

VOTE *Housing*

Housing

Overview

Departmental Appropriations

Departmental operating appropriations sought for Vote Housing in 2007/08 total \$67.582 million. This is intended to be spent as follows:

- \$17.945 million (26.55% of departmental operating appropriations in this Vote) on providing services to tenants and landlords.
- \$5.374 million (7.95%) on providing sector and regulatory policy advice on the building and housing sector, and purchase and performance monitoring advice to Government in relation to Housing New Zealand Corporation.
- \$8.871 million (13.13%) on developing, implementing and maintaining registration and licensing regimes for building practitioners and electrical workers.
- \$14.824 million (21.94%) on the implementation of the Building Act 2004 and regulatory and control services for the building industry under the Building Act 2004.
- \$20.568 million (30.43%) on providing owners of dwelling houses affected by the leaky building syndrome with access to procedures for assessing and resolving claims relating to those buildings.

Non-Departmental Appropriations

Non-departmental operating appropriations sought for Vote Housing in 2007/08 total \$509.921 million plus \$332.355 capital appropriations. This is intended to be spent as follows:

- \$2.509 million (0.30%) on the purchase of housing policy advice from Housing New Zealand Corporation.
- \$25.985 million (3.09%) on purchasing housing support services.
- \$465.380 million (55.25%) on IRR subsidies to Housing New Zealand Corporation.
- \$1.807 million (0.21%) on increase in provision for doubtful debts on IRR Debt.
- \$9.740 million (1.16%) on housing assistance payments.
- \$4.500 million (0.53%) on the community housing rent relief programme.
- \$332.355 million (39.46%) on capital expenditure.

Crown Revenue and Receipts

\$138.336 million of Crown revenue is forecast to be collected during 2007/08 and consists of:

- \$130.980 million interest on loans to Housing New Zealand Corporation.
- \$7.356 million dividend from Housing New Zealand Corporation.

Details of how the appropriations are to be applied appear in Parts B, C, D and E of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

HNZC	Housing New Zealand Corporation
IRR	Income Related Rental
NECBOP	Northland, East Coast and Eastern Bay of Plenty
Third sector	Community based organisations including for example trusts and voluntary organisations

Minister Portfolio Table

9	Minister for Building and Construction
37	Minister of Housing

Housing

ADMINISTERING DEPARTMENT: Department of Building and Housing

The Minister for Building and Construction is the Responsible Minister for the Department of Building and Housing

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote

Related Government Goals

The building and housing sector is an important contributor to New Zealand's economic and environmental performance and social wellbeing. The sector has an important role to play in long-term sustainable strategies for the economy, society, environment and culture.

The appropriations in Vote Housing fund the provision of advice and services aimed at ensuring that the people of New Zealand have access to quality homes and buildings that meet their needs, reflect our environment and contribute to a sustainable New Zealand.

The appropriations in Vote Housing will contribute to the following key Government priority areas:

- economic transformation - by supporting the development of a sustainable economy based on innovation and quality
- families - young and old - by sustaining family and community living standards
- national identity - by supporting innovation and good design in the built environment.

The key priorities within Vote Housing are to:

- provide a range of social housing services
- increase the supply of state housing particularly in Auckland
- support local social housing initiatives that address housing need such as Community Renewal, Healthy Housing and operate the Housing Innovation Fund
- co-ordinate and monitor the implementation of the New Zealand Housing Strategy
- facilitate sustainable home ownership through the Mortgage Insurance Scheme, Low Deposit Rural Lending, building maintenance and infrastructure loans, and Home Ownership Education Programme
- ensure effective stewardship of state housing assets including maintaining, modernising and improving the state housing stock
- address the legacy of non-weathertight buildings, in addition to measures being put in place as part of the implementation of the Building Act 2004:
 - completing the implementation of the Weathertight Homes Resolution Services Act 2006 and monitoring the implementation of these changes
 - investigating home warranty insurance for new domestic dwellings and for significant repairs and renovations

- investigating professional indemnity insurance in the context of the new occupational licensing regime
- providing information to better inform homeowners and prospective homeowners of weathertightness issues and how these can be addressed and remedied
- implement the Building Act 2004, in particular:
 - a licensing regime for building practitioners to improve skills in the sector
 - an accreditation regime for territorial authorities performing building consent functions
 - a product certification scheme to provide for voluntary certification of building products
 - the review of the building code to set standards for building work and building performance, including sustainable development and energy efficiency
 - a dam safety scheme to provide greater assurance of public and property safety
- progress amendments to the Unit Titles Act, Residential Tenancies Act and Building Act
- commission and conduct research on issues relating to housing affordability, and support the Commerce Committee inquiry into housing affordability
- implement the Community Education and Liaison Strategy to promote an informed and confident rental market by educating and working with market participants
- develop and implement a strategy to enhance consumer awareness and influence behaviour towards better informed decision-making when purchasing homes and other buildings
- develop a framework for addressing sustainability issues in the building and housing sector
- influence, coordinate and commission research into the building and housing sector
- consolidate the new service delivery approach for dispute resolution for Tenancy Services and the Weathertight Homes Resolution Service, including monitoring and evaluating the effectiveness of the changes to these services
- implement and maintain the registration and licensing regimes for electrical workers, including transferring the contact centre and processing centre functions for the Electrical Workers Registration Board from the Ministry of Economic Development to the Department of Building and Housing and developing a database for the electrical workers register, from 1 September 2006
- complete an independent review of HNZC's Income Related Rental (IRR) subsidy
- build the capability the Department of Building and Housing through investment in core information and communications technology.

How the Government regulates the building and housing sector affects the sector's ability to contribute to New Zealand's economic performance and to social and environmental outcomes through the quality of buildings and the built environment. In 2007/08 the Department's strategies are to:

- ensure the regulatory framework supports the supply of quality, affordable, adaptive, sustainable homes and buildings and enables innovation
- work with the sector to foster learning, enhance and support professional behaviour, skills and knowledge and facilitate greater ownership of this by the sector
- raise consumer knowledge and appreciation of housing, building and construction issues through access to quality information and advice

- improve the sustainability of the built environment so that it contributes to a strong economy, positive living environments and effective communities
- foster investment and research into building science and building design.

These five externally-focused strategies are supported by two internally-focused strategies that support the Department’s organisational development, capability and delivery of outputs:

- deliver integrated, connected and accessible services that are valued by New Zealanders
- continue to build the capability and performance of the Department to deliver value for New Zealanders.

