



STATEMENT OF INTENT
2002/2005

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

HOUSING NEW ZEALAND CORPORATION

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1 EXECUTIVE SUMMARY



A marked change in the provision of housing assistance is now evident in New Zealand. From fragmented housing agencies, a new Housing New Zealand Corporation (HNZC) has been put in place. Market-based state housing has been replaced with commercial skills being applied towards social ends. Turnover in state housing is well down from recent years. Waiting lists have stabilised and over-crowding is being addressed. Whilst the private rental market continues to provide unevenly at the bottom end, a new and expanding range of housing services and products is emerging.

Most importantly, the role of government has significantly altered – now taking a

broader view of the workings of housing markets and the varying need for government assistance. Accordingly a new emphasis has emerged on monitoring housing markets, identifying need – through the social allocation system, Northland, East Coast and Eastern Bay of Plenty (NECBOP) programme and other means – and evaluating different housing options.

The year ahead marks a period of consolidation, following major change. Many recent initiatives are becoming mainstream activities – healthy housing, modernisation, community renewal, amongst others. HNZC also plans to do considerably more – in acquisitions and maintenance, for example. This, in turn,

requires greater internal capabilities ranging from technical skills to engaging with Māori as a Treaty partner.

HNZC will also continue to provide reporting to Ministers and monitoring agencies, consistent with standards of reporting to the Board.

In a very changed environment, the Corporation commits to being a good neighbour and citizen, to working in concert with other government and community agencies and to forging true partnerships at all levels. The task of alleviating housing need is one shared by government, community and private sectors.

2 SOI PURPOSE



This Statement of Intent for Housing New Zealand Corporation provides the information required by section 41D of the Public Finance Act 1989 for the years ending June 2003, June 2004 and June 2005. As required by the Public Finance Act, this document sets out:

- > The objectives of HNZC;
- > The nature and scope of the activities to be undertaken;

- > The performance targets and other measures by which the performance may be judged in relation to its objectives;
- > The exercise by HNZC of the powers, functions and discretions conferred by Part 5¹ of the Housing Restructuring Act 1992, as inserted by the Housing Restructuring (Income-Related Rents) Amendment Act 2000;

- > Information about HNZC's financial structure and accounting policies;
- > The procedures to be followed before HNZC or any subsidiary acquires shares in any company or other organisation;
- > The output objectives and classes of outputs to be produced; and
- > Any activities for which HNZC will be seeking compensation from the Crown.

3 THE OPERATING ENVIRONMENT



3.1] LEGISLATIVE FRAMEWORK

Housing New Zealand Corporation is a Crown entity established under the Housing Corporation Act 1974 as amended by the Housing Corporation Amendment Act 2001. The Act sets out the following objectives for HNZC:

- > To give effect to the Crown's social objectives by providing housing, and services related to housing, in a business-like manner, and to that end to be an organisation that:

- Exhibits a sense of social responsibility by having regard to the interests of the community in which it operates;
- Exhibits a sense of environmental responsibility by having regard to the environmental implications of its operations; and

- Operates with good financial oversight and stewardship, and efficiently manages its assets and liabilities and the Crown's investment.

- > To ensure that the Minister of Housing receives appropriate policy advice, other advice, and information, on housing and services related to housing.

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

3.2] SUPPORT FOR KEY GOVERNMENT GOALS

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

> Reducing inequalities in Health, Education, Employment and Housing;

> Restoring trust in Government and providing strong social services;
> Strengthening national identity and upholding the principles of the Treaty of Waitangi;

> Growing an inclusive, innovative economy for the benefit of all;
> Improving New Zealanders' skills; and
> Protecting and enhancing the environment.

3.3] GOVERNMENT EXPECTATIONS FOR SOCIAL HOUSING

The Crown's general expectation for HNZN is that 2002/03 will be a year of consolidation. No new products or services are forecast over the planning period and the Crown believes that HNZN's emphasis should be on ensuring that current activities and programmes are being delivered effectively and efficiently. Organisational capability is also expected to be further developed.

The Crown has advised that HNZN should focus on its contribution to the Government's key goals of reducing the inequalities that currently divide society, and providing strong social services.

HNZN can specifically play a role by contributing to the reduction of inequalities within New Zealand society through the provision of housing and housing related services, and in so doing, enhance the well-being of individuals and the communities in which they live. This will be achieved by working:

> Together with other Government agencies across sectors to address the complex issues that exist in parts of New Zealand society;

> In partnership with communities to achieve better outcomes for those communities and the individuals that live within them; and
> To support and strengthen the capacity of Māori and Pacific People communities.

In developing strategies to deliver these objectives, HNZN has been guided by the objectives and functions set out in its legislation and the Crown's expectation that social objectives will be achieved in a cost-effective manner within the allocated funds available.

3.4] THE ROLE OF HOUSING NEW ZEALAND CORPORATION

HNZN recognises that housing is a key to social and economic well-being and that the lack of access to suitable housing can also be a source of inequality. There is growing awareness internationally and within New Zealand that housing is part of a complex causal web that can give rise to: poor health and injury; low rates of educational achievement; reduced access to jobs; and (on occasions) greater exposure to victimisation and neighbourhood crime.

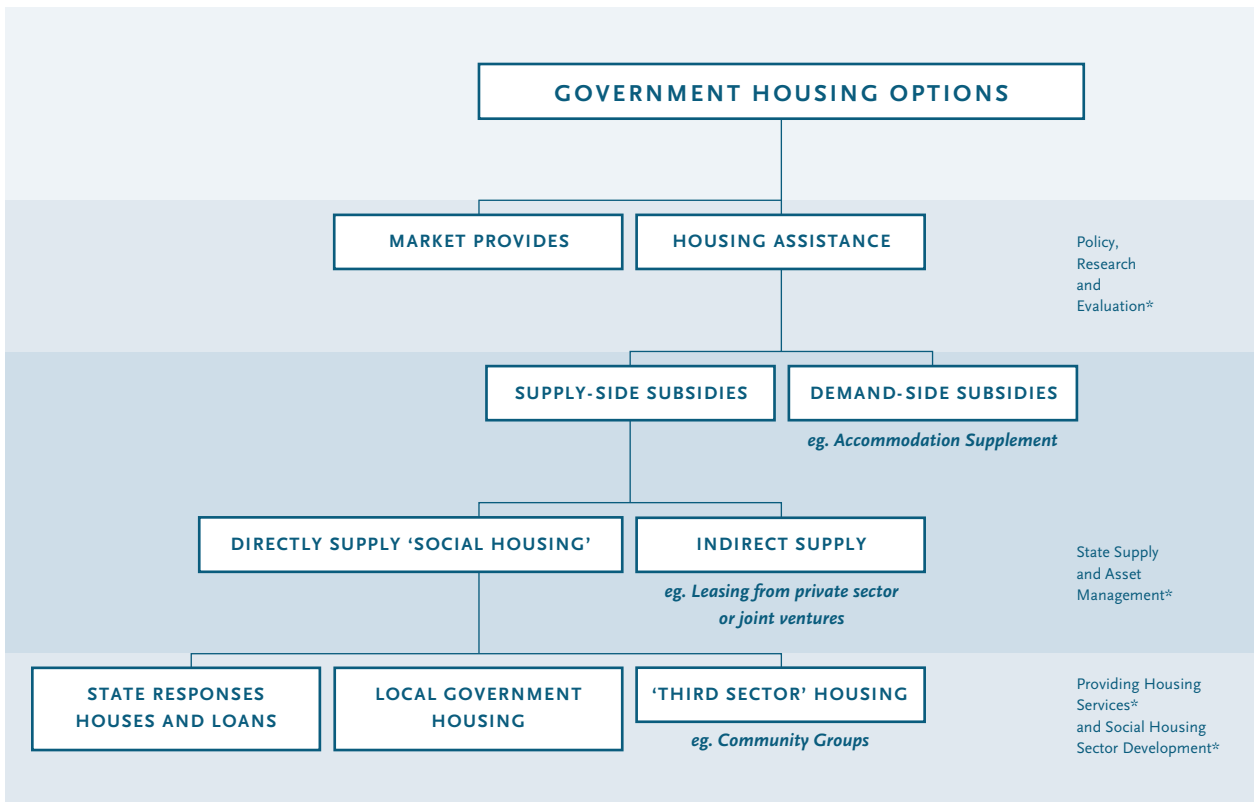
The majority of the New Zealand population is able to satisfy its own housing needs, so for it the role of

central government is limited to the provision of a regulatory framework to establish and protect private property rights and the ability to transfer ownership and occupancy rights. The government regulates the housing market to apply minimum product and behavioural standards and to provide dispute resolution mechanisms. In these areas, HNZN's role is to provide advice, monitoring information and research on housing market activity and behaviour. Flowing on from this, HNZN advises on appropriate government interventions to address housing issues.

