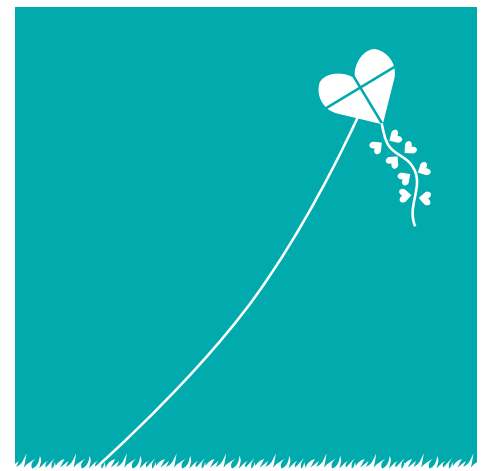


## Statement of Intent 2008/09



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# Purpose

This Statement of Intent provides an overview of Housing New Zealand Corporation's (the Corporation) strategic direction for the next three to five years, and its operating performance for 2008/09.

It is divided into three parts:

**PART ONE: NATURE AND SCOPE OF THE CORPORATION**

**PART TWO: FORECAST SERVICE PERFORMANCE**

**PART THREE: FORECAST FINANCIAL INFORMATION.**

# Foreword: Board Chair



**Over the past five years, the Corporation has focused on broadening responses across the whole social housing sector, rebuilding social housing and recognising that we are responsible for more than just state houses.**

The next five years will be no less challenging. We must achieve excellence in our performance and continue to ensure we give our best to our customers. The Corporation will continue to adapt to changing government expectations. As we do so, we will also need to manage the challenges and risks associated with those expectations and make reputation management a priority.

Our areas of focus for 2008/09 and beyond represent a significant evolution from the past. We have moved from being an organisation largely focused on managing properties and tenancies to one that takes a more people-driven, tailored and sustainable approach to the needs of individuals and communities.

The Corporation is broadening its role beyond that of a social landlord/property manager to being a catalyst for community development. We are now working across sectors to develop healthy and economically sustainable communities in areas of high social need. This is not just about serving people in our portfolio of houses, but includes supporting all people with the highest needs to find appropriate housing solutions.

To address the increasing demand for social housing and the scarcity of land, the Corporation is taking a more active property development role, such as the creation of an integrated, mixed-tenure community in Hobsonville. The Corporation also recognises that innovative solutions will only be created through strong partnerships with Māori, Pacific peoples and the non-government housing sector.

Getting the balance right between investment in new acquisitions, and the modernisation and reconfiguration of an ageing portfolio, will be critical. To ensure the right investment balance, we need to make extensive use of our waiting list information to accurately determine the demand for our houses, both now and in the future.

Affordable housing is an important factor in people's wellbeing. For lower-income households especially, high housing costs relative to income often leave households with insufficient income to meet other basic needs such as food, clothing, transport, medical care and education. This area of focus recognises the contribution the Corporation can make to the Government's affordable housing interventions.

The Corporation has risen to the many challenges that have come our way. My colleagues on the Board and I are confident that the Corporation can continue to make a difference to the lives of many New Zealanders.

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

Pat Snedden  
*Chair*

# Chief Executive's overview



**Creating communities that enjoy security, stability and harmony is critical to the success of the Government's housing programme. The Corporation's role is to provide support to families and individuals who need housing assistance.**

We are aware that strong and enduring communities and iwi provide the social and support mechanisms for people and families who live within them. Hence, working in partnership with other government agencies, communities, non-government housing groups, Māori and Pacific peoples remains vital to the Corporation.

The proposed Tamaki project is a clear example of how we are engaging with our partners to plan for the development and transformation of the area. The people of Tamaki have strong and supportive community networks, resources and aspirations. The Corporation is working across government agencies, the community and non-government sector to help make the most of opportunities to improve outcomes for Tamaki people.

Housing affordability remains a major challenge for the Corporation. We continue to support the Government to deliver effective, affordable housing interventions for home buyers. This will include providing assistance for first-home buyers, supporting other social housing providers, and building affordable housing into government-led development projects.

By engaging with other agencies and through the quality of our policy advice, we aim to be recognised as a leader and innovator, particularly in social and affordable housing.

We also want all New Zealanders to live in safe, energy-efficient, well-maintained houses, in line with the Government's commitment to sustainability. We strive to offer New Zealanders state homes that meet their needs and aspirations. In our efforts to do so, we are challenged by the conditions, features and locations of our current ageing stock. We will continue to work with other agencies in responding to changing household type and geographic demand, and balance the needs of today with those of the future.

Internally, we are developing a strong customer orientation across the Corporation and increasing our capability to deliver on the Government's wider objectives. These are exciting times as we create a new way of working to enhance our performance and ensure our customers get the best from us. We invite you to journey with us to achieve our new vision: to 'work for New Zealanders by creating housing opportunities and strengthening communities'!

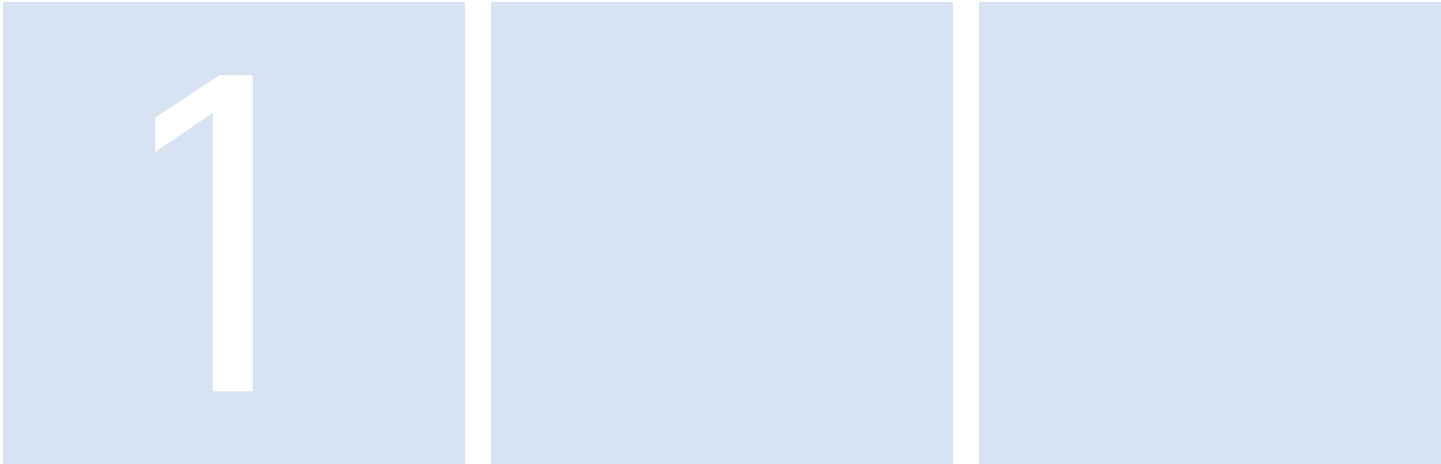
A handwritten signature in black ink, which appears to read 'Lesley McTurk'.

Dr Lesley McTurk  
*Chief Executive*



# Part one

## Nature and scope of the Corporation



# Operating environment

**This section provides a summary of the New Zealand operating environment for housing and the key issues influencing the housing sector. A good understanding of the current and future operating environment is essential to planning and carrying out the Corporation's work.**

A broad range of factors influences the New Zealand housing sector. Changing social, economic, technological and environmental issues affect the housing market and the ability of individuals to access housing. Immigration, demographic and lifestyle changes, changing household structures and the needs of different cultures influence housing demand and the supply of social housing.

New Zealand's population is projected to reach over 5 million by 2041. The projections reflect specific assumptions about birth and death rates and net levels of migration. Currently, 70 percent of migrants and refugees to New Zealand settle in the Auckland region. The region currently houses over 32 percent of New Zealand's population. These factors place pressure on housing providers to match demand and supply.

The population is ageing. This means more housing will need to be suitable for elderly residents. The number of people with disabilities is expected to increase substantially over the next 10 to 20 years. This affects the types of housing required and the modifications needed to improve housing access.

The structure of families and households continues to change. The proportion of one-parent families and couples without children is increasing. Changes in household structures have particular implications for state housing. In future, there will be comparatively less demand for the standard three-bedroom home and an increased demand for smaller homes to accommodate growing numbers of childless and elderly households.

The ethnic make-up of New Zealand is becoming more diverse, particularly in the Auckland region. Auckland is distinctive internationally for its mix of peoples, with over 180 different cultures living in the region. Projections show that by 2021 the percentage of New Zealanders identifying as Māori will grow to 17 percent, Pacific peoples to 9 percent and Asian peoples to 13 percent. A large proportion of Māori and Pacific peoples are currently state housing tenants or applicants. Key trends show that Māori household tenancy in state housing increased from 21 percent to 28 percent between 1981 and 2001, with Pacific peoples increasing from 8 percent to 22 percent. These trends are expected to continue. The structure of families varies between different cultures and ethnicities. The types of housing required also vary.

Over 50 percent of the state housing portfolio was built before 1970 and needs significant investment to ensure it continues to meet the changing needs and demands of New Zealanders. These houses require significant, ongoing maintenance to meet the Corporation's national standards. Research shows that people increasingly expect their homes to be safe and healthy. This requires a balance between investment in new acquisitions and the maintenance and modernisation of an ageing portfolio.