The bulk of non-departmental funding in this Vote is provided to HNZC, in particular through capital contributions and the funding of the IRR subsidy. HNZC has a range of interventions in place to meet identified housing needs, particularly in Auckland. It acquires housing stock through a mix of redevelopment, building, purchasing and leasing, as well as continuing to modernise and improve its existing stock.

The funding is also used to assist people into homeownership. This is principally achieved through the Mortgage Insurance Scheme and a range of other products that aim to reduce financial and other barriers faced by people who may otherwise not be able to own their own home. The Corporation also works with communities to ensure that their housing needs are understood, that the most effective interventions are used to meet them and that this is sustainable over time. These interventions are essential elements in meeting Government housing priorities and goals.

The IRR subsidy plays an integral part in contributing to the Government’s goals for housing by assisting people on low incomes to access social housing. The IRR subsidy ensures that those who most need financial assistance to remain in housing are able to get it and that it is a sustainable solution over time.

Links between Departmental Output Expenses and the Government’s Priorities

The following table shows the linkages between outputs being purchased from the Department of Building and Housing and the themes that constitute the Government’s priorities for the next decade:

Output Expenses	Related Government Priorities
Residential Tenancy Services	Contributes to the theme of families - young and old by assisting with access to good quality housing through a rental market that is operating fairly and efficiently. Good quality housing contributes positively to the development of strong families, their wellbeing and the health, educational and social development of children.
Purchase and Monitoring Advice - Housing New Zealand Corporation	Contributes to the theme of families - young and old by assisting with access to affordable, sustainable and good quality housing appropriate to their needs.
Sector and Regulatory Policy	Contributes to all three of the themes: <ul style="list-style-type: none"> • economic transformation by ensuring the sector performs well and contributes to growth • families - young and old by ensuring housing and the built environment provide a solid base for the development of strong families who are able to engage with the community in which they live • national identity by ensuring houses, buildings and the built environment continue to take account of New Zealanders as a people and New Zealand’s unique geography and climate.
Occupational Licensing	Contributes to the theme of economic transformation by ensuring that building practitioners and electrical workers have the capacity and skills to develop a sustainable built-environment and deliver quality buildings.

Output Expenses	Related Government Priorities
Building Act 2004 Implementation	Contributes to all three themes by ensuring the delivery of reforms that will lift quality and performance and improve skills and professionalism in the sector. These reforms will flow onto the development of a well-performing building and construction sector that has the capacity and skills to deliver a sustainable built-environment and quality homes and buildings that reflect the uniqueness of the New Zealand environment.
Building Regulation and Controls	Contributes to all three themes by delivering regulations, standards and advice that encourage and support the development of a well-performing building and construction sector that has the capacity and skills to deliver a sustainable built-environment and quality homes and buildings that reflect the uniqueness of the New Zealand environment.
Weathertight Homes Resolution Service	Contributes to the theme of families - young and old by assisting with access to sustainable, good quality housing through the provision of an effective dispute-resolution process for homeowners of homes affected by 'leaky building syndrome'. Good quality housing contributes positively to the development of strong families, their wellbeing and the health, educational and social development of children.

Links between the Non-Departmental Expenses and the Government's Priorities

The links between the Government's key goals and non-departmental output expenses to be purchased from HNZA are:

Output Expenses	Related Government Priorities
Housing Policy Advice	Contributes to the Government's families - young and old theme through: <ul style="list-style-type: none"> strategic, sectoral and operational policy advice and research on housing issues, monitoring and evaluation of Government's rural housing programme and partnerships with third sector organisations
Contracted Housing Support Services	Contributes to the Government's families - young and old theme through: <ul style="list-style-type: none"> purchasing education, information and capacity building services from the community sector to improve housing outcomes in areas where there is high concentration of state housing.
HNZA Housing Support Services	Contributes to the Government's families - young and old theme through: <ul style="list-style-type: none"> housing and related services including capacity building with third sector housing providers other key initiatives including Healthy Housing and Community Renewal programmes.

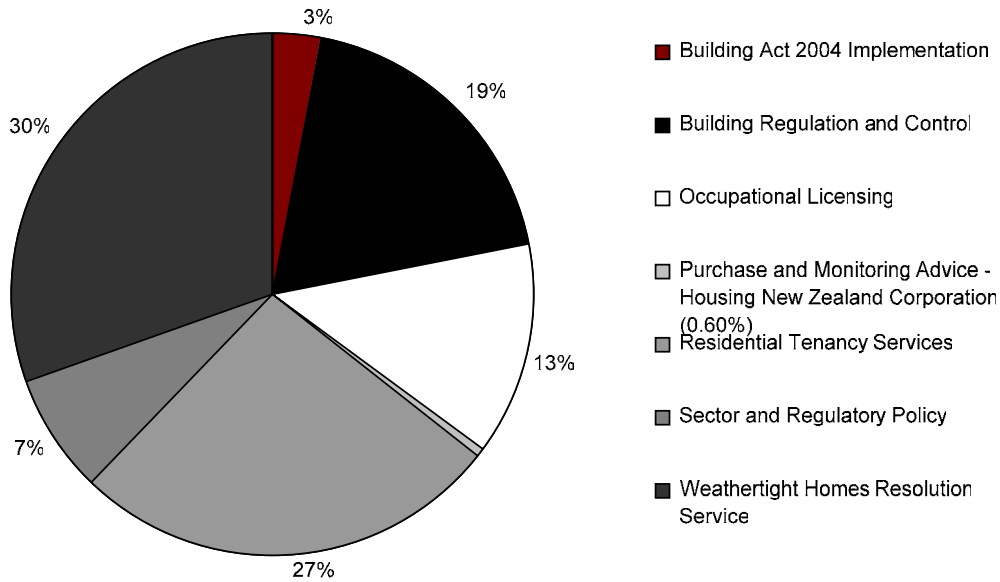
The links between themes that constitute the Government's priorities for the next decade and other non-departmental expenses are:

Other Non-Departmental Expenses	Related Government Priorities
Housing Assistance	Contributes to the Government's families - young and old theme through: <ul style="list-style-type: none"> assistance within communities and targeted rural areas to support sustainable housing solutions.
Income-Related Rent Subsidy	Contributes to the Government's economic transformation, families – young and old and national identity themes through: <ul style="list-style-type: none"> access to reasonable quality, affordable state housing for at-risk and low-income tenants.
Community Housing Rent Relief Programme	Contributes to the Government's families – young and old theme through: <ul style="list-style-type: none"> access to affordable housing for Community Groups.