For a range of reasons, some people are not able to access adequate housing at a price that is affordable to them without additional assistance. For this group, the government has adopted two principal housing assistance policies – the Accommodation Supplement and the direct provision of housing or housing finance.

This structure of the social housing system and the Government's role regarding housing assistance is represented in **Figure 1** below².

FIGURE 1: GOVERNMENT ROLE IN SOCIAL HOUSING SYSTEM



In addition to its advisory role regarding Government's involvement in the provision of adequate and affordable housing, HNZN has a direct role in the provision of housing services. In accordance with government policy, these include rental housing, mortgage finance services and facilitation of iwi/community groups in the provision of housing services.

HNZN's operational role is significant. It has approximately 60,000 rental

properties (comprising 17% of the rental housing market – 2001 Census) and provides around 9,500 new tenancies per annum. HNZN is also a major supplier of rental housing to community groups providing social services (providing approximately 1,250 community tenancies) and has a small but growing role in the provision of housing finance to families not able to access private sector mortgage finance. Developing partnerships with other agencies involved in the provision of housing services is a

growing area of focus for the organisation and is important in ensuring that services are delivered effectively to achieve the objectives, and in being able to leverage from a wider pool of community resources. In undertaking these activities HNZN utilises assets valued at approximately \$6.4b, which is forecast to generate revenue of \$574m per annum.

3.5] CONCLUSION

As the Government's principal advisor on housing, and provider of social housing, HNZN faces a number of key challenges over the coming year. HNZN staff commitment to social housing, along

with the strategies and activities to address these challenges, are set out in this document. This SOI will help to ensure the organisation's efforts are directed at achieving its mission:

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

² The column directly to the right of the tree diagram links housing assistance elements to the HNZNs output classes (noted with asterisks).



4.1] THE NEW ZEALAND CONTEXT

4.1.1 Population growth

The housing market is changing rapidly. New Zealand’s population grew by almost 140,000 between the 1996 Census and the 2001 Census. The Auckland region contributed to over 69% of this increase. A mixture of natural increase and immigration has driven this increase in population growth. Migration inflows have historically tended to concentrate in the Auckland area and have contributed to short- to medium-term supply and price pressures in the housing market. The combination of natural population growth and internal/external migration pressures (including refugee migration) is putting pressure on low-income housing, particularly in high demand social housing in Auckland.

4.1.2 Smaller household sizes

Average household sizes have continued to drop – from 2.8

occupants in 1996 to 2.7 in 2001. These changes in the housing market present a large challenge for HNZC, in terms of the types and mix of housing solutions that should be offered in a changing environment.

4.1.3 Decreased level of home ownership

The tenure profile has changed markedly since 1996, with a large increase in the number of rented dwellings against only a small increase in owner occupied homes. That is, the ratio of home ownership has dropped from more than 70% in 1996 to less than 68% in 2001, with consequent increasing demand pressures in the rental market.

4.1.4 Ethnic composition and reducing inequality

Māori and Pacific People adults are more likely to live in rental housing than European adults and are even more highly concentrated in the

state rental sector. 13% of New Zealand households belong to either of Māori or Pacific People groups (from 2001 Census); however they account for 50% of HNZC rentals. This presents a challenge to HNZC, particularly given the younger average age of Māori and Pacific People that will contribute to a demographic bulge reaching adulthood/household formation.

HNZC also needs to consider how it will give effect to the Crown’s Treaty of Waitangi obligations. Longer-term issues, such as the use of multiply owned tribal land to cater for social housing needs, contribute to the complexity of matching services with specific target group needs.

4.2] HNZC CHALLENGES

4.2.1 Housing demand

The turnover of existing properties and new stock acquisitions alone will not meet the demand for state housing assistance. For example, at a national level, HNZC demand figures at the end of February 2002 indicate that HNZC had more than 3,500 high need applicants waiting to be housed, with only 857 vacancies available to satisfy that demand (along with any new stock additions). On this basis, it would take more than four months to house those on the high demand priority waiting list if no new applications were received. Compared to the national figures, in the same period there were 2,321 high need applicants on the waiting list in Auckland, with only 268 vacancies available to meet

that demand (i.e. it would take almost nine months to house the waiting list from current turnover). The ability to respond to the demand, with limited funds available to increase new supply, poses a significant issue for HNZC, as does the difficulty of reconfiguring from lower demand areas to high demand areas.

4.2.2 Dated housing stock

The average age of HNZC’s rental housing stock is approximately 36 years. A large portion of the stock was built in the decades following World War II for predominantly nuclear families. This housing is now functionally dated and not well matched to the housing needs of households currently on the waiting list. While HNZC maintains

its houses to appropriate standards, much of the stock fails to meet commonly accepted amenity standards such as modern kitchens and bathrooms, floor coverings and carports/garages. Many fail to meet modern energy efficiency standards and other basic environmental criteria. ‘One-size fits all’ housing solutions are no longer appropriate given the increasingly diverse and complex nature of housing demand.

4.2.3 Mismatch in locality

A significant percentage of the HNZC property portfolio is geographically located in areas that are no longer experiencing high levels of demand, either in location or in the type of stock required. An unconstrained response to this

environment would aggressively reduce rental housing stock in areas of lower demand and increase (owned/leased) property in higher demand areas, such as Auckland. However, HNZC has balanced the need to respond promptly to applicants assessed as having serious housing needs, against financial constraints on the number of additional properties it is able to acquire/lease. The inevitable outcome is a lower volume of sales than could otherwise be achieved (and consequently a slower rate of property portfolio reconfiguration) and significant regional variability in the time taken to house high priority applicants.

4.2.4 Limited funding

The availability of limited capital funds constrains HNZC's ability to acquire additional housing stock, modernise the existing portfolio, undertake community renewal, and to build partnerships with alternative social housing providers.

4.2.5 Addressing geographic differences

Adequacy of housing is an underlying indicator of inequality in New Zealand. In the Auckland region especially, access to appropriate and affordable housing raises a series of wide-ranging policy and management issues relating to house prices and rents,

increased demand, housing conditions, overcrowding, poor health, and access to adequate services. In depressed parts of rural New Zealand like Northland and the East Coast, the housing available to a considerable number of Māori families, in particular, is substandard.

4.2.6 Increasingly complex needs of tenants

HNZC tenants increasingly have a complex array of needs which extends beyond housing issues. This has significant repercussions for the urban and rural communities in which they live. Even with income assistance, the private housing market does not always meet the housing and other support needs of vulnerable groups. Concentrations of low-income tenants in HNZC housing estates may increase the risk of their social exclusion.

4.2.7 Involvement of the social housing sector

Social housing providers and agencies meet an important need in New Zealand society by providing accommodation assistance for individuals and families whose needs or circumstances are not adequately provided for by mainstream housing markets. While many organisations within the sector have worked together, no opportunity has existed to gain

an overarching and cohesive perspective on this work.

There is an increasing call for HNZC to work collaboratively with other government agencies across sectors to address the complex issues that exist in parts of New Zealand society. Further, there is a desire to work in partnership with communities and Māori, to achieve better outcomes for those communities and individuals, and to meet HNZC's obligations under the Treaty of Waitangi.

The purpose of developing the Social Housing Strategy (facilitated by HNZC) is to identify all of the providers, agencies and interested parties involved and to provide an environment where these people can develop a shared view for the social housing sector covering the next 10 years.

As a first step, working parties are meeting to discuss issues and shape a common view of the sector. Their work will provide a framework for ongoing consultation during the next financial year.

This initiative also seeks to develop a policy framework to guide the social housing sector and Government agencies involved in this area by setting priorities and targeting responses to the issues identified.

4.3] HNZC ORGANISATIONAL ISSUES

4.3.1 Restoring state housing capability

HNZC is a new organisation which is in the process of building its capabilities – organisationally, financially and intellectually. The policy environment in which the organisation now operates is fundamentally different from that which preceded it.

Over the coming year, HNZC will develop and deliver a research and programme evaluation function. Development of these competencies will contribute to more effective programme selection and delivery, and will improve the depth and quality of policy advice.

