



Annual Report

1 JULY 2017 - 30 JUNE 2018



DEPARTMENT OF
CORRECTIONS
ARA POUTAMA AOTEAROA



DEPARTMENT OF CORRECTIONS

ARA POUTAMA AOTEAROA

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Published 8 October 2018.

Presented to the House of Representatives Pursuant to Section 44(1) of the *Public Finance Act 1989*.
ISSN: 1173-9487

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Chief Executive's overview

Corrections was established in 1995 based on the principles of public safety and rehabilitation – two values that bind us as an organisation to this day. Maintaining these values is more important than ever before as we navigate a corrections system that is much larger than it was a few years ago.

When I joined Corrections in 2010, one thing I noticed was the complex link between trauma, vulnerability and crime. Many of our most challenging offenders were raised in poverty and grew up exposed to gangs and overwhelming violence. When they arrive at Corrections, many are in poor physical health, are presenting with mental health or substance abuse disorders, are homeless and unemployed, and are lacking even basic literacy and numeracy skills.

Over my time at Corrections, we have worked hard to equip offenders with the tools and skills they need to turn their lives around. However, the reality is that many of these people have been damaged over sustained periods and resolving their problems is not something that can be achieved quickly. Before we can even begin addressing the core drivers of offending through specialised offence-focused programmes, we must ensure offenders are physically and mentally healthy, and have the literacy skills needed to engage in their rehabilitative pathway.

Since 2010, we have prioritised mental health, education and rehabilitation in a way that has never before been achieved in New Zealand's corrections system. Each year we deliver programmes and interventions to thousands of prisoners and community-based offenders. We have also closed outdated prisons at New Plymouth, Wellington and Mt Eden and opened two new modern corrections facilities¹ designed specifically to improve the safety, wellbeing, and rehabilitation of the prisoners in our care.

Alongside rehabilitation, we have invested heavily in offenders' futures outside of the care and custody of Corrections. This has included establishing relationships with hundreds of potential employers and securing employment for thousands of ex-prisoners and community-based offenders.

In 2017/18, we continued to build on the progress of past years. Two major areas of work that stood out for me were our continued response to the larger prisoner population, and our ongoing efforts to ensure offenders are given the greatest opportunity possible to turn their lives around.

Our response to the larger prison population has included recruiting hundreds of custodial staff in the past year, bringing hundreds of new prison beds into service, and establishing the High Impact Innovation Programme – a Corrections-led programme that is maximising safe alternatives to prison. We've helped offenders turn their lives around by launching and progressing our women's strategy to improve how we manage women in our care, expanding the reintegration services and guided release opportunities available to prisoners, improving how we address alcohol and other drugs issues among prisoners and building new and meaningful relationships with iwi across the country.

This is my final Annual Report as the Chief Executive of Corrections. As I look back at my time here, I am truly proud of how far we, as a team, have come and how we have responded to some incredibly complex challenges. As you will read in this Annual Report, the team at Corrections is still dedicated to building on the principles of public safety and rehabilitation that originally brought us together in 1995. This dedication is, perhaps, what makes me most proud of my time here.



Ray Smith
Chief Executive

1. Mt Eden Corrections Facility, Auckland South Corrections Facility.



What Corrections does: keeping our communities safe and changing lives

Here at Corrections we keep communities safe and change lives.

Our work affects the lives of the general public, who we protect from criminal harm, victims, who have experienced first-hand the harm of crime, and offenders, who we rehabilitate through the provision of specialised programmes.

Our core responsibility is the management of New Zealand's corrections system. This role is a complex one and includes maintaining safe and secure custodial facilities for over 10,000 prisoners², electronically monitoring defendants and high risk offenders in the community, providing rehabilitation and reintegration services to offenders, running community work parties, providing support to registered victims and providing administrative services to the New Zealand Parole Board.

The majority of people in prison return to the community. By providing offenders with an environment and support to meet their rehabilitative needs, we can empower them to turn their lives around. This keeps us all safe.

2. As at 30 June 2018.





Corrections in the justice sector

Our role in the justice sector

Each organisation in the justice sector has a specific role:

- > The Ministry of Justice is the justice sector lead and develops policy across the sector. Justice also undertakes projections of the future size of the prison population.
- > The New Zealand Police arrest and prosecute people that break the law.
- > The Department of Corrections administers sentences and orders in prison and in the community.
- > The Serious Fraud Office investigates and prosecutes perpetrators of serious financial crime.
- > The Crown Law Office represents members of the justice sector – including Corrections – in court cases.
- > Oranga Tamariki - Ministry for Children manages young offenders.

The Justice Sector Leadership Board

Corrections is a member of the Justice Sector Leadership Board. The Board is responsible for ensuring the sector achieves its collective goals and coordinates major sector-wide change programmes and investment.

The Board includes:

- > Secretary for Justice, Ministry of Justice (chair)
- > Commissioner, New Zealand Police
- > Chief Executive, Department of Corrections
- > Chief Executive, Serious Fraud Office
- > Solicitor-General, Crown Law Office
- > Chief Executive, Oranga Tamariki.

Working in partnership with the justice sector

Corrections is at the end of the criminal justice system pipeline. The flow of people in and out of the corrections system is largely driven by external factors such as justice policy settings, judicial and policing decisions, and offending rates.

We work operationally with our sector partners every day. For example, each year we transport thousands of people between police cells, courts and prisons, requiring detailed coordination between Justice, Police and Corrections. Our community corrections team also works closely with Police and Oranga Tamariki to ensure community-based offenders are safely managed and risks to public safety are minimised.

Over the past three years Corrections has managed a prison population that has experienced unprecedented growth, placing pressure on prison capacity. In this context, cooperating with our justice sector partners has been more important than ever before.

A major result of our joint work has been the establishment of the cross-agency High Impact Innovation Programme. One of the core objectives of this programme is to maximise safe alternatives to prison. By enabling bail and parole and by moving remand prisoners through the system faster, the High Impact Innovation Programme has reduced demand for prison places. For further information on the programme, see page 50.

Corrections is an important part of the justice sector. We work closely with our partner agencies to keep New Zealanders safe.



Ministry of Justice

develops policy across the justice sector and forecasts the future size of the prison population



Police

arrests and prosecutes people who break the law



Department of Corrections

administers sentences and orders in prison and in the community



Serious Fraud Office

investigates and prosecutes serious financial crime



Crown Law

represents Corrections in court cases



Oranga Tamariki Ministry for Children

manages young offenders

Our operating environment

Over 75 percent of the prisoners we have in our care have current or prior convictions for violence in their offending histories. Many of these people have vulnerabilities such as mental health and substance abuse disorders and past trauma. Each and every day, over 9,000 Corrections staff work with these people to keep communities safe and change lives.



Corrections by the numbers 2017/18

1,100

new frontline staff were recruited

1st

winner of the 2018 Workplace Health and Safety Awards – Health and Safety Forum Leader of the Year

100%

of our prisons are 'working prisons'

Almost **1.5m** hours of community work completed

1,469

prisoners received intensive literacy and numeracy support

7,710

rehabilitation and motivational programme places were delivered to prisoners

3,173

qualifications were achieved by prisoners while in prison

1,068

prisoners completed intensive alcohol and drug treatment programmes

ZERO

breakout escapes from prison since 2014

4,700

general random drug tests were carried out in prisons (96.4 percent of these did not return a positive result)

1st

in New Zealand to train detector dogs to detect new psychoactive substances including synthetic cannabis

Over **4,500**

people are being electronically monitored at any one time

922

job placements secured by offenders through the "This Way for Work" programme

7,439

prisoner referrals were made to reintegration service providers

3,541

prisoner referrals were made to mental health clinicians

89%

completion rate for prison-based rehabilitation programmes

Managing New Zealand's prisons

The past three years have seen the prison population grow.

Responding to the growing prison population is a central focus of Corrections. In 2017/18, the average prison population was 10,515 – over 2,000 more than in 2013/14³.

Although this growth was largely unforecast, through the establishment of Corrections' Prison Capacity Programme (now called the Prison Capacity Portfolio), we have been able to respond quickly. Since 2016, we have added 971 prison places⁴ to the network through short term solutions such as the intensification of existing prison capacity, recommissioning end-of-life units, and small scale builds. For more information on the Prison Capacity Portfolio, see page 41.

In 2017/18, we recruited hundreds of frontline custodial staff so that we could continue managing prisoners safely. We also invested in prison amenities such as prison yards and programme rooms, activities including prison industries and vocational training, and rehabilitation programmes and reintegration services to support the larger number of people accessing these services.

We are finding viable alternatives to prison.

The High Impact Innovation Programme is a cross-agency programme of work focusing on alternative pathways to prison where safe and appropriate. The programme directly contributes to the Government's goal of reducing the prison population by 30 percent over the next 15 years and reducing the over-representation of Māori in the criminal justice system.

In 2017/18, initiatives from the High Impact Innovation Programme have reduced demand on prison beds by around 64,000 days⁴. For a list of initiatives to reduce the prison population, please see page 50.

In the last three months of 2017/18, the prison population decreased by over 200 prisoners. Nevertheless, we must invest to ensure the prison network is sustainable.

In Budget 2018, Corrections received \$198.4 million to accommodate over 600 prison places in rapid build modular units by 2020. These prison places are in addition to the three modular units, totalling over 360 prison places, that had already been approved. A further \$316.1 million over the next four years has been set aside to meet the operating costs of the larger prison population.

A new 245 bed unit at Mt Eden Corrections Facility is on track for completion by the end of 2019. And, in June 2018, Cabinet approved the new Waikeria Corrections and Treatment Facility, which is set to open in 2022. The facility will have accommodation for 500 prisoners, with a new mental health facility providing enhanced mental health services to an additional 100 prisoners.

The demand for community-based services is expected to grow too.

As we expand the use of non-custodial alternatives to prison, it is important to ensure our Community Corrections team have the capacity and capability to manage these people safely. Budget 2018 provides an additional \$127.9 million for managing community-based sentences and orders, and electronically monitored defendants. This includes recruiting 270 more probation officers by 2022, expanding the number of electronically monitored defendants from around 800⁴ to 1,000, and expanding access to residential alcohol and other drugs treatment services.

3. The average prison population throughout 2013/14 was 8,460.

4. As at 30 June 2018.

Monitoring and supporting offenders in the community

Corrections manages around 30,000 people on community-based sentences and orders – almost three times as many people as we manage in prison.

The variety of community-based sentences and orders we manage is unique among international corrections jurisdictions. Our sentences and orders range from community work, for the least serious offending, to extended supervision orders and intensive supervision for our highest risk offenders. We also manage returning offenders orders, which allow us to supervise people who return to New Zealand after a period of imprisonment overseas.

Our role is to ensure offenders comply with the conditions imposed by the court or the New Zealand Parole Board. Our probation officers are trained to encourage compliance, in the first instance, through motivational strategies including establishing positive working relationships with offenders and their whānau. When needed, probation officers will escalate their response to non-compliance and ensure offenders are held to account – this can include imposing sanctions and, in the most serious cases, pursuing prosecution.

Placing high-risk offenders in the community safely is one of our greatest challenges.

The reality is that the vast majority of people in prison will return to the community. Of the approximately 16,000 people released from prison each year, most arrange their own accommodation. Some offenders, such as high-risk offenders and those subject to electronic monitoring, must have their accommodation approved by Corrections.

We understand that the placement of offenders in the community is a concern for the public. We balance this concern with our obligation to manage offenders safely in the community when we can no longer lawfully detain them.

We monitor offenders stringently. The level of supervision is set by the conditions of the offender's sentence or order.

Offenders are monitored in accordance with the parameters set by courts and the New Zealand Parole Board.

Supervision can include approving an offender's residence and place of work, regular probation check-ins, home-visits, 24/7 electronic monitoring, and intensive monitoring through person-to-person supervision.

We are reducing the likelihood of re-offending through the provision of supported accommodation.

We know that access to stable and suitable accommodation improves health, employment and education outcomes and reduces the likelihood of re-offending. The current housing market has, however, made accessing accommodation challenging.

Corrections contracts over 1,000 emergency, transitional and supported accommodation places each year. Budget 2018 has boosted this by providing new funding of \$57.6 million over the next four years to deliver housing and support services for another 300 people per year.



\$57.6m

◇◇◇◇◇◇◇◇◇◇◇◇◇◇◇◇
extra to deliver housing
and support services.



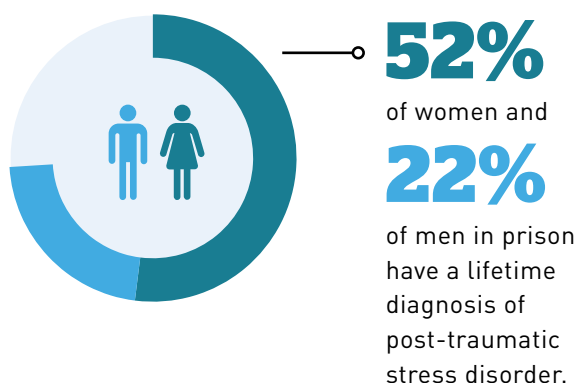
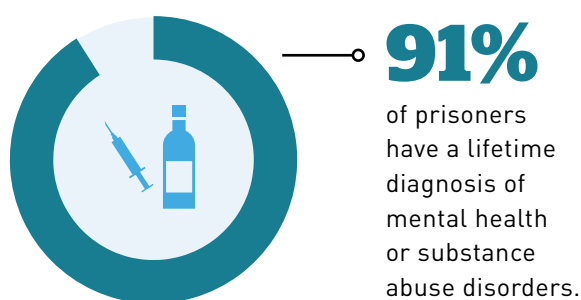
Changing the lives of people in our care

Many of the prisoners in Corrections' care are violent and damaged people.

