



DEPARTMENT OF
CORRECTIONS
ARA POUTAMA AOTEAROA

ANNUAL REPORT

1 JULY 2011 – 30 JUNE 2012



OUR VISION

To create lasting change by breaking the cycle of re-offending.

OUR GOAL

Reducing re-offending by 25% by 2017.

OUR PRIORITIES

Improving Public Safety

Keeping communities safe by ensuring offenders complete the sentences and orders handed down by our justice system and are held to account if they don't. This will always be our bottom line.

Reducing Re-Offending

Cutting the rate of re-offending leaves fewer victims and adds significantly to the social well-being of our communities as offenders become productive members of our society. This is our ultimate goal.

Better Public Value

We face a challenging economic environment so our commitment is to achieve more with every taxpayer's dollar, freeing up resources where we can, while improving our service responses.

Visible Leadership

Our leaders will work actively with staff to engage them in creating lasting change, and ensure that we truly unify our efforts to reduce re-offending. Our staff will be safe and well supported in their daily work with offenders.

INTRODUCTION

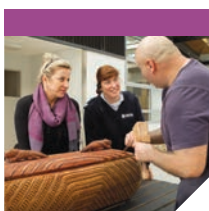
Our Annual Report is the most important means by which we report to Members of Parliament and the public. It outlines how resources were used and is a key document for the financial review of our performance and operations conducted by Select Committees under the Standing Orders of the House of Representatives.

It covers our operations during the preceding financial year from 1 July 2011 to 30 June 2012.

This Annual Report is divided into three sections:



Part A Contribution to Outcomes explains what we did to contribute to our long-term outcomes and medium-term impacts as outlined in the Statement of Intent 2011-14.



Part B Statement of Service Performance reports against the performance measures and standards for those services provided as set out in the Vote Corrections, Information Supporting the Estimates of Appropriations, 2011/12.



Part C Annual Financial Statements contains the financial statements for the 2011/12 financial year prepared in accordance with the Public Finance Act 1989 and other legislative or administrative requirements and expectations.

CHIEF EXECUTIVE'S OVERVIEW

This is my second Annual Report as Chief Executive and it's terrific to see how much Corrections has achieved over the last year. For me, the highlight has been watching staff embrace new ways of operating and taking a lead role in creating lasting changes within the Department. We are transforming the way we manage offenders. This has included staff taking an active role in rehabilitation and engaging with offenders at every opportunity.

If we can turn a person's life around, we can make a difference to the communities we live in. Reducing re-offending leads to fewer offenders and less crime, but most importantly it means fewer victims. It also makes economic sense, because the best investment we can possibly make is the investment in creating lasting change and turning people away from a life of crime. This commitment to creating lasting change in people's lives is embodied in our goal to reduce re-offending rates by 25 percent by 2017.

As a government department, we recognise the need to be fiscally prudent, and our Expenditure Review identified a number of ways for us to improve the way we work without increasing our costs.

Some of our prisons are more than a century old and were never designed for successful rehabilitation. This year we announced the closure of prisons and units that have reached the end of their economic lives, as well as the refurbishment of Invercargill and Auckland Prisons to ensure they support us in achieving our goal of reducing re-offending.

We have moved to a new nationwide structure aimed at empowering and supporting our frontline staff in prisons, community probation, rehabilitation and employment to work together as one team focused on the offender.

Restructures are difficult for people and I have been very proud of the way our staff have managed during this time.

Our three year programme to change the way we manage offenders in the community was completed this year. The new framework supports staff to make decisions about the management of offenders and helps staff to prioritise their efforts towards higher risk offenders. We have also introduced case management in our prisons, to develop rehabilitation plans for every prisoner and help them lead law-abiding lives on release.

We have proven we can introduce ground-breaking programmes like smoke-free prisons. Robust planning 12 months ahead of the smoking ban and engagement in the programme from staff at all levels ensured that prisons went smoke-free without incident. A year on, we can see tangible benefits to the health of both staff and prisoners. Leading the world with significant changes like this can only bode well for future innovations in the corrections service.



Ray Smith
Chief Executive

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WHAT CORRECTIONS DOES

On any given day, the Department of Corrections manages more than 8,500 prisoners throughout the country and offenders serving more than 41,700 sentences and orders in the community. These are some of New Zealand's most challenging people. We work with them to reduce the likelihood of their re-offending, while at the same time making sure they are managed in a way that keeps the public of New Zealand safe.

While in prison, or serving sentences and orders in the community, offenders have access to a range of rehabilitative and reintegrative interventions. We work with offenders and their whānau to address offenders' drug and alcohol problems, to increase their literacy and numeracy skills, and to help them get a job. We provide them with interventions that address the causes of their offending to help them live law-abiding lives.

Making a change in the lives of offenders is important, but our bottom line is to keep the public safe. We do this by making sure our prisons are securely maintained, and that we keep drugs, cell phones and other contraband out. We further ensure that prisoners and community-based offenders are held to account for their actions. We take appropriate action if conditions of sentences and orders are breached, and manage the risks that these offenders pose to the community.

In addition, we ensure that the diverse needs of prisoners are responded to, and that they are housed fairly and humanely while in our prisons. We respond to their various mental and physical health needs. We take into account their cultural background, ethnicity and language in managing them, and involve their families where appropriate.

Department staff provide approximately 60,000 reports on offenders to the courts to assist in sentencing decisions, and 8,000 reports to the New Zealand Parole Board to help the Board decide whether a prisoner should be released and under what conditions.



In 2011/12 we:

- > worked with over 77,000 individuals
- > managed over 19,000 people in our prisons
- > supervised over 69,000 people in the community

supported:

- > 2,103 prisoners to improve their literacy and numeracy skills
- > 5,146 prisoners to engage in employment-related activities
- > 3,145 qualifications to be gained by prisoners
- > 907 prisoners to take up places in Drug Treatment Units
- > over 5,000 prisoners to start a rehabilitation programme
- > over 5,000 community-based offenders to start a rehabilitation programme

We maintained \$2.5 billion worth of assets, including:

- > 19 prisons
- > 126 community probation sites

with:

- > over 7,600 staff
- > over 3,000 registered volunteers
- > over 47,500 staff training days

THE JUSTICE SECTOR AND CORRECTIONS

Corrections plays a key part in the justice sector, which involves the Ministry of Justice, New Zealand Police, the Crown Law Office, the Serious Fraud Office, the Ministry of Social Development and a number of Crown entities and agencies.

For some time we have been working together, recognising there is a pipeline across the criminal justice sector. This goes from crime prevention, investigation of crime to arrest and prosecutions, through to courts, sentencing, sentence management, rehabilitation and reintegration. Policies and approaches in one part of the system can have significant impacts on the others.

Coordination across the sector is required to ensure that resources are used as effectively as possible and that future policy, investments and changes to service delivery have the greatest positive impact. In order to strengthen collective leadership across the sector, a Sector Leadership Board comprising the Chief Executives of Police, Justice and Corrections has been established, supported by the new Interagency Sector Strategy group. The Board is responsible for driving performance across the justice system, coordinating the major change programmes underway and collectively planning to modernise the sector, reduce costs, improve services and further enhance public safety.

The government has committed to providing better public services within tight financial constraints. As part of a series of Better Public Services goals, the justice sector is working to reduce the overall crime rate by 15 percent.

To achieve this, the sector is working to:

- > reduce the violent crime rate by 20 percent
- > reduce the youth crime rate by 5 percent
- > reduce the re-offending rate by 25 percent.

Corrections is working closely with its justice sector partners to contribute both to the overall performance of the sector, and to achieve these goals.

Through the Expenditure Review, Corrections has provided \$87 million in funding to the Justice Sector Fund. Shared opportunities for cost savings related to training, facilities management, electronic security, information technology and fleet management are being explored as part of the wider Accessible Justice project. Further work as part of the Joining Forces project will see Police, Corrections and Justice work together in areas such as co-ordinated intelligence sharing, custodial activities, prisoner escorts and transport, electronic bail monitoring and combined training opportunities.

Work continues on the Drivers of Crime initiatives, including collaborative work with the Ministry of Health to expand the range of alcohol and drug programmes available to offenders in the community. Corrections continues to work collaboratively alongside the Ministries of Justice, Education, Health, Social Development and Te Puni Kōkiri to address other key drivers of crime in New Zealand society. The work programme also has a particular focus on improving outcomes for young Māori offenders.

MANAGING IN A CHANGEABLE ENVIRONMENT

The continued concern in global markets about the level and safety of government debt and the increasing concern about spending pressures in the years to come have caused a shift in thinking about what services governments should deliver and how they can be delivered cost-effectively.

Against this backdrop, the Government has launched a Better Public Services initiative to fundamentally alter the way services are delivered to New Zealanders and to ensure that real changes are made in society, within tight financial constraints. The Government's Better Public Services programme requires public sector agencies to provide quality services that achieve the results the public wants and expects within tight financial constraints. It requires agencies to be innovative, to be efficient and to work together to make a real difference to the lives of New Zealanders. Ten challenging goals have been set for Government agencies.

The Department of Corrections has committed to a challenging Better Public Services goal of reducing re-offending by 25 percent by 2017, resulting in 600 fewer prisoners, 4,000 fewer community offenders and 18,500 fewer victims each year. Achieving this will require innovation and new ways of working.

Collaboration with non-traditional partners offers opportunities to improve outcomes. Public sector boundaries are becoming increasingly flexible, and the establishment of a public private partnership to build and operate a new prison at Wiri will incorporate world-class expertise and ideas. The modern facilities, innovative services and a clear focus on results should see improved performance across the entire prison system.

Working more closely with other agencies, and with community and iwi providers, will encourage creative approaches to rehabilitation and reintegration, and increased support for specific groups of offenders.

Rapidly changing technology provides opportunities to better manage offenders, to improve safety and to work in more responsive and adaptive ways. For example, in the community, offenders at high risk of re-offending can be monitored using Global Positioning System (GPS) technology; and staff managing offenders in the community can work outside of probation centres, spending more face-to-face time assisting offenders. In prisons, technology allows the jamming of cell phone signals; and can reduce the need to move offenders from prisons (for example, for court appearances). In the future, new technology is likely to offer further potential to provide innovative solutions in managing offenders both in prisons and in the community.

Changes within the justice sector in approaches to managing and responding to crime will have an impact on our business. The recorded crime rate in 2011 was the lowest in 30 years, and volumes in our courts and prisons are decreasing. We have the opportunity to build on these trends to further reduce harm and the social and economic cost of crime.

The profile of the prison population also provides challenges. Māori continue to be overrepresented in our prisons, reflecting the high proportion of the Māori population in the crime-prone age range. Reducing overall re-offending requires making a real difference in the lives of Māori offenders by providing them with the skills and support to live law-abiding lives.

Gangs remain a problem, both in prisons and amongst offenders serving community sentences. Gang members have higher rates of re-offending than non-gang members and are more likely to be involved in violence in prisons.

The ageing prison population also poses challenges. Longer sentences and recidivist offenders staying in the prison system for longer have resulted in an increase in the average age of prisoners. The Department is working on how to respond to issues associated with an elderly population, like health needs. Those pressures are likely to remain and grow.

New Zealand's economic challenges and the tightening of the labour market will make finding employment for released offenders more challenging. However, the relationships the Department is establishing with employers and the staff of Work and Income and the training and education provided to prisoners will give offenders a better chance of finding work. The rebuild of Christchurch also offers opportunities for employment and the Department has instituted specific trades training to equip offenders with relevant skills.

There are indications of changing public attitudes towards crime in the community. A recent research survey which, amongst other things, asks New Zealanders what they see as the most important problem facing the country, saw the lowest percentage of respondents (4 percent) choosing crime and violence since the series began in 2001.

Economic and social issues will continue to challenge Corrections in the future, but creative responses that take advantage of opportunities will assist the Department to reduce re-offending and keep the public safe.

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THE YEAR AT A GLANCE

IN 2011/12 THE DEPARTMENT OF CORRECTIONS:

Reduced re-offending

- > increased the availability of drug and alcohol treatment in prison
- > increased participation in employment related activities that provide recognised qualifications
- > opened Whare Oranga Ake, kaupapa reintegration units based in Spring Hill and Hawke's Bay
- > evaluated current rehabilitative interventions, identifying those that should be expanded
- > improved the quality of existing rehabilitation programmes in prisons and the community
- > changed the way we work with offenders to encourage and motivate them to address their offending behaviours
- > introduced a screening tool to assess the mental health of prisoners as they arrive at prison
- > supported more Work and Income case managers in prisons to assist prisoners to find jobs on release.

Improved public safety

- > completed the introduction of our new approach to managing community-based sentences and orders, meaning the time and efforts of probation officers are now better targeted to offenders that pose the highest risks to others
- > introduced new ways of managing high risk of harm offenders in the community through our National Office, and through GPS technology
- > introduced smoke-free prisons without significant incident, which is a world first
- > worked with the Ministry of Justice to progress legislation to introduce Public Protection Orders. This will ultimately see those offenders at the highest risk of sexual or violent re-offending securely managed beyond the expiration of their sentence
- > completed the security review, which will ensure a consistent set of security regimes across the prison network
- > approved the use of pepper spray in prisons, and examined other ways to improve staff safety based on international practice.

Better public value

- > completed an Expenditure Review, identifying savings which will allow us to meet major cost pressures and Crown dividend commitments
- > developed an action plan to reinvest \$65 million worth of these cost savings in rehabilitation and reintegration initiatives over the next four years
- > identified \$87 million of savings to contribute to the Justice Sector Fund for Better Public Services initiatives
- > modernised the way we work and embraced new technology
- > driven for more results from offender focused contracts, and encouraged service providers to learn from one another to improve outcomes for offenders
- > explored shared opportunities with our justice sector partners for cost savings related to staff training, use of facilities and fleet management.

Our staff and our performance

- > identified structural changes that will strengthen regional management and better support frontline staff to achieve more with offenders
- > initiated leadership programmes for our emerging leaders and our staff who show leadership in working with Māori
- > introduced 'Make a Difference' awards to recognise the excellent performance of our staff
- > supported our staff in Christchurch with a staff welfare officer
- > prioritised the integrity of our workforce
- > began wearing more professional blue uniforms in our prisons, which are more practical for day-to-day wear
- > undertook a Performance Improvement Framework review, which provided positive results
- > worked with Serco to improve their performance, with stable or improved results across nearly all measures.

RE-OFFENDING IS REDUCED



Cutting the rates of re-offending adds significantly to the social well-being of our communities. This is our ultimate goal.

The greatest contribution we can make to society is to reduce re-offending. Breaking the cycle of crime results in fewer victims and safer communities.

Offenders come to us with a wide range of issues. To reduce overall crime in New Zealand, Corrections works with offenders to provide them with skills and support to better enable them to lead law-abiding lives. We have placed offenders at the centre of our efforts to achieve better outcomes and strived to ensure every prisoner has the opportunity to have a job on release.

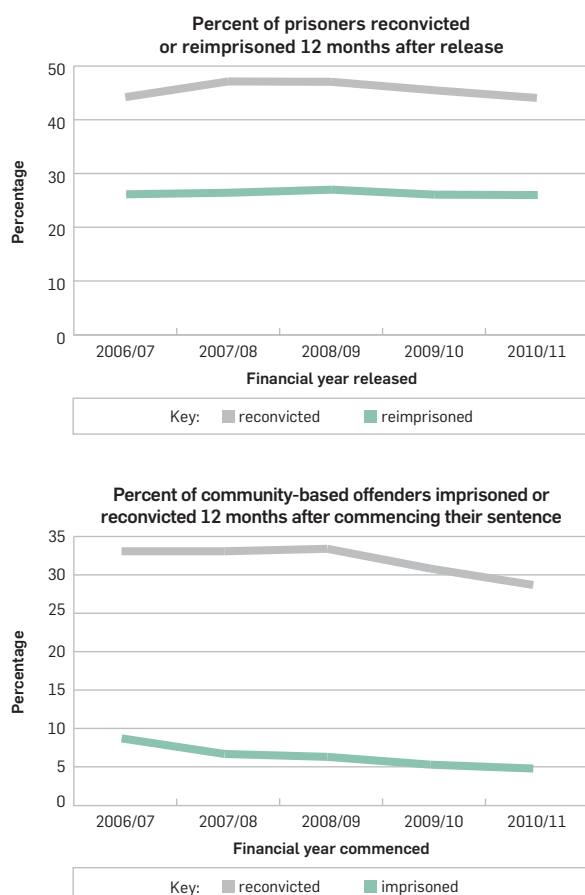
We know that offenders are less likely to re-offend if they undertake rehabilitation which helps them to address behaviours which contributed to their offending, and if they gain employment-relevant skills, qualifications and experiences that lead to sustainable employment on release.

In order to gain these skills they need their health and well-being to be maintained and they need to be managed fairly and decently. To make the most of the opportunities provided they require support to successfully reintegrate back into their communities.

Working with other parts of the public sector and with communities and other organisations is the most effective way to reduce re-offending. Corrections is leading across the wider justice, social and community sectors to ensure that offenders are connected with services that support them to live offence-free lives.

This year, community sentence reconviction rates have fallen to 28.4 percent. Levels of prisoner reimprisonment also reduced slightly, to 27 percent

There has been a continued fall in the rate of reconviction amongst offenders who commenced a community-based sentence, and a slight but continuing downward trend in reimprisonments for offenders released from prison.

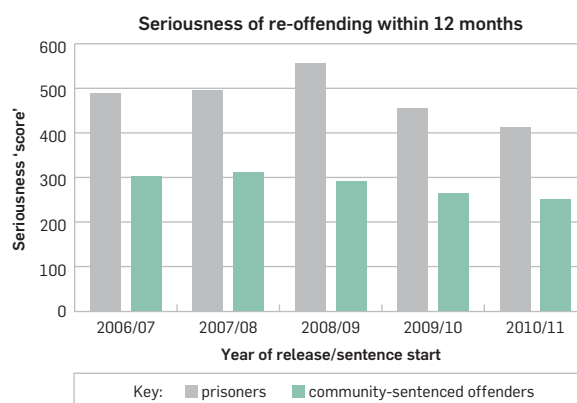


We are reducing the seriousness of offending amongst those who are reconvicted

This is the first year we have been able to measure the overall seriousness of the offences for which offenders are reconvicted. The graph below clearly indicates that average seriousness of re-offending has fallen in the last two years, for both released prisoners as well as those on community sentences.

The seriousness measure is derived from the Ministry of Justice's Seriousness of Offences Scale¹, which assigns a numeric score to every criminal offence. To illustrate, at the upper end of the scale, murder has a seriousness score of 10,000; at the other end, a minor theft offence has a seriousness score of 70.

This means that in addition to fewer offenders re-offending, overall the seriousness of re-offending is reducing.



¹ For more details, search <http://www.justice.govt.nz/>

OFFENDERS HAVE THE SKILLS AND SUPPORT TO LEAD LAW-ABIDING LIVES

The past twelve months have seen the focus on providing effective rehabilitation programmes increase even further. We have strengthened existing interventions, and provided more opportunities for prisoners and community-based offenders to participate in activities that support their rehabilitation.

We have supported our focus on addressing offenders' needs by embedding a new case management system in our prisons. Case managers work with sentenced prisoners on developing a plan to address their rehabilitation and reintegration needs during their time in prison. This approach helps ensure that the right people are undertaking the right interventions at the right time. During the 2011/12 year, all offender plans of sentenced prisoners were transferred to our 227 case managers.

The 'active management' approach is a key part of reducing re-offending that has been embedded this year. This means that all our frontline staff see engagement with offenders as opportunities to build a rapport and motivate them to change their behaviours, and to take an active interest in their success.

We are expanding our most effective rehabilitation programmes for offenders in the community

Increased places have been made available on existing medium-intensity rehabilitation programmes, and more programmes to be delivered in the community are under development. There is a particular focus on youth offenders and violent offenders.

In February this year, we began delivering the prison-based Kowhiritanga programme in the community. This medium intensity rehabilitation programme for women has been adapted to meet the needs of female offenders in the community. It is being delivered in conjunction with Waipareira Trust, who are providing childcare so mothers can engage in the programme.

We are working with the Ministry of Health to expand the range of alcohol and drug programmes available to offenders in the community. In March 2012, Cabinet agreed the Vote appropriations of \$10 million per annum for the Drivers of Crime package for alcohol and other drug treatment. Work has recently been completed with the Ministry of Health to identify the areas of the country with the greatest need, and the best mix of interventions required in each area.

Our rehabilitation programmes are effective in reducing re-offending

Prisoner interventions	Reimprisonment (12 month follow up)	Reimprisonment (24 month follow up)
Special Treatment Unit (sex offenders)	-3.70	-10.00
Special Treatment Unit rehabilitation programme	-2.50	-3.60
Drug Treatment Units	-6.40	-5.00
Medium-intensity programme	0	-3.20
Short rehabilitation/ motivational programmes	-7.00	-11.10
Corrections Inmate Employment	-3.10	-0.30
Trade and Technical Training	-7.70	na
Release to Work	-8.10	na
Community-based interventions	Reconviction (12 month follow up)	Reconviction (24 month follow up)
Medium-intensity programme	-5.80	-7.00

Figures represent percentage-point changes in rates of either reimprisonment or reconviction between "treated" and "untreated" offender groups. For example, a reimprisonment score of -10.00 indicates a ten percentage point reduction between treated and untreated groups (for example, where the rate of reimprisonment amongst untreated offenders was 35% and the corresponding rate for the programme's "graduates" was 25%).

These figures indicate that participation in rehabilitative activities generally has a positive impact on re-offending. The Department's main offence focused programmes – the medium intensity programme, Special Treatment Unit rehabilitation programmes, and the Drug Treatment Units, continue to produce positive outcomes.

Although this year's figures are somewhat modest, this may in part reflect the overall reductions seen in rates of reimprisonment. This year is the second in which we have reported results for Corrections Inmate Employment and those results continue to be positive.

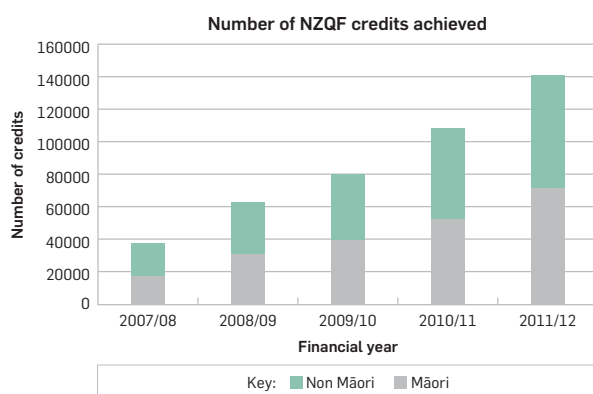
We are building on the success of these programmes, expanding the range and availability of the rehabilitation and reintegration opportunities that we offer.

Places available in Drug Treatment Units will have increased to over 1,000 each year by 2013. This year we opened a new Drug Treatment Unit within the Māori Focus Unit of Whanganui Prison. This new unit increases the availability of drug and alcohol assistance to short serving prisoners, and specifically allows prisoners in the Māori Focus Unit to more easily access the programme.

89 percent of the 2,363 prisoners on a literacy and numeracy course demonstrated an improvement in their skills

We are piloting new programmes to improve the literacy and numeracy of prisoners on remand. The 'Short Gains' programme is being piloted in Christchurch, Waikeria and Auckland Women's, equipping prisoners with essential numeracy, reading and writing skills. A 'Work Ready' programme, also aimed at remand prisoners, is being piloted in Hawke's Bay. This programme adopts a similar approach, but provides preparation for work, and includes modules on workplace literacy, numeracy, communication and computer skills.

We supported prisoners to achieve 140,599 NZQF credits



This is a 30 percent increase on the 108,080 credits achieved in 2010/11. This has contributed to prisoners obtaining 3,145 qualifications.

Corrections Inmate Employment (CIE) provides valuable opportunities for prisoners to gain qualifications and work experience.

Open days have been held at several prisons throughout the year, inviting industry leaders, local employers and the general community to observe prisoners participating in training and work experience activities such as catering, joinery and other trades. This also provides an opportunity to introduce prisoners to potential employers. Several new contracts have been established as a result.

A prison sentence at Northland Region Corrections Facility has provided valuable opportunities for an ambitious Whangarei man. During his sentence, he studied for and obtained the level 2 National Certificate in Horticulture, and has gone on to become a successfully self-employed general gardener, lawn care operator and bee-keeper.

Three new trade and technical training workshops opened at Christchurch Men's Prison in November 2011. CIE runs the workshops in conjunction with Christchurch Polytechnic Institute of Technology to train prisoners for the rebuild of Christchurch. Prisoners are working towards Level 2 National Certificates in Painting and Decorating, Plumbing, Roofing and Drainlaying; with the option of further training up to Level 4.

Māori continue to represent around half of the offenders we work with, and our partnerships with iwi and Māori communities are key to helping us reduce re-offending.

Our rehabilitation and reintegration programmes are designed to meet the needs of offenders from all cultural backgrounds. In addition to these programmes, we run Māori Focus Units, which allow prisoners to live in a separate unit with a strong focus on tikanga and te reo Māori. The Māori Therapeutic Programme, running through our Māori Focus Units, has been redesigned, and we have developed more effective entry and exit criteria for these units to better facilitate a therapeutic environment.

A key part of reducing re-offending is supporting prisoners to successfully reintegrate with their families, community, and other support networks. We work in partnership with community groups to support released prisoners with their accommodation, financial and social needs.

In July 2011, in partnership with Māori community groups, we opened Whare Oranga Ake units at Hawke's Bay Regional Prison and Spring Hill Corrections Facility. The two 16-bed units are located outside the prison's perimeter fence and signal a new approach to reintegration.

Whare Oranga Ake helps prisoners train for employment, find work, find accommodation on release, and form supportive pro-social networks with iwi, hapū and community organisations. Prisoners live communally within the Whare, and take on all the responsibilities of daily living, including cooking and cleaning. Māori community service providers lead and run the Whare on a day-to-day basis.