Vote Structure

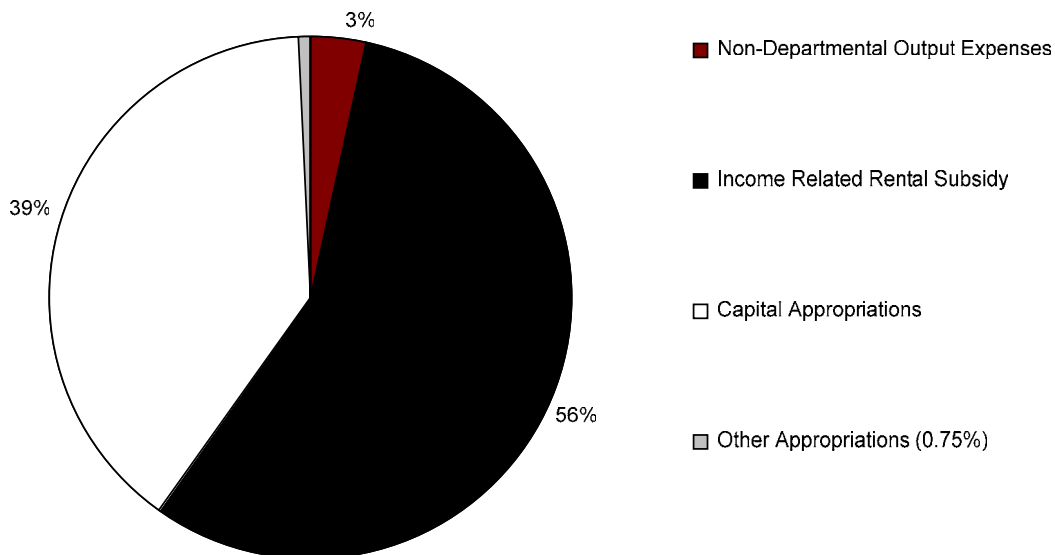
The graphs below display the structure of Vote Housing in terms of the level of annual appropriations and the proportion of each expense to the total appropriation for that class of expenses (departmental and non-departmental respectively) for 2007/08.

Figure 1 - Department of Building and Housing departmental output expenses - 2007/08



Source: Department of Building and Housing

Figure 2 - Non-departmental appropriations - 2007/08



Source: Department of Building and Housing

Part A2 - Trends in Vote

Analysis by Appropriation Type

Departmental output expenses

In 2002/03, \$588,000 was added to output classes Administration of Residential Tenancies Bond Monies and Residential Tenancies Information and Advice and Dispute Resolution to meet a substantial increase in demand for bond administration and a smaller increase in demand for dispute resolution services. This was funded partly from interest earned on the Tenancy bond fund.

During 2004/05 a review was carried out of the configuration of agencies and functions in the housing sector. After this review it was agreed to fold a range of regulatory and dispute resolution functions into an expanded and renamed Ministry of Housing, namely the Department of Building and Housing. The establishment of the new Department required output class structure changes to more accurately reflect the role of the new organisation.

During 2004/05 the new output class, Residential Tenancy Services, was created which was the amalgamation of the output classes Administration of Residential Tenancies Bond Monies and Residential Tenancies Information and Dispute Resolution.

The Building Act 2004 Implementation and Building Regulation and Controls output classes transferred from the Building Industry Authority. Occupational Licensing funding for the design, establishment and maintenance of the occupational licensing regime for building practitioners under the Building Act 2004 transferred from the Ministry of Economic Development.

Additional appropriations in 2004/05 for these output classes totalled \$17.343 million.

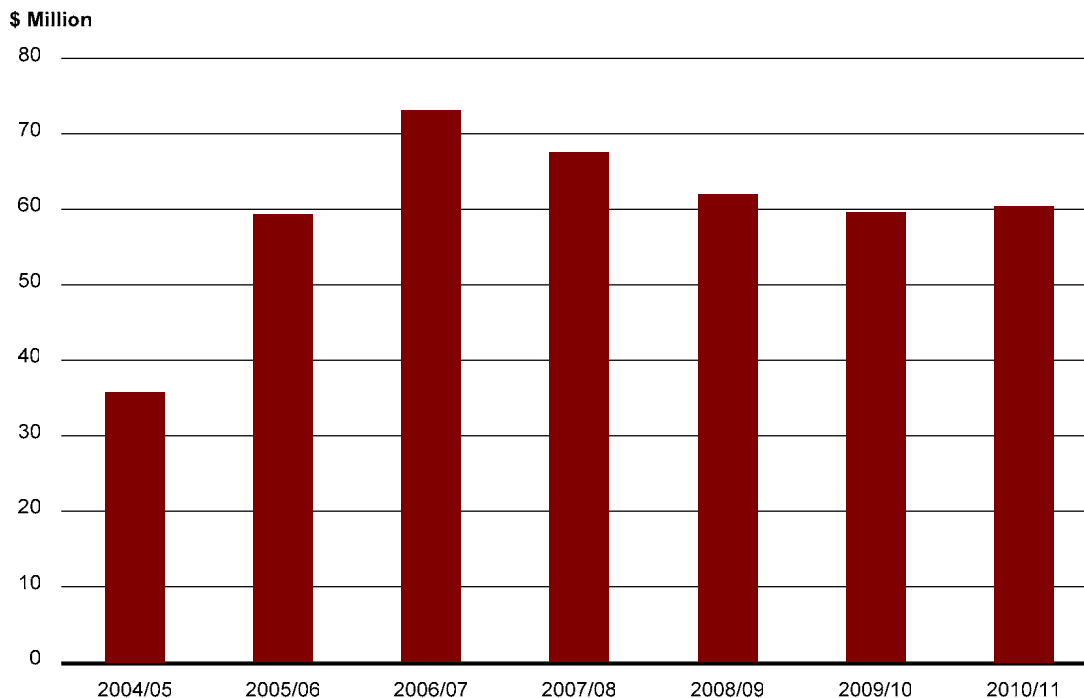
In 2005/06 the Weathertight Homes Resolution Service was transferred into the Department of Building and Housing from the Department of Internal Affairs with funding of \$17.689 million. The resolution service is provided to owners of dwelling houses affected by the leaky building syndrome.