People entering the corrections system have often been exposed to poverty, crime, gangs, drug use and family violence for sustained periods of their lives. Prior to arriving in Corrections' care, these people do not typically access health services in the community, and many have undiagnosed or poorly managed health conditions. Further, many are unemployed, homeless or living transient lifestyles, and have lower levels of educational attainment when compared to the general public.

We know that most prisoners (91 percent) have a lifetime diagnosis of mental health or substance abuse disorders. Additionally, many prisoners have a personal history of trauma – 52 percent of women and 22 percent of men in prison have a lifetime diagnosis of post-traumatic stress disorder.

While we do our best to treat these problems, the reality is that this is not something that can be achieved quickly. In our care, prisoners have access to health services, literacy and numeracy support, employment training and support services, alcohol and other drugs treatment services, offence-focused rehabilitation programmes, and mental health services.



When prisoners are released from custody, they have access to employment placement services, transitional and supported accommodation, additional rehabilitation support, and reintegration services to help them learn how to live an offence-free life in the community.

There is always more that we can do to reduce re-offending and help people turn their lives around. In 2017/18, we placed a significant emphasis on improving the support offenders have access to, in order to address the core drivers of their criminal behaviour.

We are enhancing mental health and addiction services.

The prison population presents with a much higher risk of self-harm or suicide when compared to the general public.

Our approach to vulnerable prisoners includes placing them in Intervention and Support Units (previously called At-Risk Units) until they are no longer deemed to be at risk of suicide or self-harm. Corrections is progressing a project – the Intervention and Support Project – which aims to create a therapeutic, needs-based response. Through this project, we are moving beyond a model of simply 'managing' prisoners with mental health needs, to one that intervenes earlier, supports their mental health and reduces escalation.

We have also expanded alcohol and other drugs treatment services. This work has included:

- > expanding the alcohol and other drugs aftercare worker service so that offenders can continue to receive support after they have completed a rehabilitation programme to address their substance abuse
- > implementing a series of intervention pilots to address the use of methamphetamine among offenders
- > launching women-focused and youth-focused alcohol and other drugs interventions.

We have enhanced our response to caring for women.

The number of women in Corrections' care or management has grown significantly faster than the number of men. As at 30 June 2018, there were 774 women in prison – over 40 percent more than at the same time in 2014⁵.

In August 2017, Corrections launched *Wahine – E rere ki te pau hou*, our women's strategy for 2017-2022.

Year one of the strategy has been focused on enhancing or building capabilities to meet the immediate needs of women. This has included expanding the number of places for women in our medium-intensity suite of rehabilitation programmes, training staff on dealing with trauma and creating child friendly spaces in Community Corrections sites.

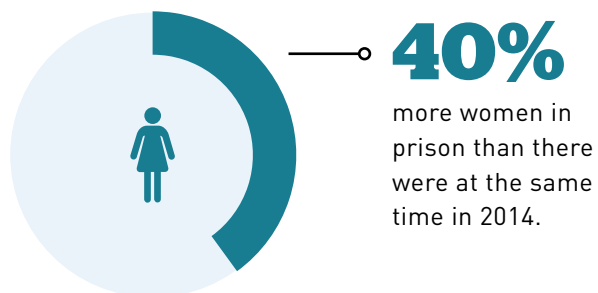
We are addressing the impact of gangs in prison and in the community.

Approximately one third of the prison population is affiliated with gangs. Of these people, approximately 70 percent identify as Māori.

In 2017, we launched Corrections' Gang Strategy 2017-2021.

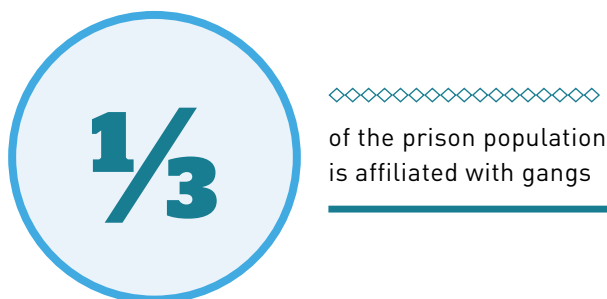
In year one of the strategy, we progressed three key objectives: containment, disruption and harm reduction. In 2018/19, we are building on the progress made in year one, as well as expanding the strategy's scope to incorporate rehabilitation and reintegration.

Some of the key initiatives we are working on in year two include site-based gang management plans, a framework to facilitate direct engagement with gangs and their whānau, and improved intelligence tools to inform staff and support the development of safe prison environments.



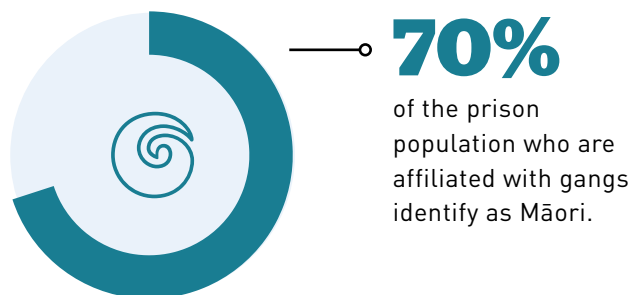
40%

more women in prison than there were at the same time in 2014.



1/3

of the prison population is affiliated with gangs



70%

of the prison population who are affiliated with gangs identify as Māori.

5. There were 539 women prisoners on 30 June 2014.

Improving outcomes for Māori

When compared with other ethnic groups, people that identify as Māori make up the largest group of offenders under our management and are over-represented in all areas of the criminal justice system. Drivers of this over-representation are multi-layered and complex, and likely include broader socio-economic and societal factors.

Corrections is at the end of the criminal justice pipeline, meaning that we are limited in our ability to intervene prior to a person's offending. Nevertheless, we understand we must do all we can to succeed for Māori.

At Corrections, 21 percent of our staff identify as Māori⁶. This is compared with 16 percent for the core public service and 13 percent for New Zealand's total workforce⁷.

We have a suite of rehabilitation programmes to address offending among Māori. We have whare at Waikeria, Tongariro, Whanganui, Rimutaka, and Hawke's Bay Regional Prisons, which provide a therapeutic environment for prisoners, founded

on kaupapa Māori principles. The whare host Te Tirohanga – our phased approach for reducing re-offending by male prisoners – and bring together Māori service providers, educational opportunities, offence-focused rehabilitation, and drug and alcohol treatment. We have also launched new kaupapa Māori-based alcohol and other drugs programmes for youth and women. For more information on these programmes, see page 61.

In 2017/18, we established the Rautaki Māori – or Māori Strategy – team. This team provides dedicated leadership on our strategy for, and engagement with, Māori.

Over the past 20 years, Corrections has formed more than 15 formal relationships with iwi and Māori communities. In June 2018, we signed our newest memorandum of understanding with Ngāti Kahungunu. Within this, we outline agreed areas of focus. These include a kaupapa Māori-based interventions pathway, transitional housing, training and employment.



6. As at 30 June 2018.

7. State Services Commission 2017 Human Resource Capability report: <http://www.ssc.govt.nz/sites/all/files/public-service-workforce-data-2017-v3.pdf>

Health, Safety and Wellbeing



Corrections has a uniquely wide range of safety risks. We manage some of the most challenging people in New Zealand, conduct offender home visits, and are involved in a variety of prison industries such as construction, dairy and pig farming. We do everything possible to keep everyone safe.

Keeping everyone safe, every day

Corrections operates 24 hours a day, seven days a week, managing some of New Zealand's most dangerous people.

To help our people address the wide range of safety risks they face every day, Corrections launched *Everyone Safe, Every Day*, our health and safety strategy for 2016–2020. The strategy focuses on leadership, engagement, resources and risks.

Health and safety governance is provided by Corrections' Health, Safety and Wellbeing Risk Governance Group. The governance group – which includes our Executive Leadership Team and an external health and safety professional – oversees Corrections' health and safety direction, considers the outcomes of health and safety investigations, and approves health and safety strategic documents. The members of the governance group are 'officers' as defined in the *Health and Safety at Work Act 2015*, and have the statutory responsibilities of that role.

For more information on the Health, Safety and Wellbeing Risk Governance Group, see page 26.

Staff have access to more tools than ever before to keep themselves and others safe.

Our staff manage some extremely complex and volatile people in our prisons. In 2017/18, we rolled out stab-resistant vests to all our frontline custodial staff and improved the availability of pepper spray at 17 prisons across New Zealand. Pepper spray is an effective option for de-escalating volatile situations.

We also expanded the number of prisons that have access to Site Emergency Response Teams (from 6 to 9). These are specialised teams trained to respond quickly to serious incidents in prison.

Additionally, these teams provide leadership on site-level safety initiatives, advancing the welfare of staff, prisoners and visitors.

For more information on how we are utilising pepper spray and Site Emergency Response Teams to improve safety in our prisons, see page 42.

We provide training designed to improve health, safety and wellbeing leadership.

In 2017/18, 685 of our health and safety leads completed training to strengthen their safety leadership. A further 132 staff completed training designed for health and safety representatives or for investigating incidents.

At Corrections' highest level, our Executive Leadership Team collectively completed over 100 hours of health, safety and wellbeing training in the past year, conducted 73 site visits, and attended 29 educational briefings.

We are encouraging worker engagement through leadership, participation and empowerment.

Engagement is one of the four strategic priorities outlined in our health and safety strategy *Everyone Safe, Every Day*. Corrections encourage all staff to be an active part of creating a healthy workplace by recruiting and supporting 280 Health and Safety Representatives across the county. This role empowers staff to actively participate in safety initiatives, providing information and the opportunities for staff to have input into organisation-wide health and safety initiatives. This is a vital role, and the coming year will see both the number and scope of the role expanded.

The National Health, Safety and Wellbeing Engagement Committee further supports staff by providing national level engagement between management and worker unions on health, safety and wellbeing matters. By providing encouragement and opportunities for staff at every level of the organisation to be involved in the initiatives and decisions which affect them, Corrections ensure they have a voice and role in health, safety and wellbeing.

We have identified our most critical risks that have the potential to cause serious harm.

Managing these risks and responding to them effectively is our foremost priority. We have reviewed and improved site safety at 42 of our Community Corrections sites, established the Community Work New Start Programme to improve community-based safety processes, and established the Mental Health Working Group, which brings together union representatives and staff.

Health and safety on our construction sites has been improved through a strengthened health and safety focus in contracts, site audits and planning. We also upgraded the Spring Hill Corrections Facility visits counter to reduce the potential of harm related to violence and aggression.

Our health and safety performance continues to improve. Our efforts in this area are successfully keeping more people safe.

Despite a higher average prison population, there were fewer serious prisoner on staff assaults in 2017/18 than there were in 2016/17. In total, 12 staff members were victims of serious prisoner on staff assaults, which equates to a rate of 0.11 per 100 prisoners. This rate is less than half the rate of serious prisoner on staff assaults recorded in 2016/17 (0.25 per 100 prisoners).

Further, the rate of entitlement claims by Corrections staff due to injuries in the workplace has steadily fallen. In the 2017 calendar year, for every 1,000 full-time equivalent staff members, 18.5 entitlement claims were received. Ten years ago, this figure was 29.7. Although high compared to some organisations in the public sector, this level reflects the nature of the work we undertake here at Corrections.

Further, Corrections' entitlement claims rate is trending down, as we continue our work to reduce the frequency and seriousness of incidents at work.

We are focused on reporting all incidents and near misses and resolving them quickly.

In 2017/18, there were a total of 6,469 incidents or near misses involving harm. Of these, 1,059 directly related to one or more of our critical risks.

Violence and aggression was the most commonly reported critical risk in the last year. While we have significantly expanded the tools staff have available to them in these instances, the reality is that no corrections jurisdiction in the world has been able to fully eliminate this type of behaviour.

In 2018/19, we are looking to strengthen our reporting of health and safety information further to improve the quality of reporting.

Making Shifts Work will provide safer and more modern working conditions for staff and improved rehabilitation for prisoners.

Making Shifts Work is a project being undertaken by Corrections to review and introduce new shift patterns in our prisons.

Making Shifts Work is based on four principles:

- > to keep staff safe and avoid a build-up of fatigue
- > to provide a better work-life balance
- > to enable an increase in prisoner unlock hours
- > to maintain delivery of core services in prisons.

Phase one of the project found that many staff were concerned about workplace fatigue, which can be affected by the length and number of shifts being worked. This led to the development of a Fatigue Management tool, which enables frontline staff and their managers to jointly assess fatigue risks and take a proactive approach to managing these.

Making Shifts Work will deliver 10 and 12-hour fixed variable shift patterns with some eight-hour shifts where possible. Through the project, prison meal times and the delivery of evening medication will be aligned to international norms.