47 percent of prisoners on Release to Work maintained their job after release

This figure has been steadily increasing since 2009/10, when 37 percent of participants in Release to Work were offered jobs with their release to work employer.

This year we have dedicated a number of case managers towards increasing participation in Release to Work programmes. These programmes give prisoners with the appropriate security level the opportunity to work outside the wire in jobs that may provide employment on their release from prison.

The Department has partnered with agencies and community groups to better meet the employment needs of offenders. The Department is working with Work and Income to support prisoners to find work opportunities prior to their release from prison. There are Work and Income case managers in three prisons and plans are underway to roll this out to all prisons in the near future.

OFFENDER'S HEALTH AND WELL-BEING IS MAINTAINED

The health and well-being of prisoners is a key concern for us. Prisoners need to be healthy, and have their mental and physical well-being attended to, in order to fully take advantage of rehabilitation programmes and create lasting change in their lives.

In the past year, we have increased the number of pay phones in our prisons, and reduced the costs of phone calls, meaning that prisoners have more opportunities to contact their families and others for support. We have also worked with Lifeline Aotearoa to complete plans for a pilot to provide outside support to prisoners. From September 2012 prisoners at Northland Region Corrections Facility will be able to phone Lifeline Aotearoa Prison Helpline and speak to a trained third-party if they need support.

All New Zealand prisons are now smoke-free

After a period of support for both prisoners and staff to quit smoking, all of our prisons became smoke-free on 1 July 2011. This has greatly contributed to improved air quality for both prisoners and staff, and has reduced the level of fire related incidents.

We were proud to receive a Public Sector Excellence Award from the Institute of Public Administration of New Zealand (IPANZ) in the category of "Public Sector Communications" for our smoke-free prisons.



Smoke-free prisons: one year on

Since the introduction of smoke-free prisons on 1 July 2011, we have seen:

- > A rapid and substantial improvement in indoor air quality, with a study at Auckland Prison finding a 57 percent decline in 'indoor fine-particulate concentrations' after the policy was implemented. The report concluded "that a significant health hazard has been reduced for staff and prisoners alike".
- > Fewer opportunities for prisoners to use lighters to melt plastic into dangerous weapons.
- > A 72 percent reduction in fire-related incidents, down from 76 in the year before the ban, to 21 in the year following the ban.
- > No serious incidents or breaches of security during implementation, and no contingency plans being activated.
- > Significant and ongoing decline in the number of smoking related contraband. There were 1,337 finds of tobacco and smoking equipment, including matches and lighters, in the first six months of the policy, falling to 1,107 finds in the second six months of the year.
- > Staff generally appreciating the benefits of working within a smoke-free environment, with many reported having given up or reduced their smoking.
- > Reported benefits among prisoners including improvements in their health, reduced expenditure and pressure on families, improved self-confidence, and stated intention to remain smoke-free after release.

Unfortunately, this year, we have had five unnatural deaths in custody and six self-harm incidents that posed a threat to life

Financial Year	Unnatural Deaths	Self-harm threat to life incidents
07/08	5	31
08/09	5	33
09/10	6	31
10/11	12	23
11/12	5	6

Preventing unnatural deaths and life threatening incidents of self-harm in prison will always be a priority for us. This year we have reduced opportunities for self-harm by replacing ventilation grilles in our at risk units and introducing new clothing for prisoners considered to be at risk of suicide.

The increasing number of prisoners who present with mental health concerns has been an area of focus for us over the past twelve months. We implemented a Mental Health Screening Tool in our men's prisons in June 2012. When prisoners arrive at our prisons, their mental health needs are assessed. Support for vulnerable prisoners in mainstream units has been increased through the introduction of mental health in-reach services and welfare checks for those who require additional support.



The Care, Support and Integration unit at Mt Eden Corrections Facility has had immense success in reducing self-harm.

One particular success story is a prisoner who is well-known throughout New Zealand prisons and to Accident and Emergency departments as he has been a chronic self-harmer for many years and as a result has permanent organ damage.

"He has been resident with us for some months now and is settled, enthusiastic and has not attempted to self-harm once. Furthermore, he continues to strongly state that he has no intention to do so. It's evidence to us that the therapeutic model really works", says a psychiatric nurse.

We are learning from the new ideas Serco brings to the prison system in their management of a largely remand population. Serco have only one recorded incident of self-harm that posed a threat to life. This is significant as initial reception into prison can be a stressful time, and remand prisoners tend to have higher rates of self-harm.

The Care, Support and Integration unit at Mt Eden Corrections Facility offers an integrated and tailored form of care for vulnerable prisoners. A therapeutic environment and individualised treatment helps prisoners deal with learning, physical disabilities and/or mental health issues.

Custodial officers, health specialists and programme team members are all co-located within the unit, so that programmes, activities and interventions are all delivered on site. This allows vulnerable prisoners to actively participate in prison life during the treatment stage.

Numbers of justified complaints to the Corrections Inspector have declined

In 2011/12, we received 48 justified complaints, down from 70 in 2010/11. The greatest number of justified complaints relate to prisoner property, and none related to health services. This year we have worked to address this issue by completing the Management of Prisoner Property project. This project investigated the root causes of issues and complaints in relation to prisoner property and has resulted in a series of practical solutions which will be implemented during the next financial year.

This year, five health centres within our prisons received Cornerstone accreditation

Achieving 'Cornerstone' accreditation by the Royal New Zealand College of General Practitioners shows that we have met (or exceeded) the benchmark for over 30 standards in healthcare. This means that health services in prisons are providing a level of care equal to that of other primary health care practices in New Zealand. By 30 June 2014, it is anticipated that all 16 of the health centres within our prisons will have achieved accreditation.

We have focused on improving the health and well-being of Māori offenders

A number of the indicators for Cornerstone accreditation require evidence that the health needs of the Māori population are being addressed. All health centres either have or are developing a Māori Health Plan, and staff are trained in the application of Te Tiriti o Waitangi to health service delivery. Health services policies also recognise the higher health needs of Māori prisoners, for example including Māori aged over 35 as a target group for screening for cardio-vascular risk.

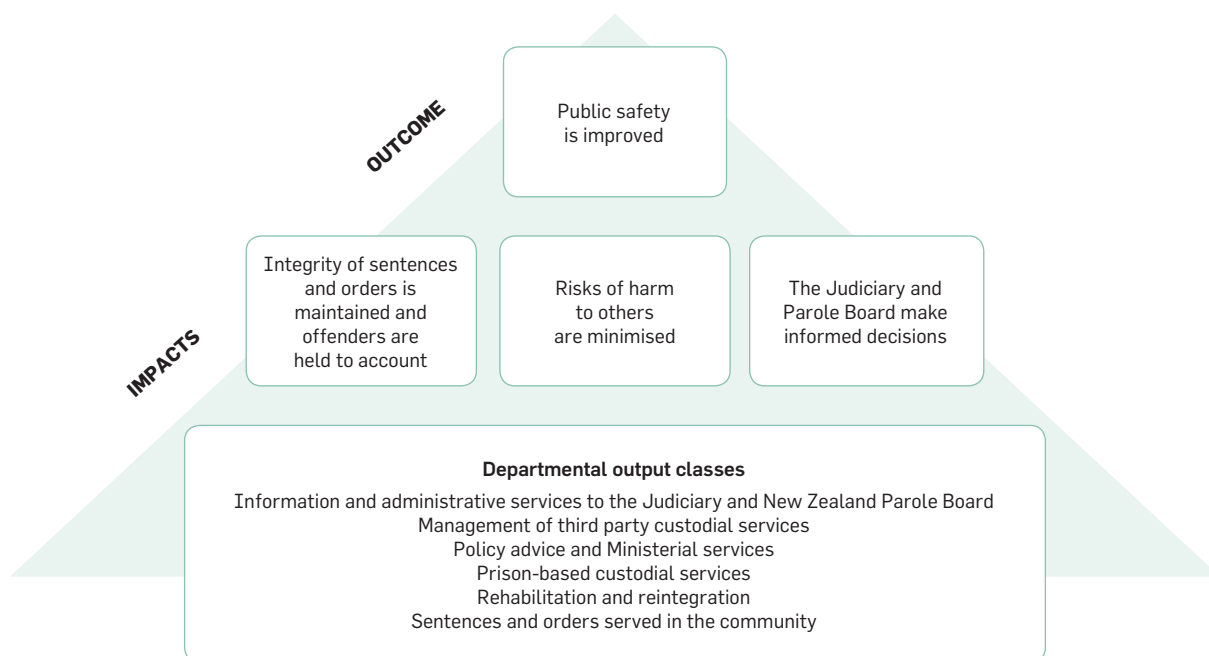


This year we opened two new Mothers and Babies units in Christchurch and Auckland. These units allow babies to stay with their mothers up until they are 24 months old. They give mothers and babies the chance to bond in a safe and supportive environment.

We are establishing a High Dependency Unit at Rimutaka Prison

To better deliver services to offenders with complex health needs, we are working with the Ministry of Health and the Hutt Valley District Health Board to establish a High Dependency Unit at Rimutaka Prison. Many of these prisoners would require residential care if being managed in the community. The unit will enable prison staff and health providers to provide additional support to prisoners who have ongoing and complex health or disability needs as a result of ageing or other medical conditions. The unit will provide a safe and secure environment where prisoners can be supported to maintain their level of health, and be effectively supported in their transition out of prison if they are released, or to age with dignity within the prison.

PUBLIC SAFETY IS IMPROVED



Keeping communities safe by ensuring offenders complete the sentences and orders handed down by our justice system. This will always be our bottom line.

Our primary role in the justice sector is to ensure that we manage offenders in a way that keeps the public safe. This means that offenders comply with the conditions of the sentences and orders that are handed down by the courts, and that they are held to account for breaching any conditions. It also means that the prison environment is safe and secure for prisoners, staff, prison visitors and the general public; and that offenders managed in the community are managed in a way that best keeps the public safe.

The other aspect of maintaining public safety is ensuring that the Judiciary and New Zealand Parole Board are able to make informed decisions. We provide them with good quality information about offenders, their progress and the risk they pose to the wider New Zealand public.

We measure our success against this outcome in two ways. This year 97 percent of offenders complied with their sentences or orders or were held to account for breaching conditions. This is a new measure for 2011/12. 99.77 percent of prisoners were released on their lawful release date. This figure has remained above 99.75 percent for the past five years.

THE INTEGRITY OF SENTENCES AND ORDERS IS MAINTAINED AND OFFENDERS ARE HELD TO ACCOUNT

We improve public safety by ensuring that offenders comply with their sentences and orders, and holding them to account if they fail to meet the imposed requirements. This means that prisoners are held securely in our facilities and that we prevent contraband such as drugs and cell phones entering our prisons. It also means that offenders in the community comply with the conditions of their sentences and orders, or face appropriate action if they do not.

In the past year, we have made changes to ensure that we are doing more to make sure these things happen. We have taken further steps to improve the security of our prisons and made significant changes to the way we work with offenders in the community.

97 percent of offenders have complied with their sentences and orders, or been held to account

This is the first year that we have measured the level of compliance with sentences and orders. The strong performance against this measure tells us our staff support offenders to comply with and finish their sentences and orders, and are vigilant in following up instances where offenders have failed to comply with their conditions.

In 2009 we embarked on a change programme to refocus our efforts in working with offenders in the community. This was completed in March 2012. It ensures that our staff have better support to focus their time and energy on those offenders at high risk, and to make better decisions about what each offender requires.

We have this year trialled new ways of using technology to help us manage some of our highest risk offenders. Currently, a number of offenders are monitored electronically as a condition of their sentence or order. This monitoring means that staff are alerted when offenders leave an approved location, but does not provide information on where they are. New GPS technology has been trialled, which allows us to better monitor the whereabouts of high risk offenders, and locate them more easily if they attempt to breach their sentence or order.

This year, three people have escaped from prison



Levels of escape from prison have remained relatively consistent over the past five years. This year, three remand prisoners escaped from prison. One of these incidents was from Mt Eden Corrections Facility, and two were from Waikeria Prison.

The public is concerned when they learn that a prisoner has escaped. We are too, and to further minimise escapes we have conducted a thorough review of our prisons, identifying where we can improve security, or better match the security level of a prison to the needs of the prisoners.

Upgrading some prison units, and closing some of our oldest prisons and units will allow us to concentrate on running a modern prison system with high quality security systems and a focus on rehabilitation.

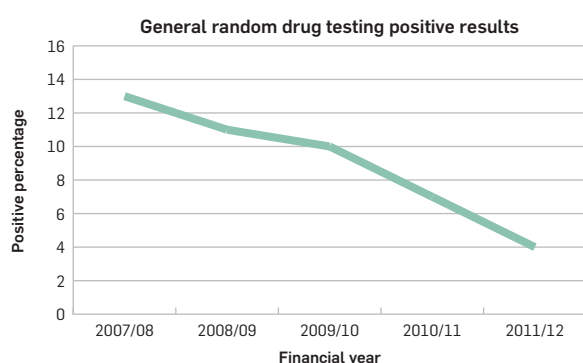
Financial Year	From escort	Breach of temporary release	Abscond
07/08	3	13	3
08/09	2	1	6
09/10	1	3	2
10/11	2	0	0
11/12	5	0	2

In addition to breakouts from prison, there have been five instances where a sentenced prisoner or a person on remand escaped from secure escort, including from court cells. We have increased the use of audio visual links between courts and prisons, meaning that prisoners are able to 'virtually' attend court hearings without leaving prison. As use of this technology becomes more widespread, fewer prisoners will need to be transported to and from court to attend their hearings. This is more cost efficient and improves public safety by minimising opportunities to escape from escort.

There are also instances where prisoners, considered at low risk of re-offending and at low risk of causing harm to others, are allowed to work in the community or to attend a funeral or other important event. On occasions these prisoners do not return when they are expected to, or walk away from their place of employment. We have had two incidents of prisoners absconding in 2011/12. We are currently exploring the use of electronic monitoring for prisoners undertaking employment activities outside prison as a way to reduce incidents of absconding.

The Department treats all escapes from custody seriously and every escape is fully investigated to identify any improvements to procedures or facilities that would reduce the likelihood of further escapes.

Levels of positive random drug tests have continued to decline



Over the past five years, levels of positive random drug tests have decreased dramatically as we have grown ever more successful at keeping contraband out of our prisons. This year, we have reached our lowest ever rate of positive random drug tests.

Keeping drugs out of our prisons remains a focus, and we have continued to increase the number of staff with drug dogs working at the gates and entrances to our prisons.

This year we have progressed legislation to manage the increasing number of prisoners who choose to 'waterload' before a drug test. Some prisoners consume large quantities of water immediately before a test in order to dilute their sample. These results are not currently counted as positive. If diluted samples are counted as positive results in future, we anticipate that a slight rise may be seen in the level of positive results to general random drug tests.

On 22 March 2012, three Corrections drug dog handlers and their dogs graduated from the New Zealand Police Dog Training Centre in Trentham, at a ceremony attended by Corrections and Police Minister, The Hon Anne Tolley.

The graduation ceremony was the culmination of an intensive nine-week course for both dogs and handlers. During the course dogs are taught to recognise and find the scent of narcotics such as methamphetamine, cannabis, cocaine and heroin.

The three handlers and their dogs, Aysa, Orla and Ben, bring Corrections' team of drug dog handlers to 15. This increase in capacity and capability will ensure the Department can meet further demand and continue to work alongside other government agencies such as NZ Police in combating the use of drugs.

The use of drug dogs plays a key role in reducing re-offending. Many prisoners enter prison with drug and alcohol addictions and these are barriers to offenders living offence-free lives. Reducing the availability of drugs inside prison, together with initiatives such as Drug Treatment Units, means offenders have a better chance at rehabilitation.

RISKS OF HARM TO OTHERS ARE MINIMISED

We manage offenders in the community in ways that keep the public safe. To do this, we regularly assess offenders to determine whether they pose a potential risk of harm to other persons. If their risk of harm to others is assessed as “high”, more intensive forms of management are initiated in order to reduce the level of risk.

This year, we have established a unit in our National Office dedicated to managing some of our highest risk offenders in the community, who are supervised using electronic monitoring. Centralising the administration of electronically monitored offenders ensured greater consistency in sentence management, and also yielded efficiency savings.

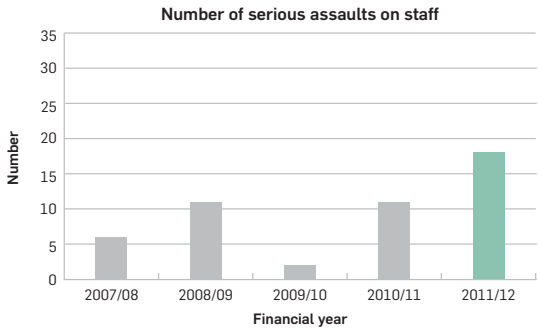
We have worked with the Ministry of Justice to progress legislation to introduce Public Protection Orders. This will ultimately see those offenders at the highest risk of sexual or violent re-offending securely managed beyond the expiration of their sentence.

The numbers of assaults on staff and prisoners remain a concern

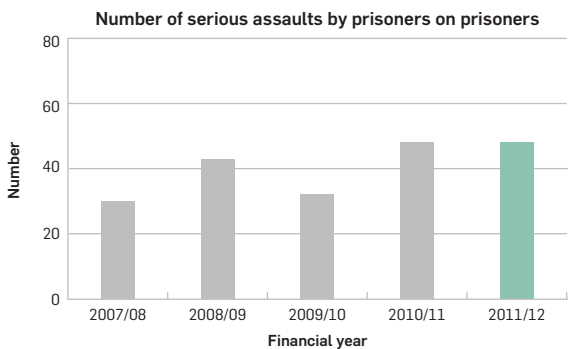
We aim to run prisons that are safe for prisoners, staff, visitors and the general public. Despite our best efforts, prisons can be volatile environments at times, and the risk of violence is always present. Some prisoners have long histories of antisocial behaviour and resort to violence with little warning.

We thoroughly investigate every serious assault that takes place in our prisons. Preventing assaults on our staff, and on other prisoners, has been, and continues to be, a key focus for the Department.

This year there have been 18 serious assaults on staff, an increase on the 11 that took place in 2010/11. Incidents of serious assaults have fluctuated greatly throughout the year, with half of these assaults taking place in May and June 2012. In July 2012, only one assault resulting in serious injury occurred.



Levels of serious assaults on prisoners by prisoners have remained constant with last year. In both 2010/11 and 2011/12, there were 48 prisoners seriously assaulted by other prisoners.



Serious injuries resulting from assaults are rare occurrences in our prisons, and they are something we treat very seriously. We equip our staff as best we can both to avoid these incidents taking place and to minimise the risk of harm when an incident does take place.

Based on discussions with staff who have been the victims of assault, we determined a number of initiatives that will help prevent these types of incidents in the future.

One of the new initiatives for improving staff safety is providing further training called Tactical Exit, which will help staff deal with situations with prisoners that have gone beyond a verbal resolution. This draws on existing tactical communications training, for which corrections officers are skills checked every two years. Extending this training to increase behavioural and situational awareness will be of benefit. The training will increase familiarity of delay, de-escalation and disengage tactics.

Following a successful trial, the use of pepper spray in prisons was approved, and will be implemented in the coming year. We are also examining other tools that are available to corrections officers internationally that could be introduced in New Zealand.

Two Principal Custodial Advisor positions reporting to the Chief Custodial Officer have been created to focus on improving staff safety in prisons.



For Chief Executive Ray Smith one serious assault on a staff member is one too many. After two particularly nasty incidents at Hawke's Bay and Waikeria prisons in 2011, Ray instigated a meeting in October with those assaulted, to develop practical responses to strengthen staff safety.

Ray said it was an emotional session with the officers able to share their horrific stories with others who had experienced a similar attack. "I asked them, 'what would help you now and to prevent this in the future?'"

Eleven staff from around the country attended a second half-day session in May to review progress and hear from senior managers what new initiatives were planned or established.

"I was happy to see at the May workshop that the officers seemed to be in a much better space emotionally. I hope that the mere fact of coming together, and the ongoing support since their assaults, has been positive for them", says Ray.

Thanks to the willingness of these staff to share their experiences, a number of new initiatives designed to keep our staff safe have been identified.

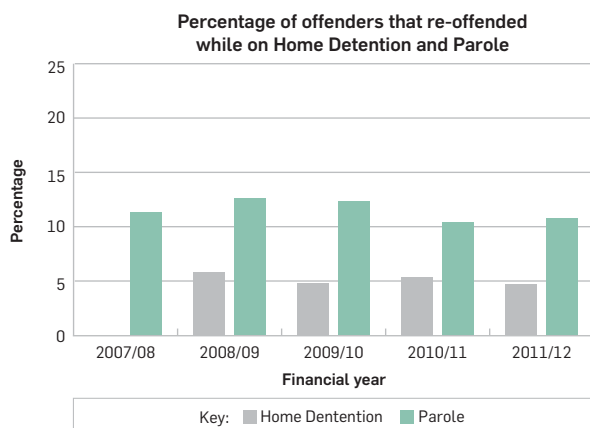
THE JUDICIARY AND PAROLE BOARD MAKE INFORMED DECISIONS

A key part of keeping the New Zealand public safe is assisting the Judiciary and Parole Board to make well informed decisions about how they deal with the offenders we manage.

Good quality information to the Judiciary and the New Zealand Parole Board ensures that offenders sentenced to home detention, or released on parole, have low rates of re-offending

We provide the Judiciary and the Parole Board with information about offenders' level of risk to inform their decision making. This applies both to Judicial decisions to sentence an offender to Home Detention, and Parole Board decisions to release prisoners on parole.

A new recidivism-based measure, reported for the first time this year, captures re-offending committed while serving a Home Detention sentence, or during the period of a parole order.



This graph indicates that re-offending by Home Detainees during their sentences has remained at very low levels over the last four years. Re-offending by offenders on parole has also fallen slightly.²

We have improved the timeliness and quality of reports to the Judiciary and Parole Board

We provide the Parole Board with parole assessment reports that assist them to make decisions on offenders' possible release from prison. This year, 100 percent of these reports met the agreed quality standards, and 85 percent were provided within the agreed timeframes, up from 75 percent in 2010/11.

Parole progress reports, which provide the Parole Board with information on offenders' compliance with their release conditions, met the agreed quality standards 99 percent of the time and that agreed timeliness standards 97 percent of the time, an improvement on last years' performance.

As part of the overall change programme for the management of community-based sentences and orders, we have revamped the pre-sentence advice that probation officers provide to the courts to support sentencing. This was first implemented in Wellington and Hamilton, and then rolled out to the rest of the country.

This signifies a fundamental redesign to the way pre-sentence advice is provided to the Judiciary. Probation officers writing pre-sentence reports undertake more robust assessments of compliance, likelihood of re-offending and risk of harm to support appropriate recommendations to the court. There is a greater emphasis on public safety and a strong focus on engagement with the offender and their whānau from first contact. The new reports are designed to be flexible enough to better meet the needs of the courts and justice sector, now and in the future.

"The Judiciary have been welcoming of the new approach and we've received many favourable comments from the bench about the more targeted nature of the new reports, which is great. Many Judges have also welcomed the ability to have reports completed on the day the report is ordered, where appropriate. This means the same Judge can sentence the offender which reduces delays in the court process and ensures the offender begins any treatment that is ordered more quickly."

- Project Lead Jon Burke

Together with the Ministry of Justice, we have continued to develop legislative amendments to reduce unnecessary parole hearings. The amendments will provide the Parole Board with greater flexibility to set parole hearings to better align with offender plan milestones, and will reduce stress for victims of crime as hearings will be set at longer intervals in some cases.

² Home Detention was introduced as a sentence in November 2007, therefore full year data is not available for the 07/08 year.

BETTER PUBLIC VALUE

Over the past twelve months, Corrections has conducted a thorough review of operations and related expenditure. This review resulted in recommendations that cover all aspects of our business and services and identified smarter ways of working. Implementation of the recommendations will fundamentally transform the Department's business model and operations to ensure it can contribute to a modern, more effective and more sustainable justice sector.

The efficiency savings produced by the Expenditure Review will be used by the Department to:

- > meet major cost pressures and Crown dividend commitments
- > reinvest \$65 million into a comprehensive package of services to reduce re-offending over the next four years
- > provide for the \$87 million to the Justice Sector Fund for Better Public Services initiatives.



Key changes we are implementing as a result of the Expenditure Review:

Enhanced efficiency

- > improvements to policy settings
- > better configuration of our prison assets
- > the realisation of corporate efficiencies

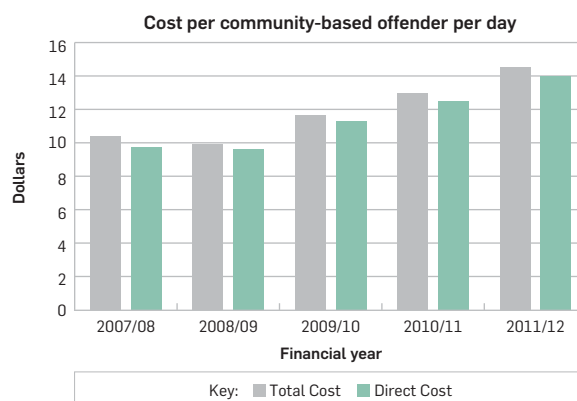
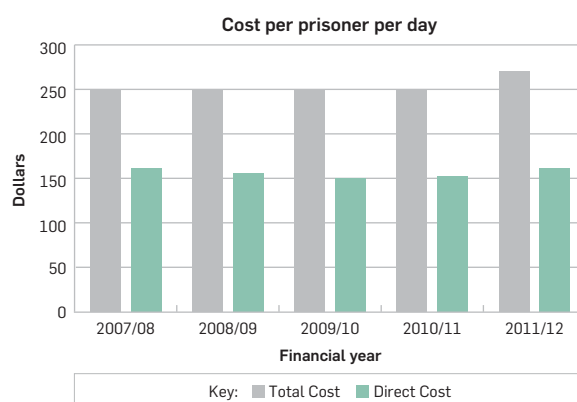
Performance Improvement

- > investment in activities that best reduce re-offending
- > creating a new structure to support frontline staff
- > improvements to security in prisons

Modernisation

- > new innovations in our prisons
- > more audio visual links with courts
- > new technology in our work with community-based offenders.