# Key housing issues in New Zealand

The key emerging issues for New Zealand housing can be broadly summarised as **limited housing supply and declining housing affordability and quality. Addressing these issues requires a coordinated approach from a number of government agencies. The Corporation is a key provider of social housing but it cannot do it alone.**

The key housing issues in New Zealand, and how the Corporation aims to address them over the next three to five years, are discussed below.

## Limited housing supply

The growing, ageing and increasingly diverse New Zealand population will require more housing to meet current and future needs. In Auckland alone, projected population increases indicate the need for 80 percent more housing in the region within the next 25 years.

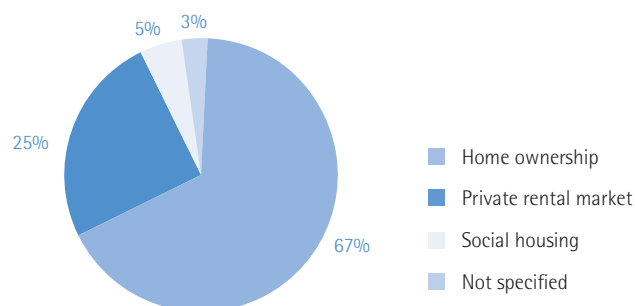
## How the Corporation aims to address this issue

The Corporation currently houses 195,250 people and has built, bought or leased 7,400 extra homes since 1999. The Corporation will continue to increase its housing stock to meet housing needs, and consider how to use existing housing more effectively. The traditional three-bedroom state house is no longer appropriate for many applicants on the waiting list. The Corporation is reconfiguring its portfolio to better meet the needs of smaller and larger families who require state housing.

Increased housing demand and reduced land availability, particularly in Auckland, has prompted changes to the way the Corporation works. The Corporation now takes a more active property development role to secure land and/or redevelop appropriate housing at a reasonable cost to meet demand. Development of higher density housing is one way the Corporation is responding to changes in the types of housing required. The Corporation will consider the social, economic and environmental sustainability of these housing types.

The Corporation works strategically with a broad range of social housing providers, including local authorities, to supply social housing. This ensures existing social housing is retained to strengthen the community. The social housing sector is small compared to the wider housing sector, as shown in Figure 1. The Corporation, local government and community-based organisations are the main providers of social housing services in New Zealand.

FIGURE 1: THE NEW ZEALAND HOUSING SECTOR BASED ON STATISTICS NEW ZEALAND CENSUS 2006 HOUSEHOLD AND DWELLING SURVEY RESULTS



## Declining housing affordability

There are two aspects to declining housing affordability: rental affordability and home ownership affordability. Affordability of home ownership is influenced by a combination of factors including household income, household debt levels, residential property values and the cost of housing finance. The main rental affordability factor is the rent-to-income ratio.

Increases in house prices over the past five years have outpaced rises in average household income. This makes housing unaffordable for many people, particularly first-home buyers in cities such as

Auckland, Wellington and Queenstown. Because fewer people are able to buy a home, they rely on the private rental market and social housing to provide suitable accommodation.

Individual investors with short-term goals dominate the private rental market in New Zealand. The absence of larger institutional investors limits the supply of affordable and secure housing for long-term tenants. Low- to modest-income, long-term renting households will be faced with variable housing costs and long-term housing insecurity. This has implications for social and health outcomes such as security in old age, the ability of elderly people to stay in their homes, and retirement income.

The Government provides assistance for low- to modest-income earners to meet housing costs in the private sector through the Accommodation Supplement. This is administered by Work and Income. 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.

#### **How the Corporation aims to address this issue**

The Corporation will provide strategic and operational policy advice to support the Government's affordable housing agenda including home ownership and lending policy options and advice on supply of affordable housing.

The Corporation also has a range of current and planned initiatives to help aspiring home owners buy their first home. These include a number of government-funded initiatives such as the Welcome Home Loan scheme and the Shared Equity pilot scheme. These initiatives aim to help increase the supply of affordable housing. The Corporation also offers an education programme to provide people with the skills and knowledge they need to buy and own their first home.

The Shared Equity pilot scheme is specifically targeted to assist people who have saved a deposit for a home but cannot purchase their first home due to increasing house prices. The Government will provide an interest-free loan on a house of 5 to 30 percent of its value. The pilot is limited to those with a household income of between \$55,000 and \$85,000 who meet certain criteria, and is restricted to regions with the highest house prices: Auckland, Wellington, Nelson, Christchurch and Queenstown. The Corporation also provides the Welcome Home Loan scheme, a product providing insurance to lenders who offer low- or no-deposit home loans to first-home buyers.

Another way to influence the price and cost of housing is through creating opportunities to develop sustainable, mixed communities in areas of high social need. Through the integrated urban development projects in Hobsonville, Tamaki, Weymouth and Papakura, the Corporation is aiming to provide affordable homes for first-home buyers and will create a mix of tenure types including state and private housing.

#### **Quality of the Corporation's housing**

The nature of housing demand is changing. New Zealand's increasingly diverse population will see more people needing houses of the right kind and quality to support the changing nature of household structures and housing needs. Understanding future demand as well as reconfiguring the housing portfolio is an issue for the Corporation. There is an expectation that houses are safe and healthy places to live.

The state housing portfolio is ageing. To meet present and future needs, ongoing maintenance and modernisation of the Corporation's portfolio is necessary.

## How the Corporation aims to address this issue

Investing in good quality housing provides communities with a range of benefits including improving social cohesion, safety and security. The Corporation needs to balance its investment within available budgets to ensure the right mix of acquisitions, maintenance, modernisations and reconfiguration of existing houses to meet changing needs.

Modernisation and maintaining the houses to an adequate standard are immediate priorities. This will improve the energy efficiency of housing and reduce pressure on natural resources and the environment.

The Corporation will help improve social, economic and environmental sustainability by installing energy-efficient features to improve the heating and ventilation of homes through its energy efficiency programme. It will also help to reduce the risk of infectious diseases associated with crowding, and improve housing conditions in areas of high social need through its Healthy Housing programme.

# Role and functions

## The Corporation's role

The Corporation is a Crown entity. Its legislated objectives are:

- (a) to give effect to the Crown's social objectives by providing housing, and services related to housing, in a businesslike manner, and to that end to be an organisation that:
  - (i) exhibits a sense of social responsibility by having regard to the interests of the community in which it operates
  - (ii) exhibits a sense of environmental responsibility by having regard to the environmental implications of its operations
  - (iii) 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.

## Functions

Providing state rental housing for families and people in need is the Corporation's most significant housing intervention. Its activities include tenancy management and support, urban development, and the strategic management of assets.

Building the capacity of individuals and communities to manage their own housing is another key aspect of business.

This includes:

- providing help and housing advice for people on low to modest incomes who want to buy their own homes
- offering some home ownership products and services
- providing suitable accommodation for community organisations that offer residential support services for people with special needs
- working in communities, with local government, Māori and iwi to address local housing problems
- linking with other organisations and providers to help people with housing needs
- working with Pacific peoples to strengthen community partnership and collaboration
- supporting the development of social housing alternatives to state homes.

The Corporation is the Government's primary adviser on housing sector policy and monitors its progress against the New Zealand Housing Strategy. It also identifies issues and trends in the housing market.

The Corporation's scope of business includes activities mandated by legislation and government decisions.

A board of eight members is responsible for the overall governance and management of the organisation. The Chief Executive is responsible to the Board for the efficient and effective operation of the Corporation.

## **The Corporation's subsidiary companies**

The Corporation works with many subsidiary companies. The key companies include:

### **Housing New Zealand Limited**

This company is a wholly-owned subsidiary of the Corporation. It owns the state housing portfolio and its main activity is the provision of rental housing.

### **Centre for Housing Research Aotearoa New Zealand (CHRANZ)**

The CHRANZ Board is responsible for overseeing delivery and promotion of independent, policy-related research on housing.

### **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.

# The Government's priorities

The Government's priorities for the next decade are Economic Transformation, Families – Young and Old, and National Identity. These priorities are supported by the seven areas of action in the New Zealand Housing Strategy.

## Economic Transformation

Economic Transformation focuses on moving New Zealand towards a high-income, knowledge-based market economy that is innovative and creative, and provides a unique quality of life for all New Zealand residents.

The Corporation's work contributes to economic transformation by helping to create strong, vibrant communities and cities. In particular, the Corporation is contributing to making Auckland an internationally competitive city through its Community Renewal and urban development projects, and applying a sustainable approach to housing solutions and asset management.

## National Identity

National Identity focuses on enabling New Zealanders to take pride in who they are through arts, culture, film, sports and music, appreciation of the natural environment, understanding of New Zealand history, and New Zealand's stance on international issues.

The surrounding environment, including the quality of housing, the percentage of New Zealanders in home ownership and the nature of communities will help to define New Zealand's identity and reflect its culture.

The Corporation contributes to people's national identity by working to ensure state housing meets the current and future aspirations of New Zealanders, and that housing policies and priorities are appropriate, and positively promote the values of New Zealand society.

## Families – Young and Old

The priority area of Families – Young and Old aims to ensure New Zealanders have the support and choices they need to be secure and to reach their full potential within New Zealand's knowledge-based market economy. The Corporation makes a significant contribution to this priority by supporting families and individuals in need with housing, and in helping to make communities secure, stable and safe. In particular, the Corporation's work in providing better quality housing improves health outcomes, enhances family wellbeing and fosters healthy and confident kids. Access to affordable housing including home ownership leads to greater family stability, improves the connections families have with their communities, and supports the development of positive and sustainable communities.