4.3.2 Way of working

One consequence of the inter-dependency between social policy issues and solutions is the need to take a wider, 'whole of government' view. It is essential HNZC works collaboratively with other government agencies across sectors to address the complex issues that exist in parts of New Zealand society. HNZC seeks to work in partnership with communities to achieve better outcomes for communities and individuals.

The partnership approach requires the organisation to learn new skills in terms of case management and relationship building with other agencies. Working in partnership with community agencies and other social housing providers is also critical in terms of improving the ability of HNZC to optimise delivery mechanisms and ensure that its activities and programmes are relevant to the communities it is seeking to target.

A commitment to partnership forms a cornerstone in HNZC's Statement of Intent. If the organisation is to be a leader in the delivery of housing assistance and the provision of policy advice, it can only achieve this with others by developing the best possible housing solutions for customer groups. In the process HNZC will channel the combined efforts of lenders, landlords, renters and homeowners, local councils, iwi, non-governmental social housing providers, and other sectors of government. Partnership is the pathway to building the capacity and capability across the social housing sector. The government's housing solutions are intended to foster the capabilities of individuals and communities and help strengthen the capacity of other sectors and regions throughout New Zealand.

4.3.3 Improved delivery of existing programmes

Programme and policy initiatives such as income-related rents and social allocation have already required changes to HNZC operating procedures and staffing. The organisation will continue to look at ways in which it can improve access to its services for its target population. While 'passive access' strategies and facilities such as neighbourhood units and o800 services will continue to play a large role in providing housing services to those in need, HNZC expects that it will increasingly need to develop more active 'search' strategies to identify those who require housing assistance. HNZC has already become involved in such measures through the delivery of the Government's five year strategy

for eliminating substandard housing in Northland, East Coast and Eastern Bay of Plenty (NECBOP). Over time, it is expected that HNZC will better meet the broader issues of emergency housing and homelessness as part of its delivery of housing services.

While HNZC is not planning to introduce new housing assistance programmes over 2002/03, the activity levels for existing programmes are forecast to increase in a number of areas. To deliver the expanded programmes, HNZC will require additional capacity (both staff and external technical expertise). Areas set to increase activity levels include:

- > Community renewal (as consultation efforts lead to action/delivery);
- > Asset acquisitions, maintenance and modernisation/energy retrofits;
- > Housing solutions to address housing need in rural communities (such as in areas of Northland, East Coast and Eastern Bay of Plenty [NECBOP]);
- > Healthy housing (with the roll-out of the 18 month trial to new geographic areas);
- > A research programme through a new New Zealand-wide Housing Research Centre;
- > Housing partnerships;
- > HNZC's internal research and evaluation capability; and
- > Delivery of a social housing strategy.

4.4] SUMMARY

Given the numerous challenges in the operating environment, HNZN will need to address several areas to meet housing need.

The following section provides detail on how HNZN will address these areas:

- > Understanding housing markets and future need for housing;
- > Targeting assistance to need, both known and hidden;

- > Striking a new balance between demand/supply interventions;
- > Rebuilding government investment in housing including:
 - Increasing the state housing portfolio (stock acquisitions through purchase or lease)
 - Modernising the housing portfolio (that is, upgrading stock to current amenity standards)

- Reconfiguring/redeveloping the portfolio (that is, ensuring the rental portfolio is matched to the location of demand and the type of housing required by tenants);
- > Broadening the range of housing solutions;
- > Expanding the range of social housing providers; and
- > Supporting communities where HNZN is prominent.

5 STRATEGIC RESPONSE



HNZN's strategic response provides for a comprehensive framework of initiatives that takes account of its legislative requirements, government expectations and the current housing environment. Each of the key housing challenges identified in the operating environment are addressed through HNZN's response: specifically, the mission, strategic outcomes, outputs, strategies and organisational structure.

Figure 2 illustrates how the different parts of the HNZN strategic response connect. The mission sets the long-term direction for HNZN. Strategic outcomes describe the key elements of what HNZN will have achieved in meeting its mission. These outcomes are the impacts on the community of an output or class of outputs. Output classes refer to groupings of goods and services provided by HNZN. The Government purchases

outputs to achieve desired outcomes. HNZN has identified strategies and actions/activities to deliver products and services for each output class. A description of these key elements is set out on page 9 and 10.³

5.1] HNZN MISSION STATEMENT

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

5.2] STRATEGIC OUTCOMES

To achieve its mission, HNZN will contribute to strategic outcomes including:

- > Well informed research and policy advice;

- > Appropriate housing assistance programmes;
- > Strong and healthy communities;
- > Adequate and acceptable standards of housing; and

- > A developed and increased involvement of the social housing sector.

³ A separate section in this Statement of Intent covers HNZN's capability to deliver on its proposed strategy (including issues of structure, people, resources and processes).

5.2.1 Well informed research and policy advice

The Minister will be advised on market failure issues, the type and level of housing need and appropriate housing policy responses by information gathered through market monitoring, research and evaluation.

5.2.2 Appropriate housing assistance programmes

HNZC will help people with an identified housing need to achieve sustainable housing solutions.

5.2.3 Strong and healthy communities

To achieve long-term housing stability HNZC acknowledge that it is important to develop strong and healthy communities. In areas with a strong state presence HNZC will attempt to work with the communities to create a positive environment.

5.2.4 Adequate and acceptable standard of housing in New Zealand

The Minister will be advised on the status of the housing market through appropriate market monitoring and research. State-funded housing shall comply with acceptable housing quality standards and be sufficient to meet demand (within approved financial limits).

5.2.5 A developed and increased involvement of the social housing sector

In supporting households to manage their circumstances and provide access to decent homes, HNZC acknowledges the limitations of state resources and the benefits that can result from greater community involvement in addressing local problems. HNZC will foster the social housing sector to improve the quality and scope of housing assistance services available.

In addition to these strategic outcomes HNZC’s organisational support objectives are to:

- > Deliver the Crown’s social housing objectives through an organisation that is a good employer and operates in a business-like manner, while exhibiting social, environmental and financial responsibility; and
- > Give effect to the Treaty of Waitangi by improving housing services and products for Māori and by improving the overall cultural capability of HNZC and its staff.

5.3] OUTPUT CLASSES

HNZC’s strategic outcomes and key challenges will be addressed through products and services that are grouped into the following output classes:

Strategies for specific output class deliverables are set out on pages 11–17.

1. Research and Policy Advice
2. Ministerial Support
3. Identification and Matching of Housing Need
4. Customer and Tenancy Support
5. State Asset Management
6. Social Housing Sector Development



