

<i>Chief Executive's overview</i>	2
<i>What Corrections does</i>	4
<i>Corrections and the Justice Sector</i>	6
<i>Working in a challenging and changing environment</i>	8
<i>Corrections by the numbers</i>	12
<i>Financial overview</i>	14
Part A - Contribution to Priorities and Delivery of Outcomes	17
<i>Public Safety is Improved</i>	18
Pressure on the prison network	19
Minimising risks of harm to others	20
Implementing the Staff Safety Plan	22
Integrity of prison sentences	24
Offenders in the community	26
The Judiciary and New Zealand Parole Board	28
<i>Re-offending is Reduced</i>	30
Reducing re-offending through our six areas of focus	31
Offender education	35
Offender employment	36
Working prisons	38
Responding to offenders' reintegrative needs	39
Reducing the rate of re-offending	40
Our refreshed approach – RR25% Boost	43
Maintaining the health and wellbeing of offenders in custody	44
<i>Better Public Value</i>	46
Investing to improve our facilities	47
Auckland South Corrections Facility	48
Ongoing reprioritisation into frontline services	49
<i>Visible Leadership</i>	50
Supporting our people	51
Part B - Statement of Performance	55
<i>Statement of Responsibility</i>	56
<i>Independent Auditor's Report</i>	57
<i>Statement of Performance 2014/15</i>	61
Appropriation – Prison-based Custodial Services	62
Appropriation – Sentences and Orders Served in the Community	68
Appropriation – Rehabilitation and Reintegration	72
Appropriation – Information and Administrative Services to the Judiciary and New Zealand Parole Board	80
Appropriation – Policy Advice and Ministerial Services (Multi Class Output Appropriation)	84
Appropriation – Contract Management of Services Provided by Third Parties	88
Glossary of Terms	90
Part C - Annual Financial Statements	91
The Year at a Glance	92
Statement of Comprehensive Revenue and Expense	93
Statement of Changes in Taxpayers' Funds	94
Statement of Financial Position	95
Statement of Cash Flows	96
Statement of Commitments	97
Statement of Contingent Liabilities and Assets	98
Statement of Trust Monies	99
Notes to the Financial Statements	100
Statements of Expenses and Capital Expenditure	128
Statement of Budgeted and Actual Expenses and Capital Expenditure Against Appropriations	129
Statement of Capital Injections	130
Statement of Capital Injections Without, or in Excess of, Authority	130
Statement of Expenses and Capital Expenditure Incurred Without Appropriation or Other Authority	130
Part D - Appendices	131
<i>Appendix One: Recidivism Index</i>	132
<i>Appendix Two: Recidivism Index and Rehabilitation Quotient</i>	134
<i>Appendix Three: Report under section 190 of the Corrections Act 2004 and Parole Act 2002</i>	135
<i>Appendix Four: Report under section 121 of the Public Safety (Public Protection Orders) Act 2014</i>	143

❖ Chief Executive's overview

When the Department of Corrections was created in 1995 Corrections employed 3,500 staff. Twenty-three thousand sentences were being served in the community and we had 4,235 prisoners in 16 prisons. This year, as we mark our twentieth anniversary, we have nearly 8,000 staff managing over 35,000 sentences and orders in the community, and over 9,000 people in prison. This is the largest prison muster New Zealand has ever had.

To the credit of our people, we managed a prison population that has grown in excess of all forecasts. We have maintained the security and integrity of the corrections system, and have made progress on an ambitious goal of reducing re-offending.

The opening of Auckland South Corrections Facility in May 2015 has eased pressure on the capacity of the prison network. The prison is New Zealand's first full services Public Private Partnership (PPP) and at the time was New Zealand's largest construction project, with 1.4 million hours worked, equating to one person working for 800 years.

The new facility is state of the art and designed with rehabilitation and reintegration at the front and centre. The site is located in South Auckland, which means that more prisoners will have the opportunity to be located closer to their families, as well as to support networks, community groups, and potential employers. Any programmes or initiatives showing good results can be used across the other prisons, enhancing our efforts to reduce re-offending.

For a while now, we have been planning to close some of our older units that are no longer fit for purpose. Auckland South Corrections Facility's opening has meant we can begin to close older units at Waikeria, Tongariro/Rangipō and Rimutaka Prisons. I am pleased at how well this process has gone, especially at the way we have managed the transition for affected staff. A number of staff took up our enhanced early retirement and relocation options, which meant fewer staff were impacted than initially expected.