In 2006/07 the electrical workers registration system was transferred from the Ministry of Economic Development (Vote Energy). Additional funding was provided to enhance the Weathertight Homes Resolution Service and for complementary initiatives - consumer education, the assessment and development of options for the introduction of home warranty insurance and professional indemnity insurance into New Zealand, and research to ensure that non-weathertight dwellings are repaired effectively. The Department of Building and Housing was provided with capability funding for essential infrastructure resources, in particular, for core information and communications technology (ICT) systems and secondly, to provide a foundation for adequately maintaining an appropriate fixed asset base going forward.

The most significant developments in Budget 2007 are as follows:

- a reduction in funding for implementing the Building Act 2004, reflecting the implementation of most of the new regulatory schemes under the Act
- transferring the contact centre and processing centre functions for the Electrical Workers Registration Board from the Ministry of Economic Development
- the transfer of the adjudication function for the Weathertight Homes Resolution Service to the Ministry of Justice.

The following chart shows the trend in departmental output expenses appropriations and reflects the establishment and ongoing formation of the Department of Building and Housing.

Figure 3 - Trend in departmental output expenses appropriations from 2004/05 to 2010/11

Source: Department of Building and Housing

Non-departmental output expenses

In 2001/02 funding for housing policy advice was transferred back to Vote Housing as a non-departmental output class. Since 1 July 2001 the housing policy advice function has been provided by HNZC, which was created from the restructure of three housing agencies.

In 2002/03 a new non-departmental output class: Contracted Housing Support Services was added. This output class contains housing services provided by third parties that previously were surplus-funded by HNZC.

In 2003/04 another new non-departmental output class: HNZC Housing Support Services was added. This output class contains housing services provided by HNZC, including capacity building of the third sector and operating funding associated with capital expenditure on HNZC assets.

In 2004/05, \$178,000 was added to support and enable HNZC to respond to increased demand for policy advice on housing issues and a further \$44,000 for the evaluation of the Government's housing response in the NECBOP regions. In addition \$267,000 was added to Contracted Housing Support Services to continue the fire safety campaign.

In 2005/06, a new non-departmental output expense: Registration Regime for Architects (\$225,000 for operating expenses and \$45,000 for capital contribution) was created for the establishment of a registration, monitoring and reporting regime for architects.

In 2006/07, \$7.500 million was appropriated for the Rural Housing programme to continue addressing sub standard housing in rural areas, \$4.370 million to expand the current mortgage insurance scheme to assist people into homeownership, \$2.373 million to enable the continuation of the support for the Community Renewal programme. Additional appropriations included \$889,000 to enable the continuation of the support for the Healthy Housing programme; \$889,000 to implement a home ownership education programme, \$2.293 million to increase policy and research capability and \$444,000 to investigate a potential partnership arrangement between HNZC and Wellington City Council.

In 2006/07, a two year pilot loan assistance scheme was implemented for owners of non-weathertight homes, including loan guarantees of private sector loans, and HNZN direct lending products on commercial terms. Under spends from the Mortgage Insurance Scheme (MIS, marketed as 'Welcome Home Loans') were also reprioritised.

The most significant developments in Budget 2007 are as follows:

- Shared Equity, which is a programme of financial assistance that provides home buyers on modest incomes with the difference between the maximum amount they can borrow and the amount they need to buy a house in the region they live. In 2007/08, HNZN will receive \$1.410 million to design and implement the programme. The proposed start date is 1 July 2008.
- The Crown has offered Wellington City Council financial assistance over the next 10 to 15 years to upgrade its housing portfolio to provide safe, secure housing to a good standard. In 2007/08, HNZN will receive funding of \$1.196 million to develop a detailed work programme to complete the capital works to enable the financial assistance to proceed.
- The Healthy Housing programme receives support of \$7.0 million capital expenditure per annum for the next three years, and a total of \$2.831 million operating expenditure for the next three years.
- The Housing Innovation Fund receives funding for a further year (2008/09) at \$12.0 million capital expenditure in order to continue the programme, with a total of \$7.787 million operating expenditure for the next four years.
- The Rural Housing programme receives funding of \$2.715 million operating expenditure for the 2007/08 year.

Benefits and other unrequited expenses

In 2004/05, \$4.500 million was added to the Housing Assistance appropriation to meet housing need in rural communities. This support was for one year only, with future funding decisions to be informed by evaluation and co-ordination work.

Changes to the IRR Subsidy are driven by forecasting changes. Forecasting changes comprise changes in the average subsidy rate and the number in force. The average subsidy rate forecast has increased as a result of an upward revision of market rents. This has been slightly offset by a reduction in the forecast number of tenants receiving an IRR subsidy (number in force).

Other expenses

In 2001/02 the Non-departmental Other Expense: Community Housing Rent Relief Programme was transferred from the then Vote Social Services to Vote Housing.

The 2006 Budget provided for an appropriation for the increase in provision for doubtful debts on IRR Crown Debt. Prior to 2005/06, increases in debt provisions did not require an appropriation.

Capital expenditure

In 2003/04, all capital contributions for HNZN were transferred from Vote Finance to Vote Housing. This comprises a mix of debt and equity funding paid by the Crown to HNZN.

In 2005/06 the capital injection included \$10.000 million for the deinstitutionalisation of the Kimberley Centre and \$54 million to fund the transfer of Defence land at Hobsonville to HNZN.

From 2005/06, appropriations to refinance HNZN and Housing New Zealand Limited (HNZL) Crown debt were established and a \$30 million appropriation was included in 2005/06.

In 2006/07 under spends in the Low Deposit Rural Lending Programme and savings in the Community-Owned Rural Rental Housing Loans (CORRHL) lending programme were identified and it was agreed to reprioritise this capital funding within Vote Housing. This capital funding was redirected to the Third Sector and Local Government Housing Innovation Fund (HIF) lending programme, Housing Acquisitions, Housing Modernisations and a small proportion was assigned to the Department of Building and Housing to fund essential infrastructure resources and to provide a foundation for adequately maintaining an appropriate fixed asset base.

In Budget 2007, \$332.355 million capital expenditure funding to HNZC comprises:

- \$48.030 million to HNZC for State House acquisitions
- \$28.880 million for the refurbishment of Auckland City Council housing stock
- \$221.187 million to cover the refinancing of HNZC's third party debt with Crown Debt
- \$12.000 million for the Third Sector and Local Government Housing Innovation Fund (HIF) lending programme
- \$4.458 million to implement a two year pilot loan assistance scheme for owners of non-weathertight homes
- \$3.000 million for the Low Deposit Rural Lending (LDRL) programme
- \$2.000 million for the Community-Owned Rural Rental Housing Loans (CORRHL) lending programme
- \$5.800 million for community group housing acquisitions
- \$7.000 million for Healthy Housing.