## The New Zealand Housing Strategy

The New Zealand Housing Strategy sets out the Government's priorities for housing over the next seven years. The vision for the strategy is that 'All New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs.'

The strategy identifies seven areas of action that the Corporation leads or contributes to with other agencies in the housing sector including the Ministry of Social Development, Ministry for the Environment and the Department of Building and Housing. The seven areas of action are:

- Area 1 Supply of sustainable housing.
- Area 2 Improved housing assistance and affordability.
- Area 3 Improved access to home ownership.
- Area 4 Development of the private rental sector.
- Area 5 Improved housing quality.
- Area 6 Strengthened housing sector capability.
- Area 7 Meeting diverse housing needs.

# The Corporation's strategic direction

**The Corporation's vision is to 'work for New Zealanders by creating housing opportunities and strengthening communities'. Its mission statement defines its purpose in providing 'access to decent homes, and helping New Zealanders manage their own circumstances and contribute to community life.'**

Providing housing to low-income and vulnerable New Zealanders remains the Corporation's core business. The Corporation's strategic direction reflects its desire to encourage families to take control of their future, empower communities to help themselves, and help to develop new communities.

The Corporation's strategic direction is based on five intermediate outcomes that the Corporation needs to focus on to achieve the Government's priorities over the next three to five years. These intermediate outcomes are:

- improved wellbeing of individuals and whānau supported by Corporation services
- strong and enduring partnerships with communities and iwi
- improved housing affordability opportunities for New Zealanders
- homes that meet the needs of New Zealanders
- leadership and innovation in social housing.

The Corporation is working to identify a set of outcome indicators to measure progress against the intermediate outcomes over the next three to five years.

The outcome indicators will allow the Corporation to assess the effectiveness of its services and activities in achieving its vision of 'working for New Zealanders by creating housing opportunities and strengthening communities'.

Indicators relevant to achieving the Corporation's intermediate outcomes are based on a number of established sources already used across government by other agencies such as the Social Report, Quality of Life survey and the Corporation's own sources.

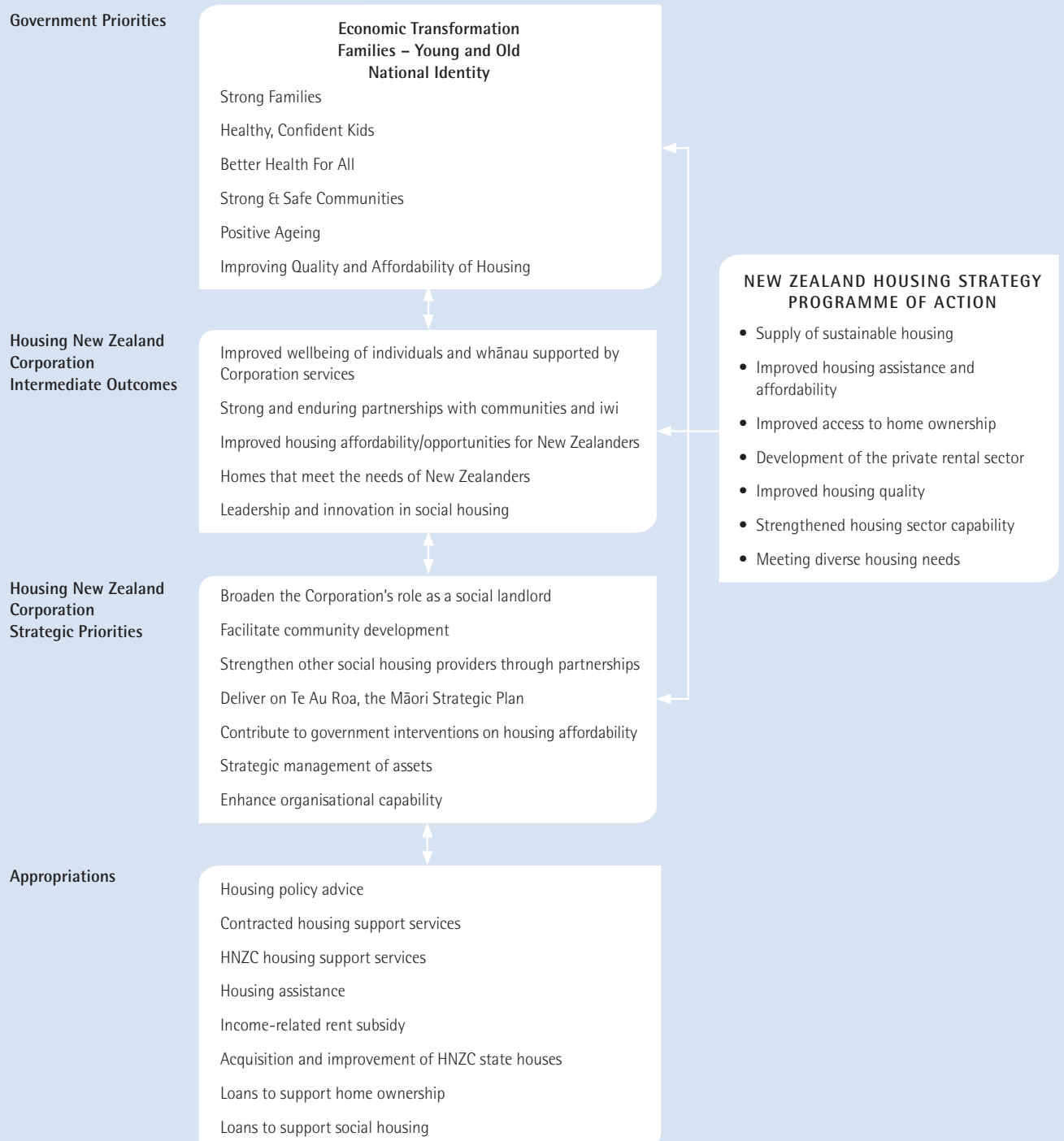
In 2008/09, the Corporation will establish baseline information to track progress against the intermediate outcomes over the next three to five years. The baseline outcome indicators will be incorporated into the 2009/10 Statement of Intent.

The key performance indicators and activities under the Corporation's seven strategic priorities will help contribute to achieving these intermediate outcomes. Some of the initiatives under the New Zealand Housing Strategy's whole-of-government programme of action will support the Corporation's activities in achieving the intermediate outcomes.

# The Corporation's outcomes framework

The outcomes framework illustrates the relationship between the Government's priorities and the Corporation's intermediate outcomes and strategic priorities.

FIGURE 2: OUTCOMES FRAMEWORK



# Operating intentions

This section outlines how the Corporation intends to operate to achieve its intermediate outcomes over the next three to five years.

## Outcome one: Improved wellbeing of individuals and whānau supported by Corporation services

The Corporation's desired outcome is the delivery of products and services that make a positive difference to people's wellbeing. Wellbeing includes the physical and mental health of individuals, and social functionality of whānau.

### Why is this outcome a priority for the Corporation?

Access to social housing is one step towards helping people in need. The Corporation is seeking to strengthen its work with other agencies to support people to achieve their housing aspirations. The Corporation is developing a Housing Pathways Framework that focuses on a new approach to engaging with state housing tenants. The framework focuses on how the Corporation can assist households to achieve positive outcomes.

The Housing Pathways Framework will provide the basis for enhancing service delivery to help people in need. The Corporation is developing a tenancy management model, which will help the Corporation to strengthen its focus in areas of high social need. The benefits from this model will include improved service to New Zealanders, more proactive management of issues and stronger communities.

### What will the Corporation do to achieve this outcome?

The initiatives under area seven (meeting diverse housing needs) of the New Zealand Housing Strategy's<sup>1</sup> whole-of-government programme of action support the Corporation's activities in achieving this intermediate outcome.

Key activities to help achieve this outcome include:

- providing housing assistance to those most in need through the Social Allocation System
- subsidising tenants' rental costs with income-related rent
- improving service performance through a tenancy management model
- aiming to reduce housing-related health risks and crowding.

### Non-departmental appropriation that contributes:

- Income-related rent subsidy.

<sup>1</sup> The New Zealand Housing Strategy sets out the Government's priorities for housing over the next seven years as detailed on page 13.

## Outcome two: Strong and enduring partnerships with communities and iwi

The Corporation's desired outcome is a range of strong and enduring partnerships with communities, non-government housing groups, Pacific peoples and iwi to address the demand for social housing and improve the wellbeing of communities.

### Why is this outcome a priority for the Corporation?

The Corporation has changed the way it operates to be more effective. It is moving from an organisation focused on managing properties and tenancies to one that is more people-driven, inclusive, and tailored to the specific needs of individuals and their communities. The Corporation is focusing on forging closer relationships and partnerships with local authorities and community-based organisations to improve social housing outcomes for communities and iwi. In particular, through its Community Renewal and development projects, the Corporation is focusing on building healthy, sustainable, mixed communities that are active, inclusive and safe, with reduced crime and increased education, health and employment levels.

The Corporation's Community Renewal programme aims to address social exclusion and foster strong and sustainable communities. The programme takes an holistic approach in areas of high social need, and work ranges from modernising and reconfiguring homes to improving social cohesion, safety and security and the physical environment.

The Corporation aims to form innovative partnerships with Māori to help address Māori housing issues, as well as improving the effectiveness of the services it provides for Māori. Te Au Roa, the Māori Strategic Plan 2007-2012, outlines the Corporation's commitment to Māori and its intention to produce sustainable housing outcomes for Māori.