Over the last three years, we have shown that it is possible to reduce re-offending; but we still have a lot of work to do to achieve our Better Public Services target of a 25% reduction in re-offending by 2017. This year we kicked off a major programme of work designed to intensify our efforts – RR25% Boost. RR25% Boost is about giving more offenders access to the programmes and interventions we know work, such as alcohol and other drug treatment, road safety courses, and work and living skills. We are particularly focusing on short-serving prisoners and community offenders, who in the past have not had access to as wide a range of services as other offenders.

Public safety is our bottom line and this year we standardised our electronic monitoring of offenders, bringing all offenders who require monitoring under one provider – 3M.

Allegations involving the management of Mount Eden Corrections Facility meant that in the interest of prisoner and staff safety Corrections invoked a 'Step-in' clause in the contract we have with Serco. The chief inspector of Corrections is undertaking an investigation which is due to be completed on 30 October 2015.

On 1 October 2015 we mark 20 years since the formation of the Department of Corrections. This milestone is a chance to reflect on how far we have come as an organisation, and to acknowledge the part our people have played in forging the organisation we have today. We have over 800 staff who were here when the Department of Corrections separated from the Department of Justice. I'd like to recognise these long-serving staff and their enormous contribution.

Our people are the backbone of the organisation. Without the staff working at sites across the country we couldn't do what we do. All the technology, facilities and opportunities in the world wouldn't mean a thing without the people who work every day to help make New Zealand a safer place.



Ray Smith
Chief Executive





❖ What Corrections does

Corrections operates its facilities in accordance with the United Nations Standard Minimum Rules for the Treatment of Prisoners. Corrections is committed to managing prisoners safely and humanely, and meeting their legitimate needs (sections 69-82 of the *Corrections Act 2004*).

Underlying these core responsibilities is a commitment to the people of New Zealand – to protect them from those who could harm them. Whether it is monitoring offenders on community sentences, putting in place support plans for those at risk of re-offending, upgrading our facilities to ensure their security, or providing information to the courts and Parole Board to assist them with their decision making, everything we do is centred on keeping communities safe.

Public safety is our bottom line, and the best contribution we can make to public safety is to ensure that people who come into Corrections do not re-offend. That is why reducing re-offending is our ultimate goal and is at the heart of our strategic plan. We actively work with offenders to provide rehabilitation, education and employment training that will make a positive difference in assisting them to turn their lives around.



The Department of Corrections is responsible for the management of New Zealand's corrections system.

We do this by:

Making sure prisoners and community-based offenders comply with the sentences and orders imposed by the courts and New Zealand Parole Board...

... and by:

Providing offenders with rehabilitation programmes, education and job training that will turn their lives around and break the cycle of re-offending

❖ Corrections and the Justice Sector

The New Zealand Government has set Better Public Services (BPS) targets for the Justice Sector to achieve by June 2017. The Department of Corrections has responsibility for BPS 8 - reducing re-offending by 25% by 2017. Our sector partners include New Zealand Police, the Ministry of Justice (including courts), the Crown Law Office, and the Serious Fraud Office.



The programme for delivery of Better Public Services targets is laid out in the *Reducing Crime and Re-Offending Result Action Plan*, developed in partnership by Justice Sector agencies and published by the Ministry of Justice in July 2012.

By June 2017, the Justice Sector action plan will deliver:

- > an overall reduction in crime by 15%
- > a reduction in violent crime by 20%
- > a reduction in youth crime by 25%
- > a reduction in re-offending by 25%

Corrections contributes considerably to the achievement of the Justice Sector outcomes. Our management of correctional facilities and community-based sentences and orders holds offenders to account and helps to build public

trust in the justice system. Our rehabilitative and reintegrative work with offenders reduces crime and its impacts, leading to a safe and just society.

As a key player in the Justice Sector, Corrections' responsibility within the Justice Sector action plan is the delivery of two specific outcomes:

- > re-offending is reduced
- > public safety is improved

Minister's priorities	Department's Appropriations	Department's impacts	Department's outcomes	Justice Sector overall outcome
Reduce re-offending by 25% by 2017	Information and administrative services to the Judiciary and New Zealand Parole Board	Offenders have the skills and support to lead law-abiding lives	Public safety is improved	SAFE AND JUST SOCIETY
Improve public safety	Contract management of services provided by third parties	Offenders' health and wellbeing are maintained		
Better public value	Policy advice and ministerial services [MCOA]	The integrity of sentences and orders is maintained and offenders are held to account	Re-offending is reduced	
Improve performance through Public Private Partnerships	Prison-based custodial services	Risks of harm to others are minimised		
Improve the safety of Corrections staff	Rehabilitation and reintegration	The Judiciary and New Zealand Parole Board make informed decisions		
	Sentences and orders served in the community			
	Service performance measures	Impact measures	Outcome measures	Sector performance indicators



❖ Working in a challenging and changing environment

The Department of Corrections is a dynamic organisation, operating within an environment of constant change.