Crown revenue and receipts

Interest income on loans and dividends are received from HNZC.

New Policy Initiatives by Appropriation

Initiative	Appropriation as shown in Part B	\$000 increase/(decrease)				
		2006/07	2007/08	2008/09	2009/10	2010/11
Healthy Housing	Non-Departmental Output Expenses - HNZC Housing Support Services	-	-	916	943	972
	Capital Expenditure - Capital Injections to Housing New Zealand Corporation for Housing Activities	-	7,000	7,000	7,000	-
Housing Innovation Fund	Non-Departmental Output Expenses: HNZC Housing Support Services	-	(500)	1,871	-	-
	Benefits and Other Unrequited Expenses - Housing Assistance	-	1,320	1,783	1,274	2,038
	Capital Expenditure - Capital Injections to Housing New Zealand Corporation for Housing Activities	-	-	12,000	-	-
Rural Housing Programme	Non-Departmental Output Expenses: Contracted Housing Support Services	-	1,215	-	-	-
	Benefits and Other Unrequited Expenses - Housing Assistance	-	1,500	-	-	-
Shared Equity home ownership initiative	Non-Departmental Output Expenses: HNZC Housing Support Services	-	1,410	-	-	-
Wellington City Council	Non-Departmental Output Expenses: HNZC Housing Support Services	-	1,196	-	-	-

Part B - Statement of Appropriations

Summary of Financial Activity

	2002/03	2003/04	2004/05	2005/06	2006/07		2007/08 Appropriations to be Used				2008/09	2009/10	2010/11	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Appropriations														
Output Expenses	17,213	19,649	35,726	75,831	97,223	97,223	67,582	-	28,494	-	96,076	78,512	75,113	76,327
Benefits and Other Unrequited Expenses	301,464	347,463	383,602	400,002	440,903	441,091	N/A	N/A	475,120	-	475,120	504,553	536,480	568,885
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	4,500	4,500	4,500	4,833	6,145	6,145	-	-	6,307	-	6,307	6,751	7,244	7,779
Capital Expenditure	24,965	612,206	202,416	292,251	464,183	464,183	N/A	N/A	332,355	-	332,355	245,293	246,380	166,557
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	-	N/A	N/A	-	-	-	-
Total Appropriations	348,142	983,818	626,244	772,917	1,008,454	1,008,642	67,582	-	842,276	-	909,858	835,109	865,217	819,548
Crown Revenue and Receipts														
Tax Revenue	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Non-Tax Revenue	-	226,488	129,244	110,888	135,775	135,775	N/A	N/A	N/A	N/A	138,336	136,799	137,386	137,472
Capital Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-
Total Crown Revenue and Receipts	-	226,488	129,244	110,888	135,775	135,775	N/A	N/A	N/A	N/A	138,336	136,799	137,386	137,472

Part B1 - Details of Appropriations

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General)							
Building Act 2004 Implementation (M9)	6,699	-	6,699	-	1,985	-	- To provide funding for the implementation of the Building Act 2004. Reason for Change: The decrease in appropriation is due to the project being expected to be completed in 2007/08.
Building Regulation and Control (M9)	13,641	-	13,641	-	12,839	-	- To provide regulatory and control services for the building industry under the Building Act 2004 and related consumer information. Reason for Change: The decrease in appropriation is due to the one off fiscally-neutral expense transfer in 2006/07 from Weathertight Homes Resolution Service for energy efficiency and consumer awareness initiatives.
Occupational Licensing (M9)	8,885	-	8,885	-	8,871	-	- Developing, implementing and maintaining registration and licensing regimes for building practitioners and electrical workers. Reason for Change: The increase in appropriation primarily relates to the transfer of contact centre and processing centre function for the Electrical Workers Registration Board from the Ministry of Economic Development.
Purchase and Monitoring Advice - Housing New Zealand Corporation (M37)	492	-	492	-	405	-	- Provision of purchase and performance monitoring advice to Government in relation to HNZC.
Residential Tenancy Services (M9)	18,259	-	18,259	-	17,945	-	- Administration of residential tenancies bond monies (including collecting and repaying bond monies, managing and investing bond monies), provision of information, advice and dispute resolution services to tenants and landlords in relation to residential tenancies as required by Residential Tenancies Act 1986. Reason for Change: The decrease is due to a one off fiscally-neutral transfer in 2006/07 from Weathertight Home Resolution Service.
Sector and Regulatory Policy (M9)	5,884	-	5,884	-	4,969	-	- To provide sector and regulatory policy advice on the building and housing sector. Reason for Change: The decrease in appropriation relates to the transfer of appropriation for the oversight of statutory boards from the Occupational Licensing output expense and additional funding in Budget 2006 for consumer education and insurance arrangements for non-weathertight dwellings.

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Expenses (General) - cont'd							
Weathertight Homes Resolution Service (M9)	19,289	-	19,289	-	20,568	-	- To provide owners of dwellinghouses affected by the leaky building syndrome with information and access to speedy, flexible and cost-effective procedures for assessment and resolution of claims relating to those buildings. Reason for Change: The increase is due to the expense transfer from 2006/07 to 2007/08 due to the later enactment of the Weathertight Homes Resolution Services Act 2006.
Total Departmental Output Expenses (General)	73,149	-	73,149	-	67,582	-	
Non-Departmental Output Expenses							
Contracted Housing Support Services (M37)	10,635	-	10,635	-	12,072	-	- Purchase of education, support, capacity building and other services from third-party providers, by HNZC, to support target groups into improved housing outcomes including the Government's housing response in NECBOP areas. Reason for Change: Primarily due to continued programmes in the area of Rural Housing including process and outcome evaluation, community ventures and energy efficient retrofits.
HNZC Housing Support Services (M37)	10,119	-	10,119	-	13,913	-	- Purchase of housing related services from HNZC including capacity building with third sector providers, home ownership initiatives, Community Renewal and Healthy Housing. Reason for Change: The net increase of \$2,422,000 is due to the new initiatives Shared Equity scheme, Healthy Housing and Wellington City Council Housing Project. There is also a continuation of third sector and local government capacity grants.
Housing Policy Advice (M37)	3,320	-	3,320	-	2,509	-	- Purchase of housing policy advice, research and evaluation from HNZC. Reason for Change: HNZC's baseline funding decreases in 2007/08 as the Housing Innovation Fund evaluation comes to an end.
Total Non-Departmental Output Expenses	24,074	-	24,074	-	28,494	-	