Innovative solutions and partnerships are also needed for Pacific peoples who make up nearly one third of tenants, particularly in the Auckland region. The Corporation will develop a Pacific peoples housing strategy in 2008/09 to develop stronger links with Pacific peoples and to help address their housing needs and strengthen community wellbeing.

### What will the Corporation do to achieve this outcome?

The initiatives under areas seven (meeting diverse housing needs) and six (strengthened housing sector capability) of the New Zealand Housing Strategy's whole-of-government programme of action support the Corporation's activities in achieving this intermediate outcome.

Key activities to help achieve this outcome include:

- influencing change and building capability in Community Renewal areas
- identifying community development opportunities that utilise economies of scale
- supporting providers to build their capacity to manage and grow their social housing portfolio
- developing partnerships with Māori that are strategic, and mutually beneficial.

### Non-departmental appropriations that contribute:

- Housing assistance.
- Loans to support social housing.
- HNZC housing support services.

### Outcome three: Improved housing affordability/opportunities for New Zealanders

The Corporation's desired outcome is the effective delivery of affordable housing interventions, improved affordability for home buyers, and housing opportunities for others. These interventions will include providing assistance for first-home buyers, supporting other social housing providers, and building affordable housing into government-led development projects.

#### Why is this outcome a priority for the Corporation?

Affordable housing is an important factor in people's wellbeing. High housing costs relative to income often leave low- to middle-income households with insufficient income to meet other basic needs like food, clothing, transport, medical care and education. The Corporation can make a significant difference through affordable housing interventions, such as:

- providing direct assistance to first-home buyers through the Welcome Home Loan scheme and Shared Equity pilot
- identifying other initiatives with other agencies to improve housing affordability
- investigating innovative ways to help people with adequate income to move from renting to home ownership, particularly in the intermediate market where people may achieve home ownership with some degree of support
- working with local government and non-government agencies to increase or develop rental housing and home ownership opportunities
- building opportunities to develop sustainable, mixed communities in Tamaki and Hobsonville
- developing options with the non-government, community and private sectors to give people a pathway out of social housing
- working with Wellington City Council to upgrade its social housing units and improve the quality of life for more than 4,000 people
- continuing to work with other agencies on the affordable housing work programme.

#### What will the Corporation do to achieve this outcome?

The initiatives under areas two (improved housing assistance and affordability) and three (improved access to home ownership) of the New Zealand Housing Strategy's whole-of-government programme of action support the Corporation's activities in achieving this intermediate outcome.

Key activities to help achieve this outcome include:

- delivering the Shared Equity pilot
- educating first-time buyers through the Welcome Home First Steps education programme
- supporting Pacific peoples through the Welcome Home First Steps education programme
- working with lenders to help people on modest incomes move from renting to home ownership through the Welcome Home Loan scheme.

#### Non-departmental appropriations that contribute:

- Contracted housing support services.
- HNZC housing support services.
- Housing assistance.
- Loans to support home ownership.

### Outcome four: Homes that meet the needs of New Zealanders

The Corporation's desired outcome is for New Zealanders to live in safe, energy-efficient, well-maintained houses that meet their needs and aspirations. The Corporation's housing stock will be managed to respond to changing household type and geographic demand, balancing the needs of today with those of the future.

#### Why is this outcome a priority for the Corporation?

Housing demand is constantly changing. The Corporation will need more houses of the right kind, quality and location to meet future housing demand. Research shows that people increasingly expect their homes to be safe and healthy. People want dry and warm homes. The current housing portfolio will remain the Corporation's first priority if these expectations are to be met.

What will the Corporation do to achieve this outcome?

The initiatives under areas one (supply of sustainable housing) and five (improved housing quality) of the New Zealand Housing Strategy's whole-of-government programme of action support the Corporation's activities in achieving this intermediate outcome.

Key activities to help achieve this outcome include:

- modernising state housing to appropriate, defined standards
- increasing the housing portfolio
- improving state housing to be more energy-efficient and safe
- reconfiguring properties to match demand
- maintaining the ageing stock to an appropriate level.

Non-departmental appropriations that contribute:

- Acquisition and improvement of HNZC state houses.
- HNZC housing support services.

### Outcome five: Leadership and innovation in social housing

Making a difference in the lives of New Zealanders requires a coordinated approach with a number of agencies. While the Corporation is a key provider of social housing, it cannot do it alone. The Corporation's desired outcome is to be widely recognised by the housing sector, public sector agencies, the general public and government, as a leader and innovator in social housing.

Why is this outcome a priority for the Corporation?

The changing environment requires the Corporation to build its internal capability and capacity. The Corporation is committed to creating a diverse, skilled workforce where everyone can participate equally to achieve their full potential.

As the Corporation improves its understanding of employee engagement and its impact on organisational performance, it will need to support its people with the right strategies, structures, systems and resources. The Corporation will use the results from its employee engagement survey to further develop its leadership and management capability.

The Corporation is committed to achieving environmental sustainability and will consider the economic, social and environmental implications and effects in all areas of its operation. It will include a number of key initiatives into its Environmental Sustainability Plan, such as:

- reducing the Corporation's carbon footprint
- introducing procurement systems and processes to achieve sustainability
- supporting tenants with a home environment that promotes good health and energy efficiency.

What will the Corporation do to achieve this outcome?

Key activities to help achieve this outcome include:

- providing well-informed advice to the Minister
- introducing a performance excellence framework
- implementing key initiatives within the Environmental Sustainability Plan
- being people-focused, with high levels of trust and confidence from the public and key stakeholders.

Non-departmental appropriation that contributes:

- Housing policy advice.

# Financial and information management

**The Corporation's business continues to broaden and grow in complexity as the New Zealand environment becomes increasingly diverse.**

The Corporation will continue to implement the findings of the Financial Governance Review. It will ensure the Review of Accountability Documents is implemented and information management and risk management systems are in place. In particular, the Corporation will clarify the activities that make up its services under the Housing Corporation Act 1974 and the appropriate sources of funding for these activities. This will ensure accurate identification of the costs associated with its various activity types and a full, transparent and proper accounting of them are made to the Government.

The Corporation will implement the revised output class structure and other recommended changes to the Corporation's accountability documents, as agreed by Cabinet.

The Corporation is moving towards integrating the recommendations of the Capital Asset Management project into the Corporation's management practices over the next 12 months.

# Risk management

**Risk management is integral to good corporate governance and management. Appropriate strategies are identified and delivered to successfully mitigate risks. The Corporation will identify, analyse, evaluate, treat and monitor risks that arise from pursuing objectives and initiatives.**

Business groups complete annual risk management plans as part of their business planning, and they regularly review and monitor against the plans. Risk management activities include identifying new and emerging risks, quarterly reporting on risks to the Board and Minister, and quarterly progress reports on the implementation of agreed risk treatment plans.

The Corporation is developing a three-year Risk Management Plan to incorporate best practice into the Corporation's culture. Effective risk management is integral to:

- the Corporation's capability and capacity
- the way the Corporation manages its reputation within the public sector
- opportunities for operational efficiency and effectiveness being captured
- the quality and stability of information and associated systems.

The three-year Risk Management Plan will progress the Corporation towards:

- having a risk-smart culture where risks are identified, analysed, evaluated and monitored in a balanced manner
- operating in an environment of few surprises, with risk-reporting systems that provide early warning and are forward-looking.

# Organisational health and capability

**A healthy and capable organisation requires people with the right skills, abilities and commitment. The Corporation can then support its people with the right strategies, structures, policies, systems and resources.**

The Corporation continues to invest in capability and infrastructure. The challenge now is to realise the benefits in terms of efficiency and effectiveness, and build on the gains already made.

The focus for progressing the Corporation over the next three to five years will continue to be leadership, people and their working environment, and developing quality systems, processes and tools.

The Corporation will review remuneration frameworks to contribute to more robust staff retention and development strategies.

It will provide professional development opportunities so staff can develop and deliver products and services that are effective and appropriate to New Zealanders, and proactively enhance the career progression of its staff.

It will implement a new programme to support new managers to understand what is expected of them as leaders.

The Corporation will explore opportunities to develop its learning and development curriculum.

It will continue to work with the Public Service Association to achieve business success.

It will continue to explore opportunities to improve safety and security for all staff and to build on the progress already made with recycling and energy efficiency.

The Corporation will consider implementing electronic learning solutions to help frontline staff access information to support them in their job.

Introduction of the data warehouse in 2007 has made a significant difference to the provision of quality, timely and accurate reporting and analysis. Ongoing development of the data warehouse will help further improve financial and information management. It will also give confidence that what is reported internally and externally is consistent.

# Consultation and reporting to the Minister of Housing

As a key adviser to the Government on housing and housing-related services, the Corporation regularly engages with the Minister of Housing, and its monitoring agency the Department of Building and Housing. This includes consulting the Department over any funding requests, financial risks or performance concerns.

The Corporation will monitor and provide monthly and quarterly reports against key performance indicators shown on pages 27 to 33, as well as progress against the performance measures specified in the output agreement led by the Department of Building and Housing.



Part two  
Forecast service performance



# Statement of responsibility

The information in this Housing New Zealand Corporation Statement of Intent is for the year ending 30 June 2009.

In signing this statement, as the Corporation's Chair, I acknowledge my responsibility for information contained in it.

The forecast service performance for each strategic priority is 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 Corporation's financial performance.

The information contained in this Statement of Intent is consistent with existing appropriations, and with the appropriations set out in the Appropriation (2008/09 Estimates) Bill.