A key recommendation of this review was a new structure for Corrections, which has recently been implemented. This new structure will see Corrections staff unify their efforts in working with offenders, encouraging them to work more effectively with each other, and with their partners in the public, non-government and private sectors, to drive a reduction in re-offending. It will better enable local approaches to be taken to local problems, and will more efficiently align back office structures to support the delivery of frontline services.



The average cost per prisoner and offender is calculated by dividing the total relevant costs by the number of prisoners and offenders. The increase in average costs over the past year is largely due to the increase in the capital charge and depreciation costs, reflecting a revaluation of the Department's assets and an increase in the capital charge rate. In addition, the reduction in the numbers of prisoners and offenders has also increased the average cost.

Contract management

Corrections has continued to work with Serco to improve performance at Mt Eden Corrections Facility. Performance has generally improved across the board, as Serco has become more familiar with the legislative climate and requirements of the New Zealand environment. They have introduced a number of initiatives which we are considering implementing at other prisons. The Department will remain vigilant in its management of Serco's performance and will continue to expect a high standard of service delivery.

In March 2012, Cabinet approved SecureFuture as the preferred bidder to build a new prison at Wiri through a public private partnership. We have been consulting with tangata whenua and other community groups about the establishment of the prison, which will include flexibility to alter the security of individual units to meet the needs of the prisoner population, and a reintegration hub outside the wire.

Corrections outsources a number of services, such as information technology and facilities management. Contracts with these service providers include clauses requiring them to continuously seek better and more efficient ways of working, and identifying areas where efficiencies could be made. Outsourcing partners such as Gen-i and Spotless regularly engage with us on opportunities for improvement.

In respect of provision of services to offenders, we contract with a number of community and private providers to deliver services to address offenders' rehabilitative and reintegrative needs.

We continue to work with these contract providers to ensure that they share experiences with each other and adopt best practice methods, learning from the most effective interventions. This form of partnership arrangement is more likely to secure effective outcomes with offenders.

Capital and asset management

We manage \$2.5 billion of assets. The vast majority of these, \$2 billion, are land and buildings used for the provision of our services. We currently own 19 prisons, which range in age from New Plymouth Prison, built in 1861, to the contract-managed Mt Eden Corrections Facility, completed in 2011.

Some of these prisons have reached the end of their economic life, being too expensive to refurbish to a standard that will safely and humanely house prisoners and effectively rehabilitate and reintegrate prisoners into the community. One of the recommendations from the Expenditure Review has resulted in Corrections reconfiguring the prison system. After consultation with staff, we announced the closure of some prisons and units, and the refurbishment of others. This will reduce the operating expenses by \$20–\$25 million.

We have begun redesigning our service delivery spaces in the community, agreeing on a design for Corrections Hubs which will provide more opportunities for our staff to work collaboratively with other agencies to better meet the needs of offenders. Service centres that have required refurbishment in the past year have included some revised design aspects, including more open reception areas to encourage positive interactions with offenders, and CCTV cameras to increase security.

We are embracing new technology to help us operate more efficiently

Our information technology capability is central to the modernisation of our services. This year we have made enhancements to our existing structures, and have trialled new technology to help us better equip ourselves for the future.

We have focused on how new technology can help us be more mobile and safe while working in the community by testing a range of personal safety devices during different types of 'out of office' work.

We have trialled a number of telecommunication options to increase efficiency. This included providing offenders with direct access to probation staff via a linked telephone in court houses and notifying other offenders of upcoming appointments by text message. We further enabled low-risk offenders to report to their probation officer by phone, which delivered time savings and improved the quality of case notes.

The underlying structure that supports our operations has been transformed, with the launch of a new high performance database for the system we use to manage our offenders. This means that it better meets the needs of our frontline staff. We have continued to provide high resilience and disaster recovery capability to the Department.

MANAGEMENT OF MT EDEN CORRECTIONS FACILITY

This section provides a summary of the monthly reports submitted to the Chief Executive by the monitors of the Serco contract.

The Department has a contract with a private provider to run Mt Eden Corrections Facility (MECF). The primary outcomes of the contract are to achieve our goal of a reduction in re-offending, and to run the prison securely, safely and humanely. Serco's performance over the past year has improved as they have embedded their systems and become more familiar with the New Zealand legislative climate and environment. They are delivering innovative ways of working with prisoners that are producing measurable results, and we are keen to learn from their successes, and assess the potential for expanding some of their initiatives into other prisons.

MECF is the main remand prison for the Auckland and Northland regions, with a maximum prison population of 966. This makes it one of the largest prisons in the country and the largest prison with a predominantly remand population. Transition from public to private management of MECF was completed on 1 August 2011.

Our contract with Serco has 37 targets that must be met, with financial penalties imposed for non-performance on some of these targets. These performance targets were established to make MECF strive to be the most efficient and effective prison in the New Zealand prison network. The contracted performance targets require a very high level of compliance in many cases. The results for Serco show that the majority of their performance measured against these are either stable or improving.

Serco are also measured against 11 key performance indicators, which provide a financial incentive for Serco to exceed baseline performance in some key areas. Serco have achieved full targets for seven of the 11 key performance indicators in its first year of operation. Beyond our own monitoring activities, MECF will remain subject to the wider justice sector's scrutiny, as well as through the independent Ombudsmen's proactive investigation of any issues and through the prison inspectorate.

Under Serco's management there have been no deaths in custody and only one self-harm/threat to life incident. Self-harm is an issue in all prisons and something that we all work to avoid. Serco has established a specialised Care, Support and Integration Unit where prisoners at risk of self-harm are housed. While in the unit they are supported by trained staff and psychologists and able to interact with and support each other. This unit has helped achieve a very low rate of self-harm incidents.

Since MECF opened there have been over 3,000 prisoner transfers and thousands of prisoner movements to and from Court. Serco's prisoner reception systems and facilities, including having a first night unit and prisoner induction process, have contributed to a low number of self-harm incidents and have helped the receiving office run more smoothly.

Serco has been successful at minimising the amount of drugs entering MECF and this is shown by it having one of the lowest rates of positive drug tests in the country. Given that a large proportion of the prisoners that Serco manages are on remand, and remand prisoners generally have slightly higher positive general random drug test results, this is a significant achievement.

There have been two escapes under Serco's management in the past year, one from within the prison and one when a prisoner was being escorted outside prison. We have penalised Serco financially on both of these incidents in accordance with their contract. Following their investigations, Serco have implemented practical changes to policies and procedures to help avoid further breaches of security.

Serco is also working to reduce re-offending by providing prisoners with opportunities to gain skills and address the causes of offending during their time in prison, and by helping them to better reintegrate on their release. Serco has taken steps to make prison visits more family friendly to encourage prisoners to have regular, positive engagement with their children. Maintaining relationships with family, especially children, is a major factor in reducing the risk of re-offending and motivating prisoners to make positive life changes.

Ultimately, the introduction of Serco's seven pathway interventions will provide offenders with the opportunity to gain the skills they need to better reintegrate back into the community. Four of these pathways were implemented in the past financial year, with the remaining three to be introduced during 2012/13. Together, these pathways will help prisoners to lead law-abiding lives on release, and support our overall goal of reducing re-offending.

GOVERNANCE AND RISK MANAGEMENT

The Executive Team

In the past financial year, the Chief Executive was supported by a Deputy Chief Executive and seven General Managers who formed the Executive Team. The Executive Team met weekly and provided department-wide direction and leadership.

Throughout 2011/12, the Chief Executive was supported by a range of governance committees that supported the decision-making processes of the Executive Team and gave an additional level of governance with a specific focus on monitoring organisational performance, capability and risk.

- > **Executive Team Governance Committee**
 - reviewed financial and non-financial performance across the Department on a monthly basis, as well as overseeing the governance controls and assurance for the Department.
- > **Finance Governance Committee** – considered the Department's financial performance monthly.
- > **Information Technology Governance Committee**
 - managed the Department's IT systems and prioritised strategic change.
- > **Human Resources Governance Committee**
 - met quarterly to consider the human resources of the Department.
- > **Audit Committee** – met quarterly to provide independent advice to the Chief Executive on risk and assurance matters. It consisted of three external members, one of which was the Chair, and three internal members.

Internal Audit and Risk Management

Internal Audit undertook a range of planned and responsive activities to provide assurance that the Department's network of controls and governance was adequate and functioning effectively. The activities included planned audits across the Department's core systems, a programme of regular stock takes across business areas, and responsive reviews when there were changes that may have an impact on the control environment.

The risk management function acted as a centralised support function for the distributed network of risk management occurring throughout the Department. The unit provided the policy, systems and support to ensure a consistent and effective Risk Management approach occurred in all areas.

OUR WORKFORCE AND LEADERSHIP

A new structure for Corrections – integrating our services, empowering our regions and unifying our effort

This year Corrections committed to a new organisational structure to help us achieve our goal of a 25 percent reduction in rates of re-offending. Since 1995, the Department has been structured around distinct service arms. Most recently there have been three: prisons; probation; and rehabilitation and reintegration. In future, Corrections will be organised around one regionally-structured service delivery group, with all other parts of the Department aligned to support this group.

Having a unified service delivery group will require us to work together to effectively manage offenders. Strengthening the regions will provide greater authority to frontline staff so they can confidently apply innovation in working with offenders, whānau, and others. Unifying our effort will help us achieve the change in performance required to deliver our goal of a 25 percent reduction in re-offending over the next five years.

This year, we focused on developing motivated and capable staff, strong leaders, and a supportive workplace

In the past year our Chief Executive launched the Make a Difference Awards. These awards are one way of ensuring managers have the resources to recognise staff for the excellent work they do across the entirety of the Department. Bronze awards are presented to staff at any time to acknowledge outstanding work. This year 47 staff and five groups of staff received Make a Difference awards at regional and national office ceremonies.



Our Executive Team took time to gain a deeper understanding and appreciation of the day-to-day duties of our frontline staff. Members of the Executive Team each shadowed staff from across the Department's three services as they went about their normal business. Deputy Chief Executive, Christine Stevenson, noted that "watching the skilful and compassionate way that the staff member engaged with the offender was impressive."

In March we initiated an Emerging Senior Leaders programme, providing access to enhanced development opportunities and mentoring for 20 of our highest-achieving tier four and five managers. A more focused and deliberate approach to the development of our tier three leaders has also been further embedded. A common initial programme for all managers was introduced in January.

This year we provided a programme of mentoring and personal and professional development to staff who want to take on leadership roles in the Department to achieve better outcomes with Māori offenders. An expanded version of this programme, extending to middle management, has also been designed.

A performance culture

In line with many of our public sector colleagues, part-way through the year we began a Performance Improvement Framework Review. Overall, we received a positive review, with reviewers particularly noting the strength of our vision, strategy and purpose. The review reinforced some areas where we had already taken steps to improve our performance, and many of the achievements over the past year have contributed to improving those areas.

We challenge all our managers and staff to match their performance against our highest achievers. This year the Department embedded the use of league tables that compare performance across our service centre areas, providing managers with valuable information and encouraging us to learn from successful behaviours across the organisation.

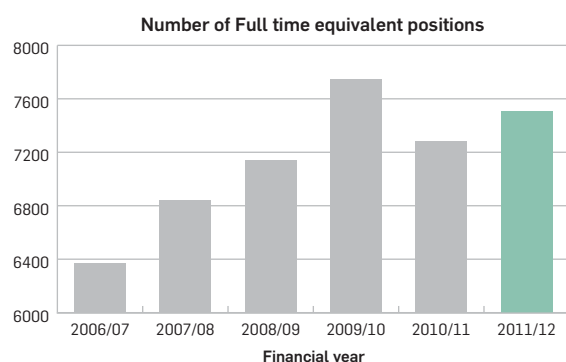
As part of our Statement of Intent for 2012-15, we developed more robust and meaningful performance measures for internal and external audiences, allowing us to better measure our successes and quickly identify and rectify any problem areas.

There are several key areas where we have taken steps to improve our performance. The Performance Improvement Framework Review reinforced the need to continue to build capability and capacity in the following areas:

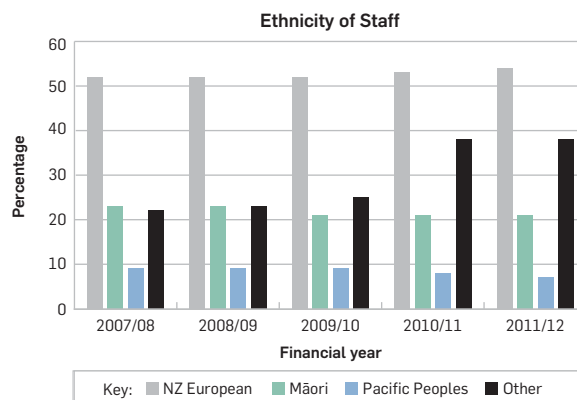
- > we are implementing a new structure to help us become more integrated and act as 'one team' to reduce re-offending
- > we are finding ways of better engaging with the public and sharing our story
- > we are working to have more effective contracting relationships with our providers
- > we have taken a broader intervention approach, with more emphasis on integration in the community
- > we are better targeting our interventions, including earlier intervention in the offender lifecycle
- > we are strengthening our sector relationships
- > we are identifying ways of better assessing the re-offending risk in the prison system
- > we have moved to offender-centric case management
- > we are striving to better engage with and support our people to reduce re-offending while ensuring sentence compliance.

Our Staff

Over the 2008 to 2010 period there was significant growth in our permanent workforce. As well as increases in the number of core frontline roles, there were increases in the numbers of health staff and employment and training instructors.



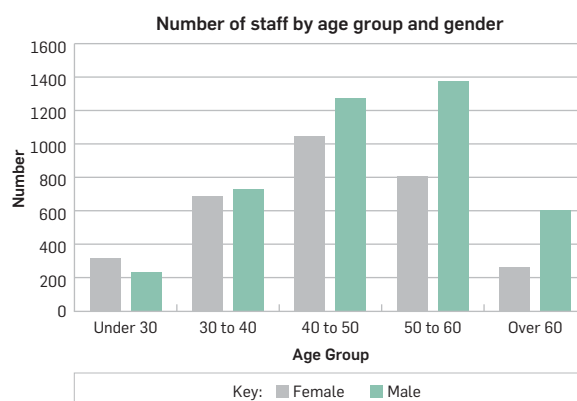
From June this year the Department has begun targeting the recruitment and training of graduates, looking to identify a pool of high-potential staff who can be fast-tracked through Corrections, develop strong cross-departmental knowledge, and become our future leaders.

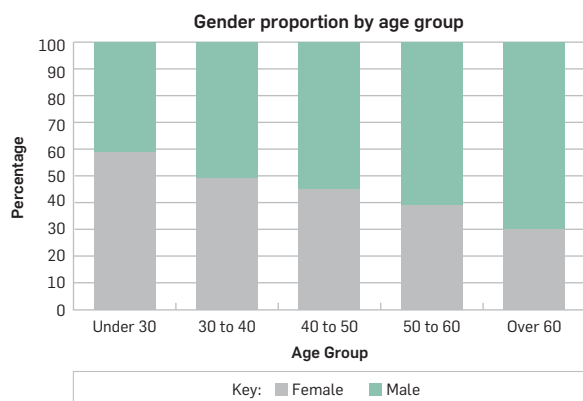


Since 2008, more than 20 percent of our staff identify themselves as Māori, and between seven and nine percent identify themselves as Pacific peoples. Staff can identify more than one identity, and since 2010 we have seen an increase in the number of staff who are choosing to identify multiple ethnicities and this is represented in the graph by growth in the "other" category.

It is important for us to ensure that staff represent the full spectrum of the offender populations, as Māori and Pacific peoples continue to be over-represented in the corrections system.

In November, the Department won the Government category of this year's Māori Language Awards, reflecting the work of staff all over the country to support offenders to reconnect with their identity.



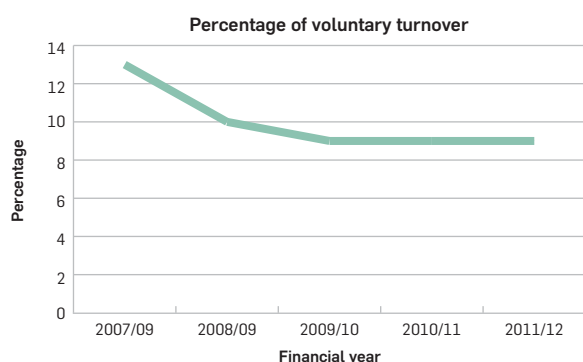


The average age of our staff is 47 years. 57 percent of Corrections' staff are male, and 43 percent are female.

Turnover

Voluntary turnover at Corrections has reduced since 2008, in line with similar reductions elsewhere in the public sector, and is below the public sector average.

One of the Department's tools to help reduce voluntary turnover, and to learn from the staff that have chosen to leave us, is the exit survey. We use this information to help inform our employee engagement strategy and to help us continually improve the culture at Corrections. This makes the Department a better place for remaining staff to work and a better place for staff that have left to return to.



In 2011/12 we focused on improving the safety and well-being of our staff

The Department of Corrections recognises that when we are fit and well, we are most effective in our roles – both in our work and in our personal lives. To help us all to achieve our best Corrections has created a Wellness portal which offers free eye examinations and reimbursements for eyewear, free health checks and free flu vaccinations for all staff.

To help our earthquake-impacted staff in the Canterbury region with their accommodation, insurance and health issues we employed a Christchurch-based Staff Welfare Officer.

Some of our frontline staff in prisons have been unable to get income protection insurance in the past because of their occupation. We negotiated with Sovereign, New Zealand's largest life insurer, in association with Aon New Zealand, who now offer all our staff the opportunity to apply for loss of earnings protection.

In addition to a number of initiatives designed to keep our staff safe on the job, we developed a process to ensure that all staff harmed in traumatic work incidents and staff who witness such incidents receive ongoing Employee Assistance Programme counselling and support.

The integrity of our staff, and having transparency in our actions, is key to achieving results with offenders

In September 2011, our prison staff arrived at work in their new blue uniforms. These uniforms visually align us with our justice sector colleagues and are more practical for the day-to-day needs of our staff.

In October we released a revised Code of Conduct for staff, which sets out the principles that enable us to do our work with integrity and transparency. It outlines the behaviours we must demonstrate if we want to succeed at reducing re-offending and maintaining public safety. We have also instituted an integrity phone line which provides access to confidential advice and support for staff and is an easy avenue for reporting concerns of unethical behaviour.

To ensure that new staff share our focus on transparency and integrity, in October 2011 we implemented a number of new employment processes, including credit checking for all employees going into jobs with significant financial risk and police checks for new frontline staff. We have also introduced integrity related questions in our recruitment interviews and drug testing for all potential staff.

This year we designed a cohesive approach to an induction programme for all new employees. 'Welcome to Corrections' was introduced in July 2012 to complement the inductions that staff receive from their own managers. The programme focuses on how we work together as one Department to reduce re-offending and clarifies where Corrections fits into the wider justice sector.

PART B:

STATEMENT OF SERVICE PERFORMANCE

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STATEMENT OF RESPONSIBILITY

In terms of the Public Finance Act 1989, section 45C, I am responsible, as Chief Executive of the Department of Corrections, for the preparation of the Department's financial statements and statement of service performance, and for the judgements made in these statements.

I have the responsibility of establishing, and I have established, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Department for the year ended 30 June 2012.

Signed



Ray Smith

Chief Executive

28 September 2012

Countersigned



Sean Mahony

Chief Financial Officer

28 September 2012

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of Department of Corrections' financial statements, non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2012

The Auditor-General is the auditor of Department of Corrections (the Department). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of the Department on her behalf.

We have audited:

- > the financial statements of the Department on pages 67 to 103, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, the statement of comprehensive income, statement of changes in taxpayers' funds, statement of departmental expenditure and capital expenditure against appropriations, statement of unappropriated expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- > the non-financial performance information of the Department that comprises the statement of service performance on pages 37 to 64 and the report about outcomes on pages 9 to 22; and
- > the schedule of non-departmental activities of the Department on page 104, that comprise the schedule of non-departmental expenses, for the year ended 30 June 2012.

OPINION

In our opinion:

- > the financial statements of the Department on pages 67 to 103:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Department's:
 - financial position as at 30 June 2012;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2012; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2012. and
- > the non-financial performance information of the Department on page 9 to 22 and 37 to 64:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Department's service performance and outcomes for the year ended 30 June 2012, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- > the schedules of non-departmental activities of the Department on page 104:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the expenses against appropriations and unappropriated expenditure and capital expenditure for the year ended 30 June 2012 managed by the Department on behalf of the Crown.

Our audit was completed on 28 September 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and our responsibilities, and we explain our independence.

BASIS OF OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, the non-financial performance information and the schedules of non-departmental activities are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, the non-financial performance information and the schedules of non-departmental activities. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Department's preparation of the financial statements, the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

An audit also involves evaluating:

- > the appropriateness of accounting policies used and whether they have been consistently applied;
- > the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- > the appropriateness of the reported non-financial performance information within the Department's framework for reporting performance;
- > the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities; and
- > the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, the non-financial performance information and the schedules of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE CHIEF EXECUTIVE

The Chief Executive is responsible for preparing:

- > financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Department's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes; and
- > schedules of non-departmental activities, in accordance with the Treasury Instructions 2011 that:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect those activities managed by the Department on behalf of the Crown.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements, the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out assurance review over request for proposal process for professional services and tender process for provision of electronic security services. These areas are compatible with those independence requirements.

Other than the audit of these assignments, we have no relationship with or interest in the Department.



Clint Ramoo

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

This audit report relates to the financial statements and statement of service performance of the Department of Corrections (the Department) for the year ended 30 June 2012 included on the Department's website. The Chief Executive is responsible for the maintenance and integrity of the Department's website. We have not been engaged to report on the integrity of the Department's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance as well as the related audit report dated 30 September 2012 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.



THE YEAR AT A GLANCE

IN 2011/12 THE DEPARTMENT OF CORRECTIONS:

Information and administrative services to the Judiciary and New Zealand Parole Board

- > came within 10 percent of all benchmark standards, with a budget surplus of over \$2.9 million

Management of third party custodial services

- > achieved all but one performance target, with a budget surplus of over \$1.7 million
- > implemented strategies to remedy performance where needed

Policy advice and ministerial services

- > met or exceeded all budget standards within budget

Prison-based custodial services

- > came within 10 percent of, or exceeded, the majority of benchmark standards
- > performed within budget
- > identified that serious injuries resulting from assaults are an area of concern, and identified several new initiatives to help keep staff and prisoners safe

Rehabilitation and reintegration

- > came within 10 percent of, or exceeded, most benchmark standards within budget

Sentences and orders served in the community

- > met all budget standards within budget
-

INFORMATION AND ADMINISTRATIVE SERVICES TO THE JUDICIARY AND NEW ZEALAND PAROLE BOARD

This appropriation is limited to the provision of information about offenders to victims of crime, the Judiciary and the New Zealand Parole Board (NZPB), and the provision of administrative, financial and secretariat services to the New Zealand Parole Board.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2012

	2010/11	2011/12		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	65,576	59,898	56,498	59,898
Departmental	514	511	507	507
Other	–	–	–	89
Total Revenue	66,090	60,409	57,005	60,494
Total Expenses	62,109	57,559	57,005	60,494
Net Surplus / (Deficit)	3,981	2,850	–	–

OUTPUT: INFORMATION SERVICES TO THE JUDICIARY

This output focuses on the preparation of reports that provide sentencing Judges with information about offenders, to assist with the sentencing process. This service includes attendance at court, prosecutions, and attendance at sentencing resulting from Community Probation Service initiated proceedings. This output supports the Judiciary to make informed decisions.

This output is demand driven by the Judiciary and as such the Department has very limited control over the demand for its services. The demand experienced during the 2011/12 financial year was 53,399 reports to courts, and 102,159 court attendance hours.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of reports provided to agreed standards (see note 3):				
• Probation reports	94%	≥ 90%	97%	0%
• Psychological reports	note 1	100%	99%	(1%)
– Private prison	note 1	100%	90%	(10%)
– Rehabilitation and Reintegration Services	note 1	100%	100%	0%
TIMELINESS				
The percentage of reports provided to court within agreed timeframes before sentencing (see note 4):				
• Probation reports	94%	≥ 95%	95%	0%
• Psychological reports	98%	100%	98%	(2%)
– Private prison	note 1	100%	100%	0%
– Rehabilitation and Reintegration Services	98%	100%	98%	(2%)

OUTPUT: INFORMATION SERVICES TO THE NEW ZEALAND PAROLE BOARD (NZPB)

This output focuses on ensuring reports provide information to the Board to assist with decisions regarding a prisoner's release from prison. The Department also provides progress reports to the Board on offender compliance with the conditions of their parole orders. This output supports the Board to make informed decisions.

This output is demand driven by the Board and as such the Department has very limited control over the demand for its services. The demand experienced during the 2011/12 financial year was 8,352 reports to the Board.

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of reports provided to agreed standards (see note 5):				
• Parole Assessment reports	note 1	100%	100%	0%
– Private prison	note 1	100%	100%	0%
– Rehabilitation and Reintegration Services	note 1	100%	100%	0%
• Parole Progress reports	note 1	≥ 90%	99%	0%
• Psychological reports	note 1	100%	100%	0%
– Private prison	note 1	100%	100%	0%
– Rehabilitation and Reintegration Services	note 1	100%	100%	0%
TIMELINESS				
The percentage of reports provided to agreed timeframes (see note 6):				
• Parole Assessment reports	note 1	≥ 75%	85%	0%
– Private prison	note 1	≥ 75%	91%	0%
– Rehabilitation and Reintegration Services	note 1	≥ 75%	85%	0%
• Parole Progress reports	93%	≥ 95%	97%	0%
• Psychological reports	100%	100%	95%	(5%)
– Private prison	note 1	100%	90%	(10%)
– Rehabilitation and Reintegration Services	100%	100%	95%	(5%)

OUTPUT: INFORMATION AND ADMINISTRATIVE SERVICES TO VICTIMS

This output focuses on the administration of victim notification services. The Department has a responsibility to notify eligible victims about specific events as detailed in the Victims' Rights Act 2002. The New Zealand Police refer details of eligible victims to the Department.