We are currently testing the new rosters and the technology to support them.

Leading the Government in health and safety

Due to the unique risk profile of the public sector, it was recognised that a strong system-led approach to health and safety was needed.

To address this need, the Government Health and Safety Lead (GSHL) was established and Ray Smith, Corrections Chief Executive, was appointed to the newly created role of Functional Lead for Government Health and Safety. In this role, Ray is providing health, safety and wellbeing leadership to 38 organisations across government that together employ over 90,000 staff.

Despite having been established for only a short period of time, the GSHL has advanced an ambitious work programme.

The GSHL has encouraged cooperation and collaboration in improving health, safety and wellbeing across government.

As a sector, all 38 organisations have joined the Business Leaders' Health and Safety Forum. The occasion was marked with an event hosted by the Minister for Workplace Relations and Safety, Hon Iain Lees-Galloway, in February 2018.

The GSHL has established forums such as the High Risk Agency Forum, Small and Medium Size Agency Forum, and the Heads of Health and Safety Group to facilitate networking across the sector. Further, two major sector conferences on worker engagement and mental health in the workplace were hosted in May and August 2018.

Resources have been developed to improve the quality and availability of health, safety and wellbeing guidance in the public sector.

In 2018, the GSHL launched its website – www.healthandsafety.govt.nz – and published resources covering physical security, personal safety for staff, and a health and safety good practice guide. Additionally, case studies covering major incidents and significant topics of interest have also been made available through the site, facilitating the sharing of knowledge and experience throughout the sector.

The GSHL has also improved health, safety and wellbeing capability by delivering regular training and professional development sessions for chief executives, deputy chief executives and health and safety practitioners.

Last year we launched a Government health and safety intern programme as a means of attracting young graduates to a career in health and safety.

Nine agencies participated in the programme last year. A number of students involved in last year's programme have already gone on to secure permanent roles within the sector. This year's programme has attracted 23 agencies and will offer 24 placements over the summer vacation. An encouraging 260 students applied for placements this year. The programme has been supported by a number of new agencies this year including Worksafe New Zealand, New Zealand Post, Transpower and New Zealand Trade and Enterprise.

New Zealand Workplace Health and Safety Awards 2018

In May 2018, our Chief Executive Ray Smith was recognised for his leadership in health and safety. At the New Zealand Workplace Health and Safety Awards 2018, the Government Health and Safety Lead was a finalist for the Best Leadership of an Industry Sector award.

Ray won the Forum Leader of the Year award, acknowledging his approach to lifting Corrections' performance in this area. This includes Corrections' work to develop tactical training for prison and community staff, strengthening our health, safety and wellbeing governance structures and resources, and providing leadership to the broader public service.

Our people



The vast majority of our people work in frontline roles, operating in incredibly complex and challenging environments. Here at Corrections, we support our team, develop their skills, and provide them with the greatest opportunity possible to serve New Zealanders.

Working at Corrections

Corrections has grown. Over the past few years, we have recruited more people than ever before to meet demand.

Corrections experienced another successful year in recruitment in 2017/18.

Over the past few years, there has been an ongoing need to accommodate more prisoners. Accordingly, our recruitment activity in 2017/18 responded to a much higher demand for frontline custodial staff, Community Corrections staff (to manage these prisoners as they return to the community) and support staff. In 2017/18, we extended our successful recruitment campaign and recruited over 1,500 people – including 1,100 people that were placed directly into frontline roles. Corrections had 9,297 staff on 30 June 2018.

Key to meeting our recruitment demands has been our new approach to recruitment. We have placed significant emphasis on attracting great people and improved our visibility as an attractive and diverse employer.

Corrections supports a diverse and inclusive environment. We understand that our team should reflect the diversity of the communities we serve.

We are working to access new candidate markets by featuring a diverse range of talent in our campaigns, and engaging with our leaders on how to manage unconscious bias. Our success in this area is evidenced by the profile of our new recruits. For example, in 2017/18, 17 percent of new frontline recruits were Māori and 57.2 percent were women.

Ensuring women have the opportunity to succeed and grow is another major focus. In 2017/18, 43

percent of senior leaders were women and at 1.64 percent, the gender pay gap at Corrections is significantly lower than the reported public sector average of more than 12 percent.

We develop our team with on-the-job learning and specialist training.

Over the past year, we have investigated new ways of delivering learning to both new and existing staff. We are moving away from traditional classroom-based training to an experiential and learner-led culture.

We officially opened our new National Learning Centre in June 2018 and our new Tactical Training Facility is expected to open later this year. We have invested in these centres so that our staff will have access to new and modern learning facilities. At the Tactical Training Facility, frontline staff will learn how to respond to a range of serious incidents and risks.

We have also developed a new digital Frontline Learning Hub so that staff can self-learn at their own pace. This complements our classroom-based training.

National Learning Centre

Corrections' newly built National Learning Centre is based near Rimutaka Prison in Wellington. This centre will ensure our frontline staff have access to high-quality training resources and facilities.



Integrity is central to everything we do.

In managing offenders, it is essential that our people are above reproach. As such, we have robust policies and practices in place to ensure the integrity of our people.

Our Integrity Support Team leads Corrections in this area. They have a strong focus on preventing fraud and corruption, and equipping staff with the skills and tools they need to avoid manipulation by offenders. The Integrity Support Team also investigates instances of possible misconduct and breaches of the Code of Conduct. We always ensure that our people are held to account for their actions.

We reward and recognise the success of our people.

Our people achieve incredible things each and every day. Corrections is proud to celebrate these successes alongside our team.

We recognise the best performing recruit among each intake of new frontline staff with a Minister's Excellence Award. We also have a regional and nationwide performance framework that includes a multi-tiered recognition system ranging from bronze to gold. This year, our Prison of the Year and District of the Year awards were won by Waikeria Prison and Manukau Community Corrections district, recognising their outstanding efforts in keeping communities safe and changing lives.

Turnover at Corrections is lower than in the broader public service.

In 2017/18, Corrections had an unplanned turnover rate of 8.8 percent. This is lower than the public service average of 11.5 percent⁸.

The relatively low rate of turnover at Corrections reflects the efforts we have made to ensure our staff are supported, recognised for their work, and provided with opportunities to grow.

2018 NZ HR Awards

The NZ HR Awards are hosted by the New Zealand Institute of Human Resources and recognise excellence and outstanding achievement in the field.

In February 2018, Corrections won the 2018 NZ HR Award for Recruitment Excellence. The award specifically recognises Corrections' efforts in having the right person in the right place, at the right time.

In 2017/18, we successfully hired over 1,500 staff across the organisation. Record recruitment levels have been required to manage the higher average number of offenders being managed in prison and in the community.

We successfully recruited the people we needed by introducing a new recruitment model, accessing new and diverse candidate markets, and by increasing Corrections' visibility and reputation as a great employer.



Our recruitment team receiving the NZ HR Award for Recruitment Excellence in February 2018. This image was provided to us by Human Resources Institute of New Zealand (HRINZ).

Our partners and volunteers

Corrections partners with hundreds of organisations all over New Zealand because we know that we achieve more by working together.

We partner with a wide variety of organisations for a range of purposes. These include partnerships with iwi, non-governmental organisations, community groups, large private corporations and small local businesses.

The nature of these partnerships can range from major outsourced contracts to local agreements on community work placements.

We have 165 memoranda of understanding with employers across the country, securing hundreds of employment placements for offenders. Partnerships like these help offenders, who may otherwise struggle to find employment, to contribute to their communities.

Non-governmental organisations such as the Salvation Army and PARS deliver reintegration services that assist prisoners. Upon release, prisoners can access assistance with accommodation, employment, education and training, living skills, health and wellbeing, and community support.

Thanks to the support we receive from local partners, we place thousands of offenders in community work parties each year.

Community work is a sentence of unpaid work in the community as a way of making reparations for criminal behaviour. In 2017/18, almost 1.5 million hours of community work were completed.

In the last year, as part of the Auckland City Council's Million Trees project, community work teams in Auckland planted 16,000 seedlings, all of which were grown at Auckland Prison. Further, under our Good to Grow partnership with the Department of Conservation, community work groups have created 200 trap boxes for Predator-Free Hamilton, planted over 10,000 native flaxes, grasses and trees along the Maraetotara river, and cleared invasive shrubs in the Wanaka wetlands.

We are working with iwi to improve outcomes for Māori.

Over the past 20 years, Corrections has established more than 15 formal relationships with iwi and Māori communities around New Zealand.

We work with iwi in a range of areas, such as rehabilitation, reintegration, and health and wellbeing. We are continuously working to improve outcomes for Māori offenders, their whānau and their communities.

Our volunteers are a key part of the organisation.

Over 1,700 volunteers across the country made more than 18,000 visits to prisons in the last year. These people support prisoners with literacy and numeracy skills, art, drama, sewing, knitting, life skills, cooking, budgeting, hobbies, fitness, reintegration, and cultural and religious services.

Corrections took the opportunity during National Volunteers Week in June 2018 to say thank you to our volunteers, holding award ceremonies at five prisons. The volunteers we recognised this year included one person who teaches Kapa Haka and basic Te Reo in prison, another who hosts a six week prison-based anger management course, and one who assists prisoners to grow produce for charities.



Rugby league legend, Graham Lowe, being presented with the 2018 Corrections Partnership Award by Ray Smith. 'Lowie' is doing outstanding work through his 'Kick for the Seagulls' programme which uses sports language to teach maths, reading and writing to prisoners.

Governance and oversight

Corrections is a large, investment-intensive organisation. This is why we have strong governance and oversight structures.

Corrections is the largest core public service department in the country with over 9,000 staff. In 2017/18, we managed a budget of nearly \$1.7 billion. We maintain robust governance structures in the areas of finance, risk and operations.

Our Executive Leadership Team meets weekly to discuss important issues from across the organisation as well as our overall performance. The Third Tier Leadership Group, a group of senior leaders at Corrections, supports the Executive Leadership Team's governance arrangements by providing advice on performance and leading work commissioned by the executive.

Finance and risk governance

> Investment Committee

The Investment Committee determines Corrections' forward investment focus including funding allocations. The committee ensures investments support the goals of Corrections and the Government.

> Portfolio Performance Committee

The Portfolio Performance Committee provides oversight to Corrections' Portfolio Boards. The committee focuses on benefits realisation and provides additional support to Boards where required.

> Major Outsourced Contracts Advisory Board

The Major Outsourced Contracts Advisory Board is responsible for reviewing Corrections' strategy for outsourced contracts and providing advice and expertise on their management.

> Audit and Risk Committee

The Audit and Risk Committee provides advice on the adequacy of risk processes, assurance programmes, and our control environment. This includes overseeing Corrections' risks, risk management framework, internal controls, legislative compliance, audit functions, reporting, and governance frameworks.

Operational governance

> Health, Safety and Wellbeing Risk Governance Group

The Health, Safety and Wellbeing Risk Governance Group focuses on serious risks to health and safety. Its purpose is effective hazard identification and risk management. This involves reviewing how hazards are identified, and how controls to eliminate, isolate or minimise these are implemented.

> Prisoner Welfare Governance Board

The Prisoner Welfare Governance Board improves prisoner welfare and addresses issues identified through inspections undertaken by organisations such as the Office of the Ombudsman. The Board proactively advances prisoner welfare while also ensuring identified issues are addressed.

> Te Poari Hautū Rautaki Māori (the Māori Leadership Board)

Te Poari Hautū Rautaki Māori provides strategic leadership around the development of policy and initiatives designed to prevent and reduce offending and re-offending by Māori. The Board is made up of representatives from iwi organisations and members of Corrections' leadership team.

The Office of the Inspectorate

The Office of the Inspectorate is one of Corrections' most important oversight structures.

The Inspectorate is part of Corrections, but functions independently to ensure all offenders are treated in a manner that is fair, safe, secure and humane. The Inspectorate operates in accordance with the *Corrections Act 2004* and the *Corrections Regulations 2005*.

The Inspectorate has teams of inspectors who carry out investigations and prison inspections. It reports its findings and recommendations to Corrections and aims to work with the wider organisation to make improvements and advance the fair treatment and welfare of prisoners and offenders.

In 2017/18 the Inspectorate managed 3,059 cases. This included complaints, statutory reviews of Visitor Prohibition Orders and misconduct charges, death in custody investigations and special investigations. During this period, 97 percent of these cases were closed. Three complaints by prisoners to the Office of the Inspectorate were upheld for reasons for materiality. These three complaints represent 0.1 percent of all complaints received by the Office of the Inspectorate.

Corrections has expanded and strengthened the Office of the Inspectorate's role.

In early 2017 the Inspectorate was significantly enhanced. In the last year, the Inspectorate commenced a programme of prison inspections, introduced a performance framework and strengthened transparency and accountability arrangements. A new Chief Inspector was appointed and staffing was increased, both in number and skill base, to reflect the new functions.

The Inspectorate has developed a performance framework, setting out its vision, mission, values, priorities and action areas. Performance measures have been adopted, based on the timeliness of reporting, and a website has been developed to allow greater communication directly with the New Zealand public⁹.