Signed:

Countersigned:



Pat Snedden  
*Chair*  
26 June 2008



Lope Ginnen  
*Deputy Chair*  
26 June 2008

# Strategic priority one: Broaden the Corporation's role as a social landlord

This priority recognises that access to state housing and housing services is one way of helping people in need. Another is to find new ways of helping people move into the private rental market or to buy their own home. It includes a subsidy provided to the Corporation to compensate for the difference between assessed income-related and market rents under the income-related rent subsidy appropriation.

The Corporation's role is to provide state housing and housing services to the most vulnerable people in need, as well as being the Government's adviser on housing sector policy. This includes buying, building or modernising homes; making homes warmer and more energy-efficient; and providing tenancy management and support for people unable to get homes in the private sector.

As a social landlord, the Corporation needs to understand why people require state housing and other housing services. Identifying these reasons will help the Corporation find more innovative ways of working with other agencies and supporting New Zealanders to achieve their housing aspirations.

Key activities to achieve this strategic priority include:

- providing housing assistance to those most in need through the Social Allocation System
- subsidising tenants' rental costs with income-related rent
- improving service performance through a tenancy management model
- matching housing design with tenant and community needs.

Key Performance Indicators	Standard
Overall tenant satisfaction based on a rolling average	70% satisfied (rolling average)
Percentage of correct assessment decision for the Social Allocation System (annual audit result)	≥95% accuracy
Percentage of correct assessment of income-related rent based on tenant records (annual audit result)	≥95% accuracy
Average time to assess those in greatest need (Priority A applicants) for the Social Allocation process	≤7 days
Tenant rental debt will be ≤8% of tenant rental income	Rental debt to rental income ≤8%
Households assisted through the Healthy Housing programme	800 households assisted
Develop a Pacific peoples housing strategy	Strategy developed by 30 June 2009

# Strategic priority two: Facilitate community development

This priority relates to the Corporation's need to engage with communities and develop long-term partnerships that effect social change.

The key influencer of change in a community is the community itself. The Corporation is helping to build capability within communities, particularly in areas with high levels of social need. This approach requires the Corporation to move from being a social landlord and asset manager to a community builder. As a community builder, the Corporation will adopt a strong community focus in all programmes. Support systems, such as community boards, will also be put in place so communities can be maintained and enhanced in the future.

The Corporation will position itself as a catalyst for change in communities in areas where social housing predominates. Working with the communities themselves, as well as local authorities and partner agencies from other sectors, the Corporation will integrate changes to housing stock with support for community development and an holistic approach to urban planning and social service delivery. This will help create communities that are strong, vibrant, healthy and economically sustainable, and support good outcomes for those who live in them.

The Corporation, through its property development activity, is also taking a more active role in the creation of new communities. For example, at Hobsonville in north-west Auckland, the Corporation is creating an integrated, mixed-tenure community for a range of owners and income levels, including social and affordable housing. The 10-15 year planned development, over an area of 167 hectares, will include over 3,000 quality new homes, extensive reserves and parks and open spaces for community use.

Key activities to achieve this strategic priority include:

- influencing change and building capability in areas of high social need
- developing a business case to achieve transformation in the Tamaki community through an inter-agency approach linking housing redevelopment to improvements in social and economic outcomes
- incorporating affordable housing into the Hobsonville development
- identifying additional community development opportunities that utilise economies of scale.

Key Performance Indicators	Standard
Community Renewal will influence change and build capability in areas of high social need	85% of planned milestones achieved for each of the five Community Renewal projects
Lead the development of a plan and business case for the Tamaki transformation project	Business case presented to Cabinet in November 2008
Support Wellington City Council to improve its housing portfolio	Monitor and advise on the social housing upgrade
The Hobsonville project will meet agreed key milestones	Key milestones achieved by 30 June 2009

# Strategic priority three: Strengthen other social housing providers through partnerships

This priority recognises the importance of forging closer relationships with local authorities, community-based organisations and iwi to improve social housing outcomes. It includes the payments made to the Corporation to encourage local authorities and community-based organisations to improve and increase their social housing stock under the housing assistance appropriation.

Because local authorities, community-based organisations and iwi are community builders too, they are important partners for the Corporation in providing and financing social and affordable housing for New Zealanders. The Corporation will seek opportunities to develop new partnerships with other social housing providers that have the capacity and capability to increase social housing.

Key activities to achieve this strategic priority include:

- improving linkages with providers of emergency and community housing
- supporting providers to build their capacity to manage and grow their social housing portfolios
- providing an appropriate mix of grants and loans through the Housing Innovation Fund.

Key Performance Indicators	Standard
Build the capacity and capability of local authorities and community-based organisations to meet the need for social housing	40-45 capacity grants provided to community organisations
Provide loans to local authorities and community-based organisations	10-15 loans approved and accepted for the Housing Innovation Fund
Provide loans to improve and increase their social housing stock	Support modernisation of 140-160 local government units 80-100 new social housing units provided
Improve engagement with social housing agencies	Review and update existing memoranda of understanding

# Strategic priority four: Deliver on Te Au Roa, the Māori Strategic Plan

This priority defines the Corporation's commitment to improve Māori housing outcomes.

A growing number of Māori governance entities are developing housing initiatives. The Corporation's Māori Strategic Plan, Te Au Roa, will help strengthen its leadership within the housing sector to respond to Māori housing issues.

This plan enables the Corporation to develop the systems, processes, capability and capacity to help Māori governance entities develop affordable housing and sustainable communities. The first priority for the Corporation is to develop partnerships with Māori to explore their housing

aspirations and priorities and develop housing solutions that work with traditional Māori values. These partnerships will be strategic, mutually beneficial and will continually evolve.

Key activities to achieve this strategic priority include:

- positioning the Corporation as a genuine financial development partner that works with Māori and key stakeholders to help meet their housing aspirations
- working to improve the wellbeing of Māori as individuals and as members of whānau, hapū and iwi.

Key Performance Indicators	Standard
Develop partnerships with Māori that are strategic and mutually beneficial	Initiate up to five pilot partnerships with Māori
Increase the effectiveness of service delivery to Māori	Proportion of programmes that satisfy the Corporation's criteria for effective delivery to Māori
Build internal capability to improve day-to-day business with Māori	Conduct a detailed gap analysis between current and required organisational capability, and develop and implement a training programme to close the gap

# Strategic priority five: Contribute to government interventions on housing affordability

This priority recognises the contributions the Corporation will make to help move people into their own home. It includes the purchase of education, support and capacity-building from third-party providers to improve housing outcomes under the contracted housing support services output class. It also includes the purchase of housing-related services to support access to home ownership under the Corporation's HNZC housing support services appropriation.

Home ownership is a key challenge for many New Zealanders. The Corporation has developed a range of programmes that are effective in helping people into home ownership. These programmes aim to improve access to the finance, knowledge and skills needed to buy and maintain home ownership.

The Corporation is also working with developers and key stakeholders to develop a mix of social housing, affordable housing and private housing. The Hobsonville project, for example, will see the development of a mixed-tenure community of

over 3,000 homes, 85 percent of which will be for private owners, the balance being state housing. Within the private ownership housing will be some 500 affordable homes for first-home buyers.

Key activities to achieve this strategic priority include:

- working with lenders to help people on modest incomes move from renting to home ownership through the Welcome Home Loan scheme
- developing policy advice on the delivery of affordable housing, particularly on Crown-owned land
- delivering the Shared Equity pilot
- educating first-time home buyers through the Corporation's home ownership education programme
- supporting Pacific peoples through the home ownership education programme
- providing suspensory loans for essential repairs and infrastructure.

Key Performance Indicators	Standard
Provide affordable home ownership opportunities	250-300 Shared Equity loans approved 900-1,300 new loans (premiums) underwritten through the Welcome Home Loan scheme 8-12 Papakainga loans approved
Provide solutions to support sustainable home ownership	20-25 weathertight lending assistance loans approved 215-245 suspensory loans approved for essential repairs in Northland, East Coast and eastern Bay of Plenty 50-70 suspensory loans approved for rural housing roll-out areas 40-60 households assisted for infrastructure in rural areas

# Strategic priority six: Strategic management of assets

This priority relates to the Corporation's role in managing state housing. It includes providing more homes in high-demand areas, using assets effectively, modernising and maintaining existing homes, and improving new housing designs to meet changing needs under the acquisition and improvement of HNZN state houses appropriation.

Housing demand is constantly changing. The Corporation will need more houses of the right kind, quality and location to meet future housing demand. Research shows that people increasingly expect their homes to be safe and healthy. People want dry and warm homes. The current housing portfolio will remain the Corporation's first priority if these expectations are to be met.

Existing housing will be maintained to an appropriate level so homes are suitable for modern-day living. Improvements will continue to make homes warmer, more energy-efficient and safer. More homes will be bought and built to address the demand for state housing by people on the waiting list.

Key activities to achieve this strategic priority include:

- modernising state housing to appropriate, defined standards
- maintaining the ageing stock
- increasing the housing portfolio
- installing energy efficiency retrofits
- reconfiguring properties to match demand.