This output is demand driven by the New Zealand Police and as such the Department has very limited control over the demand for its services. The demand experienced during the 2011/12 financial year was 754 referrals received from the New Zealand Police.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY AND TIMELINESS				
The number of justified complaints about notification services received from registered victims	Nil	Nil	Nil	0%
The percentage of registered victims who are notified as per Department and legislative requirements (see note 7)	100%	100%	100%	0%

OUTPUT: ADMINISTRATIVE SERVICES TO NEW ZEALAND PAROLE BOARD (NZPB)

The Department provides administrative services to the New Zealand Parole Board.

This output is demand driven by the Board and as such the Department has very limited control over the demand for its services. The demand experienced during the 2011/12 financial year was 8,942 hearings where administrative support was required.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of offenders who are notified as per the NZPB requirements (see note 8)	100%	100%	100%	0%
The percentage of victims who are notified as per the NZPB requirements (see note 9)	98%	100%	100%	0%
TIMELINESS				
The percentage of all cases scheduled to be heard by the NZPB that are scheduled no later than 16 weeks from the date of the hearing	100%	100%	100%	0%

MANAGEMENT OF THIRD PARTY CUSTODIAL SERVICES

This appropriation is limited to preparing for and managing contracts for the provision of custodial services by third parties.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2012

	2010/11	2011/12		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	24,956	9,442	8,845	9,442
Departmental	–	–	10	10
Total Revenue	24,956	9,442	8,855	9,452
Total Expenses	24,261	7,720	8,855	9,452
Net Surplus / (Deficit)	695	1,722	–	–

OUTPUT: WIRI PRISON PUBLIC PRIVATE PARTNERSHIPS

This output covers the proposed Public Private Partnership (PPP) and the subsequent contract management of the prison for the provision of custodial services.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
Complete the evaluation of Request for Proposal submissions and select a preferred bidder for the Wiri Public Private Partnership project	note 1	Achieved by December 2011	Achieved	Nil
Receive approval for the appointment of a preferred bidder for the Wiri Public Private Partnership project	note 1	Achieved by February 2012	Achieved	Nil

OUTPUT: CONTRACT MANAGEMENT OF PRISONS

This output covers the contract management of an existing prison for the provision of custodial services.

The objectives of the contract are:

- > to ensure sustainable cost savings and service improvements
- > to create opportunities for New Zealand businesses
- > to improve public safety by ensuring sentence compliance and reducing re-offending
- > that the services deliver better outcomes for Māori
- > to provide mechanisms for adequate monitoring and evaluation in order to determine whether the implementation of the Government's policy in contracting out prison management has been successful
- > that the private prison is operated in a way that is consistent with the Department's key strategies and the purpose of the corrections system

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The third party provider has made available to the Department all information as required under the contract (see note 10)	note 1	100%	81%	(19%)
Routine relationship engagement surveys are conducted in line with the relationship principles as set out in the contract (see note 11)	note 1	note 2	Achieved	note 2
Develop a structured approach with the third party provider to review and implement innovative improvement opportunities which can support sustainable cost savings and service improvements (see note 12)	note 1	Structured approach to be developed by 30 June 2012	Achieved	Nil
TIMELINESS				
Non-compliance events in relation to the third party provider are managed in accordance with the contract (see note 13)	note 1	100%	100%	0%
All information relative to the contract is provided to the third party provider in a timely manner to enable them to deliver the Department's key strategies as per the requirements of the contract (see note 14)	note 1	100%	100%	0%

COMMENTS:

Over 2011/12, most information was provided by Serco in accordance with their contract. There were some initial delays in providing information when Serco first took over the management of Mt Eden Corrections Facility. The Department has worked with Serco to address this issue, and we continue to work together to resolve any performance issues that arise.

POLICY ADVICE AND MINISTERIAL SERVICES

This appropriation is limited to the provision of ministerial services, the development of policies and the provision of policy advice.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2012

	2010/11	2011/12		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	5,025	4,728	5,078	4,728
Departmental	42	46	51	51
Total Revenue	5,067	4,774	5,129	4,779
Total Expenses	4,868	4,622	5,129	4,779
Net Surplus / (Deficit)	199	152	–	–

OUTPUT: POLICY ADVICE AND DEVELOPMENT SERVICES

The Department provides advice and develops policies that contribute to service delivery, including policies that improve outcomes for Māori and Pacific peoples, and the development of effective criminal justice sector legislation. Services also include the development of standards, the analysis of trends in the offender population, and the evaluation of the impact of programmes to reduce re-offending.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of policy advice that was delivered according to the work programme agreed with the Minister of Corrections	100%	≥ 95%	100%	0%
The percentage of policy advice delivered to the Minister of Corrections that meets agreed standards (see note 15)	100%	≥ 95%	100%	0%
TIMELINESS				
The percentage of policy advice delivered to the Minister of Corrections within agreed timelines (see note 16)	100%	≥ 95%	99%	0%

OUTPUT: MINISTERIAL SERVICING

The Department provides responses to ministerial correspondence and parliamentary questions.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of ministerial draft correspondence that is signed without changes	86%	≥ 90%	97%	0%
TIMELINESS				
The percentage of all responses to parliamentary questions that are completed within five working days	100%	100%	100%	0%
The percentage of responses to ministerial draft correspondence that are completed within 20 working days	99%	100%	100%	0%

PRISON-BASED CUSTODIAL SERVICES MCOA³

CUSTODY OF REMAND PRISONERS

This output class is limited to the provision of custodial services for remand prisoners (people awaiting trial, and offenders convicted but not yet sentenced).

CUSTODY OF SENTENCED PRISONERS

This output class is limited to the provision of custodial services for offenders sentenced to imprisonment.

The overall average prison population for the 2011/12 financial year was 8,587 prisoners, five percent under the 2010-2020 Criminal Justice Forecast⁴ (prison population); this peaked during the financial year at 8,738 prisoners on 10 April 2012. The prison population remains under our all time high of 8,853 prisoners on 1 November 2010.

OUTPUT CLASS STATEMENT: CUSTODY OF REMAND PRISONERS

For the year ended 30 June 2012

	2010/11	2011/12		
	Actual	Actual	Main	Supp.
	\$000	\$000	Estimates	Estimates
			\$000	\$000
REVENUE				
Crown	175,548	152,928	175,586	153,078
Departmental	1,463	1,124	1,679	1,679
Other	–	–	–	337
Total Revenue	177,011	154,052	177,265	155,094
Total Expenses	168,782	164,752	177,265	154,944
Net Surplus / (Deficit)	8,229	(10,700)	–	150

OUTPUT CLASS STATEMENT: CUSTODY OF SENTENCED PRISONERS

For the year ended 30 June 2012

	2010/11	2011/12		
	Actual	Actual	Main	Supp.
	\$000	\$000	Estimates	Estimates
			\$000	\$000
REVENUE				
Crown	567,304	596,700	578,632	596,700
Departmental	5,126	5,574	5,469	5,469
Other	–	913	–	1,671
Total Revenue	572,430	603,187	584,101	603,840
Total Expenses	556,598	589,050	584,101	603,840
Net Surplus / (Deficit)	15,832	14,137	–	–

³ Multi-class output appropriation.

⁴ The 2010-2020 Criminal Justice Forecast was used to set the budget standards for the 2011/12 financial year.

OUTPUT CLASS: CUSTODY OF REMAND PRISONERS

This output provides custodial services for remand prisoners (people awaiting trial, and offenders convicted but not yet sentenced) and ensures offenders complete the correct imposed order and comply with the specific restrictions and requirements of their order, are not harmed, and are treated fairly and their legitimate needs are met.

This output is demand driven by the Judiciary and as such the Department has very limited control over the demand for its services. The average remand prison population for the 2011/12 financial year was 1,894 prisoners, one percent under the 2010-2020 Criminal Justice Forecast.⁵ The number of prisoners held in custody on remand is influenced by rates of arrest and decisions of the Judiciary and as such is outside of the direct control of the Department.

The budget standards for the quality of service for prisoners for both Prison Services and MECF (private prison) were based on the number of incidents expected and the prisoner population anticipated. One incident in a smaller population will result in a higher rate than the same incident in a higher population.

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The rate of breakout escapes per 100 remand prisoners (see note 17): (Number of breakout escapes)	note 17	note 17	0.15 (3)	note 17
• Private prison	note 17	note 17	0.16 (1)	note 17
• Prison Services	note 17	note 17	0.16 (2)	note 17
The rate of other escapes per 100 remand prisoners (see note 18): (Number of other escapes)	note 18	note 18	0.21 (4)	note 18
• Private prison	note 18	note 18	0.16 (1)	note 18
• Prison Services	note 18	note 18	0.24 (3)	note 18
The rate of serious prisoner/prisoner assaults per 100 remand prisoners (see note 19): (Number of serious prisoner/prisoner assaults)	1.11 (21)	≤ 0.62 (12)	0.95 (18)	50%
• Private prison	note 1	≤ 0.65 (5)	1.25 (8)	60%
• Prison Services	1.11 (21)	≤ 0.59 (7)	0.80 (10)	43%
The rate of serious prisoner/staff assaults per 100 remand prisoners (see note 19): (Number of serious prisoner/staff assaults)	0.26 w(5)	≤ 0.10 (2)	0.26 (5)	150%
• Private prison	note 1	≤ 0.13 (1)	0.00 (0)	0%
• Prison Services	0.26 (5)	≤ 0.08 (1)	0.40 (5)	400%

⁵ The 2010-2020 Criminal Justice Forecast was used to set the budget standards for the 2011/12 financial year.

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The rate of unnatural deaths per 100 remand prisoners (see note 20): (Number of unnatural deaths)	0.37 (7)	≤ 0.15 (3)	0.16 (3)	0%
• Private prison	note 1	≤ 0.13 (1)	0.00 (0)	0%
• Prison Services	0.37 (7)	≤ 0.17 (2)	0.24 (3)	50%
The rate of self-harm threat-to-life incidents per 100 remand prisoners (see note 21): (Number of self-harm threat-to-life incidents)	0.69 (13)	≤ 0.62 (12)	0.21 (4)	0%
• Private prison	note 1	≤ 0.65 (5)	0.16 (1)	0%
• Prison Services	0.69 (13)	≤ 0.59 (7)	0.24 (3)	0%

COMMENTS:

Incidents of prisoners seriously assaulting staff and other prisoners were thoroughly investigated. Preventing assaults on our staff and prisoners has been, and continues to be, a key focus for the Department. Pages 20-21 provide information about new initiatives to keep our staff and prisoners safe.

Any death in custody is concerning, and the Department has taken steps to prevent unnatural deaths and incidents of self-harm. We have progressed a suicide prevention strategy, and implemented a mental health screening tool to better identify prisoners with mental health needs. We have also taken steps to improve the safety of prisoners who present a risk of self harm. We investigated every death that took place in our custody, and treat these events very seriously. All deaths were subject to a coroner's inquest.

OUTPUT CLASS: CUSTODY OF SENTENCED PRISONERS

This output provides custodial services for offenders sentenced to imprisonment and ensures offenders complete the correct imposed sentence and comply with the specific restrictions and requirements of their sentence, are not harmed, and are treated fairly and their legitimate needs are met.

This output is demand driven by the Judiciary and as such the Department has very limited control over the demand for its services. The average sentenced prison population for the 2011/12 financial year was 6,692 prisoners, three percent under the 2010-2020 Criminal Justice Forecast.⁶

The budget standards for the quality of service for prisoners for both Prison Services and MECF (private prison) were based on the number of incidents expected and the prisoner population anticipated. One incident in a smaller population will result in a higher rate than the same incident in a higher population.

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The rate of breakout escapes per 100 sentenced prisoners (see note 17): (Number of breakout escapes)	note 17	note 17	0.00 (0)	note 17
• Private prison	note 17	note 17	0.00 (0)	note 17
• Prison Services	note 17	note 17	0.00 (0)	note 17
The rate of other escapes per 100 sentenced prisoners (see note 18): (Number of other escapes)	note 18	note 18	0.04 (3)	note 18
• Private prison	note 18	note 18	0.00 (0)	note 18
• Prison Services	note 18	note 18	0.05 (3)	note 18
The rate of serious prisoner/prisoner assaults per 100 sentenced prisoners (see note 19): (Number of serious prisoner/prisoner assaults)	0.40 (27)	≤ 0.28 (20)	0.45 (30)	50%
• Private prison	note 1	≤ 0.50 (1)	1.39 (4)	300%
• Prison Services	0.40 (27)	≤ 0.28 (19)	0.41 (26)	37%
The rate of serious prisoner/staff assaults per 100 sentenced prisoners (see note 19): (Number of serious prisoner/staff assaults)	0.09 (6)	≤ 0.08 (6)	0.19 (13)	117%
• Private prison	note 1	≤ 0.50 (1)	0.00 (0)	0%
• Prison Services	0.09 (6)	≤ 0.07 (5)	0.20 (13)	160%

⁶ The 2010-2020 Criminal Justice Forecast was used to set the budget standards for the 2011/12 financial year.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The rate of unnatural deaths per 100 sentenced prisoners (see note 20): (Number of unnatural deaths)	0.07 (5)	≤ 0.06 (4)	0.03 (2)	0%
• Private prison	note 1	0.00 (0)	0.00 (0)	0%
• Prison Services	0.07 (5)	≤ 0.06 (4)	0.03 (2)	0%
The rate of self-harm threat-to-life incidents per 100 sentenced prisoners (see note 21): (Number of self-harm threat-to-life incidents)	0.15 (10)	≤ 0.28 (20)	0.03 (2)	0%
• Private prison	note 1	≤ 0.50 (1)	0.00 (0)	0%
• Prison Services	0.15 (10)	≤ 0.28 (19)	0.03 (2)	0%

COMMENTS:

Incidents of prisoners seriously assaulting staff and other prisoners were thoroughly investigated. Preventing assaults on our staff and prisoners has been, and continues to be, a key focus for the Department. Pages 20-21 provide information about new initiatives to keep our staff and prisoners safe.

OUTPUT: HEALTH

This is a shared output across both remand and sentenced prisoners where the Department provides for health assessments and primary health care for prisoners in custody.

This output is demand driven and as such the Department has very limited control over the demand for its services. The demand experienced during the 2011/12 financial year was 29,295 prisoners who required a health screening upon reception, and a total of 234,421 consultations with healthcare staff.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of eligible prisoners who are referred for a specialist health assessment within seven days of reception to a prison (see note 22):	note 1	≥ 90%	96%	0%
• Private prison	note 1	≥ 90%	98%	0%
• Prison Services	note 1	≥ 90%	94%	0%
The percentage of justified complaints by prisoners relating to the provision of health services:	0%	≤ 3%	0%	0%
• Private prison	note 1	≤ 3%	0%	0%
• Prison Services	0%	≤ 3%	0%	0%
TIMELINESS				
The percentage of all remand and newly sentenced prisoners who are screened by a health professional within 24 hours of reception:	92%	100%	98%	(2%)
• Private prison	note 1	100%	98%	(2%)
• Prison Services	92%	100%	98%	(2%)

OUTPUT: CRIME PREVENTION

This is a shared output across both remand and sentenced prisoners where the Department uses drug testing as a deterrent against the use of drugs by prisoners whilst in prison. This is complemented by other drug control activities such as check points, dogs, and cell searches.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The positive percentage rate of general random drug tests for remand prisoners:	13%	≤ 16%	6%	0%
• Private prison	note 1	≤ 6%	5%	0%
• Prison Services	13%	≤ 16%	6%	0%
The positive percentage rate of general random drug tests for sentenced prisoners:	6%	≤ 10%	4%	0%
• Private prison	note 1	≤ 10%	2%	0%
• Prison Services	6%	≤ 10%	4%	0%
	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUANTITY				
The total number of drug tests sampled (see note 23):	11,207	11,612	11,878	2%
• Private prison	note 1	1,242	1,281	3%
• Prison Services	11,207	10,370	10,597	2%
The number of prisoner telephone calls monitored:	44,236	51,673	58,813	14%
• Private prison	note 1	5,527	5,814	5%
• Prison Services	44,236	46,146	52,999	15%

COMMENTS:

Due to an increased number of serious incidents occurring across our prisons, a more targeted approach was taken to maximise intelligence gathering. This has resulted in a higher than expected number of prisoner telephone calls being monitored.

REHABILITATION AND REINTEGRATION

This appropriation is limited to the provision of case management and interventions designed to address the underlying causes of criminal re-offending.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2012

	2010/11	2011/12		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	96,967	116,894	108,591	116,894
Departmental	1,327	1,656	1,231	1,231
Other	40,206	35,450	30,998	35,898
Total Revenue	138,500	154,000	140,820	154,023
Total Expenses	130,402	153,567	140,820	154,023
Net Surplus / (Deficit)	8,098	433	0	0

OUTPUT: CASE MANAGEMENT

This output is focused on planning and managing a prisoner's rehabilitation and reintegration needs which are reflected in a high quality offender plan for each individual prisoner.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of initial offender plans which meet the agreed quality standards (see note 24):	note 1	100%	100%	0%
• Private prison	note 1	100%	100%	0%
• Rehabilitation and Reintegration Services	note 1	100%	100%	0%
TIMELINESS				
The percentage of initial offender plans which are completed to agreed timeframes (see note 25):	note 1	≥ 85%	69%	(19%)
• Private prison	note 1	≥ 85%	62%	(27%)
• Rehabilitation and Reintegration Services	note 1	≥ 85%	71%	(16%)
QUANTITY				
The percentage of prisoners entitled to receive an offender plan that received one (see note 26):	note 1	≥ 90%	96%	0%
• Private prison	note 1	≥ 90%	80%	(11%)
• Rehabilitation and Reintegration Services	note 1	≥ 90%	99%	0%

COMMENTS:

The provision of timely offender plans to sentenced prisoners has been an area of improvement for the Department over 2011/12, and performance improved as the year progressed. Serco experienced a backlog in prisoners requiring offender plans early in the year, which coincided with an initial skills shortage in this area. Targeted training of staff in the provision of offender plans resolved this issue and performance has significantly improved.

OUTPUT: INTERVENTIONS: EDUCATION AND SKILLS

This output focuses on providing prisoners with industry recognised education and skills that improve their ability to engage productively in society upon release. It ensures that those undertaking these educative interventions have had their educational and skill needs correctly assessed and that the Department is providing these opportunities to a minimum number of prisoners each year.

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of prisoners that start classroom based adult literacy and numeracy education who met the selection criteria (see note 27):	note 1	100%	100%	0%
• Private prison	note 1	100%	100%	0%
• Rehabilitation and Reintegration Services	note 1	100%	100%	0%
The percentage of prisoners who started classroom based adult literacy and numeracy education who demonstrate measurable improvements in literacy and numeracy skills as measured by the Tertiary Education Commission Literacy and Numeracy for Adults Assessment Tool (see note 28):	note 1	≥ 75%	89%	0%
• Private prison	note 1	≥ 75%	note 35	
• Rehabilitation and Reintegration Services	note 1	≥ 75%	89%	0%
QUANTITY				
The number of qualifications achieved by prisoners through Corrections Inmate Employment (see note 29)	note 1	2,550	3,145	23%
The average number of credits achieved by prisoners learning industry-based skills under the National Qualifications Framework through Corrections Inmate Employment	38	27	49	81%

COMMENTS:

The Department prioritised building on the educational background of prisoners, and on delivering courses best suited to their needs. This has seen prisoners achieving more qualifications, meaning that they leave prison with skills and experience to help them find jobs on release.

OUTPUT: INTERVENTIONS: PRISONER EMPLOYMENT

This output is focused on providing prisoners with employment relevant skills that can be applied upon release to secure employment.

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of prisoners who have participated in a Release to Work programme and who have secured employment with the Release to Work employer upon release:	note 1	≥ 50%	47%	(6%)
• Private prison	note 1	≥ 50%	–	–
• Rehabilitation and Reintegration Services	note 1	≥ 50%	47%	(6%)
Compliance with Health and Safety management (see note 30):	note 1	100%	100%	0%
• Private prison	note 1	100%	note 35	
• Rehabilitation and Reintegration Services	note 1	100%	100%	0%
QUANTITY				
The total number of prisoners employed while in custody:	4,767	4,871	5,146	4%
• Private prison	note 1	note 2	72	–
• Rehabilitation and Reintegration Services	4,767	4,871	5,074	4%
– Prison-based work	1,822	1,725	1,847	7%
– Corrections Inmate Employment	2,865	3,078	3,144	2%
– Community Service activities	80	68	83	22%

COMMENTS:

In line with the focus on the rehabilitation and reintegration of prisoners, more opportunities for participating in Community Service activities were provided in the 2011/12 financial year.

OUTPUT: INTERVENTIONS: REHABILITATION

This output is focused on ensuring offenders start and complete their rehabilitation interventions (offence focused or other), and that offenders were identified correctly and selected as those who would benefit most from those interventions.

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of offenders who start and complete an offence focused intervention (see note 31):				
• Prisoners	note 1	70-95%	85%	0%
– Private prison	note 1	70-95%	note 35	
– Rehabilitation and Reintegration Services	note 1	70-95%	85%	0%
• Community-based offenders	note 1	≥ 65%	58%	(11%)
QUALITY				
The percentage of offenders on an offence focused intervention who met the selection criteria (see note 31):	note 1	≥ 90%	98%	0%
• Private prison	note 1	≥ 90%	note 35	
• Rehabilitation and Reintegration Services	note 1	≥ 90%	98%	0%
The percentage of offenders who start and complete other rehabilitative interventions (see note 32):				
• Prisoners	note 1	70-95%	92%	0%
– Private prison	note 1	70-95%	100%	0%
– Rehabilitation and Reintegration Services	note 1	70-95%	90%	0%
• Community-based offenders	note 1	≥ 65%	83%	0%
The percentage of psychological reports provided to the agreed quality standard (see note 33):	100%	100%	100%	0%
• Private prison	note 1	100%	note 35	
• Rehabilitation and Reintegration Services	100%	100%	100%	0%
TIMELINESS				
The percentage of psychological reports provided within the agreed timeframe (see note 34):	note 1	≥ 95%	79%	(17%)
• Private prison	note 1	≥ 95%	note 35	
• Rehabilitation and Reintegration Services	note 1	≥ 95%	79%	(17%)

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUANTITY				
The total number of offenders who start an offence focused rehabilitation intervention (see note 31):	note 1	4,444	5,490	24%
• Prisoners	note 1	1,255	1,238	(1%)
– Private prison	note 1	note 2	note 35	
– Rehabilitation and Reintegration Services	note 1	1,255	1,238	(1%)
• Community-based offenders	note 1	3,189	4,252	33%
The total number of offenders who start other rehabilitative interventions (see note 32):	note 1	3,874	4,233	9%
• Prisoners	note 1	2,501	2,881	15%
– Private prison	note 1	note 2	795	–
– Rehabilitation and Reintegration Services	note 1	2,501	2,881	15%
• Community-based offenders	note 1	1,373	1,224	(11%)
The total number of psychological hours provided:	37,196	36,140	42,553	18%
• Private prison	note 1	note 2	note 35	
• Rehabilitation and Reintegration Services	37,196	36,140	42,553	18%
The total number of psychological reports provided:	3,408	3,433	3,631	9%
• Private prison	note 1	note 2	note 35	
• Rehabilitation and Reintegration Services	3,408	3,433	3,631	9%

COMMENTS:

Successful programmes are key to reducing re-offending. Effective participation by offenders is an important element in the success of the programme. A number of offenders were removed from programmes because they were not regularly attending or otherwise not complying with the conditions of the programme. This focus on effective participation is part of the work that we are doing with community providers to improve the quality and success of the programmes being delivered.

In line with an increased focus on rehabilitation and reintegration, more opportunities to attend rehabilitative interventions were provided to prisoners. A large number of prisoners attended programmes to develop their parenting and other skills.

Psychological reports are currently under review by the Department, and the content of the reports will be streamlined to allow for more effective use of time. The increase in psychological hours provided to prisoners reflects the increased focus on ensuring that psychologists are using their time to support prisoners in addressing their offending behaviours.

OUTPUT: INTERVENTIONS: REINTEGRATION

This output is focused on ensuring offenders start and complete their reintegrative interventions, and that offenders were identified correctly and selected as those who would benefit most from those interventions.

Performance Measures	2010/11	2011/12		
	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY				
The percentage of offenders who start and complete a reintegrative intervention:				
• Prisoners	note 1	≥ 90%	88%	(2%)
– Private prison	note 1	≥ 90%	note 35	
– Rehabilitation and Reintegration Services	note 1	≥ 90%	88%	(2%)
• Community-based offenders	note 1	≥ 65%	70%	0%
QUANTITY				
The total number of offenders who start a reintegrative intervention:				
• Prisoners	note 1	13,140	15,202	16%
– Private prison	note 1	12,940	15,003	16%
– Rehabilitation and Reintegration Services	note 1	note 2	note 35	
– Rehabilitation and Reintegration Services	note 1	12,940	15,003	16%
• Community-based offenders	note 1	200	199	(1%)

COMMENTS:

Effective reintegration is important to our overall goal of reducing re-offending. Some offenders received reintegrative support on more than one occasion, either because they served multiple sentences, or they had multiple reintegrative needs to be addressed.

SENTENCES AND ORDERS SERVED IN THE COMMUNITY

This appropriation is limited to the management and delivery of sentences and orders served in the community.