MISSION	<i>HNZC provides access to decent homes, helping New Zealanders manage their own circumstances and contribute to community life.</i>					
STRATEGIC OUTCOMES	1. Well informed research and policy advice.		2. Appropriate housing assistance programmes.	3. Strong and healthy communities.	4. Adequate and acceptable standard of housing.	5. A developed and increased involvement of the social housing sector.
OUTPUT CLASSES	1. Research and Policy Advice	2. Ministerial Support	3. Identification and Matching of Housing Need	4. Customer and Tenancy Support	5. State Asset Management	6. Social Housing Sector Development
KEY STRATEGIES	<ul style="list-style-type: none"> > Deliver policy purchase agreement (PA) > Deliver a housing research programme for New Zealand (NZ Housing Research Centre) > Deliver an evaluation programme for major HNZN housing initiatives > Introduce a housing market monitoring analysis function 	<ul style="list-style-type: none"> > Continually improve customer satisfaction (Ministers and their offices) > Increase the level of understanding of government processes within HNZN 	<ul style="list-style-type: none"> > Ensure those in greatest need are given priority for housing solutions > Monitor and deliver social allocation (SAS) policy > Provide access to Government housing assistance (e.g. through neighbourhood units, by actively seeking those in need (NECBOP)) 	<ul style="list-style-type: none"> > Identify and manage complex/special needs tenants > Participate in inter-governmental actions and adopt best practices that contribute to stability for social housing customers and contribute to social outcomes > Meet statutory obligations and responsibilities toward those receiving housing assistance > Ensure that HNZN appropriately responds to the needs of Māori > Work with tenants to optimise existing portfolio > Deliver ongoing management of income-related rent (IRR) 	<ul style="list-style-type: none"> > Develop a supply management response (through acquisition/leasing/development/reconfiguration) that meets the housing needs of A and B applicants, and Community Group Housing > Deliver the Healthy Housing and Community Renewal programmes > Deliver Northland/East Coast/Eastern Bay of Plenty (NECBOP) programme to address substandard housing > Deliver rural regional and other lending programmes (e.g. LDRL, SHAZ, Pacific People Projects, etc) > Redevelop on HNZN land > Deliver maintenance, modernisation, and energy efficiency targets > Develop a longer term asset management plan > Efficiently and effectively manage the Crown's investment in HNZN's asset portfolio > Provide leadership in setting planning, design and environmental standards for housing 	<ul style="list-style-type: none"> > Evaluate and implement housing initiatives with iwi/community groups to address housing issues in Northland, East Coast and Eastern Bay of Plenty (including working with communities to access products, services, and resources to address substandard housing) > Develop the partnerships framework including funding options in order to support the delivery of additional housing solutions > Engage with and inform stakeholders and partners on the partnerships framework > Assist partners to develop their capacity in social housing through support services, secondment opportunities and web-based resources > Develop a priority framework for establishing priority for Community Group Housing
SPECIFIC OUTPUTS	<ul style="list-style-type: none"> – Strategic, sectoral and operational policy advice – Market monitoring and research information 	<ul style="list-style-type: none"> – Responses to PQs, OIAs, ministerials, and other requests as set out in purchase agreement – Select committee requests – Speech and other briefing notes for the Minister – Replies required by legislation 	<ul style="list-style-type: none"> – Access mechanisms – Needs assessment and prioritisation – Waiting list management – Matching of assessed need with appropriate housing solutions 	<ul style="list-style-type: none"> – Tenancy management – Loan recipient support – Subsidy administration 	<ul style="list-style-type: none"> – Development of state portfolio including Community Group Housing (acquisitions and disposals) – Maintenance and improvement of state housing portfolio (including Community Group Housing) – Management of loan portfolio 	<ul style="list-style-type: none"> – Partnership development – Development of the social housing sector
PERFORMANCE EXPECTATIONS	See section 6	See section 6	See section 6	See section 6	See section 6	See section 6



All HNZN products and services contribute to the achievement of one or more strategic outcomes. Key strategies and outputs for each output class are set out below, outlining how each contributes to the delivery of HNZN's strategic outcomes. HNZN objectives and performance measures for each service allow the organisation to monitor progress in achieving its strategic direction.

6.1] OUTPUT CLASS 1: RESEARCH AND POLICY ADVICE

Research and policy development contributes to the understanding of housing markets and the future need for housing assistance. Understanding

issues of market failure, the type and level of housing need and appropriate policy responses requires good quality information and market monitoring.

Research and evaluation activities contribute to policy development and good decision making.

OUTPUT CLASS DESCRIPTION	Provide housing advice to the Minister on strategic, sectoral and operational policy including research. The policy function will undertake market monitoring, research, and evaluation of major housing policy impacts in order to identify market failure, the level and type of housing need, and options for policy or market intervention.	
OUTPUT CLASS OBJECTIVE	Well informed research and policy advice	
KEY STRATEGIES	<ul style="list-style-type: none"> > Deliver the policy purchase agreement > Deliver a housing research programme for New Zealand (NZ Housing Research Centre) > Deliver an evaluation programme for major HNZN housing initiatives > Introduce a housing market monitoring analysis function 	
SPECIFIC OUTPUTS	<p>1.1 Strategic policy advice on:</p> <ul style="list-style-type: none"> – Current and potential Government responses to market failure and serious housing need – Options emerging from the social housing strategy – Consideration of the optimum mix of housing interventions available to Government – Housing initiatives that contribute to a reduction in inequalities impacting upon Māori and Pacific Peoples – Housing partnerships – Dynamics and trends in the housing market <p>1.2 Sectoral policy advice, with a particular focus on initiatives to strengthen communities, foster partnering with other social housing providers, develop the services available through tenancy services for landlords and tenants in the private rental sectors, and enhance the suitability of housing services for tenants with disabilities.</p> <p>1.3 Operational policy advice on rental, stock reconfiguration, healthy housing, community renewal, implementation of the NZ Disability Strategy, resettlement of new migrants and refugees, and housing partnerships</p> <p>1.4 Market monitoring and research information</p>	
PERFORMANCE MEASURE	2002/03 MEASURE	*
1. % of advice delivered according to the agreed work programme, quality standards and deadlines as set out in HNZN's Purchase Agreement with the Minister of Housing	100%	PT
2. Cost of policy advice (GST excl.)	\$0.65m	PT
3. Cost of Research (GST excl.)	\$0.13m	PT
4. Cost of NECBOP evaluation (GST excl.)	\$0.13m	PT

* Performance Target (PT)/Information (I)

OUTPUT CLASS 2: MINISTERIAL SUPPORT

The objective of this output is to provide the Minister of Housing with a high quality of support to enable the Minister to discharge his/her Parliamentary and

Executive duties effectively. This output includes the provision of ministerial, advisory, support and administrative services to or on behalf of the Minister of

Housing and Ministerial advisory committees and other groups (e.g. Select Committees).

OUTPUT CLASS DESCRIPTION	Provide Ministerial support to assist the Minister carry out his executive and legislative functions.		
OUTPUT CLASS OBJECTIVE	Provide the Minister with consistent, accurate and timely information.		
KEY STRATEGIES	<ul style="list-style-type: none"> > Continuous improvement of customer satisfaction (Ministers and their offices) > Increase the level of understanding of government processes within HNZN 		
SPECIFIC OUTPUTS	<ul style="list-style-type: none"> 2.1 Response to Parliamentary questions, OIAs, Ministerials, and other requests as set out in the purchase agreement 2.2 Select Committee requests 2.3 Speech and other briefing notes for the Minister 2.4 Replies required by legislation 		
PERFORMANCE MEASURE	2002/03 MEASURE	*	
5. % of Ministerial Responses drafted in accordance with agreed quality standards and deadlines as set out in HNZN's Purchase Agreement with the Minister of Housing	100%	PT	
6. Cost of Ministerial support (GST excl.)	\$0.3m	PT	

* Performance Target (PT)/Information (I)

OUTPUT CLASS 3: IDENTIFICATION AND MATCHING OF HOUSING NEED

Those with the most serious housing needs generally have the least capacity to manage in the private market. State intervention is essential for these individuals. Combined with a move from public housing to needs-based housing (e.g. deinstitutionalisation, community-based delivery) HNZN requires a different skills base to meet different demands. HNZN will maximise the use of its resources, both staff and stock, to focus on providing appropriate access mechanisms, accurate assessment of

housing need, and good quality housing solutions to those tenants and customer groups most in need. The key purpose behind the Social Allocation (SAS) policy is to ensure that those in greatest need are given priority and access to an appropriate and sustainable housing solution. HNZN will ensure SAS is delivered with accuracy by staff with expertise in this area. Timeliness is critical for individuals needing housing assistance.

The SOI includes provision to ensure the accuracy of delivering SAS and IRR through internal and external audits, ongoing staff training and process enhancements where possible. HNZN will apply SAS principles to other product/service lines, such as Community Group Housing, Community Renewal and Healthy Housing. To enhance effective matching of housing need with sustainable housing solutions, HNZN will ensure that staff improve their product knowledge of the variety of services offered both through HNZN and other providers.