Key Performance Indicators	Standard
Number of net acquisitions to the state housing portfolio	650 net increase in the acquisition property portfolio. (The 650 standard is the balance of a 2005/06 Cabinet-approved 4-year package. This standard is reflected in the 2008/09 Estimates of Appropriation. The economic environment for housing construction has significantly tightened in the past 6 months. Pursuant to section 148 of the Crown Entities Act, the Corporation will seek to amend the acquisition standard in the Statement of Intent. The sought amended 2008/09 standard will be a range of 530–550 net acquisitions)
Number of modernisation interventions to state housing units	200-260 modernisation interventions 95 reconfigured and redeveloped Auckland City pensioner housing units 4,500-5,000 energy efficiency retrofits completed
State housing units maintained against the national property condition standard	Exceed the national standard of $\geq 88\%$
Vacancy rate of properties under repair and properties available for re-letting	<1.5% of all houses will be vacant or available for re-letting

# Strategic priority seven: Enhance organisational capability

This priority relates to the Corporation's desire to deliver performance excellence, and to improve systems and processes. It includes providing policy advice and research and evaluation to support the Minister of Housing under the housing policy advice appropriation. The Government partially funds these programmes, with the Corporation providing the shortfall from its revenue income.

The Corporation is shifting towards being a people-driven, outcomes-focused organisation. This means being more responsive to the needs and aspirations of New Zealanders. To achieve this change, the Corporation will develop a framework to help improve its performance in delivering its services more efficiently and effectively to stakeholders and New Zealanders. As part of this change, the Corporation will review its current performance base-line and seek an external performance assessment by an independent evaluator in 2009/10.

The changing environment requires the Corporation to build its internal capability and capacity. The Corporation is committed to creating

a diverse, skilled workforce where everyone can participate equally to achieve their full potential. For the Corporation, embracing diversity means valuing people as individuals and acknowledging the contribution they make to the workplace.

As the Corporation improves its understanding of employee engagement and its impact on organisational performance, it will need to support its people with the right strategies, structures, systems and resources. The Corporation will use the results from the employee engagement survey to further develop its leadership and management capability.

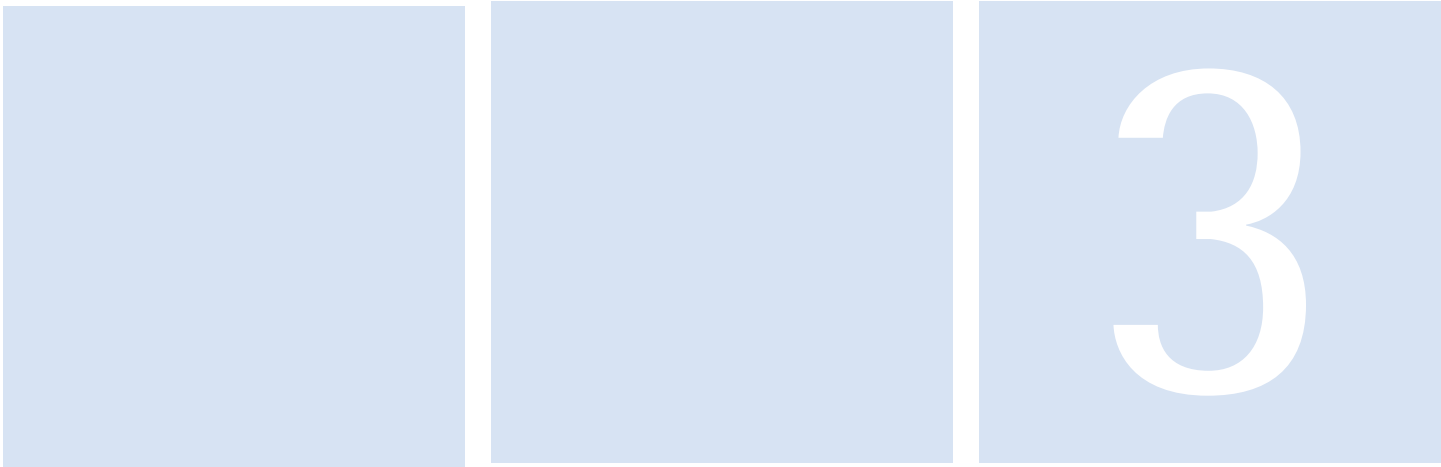
Key activities to achieve this strategic priority include:

- being recognised as an employer of choice
- being an organisation that delivers performance excellence in an efficient and effective manner
- enhancing its capability to provide well-informed advice to the Minister
- building internal capability to improve day-to-day business with Māori.

Key Performance Indicators	Standard
Undertake an employee engagement survey	Establish a baseline to allow for comparison with other social agencies in the public sector
Information technology systems availability	Service availability will not be less than 99.2% each month in normal business hours
Introduce a performance excellence framework	Establish a baseline for the Corporation
Consistently deliver the policy and research work programme to the quality standards	95% of the work programme will meet quality standards



Part three:  
Forecast financial information



# Forecast financial highlights for 2008/09

**The Corporation manages a portfolio of more than 68,000 houses, which is expected to grow by 650 units in 2008/09. The owned portion of this portfolio is currently valued at \$15 billion.**

In 2008/09, the Corporation expects to receive \$918 million in total income consisting of:

- \$877 million in rental income from tenants and the Crown
- \$31 million (GST exclusive) in other operational funding
- \$10 million in interest and other income.

The Corporation expects to spend \$867 million in total expenses as follows:

- \$133 million on interest expense
- \$734 million on other direct and indirect expenditure.

The Corporation expects to:

- make an operating surplus (before tax) of \$51 million
- make a net surplus (after tax) of \$25 million
- spend \$321 million on asset purchases and improvements
- receive \$31 million from asset sales
- receive \$12 million from mortgage repayments
- issue loans of \$43 million
- receive \$2 million from other investing activities.

Investments will be financed by:

- \$117 million from the Crown in debt and equity funding
- \$211 million from operating activities.

# Forecast service performance

The Corporation has seven key strategic priorities. Each has specific key performance indicators with standards. Performance at the end of the financial year will be assessed comparing the actual work produced against set standards.

The Corporation's strategic priorities for the year ending 30 June 2009 and their associated revenue, expenses and surplus or deficit are summarised in the table below.

TABLE 1: STRATEGIC PRIORITIES

Strategic Priority	Revenue Crown	Revenue Other	Total Operating Costs	Surplus/ (Deficit)
	\$000	\$000	\$000	\$000
<b>Strategic priority 1</b> Broaden the Corporation's role as a social landlord	526,665	350,461	453,296	423,830
<b>Strategic priority 2</b> Facilitate community development	0	1,437	14,746	(13,309)
<b>Strategic priority 3</b> Strengthen other social housing providers through partnerships	12,740	2,385	12,196	2,929
<b>Strategic priority 4</b> Deliver on Te Au Roa, the Māori Strategic Plan	0	0	1,113	(1,113)
<b>Strategic priority 5</b> Contribute to government interventions on housing affordability	15,744	5,337	36,967	(15,886)

Continued on page 38

Strategic Priority (continued)	Revenue Crown	Revenue Other	Total Operating Costs	Surplus/ (Deficit)
	\$000	\$000	\$000	\$000
<b>Strategic priority 6</b> Strategic management of assets	916	99	326,746	(325,731)
<b>Strategic priority 7</b> Enhance organisational capability	2,376	0	22,495	(20,119)
Net surplus before tax	558,441	359,719	867,559	<b>50,602</b>
Less tax				25,202
Net surplus after tax				<b>25,400</b>

Table 1: Strategic Priorities differs from Table 3: Operating Appropriations in the following ways:

- Crown Revenue for Strategic Priority 1 uses the Corporation's own income-related rent forecast of \$521.665 million, whereas the appropriations summary has the current figure from the Estimates of Appropriation of \$496.038 million, a difference of \$25.627 million. The Corporation has anticipated higher growth in market rents. As a high number of the Corporation's tenants are on low incomes, the Corporation is expecting that a significant proportion of the increase will be funded by the Crown through the income-related rent subsidy.
- Crown Revenue for Strategic Priority 5 differs from respective appropriation amount in Table 3 because Crown Revenue includes \$3.187 million of Rural Housing appropriation monies drawn down when this initiative was contracted in 2007/08, but will not be recognised as revenue until 2008/09 when the services are delivered, and \$0.725 million for Shared Equity, of which \$0.271 million is currently appropriated. Funding options for the remaining funding will be considered during the year.

# Appropriations

The following sections set out the Corporation's appropriations from the Crown and explain how these appropriations align with its seven strategic priorities and outputs.

Tables 2 and 3 align the Corporation's strategic priorities with the corresponding appropriations, as required under the Crown Entities Act 2004.