2014/15 has been a year of proactive change for the Department of Corrections.

We have been focused on delivering programmes to reduce re-offending and improve public safety, while taking into account the individual needs of offenders and the fiscal and physical environment we work in.

Pressure on our prison capacity

The prison population has risen in this financial year compared to last year, despite gains in reducing re-offending. This is a result of increases in the number of prisoners on remand, the time that remandees spend in prison, and the fact that on average prisoners are serving greater proportions of their sentences before being granted parole. The average population of the prison network was 8,460 in 2013/14, and 8,732 in 2014/15; the proportion of remandees has risen from 20% in 2013/14 to 23% in 2014/15.

Challenges in reducing re-offending

As of 30 June 2015 our progress towards the target of a 25% reduction in re-offending was 8.3%, which is lower than the 12.1% achieved at the same time last year. This is a consequence of several factors; there has been a reduction in the rate of re-imprisonment which has resulted in a change in offender cohorts, with a growing proportion being higher-risk and with more complex needs.

We have responded with intensified efforts to reduce re-offending. We know that rates of re-offending are different for different crimes, for example the rate is particularly high for driving and domestic violence offences, and that alcohol and drug abuse is a significant risk factor. We are working to focus interventions upon the cohorts where they will have the greatest impact, by expanding programmes such as alcohol and drug rehabilitation, violence prevention courses, drivers licence support, and road safety interventions.

Future efforts to reduce re-offending

Stable employment is a key factor for people to live crime-free in the community. Recognising this, we are boosting efforts to involve offenders in industries that lead to sustainable work. These efforts include greater interaction with organisations that can provide offenders with rehabilitation, training, and employment.

Auckland South Corrections Facility is a new, 960 bed men's prison opened in May 2015, built from the ground up to focus on reducing re-offending. It is operated under a contract with SecureFuture, which sets clear financial incentives to drive a reduction in re-offending. Incentive payments will only be attained if prisoners released from the facility re-offend 10% less than those from the public prison network. Rehabilitative techniques developed at Auckland South Corrections Facility will become the intellectual property of Corrections and can be put in place at other sites.

Structural changes to reduce re-offending

Our commitment to reducing re-offending has seen us embed structural changes across the organisation; unifying our resources, closing prison units that are no longer fit for purpose, clarifying lines of responsibility for and around prison directors (formally prison managers), and aligning offender training and employment support with local industries in order to optimise offender pathways and employment prospects upon release.

During May we initiated a restructure designed to lift performance in prisons to create a strengthened and more efficient leadership model. The new unified prison structure, implemented in July 2015, will ensure better accountability for achieving our key outcomes, as well as operating prisons more efficiently to ensure fiscal sustainability. This is a step change in the way that prisons are run, but one that will have short and long term benefits for offenders as well as staff. By clarifying lines of management responsibility, this change will bring greater focus and accountability for managing offender pathways, which will provide the greatest opportunities for rehabilitation and reintegration.

The focus on reducing re-offending has required changes to be made to prisons and Community Corrections sites. This has seen us initiate a sequence of upgrades, site closures, and re-organisations, revitalising sites and expanding network capacity.



Operating in a fiscally constrained environment

As Corrections is committed to operating within our 2012 funding baseline, savings generated by ongoing expenditure reviews are carefully reinvested in frontline services, employment opportunities, and partnerships with agencies and providers, all with the objective of continuing to enhance our efforts towards achieving our goal of reducing re-offending.

The total savings arising out of the 2015 Lifting Productivity and Performance in New Zealand's Prisons restructure are estimated to be up to \$5 million in 2015/16, increasing to \$15 million in 2016/17 and following years. The planned decommissioning of 623 prison beds will also enable Corrections to avoid capital remediation costs of up to \$145 million. Alongside approval to close units that are reaching the end of their serviceable life, we have been able to sell forestry and farming land that exposed our revenue to commercial market fluctuations, allowing us to focus on our training sites that enhance post-release employment opportunities. A new contract has consolidated our Electronic Monitoring needs under one provider, 3M, which means that more offenders can be monitored on community sentences and orders than ever before.

