are committed to making the fullest possible contribution to the Government's priorities by achieving its housing-related goals.

The Corporation manages housing worth more than \$11 billion, including 66,000 state houses. About 44 percent of state housing is in Auckland. We housed a total of 193,462 people in our rental accommodation (as at 31 March 2006). Of these 29 percent were Māori and 30 percent were Pacific peoples.

In addition to being the country's largest landlord, the Corporation offers a wide range of other housing-related services and products. We promote lending programmes to help eligible first home buyers. We support the development of social housing alternatives to a state home. We are a key adviser to the Government on housing and housing-related services and have an important contribution to make in the development of good policy. We operate in a commercial environment as a landlord, property manager, lender and insurer. We plan strategically and respond to changing housing needs by constantly monitoring our operating environment to identify issues and trends in the housing market.

Our service delivery role stems from the Government's commitment to helping people on lower incomes, or with special housing needs, to find affordable, good quality housing.

Good quality housing contributes to the on-going social and physical health of individuals, families and communities. People who cannot access appropriate housing will be excluded from experiencing personal and social benefits such as continuity in their children's schooling and the ability to participate in the community.

We have identified an overarching outcome and intermediate outcomes to help us contribute effectively to the Government's three themes: economic transformation; families, young and old; and national identity. We describe these in the section 'Outcomes framework'. Our overall strategic focus is guided by the *New Zealand Housing Strategy*, a 10-year whole-of-government programme of action for the housing sector.

Table 1 opposite shows how the majority of our customers are those with the highest housing needs. Table 2 demonstrates how our work delivers a wide range of benefits to customers and communities.

TABLE 1 HELPING THOSE IN MOST HOUSING NEED

Out of every 100 state households:

- 91 need rental assistance because of their low income
- 27 are single parents
- 19 are superannuitants (aged over 65 years)
- 11 have four or more children under the age of 16
- 1 has a disability that requires their home to be modified.

TABLE 2 THE CORPORATION'S WORK

Last year (2004/05) Housing New Zealand Corporation helped:

- 10,100 families move into a state home
- 2,320 households to improve the warmth, and dryness of their homes with energy efficiency improvements
- 1,060 households get a modernised and improved house
- 1,050 extra state homes to be provided for people in need
- 860 households to improve their living standards through the Healthy Housing programme
- 800 people with complex needs by providing case management support
- 600 people to buy their own home through Welcome Home Loans
- 550 households in deprived areas to get home improvements through Community Renewal
- 410 families to receive essential repair loans for substandard privately-owned rural homes
- 158 refugee families into homes
- 118 households in privately-owned rural properties by providing loans to make power, water, sewerage and other infrastructure improvements
- 100 people to secure a low deposit rural loan to help them buy a home
- 126 new homes to be built by social housing providers who received a Corporation loan
- 70 community groups to lease homes for residents with special health or welfare needs.

Operating environment

A good understanding of our current and future operating environment is essential to planning and carrying out our work.

Overview

Significant changes continue to take place in New Zealand's society and economy. These affect the housing market and the ability of individuals to access housing. Current pressures on the demand and supply of housing include regional demographic changes, lifestyle and personal aspirations, the needs of specific groups, new construction technology, and higher building standards. Many people face significantly increased costs for renting and buying homes due to the dramatic rise in house prices.

A house is a high value asset with a long life. The quality and use of New Zealand's housing has significant implications for current and future generations. Sound planning is needed to ensure our homes meet people's needs over their economic life, and to protect the Crown's housing investment. The Corporation must consider many long-term housing issues and trends, and evaluate their possible impacts in its policy development and planning. Social, economic and environmental factors influence the demand for and supply of housing, as do external influences such as global and technological change.

Research carried out by the Centre for Housing Research Aotearoa New Zealand (CHRANZ) helps the Corporation to identify and evaluate possible future operating environments.

Our operating environment includes the state and the wider housing sector. We will deal with several known housing issues over the next three years, including:

- meeting housing need in areas of high demand
- upgrading the quality of our housing to meet current housing standards and expectations
- helping to make housing more affordable to first home buyers
- helping people to upgrade substandard privately-owned rural housing
- promoting new ways to meet housing need, for example, by helping non-government social housing providers.

Government themes

The Government has stated its commitment to three themes for the future development of the nation. They cover:

- promoting the nation's economic, social and cultural development by transforming the economy
- lifting living standards for families, young and old
- further developing our sense of national identity.

The state sector and the Corporation as a member of that sector have a major part in realising these themes. This is discussed in detail in the section 'The Government's strategic policy framework'.

Examples of housing-related trends and issues that we need to anticipate and respond to appropriately are given on the following page.

Social trends

Our family, work and community life is influenced by a number of factors, including housing. Social trends that change our expectations and the way we want to live have major implications for meeting housing needs. The population is ageing and becoming more ethnically diverse, and the average household size is falling. Groups with increasing housing need include individuals, single parent families and larger families, so the typical three-bedroom state house is likely to become less suited to meeting our future social housing requirements.

Urban centres, especially Auckland, are likely to experience the highest rates of regional population growth and consequent demand for housing. Changes in the labour market could have a significant impact on people's housing decisions. They may be influenced by changes in regional economies, new forms of paid employment and personal preferences for greater flexibility about the location of work and commuting time.

New Zealand research shows that people increasingly expect their houses to be safer and healthier places to live and they want drier, warmer homes with child safety features. We are likely to see increased pressure from householders, including our tenants, for modernisation and new homes that meet higher health and safety standards that may be beyond regulatory requirements. The Corporation must assess and respond to such changing trends.

Economic trends

Economic trends and their effects on the housing market have far-reaching and long-term consequences. Our service delivery and policy advice must recognise this.

The state of the housing market and the ability of individuals to obtain affordable housing depend on the economy and its performance. General economic responses may be forecast reasonably reliably, although the magnitude and timing of housing market responses to economic conditions is harder to predict.

We need to consider what might happen, what is most likely to happen and a range of appropriate responses. An economic slow-down occurring over some of the planning period covered by this Statement of Intent (2006–2009) is widely predicted. The effects will differ between areas and will impact on local labour markets and people's choices about where they can afford to live and work. We are factoring various scenarios into our strategic policy and management planning processes and forecasts.

The level of home ownership is generally considered to be a quick test of housing affordability. Home ownership rates have dropped as housing has become less affordable. An expanding rental sector will have a significant impact on people's living standards and their ability to build capital through housing equity. The nation's housing will require more expenditure for maintenance as it ages.

Environmental issues

The nature and quality of the environment has a direct relationship with housing. The shortage of land in the right location for development requires innovative approaches, including influencing planning policies and attitudes towards land development. We also need to consider the impact of other major environmental factors such as the possibility of significant climate change. This might increase the need for greater flood-proofing of coastal properties or better cooling or wind-proofing systems to deal with more volatile weather patterns.

Improving the energy efficiency of housing is a more immediate priority to reduce pressure on natural resources and the environment. The Corporation has installed systems that use solar energy in some of its homes. We will explore options for the wider use of this technology where it can be shown to be cost-effective to the Corporation and meet its environmental aims. A balanced approach is needed to ensure the built environment meets current and future environmental conditions and regulatory requirements.

We continue to work with a range of government agencies to develop appropriate responses to environmental issues. In particular, we are working with Auckland councils that have expressed a particular interest in developing and applying best practice principles in urban design.

Technological trends

New building methods, such as standardised components and factory-built houses, are evolving to meet the demand for better quality housing and lower costs. New design technologies and improved building management systems can make the construction of new homes more efficient. New technology must be appropriate to New Zealand conditions and meet the housing needs of individuals and families now and in the future.

State sector and other stakeholders

The need for increased efficiency and enhanced accountability within the state sector is likely to continue and increase. The Crown Entities Act 2004 sets new standards for the Corporation's operations and its governance by the Board, and brings our work closer to that of other state sector agencies. We will increasingly work with a wide range of agencies to achieve the goals of the Government through the *New Zealand Housing Strategy*. We will also work with others to contribute to the Government's three themes, in particular to supporting families, young and old.

We will work to ensure our planning takes place within the Government's strategic policy framework, and with a good understanding of our current and future operating environment.

We continue to work with central and local government and other stakeholders, including the social housing sector, to achieve the Government's long-term vision for housing. This is covered in more detail in the section 'Partners and stakeholders'.

The Government's strategic policy framework

We share responsibility for achieving the Government's wider social, economic and environmental goals with many other agencies.

We aim to manage our work programme and relationships with other agencies to help realise the Government's social policy vision, including its housing outcomes.

The Government's themes

The Corporation's work contributes to the Government's themes for the next three years. These themes and the Corporation's contribution are set out below.

Economic transformation: This focuses on work to progress the nation's economic transformation to a high income, knowledge-based market economy, which is innovative and creative and provides a unique quality of life for all New Zealanders.

The Corporation's work contributes to two sub-themes under economic transformation: making Auckland an internationally competitive city and promoting environmental sustainability.

Families, young and old: This theme focuses on all families, young and old, having the support and choices they need to be secure and able to reach their full potential within our knowledge-based economy.

The Corporation plays a role in supporting families, young and old by providing affordable housing to people in need. We contribute to the sub-themes of strong families, healthy confident children, safe communities, better health for all, and positive ageing. These results are sought in all aspects of our work and are central to our outcomes framework.

National identity: All New Zealanders are able to take pride in our identity through our arts, culture, film, sports and music; our appreciation of our natural environment; our understanding of our history; and our stance on international issues.

The housing we live in and the surrounding environment help to shape our identity and reflect our culture. The Corporation will continue to ensure state housing meets current and future aspirations of New Zealanders, and that housing policies and priorities are appropriate to New Zealand society.

As we meet with stakeholders in communities and neighbourhoods and work with other agencies, we need to think of presenting the work we do in relation to these three themes. It is important that we continue to listen and engage with our stakeholders and ensure the work we do together contributes to the goals contained in the themes – strong families, safe communities, better health for all, healthy confident children and positive ageing.

Working with other government agencies creates additional opportunities to collaborate on and promote these themes – our programme of action to implement the *New Zealand Housing Strategy* is an ideal way to do this.

The New Zealand Housing Strategy

The *New Zealand Housing Strategy* states the Government's priorities for housing and sets out a broad programme of action for housing over the next 10 years. The strategy will contribute to achieving the Government's three themes, in particular economic transformation and families, young and old.

The Government's vision for housing is that:

All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs.

The Government will work with the community, business and local government to achieve this vision by reducing unmet housing need and housing inequalities, improving the quality of New Zealand homes, and developing a housing sector that encourages appropriate housing investment and provision. The strategy sets out the following areas of action.

Area 1: Work with industry and local government to encourage sustainable housing.

Area 2: Improve housing assistance and affordability.

Area 3: Improve access to home ownership.

Area 4: Develop the private rental sector.

Area 5: Improve housing quality.

Area 6: Strengthen housing sector capability.

Area 7: Meet diverse needs.

The Corporation's role includes the following activities.

- Leading and implementing the development of particular initiatives within the programme of action; working in partnership with other agencies.
- Coordinating the whole-of-government steering committee that provides cross-sector oversight during implementation.
- Developing a set of indicators and arrangements to monitor progress with other relevant agencies, including Statistics New Zealand, the Department of Building and Housing and the Ministry of Social Development.
- Increasing our knowledge about the housing sector and housing demand so we are better able to critically assess housing interventions.
- Providing high level policy advice on interventions across the sector to respond to New Zealand's diverse and changing housing needs.

We will work with the Department of Building and Housing and the Ministry of Social Development to implement the strategy.

We will also work with the Treasury, the Inland Revenue Department and Ministry of Economic Development on home ownership initiatives; and the Ministry for the Environment, Ministry of Health, Statistics New Zealand, and the Energy Efficiency and Conservation Authority on the Building Code review. We will work with the Department of Building and Housing on implementing the Building Act 2004.

A wider range of agencies and organisations also have responsibility under the strategy, including the Department of Labour, the Ministries of Transport, Justice, and Pacific Island Affairs and Te Puni Kōkiri, the Tertiary Education Commission, Local Government New Zealand, Land Information New Zealand, the Building and Construction Industry Training Organisation, and the Office of Ethnic Affairs.

Our business

The Corporation provides housing, housing services and policy advice to meet the Crown's social, environmental and financial objectives.

The Corporation is a Crown agency. Our legislated objectives are¹:

(a) 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
- operates with good financial oversight and stewardship, and efficiently and effectively manages its assets and liabilities and the Crown's investment.

(b) to ensure that the Minister of Housing receives appropriate policy advice, other advice, and information, on housing and services related to housing.

Core and non-core business

The Corporation distinguishes between core and non-core business to keep focused on our mandated priorities and to manage the risks associated with certain activities.

This distinction helps us to identify activities that are not core to our main business, which may have associated risks that we need to manage. We recognise the need to consult ministers and seek their involvement in decisions on such issues.

The Corporation's scope of business includes activities mandated by legislation or otherwise specifically authorised by government decisions. Core business activities include rental housing and related activities, for example tenancy management and elements of land development such as in-fill housing, maintenance and modernisation.

Core business also covers home lending, including Welcome Home Loans and essential repairs, rural housing, and housing policy advice. We consult with ministers on all these activities in the process of developing our Statement of Intent. The Corporation also reports on these activities in our quarterly reports to ministers.

Our non-core activities are few. They are readily recognisable as being 'special cases' that require a higher level of ministerial involvement and have additional associated fiscal, commercial and political risks. The Hobsonville development is an example of this. Non-core business is likely to include large or unusual activities and initiatives, as well as new and developmental activities.

New lines of business, such as the weathertight homes initiative, will evolve and mature over time. We expect some of these activities to become core business for the Corporation.

¹ As set out in the Housing Corporation Act 1974 as amended by the Housing Corporation Amendment Act 2001, section 3B(a) and (b).

Responsibilities

The Corporation works with the Department of Building and Housing, which is also our Vote holding and monitoring agency, to give effect to the Government's overall housing policies. Our sole, lead and shared roles are stated below.

The Corporation has sole responsibility for:

- giving effect to the Government's social objectives for providing housing and housing-related services, such as operational housing interventions and programmes
- delivering social housing initiatives for the Government, including acquisitions and new programmes
- managing the state housing assets
- preparing our budget initiatives
- preparing our accountability documents and business plan.

We have lead responsibility for:

- preparing policy advice, and other advice and information on housing and housing-related services (excluding regulatory policy)
- preparing policy advice and research for government on social housing interventions
- implementing a number of initiatives within the *New Zealand Housing Strategy*
- coordinating the whole-of-government Housing Strategy Steering Committee that provides cross-sector oversight during implementation and with relevant agencies, reporting annually on the implementation of the programme of action
- developing a set of indicators and arrangements with other agencies to measure progress against the strategy's outcomes and goals.

We share joint responsibility with the Department of Building and Housing for:

- defining housing outcomes for the sector
- analysing the housing environment to understand the respective rental market and social housing environments
- ensuring respective research programmes are complementary and working together to influence the wider government sector to ensure it meets the Government's housing goals
- working to influence the Social Services Cluster to effectively deliver the Government's social and economic outcomes.

Outcomes framework

Our outcomes describe what we seek to achieve through our work and how this will impact on the lives of New Zealanders.