OUTPUT CLASS DESCRIPTION	Provision of information and advice on eligibility and entitlement to state funded housing solutions for individuals and community groups. Identification of those with the greatest housing need by providing opportunities to access assistance and have their needs assessed. The assessed housing need will be matched to appropriate solutions. Current access mechanisms are Neighbourhood Units, Housing Assistance Services, Low Deposit Rural Lending and Special Housing Action Zones. Housing solutions include state rental accommodation, state loan, referral to the third or private sectors.		
OUTPUT CLASS OBJECTIVE	<ul style="list-style-type: none"> > Accessibility to accurate and timely needs assessment and appropriate housing solutions for individuals and community groups with a housing need. Priority is given to those with the greatest need. > Assist those eligible into home ownership by providing the right loans 		
KEY STRATEGIES	<ul style="list-style-type: none"> > Ensure those in greatest need are given priority for housing solutions > Monitor and deliver social allocation (SAS) policy > Provide access to Government housing assistance (e.g. through neighbourhood units, by actively seeking those in need (NECBOP)) 		
SPECIFIC OUTPUTS	<ul style="list-style-type: none"> 3.1 Access mechanisms 3.2 Needs assessment and prioritisation 3.3 Waiting list management 3.4 Matching of assessed need with appropriate housing solutions 		
PERFORMANCE MEASURE	2002/03 MEASURE	*	
7. Average time from enquiry to preliminary assessment (SAS – A priority)	<= 7 calendar days	PT	
8. Average time from last confirmed segment to housed (A priority)	Monitor trend	I	
9. % of correct assessment decisions (SAS) audit result	>= 95%	PT	
10. % of priority (A and B) lettings to total lettings	>= 80%	PT	
11. Number of transfers which relate to optimising stock usage	Monitor trend	I	
12. Number of Suitable Homes applicants housed	Monitor trend	I	
13. Average time from property search to letting (Community Group Housing)	<230 days	PT	
14. Number of loan applications completed	Monitor trend	I	
15. Number of LDRL graduates **	Monitor trend	I	
16. Number of rural regional loans approved **	250	PT	
17. LDRL course satisfaction (with the service providers)	>= 70% satisfied	PT	
18. Level of satisfaction with access and assessment process (SAS, HAS, CGH, LDRL)	>= 70% satisfied	PT	
19. Number of assessments per FTE (SAS)	Monitor trend	I	

* Performance Target (PT)/Information (I)

** LDRL product will be reviewed as a result of the level of underlying demand experienced to date.

OUTPUT CLASS 4:

CUSTOMER AND TENANCY SUPPORT

After identifying an appropriate housing solution (which can include non-HNZC interventions), HNZC provides a range of ongoing management functions – including collection and review of rental/mortgage payments, case management (where required) and a range of other tenant/customer service activities. Case management of tenants may include other providers of housing

and other social services. Involvement in inter-governmental forums (e.g. Strengthening Families) contributes to the stability of those receiving social housing assistance. HNZC will continue to contribute to wider sector development of strategies aimed at specific housing customer groups (e.g. disability sector) both at an inter-governmental level and through a social

housing strategy. In dealing with tenants and customer groups, HNZC will meet its statutory obligations and responsibilities. Key responsibilities for HNZC exist under the Residential Tenancies Act, the Resource Management Act and with the State Housing Appeal Authority.

OUTPUT CLASS DESCRIPTION	Provide services to those with state funded housing solutions (individual tenants, community groups, loan recipients), including review of rental/mortgage payments as appropriate, case management, and other services directed at ensuring customers continue to have the most appropriate housing solution. Case management of customers will be developed in co-ordination with other providers of housing and other social services. Provision of debt management services.		
OUTPUT CLASS OBJECTIVE	Appropriate and sustainable housing solutions		
KEY STRATEGIES	<ul style="list-style-type: none"> > Identify and manage complex/special needs tenants > Participate in inter-governmental actions and adopt best practices that contribute to stability for social housing customers and contribute to social outcomes > Meet statutory obligations and responsibilities towards those receiving housing assistance > Ensure that HNZC appropriately responds to the needs of Māori > Work with tenants to optimise existing portfolio > Deliver ongoing management of income-related rents (IRR) 		
SPECIFIC OUTPUTS	<p>4.1 Tenancy management (letting, tenant interaction, debt collection, inspections, high need support)</p> <p>4.2 Loan recipient support (loan administration, debt collection, high need support)</p> <p>4.3 Subsidy administration (Income-related rent calculation, rent relief)</p>		
PERFORMANCE MEASURE	2002/03 MEASURE	*	
20. Income-related rent accuracy – audit results	>= 95%	PT	
21. Rental debt to monthly income (incl. damages, CGH, tenants)	<=10%	PT	
22. % of cases with case management plan against total number of cases with complex need	Monitor trend	I	
23. Number of tenancies per FTE	Monitor trend	I	
24. Level of loan customer arrears	0.75%	PT	
25. Level of customer satisfaction with HNZC	>= 70% satisfied	PT	
26. % of CGH tenants receiving rent relief	Monitor trend	I	
27. Average value of rent relief	Monitor trend	I	

* Performance Target (PT)/Information (I)

OUTPUT CLASS 5: STATE ASSET MANAGEMENT

The Government has both a purchaser and ownership interest in HNZA assets. Assets include both the physical housing stock plus the lending portfolio. While the Government purchases specific outputs (e.g. the number of state rental houses, number of LDRL loans) as an owner, it

also wishes to ensure that these capital assets are used efficiently with a view to maintaining a capacity to provide services in future years. The Government must be assured that new investment in housing represents value for money and that existing investments are maintained

(e.g. stock quality and amenities). HNZA is also committed to displaying environmental responsibility, while taking into consideration the economic, and social implications and effects of its operations.

OUTPUT CLASS DESCRIPTION	Provision of state house or state funded mortgages.		
OUTPUT CLASS OBJECTIVES	<ul style="list-style-type: none"> > Achieve an appropriate return while meeting social objectives > Provide the right houses in the right place to meet demand now and in the future 		
KEY STRATEGIES	<ul style="list-style-type: none"> > Develop a supply management response (through acquisition/leasing/development/reconfiguration) that meets the housing needs of A and B applicants, and Community Group Housing > Deliver the Healthy Housing and Community Renewal programmes > Deliver the Northland/East Coast/Eastern Bay of Plenty (NECBOP) programme to address substandard housing > Deliver the rural regional and other lending programmes (e.g. LDRL, SHAZ, Pacific People Projects, etc), and review the suitability of the LDRL product to achieve the Crown's lending objectives (see also the policy work programme) > Redevelop on HNZA land > Deliver maintenance, modernisation, and energy efficiency targets > Develop a longer term asset management plan > Efficiently and effectively manage the Crown's investment in HNZA's asset portfolio > Provide leadership in setting planning, design and environmental standards for housing 		
SPECIFIC OUTPUTS	<p>5.1 Development of state housing portfolio including Community Group Housing (acquisitions and disposals)</p> <p>5.2 Maintenance and improvement of state housing portfolio (including Community Group Housing)</p> <p>5.3 Management of loan portfolio</p>		
PERFORMANCE MEASURE	2002/03 MEASURE	*	
28. Ability to house priority applicants – high demand areas	Monitor trend	I	
29. Ability to house priority applicants – low demand areas	Monitor trend	I	
30. Acquisitions (volume and \$)	1,296 units; \$123m	PT	
31. Modernisation (\$)	\$13.4m	PT	
32. Energy efficient retrofits (volume and \$)	2,500 units; \$4m	PT	
33. Minor capital (\$)	\$14m	PT	
34. % of stock under-utilisation	<= 5%	I	
35. Vacancy rate	1.5%	PT	
36. Return on earnings after tax : average total equity	0.33%	PT	
37. Property condition benchmark compliance	>= 88%	PT	
38. Number of managed units per FTE	Monitor trend	I	
39. % of realisations	Monitor trend	I	
40. Credit rating	(AA-) – S&P (Aa2) – Moody's	PT	

* Performance Target (PT)/Information (I)

HEALTHY HOUSING

Deliver the Healthy Housing programme to reduce the incidence of airborne/droplets spread diseases e.g. meningococcal disease by providing capital improvements to selected HNZN houses (\$12.4m capital).

COMMUNITY RENEWAL

Deliver the Community Renewal programme to promote change to the economic, social and physical environment where HNZN has a high concentration of homes through redevelopment and provision of capital improvements. The programme will be undertaken in collaboration with the local community in five selected areas (\$11.3m capital).

NECBOP

Deliver the Northland, East Coast, Eastern Bay of Plenty programme to address substandard housing by increasing state housing provision in these areas (50 units; \$5.8m capital).

OUTPUT CLASS 6:

SOCIAL HOUSING SECTOR DEVELOPMENT

Social housing in New Zealand is currently dominated by state housing. There are advantages to be gained from locally devised housing solutions, which are integrated with other service providers to provide greater levels of participation and personal responsibility. Encouraging the development of the social housing sector is an increasing feature of housing policy frameworks in the developed world.

The Government's commitment to strengthening the social housing sector is illustrated through appropriated funding to:

- > Develop and implement programmes that address substandard housing;
- > Continue the rent relief fund for Community Group Housing;
- > Deliver rural regional and other lending programmes (e.g. LDRL, SHAZ, Pacific People Projects, etc) targeted at housing in rural areas;
- > Provide housing in the community for intellectually disabled people from the Kimberley and Braemar institutions; and

- > Develop and implement the social housing strategy.