TABLE 2: CAPITAL APPROPRIATIONS

Output Table: Capital Appropriations 2008/09								
Corporation's intermediate outcomes								
		Improved wellbeing of individuals and whānau supported by Corporation services	Strong and enduring partnerships with communities and iwi		Improved housing affordability/ opportunities for New Zealanders	Homes that meet the needs of New Zealanders	Leadership and innovation in social housing	
Corporation's strategic priorities								
Capital appropriations	\$000	Broaden the Corporation's role as a social landlord	Facilitate community development	Strengthen other social housing providers through partnerships	Deliver on Te Au Roa, the Māori Strategic Plan	Contribute to government interventions on housing affordability	Strategic management of assets	Enhance organisational capability
Auckland City pensioner housing	13,980						13,980	
Acquisitions	52,710						52,710	
Healthy Housing	7,000						7,000	
Community Group Housing	5,800						5,800	
Energy efficiency retrofits (State houses)	4,900						4,900	
<b>Total acquisition and improvement of HNZC state houses</b>	<b>84,390</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84,390</b>	<b>0</b>

Continued on page 40

## Output Table: Capital Appropriations 2008/09 (continued)

### Corporation's intermediate outcomes

	Improved wellbeing of individuals and whānau supported by Corporation services	Strong and enduring partnerships with communities and iwi	Improved housing affordability/ opportunities for New Zealanders	Homes that meet the needs of New Zealanders	Leadership and innovation in social housing
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### Corporation's strategic priorities

Capital appropriations	\$000	Broaden the Corporation's role as a social landlord	Facilitate community development	Strengthen other social housing providers through partnerships	Deliver on Te Au Roa, the Māori Strategic Plan	Contribute to government interventions on housing affordability	Strategic management of assets	Enhance organisational capability
Shared Equity	18,469					18,469		
Papakainga loans	1,500					1,500		
<b>Total loans to support home ownership</b>	<b>19,969</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,969</b>	<b>0</b>	<b>0</b>
Housing Innovation Fund	12,000			12,000				
<b>Total loans to support social housing</b>	<b>12,000</b>	<b>0</b>	<b>0</b>	<b>12,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Housing New Zealand Corporation – housing activities</b>	<b>116,359</b>	<b>0</b>	<b>0</b>	<b>12,000</b>	<b>0</b>	<b>19,969</b>	<b>84,390</b>	<b>0</b>

TABLE 3: OPERATING APPROPRIATIONS

Output Table: Operating Appropriations 2008/09								
Corporation's intermediate outcomes								
		Improved wellbeing of individuals and whānau supported by Corporation services	Strong and enduring partnerships with communities and iwi		Improved housing affordability/ opportunities for New Zealanders	Homes that meet the needs of New Zealanders	Leadership and innovation in social housing	
Corporation's strategic priorities								
Operating appropriations	\$000	Broaden the Corporation's role as a social landlord	Facilitate community development	Strengthen other social housing providers through partnerships	Deliver on Te Au Roa, the Māori Strategic Plan	Contribute to government interventions on housing affordability	Strategic management of assets	Enhance organisational capability
Housing policy advice	2,076							2,076
Ministerial support	300							300
<b>Total housing policy advice</b>	<b>2,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,376</b>
Low Deposit Rural Lending education and support	868					868		
Home ownership education	2,578					2,578		
<b>Total contracted housing support services</b>	<b>3,446</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,446</b>	<b>0</b>	<b>0</b>
Healthy Housing	916						916	
Financial Assistance Non-Weathertight Homes	603					603		
Housing Innovation Fund support	1,871			1,871				
Mortgage insurance scheme	7,580					7,580		
Shared Equity	224					224		
<b>Total HNZC housing support services</b>	<b>11,194</b>	<b>0</b>	<b>0</b>	<b>1,871</b>	<b>0</b>	<b>8,407</b>	<b>916</b>	<b>0</b>

Continued on page 42

## Output Table: Operating Appropriations 2008/09 (continued)

Corporation's intermediate outcomes								
		Improved wellbeing of individuals and whānau supported by Corporation services	Strong and enduring partnerships with communities and iwi		Improved housing affordability/ opportunities for New Zealanders	Homes that meet the needs of New Zealanders	Leadership and innovation in social housing	
Corporation's strategic priorities								
Operating appropriations	\$000	Broaden the Corporation's role as a social landlord	Facilitate community development	Strengthen other social housing providers through partnerships	Deliver on Te Au Roa, the Māori Strategic Plan	Contribute to government interventions on housing affordability	Strategic management of assets	Enhance organisational capability
Housing assistance grants and subsidies	7,782			7,782				
Housing Innovation Fund interest subsidy	1,589			1,589				
Community Owned Rural Rental Loans interest subsidy	700			700				
Closed Loan programme: National/Westpac loss of interest	200					200		
Special Housing Action Zone interest subsidy	800			800				
Shared Equity incentives/ write-offs	47					47		
<b>Total housing assistance</b>	<b>11,118</b>	<b>0</b>	<b>0</b>	<b>10,871</b>	<b>0</b>	<b>247</b>	<b>0</b>	<b>0</b>
Income-related rent subsidy	496,038	496,038						
Rent relief fund	5,000	5,000						
<b>Total operating appropriations</b>	<b>529,172</b>	<b>501,038</b>	<b>0</b>	<b>12,742</b>	<b>0</b>	<b>12,100</b>	<b>916</b>	<b>2,376</b>

# Statements 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 stock.

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, as it cannot be reasonably supported in complying with Financial Reporting Standard 42 (Forecast Financial Statements). The property valuation changes can have a significant impact on the forecast financial statements.

Increases have been assumed for the Consumer Price Index (CPI) of 2.5 percent for 2008/09 and 2.3 percent for other years.

The prevailing 30 percent tax rate has been applied to calculate income tax expense.

Rent has been increased on the basis of an average increase of 4.85 percent in the 2008/09 year and CPI increases for the out years.

Interest rates ranges applied in the forecast are:

- the Corporation's borrowing rates range from 8.27 percent to 8.8 percent.
- the Corporation's investment rates range from 8 percent to 8.75 percent.

The projected valuations of financial instruments assume the interest rate remains at the same level as when financial projections were determined.

## 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.

### International Financial Reporting Standards

The Corporation and its subsidiaries are required to adopt New Zealand International Financial Reporting Standards (NZIFRS) to meet the Government's reporting requirements.

Under these standards, the Housing New Zealand Corporation Group is required to recognise deferred tax. Most significantly, this relates to the difference between the historic tax acquisition cost and the generally accepted accounting practice (GAAP) market valuation of properties, and this is captured in the balance sheet as a deferred tax liability.

However, the Group does not expect the deferred tax liability to offset.

Accordingly, the effective tax rate under NZIFRS will be much closer to the statutory rate.

### Financial summary and performance

The Corporation is required by legislation to operate in a businesslike 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 4: STATEMENT OF FORECAST FINANCIAL PERFORMANCE SUMMARY

	Parent Budget 2008/09 \$000	Group Budget 2008/09 \$000	Group Budget 2009/10 \$000	Group Budget 2010/11 \$000
Total operating revenue	176,375	918,160	955,833	993,424
Total direct costs	13,769	606,978	618,485	651,649
Interest costs	22,117	133,291	136,905	136,491
Other indirect costs	122,990	127,289	127,093	133,014
Operating surplus before tax	17,499	50,602	73,349	72,270
Income tax expense/(benefit)	8,102	25,202	30,563	31,437
Net surplus after tax	9,397	25,400	42,786	40,833

## 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 to be returned to the Crown as a dividend each year, unless the responsible ministers agree that it can be 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, tax, depreciation, amortisation and leasing), over total operating revenue.
- **EBITDAL per property managed**  
This is a commercial indicator of financial performance. It is calculated as total operating revenue less total costs (excluding interest, tax, depreciation, amortisation and leasing) divided by the number of properties managed.
- **EBIT/net interest ratio**  
This measure indicates whether the Corporation's debt to equity ratio will likely require adjustment.
- **Credit rating**  
This is Standard & Poors' assessment of the Corporation's financial strength – its ability to pay its debts.

TABLE 5: THE GROUP'S PERFORMANCE MEASURES AND TARGETS

	2008/09	2009/10	2010/11
Net surplus after tax (\$000)	25,400	42,786	40,833
EBITDAL to income	49%	51%	50%
EBITDAL per property managed	\$5,086	\$5,238	\$5,257
EBIT/net interest ratio	1.43:1	1.59:1	1.59:1
Credit rating (Standard & Poors')	AAA	AAA	AAA

## Managing the Crown's investment

The Corporation is forecast to have total assets of \$15.3 billion at 30 June 2009, funded by debt of \$3.5 billion and equity of \$11.8 billion.

## Value of the Crown's investment

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

TABLE 6: FIGURES FOR THE FOLLOWING YEAR BASED ON ESTIMATED BOOK VALUES, BEFORE ANY REVALUATION

As at 30 June 2009 \$m	As at 30 June 2010 \$m	As at 30 June 2011 \$m
11.802	11.928	11.979

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, or above 1.7:1, debt will be adjusted 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.

#### 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 that responsible ministers have agreed is necessary for the efficient and effective conduct of the Corporation's operations.

The net surplus of the Corporation is paid to the Crown as a dividend each year so, prima facie, net surplus volatility will result in dividend volatility. There is potential for agreements to be made with the Department of Building and Housing, Treasury and joint ministers to the effect that, for the purposes of calculating the dividend, certain accounting transactions are deducted (or added back) from (to) the net surplus. Table 7 highlights the adjusted net surplus after tax to arrive at the potential distribution to the Crown.

TABLE 7: ADJUSTED NET SURPLUS AFTER TAX

	Group Budget As at 30 June 2009 \$000	Group Budget As at 30 June 2010 \$000	Group Budget As at 30 June 2011 \$000
Net surplus after tax	25,400	42,786	40,833
Less deferred tax	27,119	27,519	27,970
Potential distribution to Crown	0	15,267	12,863

#### 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 to 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 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 reports identified in the third schedule of the 2008/09 Output Agreement.

## Statement of accounting policies

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

We have applied New Zealand International Financial Reporting Standards (NZIFRS) to financial reporting from 1 July 2007, in line with Crown expectations.

## 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 businesslike 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 of 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 for rental properties, freehold land, derivative financial instruments and available-for-sale financial assets that have been measured at fair value with compliance to New Zealand equivalents to International Financial Reporting Standards.

### Specific accounting policies

Specific accounting policies that materially affect the measurement of financial performance and financial position since the application of NZIFRS 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 which measures the purchaser's assets and liabilities at their fair value at acquisition date. All transactions between the Group entities are eliminated on consolidation.