The Corporation's outcomes framework shows the rationale for our business and the way we carry it out it is our 'intervention logic'. The framework shows how we will work to balance the demand from individuals and families with housing need with an appropriate supply of social housing. In particular, it recognises that future social housing can, and should be, supplied by a range of other non-government providers alongside state housing.

We work with others towards a shared overarching outcome and two intermediate outcomes. Impact statements describe the key results that can be directly attributed to our work. We have adopted five strategic priorities to achieve the stated impacts over the next three years.

The diagram overleaf shows the relationship between the Government's themes, and our outcomes, impacts, priorities and key activities.

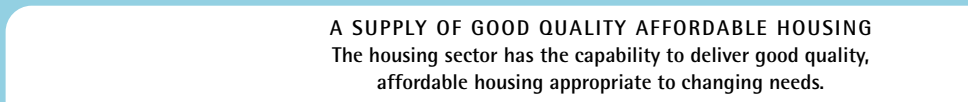
Figure 1

Outcomes framework

Overarching outcome



Intermediate outcomes



Impacts

Key stakeholders in the housing sector work effectively to achieve mutually-agreed housing outcomes.

The Corporation's housing design and associated urban developments are appropriate to the needs and aspirations of residents.

Strategic priorities

Coordinate the Government's New Zealand Housing Strategy

Demonstrate housing development best practice

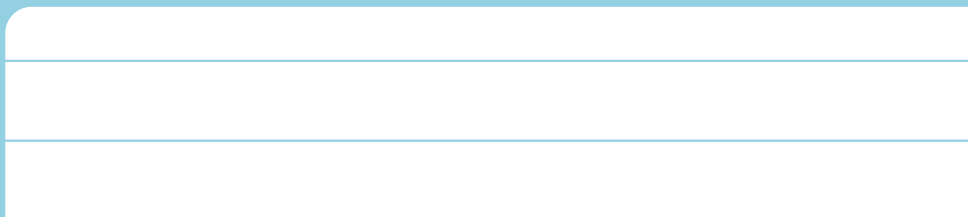
Key activities

Policy adviser

Researcher and evaluator

Ministerial support

Our approach to our work



GOVERNMENT THEMES
 Economic transformation
 Families, young and old
 National identity

All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs.

SUSTAINABLE HOUSING SOLUTIONS
 New Zealanders have the capacity to obtain and maintain housing and contribute to cohesive communities.

Housing needs are met through a well-designed, efficiently-utilised, maintained and managed social housing stock.

A stronger social housing sector and involved communities that have the capability to provide appropriate local housing solutions.

People on low and modest incomes are able to satisfactorily house themselves and have a stake in their community.

Ensure effective state housing stewardship

Support community-based social housing initiatives

Facilitate sustainable home ownership

Property/land developer	Asset manager	Social landlord	Capacity builder	Lender and insurer
Integrated urban development (Hobsonville)	Asset planning and management	Services to tenants	Community Renewal	Mortgage Insurance Scheme (Welcome Home Loans)
Greenfields developments (Papakura and Weymouth)	Increasing the housing portfolio*	Social Allocation System and waiting list management	Healthy Housing	Low Deposit Rural Lending
Applying best practice to state housing redevelopment (Design Guide)	Maintenance	Management of income-related rents	Capacity development grants	Home ownership education
Influencing urban design, zoning and planning	Modernisation		Local government, iwi and community housing support (Housing Innovation Fund)	Building maintenance and infrastructure loans
	Energy retrofits			

Framework for working with Māori

Organisational capability building
 (see section 'Organisational health and capability')

Working with others
 (see section 'Partners and stakeholders')

* Community group housing is included in acquisitions.

Overall outcome

The overall outcome that the Corporation works to achieve is based on the vision of the *New Zealand Housing Strategy*, adopted by the Government in May 2005, which states:

All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs.

This outcome cannot be achieved through our work alone as many other government agencies and stakeholders also contribute towards it.

Intermediate outcomes

Our intermediate outcomes are those we contribute to through our activities and our work with government and non-government partners in the housing sector.

Intermediate outcome one: A supply of good quality, affordable housing.

Description: The housing sector has the capability to deliver good quality, affordable housing that is appropriate to changing needs. This outcome focuses on interventions that improve or increase the overall supply and distribution of affordable housing across the sector.

Intermediate outcome two: Sustainable housing solutions.

Description: New Zealanders have the capacity to obtain and maintain housing, and to contribute to cohesive communities. This outcome focuses on interventions that strengthen the ability of individuals, households and communities to achieve their own housing solutions.

The Corporation's outcomes contribute to the Government's three themes for the next three years: Economic transformation; families, young and old; and national identity.

In particular, we support families through providing good housing and related services. This enables families to bring up their children in safe communities and participate in the economic, social and cultural life of the nation.

While families, young and old most obviously fits with our work, we also have a role to play in supporting the other two themes. Strong families and communities underpin economic transformation, building foundations that allow individuals to contribute fully and excel. Good quality housing contributes to the wellbeing of New Zealanders, and helps support families, safe communities and improved health, education and employment outcomes. The provision of affordable housing is strongly ingrained in the Kiwi culture that helps shape our national identity.

The Corporation is addressing seven strategic housing issues within our outcomes framework that will lead to a sounder and more efficient housing sector.

We will contribute to the intermediate outcome, (a supply of good quality affordable housing) by addressing the following issues.

- Meeting the Corporation's stewardship obligations.
- Improving the use of state housing to meet housing need.
- Addressing the decreasing supply of affordable land.
- Developing community-based housing.
- Improving substandard rural housing.

We will contribute to the intermediate outcome, (sustainable housing solutions) by addressing the:

- larger private rental sector market
- declining affordability of home ownership.

Our impacts

The impact statements opposite describe the results the Corporation is aiming to achieve through its strategic business priorities and operations over the next three years. If our efforts are successful, we should make a significant contribution to our intermediate outcomes.

TABLE 3 OUR IMPACTS

Intermediate outcome	Impact statement	Description
<p>A supply of good quality, affordable housing.</p>	<p>Key stakeholders in the housing sector work effectively to achieve mutually-agreed housing outcomes.</p>	<p>Significant progress is made to achieve the outcomes sought by the <i>New Zealand Housing Strategy</i> because effective relationships have been built between central government agencies, representatives of the private housing sector, local government and social housing providers.</p>
	<p>The Corporation's housing design and associated urban developments are appropriate to the needs and aspirations of residents.</p>	<p>The Corporation's initiatives to design or redevelop our homes, work with communities and other partners to undertake major affordable housing developments, and to influence best practice within local government and the affordable segment of the private housing market.</p>
	<p>Housing needs are met through well-designed, efficiently-utilised, maintained and managed social housing and related services.</p>	<p>Existing state housing is effectively used, modernised and maintained and new developments are undertaken to meet demand. People unable to enter the private market receive an effective social housing service according to their needs.</p>
<p>Sustainable housing solutions.</p>	<p>A stronger social housing sector and involved communities with the capability to provide appropriate local housing solutions.</p>	<p>Local authorities, community-based organisations, iwi and communities with high social housing needs receive the necessary support to provide and maintain sustainable social housing and associated amenities that enable more cohesive communities.</p>
	<p>People on low and modest incomes are able to satisfactorily house themselves and have a stake in their community.</p>	<p>Those with the means to sustain home ownership are provided with the support, resources, skills and knowledge to access finance and buy a house.</p>

Our strategic priorities

The Corporation has adopted five strategic priorities for the next three years to achieve the impact statements listed in Table 3. These priorities bring a strategic focus to our work and are aligned with our responsibilities under the *New Zealand Housing Strategy*.

Our priorities are not ranked as they include a diverse range of activities such as policy, service delivery, support and consultation work, and have significantly different levels of resource commitment. The major part of the Corporation's resources is used in carrying out our responsibilities for the stewardship of the State's housing assets, covered under strategic priority three.

Strategic priority one: Coordinate the Government's New Zealand Housing Strategy

Impact addressed: Key stakeholders in the housing sector work effectively to achieve mutually-agreed housing outcomes.

This priority relates to the Corporation's responsibilities under the *New Zealand Housing Strategy* for coordinating the whole-of-government steering committee that oversees its implementation. We are also responsible, with other relevant agencies, for developing a set of indicators and arrangements to monitor progress. This priority also covers our policy advice, ministerial support, and research and evaluation roles.

What we'll do

The Corporation worked with the Department of Building and Housing, and other agencies, to develop the *New Zealand Housing Strategy*. A number of government agencies will play a part in its implementation – a 10-year programme of action. The Corporation, and other relevant agencies, will report annually on the strategy's implementation.

Initiatives the Corporation will lead or contribute to under the strategy's programme of action are described as follows.

- Area 2: Assistance and affordability. We will provide policy advice and work with the Ministry of Social Development and the Treasury to review the Accommodation Supplement, which helps those on a low income with housing costs. We will also lead work to develop initiatives and clearer funding policies to respond to the demand for emergency housing.
- Area 6: Sector capability. The Government alone cannot meet the demand for good quality, affordable rental housing. The whole housing sector has a role to play. The Corporation will help build the capability of the housing sector to deliver affordable housing. We will undertake and support research and distribute information on housing supply and demand, home ownership trends and affordability, to position the sector to better respond to future housing need.
- Area 7: Meeting diverse needs. Diverse and changing needs are not always well-catered for by the housing sector. We will develop work programmes with other relevant agencies for older people, women, children and youth, disabled people, Māori, Pacific peoples and other ethnic communities that have social, health and support needs not always well met by the private market.

Māori comprise 29 percent of our tenants. An increasing number of iwi have indicated an interest in investing in the housing sector, creating potential opportunities for the Corporation to work with iwi and Māori. The Corporation has developed a framework for working with Māori to support this. The Corporation's Board has established a Māori Capability Sub-Committee to ensure we develop Māori capability appropriate to our needs, and build appropriate governance relationships with iwi across the country.

Other activities under this strategic priority include research to understand changing housing requirements and identify diverse needs, and other policy-related work including contributing to the review of the Residential Tenancies Act 1986, and the evaluation of key programmes. The Corporation will also assess how we can better collect and analyse housing information, and use our evaluation and research activities, to develop a comprehensive evidence base that tracks changing housing needs and the needs of diverse groups. The information base will inform our policy advice to the Government.

Monitoring progress

We will use a framework of indicators developed with Statistics New Zealand, the Department of Building and Housing and the Ministry of Social Development to monitor and report progress in implementing the strategy's programme of action. Corporation indicators will include an assessment of how effectively key stakeholders involved in the *New Zealand Housing Strategy* can work together to achieve mutually-agreed outcomes. We will also adopt a good practice policy and indicators for providing high quality, evidence-based advice and information to the Minister of Housing.

Strategic priority two: Demonstrate housing development best practice

Impact addressed: The Corporation's housing design and associated urban developments are appropriate to the needs and aspirations of residents.

This priority is about using the Corporation's mandate regarding land and property development to further contribute to the Government's objectives. We have a role in promoting and demonstrating good practice through our construction work and development projects. This includes the advice and assistance we give to other social housing providers and community organisations, as well as our comments and advice on improving the management of resource consents.

What we'll do

The scale of housing demand and scarcity of suitable opportunities, particularly in Auckland, has resulted in the Corporation taking a more active property development role to secure land and/or redevelop appropriate housing at a reasonable cost to meet demand. We will also test and demonstrate good urban design around affordable housing with the aim of creating cohesive communities. As part of our responsibilities under the *New Zealand Housing Strategy* we will work with the housing sector to better understand housing supply dynamics and find solutions to the problems identified.

We will identify land suitable for affordable housing development, including surplus Crown and local authority land. We will seek to improve existing suburbs that have high concentrations of state housing, and influence development patterns to generate better housing outcomes. The Corporation will also identify opportunities, especially in Auckland, to redevelop buildings and sections to increase the supply of affordable housing.

Central and local government have multiple objectives in some areas such as social housing, promoting home ownership and sustainable urban development. The Corporation has a mandate to proceed with the planning phase for developing an integrated urban community at Hobsonville that will set benchmarks regarding commercially-driven housing development, urban design, infrastructure and sustainability. We are working with partners to undertake other development projects in Papakura and Weymouth.

Monitoring progress

Indicators might include:

- affordable housing design – we build houses using appropriate building and energy efficiency technology, and which are cost effective
- associated property development – the areas we develop attract a mix of households and tenures.

Strategic priority three: Ensure effective state housing stewardship

Impact addressed: Housing needs are met through well-designed, efficiently-utilised, maintained and managed social housing and related services.

The focus of this priority is to effectively manage state housing by increasing the number of state homes in high demand areas, using assets effectively, modernising and maintaining existing homes, and improving new housing design to meet changing needs. The Corporation uses the major proportion of our financial and staff resources to achieve this result.

What we'll do

The Corporation provides state housing assistance to people in greatest need. We do this through the Social Allocation System, a process that assesses applicants' housing needs and their priority. We also manage subsidies for tenants' rental costs, in the form of income-related rent. We will continue to improve our tenancy management and tenant support services to meet our customers' distinct and changing housing needs. Special attention will be given to tenant households with high or complex needs, through individually designed Household Action Plans and intensive case management. Further research will be carried out to better understand the nature of housing need, and the reasons why applicants repeatedly come on and off the waiting list.

The housing market caters for the needs of some 90 percent of New Zealanders without government assistance. Lower and middle-income households are increasingly experiencing affordability problems in accessing housing. At the same time, demand for social housing has remained high.

The Corporation needs enough houses of the right kind, quality and location to meet housing need. To make sure properties remain fit for current tenants and sustainable for future generations, maintenance and improvement must remain the Corporation's first priority and be undertaken at the level needed to meet

forecast requirements. Other activities under this priority include strategic asset planning and management (acquisitions, leasing, redevelopment and building), and reconfiguration to preserve amenity value.

The Corporation will continue to assess long-term capital requirements to allow us to consider how funding for modernisation, maintenance, reconfiguration, acquisitions, redevelopment and leasing should be prioritised to best exercise the Corporation's stewardship obligations. We will actively pursue better use of our housing by encouraging, where appropriate, tenants to move to housing more suited to their current needs. Research has shown that best results are achieved when a coordinated approach is taken to provide education, intensive tenancy management, assistance to move, and modernisation of housing in areas of high demand.

We have sought to acquire a broader understanding of local housing needs by preparing regional profiles for each of our regions. We are using these to develop and progressively refine regional plans that integrate needs assessment and waiting list management, tenancy services, asset planning, rural housing, community-based initiatives and evaluations tailored to the unique circumstances of each region. We are working with regional stakeholders to develop a coordinated approach to regional outcomes and strategies to help address long-term housing supply.

The Corporation needs skilled staff to manage the delivery of high quality services. This includes proactively managing tenancies to ensure we meet tenants' needs and the supply of state housing is used effectively. We give particular priority to investing in staff development. This is discussed further in the section 'Organisational development and capability'.

Monitoring progress

Progress measures will include high-level indicators of tenure stability and security within state housing, and effectiveness in matching household needs with appropriate house size and configuration. We will build on the work

of the Wellington School of Medicine regarding crowding and health, and the evaluation of the Healthy Housing programme. We need to refine our indicators to include measures of housing needs. A measure of our effectiveness is to ensure our homes are fully tenanted so housing is empty only when necessary for tenancy management or maintenance.