The number of new sentences and orders commencing in the 2011/12 financial year was 70,643.⁷ The average offender population serving sentences and orders for the 2011/12 financial year was 41,737.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2012

	2010/11	2011/12		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
REVENUE				
Crown	193,949	192,377	197,945	192,377
Departmental	1,541	1,698	1,703	1,703
Other	11	–	–	403
Total Revenue	195,501	194,075	199,648	194,483
Total Expenses	188,459	193,842	199,648	194,483
Net Surplus / (Deficit)	7,042	233	–	–

OUTPUT: HOME DETENTION SENTENCES

This output covers sentences imposed by the courts which require the offender to reside at an approved address under strict conditions and with strict monitoring, including electronic monitoring. The Department ensures that offenders complete the correct imposed sentence and comply with the restrictions and requirements of their sentence.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY AND TIMELINESS				
The percentage of offenders who have complied with their Home Detention sentence, or who have been held to account	95%	≥ 90%	98%	0%

⁷ This includes a further 2,412 new starts for Post-detention Conditions (an order considered a subset of Home Detention), one new start for Compassionate Release and one new start on a Home Detention order during 2011/12.

OUTPUT: COMMUNITY-BASED SENTENCES

This output covers the management of offenders serving Community-based sentences, being: Community Work, Intensive Supervision, Community Detention and Supervision. The Department ensures that offenders complete the correct imposed sentence and comply with the restrictions and requirements of their sentence.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY AND TIMELINESS				
The percentage of offenders who have complied with their Community-based sentence, or who have been held to account	note 1	≥ 90%	96%	0%

OUTPUT: POST-RELEASE ORDERS

This output covers the management of offenders who have Post-release conditions as imposed by the courts at the time of sentencing for prisoners with short sentences. It also covers Parole Orders imposed by the Board and Extended Supervision orders imposed by the courts, with additional special conditions set by the Board to actively manage the long term risks posed by high risk child-sex offenders in the community. The Department ensures that offenders complete the correct imposed order and comply with the restrictions and requirements of their order.

	2010/11	2011/12		
Performance Measures	Actual	Budget Standard	Actual Standard	Variance (%)
QUALITY AND TIMELINESS				
The percentage of offenders who have complied with their Post-release order, or who have been held to account	96% ⁸	≥ 90%	98%	0%

⁸ For Extended Supervision and Release on Conditions the data is for the period November 2010 to June 2011, as this measure can only be reported against for those sentences/orders that have transitioned to the new Integrated Practice Framework, which was implemented in November 2010. The parole results are available for the full year (July 2010 – June 2011).

NOTES TO PERFORMANCE MEASURES

Note #	Reference/Performance measure	Definition
1	New measure for 2011/12	These performance measures were introduced for the 2011/12 financial year, no historical information is available.
2	No standard set for 2011/12	No budget standards were set for these performance measures.
3	The percentage of reports provided to agreed standards (judiciary)	<p>Probation reports</p> <p>Reports are completed to formal standards as set out in the Community Probation Service Quality Assurance System (QAS). Specific guidelines are provided in respect of each of the individual report types that are included under the heading of 'Probation' reports.</p> <p>Psychological reports</p> <p>Psychological reports are completed to formal standards as set out in the Psychological Services Operations Manual (Chapter 3, Section 2) including:</p> <ul style="list-style-type: none"> – Report is concise, logical and grammatically correct; – The source and referral reason are clearly stated; – All relevant and appropriate information is included; – Sources of information are well-documented (and verified); – Report contains a clear statement of appropriate recommendations; – Report documents appropriate care for rights of offenders, as specified in the Psychological Services Operations Manual; – Report is signed by the indicated parties or written explanation is given if signatures are missing.
4	The percentage of reports provided to court within agreed timeframes before sentencing	<p>Probation reports</p> <p>Reports are completed to timeframes as set out in the Community Probation Service Operations Manual. Specific timeframes are provided in respect of each of the individual report types that are included under the heading of 'Probation' reports.</p> <p>Psychological reports</p> <p>Psychological Services provide reports to court at least two working days before sentencing where a request is received, allowing an agreed minimum timeframe, as set out in the Psychological Services Operations Manual.</p>
5	The percentage of reports provided to agreed standards (NZPB)	<p>Parole Assessment reports</p> <p>Quality standards are set by Rehabilitation and Reintegration Services. The Parole Assessment report is completed to the quality standard as identified in the Parole Assessment report quality assurance checklist including:</p> <ul style="list-style-type: none"> – The report accurately reflects information available about the prisoner's progress whilst in prison (including behaviour and attitude and progress made against planned rehabilitation and reintegration activities); – The report provides consistent information, with sufficient detail to minimise the likelihood of clarification questions from the NZPB; – The report responds to recommendations and questions posed by the NZPB at previous hearings; – Spelling, grammar and presentation are of a high standard. <p>Parole Progress reports</p> <p>Reports are completed to formal standards as set out in the Community Probation Service QAS.</p>

Note #	Reference/Performance measure	Definition
		Psychological reports Psychological reports are completed to formal standards as set out in the Psychological Services Operations Manual including: <ul style="list-style-type: none"> – Report is concise, logical and grammatically correct; – The source and referral reason are clearly stated; – All relevant and appropriate information is included; – Sources of information are well-documented (and verified); – Report contains a clear statement of appropriate recommendations; – Report documents appropriate care for rights of offenders, as specified in the Psychological Services Operations Manual; – Report is signed by the indicated parties or written explanation is given if signatures are missing.
6	The percentage of reports provided to agreed timeframes (NZPB)	Parole Assessment reports Parole Assessment reports are provided to the NZPB at least 15 working days prior to the hearing date. Parole Progress reports Parole Progress reports are provided to the NZPB at least 10 working days prior to the hearing date. Psychological reports Psychological reports are prepared for the NZPB at least five weeks prior to the hearing date.
7	The percentage of registered victims who are notified as per Department and legislative requirements	Victims' Rights Act 2002 (Date of assent 17 October 2002) Part 3 – Provisions relating to rights of victims of certain offences. Responsibility of Corrections in relation to victims who have asked for notice and given their current address.
8	The percentage of offenders who are notified as per the NZPB requirements	<ul style="list-style-type: none"> – Offenders are notified of an impending hearing no later than 14 days from the date of the hearing – Offenders are notified of a Board decision no later than 14 days following receipt of the signed decision
9	The percentage of victims who are notified as per the NZPB requirements	<ul style="list-style-type: none"> – Victims are notified of an impending hearing no later than 28 days from the hearing – Victims are notified of a Board decision no later than 14 days following receipt of the signed decision
10	The third party provider has made available to the Department all information as required under the contract	<ul style="list-style-type: none"> – Monthly reporting – Quarterly reporting – Contractor performance reports – Notices issued – Meeting minutes – Performance notices
11	Routine relationship engagement surveys are conducted in line with the relationship principles as set out in the contract	<ul style="list-style-type: none"> – Service approach – Teamwork – Risk sharing – Service evolution – Innovation – Transparency

Note #	Reference/Performance measure	Definition
12	Develop a structured approach with the third party provider to review and implement innovative improvement opportunities which can support sustainable cost savings and service improvements	<p>The development of the structured approach will be based on the following areas:</p> <ul style="list-style-type: none"> – Idea generation – Concept development – Business analysis – Testing – Implementation
13	Non-compliance events in relation to the third party provider are managed in accordance with the contract	<ul style="list-style-type: none"> – Performance notices issued – Un-remedied performance notices issued
14	All information relative to the contract is provided to the third party provider in a timely manner to enable them to deliver the Department's key strategies as per the requirements of the contract	<ul style="list-style-type: none"> – Vote Corrections performance measures and standards – Statement of Intent (medium term focus of the Department) – Strategic business plans – Other accountability documents
15	The percentage of policy advice delivered to the Minister of Corrections that meets agreed standards	<ul style="list-style-type: none"> – Includes a clear statement of purpose – Is accurate and uses sound information – Presents a clear, concise and logical argument, with explicit assumptions and supported by facts – Draws on professional knowledge and appropriate methodologies – Examines comparative material – Presents options – Uses a clear conceptual and well-articulated framework – Considers resource, legal and human rights, implication and implementation issues/practicability – Considers evaluation – Considers issues for Māori and Pacific peoples – Considers risk, costs and benefits
16	The percentage of policy advice delivered to the Minister of Corrections within agreed timelines	Each policy advice item requested is subject to timelines agreed between the Minister and the Department.
17	Breakout escape	<p>The escape definitions were redefined during the 2011/12 financial year. The new definition of a breakout escape is:</p> <p><i>Prisoner breaches the area contained by the outermost perimeter security fence or, if there is no such fence, from the prison building. Examples include going over, under, through or around security barriers; forced exit from facilities.</i></p> <p>Due to the change in definitions for escapes the actual results for the 2011/12 financial year have been reported without budget standards. The historical information relating to all escapes has been included in Part A of the Annual Report on page 21.</p>

Note #	Reference/Performance measure	Definition
18	Other escape	<p>The escape definitions were redefined during the 2011/12 financial year. The other escape definitions are:</p> <ul style="list-style-type: none"> - From Escort – Prisoner escapes from escort, while under supervision, includes escorted outing and court escorts either by Prison Services or contractor. - Absconding – Prisoner physically leaves the designated area and is away from direct custodial control (includes walk away from work). - Breach of temporary release conditions – Prisoner is found to have breached a condition of their temporary release which results in either an internal or external charge of escaping (includes failing to return within reasonable time without reasonable cause). <p>All of these categories have been included within 'other' escapes.</p> <p>Due to the change in definitions for escapes the actual results for the 2011/12 financial year have been reported without budget standards. The historical information relating to escapes has been included in Part A of the Annual Report on page 21.</p>
19	Serious assault	An act of physical violence that involves either sexual assault of any form and degree, bodily harm requiring medical intervention by medical staff followed by overnight hospitalisation in a medical facility or bodily harm requiring ongoing medical intervention.
20	Unnatural death	Unnatural deaths include apparent suicide, homicide, drug overdose and accident.
21	Self-harm threat-to-life	Intentional acts of harm which would most probably have led to death if there was no immediate intervention.
22	The percentage of eligible prisoners who are referred for a specialist health assessment within seven days of reception to a prison	The numbers of new receptions who have been assessed as requiring a cardiovascular risk assessment (CVRA) and have consented to a CVRA. The number of prisoners who are in continuous custody and have received a CVRA within eight weeks of consent.
23	The total number of drug tests sampled	Includes: Voluntary Participant (manual), Reasonable Cause (manual), Identified Drug User Voluntary Participant (manual), Temporary Release (random), Identified Drug User (random), General Random (random)
24	The percentage of initial offender plans which meet the agreed quality standards	<p>Quality standards are set by Rehabilitation and Reintegration Services and are assessed using a QA checklist in the Offender Management manual.</p> <p>An offender plan is completed to standards as identified in the 'Offender Plan Quality Assurance Checklist', including:</p> <ul style="list-style-type: none"> - The plan correctly identifies the prisoner's 'needs' (i.e. the needs in the offender plan match the identified needs from the assessment); - The plan contains appropriate activities to address those needs (activities match the need and the prisoner is eligible to participate in the activity); - There is clear evidence to explain why the need and activities have been identified; - All necessary information and instructions have been given to other staff in the staff briefing sheet. <p>Not all offender plans were reviewed. Based on the sample reviewed, 100 percent met the criteria of quality standards.</p>

Note #	Reference/Performance measure	Definition
25	The percentage of initial offender plans which are completed to agreed timeframes	<p>Corrections Act 2004, Section 51 – Management Plans</p> <ul style="list-style-type: none"> For remand prisoners – within 56 days of a continuous period of remand (measure is percentage of plans that have not been created by day 57). For short-serving prisoners, i.e. with time to serve between 28 days and 26 weeks – within 28 days of sentence commencement date (measure is percentage of plans that have not been created on day 29). For longer serving prisoners, i.e. time to serve is more than 26 weeks – within 60 days of sentence commencement date (measure is percentage of plans that have not been created on day 61). <p>For sentenced prisoners, our focus on improving the rehabilitation has meant that our electronic offender management system captures information relating to offender plans. We are therefore able to report on all plans. We are currently working to improve the offender plan process for remand prisoners, and our systems don't currently capture this information. We have conducted a random sample of eligible remand prisoners. Based on this sample if we had been able to capture the information for all remand prisoners in the same way as for sentenced prisoners, the percentage of initial offenders plans completed to agreed timeframes would have been 71 percent. For Mt Eden Corrections Facility, the results are based on all remand and sentenced offender plans.</p>
26	The percentage of prisoners entitled to receive an offender plan that received one	<p>Corrections Act 2004, Section 51 – Management Plans</p> <p>This section applies to every prisoner who is:</p> <ul style="list-style-type: none"> sentenced to imprisonment for a term of more than 2 months; or in custody for a continuous period of more than 2 months on remand. <p>As above, based on the sample conducted, the percentage of prisoners entitled to receive an offender plan that received one would have been 95 percent. For Mt Eden Corrections Facility, the results are based on all remand and sentenced offender plans.</p>
27	The percentage of prisoners that start classroom based adult literacy and numeracy education who met the selection criteria	<p>Prisoners who do not meet the cut score on the post sentencing "Skills Check" screening tool are eligible to undertake specialist diagnostic assessment. Suitability to start the programme is determined by the provider at the assessment stage.</p> <p>Prisoners are eligible if they:</p> <ul style="list-style-type: none"> Have been identified by the Department as having a literacy and/or numeracy need on their Offender Plan, and Are subsequently identified by a literacy and numeracy specialist, following an Initial Diagnostic Assessment (IDA), as having a relevant level of literacy and/or numeracy need, and Are motivated and have agreed to undertake the programme. <p>Of these selection criteria only those prisoners identified with a literacy and numeracy need following an IDA will be measured.</p>
28	The percentage of prisoners who started classroom based adult literacy and numeracy education who demonstrate measurable improvements in literacy and numeracy skills as measured by the Tertiary Education Commission Literacy and Numeracy for Adults Assessment Tool	<p>Prisoners will be regularly assessed using the Literacy and Numeracy for Adults Assessment Tool after each period of 32 hours of tuition. Measurable improvements are where there is a statistically significant increase based on the Literacy and Numeracy for Adults Assessment Tool.</p>

Note #	Reference/Performance measure	Definition
29	The number of qualifications achieved by prisoners through Corrections Inmate Employment (CIE)	<ul style="list-style-type: none"> - National Certification – qualification listed on the National Qualifications Framework (NQF) administered by the New Zealand Qualifications Authority (NZQA). It is composed of a prescribed number of unit standards and is a complete qualification. Range from level 1 to 4 within CIE. - Limited Credit Programme – qualification listed on the NQF administered by the NZQA. It is composed of a number of unit standards and is not a complete National Certificate but is a pathway towards. - Modularised Training Programme – qualification not listed on the NQF administered by an Industry Training Organisation. It is composed of a number of unit standards and is not a complete National Certificate but is a pathway towards. - Trade Ticket – qualification underpinned by unit standards indicating trade currency and competency. Examples: 4711 Welding Ticket or Electrical Limited Regulation Ticket. - Drivers license – qualification composed of unit standards authorising individuals to drive prescribed types of vehicles. - Health and Safety – qualification sanctioned by Industry Training Organisations, underpinned by or containing unit standards. Examples are: first aid, Grow Safe and Site Safe.
30	Compliance with Health and Safety management	An indication of the performance of CIE in managing its training and businesses in a safe and effective manner for prisoners and employees. The measure is based on the satisfactory completion of one annual assessment completed by ACC and two self assessments. These will be to secondary level standard according to the ACC standards. The measure includes any Department of Labour on-site review following an accident being given a rating that incorporated approval to continue operating.
31	Offence focused interventions	The Department delivers a number of interventions to both prisoners and offenders. These are targeted at addressing factors relating to offending. Offence-related interventions require offenders to examine the causes of their offending and develop specific skills and strategies to reduce the likelihood of their re-offending in the future.
32	Other rehabilitative interventions	<p>The Department delivers a number of interventions to both prisoners and offenders. These are targeted at addressing factors relating to offending. Rehabilitative interventions which are not specifically offence focused encourage offenders to develop the motivation to change and learn new skills and strategies to enable them to modify their behaviour and reduce the likelihood of their re-offending in the future.</p> <p>Mt Eden Corrections Facility has a predominantly remand population. A large proportion of these prisoners serve less than 10 days in prison. Because of the high number of short stays in prison, the result for the private prison is based on the completion of a session, rather than completion of a programme. The results are therefore not directly comparable.</p>
33	The percentage of psychological reports provided to the agreed quality standards	<p>Reports are completed to formal standards as set out in the Psychological Services Operations Manual:</p> <ul style="list-style-type: none"> - Report is concise, logical and grammatically correct; - The source and referral reason are clearly stated; - All relevant and appropriate information is included; - Sources of information are well-documented (and verified); - Report contains a clear statement of appropriate recommendations; - Report documents appropriate care for rights of offenders, as specified in the Psychological Services Operations Manual; - Report is signed by the indicated parties or written explanation is given if signatures are missing.

Note #	Reference/Performance measure	Definition
34	The percentage of psychological reports provided within the agreed timeframe	As described in Chapter 3 of the Psychological Services Operations Manual: Reports must be written and provided to Prison Services/Community Probation Service within 10 working days following completion of assessment and completion or termination of treatment.
35	No figure provided for 2011/12	Mt Eden Corrections Facility has a predominantly remand population. A large proportion of these prisoners serve less than 10 days in prison. The high number of short stays in prison mean that some of the services provided by the Department in other prisons are not best suited to the population at Mt Eden Corrections Facility.

PART C:

ANNUAL FINANCIAL

STATEMENTS

Annual Financial Statements

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THE YEAR AT A GLANCE

IN 2011/12 THE DEPARTMENT OF CORRECTIONS:

Financial health

- > received a rating of 4.30 (out of 5) in the Audit New Zealand Department Internal Control Evaluation (DICE)
- > received a "well placed" rating for both Financial and Asset Management as part of the State Services Commission's Performance Improvement Framework review.

Financial process improvements

- > refinement of processes, including budgeting and reforecasting, to achieve greater efficiencies
- > phased out credit cards, petty cash facilities and reduced the number of Koru Club memberships.

Expenditure

- > managed a \$1.2 billion budget within 1%
- > achieved a reduction in domestic travel expenditure of \$1.3 million compared to budget
- > improved controls around contractors and consultants resulting in \$2.7 million under spend against budget.

Pressures

- > absorbed the increased costs associated with settling the wage negotiations
 - > absorbed the cost of the Restructure and Prison Reconfiguration.
-

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

2011 Actual	Notes	2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000		\$000	\$000	\$000
REVENUE				
1,129,325	Crown	1,132,967	1,131,175	1,133,117
10,013	Departmental revenue	10,609	10,650	10,650
48,300	Other revenue	35,920	30,998	38,398
312	Dividends	443	–	–
11	Earthquake related income	–	–	–
1,187,961	Total operating revenue	1,179,939	1,172,823	1,182,165
EXPENDITURE				
520,320	Personnel costs	519,364	543,040	525,818
323,312	Operating costs	326,466	320,431	330,371
122,277	Depreciation and amortisation	144,304	134,344	145,333
158,278	Capital charge	180,493	175,008	180,493
11,103	Earthquake related	2,407	–	–
189	Biological stock loss/(gains)	4,089	–	–
1,135,479	Total operating expenses	1,177,123	1,172,823	1,182,015
52,482	Net surplus/(deficit)	2,816	–	150
OTHER COMPREHENSIVE INCOME				
60,163	Revaluation gains/(losses) and impairments on land and buildings	(25,856)	–	–
–	Fair value through other comprehensive income	–	–	–
60,163	Total other comprehensive income	(25,856)	–	–
112,645	Total comprehensive income	(23,040)	–	150

Remeasurement gains are included in the Statement of Comprehensive Income under Other revenue.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 103).

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

For the year ended 30 June 2012

2011 Actual \$000	Notes	2012 Actual \$000	2012 Main Estimates \$000	2012 Supp. Estimates \$000
2,128,523	Taxpayers' funds at 1 July	2,261,627	2,193,059	2,261,627
	Changes in taxpayers' funds during the year			
	<i>Transfers from statement of comprehensive income</i>			
52,482	Add/(deduct) net surplus/(deficit)	2,816	–	–
60,163	Increase/(decrease) in revaluation reserves	(25,856)	–	–
	Net write-back of revaluation gains/(losses) related to previous year			
112,645	Total comprehensive income	(23,040)	–	–
	Adjustment for flows to and from the Crown			
100,876	Add capital contributions from the Crown during the year	95,965	95,587	95,965
(36,340)	Less capital returned to the Crown during the year	(10,920)	(10,920)	(10,920)
(44,077)	Provision for payment of surplus to the Crown	(8,827)	–	–
20,459	Total adjustments for flows to and from the Crown	76,218	84,667	85,045
2,261,627	Taxpayers' funds at 30 June	2,314,805	2,277,726	2,346,672

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 103).

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

2011 Actual		Notes	2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000			\$000	\$000	\$000
ASSETS					
Current assets					
216,331	Cash and cash equivalents	7	315,186	180,083	251,851
1,792	Prepayments	8	2,043	3,025	3,025
48,889	Debtors and other receivables	9	72,815	6,976	73,486
5,471	Inventories	10	4,972	6,231	6,231
272,483	Total current assets		395,016	196,315	334,593
Non-current assets					
5,590	Investments	11	5,560	5,590	5,590
2,122,846	Physical assets	12	2,015,461	2,152,099	2,078,720
32,674	Intangible assets	13	47,842	38,511	49,144
49,347	Biological assets	14	45,258	41,131	49,347
2,210,457	Total non-current assets		2,114,121	2,237,331	2,182,801
2,482,940	Total assets		2,509,137	2,433,646	2,517,394
LIABILITIES					
Current liabilities					
90,929	Creditors and other payables	15	82,638	69,000	83,802
66,424	Employee entitlements	16	68,053	66,523	66,523
7,775	Provisions	17	19,695	7,779	7,779
44,077	Provision for repayment of surplus to the Crown	18	8,827	–	
209,205	Total current liabilities		179,213	143,302	158,104
Non-current liabilities					
12,108	Employee entitlements	16	15,119	12,618	12,618
12,108	Total non-current liabilities		15,119	12,618	12,618
221,313	Total liabilities		194,332	155,920	170,722
TAXPAYERS' FUNDS					
1,676,035	General funds	18	1,755,069	1,750,030	1,761,080
585,592	Reserves	18	559,736	527,696	585,592
2,261,627	Total taxpayers' funds		2,314,805	2,277,726	2,346,672
2,482,940	Total liabilities and taxpayers' funds		2,509,137	2,433,646	2,517,394

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 103).

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

2011 Actual	Notes	2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000		\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash provided from:				
	Supply of outputs to			
1,087,499	Receipts from Crown	1,107,283	1,131,175	1,107,433
9,866	Receipts from Departments	12,454	10,650	11,305
38,542	Receipts from Other revenue	34,772	30,998	38,830
10,796	Change in GST payable (net)	(4,701)	–	–
Cash disbursed to:				
(519,732)	Payments to Employees	(502,424)	(539,440)	(521,109)
(313,163)	Payments to Suppliers	(331,260)	(323,818)	(343,587)
(158,278)	Payments for Capital charge	(180,493)	(175,008)	(180,493)
155,530	Net cash flows from operating activities	135,631	134,557	112,379
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash provided from:				
312	Receipts from interest and dividends	443	–	–
2,063	Receipts from sale of physical, biological and intangible assets	1,715	1,000	1,688
Cash disbursed to:				
(172,450)	Purchase of physical and biological assets*	(56,156)	(177,581)	(100,273)
(8,385)	Purchase of intangible assets*	(23,746)	(10,165)	(19,242)
(178,460)	Net cash flows from investing activities	(77,744)	(186,746)	(117,827)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash provided from:				
100,876	Capital injections	95,965	95,587	95,965
Cash disbursed to:				
(36,340)	Return of capital	(10,920)	(10,920)	(10,920)
(29,572)	Return of operating surpluses	(44,077)	–	(44,077)
34,964	Net cash flows from financing activities	40,968	84,667	40,968
12,034	Net increase in cash	98,855	32,478	35,520
204,297	Cash at the beginning of the year	216,331	147,605	216,331
216,331	Cash at the end of the year	315,186	180,083	251,851

* During the period, the Department acquired no property, plant and equipment by means of finance leases (2011: nil).

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 103).

STATEMENT OF COMMITMENTS

As at 30 June 2012

2011 Actual \$000		2012 Actual \$000
CAPITAL COMMITMENTS		
Property, plant and equipment		
29,475	Less than one year	20,334
29,475	Total capital commitments	20,334
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
Office accommodation		
12,055	Less than one year	11,016
27,578	One to five years	29,231
8,597	More than five years	16,517
48,229	Total non-cancellable operating lease commitments	56,764
77,704	Total commitments	77,098

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition or construction of property, plant and equipment, and intangible assets that have not been paid for or not recognised as a liability at the balance sheet date.

Non-cancellable operating lease commitments

The Department leases premises at many locations throughout New Zealand. The annual lease rentals are subject to regular reviews, usually ranging from two years to three years. The amounts disclosed above as future commitments are based on current rental rates.

Commitments arising from other contracts

There is no GAAP requirement to disclose "Commitments arising from other contracts" for the year ended 30 June 2012. Prior year's commitment was \$351.252 million.

Operating lease commitments – Department as lessor

The Department has operating leases for some of its premises. These premises are fair valued under NZ IAS 16 – Property, Plant and Equipment as they are maintained solely to provide rental income. Revenue earned under operating leases are disclosed as board and rents and reported under Note 2: Other Revenue.

*The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 27 (page 103).*

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2012

CONTINGENT LIABILITIES

2011 Actual \$000		2012 Actual \$000
3,892	Legal proceedings	1,504
453	Personal grievances	333
4,345	Total quantifiable contingent liabilities	1,837

Legal proceedings

The Department was defending 39 (2011:24) legal proceedings claims by prisoners and related/external parties as at 30 June 2012. They cover a range of areas, including breach of the New Zealand Bill of Rights Act 1990, seeking compensation or other redress for perceived/alleged instances of wrongful action or decision making by the Department and individuals.

Personal grievances

The Department was also defending 17 (2011: 21) employment related claims made by staff members as at 30 June 2012.