Disruptions to our business

In November 2014 we had a high profile breach of temporary release by a prisoner approved for home leave, who left the country before being returned to custody. We can never predict such disruptions to our business, but despite this we took quick and decisive action to ensure public safety in the wake of this incident; temporary releases were suspended, and new safeguards were developed and put in place. As well as an internal review conducted by Corrections' chief custodial officer, a Government inquiry has also been carried out. All of the chief custodial officer's recommendations had been responded to by the department by 30 June 2015.



❖ Corrections by the numbers

In 2014/15 the Department of Corrections:

Continued to deliver against the Reducing Re-offending work programme. Through this programme we supported:

- > nearly 30,000 offenders to address their substance abuse problems by accessing drug and alcohol interventions
- > 7,950 prison-based and 5,267 community-based offenders to start a rehabilitation programme
- > over 300 prisoners receiving treatment in Special Treatment Units
- > probation officers to deliver almost 28,000 relapse prevention interventions to offenders in the community
- > 3,240 prisoners to improve their basic skills in literacy and numeracy
- > over 3,000 offenders in the community to receive education and job skills training
- > approximately 7,000 offenders in prisons and in the community to find stable employment
- > 10,620 prisoners to participate in employment-related activities within prison
- > more than 250 prisoners in Christchurch who received training in construction skills, helping to rebuild the city and enhancing their employability following release; well beyond our target of 150.

We managed a budget of \$1.2 billion and maintained \$2.5 billion worth of assets, including:

- > 18 operational prisons, 16 operated directly by Corrections and two privately managed by Serco and SecureFuture
- > 167 community sites that are either leased or owned, including the use of court sites
- > Corrections sites operating across four regions and 15 districts.

With:

- > nearly 8,000 staff, who completed over 37,500 staff training days; and
- > over 2,000 registered volunteers, who made approximately 20,000 visits to prison.

Who managed and supported:

- > on average, around 8,700 people in our prisons, and 29,500 community-based offenders serving 36,200 sentences and orders in the community, on any given day.

What we've achieved this year

More

prisoners securing employment with their Release to Work employers on release

7

prisons

transitioned to the working prisons framework – the remaining nine will be transitioned by 2017

All frontline custodial staff

issued with slash and needle stick resistant gloves

86%

of prisoners started and completed a rehabilitation programme

Secured funding for
Out of Gate
from the Justice Sector Fund for a further 12 months

3,240

prisoners received literacy and numeracy programmes in prison

The *Public Safety (Public Protections Orders) Act 2014* and the *Parole (Extended Supervision Orders) Amendment Act 2014* passed into legislation

Owned over
\$2.5 billion
of non-current assets

0

breakout escapes
from prisons

More than 1,000
victim referrals received from New Zealand Police

Over
50%
of offenders who are electronically monitored are monitored by GPS

2.2
million hours
worked by offenders on community work sentences

Corrections received
\$1.2 billion
of income in 2014/15

99%
of newly received prisoners had a health triage assessment on the day of reception

Over
4,400
general random drug test samples were taken in prisons

Auckland South Corrections Facility
officially opened in May 2015

❖ Financial overview

The following pages provide an overview of our financial performance for the year ended 30 June 2015.

Overall results

Corrections spent \$1.2 billion excluding remeasurements, which was \$4.6 million below the supplementary estimates.

The underspend was mostly the result of:

- > decreasing our discretionary spend in areas such as staff travel, training, contractor and consultants and contracted services
- > lower than expected change costs.

Pre-approval has been obtained to retain \$3.6 million, reducing the underspend to \$1 million, which is less than 0.1% of our total projected expenses. Given a disruptive year in a constrained fiscal environment this is a good financial result, however it presents challenges looking forward as we balance commodity volatility pressure and muster pressure.

The revenue received by Corrections was \$1.2 billion, which was \$3.9 million above the supplementary estimates mainly due to:

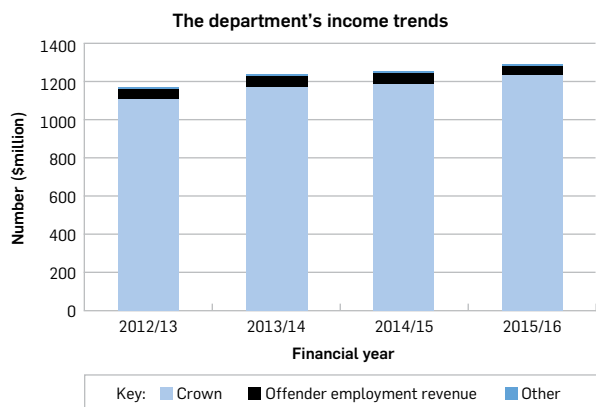
- > the recognition of a gain on the Tongariro/Rangipō land sale
- > higher than targeted forestry logging volumes and additional livestock sales, partly offset by
- > a reduction in Fonterra's milk prices to \$4.40/kg from \$4.70/kg, and
- > the pending insurance claim final settlement relating to the 2013 Spring Hill Corrections Facility riot.