Strategic priority four: Support community-based social housing initiatives

Impact addressed: A stronger social housing sector and involved communities that have the capability to provide appropriate local housing solutions.

This priority focuses on strengthening the capability of social housing providers, and supporting local government, community-based organisations and iwi to provide social housing and other community initiatives.

What we'll do

Local authorities, community-based organisations and iwi manage one-fifth of New Zealand's social housing (18,000 homes). The Government supports local government provision and increasing the amount of social housing provided by community-based organisations and iwi. While not necessarily less costly than state housing, locally-provided housing may be better for meeting the needs of some high priority applicants.

Overall we will strengthen our relationships with community-based organisations, Māori and iwi; gather information on the sector's needs; and develop a framework to evaluate and support this sector's outcomes.

Community housing providers need access to funding and help to develop the necessary capability to provide quality social housing. We will provide an appropriate mix of grants and loans through the Housing Innovation Fund. We will also encourage non-government investors, in particular private sector finance,

to invest in social housing. The Corporation offers capability-building advice and help to new and existing social housing providers through, for example, Corporation staff secondments, web-based advice, and capability-building grants.

We will maintain and develop initiatives such as Community Renewal and Healthy Housing, where tenants are actively involved in addressing housing needs. These programmes have demonstrated their value in modernising and maintaining housing, addressing crowding and poor health, strengthening networks and boosting community pride. International research confirms New Zealand's experience that the best housing solutions are found when government agencies work together with communities. We will seek to promote national cross-government partnerships to further such neighbourhood-based initiatives.

The Corporation will continue its involvement with rural housing initiatives with particular focus on communities with severe substandard housing, those with social and economic development strategies planned, and communities with intrinsic cultural values that influence their housing preferences. We will also better align our support for these communities with our other work.

Monitoring progress

An intervention framework has been developed to inform ongoing monitoring and evaluation of the Community Renewal programme.

Other indicators might include:

- the number of extra homes provided through the Housing Innovation Fund
- the number of existing local government houses modernised or reconfigured through the Housing Innovation Fund
- the number of people receiving temporary or emergency housing through our community group housing programme.

Strategic priority five: Facilitate sustainable home ownership

Impact addressed: People on low and modest incomes are able to satisfactorily house themselves and have a stake in their community.

This priority is about supporting individuals and families on low and modest incomes into home ownership. We will help them access the finance, knowledge and skills they need to undertake and maintain home ownership. The priority includes the Corporation's contribution to the development of new programmes to help home ownership.

What we'll do

Although New Zealand's home ownership rate is high by international standards, the recent decline in home ownership is of concern. People on low and moderate incomes find entering home ownership difficult in a period of rising house prices. They often lack the access to stable incomes, credit, information and/or financial budgeting skills to buy a house.

The Corporation is responsible for a number of initiatives under the *New Zealand Housing Strategy* to help people on low and moderate incomes into home ownership. We are helping to develop and implement the housing-related components of KiwiSaver. We are also investigating possible new forms of home ownership, including equity share arrangements. Equity share involves an organisation, such as a lender, owning a specified share of the borrower's home.

The Corporation is expanding the Mortgage Insurance Scheme (marketed as Welcome Home Loans) to other lenders. We provide lenders with subsidised mortgage insurance for people seeking loans who are just outside normal commercial lending criteria. From 2009/10 we will implement a home ownership assistance package that links deposit assistance with work-based savings as part of the KiwiSaver initiative. The Corporation will implement and deliver a deposit subsidy to eligible first home buyers who enrol in KiwiSaver.

We will provide education programmes to support decision-making on home ownership and help people to make sustainable decisions. An evaluation study will inform the development of the programme.

The Corporation will continue to provide home lending programmes to low-income families in rural areas and those living on multiple-owned Māori land. These include housing repairs and suspensory loans. We will also investigate the need for new or different home ownership products, including possible equity share arrangements, to meet the diverse needs of Māori, Pacific peoples and other groups. We will explore options to increase access to the Rural Housing Programme by modifying its products and focusing on promoting sustainable housing in the medium to long term.

Monitoring progress

Work is under way to develop evaluations of our home ownership education programmes, including those provided as part of the Low Deposit Rural Lending scheme and Pasefika Pulse. We are also supporting the KiwiSaver evaluation strategy, which includes monitoring, collecting and analysing information.

Other relevant indicators include the number of target households helped into sustained home ownership through Low-Deposit Rural Lending and Welcome Home Loans.

The Corporation at a glance

Housing New Zealand Corporation is the nation's largest landlord and the key policy adviser to the Government on many housing-related issues.

Accountability relationships

The primary relationship with the Government is between ministers and the Corporation's Board. The Minister of Housing manages the relationship between the Board and the Government. The Minister is the Vote Minister for Housing and the joint responsible Minister for the Corporation, along with the Minister of Finance. They are responsible for managing the ownership interest in the Corporation, Vote and Budget issues. The Chief Executive has sole responsibility for policy advice to the Minister.

The Board is responsible for the overall governance of the Corporation and is responsible for running it according to its legal mandate. The Board is appointed by the Corporation's responsible ministers and is held responsible for the operational decisions made by the Corporation, and for ensuring that risks and opportunities are managed effectively.

The Chief Executive is responsible to the Board for the efficient and effective running of the Corporation, direct provision of policy advice, content of budget submissions, and for setting the direction for the Corporation and the broader social housing sector.

The Corporation has two related organisations:

Centre for Housing Research Aotearoa New Zealand (CHRANZ)

The CHRANZ Board is responsible for overseeing the delivery and promotion of independent policy-relevant research on housing. This is in addition to research undertaken directly by the Corporation. There is an expectation that CHRANZ will become increasingly financially independent.

The Hobsonville Land Company Limited

This company is a wholly-owned subsidiary of the Corporation. It is managing the project planning that will lead to an integrated urban development on a large site at the former airbase site at Hobsonville, Auckland.

Our vision for Hobsonville is to set new benchmarks for sustainable urban development and build a community that is available to people from all sectors of society.

Legislation

The following legislation impacts on the Corporation's business.

Housing-related legislation	Other legislation
Housing Corporation Act 1974 Housing Restructuring Act 1992 Housing Act 1955 Residential Tenancies Act 1986 Resource Management Act 1991 Building Act 2004 Property Law Act 1952	Crown Entities Act 2004 State Sector Act 1988 Public Finance Act 1989 Official Information Act 1982 Privacy Act 1993 Human Rights Act 1993 Employment Relations Act 2000

Organisational structure

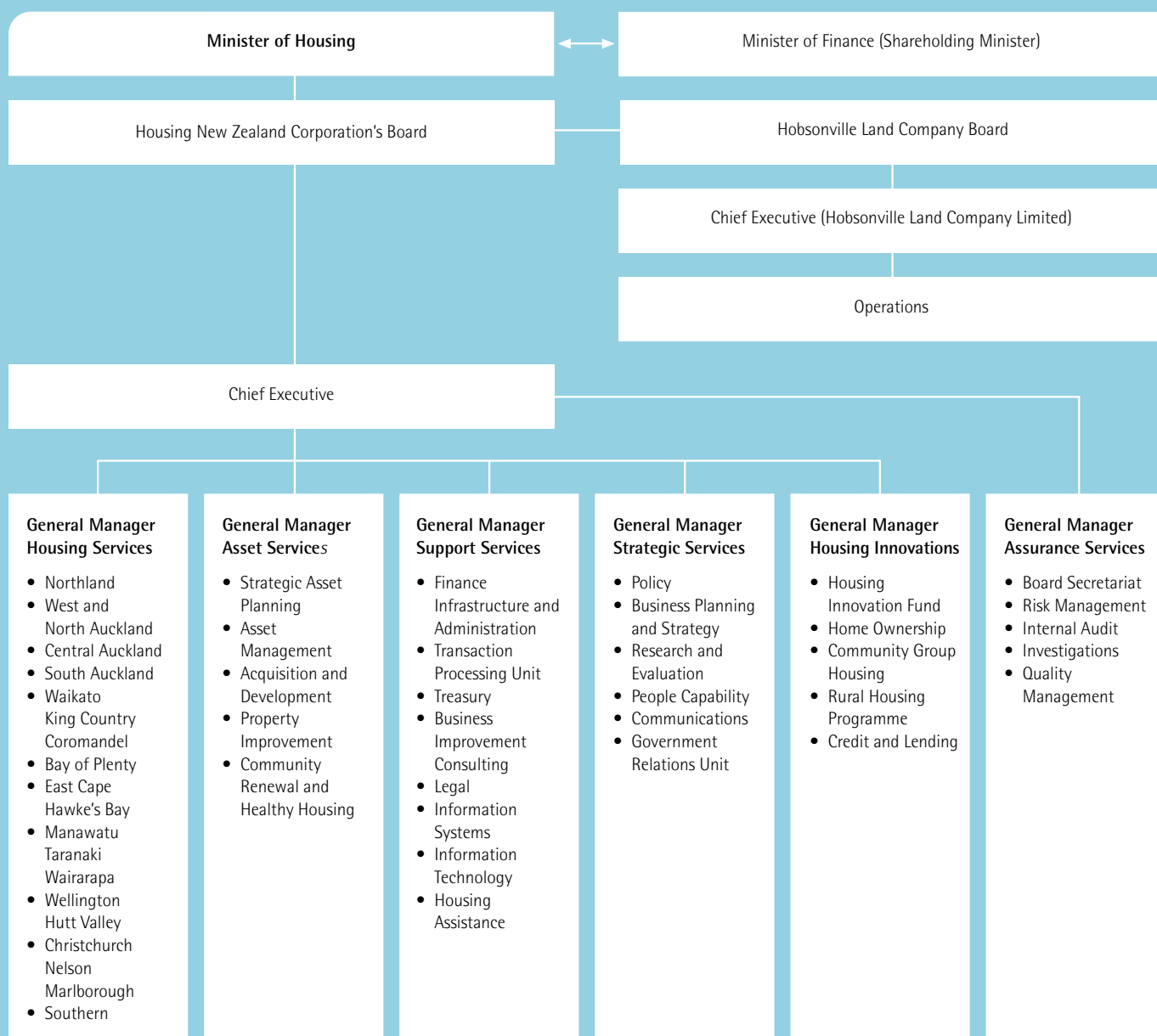
The diagram opposite (Figure 2) shows the Corporation's organisational structure.

Organisational structure

The Board is appointed by the Corporation's responsible Ministers. The Executive team consists of the Chief Executive and five General Managers. The General Manager for Assurance Services is an independent position reporting to the Chief Executive.

Note: The Corporation has two related organisations.

- The Centre for Housing Research Aotearoa New Zealand
- The Hobsonville Land Company Limited



Managing for results

A successful organisation must effectively manage towards achieving results.

Meeting the requirements of the Crown Entities Act 2004

The Corporation is working to meet the Government's requirements for a results-focus in all our work, as set out in the Crown Entities Act 2004. The Act specifies the Corporation's accountability requirements for working towards and reporting on results (including outcomes, objectives and impacts). Under the Act, managing for results clarifies and specifies the respective roles of the Board and the Chief Executive.

It also sets out our relationships with the responsible ministers and the Department of Building and Housing.

The Board will consider and review the Corporation's outcomes framework, and other key issues, and maintain direct engagement with the Minister of Housing to ensure our strategic direction is clear, agreed and that there are 'no surprises'. This work will further refine our outcomes framework and specify the vital few indicators that measure our results. These measures may be available from data already being compiled, or may require new or changed data compilations.

The Chief Executive and senior management will continue to ensure that every aspect of the Corporation's work and its full management planning cycle is results-focused ('managing for results'). Our business planning work will build on 'managing for results' disciplines that were introduced before the implementation of the Crown Entities Act 2004. The successful implementation requires staff to understand

the Corporation's strategic direction and how they fit into the overall picture. Our communications with staff need to clearly state how their work contributes to achieving the results we seek.

There is considerable work to be done, but we are well placed to make further significant progress in achieving a results-focus across our work.

State sector relationships

The Corporation recognises the critical importance of working with other parts of the state sector towards shared results. We will develop our relationships with state sector agencies so we contribute effectively to achieving the Government's housing-related goals. Implementation of the *New Zealand Housing Strategy* will be a major part of this cross-agency work.

There are other areas of state sector activity where we have a significant contribution to make. In particular, good quality housing makes a key contribution to achieving health outcomes. Warmer, well-ventilated and drier houses promote health and can prevent many diseases.

Our modernisation programmes, undertaken in consultation with the Ministry of Health, will deliver healthier housing. Also our knowledge and expertise in designing housing to deal with health issues can be used to inform policy development on building standards. Our management priority will be to identify areas where the Corporation can work with other agencies and groups, for example, working with the Ministry for Social Development and local government to achieve better social outcomes.

Organisational development and capability

We need to continually focus on enhancing our capability to maximise our contribution to the Government's desired outcomes.

The Corporation's overall organisational capability is demonstrated by our ability to organise resources to contribute effectively to achieving the Government's outcomes.

These resources include the right mix of skilled people and shared organisational values. We also need the right structures, systems, resources and relationships to work towards outcomes, measure achievements and manage financial resources.

The Corporation's organisational development work is undertaken to develop the required capabilities in our people and systems.

People: We need to continue to attract high quality staff and retain their valued skills and knowledge in a competitive labour market. We also need to invest in staff and their careers to ensure a vital and sustainable workforce.

We recognise the critical importance of maintaining capability of frontline tenancy services staff and their ability and experience to proactively manage tenancies.

Systems: We need effective information, knowledge and financial management systems to perform well.

Organisational development

The Corporation's organisational development focuses on the following areas.

Relationships

Our staff need to be able to work flexibly and effectively across the Corporation and with external partners and stakeholders. Our culture is founded on the following core values: 'respect, support, deliver and learn'. These values form the basis of all interactions such as our participation

in cross-government initiatives, joint work with councils, tenant workshops, and staff training on ways to better connect with communities.

Leadership and management

These skills are promoted through leadership and management programmes, as well as internal and external secondments. One example of how our staff apply these leadership and management skills is by influencing the broader housing sector through coordinating the implementation of the *New Zealand Housing Strategy*.

Skills and knowledge

A wide range of specialist training and education opportunities are available to staff. These opportunities range from our formal induction process to technical training. Staff also have access to a growing body of knowledge emerging from research and evaluation, regional profiles, the records management programme and the intranet.

Systems, processes and support

Systems improvements increase our overall effectiveness. Examples of improvements include an on-line recruitment tool, an integrated telephone and data line system, and the introduction of an electronic, two-way contractor management system.

Structure and delivery of services

We need to give relevant and timely responses to our customers and stakeholders. The Corporation conducted organisational reviews for our key operational groups to enhance service delivery to customers. In the longer term, business planning is driven from the bottom up through our regional action plans and other initiatives that increase our ability to deliver quality services.

Organisational development initiatives

We have a good understanding of our organisational health by monitoring key performance indicators (including results achieved and regular audit of compliance and risk), the research and evaluation of our products and services, and the staff satisfaction survey. This knowledge about the state of our capability, and the development goals for state services, helps to develop our capability initiatives for the next three years.