UNQUANTIFIED CLAIMS

The Department is a participating employer in the Defined Benefit Plan Contributors Scheme (the Scheme), managed by the Board of Trustees of the National Provident Fund. The Scheme is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, the Department could be responsible for the entire deficit of the Scheme. Similarly, if a number of employers ceased to participate in the Scheme, the Department could be responsible for an increased share of the deficit. The Department considers the risk of these events occurring to be minimal.

The Actuary of the Scheme has recommended the employer contribution should remain at two times contributor's contributions until the past service deficit is extinguished and then reduces to the employer contribution rate required to meet the net future service liability after that. The multiplication by two is inclusive of Employer Superannuation Contribution Withholding Tax.

Insufficient information is available to use defined benefit accounting and it is not possible to determine from the terms of the Scheme, the extent to which the deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation.

Unquantified Contingent Assets

The Department has a contingent asset in relation to current and future insurance claims in respect of assets that were damaged during the earthquakes that occurred in Christchurch.

STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2012

2011 Expenditure Actual \$000		2012 Expenditure Actual \$000	2012 Appropriation Voted \$000
VOTE: CORRECTIONS			
Departmental output expenditure			
62,109	Information Services	57,559	60,494
4,868	Policy Advice and Ministerial Services	4,622	4,779
725,380	Prison-based Custodial Services MCOA	753,802	758,784
168,782	– Custody of Remand Prisoners	164,752	154,944
556,598	– Custody of Sentenced Prisoners	589,050	603,840
130,402	Rehabilitative Programmes and Reintegrative Services	153,567	154,023
188,459	Sentences and Orders Served in the Community	193,842	194,483
24,261	Management of Third Party Custodial Services	7,720	9,452
1,135,479	Total departmental output expenditure	1,171,112	1,182,015
–	Re-measurements	6,011	–
1,135,479	Total departmental operating expenditure	1,177,123	1,182,015
Appropriation for capital expenditure			
171,458	Corrections – Permanent Legislative Authority	80,658	125,890

Refer to Part B: Statement of Service Performance for detailed performance against each output class (page 37).

The Department intends to utilise the full amount of funding included in the appropriation for capital expenditure.

Changes in Appropriation Structure

There were no changes in appropriation structure during the year.

STATEMENT OF UNAPPROPRIATED EXPENDITURE

For the year ended 30 June 2012

2011 Unappropriated Expenditure \$000	2012 Actual Expenditure \$000	2012 Appropriation Voted \$000	2012 Unappropriated Expenditure \$000
VOTE: CORRECTIONS			
Appropriations for output expenditure			
– Information Services	57,559	60,494	–
– Policy Advice and Development	4,622	4,779	–
Prison-based Custodial Services MCOA	753,802	758,784	
– <i>Custody of Remand Prisoners</i>	164,752	154,944	–
– <i>Custody of Sentenced Prisoners</i>	589,050	603,840	–
– Rehabilitative Programmes and Reintegrative Services	153,567	154,023	–
– Sentences and Orders Served in the Community	193,842	194,483	–
– Management of Third Party Custodial Services	7,720	9,452	–
– Total	1,171,112	1,182,015	–

There was no unappropriated expenditure for the years ended 30 June 2011 and 30 June 2012.

STATEMENT OF TRUST MONIES

For the year ended 30 June 2012

	As at 1 July 2011 \$000	Contribution \$000	Distribution \$000	As at 30 June 2012 \$000
Prison Trust Accounts	1,199	12,967	(12,810)	1,356
	1,199	12,967	(12,810)	1,356

Prison Trust accounts represent monies held in trust at each prison on behalf of prisoners to account for prisoner earnings, reduced by purchases while in prison and other receipts/withdrawals of prisoner funds.

Trust monies are not included in the Department's reported bank balances. Trust monies are held on behalf of the prisoners in bank accounts maintained by the prisons (one bank account per prison).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Department of Corrections is a government department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

These are the financial statements of the Department of Corrections prepared pursuant to Section 45B of the Public Finance Act 1989.

The Department of Corrections has reported trust monies, which it administers.

The Department of Corrections administers the corrections system in a way designed to improve public safety, reduce re-offending and contribute to the maintenance of a fair and just society. Under the New Zealand equivalents of International Financial Reporting Standards (NZ IFRS), the Department of Corrections is classified as a Public Benefit Entity. This has affected the selection of accounting policies required or permitted under the NZ IFRS.

The financial statements of the Department of Corrections are for the year ended 30 June 2012. The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 28 September 2012.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirements to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Treasury Instructions. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

NEW ACCOUNTING STANDARDS AND INTERPRETATION

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Department, are:

- > NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the total comprehensive income. The new standard is required to be adopted for the year ended 30 June 2016. The Department does not expect to early adopt this standard.
- > Financial Reporting Standards (FRS)-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments). These were issued in May 2011 with the purpose of harmonising Australia and New Zealand's accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The amendments must first be adopted for the year ended 30 June 2012. The Department has not yet assessed the effects of FRS-44 and the Harmonisation Amendments.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Department is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Department expects to transition to the new standards in preparing its 30 June 2015 financial statements.

As the PAS are still under development, the Department is unable to assess the implications of the new Accounting Standards Framework at this time. Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

REPORTING PERIOD

The reporting period covers the 12 months from 1 July 2011 to 30 June 2012. Comparative figures for the year ended 30 June 2011 are provided.

MEASUREMENT BASE

The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain non-current assets.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand Dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency is New Zealand Dollars.

ACCOUNTING POLICIES

The following accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

The Department does not qualify for differential reporting exemptions.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

REVENUE

Revenue – Crown

The Department derives revenue through the provision of outputs to the Crown.

Crown revenue is recognised at the fair value of the consideration received or receivable when earned.

Revenue – Department

The Department derives revenue through the provision of goods and services to other Departments. Departmental revenue is recognised at the fair value of the consideration received or receivable when earned.

Other Revenue – External Sales of Goods and Services

The Department derives other revenue from the sale of goods and services to third parties. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised:

- > where there are significant uncertainties regarding recovery of the consideration due, associated goods or possible return of goods;
- > where there is continuing management involvement with goods;
- > where the amount of revenue cannot be measured reliably;
- > where it is not probable that the economic benefits associated with the transaction will flow to the Department; and
- > where the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

Revenue – Interest

Revenue from interest is recognised using the effective interest method, using the effective interest rate.

Revenue – Dividends

Revenue from dividends is recognised when the shareholder's right to receive payment is established.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation are provided on a straight-line basis on all property, plant, equipment and intangible assets, other than freehold land and assets under construction, over their estimated economic useful lives. There is no allowance for residual values, except for 'motor vehicles – other', which have a residual value of 20% of cost. Revalued assets are depreciated or amortised on their revalued amount on a straight-line basis over their remaining useful lives.

Depreciation

The economic useful lives and associated depreciation rates of classes of assets have been estimated as follows:

Buildings		
Buildings – concrete	50 – 65 years	(2.0% to 1.5%)
Buildings – commercial	75 years	(1.3%)
Buildings – wood	25 years	(4.0%)
Buildings – fit-outs	3 to 20 years	(33.3% to 5.0%)
Hut complexes – concrete	50 years	(2.0%)
Hut complexes – wood	25 years	(4.0%)
Hut – fit-outs	3 to 20 years	(33.3% to 5.0%)
Leasehold Improvements		
Leasehold improvements	10 years	(10.0%)
Plant and Equipment		
Plant and machinery	10 years	(10.0%)
Office equipment	5 years	(20.0%)
Tools and equipment	5 years	(20.0%)
Furniture and Fittings		
Furniture and fittings – office	5 years	(20.0%)
Furniture and fittings – prisoner	3 years	(33.3%)
Computer Hardware		
Information technology – network	5 years	(20.0%)
Information technology – specialised	3 to 10 years	(33.3% to 10.0%)
Information technology – PC based	3 years	(33.3%)
Motor Vehicles		
Motor vehicles – heavy duty	8 years	(12.5%)
Motor vehicles – other	5 years	(20.0%)

The useful life of buildings is reassessed following any revaluation.

Where the fixed term of a lease is for less than 10 years, excluding rights of renewal, leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

Amortisation

The economic useful lives and associated amortisation rates of classes of assets have been estimated as follows:

Computer Software		
Information technology – network	5 years	(20%)
Information technology – specialised	3 to 10 years	(33.3% to 10%)
Information technology – PC based	3 years	(33.3%)

OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash held in bank accounts and is measured at face value.

DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Department will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the total comprehensive income.

Subsequent recoveries of amounts previously written off are credited against the total comprehensive income.

Overdue receivables that are renegotiated are reclassified as current (i.e. not past due).

INVENTORIES

Inventories held for distribution, or consumption in the provision of services, that are not supplied on a commercial basis are measured at the lower of cost (calculated using the weighted average method) and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The replacement cost of the economic benefits or service potential of inventory held for distribution reflects any obsolescence or any other impairment.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

The write-down from cost to current replacement cost or net realisable value is recognised in the total comprehensive income in the period when the write-down occurs.

ASSETS HELD FOR SALE

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of assets held for sale are recognised in the total comprehensive income.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings are stated at fair value as determined by an independent registered valuer. Fair value is determined using market-based evidence, except for prison buildings, which are valued at optimised depreciated replacement cost. Land and buildings are revalued at least every two years. Additions between revaluations are recorded at cost. The two-year cycle is subject to a reasonableness test on an annual basis to ensure it does not result in material differences in fair value.

The results of revaluing land and buildings are credited or debited to other comprehensive income and is accumulated to the asset revaluation reserve for that class of asset. Where a revaluation would result in a debit balance within an asset class in the revaluation reserve, the debit balance will be expensed within the total comprehensive income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the total comprehensive income, will be recognised first in the total comprehensive income up to the amount previously expensed, and then recognised in other comprehensive income.

All other property plant & equipment, or groups of assets forming part of a network, which are material in aggregate, costing more than \$3,000 (GST exclusive) or deemed as valuable and/or attractive are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the total comprehensive income.

Discontinued operations, disposals, transfers and assets held for sale are shown at fair value prior to being sold or disposed.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Department and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the total comprehensive income. When revalued assets are sold or derecognised, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Department and the cost of the item can be measured reliably.

INTANGIBLE ASSETS

Intangible assets with finite lives are recorded at cost less any amortisation and impairment losses. Amortisation is charged to the total comprehensive income on a straight-line basis over the useful life of the asset.

Intangible assets, or groups of intangible assets forming part of a network, which are material in aggregate, costing more than \$3,000 (GST exclusive) or deemed as valuable and/or attractive are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the total comprehensive income.

The disposals and assets held for sale are shown at fair value prior to being sold or disposed.

Intangible assets are tested for impairment where an indicator arises.

Software Acquisition and Development

Acquired computer software licenses are capitalised where appropriate on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Department, are recognised as an intangible asset. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

BIOLOGICAL ASSETS

The Department's biological assets are forests and livestock.

The Department recognises biological assets or agricultural produce when, and only when:

- > the Department controls the assets as a result of past events;
- > it is probable that future economic benefits associated with the asset will flow to the Department; and
- > the fair value or cost of the asset can be measured reliably.

Biological assets managed for harvesting into agricultural produce are recorded at fair value less point of sale costs, with any realised gains or losses reported in the total comprehensive income.

Forests

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined post-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the total comprehensive income.

The costs to maintain the forestry assets are included in the statement of total comprehensive income.

Livestock

Livestock assets are recorded at fair value less point of sale costs.

Gains and losses at balance date due to changes in the per head value of livestock and changes in livestock numbers are recognised within the total comprehensive income.

Any material differences in fair value are taken to the total comprehensive income.

CAPITAL CHARGE

The capital charge is recognised as an expense in the period to which the charge relates.

INVESTMENTS

Investments are classified as financial assets at fair value through the total comprehensive income.

Investments are recognised initially at cost being the fair value of consideration given. All investments are subsequently carried at fair value. Any changes in fair value are recognised in the total comprehensive income in the period in which they arise.

Fair value for investments are determined as follows:

- > listed shares are valued at the quoted price at the close of business on the balance date; and
- > non-listed shares are recognised at initial cost of investment and adjusted for performance of the business since that date.

Investments arise from the Department's business dealings with companies in the farming industry.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have indefinite useful lives are not subject to amortisation and are tested annually for impairment. An intangible asset that is not yet available for use at balance date is tested for impairment annually.

Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the total comprehensive income.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the total comprehensive income.

The Department accounts for reversals on a class basis. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss on the same class of asset was previously recognised in the total comprehensive income, a reversal of that impairment loss is also recognised in the total comprehensive income.

EMPLOYEE ENTITLEMENTS

Short-term employee entitlements

Employee entitlements that the Department expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Department recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Department anticipates it will be used by staff to cover those future absences.

The Department recognises a liability and an expense for performance payments where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

The calculations are based on:

- > likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- > the present value of the estimated future cash flows. A discount rate of 2.43 percent to 4.29 percent (2011: 2.84 percent to 6.24 percent), and a future salary growth rate of 3 percent (2011: 3 percent) were used. The discount rates are based on the table of the latest risk-free discount rates and CPI assumptions issued by the Treasury.

SUPERANNUATION SCHEMES

Defined Contribution Schemes

Obligations for contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are recognised as an expense in the total comprehensive income as incurred.

Defined Benefit Schemes

The Department is a participating employer in the Defined Benefit Plan Contributors Scheme (the Scheme), managed by the Board of Trustees of the National Provident Fund. The Scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting and it is not possible to determine from the terms of the Scheme, the extent to which the total comprehensive income will affect future contributions by individual employers, as there is no prescribed basis for allocation. The Scheme is therefore accounted for as a defined contribution scheme.

Termination Benefits

Termination benefits are recognised in the total comprehensive income statement, only when there is a demonstrable commitment either to terminate employment prior to normal employment date or to provide such benefits as a result of a position becoming redundant. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Other termination benefits are reported at the present value of the estimated future cash outflows.

ONEROUS CONTRACTS

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. No provision has been recognised for the year ended 2012 (2011: nil). A provision would be stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

PROVISIONS

The Department recognises a provision for future expenditure of an uncertain amount or timing when:

- > there is a present obligation (either legal or constructive) as a result of a past event;
- > it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- > a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Accident Compensation Corporation (ACC) Partnership Programme

The Department belongs to the ACC Partnership Programme whereby the Department accepts the management and financial responsibility of work-related illnesses and accidents of employees. Under the ACC Partnership Programme, the Department is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the balance date for which the Department has responsibility under the terms of the Partnership Programme.

The liability for claims reported prior to balance date has been determined by assuming that the future experience for each current claim is consistent with historical claim information since the commencement of the programme. The liability for injuries or illnesses that have occurred up to balance date, but not yet reported or not enough reported, has been determined by reference to historical information of the time it takes to report injury or illness.

The liability is measured at the present value of the expected future payments to be made in respect of employee injuries and claims up to the reporting date using actuarial techniques.

COMMITMENTS

Future expenses and liabilities to be incurred on capital and operating contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

CONTINGENT LIABILITIES

Contingent liabilities are disclosed at the point at which the contingency is evident and for each class of contingent liability at the balance date, a brief description of the nature of the contingent liability is provided.

Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic resources is remote.

TAXPAYERS' FUNDS

Taxpayers' Funds is the Crown's net investment in the Department and is measured as the difference between total assets and total liabilities.

Taxpayers' Funds is disaggregated and classified as general funds and revaluation reserves.

FOREIGN CURRENCY

Foreign currency transactions are converted into New Zealand Dollars at the exchange rate at the date of the transaction.

FINANCIAL INSTRUMENTS

The Department is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors and other receivables, creditors and other payables, and investments. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the total comprehensive income.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

TAXATION

Income Tax

Government departments are exempt from income tax as Public Authorities. Accordingly, no charge for income tax has been provided for.

Goods and Services Tax (GST)

The Statement of Financial Position is exclusive of GST except for creditors and other payables and debtors and other receivables, which are GST inclusive. All other financial statements are GST exclusive. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST payable to, or recoverable from Inland Revenue at balance date is included in creditors, other payables, debtors, and other receivables.

Commitments and contingent liabilities are disclosed exclusive of GST. The movement in GST paid or received is recognised as a separate cash flow line item.

BUDGET FIGURES

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2012, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparing these financial statements, the Department has made estimates, assumptions and critical judgements in applying accounting policies concerning the future. These estimates, assumptions, and critical judgements in applying accounting policies may differ from the subsequent actual results. Estimates, assumptions and critical judgements in applying accounting policies are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Employee entitlements – retiring and long service leave

Note 16 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

Revaluation of Property, Plant and Equipment

At each revaluation, the useful lives and residual values of the Department's land and buildings are reviewed. Assessing the appropriateness of useful lives and residual values of land and buildings requires consideration of a number of factors such as the physical condition of land and buildings, expected period of use of land and buildings by the Department, and expected proceeds from the disposal of land and buildings.

Reassessment of the useful lives or residual values will affect the depreciable amount of land and buildings, therefore impacting the depreciation expense recognised in the total comprehensive income, and the carrying amount of land and buildings in the Statement of Financial Position.

NOTES

The notes that accompany the financial statements form part of the financial statements.

COST ACCOUNTING POLICIES

The Department has determined the costs of outputs using the cost allocation system outlined below.

COST ALLOCATION

Costs that are driven by prisoner or offender related activities are recognised as direct costs and assigned to outputs. Direct costs are charged to outputs based on actual consumption or activity analysis. Pre-established ratios have been used in some instances, which are reviewed at regular intervals.

Indirect costs are driven by organisational support functions and are not directly related to prisoner or offender activities. Indirect costs are allocated to outputs based on appropriate resource consumption and/or activity analysis.

Examples of cost groupings and suitable drivers:

Cost Type	Driver
National office personnel costs	Direct established positions
Community Probation Services area office overheads	Programme/sentence delivery hours
Prison site overheads	Prison capacity
Prison site and regional rehabilitation overheads	Planned program hours

CHANGES IN COST ACCOUNTING POLICIES

There have been no changes in cost accounting policies since the date of the last audited financial statements.

NOTE 2: OTHER REVENUE

2011 Actual		2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000		\$000	\$000	\$000
36,412	Sale of goods	32,223	29,498	36,898
2,708	Board and rents	2,784	1,500	1,500
8,405	Revaluation Gain on Biological Assets ⁹	–	–	–
775	Profit on sale of assets	913	–	–
48,300	Total other revenue	35,920	30,998	38,398

NOTE 3: PERSONNEL COSTS

2011 Actual		2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000		\$000	\$000	\$000
499,072	Salaries and wages	495,268	527,159	509,261
630	Government Superannuation Fund contribution expense	557	550	550
9,516	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	9,690	10,229	10,905
11,593	Restructuring Costs	9,209	–	–
(1,591)	Annual leave	1,475	1,000	1,000
451	Retirement and long service leave	4,166	4,102	4,102
649	Sick leave	(1,001)	–	–
520,320	Total personnel costs	519,364	543,040	525,818

⁹ The Department had revaluation losses due to price movements in forestry of \$5.337 million (2011: a gain of \$6.064 million) and livestock of \$0.674 million (2011: a gain of \$2.341 million). The Department incurred a quantity movement gain from livestock and forestry of \$1.922 million (2011: a loss of \$0.189 million). These are shown in the Statement of Comprehensive Income and note 14.

NOTE 4: OPERATING COSTS

2011 Actual		2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000		\$000	\$000	\$000
17,077	Operating lease rentals	16,435	16,888	16,175
344	Audit fees for annual audit	366	376	366
133	Fees to auditors for other services	88	–	4
73,398	Facilities maintenance	76,807	74,403	73,136
42,982	Offender management costs	52,810	50,983	54,204
20,733	Computer costs	27,099	18,150	24,549
37,021	Contract management	60,476	33,208	62,978
45,374	Administration	36,438	54,353	38,093
59	Receivables written off during period	63	–	–
254	ACC Partnership Programme	314	–	–
10,849	Inventory expenses	9,995	6,000	6,000
58,541	Other operating costs	43,720	66,070	54,866
16,547	Net loss on sale or disposal of property, plant and equipment	1,855	–	–
323,312	Total operating costs	326,466	320,431	330,371

The fees to auditors for other services were for independent quality assurance engagements for:

- > the probity audit for public private partnership (PPP) project.
- > review of tender processes for the provision of control and restraint equipment, and the request for proposal for professional services.

NOTE 5: DEPRECIATION AND AMORTISATION

2011 Actual		2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000		\$000	\$000	\$000
DEPRECIATION				
94,522	Buildings	116,972	105,899	115,328
2,540	Leasehold improvements	3,496	3,781	3,439
4,430	Plant and equipment	4,561	4,410	5,505
574	Furniture and fittings	526	594	729
5,466	Computer hardware	5,393	5,474	5,445
4,318	Motor vehicles	4,727	4,696	5,740
111,850	Depreciation charge	135,675	124,854	136,186
AMORTISATION				
10,427	Computer software	8,629	9,490	9,147
10,427	Amortisation charge	8,629	9,490	9,147
122,277	Total depreciation and amortisation charge	144,304	134,344	145,333

NOTE 6: CAPITAL CHARGE

The Department pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2012 was 8 percent (2011: 7.5 percent) per annum.

NOTE 7: CASH AND CASH EQUIVALENTS

2011 Actual \$000		2012 Actual \$000
216,331	Cash and bank balances	315,186
216,331	Total cash and cash equivalents	315,186

The Department is required to maintain a positive balance in New Zealand Dollar bank accounts at all times. The Department has three departmental bank accounts with Westpac New Zealand Limited.

NOTE 8: PREPAYMENTS

2011 Actual \$000		2012 Actual \$000
CURRENT PORTION		
1,792	Prepayments	2,043
1,792	Total prepayments	2,043

The Department classifies prepayments that are expected to be realised within 12 months as current.

NOTE 9: DEBTORS AND OTHER RECEIVABLES

2011 Actual \$000		2012 Actual \$000
CURRENT PORTION		
41,826	Debtor Crown	67,510
41,826	Debtor Crown	67,510
3,833	Trade debtors – external	3,950
161	Employee advances	216
(77)	Less provision for impairment	(162)
3,917	Trade debtors – external and employees	4,004
3,146	Trade debtors – other government entities	1,301
3,146	Trade debtors – other government entities	1,301
48,889	Total debtors and other receivables	72,815

The carrying value of trade debtors approximates their fair value.

The Crown debtor of \$67,510 million refers to \$47.794 million of capital funding (no GST on capital injection) not drawn down and \$19.716 million (GST inclusive) of estimated under spends reported in the Supplementary Estimates.

The Department does not make loans to employees other than minor salary/travel advances. There were no loans outstanding to related parties.

There is minimal credit risk with respect to external receivables. The Department's standard terms of credit are that payment is due on the 20th of the month following the date of invoice. No further extension of credit is permitted.

The Department classifies debtors that are expected to be realised within 12 months as current, other than those debtors, which are considered doubtful.

The ageing profile of debtors and other receivables at year-end is detailed below:

	\$000 Gross	2011 \$000 Impairment	\$000 Net	\$000 Gross	2012 \$000 Impairment	\$000 Net
Not past due	42,538	0	42,538	70,775		70,775
Past due 1-30 days	5,488	0	5,488	1,130		1,130
Past due 31-60 days	628	0	628	763		762
Past due 61-90 days	29	0	29	120		120
Past due > 91 days	283	(77)	206	189	(162)	27
	48,966	(77)	48,889	72,977	(162)	72,815

As at 30 June 2011 and 2012, all overdue receivables were assessed for impairment and appropriate provisions applied. Movements in the provision for impairment of debtors and other receivables are as follows:

2011 Actual \$000	2012 Actual \$000
43 Balance at 1 July	77
34 Additional provisions made during the year	85
77 Balance at 30 June	162

The provision for impairment of debtors has been calculated based on expected losses for the Department's pool of debtors. Expected losses have been determined based on analysis of the Department's losses in previous periods, and review of specific debtors.

Those specific debtors that are insolvent are fully provided for. As at 30 June 2012 the Department has identified no debtors (2011: Nil) that are insolvent.

NOTE 10: INVENTORIES

2011 Actual \$000	2012 Actual \$000
4,813 Inventory held for the provision of goods and services	4,486
658 Finished goods	486
5,471 Total inventories	4,972

The Department's inventory consists of supplies that are available for prisoner purchases, operational supplies and inventory held for the use in prisoner employment. No inventories are pledged as security for liabilities.

The Department classifies inventories that are expected to be realised within 12 months as current.

NOTE 11: INVESTMENTS

2011 Actual \$000		2012 Actual \$000
NON-CURRENT PORTION		
5,590	Investments	5,560
5,590	Total investments	5,560

Investments arise from the Department's business dealings with companies in the farming industry. These investments are classified as financial instruments and valued at fair value through total comprehensive income.

The Department classifies investments that are expected to be realised within 12 months as current.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

An independent valuer, Darroch Valuations, performed the most recent valuation of freehold land and buildings and the valuation is effective as at 30 June 2011. K Stewart FPINZ FNZIV certified this valuation.

The total fair value of freehold land and buildings valued by Darroch Valuations at 30 June 2011 totalled \$1,990 million.

Some of the land holdings of the Department are subject to general Treaty of Waitangi claims. No reduction in value has been recognised in these financial statements but there may be restrictions on the Department disposing of the holdings except under Treaty claims procedures.

The Department classifies property, plant and equipment expected to be sold in the next 12 months as assets held for sale.

The Department constructs prison buildings, which are classified as assets under construction. Assets under construction are capitalised at the in-service date.

The Department reports transfers and disposals together for presentation purposes only.

The Department currently holds residential properties that were purchased in the 1960s. The core intention of these properties is for staff working in prisons located in rural areas. The rental income that is received from these properties is incidental, as opposed to being held for rental income or capital gains. The net carrying amount of these properties is \$8.857million (2011: \$8.857 million). There are no restrictions over the title of the Department's property, plant and equipment, nor any property, plant and equipment pledged as security for liabilities.