Appropriations	2006/07				2007/08		Scope of 2007/08 Appropriations
	Budget		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Benefits and Other Unrequited Expenses							
Housing Assistance (M37)	6,724	-	6,724	-	9,740	-	- Payments made to HNZN and other mortgage providers to compensate for the difference between the cost of funds and rate at which funds are lent and provide write-offs for loans. Reason for Change: The increase in funding is made up of increases for third sector and local government housing assistance conditional grants and interest subsidy and a further years funding for Essential Repairs Suspensory Loans.
Income Related Rental Subsidy (M37)	434,179	-	434,367	-	465,380	-	- Subsidy provided to HNZN to compensate for the difference between assessed income-related and market rentals. Reason for Change: The increase is due to an upward revision of forecast market rents.
Total Benefits and Other Unrequited Expenses	440,903	-	441,091	-	475,120	-	
Other Expenses to be Incurred by the Crown							
Community Housing Rent Relief Programme (M37)	4,500	-	4,500	-	4,500	-	- Contestable rent relief fund for service provider tenants of Community Group Housing properties who face difficulties in meeting rental payments.
Increase in Debt Provision (M37)	1,645	-	1,645	-	1,807	-	- Increase in provision for doubtful debts on Income Related Rents Crown Debt. Reason for Change: Increase debt provision.
Total Other Expenses to be Incurred by the Crown	6,145	-	6,145	-	6,307	-	
Capital Expenditure							
Capital Injections to Housing New Zealand Corporation for Housing Activities (M37)	204,796	-	204,796	-	111,168	-	- Capital injections (debt or equity) to HNZN to give effect to Government policy decisions around stock acquisition, modernisation and other housing interventions. Reason for Change: The decrease of \$105.745 million was primarily due to a decline in funding for State House Acquisitions of \$104.176 million. The Healthy Housing project received \$7 million of new funding in 2007/08.
Housing New Zealand Corporation - Loans to Refinance Third Party Debt (M37)	259,342	-	259,342	-	131,187	-	- Funding to cover the refinancing of HNZN's third party debt with Crown Debt. Reason for Change: Decrease to reflect rolling refinance programme.
Housing New Zealand Corporation (HNZN) - Loans to Refinance Crown Debt (M37)	-	-	-	-	40,000	-	- Capital injections to HNZN for housing activities, for the purpose of HNZN financing net new lending and the purchase and development of community houses.

	2006/07				2007/08		
	Budget		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	Scope of 2007/08 Appropriations
Capital Expenditure - cont'd							
Housing New Zealand Limited (HNZL) - Loans to Refinance Crown Debt (M37)	-	-	-	-	50,000	-	- Capital injections to HNZL for housing activities, for the purpose of refinancing HNZL's debt portfolio.
Loan to Registered Architects Board (M9)	45	-	45	-	-	-	- Loan to Architects Board to cover costs associated with implementing the Registered Architects Act 2005 which will be repaid.
Total Capital Expenditure	464,183	-	464,183	-	332,355	-	
Total Appropriations	1,008,454	-	1,008,642	-	909,858	-	

Part C - Explanation of Appropriations for Output Expenses

Part C1 - Departmental Output Expenses

Residential Tenancies Services

This output expense involves the administration of the Residential Tenancies Act 1986. It includes:

- the provision of dispute resolution services, information, education, and advice
- undertaking compliance activity
- the administration of residential tenancy bond monies
- the provision of administrative support to the State Housing Appeals Authority, an external appeals authority established to hear appeals against HNZC decisions on the assessment of IRRs and applicants' eligibility and need for HNZC housing.

Purchase and Monitoring Advice - Housing New Zealand Corporation

This output expense involves the provision of purchase and monitoring advice in relation to HNZC. In particular, this output expense involves:

- providing the Minister of Housing with purchase advice on the efficiency and effectiveness of Government spending and intervention in the housing sector
- providing Ministers of Housing and Finance with advice on the performance of HNZC.

Sector and Regulatory Policy

This output expense involves the provision of policy advice in relation to the building and housing sector in New Zealand. It includes the provision of policy advice on Government's regulation of the building and housing sector, monitoring the building and housing sector, and the provision of the regulatory framework for the building industry. In particular, this output expense involves:

- developing capability and capacity to monitor the building and housing sector
- providing policy advice on the building and housing sector and legislation regulating the sector, as requested
- improving the regulatory environment for business and the outcomes for building users
- commissioning and conducting research on issues relating to housing affordability, and support the Commerce Committee inquiry into housing affordability
- developing a framework for addressing sustainability issues in the building and housing sector
- developing regulations required to implement the Building Act 2004
- progressing amendments to the Unit Titles Act 1972 and the Residential Tenancies Act 1986
- establishing a Building Advisory Panel to provide independent and specialist advice on building issues.

Building Act 2004 Implementation

This output class involves implementing provisions of the Building Act 2004 with supporting regulations. It includes establishing regulatory schemes and operational frameworks such as the Building Consent Authority accreditation and registration scheme, providing advice and guidance on the new regulatory systems, and reviewing the Building Code. In particular, this output expense involves:

- implementing the accreditation scheme for Building Consent Authorities
- reviewing the Building Code
- implementing the product certification scheme for the voluntary certification of building products
- promoting awareness of key changes to the Building Act 2004 and building controls regime and the implications for consumers
- developing other associated processes to support implementation of the Building Act 2004.

Occupational Licensing

This output expense involves developing, implementing and maintaining registration and licensing regimes for building practitioners and electrical workers. In particular, activities within this output expense include:

- Building practitioners
 - implementing the operational procedures and processes for processing license applications and managing the licensing scheme
 - processing voluntary license applications (for the design, site and carpentry licence classes) from 1 November 2007
 - implementing information technology and business support systems for the licensing regimes
- Electrical workers
 - implementing and maintaining new registration and licensing regimes for electrical workers
 - transferring the contact centre and processing centre functions for the Electrical Workers Registration Board from the Ministry of Economic Development to the Department of Building and Housing
 - developing a database for the electrical workers register.