Learning and development: We will evaluate and implement a workforce planning pilot across the Corporation to ensure staff are skilled to meet future needs, and have opportunities to progress within the Corporation. The Corporation is also making an NZQA qualification available to all frontline staff.

Relationships: Staff will participate in programmes to learn more about our diverse customers and their needs, and to better manage stakeholder relationships.

Organisational systems, processes and practices: It is critical we align our systems, policies and planning to focus on our outcomes. We will introduce project management tools for our asset delivery programmes and continue to conduct research into the performance indicators for the *New Zealand Housing Strategy*.

We will also identify critical indicators for tracking progress towards the Corporation's outcomes, prepare a knowledge strategy to support ongoing research and evaluation and policy development, and build a new website aligned with the e-government strategy to deliver e-based services in the future.

The Corporation as a good employer: We will continue to build on our comprehensive health and wellness strategy, which covers work-life balance and health and income protection insurances. We will ensure our packages are aligned to those of the state sector and meet the needs of a diverse and changing workforce.

Improving our performance

We will continue to ensure our capabilities are appropriate for achieving our results and to monitor and review our performance on an ongoing basis. Our success will depend on our ability to maintain a skilled and talented workforce. We will closely assess the state of our people capability to develop and use this expertise appropriately.

In seeking the best-skilled staff, we aim to reflect the diversity of New Zealand society and our customer base. We expect staff to demonstrate our values through their work.

Values

Our values are based on the ethics and values of the public service.

Respect: Understand and accept self and others.

Support: Look after the whole person and kaupapa as part of normal work.

Deliver: Our actions will match our words.

Learn: Seek to understand and grow.

We expect our staff to:

- behave with integrity, responsibility and respect
- work in ways that are responsive to the community, results-orientated and accountable
- demonstrate commitment to a whole-of-government approach
- serve the Government by providing free, frank and comprehensive advice
- implement decisions effectively with an awareness of the Government's priorities.

These values are developed and promoted in the workplace and through staff training, mentoring and development.

Quality assurance, evaluation and risk management

The Corporation's services and products need to deliver good value for money for the Crown.

We must be fully accountable to our customers, the Government, our stakeholders and the New Zealand public. We need to carry out rigorous research and evaluation of the effectiveness of our activities to achieve this. We will check our compliance with relevant requirements and ensure sound management to minimise or prevent the impact of identified business and other risks.

Research and evaluation

The overall result sought from our research and evaluation work is to find ways of better meeting our customers' housing needs and achieving the Government's desired housing and social outcomes. Much of our work is directed towards assessing how well the Corporation is producing its outputs, and where improvements could be made and how. We also analyse and assess the possible impacts on our services that could result from wider social and housing trends and issues in housing.

Our research and evaluation work includes programme evaluations, housing research and customer-focused market research. Significant projects being undertaken include the Healthy Housing and Community Renewal outcomes evaluations, Housing Innovation Fund, and the Rural Housing Programme evaluations, as well as various projects related to home ownership.

Current housing research work includes the preparation of quarterly Regional Market Monitors that describe local market trends. Market research includes analysis of customer interactions with our Housing Assistance team, and various research projects on customer groups and their needs, such as tenant participation in decision-making.

The Research and Evaluation team works closely with internal and external stakeholders to ensure this work is well planned, designed and implemented, and that the findings inform the design and delivery of programmes and policies. We aim to make our findings widely available to inform debate on housing-related issues. We intend to make research and evaluation reports available on the Corporation's website. We will work with stakeholders to improve our strategic planning of general housing research over the next three years. We aim to improve the integration of our work with other groups undertaking housing-related research and ensure the priorities for taking on work meet the needs of our stakeholders.

Internal audit and quality assurance programme

The Corporation's internal audit work is undertaken within an overall annual Assurance Plan that is developed and overseen by the Board's Assurance Committee. This committee operates under a charter. Its purpose, in respect of the Corporation and its subsidiaries (the Group), is to ensure:

- effective management of financial risks
- reliable management and financial reporting
- compliance with laws and regulations
- effective management of risks that threaten key strategic and operational objectives as described in the Objectives, Risks and Controls Alignment programme
- effective management of risk recognising, in particular, issues specific to public sector scrutiny

- effective management of material litigation
- maintenance of an effective and efficient internal and external audit function.

The Objectives, Risks and Controls Alignment programme is carried out within the Corporation's risk framework, see the section 'Identifying and assessing risk' below.

Audits are prioritised in the following order.

- 1 'Must do' audits of control processes for mitigating risks that the Assurance Committee and management agree to be highest priority.
- 2 Core assurance audits that the committee and management expect will be completed.
- 3 Audits dependent on changing risk profiles. These may require extra resources.

In addition to these risk-based and core assurance audits, we may also undertake special assignment audits (usually to investigate complaints, issues or concerns) and follow-up audits. The latter are usually carried out to assess the progress made to implement earlier recommendations.

Identifying and assessing risk

Our risk management framework aims to ensure we can identify and monitor potential risks and are able to anticipate issues and problems. Our desired business response is to avert or mitigate threats to our performance and to minimise their adverse effects as, or before, they occur, and at reasonable cost.

The Corporation faces the typical range of risks associated with commercial operations, as well as risks associated with providing social services. The nature and severity of risks may change, so we work to maintain a good understanding of our risk environment and to develop effective responses. Risks to our overall service provision could lead to unsatisfactory financial, service and policy performance. Other risks that may affect performance include natural events, such as floods and earthquakes, or specific risks that could result from criminal action by staff or systems failure. We have specialised risk management plans to handle these risks.

There is also the possibility of a perception of failure, which may or may not reflect our actual performance. The Corporation's risk mitigation processes must manage any credibility risk that could be linked with unrealistic stakeholder expectations, or any failure to communicate its successes.

The Board's Assurance Committee regularly reviews the strategic risks and maintains a national risk management framework. It records and monitors all key strategic and operational risks. Our strategic risk management framework identifies the most significant risks that could materially affect our ability to achieve the Government's outcomes.

We manage these risks by:

- developing and maintaining up-to-date risk management plans
- regularly reporting on risks and mitigation strategies
- undertaking regular reviews by the Board's Assurance Committee
- ongoing oversight of risk mitigating strategies by the General Manager of Assurance Services.

The table opposite sets out the most significant risks the Corporation faces and its response to each risk. The risks are not ranked – as effective management of all the risks is critical to the Corporation's success.

TABLE 4 THE CORPORATION'S MOST SIGNIFICANT RISKS

Risk	Response
Stakeholders lose confidence in the Corporation.	<p>The Corporation values its reputation for delivering high quality housing-related services and working with stakeholders and business partners in ways that demonstrate good faith in our dealings.</p> <p>The <i>New Zealand Housing Strategy</i> will be implemented in ways that ensure that confidence in the Corporation is maintained and strengthened.</p> <p>Relationships will be based on mutual trust, confidence and a commitment to develop the capabilities of stakeholders where possible.</p> <p>Advice and briefings to the responsible ministers will be based on a 'no surprises' policy to ensure they are aware of material issues.</p>
Level of service to housing customers, including business partners, declines.	<p>Know customers well and ensure housing and related services are relevant to customer needs and are provided according to the Government's housing policies.</p> <p>We forecast demand and identify planning responses needed to deliver the required level of services.</p> <p>Services to our existing or potential business partners, such as social housing providers, will meet their capability development and service performance needs.</p> <p>Levels of customer satisfaction will be monitored and the design and delivery of our services will be amended if appropriate.</p>
Critical business systems, including management information systems, fail leading to a lack of oversight of the business and inability to deliver.	<p>Information technology and other management systems will be robust and ensure business needs can be met on an ongoing and sustainable basis. They will also be capable of delivering timely warnings of any possible failure.</p>
Failure to preserve the amenity level and value of our housing.	<p>Asset management policies will support our stewardship responsibility and ensure the appropriate planned investment and maintenance of our housing portfolio as part of our overall asset management cycle.</p> <p>Reconfiguration of the housing portfolio will be undertaken as necessary to better meet our customers' needs.</p>
Financial performance falls below target and productivity gains are not achieved.	<p>Financial systems will protect the Crown's investment and meet financial performance standards on a sustainable basis.</p>

TABLE 4 THE CORPORATION'S MOST SIGNIFICANT RISKS (CONTINUED)

Risk	Response
<p>Loss of focus on priorities given the broad range of functions required of the Corporation including its legacy functions and new initiatives.</p>	<p>Strategic planning will be outcomes-focused, with relevant performance-based targets for management. It will contribute to achieving a suitable balance between our business activities as we work towards the Government's social and commercial goals.</p>
<p>Failure to comply with legislation and regulation.</p>	<p>Policies, procedures and practices will ensure we comply with the wide range of legislation that affects the Corporation's governance and its operations. Service delivery will comply with all applicable legislation, regulation and codes administered by local authorities.</p>
<p>Failure to achieve and maintain the required level of staff capability.</p>	<p>The Corporation will recruit, develop and retain staff to ensure we have the capability to achieve its outcomes and optimum return for its investment in people. Performance management, remuneration and career development processes need to support this.</p>
<p>Policy advice is not influential.</p>	<p>Our ability to provide sound policy advice to ministers will be assured by developing and maintaining suitable levels of strategic policy capability. This requires the Corporation to plan and carry out housing-related policy research and analysis, and provide high quality advice.</p> <p>The quality of our advice will also depend on our ability to engage effectively with other stakeholders.</p> <p>The Corporation is reviewing how it will manage the development of its expanded policy group. This work is a priority. Key capability-development responses will be implemented when the review is completed. This will include ensuring high quality appointments to key positions, and the provision of staff training and skill development opportunities. We will also develop work programming processes that prioritise and resource high value policy work.</p>
<p>The Corporation is unable to respond to future events, and social and economic changes, with particular concern about development and growth in Auckland.</p>	<p>The Corporation will have a thorough understanding of its long-term operating environment, and all relevant social, commercial, demographic and policy factors that could affect its operations. The Corporation will also be able respond appropriately to sudden issues such as civil emergencies and earthquakes.</p>

TABLE 4 THE CORPORATION'S MOST SIGNIFICANT RISKS (CONTINUED)

Risk	Response
<p>Business planning does not effectively support the Corporation's work.</p>	<p>Our business plans, their development and implementation will support staff to deliver the right mix and quality of services to achieve the Corporation's stated outcomes.</p> <p>The Corporation's business planning activities are based on the Managing for Results/Outcomes requirements and other accountability requirements set out in the Crown Entities Act 2004.</p> <p>The Corporation is giving priority to implementing these requirements in full at all levels of management in the organisation. This will be supported with information and education about business planning requirements and discussions with staff to obtain their commitment to planning for, and working towards, results.</p>
<p>The Corporation is not sufficiently aware of potential business threats.</p>	<p>Our internal audit and overall assurance processes and systems will be robust and provide the Board with the assurance that the Corporation's services are delivered in compliance with all relevant requirements, and that any issues or problems that might adversely affect the Corporation's performance are promptly and fully identified for the Board.</p> <p>As a priority, the Board will review the Corporation's internal audit and related assurance processes, and re-scope these roles and options for carrying out these functions.</p>

Partners and stakeholders

We must work with our partners and stakeholders to achieve the Government's long-term vision for housing.

The *New Zealand Housing Strategy* requires effective relationships between government agencies. The wide range of possible links within this strategy requires us to maintain a clear focus on our priorities, while looking for ways of achieving better integration of our activities with those of other agencies. We aim to ensure that our customers can access the public sector agencies and services they need.

Examples of some of our joint policy work with other government agencies are listed below. These show how our work contributes to the outcomes of other agencies that have responsibilities for improving the economic and social participation of New Zealanders in need.

Social Services Cluster

The Social Services Cluster aims to better integrate the services of the Corporation, Ministry of Social Development and the Department of Building and Housing. It enables us to develop practical and effective ways of working with each other, and other government and non-government agencies in the social sector, to help bring about the best possible outcomes for New Zealanders in need.

We are committed to working together because:

- many of our services are most effective only when combined with those provided by other social sector agencies
- our customers often have multiple needs that are best addressed together, instead of different agencies working with them separately.

The cluster shares a common outcomes framework and is working together to improve social and economic outcomes for New Zealanders by building strong and resilient families and vibrant and stable communities. A supply of affordable, good quality housing, tenure stability and a safe and secure built environment contribute to achieving these shared outcomes.

Current cluster initiatives include Integrated Services Delivery, Community Renewal and working with the Ministry of Social Development in Northland through the Rural Housing Programme. These initiatives are explained in more detail below.

Integrated Services Delivery

This initiative addresses the housing, income and employment needs of the Corporation's and Ministry of Social Development's customers by combining our service centres to provide integrated customer services. This joint approach, successfully piloted in Mangere, is an opportunity to provide effective services to meet a wider range of needs.

The initiative is being extended to other areas of high need, particularly South Auckland. The feedback from customers, who have been able to resolve multiple issues through one visit to the combined service centre, has been particularly positive. It has also helped Corporation and Ministry staff develop a deeper understanding of their respective roles and operating practices, leading to improved outcomes for customers. Senior regional managers of both agencies are developing and implementing better coordination of service delivery between the agencies in many areas across the country.

Community Renewal

The Housing New Zealand Corporation Community Renewal programme delivers neighbourhood and housing improvement in deprived areas where the Corporation has a high concentration of properties. It goes beyond the boundaries of traditional housing improvement programmes and adopts a community development approach to area-based regeneration.

Close working relationships have been established with local authorities and community groups in each Community Renewal area. There are also strong links with government and non-government organisations, including the Ministry of Social Development, New Zealand Police, local health providers, local Māori and Pacific Island organisations. The Corporation launched the Community Renewal programme in 2001. There are currently six projects in Aranui (Christchurch), eastern Porirua (Wellington), Fordlands (Rotorua), Clendon (South Auckland), Talbot Park (Glen Innes, Auckland) and Northcote (North Shore, Auckland).

Northland Social Development Cluster

This regional initiative includes the Ministry of Social Development and the Department of Child, Youth and Family Services. It aims to help agencies understand the total social need of individuals and families, and uses housing to initiate family and community solutions.

Healthy Housing

The Healthy Housing programme aims to reduce housing-related health risks, crowding and the risk of associated diseases and to improve tenant knowledge of services and access to them. The programme is a joint initiative between the Corporation and district health boards in Counties Manukau, Auckland and Northland. The programme will be extended to other regions. The impetus for the programme came from research in Auckland during the late 1990s that showed living in a crowded house is an important determinant of meningococcal disease, respiratory diseases, tuberculosis, rheumatic fever, skin infections and mental illness.

Our major housing stakeholders and partners

We work with a wide range of partners and stakeholders, as shown in Table 5, and we will continue to develop our stakeholder relationships.