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Computer Hardware	Motor Vehicles	Asset Under Construction	Total Physical Assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation									
Balance 1 July 2010	216,011	1,702,001	17,153	45,940	10,083	44,536	43,691	154,870	2,234,285
Additions	-	85,933	3,344	5,255	131	3,314	8,361	56,669	163,007
Revaluation increase/(decrease)	672	(136,988)	-	-	-	-	-	-	(136,316)
Disposals	(575)	(2,890)	(8,705)	(2,662)	(3,284)	(1,451)	(5,979)	(9,052)	(34,598)
Transfers	-	126,271	775	(76)	(29)	1,619	12	(128,572)	-
Cost or valuation at 30 June 2011	216,108	1,774,327	12,567	48,457	6,901	48,018	46,085	73,915	2,226,378
Add: Movements									
Additions	-	12,282	1,403	2,918	336	1,427	7,163	31,383	56,912
Revaluation increase/(decrease)	(2,803)	(23,053)	-	-	-	-	-	-	(25,856)
Disposals	(859)	(1,168)	(465)	(3,435)	(736)	(4,009)	(5,677)	-	(16,349)
Transfers	-	33,163	8,126	1,543	-	257	277	(43,366)	-
Cost or valuation at 30 June 2012	212,446	1,795,551	21,631	49,483	6,501	45,693	47,848	61,932	2,241,085
Accumulated depreciation and impairment losses									
Balance 1 July 2010	-	(101,993)	(9,043)	(28,493)	(8,889)	(32,940)	(25,392)	-	(206,750)
Depreciation expense	-	(94,522)	(2,540)	(4,430)	(574)	(5,466)	(4,318)	-	(111,850)
Disposals	-	182	6,278	2,420	3,263	1,437	5,009	-	18,589
Transfers	-	(146)	-	116	29	-	1	-	-
Revaluation increase/(decrease)	-	196,479	-	-	-	-	-	-	196,479

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Computer Hardware	Motor Vehicles	Asset Under Construction	Total Physical Assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Accumulated depreciation and impairment losses at 30 June 2011	-	-	(5,305)	(30,387)	(6,171)	(36,969)	(24,700)	-	(103,532)
Add: Movements									
Depreciation expense	-	(116,972)	(3,497)	(4,561)	(526)	(5,393)	(4,727)	-	(135,676)
Disposals	-	1,406	453	3,041	744	3,998	4,780	-	14,422
Transfers	-	(28)	78	(40)	-	-	(10)	-	-
Impairment losses	-	(838)	-	-	-	-	-	-	(838)
Accumulated depreciation and impairment losses at 30 June 2012	-	(116,432)	(8,271)	(31,947)	(5,953)	(38,364)	(24,657)	-	(225,624)
Carry amounts per asset class									
At 30 June 2011	216,108	1,774,327	7,262	18,070	730	11,049	21,385	73,915	2,122,846
At 30 June 2012	212,446	1,679,119	13,360	17,536	548	7,329	23,191	61,932	2,015,461

* Transfers refer to movements between assets under construction and property, plant and equipment.

NOTE 13: INTANGIBLE ASSETS

	Acquired Software \$000	Internally Generated Software \$000	Asset Under Construction \$000	Total Intangible Assets \$000
Cost or valuation				
Balance 1 July 2010	38,165	67,780	636	106,581
Additions	1,318	1,542	5,524	8,384
Disposals	–	(10,864)	–	(10,864)
Transfers	325	14	(339)	–
Cost or valuation at 30 June 2011	39,808	58,472	5,821	104,101
Add: Movements				
Additions	3,154	1,830	18,762	23,746
Disposals	(19,764)	(13,140)	–	(32,904)
Transfers	518	4,137	(4,655)	–
Cost or valuation at 30 June 2012	23,716	51,299	19,928	94,943
Accumulated depreciation and impairment losses				
Balance 1 July 2010	(30,025)	(36,376)	–	(66,401)
Amortisation expense	(3,274)	(7,153)	–	(10,427)
Disposals	–	5,401	–	5,401
Accumulated depreciation and impairment losses at 30 June 2011	(33,299)	(38,128)	–	(71,427)
Add: Movements				
Amortisation expense	(3,130)	(5,499)	–	(8,629)
Disposals	19,753	13,202	–	32,955
Accumulated depreciation and impairment losses at 30 June 2012	(16,676)	(30,425)	–	(47,101)
Carrying amounts				
At 30 June 2011	6,509	20,344	5,821	32,674
At 30 June 2012	7,040	20,874	19,928	47,842

The Department develops and maintains internally generated software, which are classified as assets under construction and capitalised at the in-service date.

There are no restrictions over the title of the Department's intangible assets, nor are any intangible assets pledged as security for liabilities.

NOTE 14: BIOLOGICAL ASSETS

	Forests	Livestock	Total Biological Assets
	\$000	\$000	\$000
Cost or valuation			
Balance at 1 July 2011	36,429	12,918	49,347
Purchases	–	312	312
Net gain (loss) due to; regeneration, maturation, and changes in unit values	2,271	6,266	8,537
Sales/harvest	(6,292)	(6,646)	(12,938)
Cost or valuation at 30 June 2012	32,408	12,850	45,258
Net change	(4,021)	(68)	(4,089)
Change due to movement in quantity	1,316	606	1,922
Change due to movement in fair value	(5,337)	(674)	(6,011)
Carrying amounts			
At 30 June 2011	36,429	12,918	49,347
At 30 June 2012	32,408	12,850	45,258

There are no restrictions over the title of the Department's biological assets, nor are any biological assets pledged as security for liabilities.

FORESTS

The Tongariro forestland is owned by the Crown. The Department manages the forest as part of its prisoner employment-training programme. The Tongariro forest area is as follows:

Forest	Legal description	Legal area
Tongariro	Land rated as commercial forest	4,512ha
	Land rated as reserve	1,332ha
	Total legal area	5,844ha

The valuation of forests was undertaken by an independent registered valuer, PF Olsen and Company Limited, on 30 June 2012. T Vos, registered forestry consultant (NZIF), completed this valuation.

The forest valuation was determined using the expectation value approach adopting the following valuation assumptions:

- > a discount rate of 7 percent (2011: 7 percent) has been applied to post-tax cash flows;
- > land values, improvements, protection or amenity planting have been excluded;
- > the tree crop has been valued on a liquidation basis;
- > an inflation rate of 3 percent (2011: 3 percent) has been applied;
- > annual and forest operations costs are based on current industry costs for similar forests; and
- > log prices are derived from average prices published by the Ministry for Primary Industries.

LIVESTOCK

The Department farms sheep, cattle, deer and pigs at various locations in both the North and South Islands. At 30 June 2012, livestock on hand comprised 16,550 sheep (2011: 15,619); 1,935 beef cattle (2011: 1,755); 4,377 dairy cattle (2011: 4,325); 2,833 deer (2011: 2,661) and 7,092 pigs (2011: 6,585).

The valuation of livestock is based on the active market price and was undertaken by various independent livestock valuers.

FINANCIAL RISK MANAGEMENT STRATEGIES

The Department is not materially exposed to financial risks arising from changes in commodity prices. The Department reviews its outlook for timber and livestock prices regularly in considering the need for active financial risk management.

NOTE 15: CREDITORS AND OTHER PAYABLES

2011 Actual \$000		2012 Actual \$000
CURRENT PORTION		
31,859	Trade creditors	23,608
45,268	Accrued expenditure	49,929
13,802	GST payable	9,101
90,929	Total creditors and other payables	82,638

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and payables approximates their fair value.

The Department classifies creditors and other payables that are expected to be settled within 12 months as current.

NOTE 16: EMPLOYEE ENTITLEMENTS

2011 Actual \$000		2012 Actual \$000
Current liabilities		
20,090	Retirement and long service leave	21,245
44,436	Annual leave	45,911
1,898	Sick leave	897
66,424	Total current portion	68,053
Non-current liabilities		
12,108	Retirement and long service leave	15,119
12,108	Total non-current portion	15,119
78,532	Total provision for employee entitlements	83,172

Employee entitlements expected to be settled within 12 months of balance date, are measured at nominal values based on accrued entitlements at current rates of pay. These include annual leave earned to, but not taken, at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Department classifies employee entitlements as current that:

- > are expected to be settled within 12 months after the balance date; and
- > the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

The present value of the retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability include the discount rates and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Independent valuer G R Lee (BSc FIA), a member of the New Zealand Society of Actuaries, from Aon New Zealand, conducted the revaluation of long service leave and retirement leave as at 30 June 2012. Aon New Zealand revalues the Department's non-current employment entitlements on a quarterly basis.

The major assumptions used in the 30 June 2012 valuation are that future salary growth rates are 3 percent (2011: 3 percent) per annum and discount rates ranged from 2.43 to 4.29 percent (2011: 2.84 percent to 6.24 percent) per annum.

In determining the appropriate discount rates, the valuer used the weighted averages of returns on government stock of different terms to maturity that match, as closely to possible, the estimated future cash outflows. The salary growth assumption is consistent with the results of the Aon Economists' Survey.

NOTE 17: PROVISIONS

2011 Total Provisions Actual \$000		2012 Restructuring Actual \$000	2012 Employee Accidents Actual \$000	2012 Total Provisions Actual \$000
Current provisions				
11,280	Balance at 1 July	–	7,775	7,775
7,775	Additional provisions made during the year	11,649	8,046	19,695
(11,280)	Charged against provision for the year	–	(7,775)	(7,775)
7,775	Current provisions	11,649	8,046	19,695
–	Non-current provisions	–	–	–
7,775	Total provisions	11,649	8,046	19,695

EMPLOYEE ACCIDENTS

The provision relates to the estimation of the ACC Partnership Programme's Outstanding Claims Liability and ACC Levies:

2011 Actual \$000		2012 Actual \$000
3,986	Outstanding Claims Liability	4,300
3,789	Outstanding ACC levies provision	3,746
7,775	Total outstanding claims liability and ACC levies	8,046

An external independent actuarial valuer, Mark Weaver from Melville Jessup Weaver (Fellow of the New Zealand Society of Actuaries) has calculated the outstanding claims liability and the valuation is effective 30 June 2012. The actuary has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuary's report. The key assumptions used in determining the value of outstanding claims are detailed in the paragraphs below.

The estimate as at 30 June 2012 is \$4.300 million, compared to a result as at 30 June 2011 of \$3.986 million.

The principal assumptions made were:

- > the development pattern of claims payments is the same for all loss periods i.e. the future claims pattern will reflect that which occurred in the past;
- > the assumed loss ratio of 0.55 percent (2011: 0.55 percent) of liable earnings was determined by considering the observed loss ratios for developed loss quarters;
- > the discount rates were based on government bond yields published by the Reserve Bank of New Zealand; and
- > the Department will remain in the ACC Partnership Programme (ACCPP) for the foreseeable future. If the Department were to exit immediately, a risk margin of 12.80 percent (2011: 12.80 percent) would be added by ACC.

The estimated ACCPP outstanding claims liability as at 30 June 2012 included a provision for future claims handling expenses of 10 percent (2011: 10 percent) of expected future claims costs.

The Department's largest ever claim incurred has an estimated total cost of \$764,000 (discounted \$470,000). This claim has no precedent in the Department's experience in terms of size. As such, the Bornhuetter-Ferguson (BF) method will not include any provision for future payments of this magnitude and a specific provision was made for this claim.

The Department manages its exposure arising from the programme by promoting a safe and healthy working environment by:

- > implementing and monitoring health and safety policies;
- > induction training on health and safety;
- > actively managing work place injuries to ensure employees return to work as soon as practical;
- > recording and monitoring work place injuries and near misses to identify risk areas and implementing mitigating actions; and
- > identification of work place hazards and implementation of appropriate safety procedures.

The value of the liability is not material for the Department's financial statements therefore; any changes in assumptions will not have a material impact on the financial statements.

NOTE 18: TAXPAYERS' FUNDS

Taxpayers' Funds comprise General Funds, Revaluation Reserves and Fair Value through Other Comprehensive Income Reserves.

2011 Actual \$000		2012 Actual \$000	2012 Main Estimates \$000	2012 Supp. Estimates \$000
GENERAL FUNDS				
1,603,094	Balance at 1 July	1,676,035	1,665,363	1,676,035
52,482	Net operating surplus/(deficit)	2,816	–	–
100,876	Capital contribution from the Crown	95,965	95,587	95,965
(36,340)	Capital returned to the Crown	(10,920)	(10,920)	(10,920)
117,018	Total movement in general funds	87,861	84,667	85,045
(44,077)	Provision for repayment of surplus to the Crown	(8,827)	–	–
1,676,035	Balance at 30 June	1,755,069	1,750,030	1,761,080
REVALUATION RESERVES				
523,162	Balance at 1 July	583,325	525,429	583,325
60,163	Revaluation gains/(losses)	(25,856)	–	–
583,325	Balance at 30 June	557,469	525,429	583,325
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE				
2,267	Balance at 1 July	2,267	2,267	2,267
–	Revaluation gains/(losses)	–	–	–
–	Net write-back of revaluation gains/(losses)	–	–	–
2,267	Balance at 30 June	2,267	2,267	2,267
585,592	Revaluation Total	559,736	527,696	585,592
2,261,627	Total taxpayers' funds at 30 June	2,314,805	2,277,726	2,346,672

The net surplus attributable to the Crown from the delivery of outputs must be repaid by 31 October each year. The Department has no restricted reserves.

REVALUATION RESERVES

2011 Actual \$000		2012 Actual \$000
	Asset Revaluation Reserve	
	Land	
137,380	Revaluation reserves at 1 July	138,052
672	Revaluation gains/(losses) and impairments	(2,803)
138,052	Revaluation reserves at 30 June	135,249
	Buildings	
385,782	Asset revaluation reserves at 1 July	445,273
59,491	Revaluation gains/(losses) and impairments	(23,053)
445,273	Asset revaluation reserves at 30 June	422,220
583,325	Total asset revaluation reserves at 30 June	557,469
	Fair Value Through Equity Reserve	
2,267	Asset revaluation reserves at 1 July	2,267
2,267	Asset revaluation reserves at 30 June	2,267
585,592	Asset revaluation reserves at 30 June	559,736

NOTE 19: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

2011 Actual		2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000		\$000	\$000	\$000
52,482	Net surplus before other comprehensive income	2,816	–	–
	Add/(less) non-cash items			
122,277	Depreciation and amortisation	144,304	134,344	145,333
(304)	Non-current employee entitlements	3,011	–	–
(8,405)	Biological assets revaluation loss/(gain)	6,011	–	–
	Other non-cash items		–	–
113,568	Total non-cash items	153,326	134,344	145,333
	(Increase)/Decrease in Working capital			
(42,492)	Debtors and other receivables	(23,675)	–	(25,830)
4,449	Inventories	499	–	(760)
589	Prepayments	(251)	–	–
11,419	Creditors and other payables	(9,653)	213	(6,368)
(3,505)	Provisions	11,920	–	4
(189)	Current employee entitlements	1,629	–	–
(29,729)	Working capital movements – net	(19,531)	213	(32,954)
	Add/(less) items classified as investing or financing activities			
(312)	Dividends		–	–
189	Biological assets revaluation loss/(gain)	(1,922)	–	–
19,332	Net loss/(gain) on sale or disposal of property, plant & equipment	942	–	–
19,209	Total investing activity items	(980)	–	–
155,530	Net cash flow from operating activities	135,631	134,557	112,379

NOTE 20: CONTINGENCIES

Contingent liabilities and assets are separately disclosed in the Statement of Contingent Liabilities and Assets.

NOTE 21: RELATED PARTY DISCLOSURE

The Department is a wholly owned entity of the Crown. The Government significantly influences the strategic direction, operating intentions and business operations of the Department as well as being its major source of revenue.

The Department has entered into the following significant transactions with the Government or other entities related to the Government during the 2011/12 fiscal year:

- > received Crown Revenue of \$1,132.967 million (excluding GST) to fund the Department's operating activities.
- > received Departmental Revenue of \$ 9.947 million from State Services Commission to fund employer contributions to KiwiSaver and SSRSS schemes.
- > paid Capital Charge of \$180.493 million to the New Zealand Government.
- > purchased goods and services on normal commercial terms from other government related entities: electricity from Meridian and Genesis, travel from Air New Zealand, legal services from Crown Law Office, and postal services from New Zealand Post totalling \$15.081 million.
- > paid employer ACC levies to Accident Compensation Corporation totalling \$3.091 million.

The Department entered into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an 'arm's length' basis that are not of a material nature.

The Department has entered into the following related party transactions:

- > engineering supplies were purchased from Vulcan Steel. A shareholder/director of the company is the brother of a member of the Department's Executive Team. Purchases during the year totalled \$0.034 million (2011: \$0.085 million). There is a balance of \$0.0004 million (2011 \$0.008 million) outstanding at year end.
- > legal services were purchased from Minter Ellison Rudd Watts. A partner of this legal firm is the brother of a member of the Department's Executive Team. He was not involved in providing any advice to the Department. Purchases during the year totalled \$0.459 million (2011: \$0.992 million). There is a balance of \$ 0.032 million (2011: \$0.024 million) outstanding at year end.

The Department has not entered into any commitments with these suppliers and transactions were conducted under normal commercial terms. Apart from those transactions described above, the Department has not entered into any related party transactions. The Department has determined key management personnel as the Chief Executive and the Executive Team.

The Treasury advises that responsible Minister Anne Tolley has certified that she has no related party transactions for the year ended 30 June 2012.

The personnel compensation relating to key management personnel is not disclosed as part of the related party disclosure note. Remuneration applicable to key management personnel is disclosed as part of the Key Management Personnel Compensation note.

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include the Chief Executive, the Deputy Chief Executive, seven General Managers (2011: seven General Managers) and one Director (2011: one Director)

2011 Actual \$000		2012 Actual \$000
2,639	Salary and other short term benefits	2,685
83	Other long-term benefits	98
–	Termination benefits	–
2,722	Total key management personnel compensation	2,783

NOTE 23: POST-BALANCE DATE EVENTS

There were no post-balance date events that required adjustment to the financial statements.

NOTE 24: FINANCIAL INSTRUMENTS

The Department is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, debtors and trade creditors.

FAIR VALUE

The Department uses various methods in estimating the fair value of a financial instrument. Fair values are determined according to the following hierarchy:

- > Quoted market price – financial instruments with quoted market prices for identical instruments in active markets;
- > Valuation technique using market observable inputs – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and
- > Valuation technique with significant non-market observable inputs – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the balance date:

	Total	Quoted market price	Valuation technique – market observable inputs	Valuation technique – non-market observable inputs
	\$000	\$000	\$000	\$000
As at 30 June 2012				
Local Currency Financial Assets				
Cash and Cash Equivalents	315,816	315,816	–	–
Investments	5,560	5,258	302	–
Total Local Currency Financial Assets	321,376	321,074	302	–
As at 30 June 2011				
Local Currency Financial Assets				
Cash and Cash Equivalents	216,331	216,331	–	–
Investments	5,590	5,312	278	–
Total Local Currency Financial Assets	221,921	221,643	278	–

MARKET RISK

Price Risk

Price risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate as a result of changes in market prices. The Department is exposed to price risk on its investments. The price risk is nominal as the investments are held by the Department as a result of business dealings with the farming industry and, as such, are not expected to be traded and are not used to support cashflows.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Department does not enter into forward foreign exchange contracts, as it engages in few overseas transactions, and is therefore only nominally susceptible to foreign exchange risks.

INTEREST RATE RISK

Fair value interest rate risk is the risk that the value of a financial instrument, or the cash flows from a financial instrument, will fluctuate, due to changes in market interest rates.

Under Section 46 of the Public Finance Act 1989, the Department cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, the Department has no interest bearing financial instruments and therefore has no exposure to interest rate risk.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to the Department, causing the Department to incur a loss. In the normal course of business, the Department is exposed credit risk from trade debtors, transactions with financial institutions and the New Zealand Debt Management Office (NZDMO).

The Department is only permitted to deposit funds with Westpac New Zealand Limited, or with the NZDMO, as these entities have high credit ratings. For other financial instruments, the Department does not have significant concentrations of credit risk.

The Department's maximum credit risk exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (note 7), prepayments (note 8), debtors and other receivables (note 9) presented in the Statement of Financial Position. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

2011 Actual \$000		2012 Actual \$000
Counterparties with Credit Ratings		
Cash and Cash Equivalents		
216,331	AA	315,815
216,331	Total cash and cash equivalents	315,815
Investments		
5,272	A+	5,220
318	Non-rated	340
5,590	Total investments	5,560
Counterparties without Credit Ratings		
Debtors and other receivables		
48,889	Existing counterparty with no defaults in the past	72,814
–	Existing counterparty with defaults in the past	–
48,889	Total debtors and other receivables	72,814
Prepayments		
1,792	Existing counterparty with no defaults in the past	2,043
1,792	Total prepayments	2,043

LIQUIDITY RISK

Liquidity risk is the risk that the Department will encounter difficulty raising liquid funds to meet commitments as they fall due.

Management of Liquidity Risk

In meeting its liquidity requirements, the Department closely monitors its forecast cash requirements with expected cash draw downs from the NZDMO. The Department maintains a target level of available cash to meet liquidity requirements.

Contractual Maturity Analysis of Financial Liabilities

The table below analyses the Department's financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

2011 Actual \$000	2012 Actual \$000
Creditors and other payables (note 15)	
90,929 Less than six months	82,638
90,929	82,638

The liability for the repayment of surplus to the Crown is not a financial liability as defined by NZ IAS 32 – *Financial Instruments Presentation*, as the obligation to pay arises from statute.

SENSITIVITY ANALYSIS

As NZ IFRS 7: Financial Instruments: Disclosures does not prescribe the format for presenting sensitivity analysis, the Department has chosen to make the following disclosures.

Cash and Cash Equivalents:	No cash or cash equivalents earn interest, nor are they held in any term deposits.
Bank Overdraft:	The Department has no bank overdraft.
Secured Loans:	The Department has no secured loans.
Derivatives:	Held for Trading and Hedge Accounting: The Department has no derivatives held for trading and does not engage in hedging activities.
Creditors and Other Payables:	The Department holds no significant creditors or other payables that are affected by foreign exchange rate movements.

CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

2011 Actual \$000	2012 Actual \$000
FINANCIAL ASSETS	
Loans and receivables	
216,331 Cash and cash equivalents (note 7)	315,816
48,889 Debtors and other receivables (note 9)	72,815
265,220 Total cash and receivables	388,631
Fair value through total comprehensive income	
5,590 Investments (note 11)	5,560
5,590 Total investments	5,560
270,810 Total financial assets	394,191
FINANCIAL LIABILITIES	
Measured at amortised cost	
90,929 Creditors and other payables (note 15)	82,638
90,929 Total financial liabilities	82,638

NOTE 25: CAPITAL MANAGEMENT

The Department's capital is its taxpayers' funds, which comprise general funds and revaluation reserves. Taxpayers' funds are represented by net assets.

The Public Finance Act 1989 (The Act) requires the Department to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the New Zealand public. Taxpayers' funds are largely managed by of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The Department has in place asset management plans for major classes of assets, detailing renewal and maintenance programmes.

The Act requires the Department to make adequate and effective provision in its long-term capital expenditure plans and that the Department acts in accordance with financial delegations from Cabinet to the Chief Executive through the Responsible Minister. The Act also requires that the Department complies with the requirements of the State Sector Act 1988, Treasury Instructions, and any other legislation governing its operations, when incurring any capital expenditure.

The objective of managing the taxpayers' funds is to ensure the Department effectively achieves its goals and objectives for which it has been established, whilst remaining a going concern.

NOTE 26: EFFECTS OF THE CANTERBURY EARTHQUAKES

The Department has completed a range of investigations and analysis this financial year and has a good understanding of the construction/remediation works required in Christchurch. The Christchurch work programme is prioritised in the 10 year capital work plan.

NOTE 27: EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Departmental Expenditure and Appropriations

Explanations for major variances from the 2011/12 Main and Supplementary Estimates are as follows:

Personnel costs were lower than expected in the Supplementary Estimates as a result of the Department carrying vacancies through the year.

The increase in cash compared to the Main and Supplementary Estimates is due to the delay in and reprioritisation of capital projects and, as noted below. This funding will be carried forward to the 2012/13 financial year.

Spending on property, plant and equipment and net cash flows from investing activities are lower compared with the Supplementary Estimates because of the rephasing and reprioritisation of capital projects. This was due to seismic reviews, prison reconfiguration (including end of life assessments) and facilities upgrades to improve services.

Spending in the Information and Administrative Services to the Judiciary and New Zealand Parole Board output class was lower than appropriation primarily due to the lower volume of written probation reports provided than was anticipated.

Spending in the Prison-based Custodial Services multi class output appropriation (MCOA) was lower than appropriation. The under spend was largely due to staff vacancies throughout the year.

Non-Departmental Other Expenses

The following non-departmental schedule details the expenses that the Department manages on behalf of the Crown.

For a full understanding of the Crown's financial position and the results of its operations for the year, refer to the consolidated Financial Statements of the Government for the year ended 30 June 2012.

SCHEDULE OF NON-DEPARTMENTAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual	2012 Actual	2012 Main Estimates	2012 Supp. Estimates
\$000	\$000	\$000	\$000
Expenditure			
– Property development related costs	150	150	150
– Total non-departmental expenditure	150	150	150

The creation of this appropriation was in relation to the development of the correctional facility at Mt Eden. This was a single year appropriation for 2011/12 only.

There has been no non-departmental unappropriated expenditure or capital expenditure for the year ended 30 June 2012.

APPENDICES

Appendix 1: Recidivism Index

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Appendix 2: Report under section 190 of the Corrections Act 2004

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APPENDIX 1: RECIDIVISM INDEX

Progress towards the achievement of the Departmental outcome of reducing re-offending is assessed through the use of two primary measurement approaches: the first approach measures re-offending rates across the entire population of offenders managed in a year. The second involves more sophisticated methods to measure the specific impact of rehabilitative interventions on re-offending.