While our income is predominantly provided by the Crown we also generate a small revenue stream from our offender employment activities such as farming, forestry, distribution and industry activities.

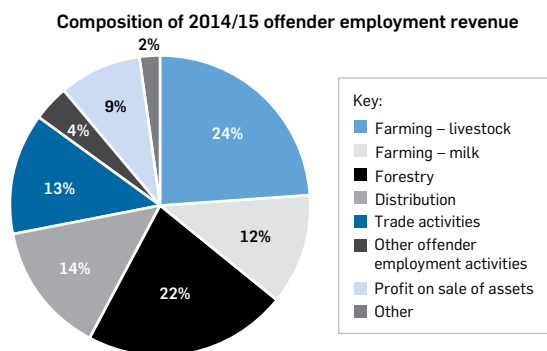
During 2014/15 Corrections recognised \$4.5 million of insurance proceeds revenue relating to settlement of claims for the 2012 Christchurch earthquake (\$3.3 million) and the 2013 Spring Hill Corrections Facility riot (\$1.2 million). Approval has been sought to retain this revenue for recovery of costs incurred in previous years.

Income

The graph below illustrates the sources of the department's revenue.



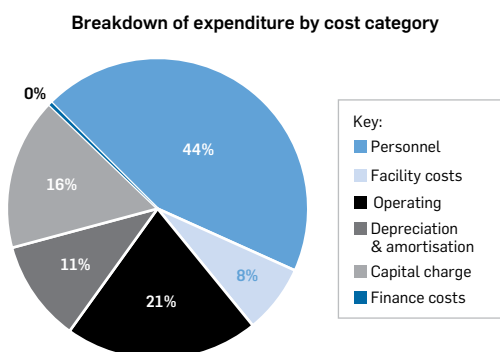
The graph below illustrates the composition of offender employment revenue as shown in the income trends graph by activity.



Expenditure by cost category

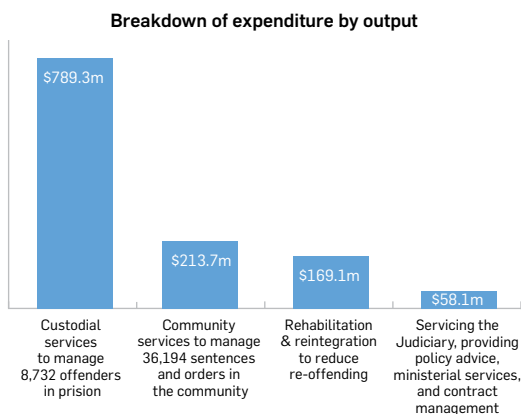
Nearly 80% of our \$1.2 billion spend in 2014/15 related to workforce and asset ownership costs.

We employ nearly 8,000 people which results in a \$544.1 million wages bill that makes up 44% of our total spend. A significant portion of the workforce is specialised and we make a considerable investment in upfront and ongoing training.

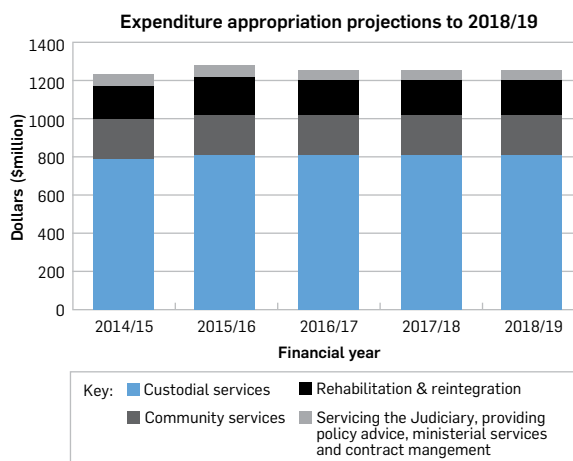


Expenditure by output

The graph below illustrates the outputs we delivered and the portion of expenditure incurred to deliver each output. By far the largest portion of our total spend goes to providing custodial services.