TABLE 5 MAJOR STAKEHOLDERS AND PARTNERS

<p>Government departments</p> <ul style="list-style-type: none">• Department of Building and Housing• Department of Corrections• Department of Internal Affairs• Department of Labour• Land Information New Zealand• Ministry of Economic Development• Ministry for the Environment• Ministry of Health• Ministry of Pacific Island Affairs• Ministry of Social Development• Ministry of Transport• Ministry of Women's Affairs• State Services Commission• Statistics New Zealand• Te Puni Kōkiri• The Treasury <p>Other government and Crown agencies</p> <ul style="list-style-type: none">• Accident Compensation Corporation• District health boards• Energy Efficiency and Conservation Authority• Local Government New Zealand• Tertiary Education Commission <p>Customers</p> <ul style="list-style-type: none">• Current tenants• Applicants for Corporation assistance	<p>Other housing providers</p> <ul style="list-style-type: none">• Churches• Community groups• Local authorities• Māori, iwi, hapū• New Zealand Housing Foundation• Voluntary and charitable organisations <p>Community organisations</p> <ul style="list-style-type: none">• Churches• Community groups• Māori, iwi, hapū• Voluntary and charitable organisations <p>Research</p> <ul style="list-style-type: none">• AMP Research• BRANZ Ltd• Centre for Housing Research Aotearoa New Zealand• Research groups in New Zealand and overseas• University housing research groups and schools of medicine <p>Private sector</p> <ul style="list-style-type: none">• Construction businesses• Mortgage lenders• Private landlords• Property developers• Building and Construction Industry Training Organisation
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Part two:

Forecast financial information

Statement of responsibility

The information in this Statement of Intent for Housing New Zealand Corporation is for the year ending 30 June 2007.

As the Chair of the Corporation, I acknowledge, in signing this statement, my responsibility for information contained in this Statement of Intent.

The forecast service performance for each strategic priority is as agreed with the Minister responsible for Vote: Housing administered by the Department of Building and Housing.

The forecast financial performance statements are as agreed with the Minister of Housing, who is responsible for the financial performance of the Corporation.

The information contained in this Statement of Intent is consistent with existing appropriations, and with the appropriations set out in the Appropriation (2006/07 Estimates) Bill.

Signed:



Pat Snedden
Chair
19 June 2006

Countersigned:



Lope Ginnen
Acting Deputy Chair
19 June 2006

Introduction

Part two presents the Corporation's financial information, descriptions of our five strategic priorities and information that helps to explain how we use our resources to produce our activities (products).

It has two sections.

Forecast service performance: This sets out our strategic priorities and performance measures.

Forecast financial performance, policies and statements: This explains our financial structure, significant underlying assumptions and accounting policies, forecast financial performance and statements.

Forecast financial information highlights:

We manage a portfolio of more than 66,000 homes, which is expected to grow by a net 815 units in 2006/07. The owned portion of this portfolio is our major asset and is currently valued at \$11.5 billion.

In 2006/07, the Corporation expects to receive \$812.2 million in total income.

- \$767.2 million from rental income from tenants and the Crown
- \$32.4 million (GST exclusive) in other operational funding
- \$12.6 million from interest income

The Corporation expects to spend \$733.3 million in total expense.

- \$128.7 million on interest expense
- \$604.6 million on other direct and indirect expenditure

The Corporation expects to:

- make an operating surplus of \$78.9 million before tax
- make income tax payments of \$59.4 million
- make a net surplus of \$19.5 million
- spend \$339.8 million on asset purchases and improvements
- receive \$8.8 million from asset sales
- issue loans of \$26.4 million
- receive \$2.8 million from other investing activities.

Investments will be financed by:

- \$474.6 million from the Crown in debt and equity funding
- \$189.9 million from operating activities

Less:

- return dividend of \$10 million to the Crown
- repayment of \$299.9 million of non-Crown debt.

Forecast service performance

The Corporation has five strategic priorities. Each has specific activities with performance measures and targets. We will assess our performance at the end of the financial year by comparing the actual work produced against the targets set.

The Corporation's strategic priorities for the year ending 30 June 2007 and their associated revenue, expenses and surplus or deficit are summarised in the table below.

TABLE 6 STRATEGIC PRIORITIES: OPERATING REVENUE, EXPENSES AND SURPLUS/(DEFICIT)

Strategic priority	Revenue Crown \$000	Revenue other \$000	Total operating costs \$000	Surplus/ (deficit) \$000
Strategic priority one: Coordinate the Government's New Zealand Housing Strategy	3,312	0	11,336	(8,024)
Strategic priority two: Demonstrate housing development best practice	0	1,338	3,028	(1,690)
Strategic priority three: Ensure effective state housing stewardship	421,103	346,095	662,452	104,746
Strategic priority four: Support community-based social housing initiatives	12,322	12	21,308	(8,974)
Strategic priority five: Facilitate sustainable home ownership	18,618	7,393	33,108	(7,097)
Total	455,355	354,838	731,232	78,961
Less tax				59,459
Net surplus after tax				19,502

Strategic priority one: Coordinate the Government's New Zealand Housing Strategy

Strategic priority definition

This priority relates to the Corporation's responsibilities under the *New Zealand Housing Strategy*. We are responsible for coordinating the whole-of-government steering committee overseeing the strategy's implementation. We are also responsible, with relevant agencies, for developing a set of indicators and arrangements to monitor progress.

This priority covers the Corporation's role as:

- policy adviser
- ministerial support
- researcher and evaluator.

Strategic and operational policy advice

The Corporation is a key adviser to the Government on housing and housing-related services. We undertake strategic and operational policy advice and other activities that have implications across the housing market. Our policy team follows agreed quality procedures and criteria to provide high quality policy advice.

Key activities

- Coordination of the *New Zealand Housing Strategy*.
- Advice on the effectiveness of government housing interventions.
- Policy work on severe and persistent housing need.
- Advice on diverse and changing needs.

The Corporation will work with the Department of Building and Housing to provide lending assistance to the Weathertight Homes Resolution Service.

The Corporation will also work with the Inland Revenue Department and Ministry of Economic Development to implement KiwiSaver home ownership assistance. The focus for 2006/07 will be on providing information to the public about home ownership assistance.

TABLE 7 STRATEGIC AND OPERATIONAL POLICY ADVICE: PERFORMANCE MEASURES

Performance measure	2006/07 targets
<p>Quantity and timeliness Policy advice will meet the policy work programme priorities (assessed monthly)</p>	100% of work programme completed
<p>Quality Policy advice will meet the Corporation's product quality and ministerial satisfaction criteria in accordance with the standard checklist (quarterly audit) External review and benchmarking of the quality of policy papers through the New Zealand Institute of Economic Research process (assessed annually)</p>	<p>95%</p> <p>Improvement on the result attained in the 2005/06 review</p> <p>All actions resulting from the review implemented</p>
<p>Timeliness Reporting on the policy work programme will be included in the Corporation's monthly report</p>	Policy work programme reports submitted seven working days following the end of the month

TABLE 8 STRATEGIC AND OPERATIONAL POLICY ADVICE: REVENUE AND COST SUMMARY

Total revenue Crown for strategic and operational policy advice	\$2.648m
Total operating cost for strategic and operational policy advice	\$5.999m

Ministerial support

The Government Relations Unit supports the Minister of Housing to meet a range of ministerial, parliamentary and statutory responsibilities.

Key activities

- Reply to ministerial correspondence, parliamentary questions and Official Information Act requests within time and quality expectations.
- Build the Corporation's knowledge of Parliament and government.

TABLE 9 MINISTERIAL SUPPORT: PERFORMANCE MEASURES

Performance measure	2006/07 targets
Quantity Ministerial correspondence Parliamentary questions Official Information Act requests	700 550 20
Quality Draft replies to the following items meet the Corporation's quality criteria for ministerial support in accordance with the standard checklist (monthly audit): <ul style="list-style-type: none"> – ministerial correspondence – parliamentary questions – Official Information Act requests 	95% 98% 95%
Timeliness Draft replies to the following items are sent to the Minister's office by the following deadlines: <ul style="list-style-type: none"> – ministerial correspondence: within 20 working days of the Corporation receiving the correspondence – parliamentary questions: within four working days of the Corporation receiving the question – Official Information Act requests: within the deadline required by the Minister's office 	95% 98% 98%

TABLE 10 MINISTERIAL SUPPORT: REVENUE AND COST SUMMARY

Total revenue Crown for ministerial support	\$0.300m
Total operating cost for ministerial support	\$2.296m

Research and evaluation

The Corporation's Research and Evaluation team is responsible for managing and coordinating research, evaluation and market research activities within a strategic research and evaluation framework.

The team designs, manages and delivers a coordinated, strategically focused programme of research, evaluation and market research to reflect and inform policy development, service delivery and other operational activities.

The team provides high quality research and analysis to the Minister that informs strategic, sectoral and operational housing policy advice. We also provide advice and leadership about research and evaluation issues and promote the effective use of research and evaluation throughout the Corporation. The Research and Evaluation team follows agreed procedures and criteria to provide high quality research and evaluation.

Key activities

- Evaluating key programmes and policy including Community Renewal, Healthy Housing, Rural Housing, Housing Innovation Fund and home ownership programmes.
- Undertaking a range of market research including assessing customer views, and testing existing and new products, services and communications material.
- Providing regional market monitors.
- Updating regional profiles.
- Developing a housing research workstream.

TABLE 11 RESEARCH AND EVALUATION: PERFORMANCE MEASURES

Performance measure	2006/07 targets
Quantity Research and evaluation activities will meet the priorities and requirements agreed with the Minister of Housing at the start of each six-month period	100% of work priorities and requirements completed
Quality Research and evaluation projects will meet the quality characteristics described in the quality procedures and criteria (quarterly audit)	100%
Timeliness Reporting on the research and evaluation work priorities will be included in the Corporation's quarterly report	Research and evaluation reports submitted last day of the month following the end of the quarter

TABLE 12 RESEARCH AND EVALUATION: REVENUE AND COST SUMMARY

Total revenue Crown for research and evaluation	\$0.364m
Total operating cost for research and evaluation	\$3.041m

Strategic priority two: Demonstrate housing development best practice

Strategic priority definition

This priority is about using the Corporation's mandate for land and property development to contribute to the Government's objectives by undertaking urban development projects in cooperation with local government and other agencies, where appropriate. We will also look for opportunities to demonstrate best practice and influence the design and development of affordable housing.

This priority covers the Corporation's role as property and land developer.

Property and land developer

The Corporation is actively involved in the transformation of New Zealand's urban environment by promoting new land and property developments and actively participating in local government planning processes. This emerging role has a number of drivers, such as the need to deliver quality state housing at competitive rates, or to respond to the Corporation's wider mandate to help create sustainable and successful new communities.

The Corporation is the agent under the Housing Act 1955 to administer social housing transactions on behalf of the Minister of Housing. There are two significant transactions related to this agency: Hobsonville and Weymouth.

Key activities

- Delivering integrated urban development (Hobsonville).
- Delivering greenfields developments (Papakura and Weymouth).
- Applying best practice to state housing redevelopment.
- Influencing urban design, zoning and planning.

Integrated urban development

The Hobsonville Land Company Limited, a wholly-owned subsidiary of the Corporation, will continue to translate the Government's vision for the old Hobsonville airbase site into a commercially-realistic development.

The vision for Hobsonville is (within the parameters of the Housing Act) to set new benchmarks for sustainable urban development and build a community that is available to people from all sectors of society.

Hobsonville will:

- protect and enhance the Waitemata environment
- promote innovative strategies to reduce waste, save energy and harness the full potential of information and communication technology
- demonstrate the commercial viability of sustainable urban development that includes people of all ages, households and incomes

- support an effective regional transport network
- provide housing densities that support the Auckland region's vision for managing growth in the twenty-first century
- generate local employment and contribute to Auckland's economic growth
- be a great place to live and work.

Specific performance measures will be developed in conjunction with the next business case to reflect the key deliverables contained in the first stage of development.

TABLE 13 INTEGRATED URBAN DEVELOPMENT: REVENUE AND COST SUMMARY

Total revenue other for integrated urban development	\$1.338m
Total operating cost for integrated urban development	\$1.338m

Greenfields developments

Weymouth

The Corporation and the Ministry of Education identified 16 hectares of land on Weymouth Road, Manukau, South Auckland for housing and education purposes. The Corporation and the Ministry of Education have agreed to work together on a master plan for the site.

The Weymouth project will provide around 160 homes, half of which will be retained for Corporation rental properties, with the balance being offered to modest-income earners as a home ownership opportunity.

Our preference is to work closely with a social housing provider, or other equity partner, during the land development and housing construction phases. This will help to minimise further calls on Crown capital to fund the land development phase and share development risks. The project is expected to take about three years.

Key activities the Corporation will undertake during 2006/07 to progress the Weymouth project include:

- developing a master plan for the site
- identifying and concluding negotiations with a social housing provider or other equity partner
- applying for resource consent.

Once the partner arrangements and resource consents are in place, initial earthworks and land development work will begin. The Corporation will periodically report on the progress of the Weymouth project over the course of the 2006/07 financial year.

Papakura

Twenty-four hectares of land in South Auckland were purchased for a development project in Papakura. The objectives of the project are to create a benchmark for providing integrated public and private housing and to ensure a balanced and sustainable community. To reduce commercial risk, it is intended the development will be undertaken by a third party developer. The land is expected to generate between 420 and 450 residential sites. The Corporation intends to take long-term ownership of about 30 percent of these sites.

The Corporation will continue commercial negotiations with the selected 'preferred supplier'. Once completed, the developer is expected to:

- design and describe the proposed urban outcome
- respond to any concerns the community may have about the proposals
- lodge the stage one resource consent with the local council.

We will periodically report on the progress of negotiations with the preferred supplier over the course of the 2006/07 financial year.

TABLE 14 GREENFIELDS DEVELOPMENT: REVENUE AND COST SUMMARY

Total operating costs for greenfields development	\$0.730m
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Applying best practice to state housing redevelopment

The Corporation's *Development Guide* and associated design guides are a practical response to the challenge of raising the design standards of social housing provided in New Zealand.

The performance-based design guides promote good design principles using a holistic approach based on understanding the needs of the users and the requirements of the Corporation. The guides provide principles and standards that promote design excellence aimed at raising the standard of housing that the Corporation supplies.

The Corporation will use its *Development Guide* and associated design guides when planning redevelopments of state housing, primarily in Auckland. We will assess the quality of the redevelopments against our design and quality standards.

TABLE 15 STATE HOUSING REDEVELOPMENT: PERFORMANCE MEASURE

Performance measure	2006/07 targets
All developments will reference and consider the Development Guide and seek to meet the Corporation's specifications	100%

TABLE 16 STATE HOUSING REDEVELOPMENT: REVENUE AND COST SUMMARY

Total operating cost for applying best practice to state housing redevelopment	\$0.583m
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Influencing urban design, zoning and planning

As a signatory to the Urban Design Protocol, the Corporation produced an action plan on urban design in 2005. The plan reflects the Corporation's commitment to specific initiatives aimed at producing high quality urban design developments. The actions involve input from all areas of the Corporation, from strategy development and decision-making to research and staff training.

The actions include:

- championing urban design and raising awareness
- developing strategy and policy
- planning for the future

- being a good client
- making decisions
- exchanging information and research
- integrating management
- building capacity.

The Corporation will develop, during 2006/07, a structure plan for redevelopment on Corporation land within the Auckland region, and an urban design review process to assess new developments. We will periodically report on the progress of these developments over the course of the 2006/07 financial year.