### Revenues

Revenue is shown in the statement of financial performance to the extent that it is probable that the economic benefits will flow to the Group, and the revenue can be reliably measured. Revenue comprises the amounts received and receivable by the Group for providing housing and lending services to customers, recognised premiums 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:

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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

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### 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 movement in the deferred tax liability and asset.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except in the following instances:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be used.

## 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 are 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.

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 whose collection is considered doubtful, 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

All investments are initially recognised at cost, being the fair value of the consideration given. After initial recognition, investments that are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as loans and receivables, and are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income when the investments are de-recognised or impaired, as well as through the amortisation process.

## 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 premiums 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 the unrealised amount of premiums 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.

The Group uses derivative financial instruments such as interest rate swaps and foreign currency contracts to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability or a forecasted transaction.

In relation to cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity; the ineffective portion is recognised in the statement of financial performance. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the statement of financial performance for the year.

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 listed as an expense 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. 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 fair value.

### 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 except the application of NZIFRS with effect from 1 July 2007. However, certain items have been reclassified to conform to the current year's presentation of the Corporation's financial statements. These reclassifications do not have a material impact on the substance of the information presented.

# Forecast financial statements

## Statement of forecast financial performance for the period 1 July 2008 to 30 June 2011

TABLE 8: STATEMENT OF FORECAST FINANCIAL PERFORMANCE FOR THE PERIOD 1 JULY 2008 TO 30 JUNE 2011

	2008/09 Parent Budget \$000	2008/09 Group Budget \$000	2009/10 Group Budget \$000	2010/11 Group Budget \$000
<b>Revenue</b>				
Rental income – tenants	14,095	355,266	371,238	381,933
Rental income – income-related rent subsidy	0	521,665	549,249	575,493
Interest income	5,053	5,053	3,101	3,884
Crown appropriation income	31,198	31,776	28,465	29,039
Other income	126,030	4,400	3,780	3,075
<b>Total operating revenue</b>	<b>176,375</b>	<b>918,160</b>	<b>955,833</b>	<b>993,424</b>
<b>Expenses</b>				
Maintenance/cost of ownership	35	197,008	204,602	212,060
Rates	2,372	101,684	107,048	112,192
Rental property depreciation	7,136	175,895	183,295	189,679
Management assets depreciation	3,251	13,011	13,845	16,252
Third party rental leases	0	52,932	59,096	65,276
Other direct costs	975	66,449	50,599	56,189
Employee remuneration and benefits	72,983	72,983	76,694	80,463
Interest costs	22,117	133,291	136,905	136,491
Indirect expenses	50,006	54,306	50,400	52,551
<b>Total expenses</b>	<b>158,876</b>	<b>867,559</b>	<b>882,484</b>	<b>921,154</b>
<b>Operating surplus before tax</b>	<b>17,499</b>	<b>50,602</b>	<b>73,349</b>	<b>72,270</b>
Income tax expense	8,102	25,202	30,563	31,437
<b>Net surplus after tax</b>	<b>9,397</b>	<b>25,400</b>	<b>42,786</b>	<b>40,833</b>

## Statement of forecast movement in equity for the period 1 July 2008 to 30 June 2011

TABLE 9: STATEMENT OF FORECAST MOVEMENT IN EQUITY FOR THE PERIOD 1 JULY 2008 TO 30 JUNE 2011

	2008/09 Parent Budget \$000	2008/09 Group Budget \$000	2009/10 Group Budget \$000	2010/11 Group Budget \$000
<b>Opening equity</b>	<b>3,877,747</b>	<b>11,687,379</b>	<b>11,802,110</b>	<b>11,927,863</b>
Net surplus	9,397	25,400	42,786	40,833
Changes in revaluation reserve	0	0	0	0
Changes in other reserves	(2,706)	310	2,311	184
<b>Total recognised revenues and expenses</b>	<b>6,691</b>	<b>25,710</b>	<b>45,096</b>	<b>41,017</b>
Distribution to owners	1,661	1,661	0	15,267
Contribution from owners	90,682	90,682	80,656	25,485
<b>Closing equity</b>	<b>3,973,459</b>	<b>11,802,110</b>	<b>11,927,863</b>	<b>11,979,097</b>

## Statement of forecast financial position for the period 1 July 2008 to 30 June 2011

TABLE 10: STATEMENT OF FORECAST FINANCIAL POSITION FOR THE PERIOD 1 JULY 2008 TO 30 JUNE 2011

	2008/09 Parent Budget \$000	2008/09 Group Budget \$000	2009/10 Group Budget \$000	2010/11 Group Budget \$000
<b>Equity</b>				
Capital contribution	3,662,094	3,675,744	3,756,400	3,781,885
Retained earnings	112,512	(101,473)	(56,967)	(31,401)
Revaluation reserve	196,234	8,188,161	8,188,161	8,188,161
Other reserves	2,619	39,677	40,268	40,452
<b>Shareholders' funds</b>	<b>3,973,459</b>	<b>11,802,110</b>	<b>11,927,863</b>	<b>11,979,096</b>
<b>Liabilities</b>				
Short-term debt	39,000	235,000	161,000	175,000
Accounts payable and other liabilities	20,781	114,983	114,983	114,983
Employee entitlements	4,705	4,705	4,705	4,705
Provisions	24,848	40,179	41,166	42,042
<b>Total current liabilities</b>	<b>89,334</b>	<b>394,866</b>	<b>321,854</b>	<b>336,730</b>
Loans	263,574	1,592,364	1,692,830	1,683,928
Deferred tax liability	4,558	1,528,175	1,500,066	1,471,912
<b>Total non-current liabilities</b>	<b>268,132</b>	<b>3,120,539</b>	<b>3,192,896</b>	<b>3,155,840</b>
<b>Total liabilities and shareholders' funds</b>	<b>4,330,925</b>	<b>15,317,514</b>	<b>15,442,612</b>	<b>15,471,666</b>
<b>Assets</b>				
<b>Current assets</b>				
Bank	323	1,247	65	748
Receivables and prepayments	162,091	43,921	43,839	43,729
Investments	44,278	37,278	40,905	78,621
Fair value of derivatives	191	3,218	3,859	3,151
<b>Total current assets</b>	<b>206,883</b>	<b>85,664</b>	<b>88,668</b>	<b>126,249</b>
<b>Non-current assets</b>				
Fixed assets (non-property)	10,156	40,642	58,172	69,667
Rental property – land and buildings	488,294	15,013,485	15,115,406	15,111,685
Current fair value of derivatives	2,393	51,793	49,184	49,278
Mortgages and other lending	125,930	125,930	131,183	114,787
Investments in subsidiaries	3,497,269	0	0	0
<b>Total non-current assets</b>	<b>4,124,042</b>	<b>15,231,850</b>	<b>15,393,944</b>	<b>15,345,417</b>
<b>Total assets</b>	<b>4,330,925</b>	<b>15,317,514</b>	<b>15,442,612</b>	<b>15,471,666</b>

## Statement of forecast cashflows for the period 1 July 2008 to 30 June 2011

TABLE 11: STATEMENT OF FORECAST CASHFLOWS FOR THE PERIOD 1 JULY 2008 TO 30 JUNE 2011

	2008/09 Parent Budget \$000	2008/09 Group Budget \$000	2009/10 Group Budget \$000	2010/11 Group Budget \$000
<b>Cash flows from operating activities</b>				
Rent receipts – tenants	14,095	352,516	368,424	379,054
Rent receipts – income-related rent subsidy	0	521,665	549,249	575,493
Other receipts from the Crown	35,698	29,109	26,727	26,302
Interest received from customers and investments	5,053	5,053	3,101	3,884
Other receipts	77,134	10,927	7,714	7,734
Payments to suppliers and employees	(76,808)	(523,296)	(530,060)	(556,637)
Income tax paid	(9,202)	(52,321)	(58,082)	(59,407)
Interest paid	(21,945)	(132,258)	(134,937)	(135,878)
<b>Net cash flows from operating activities</b>	<b>24,023</b>	<b>211,394</b>	<b>232,136</b>	<b>240,546</b>
<b>Cash flows from investing activities</b>				
Sale of rental properties and management assets	224	30,984	34,170	34,281
Mortgage and other lending repayments	11,989	11,989	19,967	16,256
Purchase of rental properties and management assets	(28,001)	(320,704)	(367,282)	(267,999)
Mortgage and other lending	(42,856)	(42,856)	(25,390)	0
Change in short-term investments	0	(2,332)	(2,029)	(1,740)
Investment in subsidiaries	(80,341)	0	0	0
<b>Net cash flows used in investing activities</b>	<b>(138,986)</b>	<b>(322,920)</b>	<b>(340,564)</b>	<b>(219,202)</b>
<b>Cash flows from financing activities</b>				
Capital contributions	90,682	90,682	80,656	25,485
Crown borrowings	25,799	26,586	26,467	5,098
Dividends paid	(1,661)	(1,661)	0	(15,267)
Other debt increase/(repayment)	0	(3,464)	123	(35,975)
<b>Net cash flows from/(used in) financing activities</b>	<b>114,820</b>	<b>112,143</b>	<b>107,246</b>	<b>(20,660)</b>
Net increase in cash and cash equivalents	(143)	617	(1,182)	683
Cash and cash equivalents at beginning of period	466	630	1,247	64
<b>Cash and cash equivalents at end of period</b>	<b>323</b>	<b>1,247</b>	<b>65</b>	<b>747</b>





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