Working in partnership with community groups and social agencies means that HNZN cannot necessarily control the speed of achieving outcomes, and endeavouring to do so can polarise participants. Sufficient time to build effective relationships is critical and determining that time frame at the outset is not a precise science.

OUTPUT CLASS DESCRIPTION	Provides support and assistance to develop the social housing sector within New Zealand. Includes development of strategies to facilitate access to existing solutions or to assist development of supply of additional housing solutions and related services.		
OUTPUT CLASS OBJECTIVE	Assist in the development of other providers of housing solutions and related support services		
KEY STRATEGIES	<ul style="list-style-type: none"> > Evaluate and implement housing initiatives with iwi/community groups to address housing issues in Northland, East Coast and Eastern Bay of Plenty (including working with communities to access products, services, and resources to address substandard housing) > Develop the partnerships framework including funding options in order to support the delivery of additional housing solutions > Engage with and inform stakeholders and partners on the partnerships framework > Assist partners to develop their capacity in social housing through support services, secondment opportunities and web-based resources > Develop a “priority framework” for establishing priority for Community Group Housing 		
SPECIFIC OUTPUTS	<p>6.1 Partnership development</p> <p>6.2 Development of the social housing sector</p>		
PERFORMANCE MEASURE	2002/03 MEASURE	*	
41. Level of stakeholder satisfaction	>=70%	PT	
42. Number of formal relationships (e.g. Memoranda of Understanding) with iwi, Pacific People, and community representatives	Monitor trend	I	
43. Number of housing response/project plans agreed	Monitor trend	I	
44. Number of formal agreements with Crown agencies	Monitor trend	I	
45. Number of additional units made available through the wider social housing sector	Monitor trend	I	

* Performance Target (PT)/Information (I)

7 ORGANISATIONAL CAPABILITY



HNZC’s organisational support objectives are to:

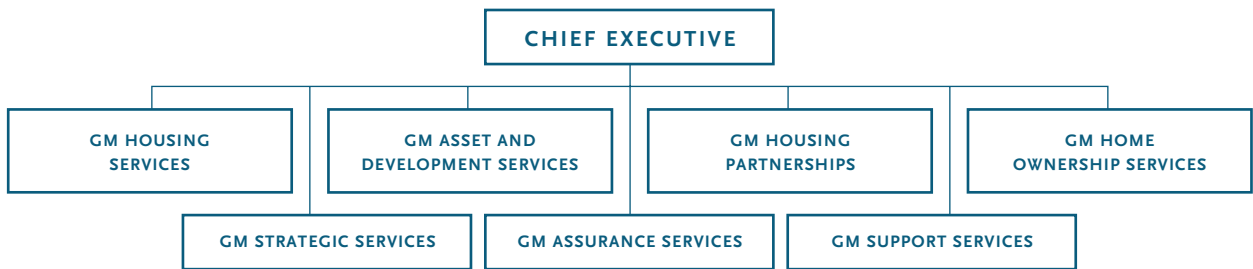
- > Deliver the Crown’s social housing objectives in an organisation that is a good employer and operates in a business-like manner, which includes a sense of social, environmental and financial responsibility; and
- > Give effect to the Treaty of Waitangi by improving housing services and products for Māori and by improving the overall cultural capability of HNZC and its staff.

7.1 HNZC STRUCTURE

The new output class structure has been developed with a view to the services provided by HNZC. The existing HNZC

organisational structure (below) is not set up to neatly deliver each output class area. The cross-functional nature of

delivering most of the SOI requires HNZC staff to work across internal boundaries.



7.2] MĀORI RESPONSIVENESS

A Māori responsiveness plan is currently under development in conjunction with HNZC's Te Hou Ora Māori staff group representatives and other HNZC employees.

Of HNZC tenant households, 28% identify themselves as Māori, compared to 10% for the New Zealand population as a whole. Draft key activities for ensuring HNZC is a responsive organisation and responds to the needs of its customers, include:

- > Developing HNZC's understanding of the principles of the Treaty of Waitangi;
- > Clarifying HNZC's obligations to Māori employees under the State Sector Act;
- > Developing HNZC capacity to deliver services and products that are responsive to the needs of Māori;
- > Providing technical support and project management services to kaupapa Māori housing providers;
- > Developing a capacity building programme for kaupapa organisations with an objective of developing their ability to deliver housing services;
- > Co-ordinating a housing work stream for the Social Housing Strategy aimed at housing responses for Māori;
- > Undertaking policy activity that informs on Māori housing issues; and
- > Assessing effectiveness of current products and services to meet Māori needs.

7.3] SUPPORTING HIGH PUBLIC SERVICE STANDARDS

HNZC is committed to meeting the Government expectations of state sector employees. These expectations include that HNZC's employees:

- > Behave in a manner which reflects the values of integrity, responsibility and respect; and
 - > Operate in a manner that is: responsive to the community; performance oriented; accountable;
- has a 'whole of government' commitment; serves the government with free, frank and comprehensive advice; and implements decisions effectively with an awareness of government priorities.

7.4] ENHANCING ORGANISATIONAL CAPABILITY

HNZC will enhance its organisational capability to deliver the SOI by:

- > Providing staff with the resources and support required to deliver;
- > Building new skill sets in defined areas;
- > Expanding leadership capability of managers;
- > Empowering staff at all levels;
- > Improving communications internally and with key stakeholders;
- > Ensuring risk management does not lead to risk aversion; and
- > Refining, in light of experience to date, the applicability of HNZC's business structure.

PERFORMANCE MEASURE	2002/03 MEASURE	*
46. Staff turnover	Monitor trend	I
47. Staff satisfaction	Monitor trend	I

7.5] NEW ZEALAND DISABILITY STRATEGY

The Government released the New Zealand Disability Strategy (NZDS) in April 2001. The strategy is aimed at changing New Zealand from a disabling

to an inclusive society. HNZC is committed to the implementation of the NZDS and will scope the extent HNZC can contribute towards the NZDS, and

develop and implement agreed action plans in 2002/03.



BUDGET	2002/03 \$000	2003/04 \$000	2004/05 \$000
Total operating revenue	574,431	603,155	623,616
Total direct costs	(359,531)	(364,366)	(377,470)
Other indirect costs	(50,940)	(51,631)	(52,678)
Operating surplus before interest	163,960	187,158	193,468
Interest costs	(106,730)	(107,139)	(109,838)
Operating surplus before tax	57,230	80,019	83,630
Income tax expense	(40,919)	(47,413)	(49,087)
Net surplus	16,311	32,606	34,543

Detailed financial information is provided in Appendix 2.

9 EXERCISE OF THE POWERS, FUNCTIONS AND DISCRETIONS RELATING TO INCOME-RELATED RENTS AND ALLOCATION OF HOUSES



9.1] DISCRETION RELATING TO CALCULATION AND ADMINISTRATION OF INCOME-RELATED RENTS

While Part 5 of the Housing Restructuring Act 1992, amended by the Housing Restructuring (Income-Related Rents) Act 2000, largely prescribes the process for calculating and administering income-related rents, HNZC is required to exercise a number of discretions. Areas where HNZC is required to exercise these discretions include:

- i) Establishment of assessable income;
- ii) Completeness and accuracy of information provided; and
- iii) Adjustments to the outcomes of the calculation mechanism.

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

- a) To have regard where appropriate to the means by which other similar Government agencies have exercised similar discretions;
- b) To follow a process or apply guidelines (where they exist) in a manner that is transparent to the tenant or prospective tenant;
- c) To exercise each particular discretion in a manner that is consistent with how that particular discretion has previously been exercised by HNZC, unless it is not appropriate to do so; and

- d) To promptly advise tenants and prospective tenants who enquire about the exercise of discretions, as to the exercise of discretions in respect of themselves, of the decisions made and of the rights that they may have to seek reviews of the decisions.

9.2] ALLOCATION OF HNZN HOUSING

The process of allocating HNZN housing is not prescribed in legislation. HNZN and the Crown have established principles and a process to govern the

allocation of houses to prospective residents. In allocating housing HNZN is authorised by section 61 of the Housing Restructuring Act 1992 to have regard to

matters which would or may, but for section 61, constitute a breach of the Human Rights Act 1993. These principles and process are described in Appendix 1.

10 FINANCIAL STRUCTURE AND ACCOUNTING POLICIES



The ratio of consolidated capital funds, as a proportion of total assets, is forecast to be approximately 77% for 30 June 2003, and the following two years⁴.