The Recidivism Index measure gives the percentage of all offenders managed within a single year who are subsequently reconvicted or reimprisoned.¹⁰

RECIDIVISM INDEX – 12-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2010/11

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2010/11)		27.0	43.3	4.8	28.4
Gender	Female	18.4	34.9	2.5	20.8
	Male	28.0	44.2	5.5	30.3
Ethnicity	Māori	30.4	47.3	6.3	32.8
	European	23.8	39.0	4.2	27.4
	Pacific	21.0	39.3	3.8	24.8
	Other (incl. Asian)	14.1	23.7	2.2	21.6
Age (at Prison release or start of Community sentence)	<20 years	42.5	62.6	5.9	41.5
	20-24 years	32.0	52.7	5.1	32.1
	25-29 years	30.2	47.5	5.2	28.1
	30-39 years	25.1	41.3	4.9	25.4
	40 and above	16.4	26.3	3.2	16.6
Gang Affiliate	Yes	44.3	60.8	18.2	53.1
	No	20.5	36.7	3.7	26.2
Offence Group (Most serious for original sentence)	Dishonesty	40.7	59.0	7.7	37.8
	Property damage/Abuses	27.8	45.6	7.1	36.5
	Admin	39.1	56.2	10.9	31.7
	Violence	25.3	41.7	4.7	28.7
	Traffic	14.5	30.4	3.1	24.0
	Drug & Anti-social	20.0	32.8	4.8	26.9
	Sexual	9.2	15.1	2.3	12.6
	Other Minor Offences	18.6	37.8	3.2	22.9
Offence Type (Most serious for original sentence)	Car Conversion	54.1	67.4	9.8	47.8
	Theft	40.1	59.6	8.0	42.8
	Burglary	41.6	61.3	8.8	39.7
	Fraud	25.9	39.7	4.0	19.5
	Intimidation and Threats	36.3	54.3	6.6	33.3
	Robbery	25.5	42.3	4.3	22.7
	Assaults	24.9	42.3	4.4	28.1
	Homicide & Related	9.3	10.5	5.9	17.6
	Disqualified Driving	22.3	40.5	5.3	32.3
	Drink Driving	7.9	21.9	2.2	19.8

¹⁰ A full explanation for the Recidivism Index methodology can be found on pages 36 – 42 of the Department's 2004/05 Annual Report (see the link at http://www.corrections.govt.nz/_data/assets/pdf_file/0008/176228/ar2005-part1-strat-context.pdf).

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
Community Sentence	Family Offences	48.4	62.3	9.3	39.9
	Drugs (Not Cannabis)	20.5	28.8	5.2	26.7
	Drugs (Cannabis Only)	11.6	26.1	3.4	21.6
	Sexual (Other)	13.3	20.6	2.9	11.7
	Sexual (Child Sex)	5.7	10.4	1.4	14.0
	Community Work	n/a	n/a	5.0	29.3
	Supervision	n/a	n/a	5.1	26.5
	Intensive Supervision	n/a	n/a	7.2	36.6
	Community Detention	n/a	n/a	1.5	25.4
	Home Detention Sentence	n/a	n/a	5.8	21.2
Prisoner Security Classification (at Release)	Maximum	68.8	81.3	n/a	n/a
	High	46.5	65.4	n/a	n/a
	Low Medium	35.4	54.5	n/a	n/a
	Low	20.7	37.7	n/a	n/a
	Minimum	9.8	20.2	n/a	n/a
Release Type	Parole	18.4	27.2	n/a	n/a
	Post-release Conditions	29.9	48.6	n/a	n/a
Sentence Length	6 mth or less	30.7	49.8	4.7	28.6
	>6mth but <= 1year	28.1	45.2	5.2	26.6
	>1 to 2 years	27.2	44.2	8.5	36.9
	>2 to 3 years	19.9	29.0	n/a	n/a
	>3 to 5 years	17.2	25.5	n/a	n/a
	>5 years	13.4	21.6	n/a	n/a
Previous year's result		27.1	45.3	5.2	30.7
All (2010/11)		27.0	43.3	4.8	28.4

Figures indicate rate of reconviction/reimprisonment within the subsequent 12-month period amongst all offenders released from prison or commencing a new community sentence between 1 April 2010 and 31 March 2011. Reconviction figures are inclusive of imprisonments. Source is CMS conviction and sentencing data, as at 1 July 2012.

RECIDIVISM INDEX – 24-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2009/10

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
ALL (2009/10)		37.0	59.9	7.7	43.1
Gender	Female	24.7	48.8	4.0	33.3
	Male	38.3	61.1	8.6	45.6
Ethnicity	Māori	40.8	65.6	9.9	49.2
	European	33.3	54.3	6.6	41.2
	Pacific	32.3	53.3	6.2	38.8
	Other (incl. Asian)	18.3	32.5	4.8	34.9
Age (at Prison release or start of Community sentence)	<20 years	52.3	77.0	9.1	57.7
	20-24 years	43.1	70.4	8.0	47.6
	25-29 years	41.1	67.9	8.1	42.9
	30-39 years	36.0	58.5	8.2	40.2
	40 and above	23.2	38.4	5.0	27.6
Offence Group (Most serious for original sentence)	Dishonesty	54.3	76.1	24.2	70.8
	Property Damage/Abuses	31.3	54.6	6.3	40.7
	Admin	51.8	74.6	11.2	52.6
	Violence	38.1	60.6	9.4	53.1
	Traffic	44.5	67.6	15.6	46.2
	Drug & Anti-social	37.2	60.5	8.1	44.7
	Sexual	26.3	51.0	5.3	38.0
	Other Minor Offences	24.7	46.3	7.8	42.3
Offence Type (Most serious for original sentence)	Car Conversion	14.0	24.4	3.9	20.4
	Theft	30.0	58.1	5.6	36.5
	Burglary	58.4	84.0	15.7	63.4
	Fraud	55.3	76.6	11.5	55.9
	Intimidation and Threats	53.0	76.8	12.2	57.6
	Robbery	39.1	58.5	5.7	30.2
	Assaults	48.4	72.6	10.6	51.6
	Homicide & Related	34.3	58.8	10.0	43.3
	Disqualified Driving	37.6	61.1	7.5	43.7
	Drink Driving	20.3	30.5	0.0	8.7
	Family Offences	37.3	64.1	9.1	47.7
	Drugs (Not Cannabis)	18.0	41.5	3.8	32.9
	Drugs (Cannabis Only)	45.1	73.5	14.8	56.9
	Sexual (Other)	12.9	30.6	12.5	45.4
	Sexual (Child Sex)	17.9	45.3	5.3	36.7

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
Community- Sentence	Community Work	n/a	n/a	7.7	43.7
	Supervision	n/a	n/a	8.7	41.0
	Intensive Supervision	n/a	n/a	9.6	51.8
	Community Detention	n/a	n/a	2.3	42.0
	Home Detention Sentence	n/a	n/a	9.4	37.4
Prisoner Security Classification (at Release)	Maximum	36.4	45.5	n/a	n/a
	High-medium	60.2	80.7	n/a	n/a
	Low-medium	45.4	68.2	n/a	n/a
	Minimum	26.9	49.5	n/a	n/a
Release Type	Parole	26.8	43.3	n/a	n/a
	Post-release Conditions	40.4	64.6	n/a	n/a
Sentence Length	6 mth or less	39.7	65.6	7.4	43.3
	>6mth but <= 1year	38.3	62.1	9.0	41.8
	>1 to 2 years	40.9	62.0	10.4	48.3
	>2 to 3 years	27.9	46.6	n/a	n/a
	>3 to 5 years	25.1	42.8	n/a	n/a
	>5 years	22.5	32.5	n/a	n/a
Previous year's result		39.2	62.2	8.9	46.1
ALL (2009/10)		37.0	59.9	7.7	43.1

Figures indicate rate of reconviction/reimprisonment within the subsequent 24-month period amongst all offenders released from prison or commencing a new community sentence between 1 April 2009 and 31 March 2010. Reconviction figures are inclusive of imprisonments. Source is CMS conviction and sentencing data, as at 1 July 2012.

ANALYSIS OF RECIDIVISM INDEX FIGURES

The first table provides reconviction rates as recorded within 12 months for those released from prison or commencing community-based sentences during the 2010/11 (1 April – 31 March) year, and the second provides the rates over 24 months for those released from prison or commencing community-based sentences during the 2009/10 year. Recidivism Index figures are reported for multiple categories of offenders with significant variation observed in reconviction rates between sentence types, offence types and demographic groups.

As noted in the body of the report, overall Recidivism Index figures for 2010/11, when compared to the result reported the previous year, indicate a modest decrease in reconvictions and reimprisonments for offenders released from prison. A moderate fall is also recorded in reconvictions and imprisonment rates amongst offenders who commenced a community-based sentence.

RECIDIVISM INDEX SUB-GROUP COMPARISONS

When examined by the sub-groupings for which Recidivism Indexes are calculated, the following observations can be made for those released from custodial sentence (12-month follow up). Males are reimprisoned at a significantly higher rate than females, and reconviction rates for male offenders released from prison are also higher than for female offenders.

Reconviction and reimprisonment rates tend to be higher for Māori offenders than rates of New Zealand Europeans and Pacific offenders. This difference is likely to reflect a number of variables. For example, Māori offenders are on average younger than Europeans, their offences tend towards those with high recidivism rates (such as burglary), and gang membership, which is strongly associated with elevated rates of re-offending, is more common amongst Māori.

Reimprisonment rates reduce sharply as offenders age (offenders under the age of 20 years are reimprisoned at two and a half times the rate of those over 40), and vary markedly between offence classes (dishonesty offenders having the highest rates, and sex offenders the lowest).

Offenders who are gang-affiliated are shown to be at a substantially higher risk of re-offending. Released gang affiliated prisoners were found to have reimprisonment rates (within 12 months) that were almost exactly twice that of non-affiliated offenders. For community-sentenced offenders, the difference was even more marked – 18 percent of gang-affiliated offenders on community sentences were subsequently imprisoned, but only 4 percent of those not affiliated.

Reimprisonment rates tend to be higher for prisoners released from higher security classifications than those for prisoners released from minimum security classification.

There is a tendency for shorter sentence length to be associated with higher rates of reconviction and reimprisonment: the reimprisonment rate for offenders serving short sentences (up to 12 months) is 29 percent, while the comparable rate for offenders with a sentence length over five years is 13 percent. This is in part a reflection of the offence types of prisoners who serve longer sentences (violent and sexual), offences which tend to be associated with lower rates of reconviction.

Reported in the tables also are recidivism rates for specific offence types, in addition to rates for the broader offence groupings. This reveals some interesting differences between offence types within an offence group. For example, there are higher recidivism rates for disqualified drivers than drunk drivers, and amongst dishonesty offenders, car thieves have the most pronounced tendency to re-offend.

Offenders serving community-based sentences had significantly lower imprisonment and reconviction rates than offenders released from prison. In general, most of the trends noted for released prisoners above were evident for this population also.

For both prison releases and community sentence offenders, the 24-month Recidivism Indexes generally show a predictable pattern, in that the 24-month RI figures typically increase by between 30 percent and 50 percent over the 12-month rates.

These data are consistent with a great deal of research on recidivism which indicates that the highest rate of reconviction occurs within the first 12 months, with the proportion re-convicted in each successive year progressively smaller than in the previous year.

APPENDIX 2: REPORT UNDER SECTION 190 OF THE CORRECTIONS ACT 2004

SECTION 190(1)(A)

Requires the Chief Executive to report how he has carried out his functions under section 8(1)(k). This section requires that processes are established and maintained to identify communities significantly affected by policies and practices in the corrections system give opportunities for those communities to offer their views on those policies and practices, and ensure those views are taken into account, together with information on how prison managers have carried out that responsibility.

As part of the development of policy and practices in the Corrections system, the Department identifies stakeholders and communities of interest; including the local community where a prison is situated, and provides opportunities for engagement and the expression of views about our operations.

A significant amount of community consultation was undertaken around the proposal to close New Plymouth and Wellington Prisons, and units at Waikeria, Tongariro/Rangipo, Rolleston and Arohata Prisons. Presentations were made in local communities to provide an understanding of why closures are required and what impacts they may have on those whose family/whānau are in prison, as well as staff and local businesses.

Consultation with iwi groups and the South Auckland community is ongoing to raise awareness of the Department's estate development plans in Wiri, and how they relate to its prisoner accommodation and rehabilitation strategies. Community feedback is considered in the planning process.

SECTION 190(1)(B)

CHIEF INSPECTOR'S ANNUAL REPORT FOR 2011/12

Introduction

The Corrections Inspectorate is established under the provisions of section 28 of the Corrections Act 2004 as a dedicated complaints resolution, investigation and assurance function, reporting directly to the Chief Executive independently of operational line management. The legislation acknowledges the high level of risk attached to sentence management by providing an appropriate level of legislative prescription, protection and access for the agents of the Chief Executive in matters related to sentence management generally and the secure prison environment in particular.

Community-based sentences traditionally generate a very low volume of complaints to the Inspectors. Only 15 were received for the year, none of which were upheld, compared to six received for the previous year. A reason for the low volume may be that community-based offenders are largely able to carry on with their normal lives while serving their sentences. They have ready access to their normal support networks, and therefore the impact of the State is significantly less than is the case for someone serving a sentence of imprisonment.

This report therefore deals primarily with prison related matters.

Complaints to the Inspectors of Corrections

The effective and timely resolution of prisoner complaints is a key area of the Inspector's work. For reasons of safety, security, fairness and the mitigation of risk the Department expects prisoner issues and concerns to be resolved as soon as practicable and at the lowest possible organisational level. In the normal course of events, for prisons this means at unit level. It is the responsibility of unit staff to resolve prisoner concerns by taking the appropriate action before they escalate into complaints or incidents. For those occasions where lower level resolution does not occur, or is not possible, the legislation provides the Department with a two-tiered system of internal complaints resolution. At prison site level, a robust, auditable internal complaints system exists so that prisoners can formally take matters for resolution to their Residential Manager or Prison Manager. This constitutes the first tier.

The Inspectorate is the Department's second tier of complaints resolution. As such it is effectively the Department's last opportunity to resolve a complaint before external agencies become involved or Court action is taken.

There were 3,169 formal complaints received for the year. This was an increase of approximately 13 percent on the 2010/11 year total of 2,795. Only 48 of the 3,169 complaints received in the 2011/12 year were found to be justified.

At 1.52 percent of total complaints this is in my view a very low proportion of the thousands of interactions that occur between the Department and offenders every year. It is also a slight decrease on the 2010/11 year which resulted in 2.5 percent of complaints justified (70 of 2,795).

The highest categories of justified complaints related mainly to the disciplinary process, staff conduct and attitude, and the management of prisoner's personal property. A number of justified complaints under the category 'Staff Conduct and Attitude' related to issues around the timeliness in processing prisoner complaint forms. These were isolated incidents of individual staff non-compliance with the system requirements rather than any systemic issues.

Justified complaints in regard to the disciplinary process were generally prisoners seeking dismissal of misconduct charges due to timeframes being exceeded in laying the charge or conducting a hearing. Again these related to isolated cases where the required paperwork had not been processed within the timeframes by individual staff, or cases of an unreasonable delay in the hearing of the charge. It was not seen to be a fault with the system as such.

While there are no systemic issues of concern around the management of the disciplinary process or staff conduct and attitude, the management of prisoner's personal property leaves room for improvement. This year the Department commenced and completed a comprehensive review of prisoner property. The project has identified a number of areas to be improved and a new policy will be released and implemented in August 2012. It is anticipated that the number of complaints related to prisoner property management will decrease with the implementation of the new policy.

0800 Complaints Line

Since 1997, the Inspectorate has operated a 0800 free-call phone line that offenders, and in particular prisoners and their families, can use to raise a complaint directly with an Inspector during normal business hours. In the 2010/11 year there were a total of 3,535 calls received. Of these 1,425 were seeking information or clarification of prison related matters and 2,110 generated a formal complaint. In 2011/12 there were 4,089 calls received, 1,688 related to requests for information and 2,401 generated a formal complaint.

This facility still generates the vast majority of the contacts prisoners make with the Inspectors every year. It is of considerable value as a "safety valve", allowing prisoners to air their frustrations. Prisoner concerns are able to be de-escalated immediately, either by independent confirmation that the prison's decision was appropriate, or by the provision of sound, experienced-based advice to the prisoner. As a result, only 2,401 of these contacts resulted in formal complaints during 2011/12. As stated above, 1,688 calls were related to the provision of advice or the supply of relevant information, with many not related to the prison environment. The Inspector is also in a position to immediately highlight a concern to prison management regarding a prisoner's state of mind and potential risk to themselves, or others, as a result of these calls.

It was anticipated that the introduction of the smoke-free policy in prisons, commencing 1 July 2011, would lead to an increase in complaints, either directly associated with the introduction of the policy or more general complaints as a consequence of heightened levels of agitation with nicotine withdrawal. However, there was no discernable increase in complaint levels of a general nature that could be considered attributable to the smoking ban, and only a relatively small number of complaints related to the provision of Nicotine Replacement Therapy products. We have put this down to the substantial preparatory work by Corrections that went into the implementation of the ban, which allowed prisoners to adapt to the policy, and also the high level of communication and assistance given to prisoners regarding the policy.

Investigations

In addition to the prison visiting and complaints resolution activities, the Inspectors have conducted full investigations of significant prison incidents during 2011/12, thirteen of which related to deaths in custody (eight apparent natural causes, five apparent suicides). This is a decrease of 43 percent on the 23 deaths investigated for 2010/11, which is encouraging. The conduct of these investigations has been monitored by Investigating Officers from the Office of the Ombudsmen who attended most scene examinations and interviews, and were kept apprised of developments throughout.

In the interests of transparency, the Inspectors have also continued to monitor the conduct and outcome of a number of internal prison investigations into prisoner's allegations of assault/abuse by staff. 42 such monitoring reviews were carried out during the year. This represents a decrease of 29 percent on 2010/11 when 59 monitoring reviews were conducted.

The issues identified in these investigations tend to reflect isolated instances of non-compliance with specified systems, usually by an individual, rather than any systemic issues. This would indicate a need for ongoing staff refresher training and effective staff supervision rather than any major changes to the systems themselves. The introduction of the Prison Services Operations Manual (PSOM) has improved clarity of systems for staff, reinforced the key expectations of the Department and has also become a more 'user friendly' document.

Conclusion

The Inspectorate has reported progressively throughout the year on the matters arising out of their various activities to operational management, the Chief Executive, and to the Department of Corrections Audit Committee.

It cannot be stressed enough that Corrections is, and will remain, a difficult and potentially dangerous environment to manage and in which to work. Incidents are a fact of prison life in particular, and no jurisdiction in the world has developed an effective immunity to them. When they occur, incidents provide an easy target for criticism, generalisation and sensationalism.

Nonetheless, it remains the Inspectorate's view that the Department can be proud of the overall quality of its services and of the ongoing dedication and professionalism of its staff and managers. While isolated incidents will from time to time generate a disproportionate level of negative attention, the Inspectorate's overall view is derived from the largely positive findings arising out of the Inspectors visiting, investigation and review activities and the low level incidence of justified complaints to the Inspectorate throughout the year.

SECTION 190(1) (C) (D) (E)

Legislative authority for the Department to monitor prisoners' telephone calls is provided under sections 111 to 122 of the Corrections Act 2004. Call monitoring is an important part of ensuring offenders are not committing or organising criminal activities from within prison.

Between 1 July 2011 and 30 June 2012, 1,489,104 calls were made from payphones in prison. Of this number, 59,305 (compared to 44,419 for 2010/11) or 4 percent of calls were monitored. These results include Mt Eden Corrections Facility.

With respect to the calls that were monitored, 81 percent, which equates to 47,885 calls, produced valuable information to support the prevention and reduction of crime. Information and intelligence from calls is used internally (around drugs, violence, escapes) and externally (Police, IRD, MSD among others). This demonstrates a strong commitment to community safety as well as prison safety.

There is no ability to capture the specific results from the disclosures; however the Department knows that they have led to a number of arrests (of prisoners, visitors, members of the community) for a variety of offences. They have resulted in exclusions of visitors and the discovery of drugs and other contraband.

SECTION 190(1) (F)

Reports on measures to reduce drug and alcohol use by prisoners and the effectiveness of those measures, random-testing programmes and the results of those programmes.

From June 2010 the public and prisoners were able to anonymously report information about crime in prisons to the Crime Stoppers 0800 service. Between 1 July 2011 and 30 June 2012, 75 Crime Stoppers reports were received and forwarded to relevant business groups. This service supplements other crime prevention activities such as visitor check points, perimeter checks, random drug testing, sharing crime intelligence with external agencies and delivery of drug and alcohol treatment programmes to reduce the incidence of drugs in prisons and drug related re-offending. The number of prisoners with the opportunity to attend drug and alcohol treatment has doubled. These activities have contributed to the reduction in the demand and supply of drugs, and the increased rehabilitation of prisoners. Programme results show a reduction in re-offending of up to 30 percent for those who complete treatment. The year end general random drug testing result was 4 percent positive (7 percent for 2010/11), which is the lowest level recorded since testing began in 1998.

SECTION 190(1)(G)

Reports on the operation of every security contract in force for the whole, or any part, of the year to which the annual report relates, including:

- > a summary of reports forwarded to the Chief Executive under section 171(2) and (3)
- > a summary of reports made to the Chief Executive under section 172(2)(b)
- > a summary of actions taken in relation to the operation of security contracts as a result of matters raised in any report forwarded or made.

Training provided to security officers employed by the Contractor

A total of 97 training courses were attended by security officers employed by the Contractor. Security officers received training in control and restraint (including both instructor and refresher training) and first aid. Security officers also achieved Learners and Full class 2 Drivers Licence qualifications.

The number and nature of complaints made by persons in relation to the carrying out, by security officers employed by the Contractor, of escort duties in respect of those persons, and how those complaints were resolved

A total of six complaints were made in relation to security officers employed by the Contractor. These complaints related to staff conduct. All complaints were fully investigated by the Contractor and the outcomes of those investigations were communicated back to both the complainant and the subject of the complaints.

None of the complaints were classified as justified by the Inspectorate throughout the year.

The number and nature of any incidents involving violence by or against prisoners while in the custody of security officers employed by the Contractor

There were four reported incidents involving violence by and against prisoners while in the custody of security officers employed by the Contractor. These assaults resulted in minor injuries and were considered non-serious.

The number and nature of any incidents involving violence against security officers employed by the Contractor while carrying out escort duties or courtroom custodial duties

There were two reported incidents involving violence against security officers employed by the Contractor while carrying out escort duties or courtroom custodial duties. One of these assaults resulted in minor injury and neither were considered serious.

The number and nature of any incidents involving self-inflicted injuries to prisoners while in the custody of security officers employed by the Contractor

There were no reported incidents involving self-inflicted injuries to prisoners while in the custody of security officers employed by the Contractor.

The compliance, by security officers employed by the Contractor, with the requirements of sections 83, 84, 85, 87, and 88 of the Corrections Act

A total of 42,198 searches were recorded by security officers employed by the Contractor during the reporting year. This included 30 strip searches.

The exercise, by security officers employed by the Contractor, of the powers conferred by sections 98 and 101 of the Corrections Act in order to perform the functions of security officers

A total of four incidents were recorded in this area, all were deemed to be compliant with the requirements as specified in the Corrections Act.

The number and nature of any disciplinary actions taken against security officers employed by the Contractor, and the reasons for, and the outcomes of, those actions, including any penalties imposed

A total of six disciplinary proceedings were initiated against security officers employed by the Contractor, for offences related to staff conduct. The proceedings resulted in two written warnings, one final written warning and one referral to training.

SECTION 190(1) (H)

Reports on the operation of any contract prison, including a summary of reports by the manager of the contract prison, including:

- > a summary of reports forwarded to the Chief Executive under section 199D(2) and (3)
- > a summary of reports made to the Chief Executive under section 199E(3) (b)
- > a summary of actions taken in relation to the management of contract prisons as a result of matters raised in any report forwarded.

A summary of the monthly reports submitted to the Chief Executive by the monitors of the Serco contract is provided in the section entitled Management of Mt Eden Corrections Facility on pp. 30-31.

In 2011/12, Serco, who are contracted to manage Mt Eden Corrections Facility, have provided four reports that meet the requirements of section 119D (2) and (3).

Number and nature of complaints made by prisoners

A total of 741 complaints were made to Serco by prisoners at Mt Eden Corrections Facility. These related to a wide range of categories, and do not include complaints made directly to the Inspectorate or Ombudsman.

The procedure for resolving complaints received by Serco involves a Complaints Officer meeting with the prisoner and discussing the issue. Together they agree a plan of action, which is then followed out, and the prisoner is kept informed of the outcome. When a resolution is achieved the complaint is closed.

Where a resolution is not achieved, a discussion takes place with the Operations Manager and the complaint is referred to the Inspectorate.

From complaints received through these channels, and received directly by the Inspectorate, three were considered to be justified by the Inspectorate, relating to food service, prisoner welfare and staff conduct/attitude.

Compliance with the requirements of the 'use of force and restraint, and related matters' section of the Corrections Act (sections 83, 84, 85, 87 and 88)

30 incidents were recorded in this area. All were deemed compliant with the requirements of the Corrections Act.

The exercise of the 'searching' powers conferred by sections 98 to 101 of the Corrections Act

194,749 searches were recorded by officers at Mt Eden Corrections Facility in 2011/12.

The number and nature of disciplinary proceedings taken against prisoners

679 disciplinary proceedings were taken against prisoners at Mt Eden Corrections Facility for offences relating to a variety of categories.

The details of disciplinary proceedings taken against staff members of the contract prison

22 disciplinary proceedings were initiated against staff members at Mt Eden Corrections Facility for offences classified as potential serious misconduct and serious misconduct. The proceedings resulted in seven warnings, two dismissals and one resignation.



Department of Corrections, Mayfair House, 44-52 The Terrace, Wellington
Phone: (64 4) 460 3000 Fax: (64 4) 460 3263 www.corrections.govt.nz

New Zealand Government