The Office of the Inspectorate started a programme of unannounced prison inspections.

The prison inspection programme involves an inspection at each of the 18 prisons across New Zealand over a 20-month timeframe. Prisons are assessed against a "Healthy Prisons" framework, based on the United Nations' Standard Minimum Rules for the Treatment of Prisoners. Prisons are assessed under four guiding principles: safety, respect, rehabilitation and reintegration.

During the year, inspections were carried at Hawke's Bay Regional Prison, Waikeria Prison, Invercargill Prison, Auckland South Corrections Facility, Rimutaka Prison, Spring Hill Corrections Facility, Mt Eden Corrections Facility, Northland Region Corrections Facility, Otago Corrections Facility, Tongariro Prison, Christchurch Women's Prison and Christchurch Men's Prison. Five inspection reports were finalised and those for Auckland, Manawatu and Waikeria prisons were published. The inspection report for Invercargill Prison was published in July 2018.

Corrections responds to the Inspectorate's recommendations and takes action to improve prisoner welfare.

Recommendations from the Office of the Inspectorate are independent. Corrections formally receives them and is required to respond. Our response includes whether each recommendation is accepted and, if so, how we will address it. Our progress is then tracked internally.

Corrections is continually improving how we manage prisoners. The Inspectorate is a meaningful way of ensuring prisoner welfare is advanced and that Corrections is accountable for doing so.

9. <https://www.inspectorate.corrections.govt.nz/index.html>

Auckland South Corrections Facility

Auckland South Corrections Facility (ASCF) is a 960 bed men's prison in Auckland. Prisoners at the prison range from minimum to high security. ASCF is New Zealand's only privately-run prison.

Corrections has a 25 year contract with SecureFuture to operate and maintain the prison. SecureFuture subcontracts the operation of the prison to Serco.

We closely monitor results at ASCF and have robust processes in place to ensure the quality of performance.

Our contract with SecureFuture is designed to drive innovation and performance. It provides incentives to deliver positive outcomes for prisoners without compromising public safety and security.

Financial penalties can be imposed on SecureFuture in relation to a range of key performance indicators (KPIs). These include custodial KPIs, for the safe and secure operation of the prison, and rehabilitation and reintegration KPIs.

For KPIs such as serious assaults, escapes and riots, Corrections maintains a zero tolerance approach. This means that SecureFuture are liable for financial penalties in the event of any breach that qualifies.

Corrections has a team of monitors that oversees the prison's performance and ensures it is meeting the expected standards. The team is onsite during the week and available to observe and report the prison's performance. In 2017/18, two additional staff were assigned as special monitors and visited the site at least fortnightly to monitor operations.

With Corrections' oversight, ASCF is successfully rehabilitating prisoners.

Under our contract with SecureFuture, we began measuring the rehabilitation performance of ASCF in 2017/18.

As our newest facility, ASCF has a wide range of industry opportunities available to prisoners. This year, prisoners at ASCF:

- > produced 5.6 tonnes of fresh vegetables from the prison gardens
- > built over 1.4 tonnes of timber framing
- > repaired or manufactured 217 skip bins
- > manufactured 22 cabins
- > constructed 407 wooden pallets and cartons.

Activities of this nature provide prisoners with new skills that help them into employment upon their return to the community.

Contractual abatements for 2017/18

ASCF performed well in 2017/18. This is reflected in the low level of contractual abatements:

- > Category 1 KPIs (Chargeable Events)

There were no chargeable events in 2017/18.

- > Category 2 KPIs (Key Operational Incidents)

There were seven Category 2 KPI breaches in 2017/18, resulting in a financial abatement of \$257,491.

These KPI breaches related to reporting, missing scheduled prisoner appointments, positive prisoner drug tests, and two prisoner incidents.

Two serious assaults that took place at ASCF in 2015 were heard in court during this financial year. As such, they were recorded as KPI breaches in 2017/18.

- > Category 3 KPIs (Custodial Performance - Operational Incidents)

These KPIs are measured quarterly as green (favourable), amber or red. In 2017/18, these KPIs tracked as green.

- > Category 4 KPIs (Rehabilitation and Reintegration)

These KPIs are measured quarterly as green (favourable), amber or red. In 2017/18, these KPIs tracked as green.



Our prison network

Overview of Corrections' prison facilities as at 30 June 2018.

A Northland Region Corrections Facility

Region: Northern • Opened: 2005

646 **303**
 Gender Custody status
 Security classification

C Mt Eden Corrections Facility

Region: Northern • Opened: 2011

1,046 **452**
 Gender Custody status
 Security classification

E Auckland South Corrections Facility

Region: Northern • Opened: 2015

960 **324**
 Gender Custody status
 Security classification

B Auckland Prison

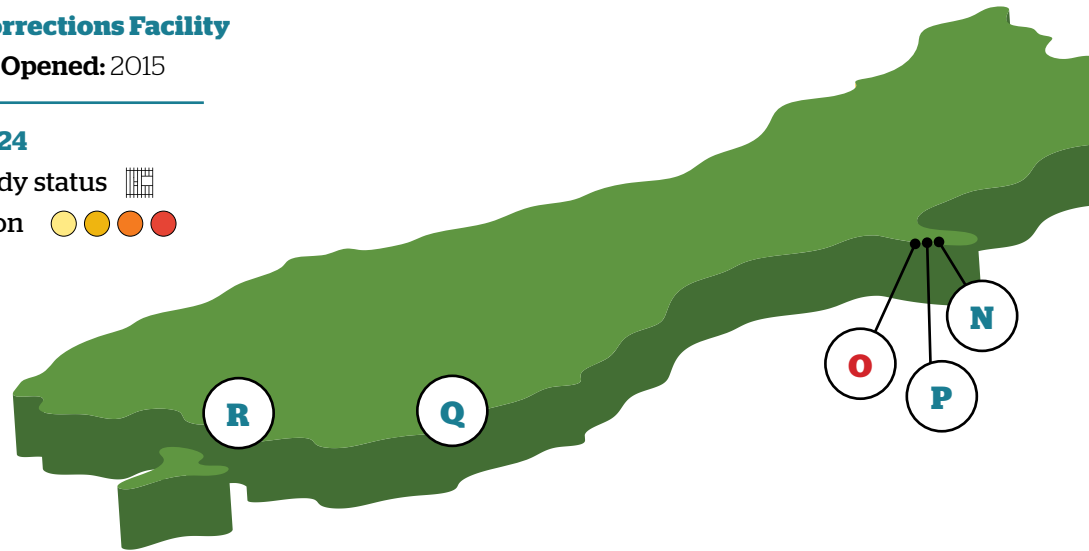
Region: Northern • Opened: 1968

667 **407**
 Gender Custody status
 Security classification

D Auckland Region Women's Corrections Facility

Region: Northern • Opened: 2006

462 **489**
 Gender Custody status
 Security classification



F Spring Hill Corrections Facility

Region: Central • Opened: 2007

1,006 **437**
 Gender Custody status
 Security classification

G Waikeria Prison

Region: Central • Opened: 1911

806 **421**
 Gender Custody status
 Security classification

H Tongariro Prison

Region: Central • Opened: 1978

300 **186**
 Gender Custody status
 Security classification

I Whanganui Prison

Region: Lower North • Opened: 1978

581 **309**
 Gender Custody status
 Security classification

J Hawke's Bay Regional Prison
 Region: Lower North • Opened: 1989

789 399
 Gender Custody status
 Security classification

K Manawatu Prison
 Region: Lower North • Opened: 1979

290 157
 Gender Custody status
 Security classification

L Rimutaka Prison
 Region: Lower North • Opened: 1967

1,118 594
 Gender Custody status
 Security classification

M Arohata Prison
 Region: Lower North • Opened: 1944

215 120
 Gender Custody status
 Security classification

N Christchurch Men's Prison
 Region: Southern • Opened: 1915

940 467
 Gender Custody status
 Security classification

O Christchurch Women's Prison
 Region: Southern • Opened: 1974

134 91
 Gender Custody status
 Security classification

P Rolleston Prison
 Region: Southern • Opened: 1958

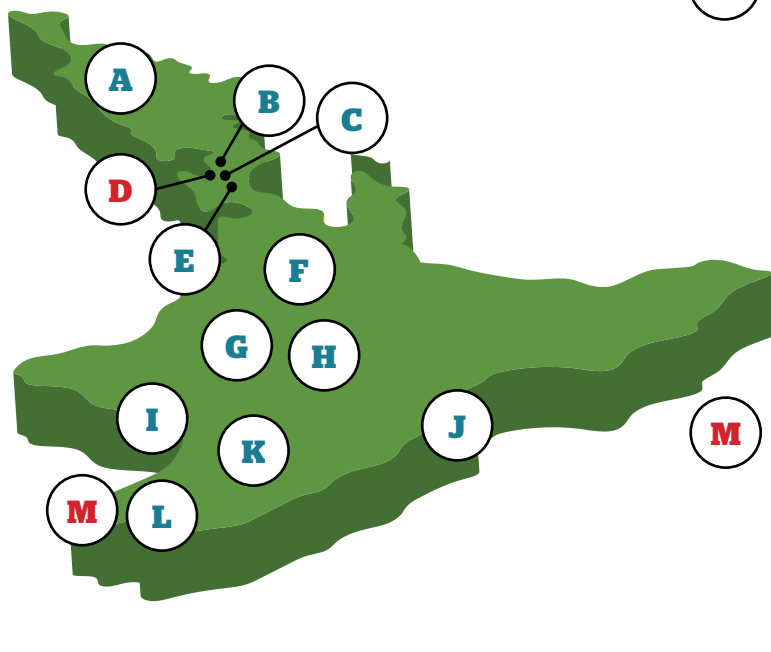
260 117
 Gender Custody status
 Security classification

Q Otago Corrections Facility
 Region: Southern • Opened: 2007

576 307
 Gender Custody status
 Security classification

R Invercargill Prison
 Region: Southern • Opened: 1910

195 108
 Gender Custody status
 Security classification



Key:

Operational capacity Number of staff

Gender Security classification

Minimum Low Low-Med High Maximum

Custody status = Remand = Sentenced

Offender summary

Administered by the Department of Corrections

The cost per offender represents the total costs to Corrections of each sentence type and includes overhead costs and revenue (excluding Crown revenue) where applicable. These costs do not represent the marginal cost of adding or removing an offender.

Sentenced prisoners	Average cost of \$330 per offender per day	Offenders have been convicted of a crime and given a prison sentence. Costs include programmes and interventions provided in prison.	
		Average volume in 2017/18 was 7,402, this was 251 more than in 2016/17	Average length of sentence imposed in 2017/18: 564 days
Remand prisoners	Average cost of \$199 per offender per day	Remand prisoners are being held in prison while awaiting trial or sentencing. Some programmes in prison are only available to sentenced prisoners.	
		Average volume in 2017/18 was 3,113, this was 302 more than in 2016/17	Average length of remand periods in 2017/18: 71 days
Extended supervision	Average cost of \$118 per offender per day	We monitor the most serious child sex offenders, adult sex offenders and violent offenders for up to 10 years following a prison sentence.	
		Average volume in 2017/18 was 208, this was six less than in 2016/17	Average length of order in 2017/18: 2,770 days
Home detention	Average cost of \$63 per offender per day	Offenders must remain at an approved residence under electronic monitoring and close supervision by a probation officer.	
		Average volume in 2017/18 was 1,694, this was 39 more than in 2016/17	Average length of sentence in 2017/18: 197 days
Parole/ residential restrictions	Average cost of \$41 per offender per day	Oversight from a probation officer after release from prison sentences of more than two years.	
		Average volume in 2017/18 was 2,213, this was 20 less than in 2016/17	Average length of order in 2017/18: 429 days

Returning offenders orders	Average cost of \$28 per offender per day	Corrections manages and monitors certain offenders that have returned to New Zealand after a period of imprisonment overseas.	
		Average volume in 2017/18 was 292, this was 66 more than in 2016/17	Average length of order in 2017/18: 345 days
Community detention	Average cost of \$21 per offender per day	Offenders must comply with an electronically-monitored curfew imposed by the court.	
		Average volume in 2017/18 was 1,602, this was 109 more than in 2016/17	Average length of sentence in 2017/18: 122 days
Intensive supervision	Average cost of \$19 per offender per day	A rehabilitative community sentence with intensive oversight from a probation officer. Aims to reduce the likelihood of re-offending through rehabilitation and reintegration services.	
		Average volume in 2017/18 was 3,587, this was 455 more than in 2016/17	Average length of sentence in 2017/18: 433 days
Release on conditions	Average cost of \$18 per offender per day	Oversight from a probation officer after release at the end of a prison sentence of two years or less.	
		Average volume in 2017/18 was 4,468, this was 252 more than in 2016/17	Average length of sentence in 2017/18: 340 days
Supervision	Average cost of \$17 per offender per day	A rehabilitative community-based sentence with oversight from a probation officer. Offenders address the causes of their offending through targeted programmes.	
		Average volume in 2017/18 was 8,206, this was 190 more than in 2016/17	Average length of sentence in 2017/18: 276 days
Community work	Average cost of \$10 per offender per day	Offenders do unpaid work in the community for non-profit organisations	
		Average volume in 2017/18 was 14,203, this was 396 less than in 2016/17	Average length of sentence in 2017/18: 96 hours
Post detention conditions	Average cost of \$9 per offender per day	Oversight from a probation officer after the completion of a home detention sentence	
		Average volume in 2017/18 was 1,453, this was 91 more than in 2016/17	Average length of sentence in 2017/18: 215 days

Financial overview



Overall results

Corrections incurred total operating expenses of \$1.5 billion, which was \$30.5 million (2%) below the supplementary estimates and \$128.8 million above the previous year.