Building Regulation and Control

This output expense involves delivering a regulatory regime that ensures buildings are built right first time and meet the needs of New Zealanders. It includes specifying the regulatory environment, setting standards for buildings and building sector capability, and providing advice and guidance about the regulations and standards. In particular, this output expense involves:

- delivering performance based building controls that achieve the optimal balance between societal expectations, innovation and cost imposition on the building industry
- ensuring adherence to building controls by the building industry through the effective operation and enforcement of the regulation by Territorial Authorities and building consent authorities
- monitoring performance outcomes of the building and construction industry to guide improvement in the regulatory building controls regime

- providing information and guidance to the sector and consumers on how to meet the requirements of the Building Code, make informed decisions and successfully navigate the building control process throughout a building project.

Weathertight Homes Resolution Service

The purpose of the Weathertight Homes Resolution Services Act 2006 is to provide owners of dwellinghouses that are leaky buildings with access to speedy, flexible, and cost-effective procedures for assessment and resolution of claims relating to those buildings.

The Weathertight Homes Resolution Service (WHRS), established in November 2002, provides information, assessment and mediation services for homeowners whose homes are affected by the leaky building syndrome. The mediation services are an alternative option to legal action through the court system. Adjudication of claims is available through the Weathertight Homes Tribunal, which is administered by the Ministry of Justice.

- The Service assesses eligibility of claims under identified criteria set out in the WHRS Act 2006, and provides for an independent assessment of the specific technical issues of each claim, including remedial measures and cost.
- The Service provides a voluntary mediation service through which the claimant and other parties can express their perspectives and potentially agree on a settlement.

Where mediation is not the preferred option of the parties, or where a successful settlement is not achieved, parties have the option of using the adjudication process provided by the Weathertight Homes Tribunal. The adjudication service includes provision for compulsory involvement and for enforceable determinations by the tribunal.

In Budget 2006 additional funding of \$7.727 million in 2006/07, \$9.624 million in 2007/08, \$7.838 million in 2008/09 and \$3.621 million in outyears was provided to implement a set of changes to enhance the effectiveness and efficiency of the Weathertight Homes Resolution Service. These were aimed to improve the quality of services, reduce the time taken to resolve claims, with a consequential reduction in legal costs for homeowners using the WHRS (and for the liable parties involved). The changes were to encourage more homeowners to resolve disputes, leading to an increase in the rate at which non-weathertight houses in New Zealand were repaired.

Part C2 - Non-Departmental Output Expenses

Housing Policy Advice

The Crown purchases policy advice, research and evaluation to support its objectives of providing New Zealanders with decent housing. The advice contributes to innovation in design and delivery to help to provide a mix of direct and indirect housing interventions to meet the needs and aspirations of New Zealanders. Key activities include:

- *Housing policy advice* - Providing strategic and operational housing advice as agreed in the policy output plan with the Minister.
- *Research and evaluation* - Evaluating key programmes, develop housing research and undertake a range of market research as agreed with the Minister.
- *Ministerial support* - Supporting the Minister to meet Ministerial, Parliamentary and statutory responsibilities.

Contracted Housing Support Services

Contracted Housing Support Services allows HNZC to provide specialised services in areas where the need is greatest, particularly in rural areas. It aims to improve access of people on low and modest incomes to the finance, knowledge and skills they need to undertake and maintain home ownership.

This non-department output expense covers HNZC's role as lender and insurer.

Key activities include:

- *Home Ownership Education* - The Home Ownership Education programme supports people into home ownership, educating first home buyers on the difference between owning and renting a home, financial budgeting, home maintenance and more. It builds on and extends HNZC's existing home ownership programmes to appeal to a wider urban audience nationwide.
- *Low Deposit Rural Lending Education and Support* - The Low Deposit Rural Lending Education and Support programme provides education programmes to support decision-making on home ownership and help people to make sustainable decisions. As a result of the support process, Low Deposit Rural Lending graduates may progress into owning their own homes: some with Low Deposit Rural Lending loans.
- *Rural Housing Programme* - HNZC has undertaken a major initiative to alleviate substandard housing in Northland, Bay of Plenty, East Cape and Hawke's Bay. Funding is provided through suspensory loans to meet the cost of essential repairs to improve substandard housing in those rural parts of New Zealand and to meet the installation cost of power, sewerage and water for housing in those remote rural areas.
- *Rural Fire Service Safety Programme* - HNZC has funding provided to install smoke alarms in rural areas.
- *Home Improvement Project Zones* - HNZC supports community-based housing providers to plan and deliver home improvement services within rural areas.
- *Community-owned rural rental loans* - HNZC provides loans to rural-based community organisations to develop their own sustainable housing portfolios.
- Other activities include offering papakainga loans, delivering lending assistance for weathertight homes and delivering home ownership support.

HNZC Housing Support Services

HNZC Housing Support Services allows HNZC to continue to develop the capacity required to deliver housing that meets the diverse needs of New Zealanders, ranging from social housing to assisting people and families buy their first home.

Key activities include:

- *Community Renewal* - Funding provided to improve areas with high levels of social deprivation. The Community Renewal programme aims to address social exclusion and foster strong and sustainable communities. The programme takes a holistic approach in areas with high levels of social deprivation and work ranges from modernising and reconfiguring homes to improving social cohesion, safety and security and the physical environment. HNZC works with the tenants, community and agencies to build a strong healthy community and integrated range of appropriate services.
- *Healthy Housing* - Funding provided to determine the need for housing modifications and reduce housing related health risk, crowding and improve tenant access to health and social services.

- *Financial assistance non-weather-tight homes* - Weather-tight Homes Resolution Service - Funding provided for direct lending and guarantee products to assist WHRS claimants.
- *Housing Innovation Fund* - Funding provided for work with community-based organisations and local authorities to encourage development of social housing capacity. The Housing Innovation Fund encourages not-for-profit, non-government community groups and organisations, including Māori and iwi and local government, to increase or develop rental housing and home ownership to low-income earners, and those with special needs. HNZA provides loans and grants to local authorities and community-based organisations to supply additional housing units, or to modernise or improve existing housing.
- *Welcome Home Loans/Mortgage Insurance Scheme* - Work with lenders to offer home loans, through the mortgage insurance scheme, to address homeownership needs for modest income earners. HNZA is working with lenders to offer the Welcome Home Loan for people on modest incomes who want to move from renting to home ownership. Welcome Home Loans are available to people who can afford mortgage repayments but have little or no deposit, and would not normally qualify for a home loan. Participating lenders offer up to 100 percent of the house price, while HNZA provides mortgage insurance to the lender.
- *Wellington City Council* - The Crown has offered Wellington City Council financial assistance over the next 10-15 years to upgrade its housing portfolio to provide safe, secure housing to a good standard. In 2007/08, HNZA will receive funding to develop a detailed work programme to complete the capital works enable the financial assistance to proceed.
- *Shared Equity* - Shared equity is a programme of financial assistance that provides home buyers on modest incomes with the difference between the maximum amount they can borrow and the amount they need to buy a house in the region they live. In 2007/08, HNZA will be designing the programme. The proposed start date is 1 July 2008.'