TABLE 17 URBAN DESIGN, ZONING AND PLANNING: REVENUE AND COST SUMMARY

Total operating cost for influencing urban design, zoning and planning	\$0.377m
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Strategic priority three: Ensure effective state housing stewardship

The focus of this priority is to manage state housing by increasing the number of homes in high demand areas, using assets effectively, modernising and maintaining existing homes, and improving new housing design to meet changing needs.

This priority includes the Corporation's role as:

- social landlord
- asset manager.

Social landlord

The Corporation provides tenancy management and support services for applicants and tenants that are beyond the services usually provided by a commercial landlord. We also manage the Social Allocation System, waiting list and income-related rents.

Key activities

- Services to tenants.
- Social Allocation System and waiting list management.
- Income-related rents management.

Services to tenants

We help tenants achieve sustainable housing by understanding their needs, developing strong relationships and providing ongoing support to households. Working closely with tenants ensures the Corporation meets the statutory obligations and responsibilities as a landlord under the Residential Tenancies Act 1986, the Resource Management Act 1991 and other relevant legislation.

TABLE 18 SERVICES TO TENANTS: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Rental debt: Rental income ratio	≤8%
Percentage of tenants receiving case management with management plans in place	≥90%
Percentage of customers in rental/damage debt with a working arrangement in place	≥65%

TABLE 19 SERVICES TO TENANTS: REVENUE AND COST SUMMARY

Total revenue Crown for services to tenants	\$421.103m
Total revenue other for services to tenants	\$346.095m
Total operating cost for services to tenants	\$46.159m

Social Allocation System and waiting list management

The Social Allocation System is a process to allocate housing on the basis of need. The Corporation assesses an applicant's eligibility and housing need, and verifies their circumstances before confirming their priority.

Eligible applicants are placed on a waiting list according to their level of priority. The waiting list is actively reviewed to ensure the applicant's priority status remains valid and applicants are kept informed of the progress of their application. Priority is given to those in greatest need.

TABLE 20 SOCIAL ALLOCATION SYSTEM AND WAITING LIST MANAGEMENT: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Social Allocation System annual audit results (percentage of correct assessment decisions)	≥95% accuracy
Average time to assess high priority applicants	≤7days
Percentage of priority applicants housed to total applicants housed	≥80%
Percentage of homes under-used ²	≤5%
Vacancy rate of properties available for re-letting	<1.5%
Number of transfers resulting in better utilisation	300

TABLE 21 SOCIAL ALLOCATION SYSTEM AND WAITING LIST MANAGEMENT: REVENUE AND COST SUMMARY

Total operating cost for Social Allocation System and waiting list management	\$11.629m
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² Under-used housing is any tenancy with a completed income-related rent record where the household count plus one is less than the bedroom count.

Management of income-related rent

Income-related rent replaced unsubsidised market rent in 2000. The calculations are based on income and household composition. Tenants on low incomes pay no more than 25 percent of their income in rent up to the low-income threshold. Tenants with incomes exceeding the low income threshold will pay progressively more than 25 percent of their income in rent up to the maximum of market rent for the property.

TABLE 22 MANAGEMENT OF INCOME-RELATED RENT: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Income-related rent accuracy – annual audit result accuracy (percentage of correct assessments based on tenant records)	≥96% accuracy
Percentage of new tenants charged income-related rent	≥98%
Percentage of all tenants charged income-related rent	≥90%

TABLE 23 MANAGEMENT OF INCOME-RELATED RENT: REVENUE AND COST SUMMARY

Total operating cost for management of income-related rent	\$5.820m
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Asset manager

Key activities

- Asset planning and management.
- Increasing the housing portfolio.
- Auckland City Pensioner Housing.
- Modernisation.
- Energy retrofits.
- Maintenance.

Asset planning and management

The Corporation provides strategic asset direction to achieve social housing outcomes through its long-term Asset Management Strategy. We will translate the social housing needs in our regions into a programme of asset responses through the National Asset Management Plan and Regional Asset Management Plan.

TABLE 24 ASSET PLANNING AND MANAGEMENT: REVENUE AND COST SUMMARY

Total operating cost for asset planning and management	\$1.853m
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Property holding

Property holding includes the costs in relation to depreciation, interest, insurance and rates associated with the 64,855 state housing properties the Corporation expects to own on average during the 2006/07 year. The total value of the state housing portfolio is estimated at \$11.5 billion at 30 June 2006 and is expected to increase further as a result of the annual portfolio revaluation.

TABLE 25 PROPERTY HOLDING: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Average holding costs per property	\$5,579

TABLE 26 PROPERTY HOLDING: REVENUE AND COST SUMMARY

Total operating cost for property holding	\$361.799m
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Lease management

The Corporation will continue to increase the number of lease properties available in areas of high demand as part of its acquisition programme. The Corporation expects to manage on average 2,743 leased properties during the 2006/07 year.

TABLE 27 LEASE MANAGEMENT: REVENUE AND COST SUMMARY

Total operating cost for lease management	\$41.737m
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Increasing the housing portfolio

We will continue to manage our housing portfolio to ensure it adequately meets the demands for state housing. The Corporation has several responses available to deliver its acquisition programme as detailed below.

General acquisitions

The Corporation will continue to buy and build new homes to meet priority need in the most efficient and effective manner. This includes 642 buy-ins, redevelopments, and new builds; and 474 leases.

TABLE 28 GENERAL ACQUISITIONS: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Gross number of new units acquired through general acquisitions	1,116

TABLE 29 GENERAL ACQUISITIONS: REVENUE AND COST SUMMARY

Crown capital appropriation for general acquisitions	\$140.131m
Corporation capital funding for general acquisitions	\$74.500m
Total capital cost for new units acquired through general acquisitions (gross)	\$214.631m

Rural housing

The Corporation has undertaken a major initiative to alleviate substandard housing in Northland, Bay of Plenty, East Cape and Hawke's Bay. The Corporation plans to increase state housing in targeted rural communities, as part of its strategy to address this issue.

TABLE 30 RURAL HOUSING: PERFORMANCE MEASURE

Performance measure	2006/07 targets
Gross number of new units acquired through rural housing	50

TABLE 31 RURAL HOUSING: REVENUE AND COST SUMMARY

Crown capital appropriation for rural housing	\$9.272m
Corporation capital funding for rural housing	\$0.017m
Total capital cost for rural housing	\$9.289m

Community group housing

The Corporation provides rental homes for government-funded groups and organisations offering residential support services. The groups renting these properties offer residential community services for people with special health or welfare needs. This includes 40 owned and eight lease properties.

TABLE 32 COMMUNITY GROUP HOUSING: PERFORMANCE MEASURE

Performance measure	2006/07 targets
Gross number of community group housing properties acquired	48

TABLE 33 COMMUNITY GROUP HOUSING: REVENUE AND COST SUMMARY

Crown capital appropriation for community group housing	\$11.800m
Corporation capital funding for community group housing	\$2.938m
Total capital cost for community group housing	\$14.738m

Summary of increasing the housing portfolio

TABLE 34 SUMMARY OF INCREASING THE HOUSING PORTFOLIO

General acquisitions	1,116
Rural housing acquisitions	50
Auckland City Pensioner Housing units reconfigured	126
Community groups housing acquisitions	48
Community Renewal acquisitions	78 ³
Total gross acquisitions for increasing the housing portfolio	1,418
Total net acquisitions for increasing the housing portfolio	815

TABLE 35 INCREASING THE HOUSING PORTFOLIO: REVENUE AND COST SUMMARY

Total operating cost for increasing the housing portfolio	\$28.873m
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Auckland City Pensioner Housing

The Corporation will continue to redevelop and upgrade the former Auckland City Pensioner Housing. The redevelopment expenditure is for units to be delivered in the following year. The upgrade will include refurbishment, and reconfiguration of the units.

TABLE 36 AUCKLAND CITY PENSIONER HOUSING: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total number of Auckland City Pensioner units refurbished	63
Gross increase in Auckland City Pensioner reconfiguration	126

TABLE 37 AUCKLAND CITY PENSIONER HOUSING: REVENUE AND COST SUMMARY

Crown capital appropriation for Auckland City Pensioner Housing	\$20.900m
Total capital cost for Auckland City Pensioner Housing (gross)	\$20.900m⁴
Total operating cost for Auckland City Pensioner Housing	\$0.747m

Modernisation

The Corporation will continue its commitment to modernise its rental properties. The general programme seeks to address the needs of the Corporation's social housing portfolio and does not include other modernisation programmes. For example Community Renewal, Healthy Housing, energy efficiency, minor capital and Auckland City Pensioner Housing.

³ Refer strategic priority four for Community Renewal performance measures.

⁴ The Corporation expects to spend \$17.630 million in 2006/07 with balance to be carried over to 2007/08.

TABLE 38 MODERNISATION: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total number of homes to be modernised	482

TABLE 39 MODERNISATION: REVENUE AND COST SUMMARY

Crown capital appropriation for modernisation	\$2.800m
Corporation capital funding for modernisation	\$18.603m
Total capital cost for modernisation	\$21.403m

Reconfiguration

The current configuration of the Corporation's portfolio does not directly meet household need. This programme will identify a number of properties in high demand areas and will reconfigure the number of bedrooms offered by these properties to meet the need of the intended occupants.

TABLE 40 RECONFIGURATION OF RENTAL HOMES: PERFORMANCE MEASURE

Performance measure	2006/07 targets
Total number of homes reconfigured	20

TABLE 41 RECONFIGURATION OF RENTAL HOMES: REVENUE AND COST SUMMARY

Crown capital appropriation for reconfiguration	\$2.803m
Total capital cost for reconfiguration	\$2.803m

Minor capital

Work that constitutes an improvement to a house can be funded from the minor capital budget. The type of improvements include adding garages, carports, driveways, carpets, fencing, security, and other similar items, and refurbishment and tenant reimbursement. Work can be initiated by the Corporation or tenant, and may be for legal or statutory compliance or for an applicant with disability needs.

TABLE 42 MINOR CAPITAL: PERFORMANCE MEASURE

Performance measure	2006/07 targets
Corporation capital funding for minor capital	\$10.000m
Total capital cost for minor capital	\$10.000m

TABLE 43 MODERNISATION, RECONFIGURATION AND MINOR CAPITAL: REVENUE AND COST SUMMARY

Total operating cost for modernisation, reconfiguration and minor capital	\$1.879m
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Energy retrofits

The Corporation aims to help improve social, economic and environmental sustainability within its tenants' communities by installing energy-efficient features into state houses. This improves the heating and ventilation of our homes, thereby improving energy efficiency.

TABLE 44 ENERGY RETROFITS: PERFORMANCE MEASURE

Performance measure	2006/07 targets
Total number of homes with energy efficiency retrofits completed	2,183

TABLE 45 ENERGY RETROFITS: REVENUE AND COST SUMMARY

Total operating cost for energy retrofits	\$0.312m
Corporation capital funding for energy retrofits	\$4.000m
Total capital cost for energy retrofits	\$4.000m

Maintenance

The Corporation will maintain its properties to ensure they are adequately protected, they comply with its statutory requirements and they meet service level commitments. In general, maintenance service arises when there is wear and tear and potential or actual loss of function of a property component.

TABLE 46 MAINTENANCE: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total annual gross maintenance expenditure	\$161.711m
Property condition benchmark compliance	≥85-88%

TABLE 47 MAINTENANCE: REVENUE AND COST SUMMARY

Total operating cost for maintenance	\$161.644m
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Strategic priority four: Support community-based social housing initiatives

Strategic priority definition

This priority focuses on strengthening the capability of social housing providers and supporting local government, community-based organisations and iwi to provide social housing and other community initiatives.

This priority covers the Corporation's role as capacity builder.

Capacity builder

Key activities

- Community Renewal.
- Healthy Housing.
- Local government, iwi and community housing support (Housing Innovation Fund).
- Capacity development grants.

Community Renewal

The Community Renewal programme aims to address social exclusion and foster strong and sustainable communities. The programme takes a holistic approach in areas with high levels of social deprivation and work ranges from modernising and reconfiguring homes to improving social cohesion, safety and security and the physical environment. The Corporation works with the tenants, community and agencies to build a strong, healthy community and integrated range of appropriate services.

TABLE 48 COMMUNITY RENEWAL: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Gross number of new units acquired	78
Total capital cost for Community Renewal acquisitions (gross)	\$14.333m
Total capital cost for Community Renewal modernisation (gross)	\$8.521m

TABLE 49 COMMUNITY RENEWAL: REVENUE AND COST SUMMARY

Total revenue Crown for Community Renewal programme	\$2.471m
Total operating cost for Community Renewal programme	\$4.977m
Corporation capital funding for Community Renewal programme	\$22.854m
Total capital cost for Community Renewal programme	\$22.854m

Healthy Housing

The Healthy Housing programme aims to reduce housing-related health risks and crowding and to improve tenant access to health and social services. The programme focuses on reducing the risk of infectious diseases associated with crowding and aims to generally improve the Corporation's housing conditions in areas where health risks are high.

TABLE 50 HEALTHY HOUSING: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total number of joint assessments completed	800
Total number of interventions completed	816

TABLE 51 HEALTHY HOUSING: REVENUE AND COST SUMMARY

Total revenue Crown for Healthy Housing programme	\$0.889m
Total operating cost for Healthy Housing programme	\$1.772m
Crown capital appropriation for Healthy Housing programme	\$7.200m
Total capital cost for Healthy Housing programme	\$7.200m

Capacity-building grants

The Corporation provides capacity-building grants to local authorities and community-based organisations. We also offer secondments to support social housing providers.

TABLE 52 CAPACITY-BUILDING GRANTS: PERFORMANCE MEASURE

Performance measure	2006/07 targets
Total value of capacity-building grants accepted for community-based organisations and local authorities ⁵	\$1.318m

TABLE 53 CAPACITY-BUILDING GRANTS: REVENUE AND COST SUMMARY

Total operating cost for capacity-building grants	\$0.073m
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⁵ Includes Community Housing Aotearoa Incorporation (CHAI).

Local government, iwi and community housing support (Housing Innovation Fund)

The Housing Innovation Fund encourages not-for-profit, non-government community groups and organisations, including Māori and iwi and local government, to increase or develop rental housing and home ownership to low-income earners, and those with special needs. The Corporation provides loans and grants to local authorities and community-based organisations to supply additional housing units, or to modernise or improve existing housing.

TABLE 54 LOCAL GOVERNMENT, IWI AND COMMUNITY HOUSING SUPPORT: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total value of loans accepted to local authorities and community-based organisations	\$14.646m
Total value of conditional grants issued to community-based organisations (includes conditional grants, interest foregone and write-offs)	\$5.277m ⁶

TABLE 55 LOCAL GOVERNMENT, IWI AND COMMUNITY HOUSING SUPPORT AND COMMUNITY-OWNED RURAL RENTAL HOMES: REVENUE AND COST SUMMARY

Total revenue Crown for local government, iwi and community housing support and community-owned rural rental homes	\$7.940m
Total revenue other for local government, iwi and community housing support and community-owned rural rental homes	\$0.012m
Total operating cost for local government, iwi and community housing support and community-owned rural rental homes	\$13.464m

Group Self Build grants

Group Self Build is a housing programme that provides financial support to groups of low income families in rural areas to work together to build their own houses. Groups of owner-builders are helped to get expert assistance to plan, design and build their own houses.