HNZN will maintain accounting policies in accordance with legislation and generally accepted accounting standards promulgated by the Institute of Chartered

Accountants of New Zealand. A statement of HNZN's accounting policies is attached as Appendix 2.

10.1] FINANCIAL DISTRIBUTION TO THE CROWN

HNZN will pay its surplus for each financial year into the Crown's bank account, unless the Minister authorises HNZN to keep all or any part of it.

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

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

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

- a) Maintaining HNZN's debt:equity ratio in the region of 23:77⁵;
- b) HNZN's medium-term capital expenditure programme; and
- c) HNZN's working capital requirements.

The expected distribution by way of dividend is \$16.3m, \$32.6m, and \$34.5m respectively for each of the next three financial years.

10.2] INFORMATION TO BE PROVIDED TO MINISTERS

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

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

An Annual Report will be produced in accordance with section 42 of the Housing Corporation Act 1974 (as amended). HNZN will provide quarterly reports to the Ministers or their agents to monitor compliance with specific operating procedures and activities that will assist in meeting the Crown's social and business objectives as identified.

HNZN will provide, on request, other information pursuant to section 45B of the Public Finance Act 1989.

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

⁵ Debt includes the net present value of the property lease obligations that are not recorded on the balance sheet. The ratio is subject to establishing the appropriate capital structure for HNZN.

10.3] PROCEDURES FOR ACQUISITION OF SHARES

HNZC will only invest in the shares of another housing services related business where shares acquired are considered

necessary to achieve HNZC's objectives. In the case where HNZC intends to subscribe for, or otherwise acquire, 20%

or more of the issued capital, it will give prior written notice to the Ministers of its intention.

10.4] BUSINESS DIVERSIFICATION

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

10.5] AGREEMENTS FOR WHICH HNZC SEEKS COMPENSATION FROM THE CROWN

HNZC may enter into contractual arrangements with the Crown as required from time to time. Such arrangements would include agreements pursuant to section 20B of the Housing Corporation Act 1974. All contractual arrangements

will be disclosed in the Annual Report. HNZC and the Crown have entered into an agreement under section 7 of the Housing Restructuring Act 1992 whereby HNZC will be compensated for any difference between market rents and

income-related rents. The agreement is a consequence of HNZC being required to charge qualifying tenants income-related rent rather than a market rent.

10.6] VALUE OF THE CROWN'S INVESTMENT

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

The value of the Crown's investment in HNZC as at 30 June 2002 was \$4.9b.

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

30 June 2003	\$4.9b
30 June 2004	\$5.0b
30 June 2005	\$5.1b

10.7] STATEMENT OF ACCOUNTING POLICIES

HNZC's accounting policies are attached in Appendix 2.

10.8] OTHER MATTERS AGREED BY THE MINISTERS AND THE BOARD

No other matters have been agreed by Ministers and the Board for inclusion in

this Statement of Intent pursuant to section 41D(1)(j) of the Public Finance Act 1989.

APPENDIX 1 ALLOCATION OF HOUSING – SUMMARY OF PRINCIPLES AND PROCESS



GOVERNMENT POLICY

The Government has directed that HNZC housing (being premises let or to be let by or on behalf of HNZC for occupation

by any person as a place of residence) be allocated on the basis of need. The Government has defined

“housing need” as an inability to access or sustain housing that is suitable, adequate and affordable.

PRINCIPLES

Eligibility for HNZC housing

Eligibility⁶ of prospective residents for HNZC housing will be determined on the basis of the following factors:

- > Residency status and whether an applicant and other members of a household are ordinarily and lawfully resident in New Zealand;
- > Income and whether the income received by the applicant and their partner is below a defined income threshold;

- > Assets and whether the realisable assets owned by the applicant and their partner have a value that is below a defined asset threshold; and
- > The household's level of need.

ALLOCATION OF HNZN HOUSING

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

Segmentation of waiting lists

Priority for housing will be determined by dividing the waiting list for HNZN housing into four segments:

> An “A” priority household is one with severe and persistent housing needs that must be addressed immediately. The well-being of the household is being severely affected by the current housing circumstances (or is seriously at risk) and there is an immediate need for action due to the unsuitability or inadequacy or unsustainability of its current housing circumstances. Further, the household is unable to access or afford suitable, adequate and sustainable housing without state intervention;

> A “B” priority household is one with a significant and persistent housing need. The well-being of the household has been affected in a significant and persistent way due to the unsuitability or inadequacy or unsustainability of its current housing circumstances. The household is unlikely in the foreseeable future to be able to access or afford suitable, adequate and sustainable housing without state intervention;

> A “C” priority household is one with a moderate housing need. The household is disadvantaged and this is likely to compound over time due to the unsuitability or inadequacy or unsustainability of its current housing circumstances. The household is likely to be unable to access or afford suitable, adequate and sustainable housing without state intervention; and

> A “D” priority household is one which is experiencing low level housing need, or is disadvantaged, and who may be able to function in the market. Low-income households experiencing lower level housing need for whom there may be other viable housing options or low-income households not experiencing housing need.

A priority matrix will determine which segment a household fits into. The priority matrix involves an assessment of the level of risk each household faces by reference to the following need indicators:

- > **Affordability** of current housing on the basis of a residual income test;
- > **Adequacy** of current housing;
- > **Suitability** of current housing;
- > Ability to **access** housing; and
- > Ability to **sustain** housing⁷.

CRITERIA	DESCRIPTION
Affordability	Inability to afford a house in the private market.
Adequacy	Refers to the physical condition/structure of the current house and the availability of basic facilities to meet the needs of any household.
Suitability	Determined by house size in terms of occupants and overcrowding.
Accessibility	Determined by the degree of ability to finance affordable, suitable and adequate housing. Takes into account discrimination.
Sustainability	Determined by issues regarding financial management, change in household circumstances, social functioning, lack of skills, security of tenure, medical, personal and other circumstances that compromise a household’s ability to have its social, medical and personal needs met.

⁶ HNZN makes a practice of contacting the appropriate authorities (e.g. New Zealand Police, Child Youth and Family, New Zealand Immigration Service, Customs New Zealand and Department of Corrections etc.) where appropriate if, in the course of determining eligibility for a particular applicant, evidence of unlawful or criminal activities comes to light.

⁷ Applicants who have had a tenancy with HNZN terminated in the last 12 months for a serious breach of a tenancy agreement or the Residential Tenancies Act, will not be allocated a house unless HNZN is satisfied that any new tenancy will be sustainable, including that the circumstances or factors that gave rise to the serious breach no longer exist.

When a HNZN house becomes vacant, or a new supply is available, applicants will be matched with housing that meets their requirements, with priority being given to those with the greatest need. If an applicant without good reason rejects three valid offers then that applicant's priority on the waiting list may be reassessed.

Where a permanent solution is not immediately available, urgent temporary housing solutions may be offered to "A" priority applicants where it is considered that such a solution will reduce the level of risk that a household faces.

Applicants who have complex needs that require intensive management, or applicants who require modified housing, may be referred to a Case Manager at any stage in the allocation process.

Management of waiting lists

Waiting lists will be managed and regularly reviewed to ensure:

- > An applicant's priority status remains valid;
- > Applicants are informed of the progress of their application; and
- > HNZN is delivering an appropriate standard of service.

Internal review or external appeal

An applicant can seek an internal review by HNZN of any decision that relates to their eligibility for HNZN housing, or the allocation of HNZN housing.

An applicant can appeal decisions of the internal HNZN's review to the State Housing Appeal Authority.

Fraud or misleading information

HNZN may take certain actions if, during the course of an investigation into a tenant's or an applicant's circumstances, the tenant or applicant (or their partner):

- > Wilfully gives HNZN false or misleading information; or
- > Fails or refuses to fully answer any question asked by HNZN; or
- > Fails or refuses to verify any information by statutory declaration when asked to do so by HNZN.