Part D - Explanation of Appropriations for Other Operating Flows

Part D1 - Benefits and Other Unrequited Expenses

Income Related Rental Subsidy

- Income Related Rentals for eligible HNZC tenants are governed by the Housing Restructuring (Income Related Rents) Amendment Act 2001.
- Those HNZC tenants on low incomes ie, that is income at or below the rate of New Zealand superannuation, will pay no more than 25% of their income on rent. Those with higher incomes will have an appropriate income related rent calculated using an abatement formula. The incomes assessed will be those of the signatories to the Tenancy Agreement and their partners. In no case shall the income related rent exceed the market rent for the property.
- Until now the appropriations for the forecast Benefit and Other Unrequited Expense item Income Related Rental Subsidy in this Vote have been forecast on the mid point basis. This means it is to be expected that actual expenditure on this forecast item will in some years be more, and in other years less, than the mid point forecast. As an appropriation is a legal upper limit on expenditure, using a mid point forecast to determine the amount of the appropriation inevitably means that in some years there will be unappropriated expenditure for this item, requiring separate ministerial approval and parliamentary confirmation, or parliamentary validation. To reduce the likelihood of unappropriated expenditure on this forecast item in this Vote, the cumulative appropriation for this item in the 2006/07 Supplementary Estimates includes for the last three months of 2006/07 not the mid point forecast but a reasonable upper bound of the forecast range. The estimated actual amount for 2006/07 and the amount to be appropriated for 2007/08 shown in the 2007/08 Estimates for this item in this Vote continue to be on a mid point forecast basis. These are the amounts that continue to be used in the fiscal forecasts in the Budget Economic and Fiscal Update.

Housing Assistance

Housing Assistance includes:

- payments made to HNZC and other mortgage providers to compensate for the difference between the cost of funds and the rate at which funds are lent
- payments made to HNZC to provide funding for loan write-offs associated with conditional grants and the Housing Innovation Fund programme
- payments made to HNZC to provide funding for NECBOP and other programme loan write offs
- the decrease is due to the reclassification of Mortgage Insurance Scheme (to HNZC Housing Support Services) and Rural Housing programme (to Contracted Housing Support Services) appropriations.

Part D3 - Other Expenses

Community Housing Rent Relief Programme

HNZC leases around 1,300 tenancies to community groups, which are contracted to provide support services to people with disabilities, women needing refuge and emergency housing. The rent relief fund provides assistance to these tenants who face difficulty meeting their rental costs.

Increase in Debt Provision

This appropriation was established in 2005/06 to recognise any increase in the provision for doubtful debts on IRR Debt. This is a new requirement under the Public Finance Act. Prior to 2005/06, increases in debt provisions did not require an appropriation.

Part E - Explanation of Capital Flows

Part E1 - Explanation of Movements in Departmental Net Asset Schedules

Details of Net Asset Schedule for Department of Building and Housing	Estimated Actual 2006/07 \$000	Projected 2007/08 \$000	Explanation of Projected Movements in 2007/08
Opening Balance	10,050	9,244	
Capital Injections	6,585	6,001	To fund a projected deficit in the Occupational Licensing memorandum account (\$1.352 million), a capital injection to fund essential infrastructure resources (\$1.676 million) and a capital transfer from 2006/07 for essential infrastructure resources (\$2.973 million).
Capital Withdrawals	-	-	
Surplus to be Retained (Deficit Incurred)	(7,391)	(2,016)	
Other Movements	-	9,407	This is a non-cash movement to cover forecast output deficit
Closing Balance	9,244	22,636	

Part E2 - Statement of Estimated and Forecast Net Worth of Entities Owned

	Balance Date	Estimated Net Worth	Forecast Net Worth
		2007 \$000	2008 \$000
Housing New Zealand Corporation	30 June	11,617,356	11,691,837

The increase in forecast net worth reflects Government policy decisions resulting in increases to the housing portfolio, and capital growth.

Part E3 - Explanation of Appropriations for Capital Expenditure

Capital Injections to Housing New Zealand Corporation for Housing Activities

This appropriation enables HNZC to purchase and build additional state houses, reconfigure existing state houses and to build up its modernisation capacity to halt the long-term deterioration of state houses. The appropriation also enables HNZC to purchase and modify community houses, and fund third-sector housing innovation, appropriate rural borrowers and community based organisations.

Activities for State Housing Purposes

Activities undertaken for state housing purposes by HNZC as agent for the Crown under the Housing Act 1955. The appropriation in 2005/06 enabled HNZC to purchase land at Hobsonville from the New Zealand Defence Force.

Loan to Architects Board

Loan to the Registered Architects Board to cover costs associated with implementing the Registered Architects Act 2005, which will be repaid.

Housing New Zealand Limited (HNZL) - Loans to Refinance Crown Debt

Capital injections to HNZL for housing activities, for the purpose of refinancing Crown debt by HNZL.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Capital Receipts

	2006/07		2007/08	Description of 2007/08 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Non-Tax Revenue				
Dividend from HNZC	20,211	20,211	7,356	Dividend received from HNZC.
Interest on Housing New Zealand Corporation Loans	115,564	115,564	130,980	Interest on loans to HNZC.
Total Non-Tax Revenue	135,775	135,775	138,336	
Total Crown Revenue and Receipts	135,775	135,775	138,336	

Part G - Statement of Reconciliations

Part G1 - Changes in Appropriation Categories

From 2006/07 the State Housing Appeals Services output expense has been subsumed into the Residential Tenancies Services output expense and the Revenue Crown funded activity for the oversight of statutory boards has been transferred from the Occupational Licensing output expense to the Sector and Regulatory Policy output expense.