TABLE 56 GROUP SELF BUILD GRANTS: PERFORMANCE MEASURE

Performance measure	2006/07 targets
Total value of Group Self Build grants issued to community groups	\$0.178m

TABLE 57 GROUP SELF BUILD GRANTS: REVENUE AND COST SUMMARY

Total revenue crown for Group Self Build grants	\$0.178m
Total operating cost for Group Self Build grants	\$0.178m

⁶ Housing Innovations lending is split between community-based organisations and local government. As local authorities do not qualify for this grant, this appropriation is likely to be underspent.

Home Improvement Project Zones

The Corporation supports community-based housing providers to plan and deliver home improvement services within rural areas.

TABLE 58 HOME IMPROVEMENT PROJECT ZONES: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total number of Home Improvement Project Zones contracts	17 ⁷
Total value approved for service contracts for Home Improvement Project Zones	\$0.844m

TABLE 59 HOME IMPROVEMENT PROJECT ZONES: REVENUE AND COST SUMMARY

Total revenue Crown for Home Improvement Project Zones	\$0.844m
Total operating cost for Home Improvement Project Zones	\$0.844m

Community-owned rural rental loans

The Corporation provides loans to rural-based community organisations to develop their own sustainable housing portfolios.

TABLE 60 COMMUNITY-OWNED RURAL RENTAL LOANS: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total number of community-owned rural rental loans approved	1-2 ⁷
Total value of community-owned rural rental loans approved	\$2.000m

⁷ A Cabinet (06)11/7(26) directed review of this programme may impact upon the delivery of this target.

Strategic priority five: Facilitate sustainable home ownership

Strategic priority definition

This priority is about improving the access of people on low and modest incomes to the finance, knowledge and skills they need to undertake and maintain home ownership.

The priority covers the Corporation's role as lender and insurer.

Lender and insurer

Key activities

- Mortgage Insurance Scheme (Welcome Home Loan).
- Low Deposit Rural Lending.
- Home ownership education.
- Building, maintenance and infrastructure loans.

Other activities include offering papakainga loans, delivering lending assistance for non-weathertight homes and delivering home ownership support.

Mortgage Insurance Scheme (Welcome Home Loans)

The Corporation is working with lenders to offer the Welcome Home Loan for people on modest incomes who want to move from renting to home ownership.

Welcome Home Loans are available to people who can afford mortgage repayments but have little or no deposit, and would not normally qualify for a home loan. Participating lenders offer up to 100 percent of the house price, while the Corporation provides mortgage insurance to the lender.

TABLE 61 MORTGAGE INSURANCE SCHEME: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total number of loans underwritten through the Mortgage Insurance Scheme	700-1,000 ⁸
Total value of loans underwritten through the Mortgage Insurance Scheme	\$6.609m ⁹

⁸ A Cabinet (06)11/7(26) directed review of this programme may impact upon the delivery of this target.

⁹ Cost includes appropriated premium and administration.

TABLE 62 MORTGAGE INSURANCE SCHEME: REVENUE AND COST SUMMARY

Total revenue Crown for Mortgage Insurance Scheme	\$6.609m
Total revenue other for Mortgage Insurance Scheme	\$1.689m
Total operating cost for Mortgage Insurance Scheme	\$8.878m

Low Deposit Rural Lending

The Low Deposit Rural Lending scheme started in 1995 as a pilot to address the poor quality of Māori housing. The scheme offers low to modest borrowers a mortgage based on a three percent deposit with an interest rate fixed for seven years.

It is delivered, in partnership with the Corporation, through 13 approved iwi providers, and covers the Northern and Central North Island north of a line between Wanganui, Taupo and Hawke's Bay. It excludes the metropolitan area of Auckland, as well as the Manawatu, Wairarapa and Wellington regions, and South Island.

TABLE 63 LOW DEPOSIT RURAL LENDING: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total number of low deposit rural loans approved	25-30 ¹⁰
Total value of low deposit rural loans approved (includes papakainga loans)	\$3.000m

TABLE 64 LOW DEPOSIT RURAL LENDING: REVENUE AND COST SUMMARY

Total revenue other for Low Deposit Rural Lending	\$4.317m
Total operating cost for Low Deposit Rural Lending	\$4.980m
Crown capital appropriation for Low Deposit Rural Lending	\$3.000m

Home ownership education

The home ownership education programme supports people into home ownership. The programme aims to educate first home buyers on the difference between owning and renting a home, financial budgeting, home maintenance and more. The programme builds on and extends the Corporation's existing home ownership programmes to appeal to a wider urban audience nationwide.

TABLE 65 HOME OWNERSHIP EDUCATION: PERFORMANCE MEASURES

Performance measures	2006/07 targets
Total number of home ownership education participants	5,000
Total value for delivery of the home ownership education programme and support to customers	\$3.827m

¹⁰ A Cabinet (06)11/7(26) directed review of this programme may impact upon the delivery of this target.

TABLE 66 HOME OWNERSHIP EDUCATION PROGRAMME: REVENUE AND COST SUMMARY

Total revenue Crown for the home ownership education programme	\$3.827m
Total operating cost for home ownership education	\$4.464m

Building maintenance and infrastructure loans

Rural housing supports access to home ownership in rural areas by providing suspensory loans for infrastructure improvements or essential repairs.

TABLE 67 BUILDING MAINTENANCE AND INFRASTRUCTURE LOANS: PERFORMANCE MEASURES

Performance measure	2006/07 targets
Total number of households assisted for infrastructure in rural areas	50-60 ¹¹
Total value of suspensory loans approved for infrastructure in rural areas	\$0.900m
Total number of suspensory loans for essential repairs in Northland, East Cape and eastern Bay of Plenty	240-270 ¹¹
Total value of suspensory loans approved for essential repairs	\$4.911m
Total number of suspensory loans for essential repairs for rural housing roll-out areas	65-75 ¹¹
Total value of suspensory loans approved for essential repairs in rural housing roll-out areas	\$1.500m
Rural Fire Service safety programme	\$0.267m

TABLE 68 BUILDING MAINTENANCE AND INFRASTRUCTURE LOANS: REVENUE AND COST SUMMARY

Total revenue Crown for building maintenance and infrastructure loans	\$7.678m
Total revenue other for building maintenance and infrastructure loans	\$1.145m
Total operating cost for building maintenance and infrastructure loans	\$12.027m

¹¹ A Cabinet (06)11/7(26) directed review of this programme may impact upon the delivery of this target.

Other loans and new product development

The Corporation operated several residual loan schemes which are now closed. Two of these were the homebuy and the sold loan portfolio. The Corporation is developing new lending products.

TABLE 69 OTHER LOANS AND NEW PRODUCT DEVELOPMENT: REVENUE AND COST SUMMARY

Total revenue Crown for other loans and new product development	\$0.504m
Total revenue other for other loans and new product development	\$0.242m
Total operating cost for other loans and new product development	\$2.759m
Crown capital appropriation for financial assistance for non-weathertight homes	\$2.361m

Output class appropriations

The following section sets out the Corporation's appropriations from the Crown and explains how these appropriations align with our five strategic priorities and our outputs.

The Corporation's appropriated activities through Vote: Housing are outputs and are represented under the non-departmental appropriations.

The following tables align the Corporation's output classes with the corresponding output class appropriations, as required under the Crown Entities Act 2004.

TABLE 71 OUTPUT TABLE (OPERATING APPROPRIATIONS)

Output table: Operating appropriations 2006/07								
Outcomes framework								
Overarching outcome	All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs							
Intermediate outcomes	A supply of good quality, affordable housing						Sustainable housing solutions	
Strategic priorities	Coordinate the Government's New Zealand Housing Strategy			Demonstrate housing development practice	Ensure effective housing stewardship		Support community-based social housing initiatives	Facilitate sustainable home ownership
Key activities	Ministerial support	Policy adviser	Research and evaluation	Property/land developer	Asset manager	Social landlord	Capacity building	Lender and insurer
Key activity reference number	1.1	1.2	1.3	2.1	3.1	3.2	4.1	5.1

Output expenses	Vote Appropriations							
	\$'000							
Housing policy advice								
Housing Innovation Fund evaluation	101	1.3			101			
Housing policy advice	2,248	1.2		2,248				
Ministerial support	300	1.1	300					
Research and evaluation	130	1.3			130			
Rural housing evaluation	133	1.3			133			
Total housing policy advice	2,912		300	2,248	364			
Contracted housing support services								
Capacity building for Pacific peoples	178	5.1						178
Group Self Build	178	4.1					178	
Low Deposit Rural Lending education and support	3,649	5.1						3,649
Rural Housing Programme	6,078	5.1						6,078
Rural Housing Programme: Community owned rural rental housing loans and Improvement Project Zones	1,100	4.1					1,100	
Total contracted housing support services	11,183						1,278	9,905
Housing support services								
Community Renewal	2,471	4.1					2,471	
Financial assistance non-weather-tight homes	204	1.2 + 5.1		400				(196)
Healthy Housing programme	889	4.1					889	
Housing Innovation Fund: Housing support services	1,318	4.1					1,318	
Mortgage Insurance Scheme extension	6,609	5.1						6,609
Total housing support services	11,491			400			4,678	6,413
Housing assistance								
Housing Innovation Fund: Housing assistance	5,277	4.1					5,277	
Loans to community organisations:								
Interest concession	1,089	4.1					1,089	
National/Westpac loss of interest	700	5.1						700
Rural Housing Programme: Housing assistance	1,500	5.1						1,500
Special Housing Action Zone interest subsidy	100	5.1						100
Total housing assistance	8,666						6,366	2,300
Income-related rental subsidy	421,103	3.2				421,103		
Total operating appropriations	455,355		300	2,648	364		421,103	12,322
Non-departmental other expenses								
Rent relief fund	4,500	3.2				4,500		
Total non-departmental other expenses	4,500					4,500		

TABLE 72 OUTPUT TABLE (CAPITAL APPROPRIATIONS)

Output table: Capital appropriations 2006/07								
Outcomes framework								
Overarching outcome	All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs							
Intermediate outcomes	A supply of good quality, affordable housing						Sustainable housing solutions	
Strategic priorities	Coordinate the Government's New Zealand Housing Strategy			Demonstrate housing development practice	Ensure effective housing stewardship		Support community-based social housing initiatives	Facilitate sustainable home ownership
Key activities	Ministerial support	Policy adviser	Research and evaluation	Property/land developer	Asset manager	Social landlord	Capacity building	Lender and insurer
Key activity reference number	1.1	1.2	1.3	2.1	3.1	3.2	4.1	5.1

Output expenses	\$000							
Housing New Zealand Corporation housing activities								
Acquisitions	152,206	3.1			152,206			
Auckland City Pensioner Housing:								
Reconfiguration and development	20,900	3.1			20,900			
Community housing acquisitions	11,800	3.1			11,800			
Financial assistance for non-weathertight homes	2,361	5.1						2,361
Home ownership Low Deposit Rural Lending	3,000	5.1						3,000
Modernisations	2,800	3.1			2,800			
Healthy Housing	7,200	4.1					7,200	
Rural Housing Programme: Community owned rural rental housing loans	2,000	4.1					2,000	
Third sector and local government								
Housing Innovation Fund	14,646	4.1					14,646	
Total Housing New Zealand Corporation housing activities	216,913				187,706		23,846	5,361
Loans to refinance third party debt	259,342							
Total Housing New Zealand Corporation capital appropriations	476,255							

Forecast financial performance, policies and statements

The following section describes the Corporation's financial structure, financial performance indicators, financial accounting policies and forecast financial statements.

Statement of underlying assumptions

These statements have been compiled on the basis of government policies at the time they were finalised. The forecast financial statements comply with generally accepted accounting practice and the Crown Entities Act 2004.

In this section, 'Parent' refers to Housing New Zealand Corporation as a discrete entity. 'Group' refers to Housing New Zealand Corporation and its subsidiaries. The principal subsidiary of Housing New Zealand Corporation is Housing New Zealand Limited, which owns and manages the state housing portfolio.

The measurement base applied is modified historical cost and the accrual basis of accounting has been used to prepare these statements. These statements have been prepared on a going-concern basis.

The forecast financial statements do not include the expected impact of future changes in property valuations, which are undertaken annually. The property valuation changes can have a significant impact on the forecast financial statements.

Cost allocation

The Corporation's output costs in these statements are derived from the cost allocation system outlined below.

Cost allocation policy

Direct costs are charged directly to key activities. Support and indirect costs are charged to business group activities, based on cost drivers and related activity use.

Criteria for direct, support and indirect costs

Direct costs are those costs directly attributed to a strategic priority. Support costs relate to activities, where a strong link is known. Indirect costs are corporate costs that cannot be linked with a specific strategic priority in an economically-feasible manner.

Direct costs assigned to strategic priorities

Direct costs are charged directly to the strategic priorities' key activities. This includes significant costs, such as interest, property depreciation and rates. Personnel and other operating costs are charged to activities on the basis of pre-determined ratios established through the analysis of business units.

Basis for assigning support and indirect costs

Support costs are assigned to business groups on the basis of the proportion of the services consumed. Indirect (corporate overhead) costs are assigned to the strategic priority key activities on the basis of the full-time staff equivalents that are engaged in these key activities.

Financial summary and performance

The Corporation is required by legislation to operate in a business-like manner when managing Crown resources. Through its financial frameworks, the Corporation aims to provide good financial oversight and stewardship, and efficient and effective management of assets and liabilities. It ensures investment decisions relating to the total portfolio maintain or improve financial performance.

The following table summarises the forecast financial performance of the Group. Full forecast financial statements follow at the end of this section.

TABLE 73 STATEMENT OF FORECAST FINANCIAL PERFORMANCE SUMMARY

	Parent Budget 2006/07 \$000	Group Budget 2006/07 \$000	Group Budget 2007/08 \$000	Group Budget 2008/09 \$000
Total operating revenue	183,705	812,227	833,855	848,458
Total direct costs	53,537	517,161	537,425	557,032
Interest costs	21,603	128,685	130,399	132,091
Other indirect costs	94,187	87,420	88,352	90,398
Operating surplus before tax	14,378	78,961	77,679	68,937
Income tax expense/(benefit)	(28,889)	59,459	59,227	56,118
Net surplus after tax	43,267	19,502	18,452	12,819

Performance measures

The Corporation will use the following indicators to measure its financial performance.

- Net surplus after tax

This measure indicates how profitable we have been. The net surplus after tax is required to be returned to the Crown as a dividend each year, unless the responsible ministers agree that it is retained in the Corporation.

- Earnings before interest, tax, depreciation, amortisation and leasing (EBITDAL) to income percentage

This measure indicates how efficiently the Corporation manages its costs. It is calculated as total operating revenue less total costs (excluding interest, depreciation, amortisation, leasing and tax), over total operating revenue.

- EBITDAL per property managed (real \$)

This is a commercial indicator of financial performance. It is calculated as total operating revenue less total costs (excluding interest, depreciation, amortisation, leasing and tax) divided by equity.

- EBIT/net interest ratio

This measure indicates whether the Corporation's debt to equity ratio will be likely to require adjustment.