The year-on-year increase in expenditure was mainly due to higher personnel and offender management costs to keep pace with the larger offender population. 2017/18 saw the average prison population grow 6% to 10,515 from 2016/17. The average number of sentences and orders being served in the community grew by 2% in this same period. An asset revaluation at the end of 2017 has seen an increase in depreciation costs by \$26.1 million.

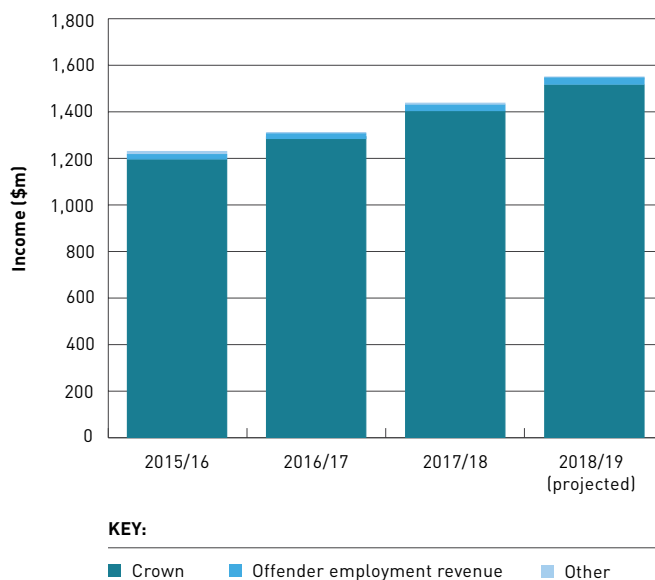
Revenue received by Corrections was \$1.5 billion, which was \$24.9 million (2%) below the Supplementary Estimates. This was mainly due to the recognition of lower Crown revenue to reflect the pre-approved in-principle expense transfers to out years.

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

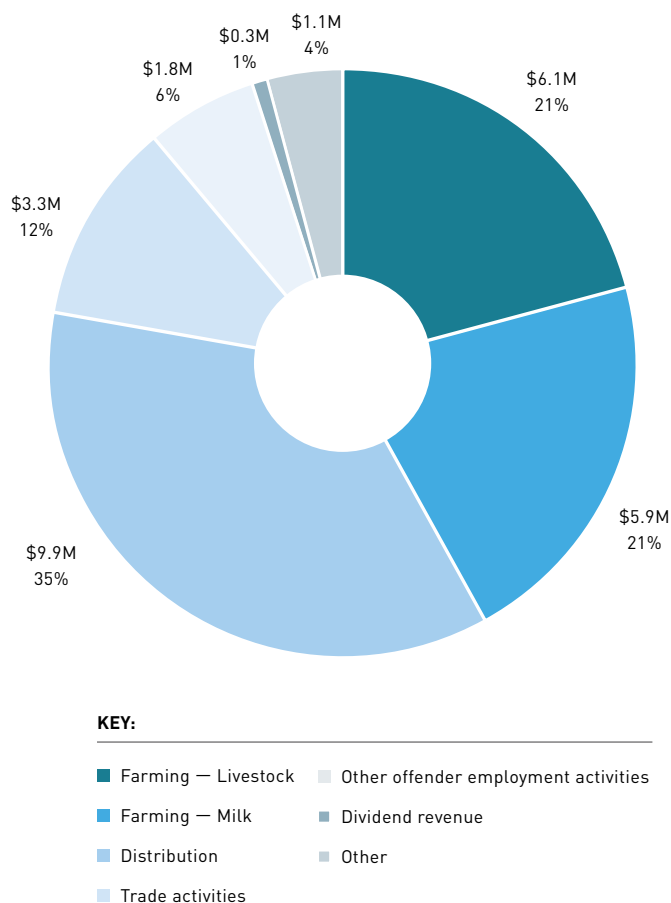
Income

The graphs opposite illustrate the sources of Corrections' revenue and the composition of offender employment revenue.

Income Trends



Composition of 2017/18 Offender Employment Revenue



Expenditure by output

The graph shows our output expenditure appropriation projections to 2021/22 reflecting the impact of the sustained prison population growth forecast in the 2017 Justice Sector Projection.

Non-Departmental appropriation

Corrections received an appropriation of \$7.5 million to facilitate infrastructure improvements relating to the construction of the new Waikeria Corrections and Treatment Facility and to improve the local access road to the prison.

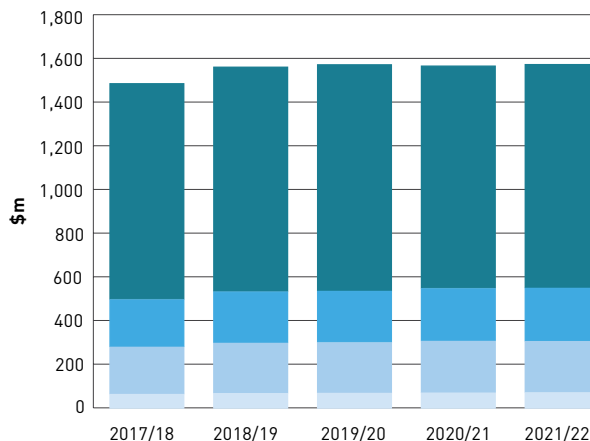
Expenditure by cost category

Almost 80 percent of our \$1.5 billion spend in 2017/18 related to workforce and asset ownership costs.

Corrections employs over 9,000 staff. This resulted in \$684.5 million of personnel costs and makes up 46% of our total spend. The majority of our workforce is deployed in frontline roles, which are highly specialised and require a considerable investment in upfront and ongoing training.

The graph opposite illustrates the composition of total expenditure by major expense category.

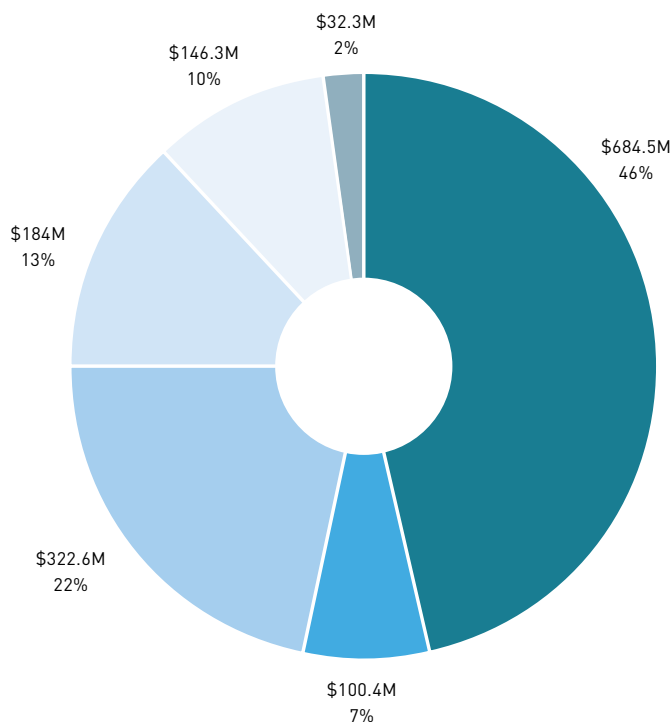
Expenditure Appropriation Projections to 2021/22



KEY:

- Custodial Services
- Community Services
- Rehabilitation and Reintegration
- Servicing the Judiciary and NZPB, providing policy advice and ministerial services

Total Expenditure by Major Expense Category



KEY:

- Personnel
- Facility costs
- Operating
- Depreciation & Amortisation
- Capital charge
- Finance costs

Asset Base

We own \$2.9 billion 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:

- > \$2.8 billion of property, plant and equipment
- > \$15.6 million of assets related to offender employment activity, including farming
- > \$71.1 million of intangibles (software) including offender management systems.

Depreciation and amortisation, capital charge and finance costs represent 25% of our 2017/18 operating expenses.

Corrections' asset base, which includes 17 public prisons and one private prison, must be fit-for-purpose, safe and secure. Our facilities must safeguard public safety and enable the completion of sentences, while also enabling employment, training, skills development and rehabilitation opportunities for prisoners.

The new maximum security facility at Auckland Prison was completed on 1 June 2018. The \$300 million redevelopment will provide improved rehabilitation and mental health treatment in a secure environment that is safer for everyone. For more information on the new facility, see page 53.

Capital Expenditure

Corrections incurred \$260.7 million of capital spend in 2017/18. This comprised \$30 million for property assets, \$146 million on the Prison Capacity Programme, \$18 million on Information Technology, \$55 million on the Auckland East Public Private Partnership and \$11.7 million on other items such as fleet and plant replacements.

Property expenditure included \$16 million for property and Community Corrections sites, \$7 million for electronic security and \$7 million for minor works and asset replacements.

Information Technology expenditure included investment to ensure safer child visits and improved fingerprint scanning, business reporting and analysis, and mandatory infrastructure and software upgrades including IT security.

Contributions to Priorities and Delivery of Outcomes



Our strategic outcomes

Corrections' mission is to keep our communities safe and change lives. We have two strategic outcomes: 'Public Safety is Improved' and 'Re-offending is Reduced'. Everything we do at Corrections should advance these two outcomes.

Our goals

**Keeping Our
Communities Safe**

**Changing
Lives**

What we do

**We put safety first
We do the right thing**

**We reduce re-offending
We build strong partnerships**

How we do it

Manaaki

We care for and respect everyone

Kaitiaki

We are responsive and responsible

Wairua

We are unified and focused in our efforts

Whānau

We develop supportive relationships

Rangatira

We demonstrate leadership and are accountable

Our Priorities

Safety

Rehabilitation

Transitions

Our People

Public safety is improved



At Corrections we keep staff, offenders, volunteers, visitors and the general public safe through the maintenance of safe and secure prisons and through stringent monitoring of community-based offenders. We also provide accurate and timely advice to courts and the New Zealand Parole Board, and provide support and information to registered victims.

Safety and security in prison

The safety and good order of our prisons is our foremost priority.

In accordance with the *Corrections Act 2004*, we manage prisoners in a manner that is safe, humane, and secure. We operate our facilities in accordance with this Act, while also taking into account international guidelines such as the United Nations Standard Minimum Rules for the Treatment of Prisoners.

The offenders under our management are some of the most complex and challenging people in New Zealand. Many of these people also have particular vulnerabilities and health issues that must be addressed. Our approach to safety must appropriately balance the needs of the people under our management with the safety of the public and our custodial environments.

The Prison Capacity Portfolio is ensuring the sustainability of the prison system.

The Prison Capacity Programme was established in 2016, in direct response to increasing pressure on prison capacity. It initially had two phases:

- > Phase one addressed immediate pressures through small scale projects such as double bunking.
- > Phase two addressed long-term demands by advancing large-scale construction projects at Mt Eden Corrections Facility and Waikeria Prison.

In 2018, the Prison Capacity Programme became the Prison Capacity Portfolio – a large portfolio of work that will ensure that Corrections has the infrastructure and facilities we need in the future.

The portfolio includes programmes focusing on:

- > immediate solutions to increase capacity. These solutions include double-bunking, small scale builds, and recommissioning end-of-life units (total of 971 prison places added, with over 200 additional places to be delivered in the next year).
- > the rapid deployment of eight 122 bed modular units at five prisons across the country (over 960 prison places to be delivered by 2019/20).
- > large scale builds at Waikeria Prison (500 beds plus one 100 bed mental health facility to be delivered by 2022) and Mt Eden Corrections Facility (245 bed unit to be delivered by the end of 2019).
- > progressing the Government's commitment to reducing the prison population by 30 percent over the next 15 years. This portfolio also supports the Hāpaitia te Oranga Tangata: Safe and Effective Justice programme.

Corrections has recruited enough people to keep up with demand for frontline custodial staff.

Since 2016, Corrections has needed to recruit more custodial staff than ever before to maintain safe staffing levels in our prisons. This is in line with the significant growth the prison population has undergone in the past few years.

In 2017/18, Corrections recruited over 1,500 people including over 470 new corrections officers. For comparison, we recruited 197 corrections officers in 2013/14. The majority of new recruits this year were required to keep up with the demand of the larger prison population. Corrections has over 3,880 full-time equivalent custodial roles and, as at 30 June 2018, less than two percent of these were vacant.

In 2017/18 we also recruited 66 prison-based nurses, 38 psychologists and 41 case managers. These roles are needed to continue delivering services to larger numbers of prisoners.

Our Site Emergency Response Teams contribute to safety in prison.

Site Emergency Response Teams are localised prison-based teams that bridge the gap between standard control and restraint techniques and advanced control and restraint teams that may take some time to arrive on site.