The graph below shows our output expenditure appropriation projections to 2018/19. We continue to manage our service within a constrained fiscal environment and are increasingly re-prioritising our resources to provide our services more efficiently and effectively within a fixed annual budget of \$1.2 billion.



Asset base

We own \$2,580 million of non-current assets that operate the length of the country, with many facilities operating 24 hours a day, seven days a week. Our non-current assets include:

- > Property, plant and equipment – \$2,487.6 million
- > Assets related to offender employment activity including farming – \$16.2 million
- > Intangibles (software) including streamlined offender management systems – \$76.2 million

Facility costs, depreciation and amortisation, capital charge and finance costs (Auckland South Corrections Facility PPP) represent 35% of our total 2014/15 spend.

Corrections' asset base, which includes 18 prisons¹, must be safe and secure, ensuring public safety is maintained and sentences are completed, while also enabling employment, training, skills development and rehabilitation opportunities for prisoners.

On 30 June 2015 the Tongariro/Rangipō forest crop and land were sold under a treaty settlement. Corrections managed the forest as part of its prisoner employment training programme. The treaty settlement has provided an opportunity for Corrections to relinquish some of its property holdings, freeing up cash and reducing commercial and operational risk while still retaining prisoner employment training opportunities.

Corrections continues to review the configuration of its prisons to ensure that within the network there is enough flexibility to adapt to the rising and changing prison population, including security classification of prisoners, age of prisoners, rehabilitative needs and maintaining proximity to the local courts.

Looking forward, Corrections has entered into an agreement with Next Step Partners to design, rebuild, finance and maintain the maximum security section of Auckland Prison under a Public Private Partnership. Custodial operations will continue to be carried out by Corrections. While the total maximum prisoner capacity will remain unchanged, the new modern facility will ensure the safe containment of prisoners and also ensure prisoners who have high and complex needs can receive care in an environment that supports them and the delivery of high quality rehabilitative and reintegrative services. Construction of the new maximum security facility is anticipated to begin in late 2015 and take two years to complete.

Capital expenditure

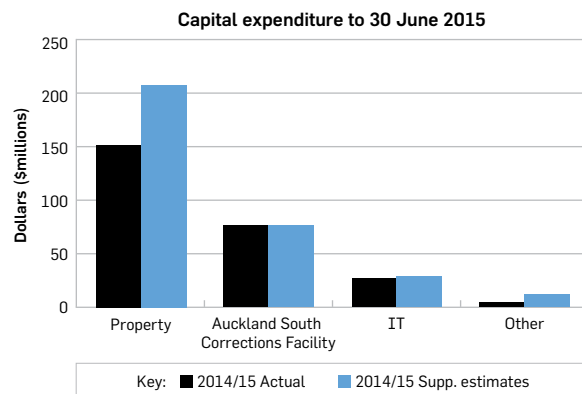
Corrections incurred \$263.2 million of capital spend in 2014/15. This comprised \$80.3 million to complete the Auckland South Corrections Facility, \$151.8 million for property assets, \$26 million on Information Technology and \$5.1 million on other items such as fleet and plant replacements.

Property expenditure included \$51.2 million for property projects, \$55.5 million for prison development projects, \$22.5 million for electronic security, \$15.9 million for Community Corrections site developments and \$6.7 million for minor works and asset replacements.

In particular, property expenditure included redevelopment works at Invercargill, Tongariro/Rangipō and Whanganui prisons, enhancements at Spring Hill Corrections Facility and Northland Region Corrections Facility, design and physical works at the refurbished section of Auckland Prison, the rollout of Audio-Visual Link (AVL) technology, the replacement and enhancement of electronic security systems and ongoing facilities lifecycle asset replacements.

Information technology (IT) expenditure included offender-centric initiatives such as technology to support the *Administration of Community Sentences and Orders Bill (ACSOB)*, prisoner self-service kiosks, online learning and Integrated Offender Management System (IOMS) enhancements. Other IT expenditure included new management reporting tools and the rollout of new cellphone technology to support frontline staff.

The chart below shows actual capital expenditure against supplementary estimates by major portfolio. The overall underspend reflects changes in the mix and timing of projects due to a variety of reasons, including for property, scheduling changes due to muster pressures, tendering delays and securing appropriate sites for Community Corrections developments.



¹ This figures includes two privately managed prisons (Auckland South Corrections Facility and Mount Eden Corrections Facility) operated through contracts with SecureFuture and Serco respectively.