- Administration cost per property and the number of full-time staff (FTEs) per 1,000 properties managed (real \$)

These ratios are an indication of how efficiently the Corporation's properties are managed.

- Credit rating

This is Standard & Poors' assessment of the Corporation's financial strength – its ability to pay its debts.

TABLE 74 THE GROUP'S PERFORMANCE MEASURES AND TARGETS

	2006/07	2007/08	2008/09
Net surplus after tax \$000	19,502	18,452	12,819
EBITDAL to income %	53%	53%	52%
EBITDAL per property managed (real \$)	5,235	5,205	5,084
EBIT:net interest ratio	1.68:1	1.67:1	1.59:1
Administration cost per property (real \$)	1,199	1,185	1,185
FTEs per 1,000 properties managed	10.8	10.8	10.8
Credit rating (Standard & Poors')	AAA	AAA	AAA

Managing the Crown's investment

The Corporation was forecast to have total assets of \$11,819 million at 30 June 2006, funded by debt of \$1,962 million and equity of \$9,857 million. The ratio of consolidated capital funds to total debt was forecast to be 83:17 at 30 June 2006, and in the following two years.

Value of the Crown's investment

The equity (assets less liabilities) is the value of the Crown's investment in the Corporation.

TABLE 75 FIGURES FOR THE FOLLOWING THREE YEARS BASED ON ESTIMATED BOOK VALUES, BEFORE ANY REVALUATION

As at 30 June 2007 \$000	As at 30 June 2008 \$000	As at 30 June 2009 \$000
10,034	10,107	10,144

As a result of the Capital Structure Review in 2003/04, responsible ministers agreed that if the Corporation's ratio of EBIT to net interest falls below 1.3:1, debt will be decreased by \$150 million. If it should rise above 1.7:1, debt will be increased by \$150 million to maintain an appropriate capital structure. At the same time, ministers agreed that capital appropriations should be drawn down in the ratio of 22:78 of debt to equity.

All current capital appropriations are drawn down in the ratio of 22:78 debt to equity as agreed during the Capital Structure Review. Aside from capital appropriations, the Corporation's capital expenditure programme is funded by cash flows generated from operations and short-term borrowings. The Corporation has been funding the purchase of land at Hobsonville from working capital. In Budget 2005, the Corporation received funding of \$54 million to acquire, under the Housing Act 1955, New Zealand Defence Force land at Hobsonville. The land was surplus to defence requirements but suitable for state housing purposes. The Government is considering development options for this land, and the purchase of adjoining New Zealand Defence Force land.

Financial distribution to the Crown

The Housing Corporation Act 1974 section 40(1) requires the Corporation to pay its surplus for each financial year into the Crown's bank account, unless the responsible ministers authorise the Corporation to keep all or any part of it.

Under section 40(2) of the Act, 'surplus' is defined as surplus capital and any operating net surplus after any provision responsible ministers have agreed is necessary for the efficient and effective conduct of the Corporation's operations.

Procedures for acquiring shares

The Corporation will invest only in the shares of another housing services-related business and where shares acquired are considered necessary to achieve our objectives. If we intend to subscribe for, or otherwise acquire, 20 percent or more of the issued capital, we will write to the responsible ministers giving notice of our intention.

Business diversification

The Corporation will get the agreement of responsible ministers before making any material changes to its business.

Agreements that result in 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 in line with section 20B of the Housing Corporation Act 1974. All contractual arrangements will be identified in the Annual Report.

The Corporation and the Crown have agreed, under section 7 of the Housing Restructuring Act 1992, that the Corporation will be compensated for any difference between market rents and income-related rents. This is because the Corporation is required to charge qualifying tenants an income-related rent rather than a market rent.

Information provided to responsible ministers

The Corporation will:

- respond promptly and comply fully with all requests from ministers for information about the Corporation's affairs
- prepare and provide a Statement of Intent to ministers, with the content and process in line with sections 138 to 149 of the Crown Entities Act 2004
- provide quarterly reports to the ministers or their agents to monitor compliance with specific operating procedures and activities that help meet the Crown's social and business objectives
- provide a list of information requested by ministers and report backs identified in the third schedule of the 2006/07 Output Agreement.

Statement of accounting policies

The Corporation maintains its accounting policies in line with legislation and generally accepted accounting standards published by the Institute of Chartered Accountants of New Zealand.

We will apply New Zealand International Financial Reporting Standards (NZIFRS) to financial reporting from 1 July 2007, in line with Crown expectations. The impact of NZIFRS has not been included in any of the forecast financial statements.

Reporting entity

The Corporation is a Statutory Corporation (Crown-owned entity) operating under the Housing Corporation Act 1974 (as amended). The core business of Housing New Zealand Corporation (the Corporation) and its subsidiaries is to give effect to the Crown's social objectives by providing housing, and services related to housing, in a business-like manner, and to ensure the Minister of Housing receives appropriate policy advice, other advice, and information on housing and services related to housing.

The Group forecast financial statements are for the Housing New Zealand Corporation Group (the Group), including all its subsidiaries. The forecast financial statements have been prepared and presented in accordance with generally accepted accounting practice in New Zealand, the Financial Reporting Act 1993, the Crown Entities Act 2004 and the Housing Corporation Act 1974 (as amended).

Measurement basis

The accounting principles for measuring and reporting financial performance and financial position on an historical-cost basis have been followed, except rental properties and freehold land, which have been revalued under *Financial Reporting Standard 3 (FRS 3) Accounting for Property, Plant and Equipment* under the modified historical-cost basis.

Specific accounting policies

Specific accounting policies that materially affect the measurement of financial performance and financial position have been consistently applied.

Basis of consolidation purchase method

The consolidated financial statements are prepared from the financial statements of the Corporation and its subsidiaries, using the purchase method. All transactions between the Group entities are eliminated on consolidation. Investment in the subsidiaries is stated at cost in the Corporation's financial statements.

Revenues

Revenue shown in the statement of financial performance comprises the amounts received and receivable by the Group for providing housing and lending services to customers, recognised premium under the Mortgage Insurance Scheme and providing policy advice to the Crown. Parent revenues also include dividends and management fees received and receivable from subsidiaries.

Maintenance

Work undertaken before 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 as liabilities at balance date.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment (except for freehold land and capital work in progress) 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 or the estimated useful life of the improvement.

Depreciation periods of classes of property, plant and equipment are:

Rental properties	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

Leases

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

Income tax

The income tax expense charged to the statement of financial performance includes 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.

Goods and Services Tax (GST)

The Group is mainly an exempt supplier in relation to GST. GST on the majority of inputs cannot be reclaimed; therefore it is included in expenditure.

Property, plant and equipment

Classes of property, plant and equipment for the Group are:

- Freehold land
- Rental properties
- Capital work in progress
- Leasehold improvements
- Furniture and fittings
- Office equipment
- Computer equipment and software
- Motor vehicles.

All property, plant and equipment is initially recorded at cost. Freehold land and rental properties are revalued to fair value, determined by reference to their highest and best use, on an annual basis under *FRS 3 Accounting for Property, Plant and Equipment*.

Any surplus arising on the revaluation of freehold land and rental properties is recognised in the asset revaluation reserve. A revaluation deficit greater than the asset revaluation reserve is recognised as an expense in the statement of financial performance in the period it arises. Revaluation surpluses that reverse previous revaluation deficits are recognised as revenue in the statement of financial performance.

Properties intended for sale

Properties intended for sale are recognised at the lower of carrying value or net realisable value.

Mortgage advances

Mortgage advances are stated at the lower of amounts outstanding net of provisions made on advances considered doubtful of collection, or the recoverable amount.

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

Investments

Investments in government securities, short-term and other investments are stated at face value less unamortised discounts and plus unamortised premiums. Discounts and premiums are amortised to income on a yield-to-maturity basis or a straight-line basis over the term of the investment.

Receivables

Receivables are stated at their estimated realisable value.

Mortgage sale insurance

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

Mortgage Insurance Scheme

The premium income realised and the movement in provision for claims during the year are recognised in the statement of financial performance.

The unearned premium reserve consists of the unrealised amount of premium received. This is determined by apportioning premiums received over the relevant periods of risk underwritten, based on actuarially assessed risk factors.

The provision for claims is based on the actuarial assessment of the present value of the estimated cost of future claims, in excess of unrealised amount of premium received.

Financial instruments

Financial instruments recognised in the statement of financial position include cash balances, bank overdrafts, receivables, payables, investments, mortgages, and short and long-term borrowings.

The Group uses various financial instruments, some of which have off-balance sheet risk, to reduce 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 part of the interest expense or income calculated 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 or losses on these forward contracts is generally offset in the statement of financial performance by a related loss or gain on the item being hedged.

Gains and losses on contracts that hedge specific short-term foreign currency denominated transactions are part of the related transaction in the period the transaction occurs.

The Group is not involved in foreign exchange or interest rate speculating. Any financial instruments that do not qualify as hedges are stated at cost, with adjustments for market value in the case of impairment or any other such event.

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 foreign currency transactions, together with any costs associated with the hedge transactions, are included in the measurement of the foreign currency transactions.

Changes to accounting policies

There have been no changes in accounting policies. However, certain items have been re-classified to conform to the current year's presentation of the Corporation's financial statements. These re-classifications do not have a material impact on the substance of the information presented. All accounting policies have been applied on a basis that is consistent with that used in previous years.

Forecast financial statements

Statement of forecast financial performance for the period 1 July 2006 to 30 June 2009

	Parent Budget 2006/07 \$000	Group Budget 2006/07 \$000	Group Budget 2007/08 \$000	Group Budget 2008/09 \$000
Income				
Rental income – tenants	17,883	339,637	351,553	362,734
Rental income – income-related rent subsidy	0	427,561	434,600	449,022
Interest income	12,656	12,656	14,150	14,696
Other income	153,166	32,373	33,552	22,006
Total income	183,705	812,227	833,855	848,458
Maintenance/cost of ownership	5,407	141,211	141,249	152,143
Rates	1,977	89,082	94,361	99,692
Rental property depreciation	5,726	145,933	151,515	156,019
Other direct costs	40,427	140,935	150,300	149,178
Total direct costs	53,537	517,161	537,425	557,032
Interest costs	21,603	128,685	130,399	132,091
Other indirect costs	94,187	87,420	88,352	90,398
Total indirect costs	115,790	216,105	218,751	222,489
Total costs	169,327	733,266	756,176	779,522
Operating surplus before tax	14,378	78,961	77,679	68,937
Tax	(28,889)	59,459	59,227	56,118
Net surplus after tax	43,267	19,502	18,452	12,819

Statement of forecast movement in equity for the period 1 July 2006 to 30 June 2009

	Parent Budget 2006/07 \$000	Group Budget 2006/07 \$000	Group Budget 2007/08 \$000	Group Budget 2008/09 \$000
Opening equity	3,635,539	9,857,091	10,033,648	10,107,422
Net surplus	43,267	19,502	18,452	12,819
Changes in revaluation reserve	0	0	0	0
Total recognised revenues and expenses	3,678,806	9,876,593	10,052,100	10,120,241
Distributions to owners	(10,105)	(10,105)	(19,502)	(18,452)
Contributions from owners	167,160	167,160	74,824	42,445
Closing equity	3,835,861	10,033,648	10,107,422	10,144,234

Statement of forecast financial position for the period 1 July 2006 to 30 June 2009

	Parent Budget 30 June 2007 \$000	Group Budget 30 June 2007 \$000	Group Budget 30 June 2008 \$000	Group Budget 30 June 2009 \$000
Capital contribution	3,545,731	3,545,731	3,620,555	3,663,000
Retained earnings	134,653	(7,061)	(8,111)	(13,744)
Asset revaluation reserves	155,477	6,494,978	6,494,978	6,494,978
Shareholders' funds	3,835,861	10,033,648	10,107,422	10,144,234
Long-term debt	0	129,583	0	0
Crown borrowings	297,936	1,650,315	1,800,270	1,813,140
Long-term liabilities	297,936	1,779,898	1,800,270	1,813,140
Short-term debt	0	82,183	83,569	86,089
Accounts payable and accruals	266,834	90,498	105,581	120,744
Mortgage Insurance Scheme liabilities	9,470	9,470	10,428	11,071
Sold mortgage and lease provisions	15,545	15,545	12,602	10,295
Current liabilities	(241,819)	197,696	212,180	228,199
Total liabilities and shareholders' funds	3,891,978	12,011,242	12,119,872	12,185,573
Mortgages and other lending	100,662	100,662	115,875	110,147
Management assets	1,685	28,775	29,305	29,095
Rental properties	409,6881	1,783,957	11,876,588	11,947,402
Investments in subsidiaries	3,223,012	0	0	0
Fixed assets	3,735,047	11,913,394	12,021,768	12,086,644
Rent, prepayments and other receivables	97,985	42,323	42,323	42,323
Provision for doubtful debts	(54)	(3,203)	(3,448)	(3,699)
Bank	351	78	78	78
Loan to Housing Agency Account	26,709	26,709	30,107	33,715
Short-term investments	31,940	31,941	29,044	26,512
Current assets	156,931	97,848	98,104	98,929
Total assets	3,891,978	12,011,242	12,119,872	12,185,573

Statement of forecast cash flows for the period 1 July 2006 to 30 June 2009

	Parent Budget 2006/07 \$000	Group Budget 2006/07 \$000	Group Budget 2007/08 \$000	Group Budget 2008/09 \$000
Cash flows from/used in operating activities				
Rent receipts –tenants	17,883	339,637	351,553	362,734
Rent receipts –income-related rent subsidy	0	427,561	434,600	449,022
Other receipts from Crown	34,254	34,254	38,109	25,337
Interest received from customers and investments	7,135	7,135	6,818	6,247
Other receipts	153,166	2,425	335	2,153
Payments to suppliers and employees	(141,998)	(432,958)	(445,050)	(462,344)
Income tax paid	0	(59,459)	(59,227)	(56,118)
Interest paid	(21,603)	(128,665)	(130,316)	(131,927)
Net cash flows from operating activities	48,837	189,930	196,822	195,104
Cash flows from/used in investing activities				
Sale of rental properties and management assets	3,270	8,826	16,975	20,068
Mortgage and other lending repayments	6,611	6,611	6,859	10,325
Loan to Housing Agency Account	(2,400)	(2,400)	0	0
Purchase of rental properties and management assets	(18,206)	(339,777)	(292,220)	(276,739)
Mortgage and other lending	(26,370)	(26,370)	(23,413)	(5,673)
Change in short-term investments	(1,356)	(1,356)	2,898	2,532
Net cash flows from investing activities	(38,451)	(354,466)	(288,901)	(249,487)
Cash flows from/used in financing activities				
Capital contributions	167,160	167,160	74,824	42,445
Crown borrowings	6,916	307,429	149,955	12,871
Other debt borrowings	0	0	0	0
Dividends paid	(10,105)	(10,105)	(19,502)	(18,452)
Crown debt repayment	0	0	0	0
Long-term debt repayment	0	(260,947)	(129,583)	0
Other debt increase/(repayment)	0	(39,001)	16,385	17,519
Net cash flows from financing activities	163,972	164,536	92,079	54,383
Net cash flows	174,358	0	0	0
Opening cash position	0	0	0	0
Closing cash position	174,358	0	0	0

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