Site Emergency Response Teams contribute significantly to safe, stable and secure prison environments. They also proactively support site safety initiatives and ensure that incidents in prisons are appropriately addressed.

Site Emergency Response Teams are now operating in nine prisons (three more than in 2016/17):

- > Northland Region Corrections Facility
- > Auckland South Corrections Facility
- > Auckland Prison
- > Auckland Region Women's Corrections Facility
- > Spring Hill Corrections Facility
- > Hawke's Bay Regional Prison
- > Rimutaka Prison
- > Christchurch Men's Prison
- > Otago Corrections Facility.

Our aim is to establish Site Emergency Response Teams in four more prisons by the end of 2018.

Corrections' new Tactical Training Facility, which is expected to open in late 2018, will enable Site Emergency Response Teams to participate in specialist custodial training. For more information on the facility, see page 23.

Improved use of pepper spray has been successful in de-escalating volatile situations.

On 1 July 2017, the *Corrections Amendment Regulations 2017* enabled wider access to pepper spray. Pepper spray had previously been available to custodial staff only as part of a planned response to an incident.

Prison directors are now able to issue pepper spray to individual corrections officers for spontaneous use, subject to strict conditions. For example, all officers must be equipped with on-body cameras and have completed robust training.

Pepper spray has proven to be an effective tactical tool to protect the safety of staff and prisoners. There is less risk of harm with pepper spray than there is with standard use of force procedures.

To date, individually-issued pepper spray has been used to de-escalate situations such as prisoners fighting in the yard and refusing to stop, prisoners refusing to return to their cells and displaying aggressive behaviour towards staff, and prisoners damaging property and using broken glass as a weapon.

In the last year, there were over 100 incidents involving individually-issued pepper spray. Less than one quarter of these resulted in the actual use of pepper spray – in the vast majority of incidents the presentation of pepper spray, not its use, was enough to de-escalate the situation.

The Office of the Inspectorate is co-ordinating a review into the complaints process for offenders.

Corrections has a number of complaints processes ranging from the prison-based complaints process to Community Corrections processes, and complaints to the Office of the Inspectorate.

The complaints process review will enhance the robustness of our processes, ensure complaints are resolved at the earliest possible point in time, drive better consistency and timeliness of resolutions, and allow Corrections to identify any underlying trends. The review is expected to be completed in 2018/19 and improve the confidence people have in our complaints processes.

Alongside the Institute of Environmental Science and Research, we have trained detector dogs to identify new psychoactive substances.

Synthetic cannabis is a psychoactive substance that produces similar effects to marijuana, including elevated mood, altered perception and symptoms of psychosis. Users can also experience extreme anxiety, aggression, confusion, paranoia and hallucinations. There have been a number of deaths in the community linked to synthetic cannabis.

Synthetic cannabis is considered contraband in prison. In March 2018, Corrections deployed New Zealand's first detector dogs trained to detect new psychoactive substances, such as synthetic cannabis. During 2017/18, we successfully retrieved 33 samples of synthetic cannabis totalling over 168 grams.



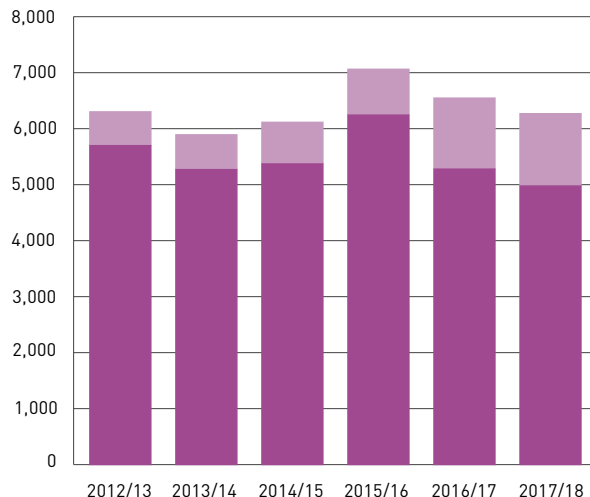
We do everything possible to keep contraband out of prisons.

Contraband can include drugs, drug paraphernalia, communication devices, weapons, alcohol and tattoo equipment. We are currently managing over 10,000 prisoners¹⁰, some of whom will go to extreme lengths to introduce contraband into prison. This can include concealment of contraband in vehicles, mail and property, internal concealment, and receiving contraband that has been thrown over the prison’s perimeter.

Our strategies for limiting access to contraband include extensive prison perimeter security, camera surveillance in visit rooms, background checks on all prison visitors, vehicle searches, scanners and X-ray machines at entry points and the deployment of specialist detector dogs. When a visitor is caught smuggling contraband into prison, we refer them to the Police, who will ultimately decide whether criminal charges are laid. We also ban them from visiting prisons across New Zealand.

Our efforts have been successful. In 2017/18, Corrections completed 4,700 general random drug tests in prisons – 96.4 percent of these did not return a positive result. Corrections reported 6,321 total contraband finds in 2017/18 – 1,299 of these were drug contraband and paraphernalia. This number includes the smell or other ‘indication’ that drugs may have been present but were not located.

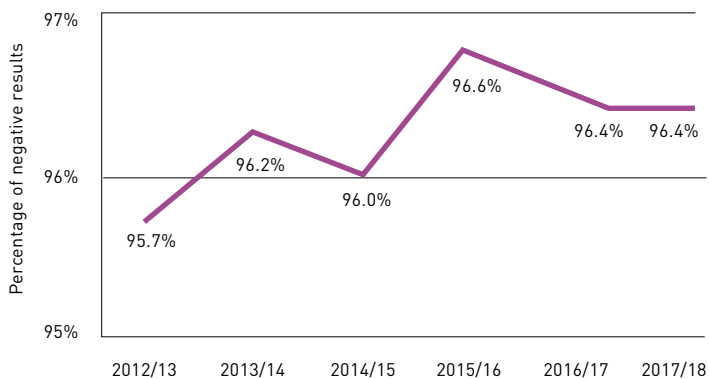
Total number of contraband finds



KEY:

- Drug contraband and paraphernalia finds
- Other contraband finds

Percent of negative general random drug tests



10. As at 30 June 2018.

Our prisons are secure - there were no breakout escapes in 2017/18.

2017/18 was the fourth year in a row that there were no breakout escapes from prisons in New Zealand. There were also no escapes through breaches of temporary release.

There were four escapes from escort and one abscond in 2017/18. This is the same number of escapes that occurred in 2016/17, despite a higher average number of people in prison at any one time. These escapes occurred from over 65,000 prisoner movements and transfers throughout the year. All five prisoners were located and returned to prison.

In 2017/18, the rate of serious prisoner on staff assaults per 100 prisoners was less than half what it was in 2016/17.

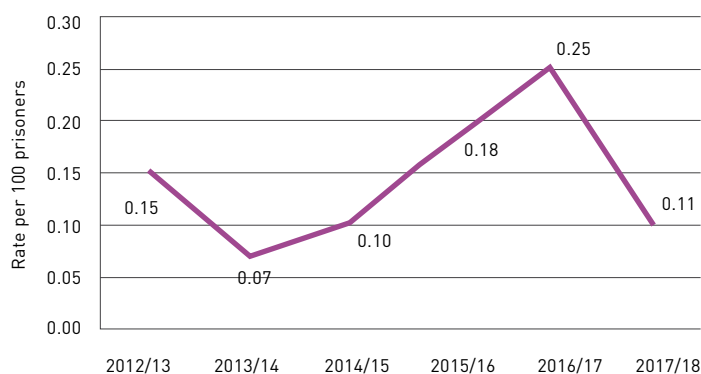
There were 12 victims of serious prisoner on staff assaults in 2017/18. These 12 people were harmed in ten separate incidents, two of which resulted in harm to multiple staff members. Per 100 prisoners, 0.11 staff were injured in serious assaults by prisoners (in 2016/17, the rate was 0.25).

There were 42 victims of serious prisoner on prisoner assaults in 2017/18. As a rate per 100 prisoners, 0.40 prisoners were injured in serious assaults by other prisoners. We hold all prisoners to account for their actions in these instances.

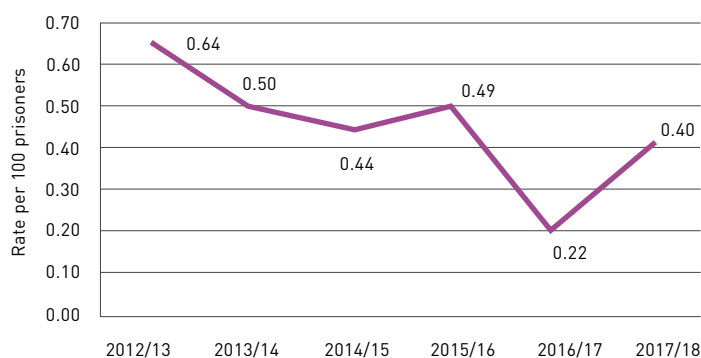
Types of escapes by financial year

Financial Year	Breakout	Absconding	From Escort	Breach of Temporary Release
2012/13	0	0	1	0
2013/14	1	0	1	0
2014/15	0	1	4	1
2015/16	0	0	2	0
2016/17	0	0	5	0
2017/18	0	1	4	0

Serious assaults - prisoner on staff



Serious assaults - prisoner on prisoner



Safety, supervision and monitoring in the community

Public safety is central to everything we do.

Corrections manages approximately three times as many offenders in the community as we do in prison. We ensure these offenders have the support and skills they need to live an offence-free life, and stringently monitor their compliance with sentences and orders.

In the community, probation officers supervise offenders and hold them to account for their actions, and community work supervisors ensure offenders complete their community work sentences. We also provide supported and transitional accommodation for offenders, wrap-around employment services and access to rehabilitation programmes, education and training opportunities.

Probation officers and community work supervisors hold community-based offenders to account for their actions.

Corrections has over 1,100 probation officers and nearly 300 community work supervisors managing around 30,000 people serving community-based sentences and orders. This work is undertaken at around 100 Community Corrections sites across the country.

We assess breaches on a case-by-case basis to determine the most effective response. Where appropriate, we will work with people to ensure they have the support they need to remain compliant. In many cases, this is the best way of maintaining the integrity of sentences and orders being served in the community.

More serious options, such as applying internal sanctions or pursuing prosecution, are available to Corrections. In 2017/18 Corrections pursued prosecution in a total of 22,871 cases. Our efforts to ensure offenders are held to account have been successful. Ninety six percent of non-compliant community-based offenders were held to account for their actions in 2017/18, and in total, 76 percent of community-based offenders successfully completed their sentence or order.

Home visits are an important tool for ensuring compliance with community-based sentences and orders.

Corrections undertook approximately 7,000 home visits each month in 2017/18. Each home visit is an opportunity for our probation officers to establish effective working relationships with offenders and their whānau, confirm any new information about an offender's address or living conditions, and respond to new or previously identified risks.

Managers are accountable for developing safe and robust plans for staff conducting home visits. When conducting a home visit to a high-risk offender or visiting an offender for the first time, two people must be present. Attending home visits in pairs reduces the risk of volatile or unsafe situations. Further, over 3,000 staff have access to work cell phones with a staff safety application included as a feature on each.

By electronically monitoring the movements of offenders and defendants, we ensure compliance with the conditions of their sentences, orders or bail.

When utilised as part of Corrections' wider set of safety tools, electronic monitoring successfully improves the safety of the community. This is achieved by:

- > tracking the movements of community-based offenders and defendants
- > ensuring their compliance with the conditions of their sentence, order, or bail
- > alerting Corrections immediately when they leave their residence (in cases where the person must remain at their residence or are subject to a curfew) or when they enter an area that they are not allowed to (such as a school or playground if they are a child sex offender)
- > allowing Corrections to respond quickly to incidents of non-compliance and providing evidence of non-compliance through GPS tracking.

We electronically track the movements of over 4,500 people in the community at any one time. This includes offenders on sentences and orders, and defendants who are awaiting the progression of their court case in the community.

Throughout 2017/18, we electronically monitored the movements of over 14,000 people for all or part of the year. Of these people, over 96 percent did not abscond.

In total, in 2017/18, 41 parolees and 179 people serving home detention sentences absconded while subject to electronic monitoring. During this same period, 3,809 people were managed on parole and 4,671 served a sentence of home detention.

Locating absconders is the responsibility of the Police, with whom we work closely to respond to these types of incidents. Of the offenders subject to electronic monitoring conditions in 2017/18, only 2.6 percent were reconvicted of a new offence during the period of their conditions.



Over **4,500**
 people are tracked using electronic monitoring in the community at any one time.

We established Regional High Risk Panels to support the management of cases with the highest risk and most complex needs in the community.

The first Regional High Risk Panel was piloted in the Lower North Region from April to July 2017. After a successful trial the model was implemented throughout the country in 2017/18. The panels have introduced a nationally consistent approach for considering high risk cases, and have strengthened the level of oversight we have of our most serious offenders.

Regional High Risk panels focus on the level of support required for each high and complex needs case in the community. They also facilitate broader partnership with other government agencies (such as the Ministry of Social Development, New Zealand Police and Oranga Tamariki) in the management of these cases, and support frontline staff to access the services needed to manage identified risks.