The actions include:

- > If an applicant has applied for housing, but the application has not yet been accepted, rejected or withdrawn, then HNZN may suspend its consideration of that application, or decline that application;

> If an applicant has applied for housing and that application has been accepted, but housing has not yet been allocated, then HNZN may reassess that applicant's priority on the waiting list;

> If housing has been allocated to a tenant, then the tenant's housing need will be reassessed, and:

– If the tenant's actual circumstances mean that the tenant is not eligible for HNZN housing, then HNZN may issue the tenant with a notice of termination under section 50 of the Residential Tenancies Act 1986, in which case the housing will be re-allocated to an eligible applicant;

– If the tenant's actual circumstances mean that the tenant is still eligible for HNZN housing, then HNZN may:

- > Calculate an income-related rent for that tenant on the basis of HNZN's understanding of that tenant's circumstances, and recover as a debt due to the Crown any amounts that it is entitled to recover under Part 5 of the Housing Restructuring Act 1992;
- > Treat the market rent for that housing as the income-related rent for that tenant, and recover as a debt due to the Crown any amounts that it is entitled to recover under Part 5 of the Housing Restructuring Act 1992.

PROCESS

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

STAGE	PROCESS	PURPOSE
Housing Enquiry	Discussion between HNZN staff member and applicant.	To enable an initial assessment of the applicant's eligibility and the urgency of the applicant's situation.
Needs Assessment	Face-to-face interviews between HNZN representative and applicant. Need is assessed by applying the priority matrix to the information provided by the applicant.	To confirm eligibility for housing and the type of housing need the applicant is experiencing. To determine which segment of the waiting list the applicant fits into in order to determine priority.
Waiting List Management	Regular review of applicant's circumstances on the waiting list to ensure that eligibility continues.	To review waiting lists to ensure priority status remains valid.
Placement	Matching of housing and applicants according to their housing requirements and their position on the waiting list.	To ensure that appropriate housing is allocated to applicants according to need.



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

REPORTING ENTITY

The Housing Corporation Amendment Act 2001 renamed Housing Corporation of New Zealand as Housing New Zealand Corporation effective from 1 July 2001. The Act vested the shares of Housing New Zealand Limited in Housing New Zealand Corporation, forming Housing New Zealand Corporation Group.

Housing New Zealand Corporation is a Statutory Corporation (Crown-owned entity) under the Housing Corporation

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

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

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

MEASUREMENT BASIS

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and

financial position on a historical-cost basis have been followed with the exception that under the modified

historical cost basis, rental properties and freehold land have been revalued in accordance with FRS3.

SPECIFIC ACCOUNTING POLICIES

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

a) Basis of consolidation – Purchase method

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

b) Mortgage advances

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

The mortgage provision reflects an amount which is considered adequate to provide for probable losses based on the best information currently available. Where possible, specific provisions are made for loans which are

identified as having particular risk, where security is considered inadequate.

c) Revenues

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

d) Fixed assets

The Group has the following classes of fixed assets:

- > Freehold land;
- > Rental properties;
- > Leasehold improvements;
- > Furniture and fittings;
- > Office equipment;
- > Computer equipment and software; and
- > Motor vehicles.

All fixed assets are initially recorded at cost. Freehold land and rental properties are revalued on an annual basis in accordance with FRS3 Accounting for Property, Plant and Equipment. FRS3 requires properties to be valued at highest and best use, and replaces SSAP28 Accounting for Fixed Assets. Any revaluation

surplus arising on the revaluation of freehold land and rental properties is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve is recognised in the Statement of Financial Performance in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the Statement of Financial Performance, are recognised as revenue in the Statement of Financial Performance.

e) Depreciation

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

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

Major depreciation periods are:

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

f) Investment

Investments in Government Securities, local authority securities, short-term and other investments are stated at face value less unamortised discounts and premiums. Discounts and premiums are amortised to income on either a yield-to-maturity basis or a straight-line basis over the terms of the investments.

g) Maintenance

The Group recognises liabilities for maintenance on the following basis:

- > Work undertaken prior to balance date is recognised as liabilities and expenses, except where the expenditure creates additional service potential.
- > All identifiable obligations relating to building health and safety regulations are recognised at balance date. These amounts are expensed.

h) Leases

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

i) Receivables

Receivables are stated at their estimated realisable value.

j) Income tax

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method. Tax effect accounting is applied on a comprehensive basis to all timing

differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

k) Goods and services tax

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

l) Financial instruments

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

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

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

The Group is not involved in foreign exchange or interest rate speculation.

m) Foreign currencies

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

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

these translations are included in the Statement of Financial Performance.

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

n) Lender's mortgage insurance Underwriting Provisions

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

The provision for unearned premiums is determined by apportioning premiums received over the effective periods of risk underwritten.

The provision for claims incurred but not reported is the estimated cost of claims where the event occurred prior to balance date but was not reported until after the balance date.

o) Mortgage sale insurance

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

CHANGES TO ACCOUNTING POLICIES

During 2002 the parent company changed its accounting policy with respect to the basis of tax effect accounting. Under the new policy, tax-effect accounting is applied in the parent company on a comprehensive basis.

Previously tax-effect accounting was applied in the parent company on a partial basis. This change has been made to ensure consistency among all Group companies. All other companies in the Group apply tax-effect accounting on a

comprehensive basis. The implementation of this change has not resulted in a change in net surplus.

There have been no other changes in accounting policies.

FINANCIAL INFORMATION

STATEMENT OF FINANCIAL PERFORMANCE	2002/03 \$000	2003/04 \$000	2004/05 \$000
Rental income – tenants	250,262	255,779	263,325
Rental income – rent relief and subsidies	311,322	333,147	344,735
Interest income	8,089	9,471	10,798
Other income	4,758	4,758	4,758
Total Operating Revenue	574,431	603,155	623,616
Maintenance	125,651	120,141	122,408
Rates	69,661	72,001	74,199
Depreciation	93,710	96,227	98,902
Other direct costs	70,509	75,997	81,961
Total Direct Costs	359,531	364,366	377,470
Interest costs	106,730	107,139	109,838
Other indirect costs	50,940	51,631	52,678
Total Indirect Costs	157,670	158,770	162,516
Total Costs	517,201	523,136	539,986
Operating surplus before tax	57,230	80,019	83,630
Income tax expense	40,919	47,413	49,087
Net surplus	16,311	32,606	34,543

STATEMENT OF MOVEMENTS IN EQUITY	2002/03 \$000	2003/04 \$000	2004/05 \$000
Opening equity	4,855,068	4,907,617	5,007,964
Distributions to owners	(44,157)	(16,311)	(32,606)
Contributions from owners	80,395	84,052	85,124
Net surplus	16,311	32,606	34,543
Changes in revaluation reserve	–	–	–
Total recognised revenues and expenses	16,311	32,606	34,543
Closing equity	4,907,617	5,007,964	5,095,025

STATEMENT OF FINANCIAL POSITION	2002/03	2003/04	2004/05
	\$000	\$000	\$000
Current Assets	80,729	80,089	80,019
Net mortgage advances	63,895	81,773	99,650
Rental properties	6,217,980	6,281,199	6,358,678
Other non-current assets	17,251	17,735	17,608
Total Non-Current Assets	6,299,126	6,380,707	6,475,936
Total Assets	6,379,855	6,460,796	6,555,955
Current Liabilities	98,489	98,656	98,491
Long-term debt	793,471	481,471	481,471
Crown borrowing	580,278	872,705	880,968
Total Non-Current Liabilities	1,373,749	1,354,176	1,362,439
Net Assets	4,907,617	5,007,964	5,095,025
Asset revaluation reserve	1,765,772	1,765,772	1,765,772
Capital contribution	3,119,776	3,203,829	3,288,952
Retained earnings	22,069	38,363	40,301
Total Equity	4,907,617	5,007,964	5,095,025

STATEMENT OF CASH FLOWS	2002/03	2003/04	2004/05
	\$000	\$000	\$000
Rent received from customers	250,742	256,259	263,805
Rent received from the Crown	311,322	333,147	344,735
Disbursed to suppliers and employees	(306,347)	(317,864)	(329,222)
Other operating cash flows	(132,568)	(137,372)	(140,062)
Net Cash inflows from Operating Activities	123,149	134,170	139,256
Sale of fixed assets	9,161	7,298	7,103
Purchase of fixed assets	(182,100)	(170,507)	(187,441)
Other investing cash flows	(19,769)	(19,769)	(19,769)
Net Cash outflows from Investing Activities	(192,708)	(182,978)	(200,107)
Capital injections	80,395	84,052	85,124
DMO funding	75,276	337,276	26,763
DMO repayments	–	(46,000)	(18,500)
Other financing cash flows	(97,156)	(327,160)	(32,607)
Net Cash inflows from Financing Activities	58,515	48,168	60,780
Net (decrease) in cash	(11,044)	(640)	(71)
Opening cash position	12,743	1,699	1,059
Closing cash position	1,699	1,059	988