Corrections utilises extended supervision orders to manage some of New Zealand's highest risk offenders.

Corrections does not decide who stays in prison and who is released into the community. This is decided by the courts and the New Zealand Parole Board. In cases where Corrections has assessed a serious violent or sexual offender as at high risk of re-offending, and their final sentence end date is approaching, we can apply to the court to impose an extended supervision order. Extended supervision orders are imposed by courts and allow Corrections to monitor offenders for up to 10 years at a time while they are deemed to be high risk.

The conditions of an extended supervision order are similar to parole and include reporting regularly to a probation officer, participating in programmes to address their offending, being subject to restrictions on their residence and employment, and being subject to restrictions on who they may have contact with.

The highest risk offenders will have conditions similar to that of home detention and electronic monitoring may be imposed. Some people may be monitored by another person (employed via contracted service providers) for 24 hours a day for the first year of their order.

As at 30 June 2018, Corrections managed 222 people on extended supervision orders, of which, 120 were being monitored electronically.

Extremely high risk offenders who can no longer be detained in prison are managed at Matawhāiti, New Zealand's only civil detention centre.

People managed at Matawhāiti are not prisoners. They are people that are subject to public protection orders, and are deemed by psychologists and the courts to be of very high and imminent risk of causing violent or sexual harm.

Three residents were being managed at Matawhāiti, as at 30 June 2018. For more information on the operation of the facility, see page 180.

In 2017/18, almost 1.5 million hours of community work were completed.

Courts can sentence offenders to between 40 and 400 hours of community work for non-serious offending. Community work is the most common community-based sentence we manage with 14,451 people completing a sentence in 2017/18. As at 30 June 2018, Corrections was managing 14,068 people on a sentence of community work.

The nature of the work undertaken varies. It can include gardening, painting, construction, picking up rubbish, cleaning graffiti, and general maintenance of public land and buildings.

Offenders serving community work sentences have access to brief education and training courses, as well as some brief offence-focused programmes. In 2018/19, we are re-aligning the nature of community work to provide greater benefit to Māori in the community.



These fire blocks are made by community-based offenders. The fire blocks will go to various food banks around the country.



Initiatives to reduce the prison population

Reducing existing pressure on prison capacity is key to improving public safety and rehabilitative outcomes. The Government has announced its goal of reducing the prison population by 30 percent over the next 15 years.

We are reducing the growth of the prison population, without compromising our bottom line of public safety.

The growth of the prison population has placed significant pressure on prison capacity. The High Impact Innovation Programme is progressing initiatives to safely reduce demand for prison beds. Many of our initiatives are directly aimed at improving efficiency in the criminal justice system.

> **Remand Triage**

Remand Triage provides targeted resources to Police prosecutors to triage those cases that can be progressed earlier. By actively managing the prosecution files for defendants remanded in custody, the time a case takes to progress through the courts is reduced. This means people are spending less time remanded in custody awaiting the outcome of their case.

> **EM Bail Ready**

EM Bail Ready supports defendants in their applications for electronic monitoring, where they may otherwise be remanded in custody. Assistance includes support in writing the application, sourcing of suitable accommodation and engagement with family and other support.

> **Home Detention Resentencing**

The Home Detention Resentencing programme works with prisoners who would have likely received a home detention sentence but, due to accommodation barriers, received a prison sentence. We work with these prisoners to secure suitable accommodation and apply for a sentence substitution.

> **Parole Ready**

Prisoners are spending longer periods of time in custody before being granted parole than they were five years ago. The Parole Ready programme seeks to improve the parole achievement rate by supporting long-term offenders with their rehabilitation and reintegration needs.

By improving the sustainability of bail we can reduce the number of people being remanded in prison.

Corrections can help defendants remain in the community with initiatives that improve compliance with court imposed bail conditions.

> **Bail Support Services Pilot**

The Bail Support Services pilot enhances the EM Bail Ready programme by providing end-to-end support for defendants on bail. The service assesses the needs of defendants and provides a written plan on how identified needs would be met, should they achieve bail.

If bail is achieved, the service provides support to the defendant in the community, reducing the likelihood they will breach the conditions of their bail and be returned to prison.

> **EM Bail Phone Application**

Corrections has developed a phone application to support defendants in the community who are subject to electronically monitored bail. The application will be rolled out in 2018/19 and will provide defendants with direct access to support services, reminders about judicial events such as court cases related to their case, and make it easier for them to request permission to attend events outside of the standard conditions of their bail.

We are expanding the use of electronic monitoring as an alternative to being remanded in custody.

In Budget 2018, Corrections received an additional \$8.6 million to increase the number of defendants being electronically monitored to 1,000. At present, around 800 defendants are being monitored in this way.

For many people, electronic monitoring is a safe and viable alternative to being imprisoned on remand. Electronically monitored bail represents value for money and does not compromise public safety.



Investing in our infrastructure

Corrections is an investment intensive agency. In 2017/18, we managed approximately \$2.9 billion of non-current assets including 17 publicly managed prisons (plus one privately managed prison), around 100 Community Corrections sites and a large fleet of over 1,800 cars, utility vehicles and mobile plant (machinery used in prison industries).

We invest in our facilities to ensure they are fit-for-purpose.

In 2017/18, we completed a number of projects designed and planned to improve the capability of our facilities. Outside of the work to increase prison capacity (which is part of the Prison Capacity Portfolio), property projects in 2017/18 included:

- > the re-fit of Community Corrections sites in Whangarei, Taumarunui and Huntly
- > the construction of a new Community Corrections site in Levin
- > the construction of two new programme rooms at Christchurch Men's Prison
- > the re-location of refurbished houses from Rolleston Prison to Christchurch Men's Prison, for use as prisoner accommodation
- > the refurbishment of the Case Managers' Office and High Security Health Unit at Rimutaka Prison
- > the completion of the new National Learning Centre in Wellington.

We have prioritised safety and value for money in upgrading our vehicle fleet.

Corrections owns a fleet of 1,831 vehicles. This includes staff pool cars, prisoner escort vehicles, mobile plant, trucks and trailers.

Our fleet is used to transport community work crews, prisoners, detector dogs and staff. Additionally they are used to conduct home visits, prisoner escorts, and in prison industries.

In 2017/18, we replaced 188 vehicles, including 67 cars, 46 minibuses (used to transport offenders) and 39 site-specific utility vehicles. We added seven new vehicles to the fleet including three new prisoner escort vehicles.

Corrections spent \$191,716 upgrading existing fleet vehicles so that they are safe, modern and appropriate for use.

We are embracing technology as a way of improving how we work.

Our technology projects in 2017/18 included:

- > the nationwide rollout of WebIOMS – an improved version of the Integrated Offender Management System (IOMS)

IOMS is the primary tool our frontline teams use to manage offenders. The system holds a wide range of vital information, including offender details, prisoner movements, property registers, disciplinary events, incidents, and interactions between offenders and staff.

WebIOMS was implemented nationally in August 2017. By simplifying the system and improving its speed and functionality, Corrections has enabled frontline staff to spend more time managing offenders and less time on computers.

- > the introduction of self-service kiosks in prisons

New touchscreen kiosks in prisons have enabled prisoners to manage more of their own needs independently. Through the kiosks, prisoners can access key sentence dates, check their prison trust account balances, submit weekly canteen orders and request meetings with their principal corrections officer and case manager.

This has helped prisoners develop self-management skills and has made interactions between staff and prisoners more meaningful.

Additional projects with a technology aspect included the opening of the new National Learning Centre (see page 23), Making Shifts Work (see page 20) and the High Impact Innovation Programme (see page 50).

Auckland Prison - 50 years in the making

Fifty years ago, Auckland Prison opened with 248 beds in what is now known as the east division of the prison. It was designed as a maximum security facility, at a time when our understanding of prisoners' needs was far different than it is today.

This year, to best meet the safety and rehabilitation needs of New Zealand's most challenging prisoners, Corrections opened a new \$300 million 260 bed facility equipped with a 50 bed mental health facility and 18 bed Intervention and Support Unit.

Safety and security are central to how the facility has been designed. For example, wide

corridors that are clear of obstructions have been incorporated to increase visibility across units, and units have individual health services areas to reduce the need to move prisoners around the facility.

The opening of the facility, 50 years after the prison's original opening, is particularly meaningful as it marks just how far the corrections system has come. The facility's Piringa Tāngata room displays the history of the maximum security site and a comparison of the original facilities next to their modern day equivalents, helping to show how we have learned from the past to inform the future.



Birds eye view of Auckland Prison under construction in June 2017.

Re-offending is Reduced



Reducing re-offending is key to ensuring the long-term safety of New Zealanders.

Each offender under Corrections' management undertakes their own unique rehabilitation journey. Corrections invests heavily in services that support each step.

These services include:

- > health services
- > case management
- > education
- > offence-focused rehabilitation programmes
- > alcohol and other drugs treatment
- > industry training
- > employment services
- > transitional and supported accommodation
- > reintegration support.

The people that enter the corrections system typically have challenging and complex needs that must be addressed. We establish a unique pathway for each offender so they can turn their life around.

Rehabilitation within the corrections context is complex. It involves more than just rehabilitation programmes.

We must first address the offender's immediate needs by ensuring their physical and mental health. We employ 226 nurses in prison and provide access to primary healthcare services in all 17 publicly-managed prisons across the country (Auckland South Corrections Facility is privately managed, and responsible for providing healthcare services to its prisoners). Probation officers are trained to assist community-based offenders to seek the treatment they need in the community.

To address the causes of offending, Corrections provides access to a suite of specialised rehabilitation programmes. These include residential alcohol and other drugs treatment units (up to 12 months in duration) and residential units and intensive rehabilitation programmes for violent and sexual offenders. High-risk offenders and those with complex needs also have access to one-on-one sessions with psychologists, especially in cases where they are unsuitable for group programmes.

We also prepare prisoners for their return to the community. This can involve progressing prisoners through security classifications (maximum or high security through to minimum security) where they gain increasing independence, learning step-by-step how to take care of themselves. Our self-care units are the final part of this process, where prisoners can live in self-contained housing and, in some cases, leave the prison grounds to undertake employment in the community.



Corrections provides an array of educational and industry training programmes for offenders. For example, in prison, offenders can learn skills such as dairy and pig farming, beekeeping, construction, painting, graphic design, cooking and commercial printing. They also have access to computers so that they can independently study towards tertiary qualifications. All our prisons are working prisons and, in 2017/18, were achieving 93 percent prisoner engagement (based on 40 hours of constructive activity such as industry, treatment and learning a week).

Prior to their release from prison, we help prisoners to source suitable accommodation, provide end-to-end employment services and refer them to services that set them up with photo identification and IRD numbers. We also help them obtain their driver licences, and work with the Ministry of Social Development to help them access the financial support they need in the community.

When offenders fully participate in their pathway, they leave our management with a strong foundation from which they can establish a crime-free life. They are often in better health, are better educated, and have more employment and living skills than when they first entered the corrections system.

The offender pathway

Case Management

Case Management encompasses the planning and management of a prisoner's rehabilitation and reintegration needs, which are detailed in an individual offender plan. Case Managers work with offenders in custody to facilitate services and ensure the successful transition of a prisoner to probation colleagues or directly into the community.



Rehabilitation

Corrections strives to break the cycle of re-offending by identifying and working with those who are most likely to re-offend. Research has shown that well-designed and delivered programmes can have a real effect on reducing re-offending.



Training and Education

Corrections is committed to providing learning opportunities that offer building blocks for more advanced forms of education and training. Providing offenders with skills for life helps them in obtaining further qualifications and employment, which has been shown to support successful reintegration into the community and reduce the likelihood of re-offending.



Employment

Offender employment includes the delivery of vocational and on the job training that may lead to a qualification and work experience, both of which build knowledge and experience that employers need.



Reintegration

Research suggests that people are less likely to re-offend if they have the right support around them. Support can come from many people including family/whānau, community groups, counsellors, employers and Corrections staff.



Addressing the health and wellbeing needs of offenders

Many people enter the corrections system in poor health.

It is in everyone's best interest to ensure the people under Corrections' management are healthy. In prison and in the community, distressed offenders can be a danger to themselves and others. Additionally, physical and mental health issues are barriers to rehabilitation.

We know that people who enter the corrections system are often not accessing healthcare in the community. These people often have undiagnosed or poorly treated medical conditions. Prisoners are three times more likely than the general population to have been diagnosed with a mental health disorder in the past 12 months (62 percent compared to 21 percent) and nearly all prisoners (91 percent) have had a lifetime diagnosis of a mental health or substance abuse disorder.

When a person enters the corrections system, our immediate priority is to ensure their mental and physical health.

In 2017/18, 99 percent of prisoners received a health assessment on their first day in prison. Health staff assess each prisoner's immediate health needs, including their mental health needs, whether they may be at risk of self-harm or suicide, whether they require a referral to a prison doctor for healthcare needs, whether they have been prescribed medication that will need to be administered by the prison and whether they require nicotine replacement therapy. These assessments are also completed when prisoners are transferred between prisons.

During the assessment, prisoners can be referred to the prison doctor if required, and follow up appointments with prison health staff can be scheduled.

When a person is identified as having mental health needs that require addressing, they are referred to forensic services delivered by district health boards for a more detailed assessment. Through this process, Corrections determines the appropriate level of service the prisoner requires.

If it is believed the prisoner may be at risk of self-harm or suicide, they are transferred to an Intervention and Support Unit (previously known as At-Risk Units) to safeguard their physical safety.

In these units, staff are available to closely monitor prisoners' wellbeing, and are trained to help people through periods of crisis.

Corrections provides prisoners with a level of primary healthcare at least equivalent to the level they can expect to receive in the community.

We ensure the quality of our health care services by employing 226 prison-based nurses, contracting doctors from across the country, and partnering with pharmacies, district health boards and the Ministry of Health. In 2017/18, Corrections spent over \$37 million on prison health services and health staff undertook over 150,000 consultations with prisoners.

Due to factors like the accessibility of health care and behavioural habits of offenders in the community the level of healthcare prisoners receive in prison is often substantially higher than the standard they were accessing immediately prior to their imprisonment.

We have improved how we administer medication to prisoners.

In 2017/18, we undertook two separate programmes of work to improve how medicines are administered to people in prison.

The first programme was a review and update of Corrections' Medicines Management Policy. The new policy was implemented in March 2018 and improves access to medication when the prescriber is off-site, ensures patient safety and supports professional accountability.

The second was a comprehensive review of the system we use to manage prisoner medicines. A result of this review was the establishment of the Pharmaceuticals and Therapeutics Advisory Group of internal and external experts to scope and identify how we can move to a safer electronic system for administering medication.

Our team does everything possible to help prisoners vulnerable to self-harm or suicide.

Prisoners present at much higher risk of suicide and self-harm than the general population. Thirty five percent of prisoners have previously thought about suicide (16% for the general population) and 19 percent of prisoners have previously attempted

suicide (5% for the general population). In 2017/18, there were 37 incidents of serious self-harm in prison including 30 incidents of self-harm that posed a threat to life and seven unnatural deaths. With prompt intervention from our staff, 81 percent of prisoners that either attempted suicide or self-harmed at a level that posed a threat to their life survived.

Corrections' Intervention and Support project is transforming how we care for prisoners vulnerable to self-harm or suicide.

Through the Intervention and Support Project, Corrections is developing a new model of care for supporting and caring for those vulnerable to self-harm or suicide. The project introduces:

- > additional screening for suicide, self-harm and mental health
- > a triage process to ensure prisoners are placed where they can be supported
- > improved individual care plans
- > new, multi-disciplinary Intervention and Support practice teams
- > new, therapeutic Intervention and Support Units, replacing the use of At-Risk Units.

The model of care has been prepared throughout 2017/18 and will begin its pilot at three sites in 2018/19.

Elements of the pilot are already being introduced in non-pilot sites. For example, a supported decision-making tool for Intervention and Support Units was introduced in April 2018. The tool will help our staff make more informed decisions about the care and management of our most vulnerable prisoners.

The Mental Health and Reintegration Services pilot has expanded the level of mental health support available to offenders. The pilot has been extended to June 2019.

The Mental Health and Reintegration Services pilot was launched in 2016, to improve the level of mental health support offenders can access in prison and in the community.

The pilot includes four distinct programmes of work:

> **Improving mental health in 16 prisons and four Community Corrections districts**

Corrections employed mental health clinicians based in 16 prisons and four community districts. The clinicians provide treatment and interventions to offenders and help them to better manage their mental health needs.

In 2017/18, the service received 3,541 individual referrals for service. The average number of mental health sessions received by offenders was six and an analysis of records indicates that 75 percent of individuals experienced improvement after receiving the service.

Mental health clinicians also provided 2,178 hours of mental health education to Corrections staff.

> **Wrap around support for family and whānau in four Community Corrections sites**

The Wrap Around Family/Whānau Support Service provides support to the families of offenders who are engaged in mental health services.

In 2017/18, the service supported 90 families to access community services to improve their social, health and education outcomes.

> **Social workers and counsellors in women's prisons**

The Social Workers and Counsellors in Women's Prisons initiative provides access to professional counsellors and social workers to women in prison. The service helps address needs (such as trauma, victimhood, and family) that many women entering prison struggle to manage.

Since the initiative's launch in November 2016, counsellors have provided support to 888 women, with a further 754 women having received support from social workers.

> **Supported living transitional houses in Auckland and Hamilton**

The Supported Living Transitional Houses programme provides supported accommodation to a small number of offenders with complex mental health needs or cognitive impairment.

In 2017/18, the service has received 83 referrals and supported almost 30 people to access the social and health services they need in the community.

Targeting the causes of offending

Rehabilitation at Corrections involves education, mental health support, industry training, and the development of life skills. We also have offence-focused rehabilitation programmes that address the main causes of offending. These form an important aspect of an offender's rehabilitation journey.

Our rehabilitation programmes range in intensity and length to meet people's different needs. We target programmes to specific offenders based on their risk of re-offending, their type of offending, the length of their sentence or order, and their motivation to change.

Prisoners are assigned a case manager who will create an offender plan that best meets their rehabilitation needs.

Corrections employ 299 case managers. These people are trained to work with prisoners, assess their rehabilitation needs, and develop a plan that outlines their most appropriate rehabilitative pathway. This is all achieved through regular meetings and a one-on-one collaborative approach between case managers and prisoners.

The case management service provided to prisoners is end-to-end. This means a case manager will work with a prisoner from when they arrive in prison (through the development of their offender plan), throughout their time in prison and prior to their release (through the development of comprehensive release plans).

In the community, probation officers undertake a similar role to case managers. They are there to guide community-based offenders through their rehabilitative pathway.

Through the work of our case managers and probation officers, in 2017/18, an average of 77 percent of prisoners and 49 percent of community-based offenders with an identified activity on their offender plan had a matching scheduled placement in a departmental programme.

Corrections provides thousands of rehabilitation programme places to offenders in prison and in the community.

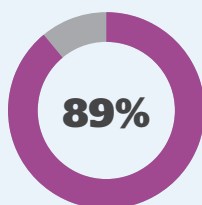
In 2017/18, Corrections delivered 7,710 rehabilitation programme places to prisoners. The completion rate for prison-based rehabilitation programmes was 89 percent. Further, in the community we delivered 4,108 rehabilitation programme places. The completion rate for community-based rehabilitation programmes was 66 percent.

These figures include programmes that address motivation, substance disorders, and the causes of a person's offending behaviour. They exclude educational opportunities, vocational and industry training, life skills programmes and individual psychological treatment – all of which also have rehabilitative value.

In prison:

7,710

rehabilitation programme places were delivered.

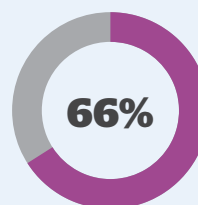


completion rate for prison-based rehabilitation programmes.

In the community:

4,108

rehabilitation programme places were delivered.



completion rate for community-based rehabilitation programmes.

Offenders considered to be high risk and those with complex needs can access one-on-one psychological treatment.

Individual psychological treatment can involve treatment to improve an offender's ability to participate in mainstream rehabilitation treatment, or in depth offence-focused treatment for those who may be unlikely to ever benefit from mainstream programmes. In 2017/18, 648 offenders received individual psychological treatment for their offending. Corrections employs 193 psychologists, many of whom are directly involved in the delivery of this type of treatment.

In 2017/18, a number of programmes were developed by our psychologists to address the core drivers of offending by high risk offenders. These were delivered by psychologists and include the Kimihia programme for high risk women at Auckland Region Women's Corrections Facility,

the Short Violence Prevention Programme for men with short prison sentences at Otago Corrections Facility, and the Mauri Tu, Mauri Ora programme for high-risk youth at Christchurch Men's Prison.

We have broadened our tools for addressing family violence and have aligned our approach with that of the Ministry of Justice.

As part of a cross agency approach to addressing family violence in New Zealand, Corrections and the Ministry of Justice have worked together to align our contracts for programmes aimed at family violence perpetrators. As a result, we have selected a total of 47 providers (up from 27) to deliver non-violence programmes to offenders beginning in 2018/19. We expect providers will be able to provide greater flexibility in their programmes, be better able to meet the rehabilitative needs of offenders and deliver culturally responsive programmes to Māori and Pasifika communities.



Our rehabilitation programmes

Our offence-focused rehabilitation programmes help people to understand what led to their offending and learn skills to make positive changes.

Medium Intensity Rehabilitation Programme for male offenders (prison and community)

The Medium Intensity Rehabilitation Programme for male offenders teaches participants how to alter the thoughts, attitudes and behaviours that led to their offending. It also assists them in developing strategies for maintaining these changes.

Kowhiritanga (prison and community)

Kowhiritanga is a group programme for women. It helps women address their offence-related needs. The programme is responsive to the cultural needs of Māori and takes into account the different ways women relate to others and form relationships.

Saili Matagi (prison)

Saili Matagi is a programme for Pasifika men serving a prison sentence. It is delivered in the Fale of the Pacific Focus Unit at Spring Hill Corrections Facility. The unit offers a therapeutic environment that aims to motivate Pasifika to address their offending behaviour.

Mauri Toa Rangatahi (community)

Mauri Toa Rangatahi helps offenders under the age of 20 to acknowledge their offending, gain a positive understanding of themselves, understand the need for future planning to break their own offending cycle, and explore and learn to cope with uncomfortable feelings.

Mauri Tu, Mauri Ora (prison)

Mauri Tu, Mauri Ora is a programme for high risk youth in prison. It works within the context of a structured day and includes therapy, education, employment, recreation, cultural activities and reintegration opportunities.

WHARE (prison and community)

WHARE is for young offenders from 18 to 27 years of age convicted of burglary or other dishonesty charges. It incorporates Te Whare Tapa Wha - a holistic framework, while including activity-based therapy, whānau engagement, and life skills.

Tai Aroha residential programme (community)

Tai Aroha is a violence prevention programme targeting high-risk males serving community sentences, who have a history of violent offending. It provides a therapeutic environment with programmes to address their dynamic risk factors. Participants receive post-programme support and guidance to ensure a smoother integration back into the community.

Special Treatment Units are intensive therapeutic environments for our highest risk prisoners.

Special Treatment Units offer high intensity offence-focused psychological intervention to very high-risk sexual and violent offenders serving prison sentences of more than two years. Special Treatment Units operate within units that promote a 'community of change' environment to complement the treatment provided by staff.

Corrections' Special Treatment Units have led to a reduction in re-imprisonment for four consecutive years. Achieving reductions of this nature with a group of offenders as complex and challenging as those in our care places our Special Treatment Units on par with some of the best programmes in the world.

Adult Sex Offender Treatment Programme (prison)

The Adult Sex Offender Treatment Programme is an intensive programme delivered in Special Treatment Units for male prisoners who have a high risk of re-offending and conviction for sexual offences against adults.

Special Treatment Unit for Violent Offenders (prison)

The Special Treatment Unit for Violent Offenders is an intensive programme for male prisoners with a history of violent offending and a high risk of re-offending.

Child Sex Offender Treatment Programme (prison)

The Child Sex Offender Treatment Programme is an intensive programme delivered in Special Treatment Units aimed at reducing child sex offenders' risk of re-offending.

Our motivational interventions are designed to enhance offenders' understanding of their offending and improve their motivation to change.

Short Motivational Programme (prison and community)

Our Short Motivational Programme helps offenders to increase problem awareness and recognition, reduce ambivalence, address cognitive distortions and formulate goals.

Tikanga Māori Motivational Programme (prison and community)

The Tikanga Māori Motivational Programme aims to increase offenders' understanding of their cultural identity, improve the positive support around them, and motivate them to address the factors that contributed to their offending.

Our Alcohol and Other Drugs Treatment programmes address the role of substance abuse in offending.

We have a range of interventions and programmes available to prisoners and community-based offenders for the purpose of addressing their issues with alcohol and other drugs. These range from brief screening interventions and motivational interviewing, to intensive treatment programmes and residential drug treatment units.

Drug Treatment Units (prison)

We have drug treatment units at nine prisons throughout New Zealand. They provide people in prison with intensive alcohol and other drugs treatment in a therapeutic community environment. This includes addressing the links between the participants' substance use and their offending, and the effect of their substance use on their family and whānau.

Intensive Treatment Programme (prison)

Our Intensive Treatment Programmes help people who have substance use problems assessed as high. They are designed for people who have committed to changing their lives, and incorporate a range of treatments including cognitive behavioural therapy, relapse prevention, motivational interviewing skills training and education.

Alcohol and Other Drugs Aftercare Worker Pilot (prison and community)

The Aftercare Worker Service pilot is designed to offer consistent aftercare support to participants

who graduate from either our Drug Treatment Units or Intensive Treatment Programmes. In December 2017, we added more aftercare workers in prisons (we now have 17) to provide support to participants post-treatment.

Te Ira Wahine (prison)

Te Ira Wahine is a kaupapa Māori intensive alcohol and other drugs programme designed specifically to meet the needs of women in prison. It provides a trauma-informed approach to address substance use problems, and is responsive to the mental health needs of women in prison.

Tamaua Te Koronga (prison)

Tamaua Te Koronga is a kaupapa Māori intensive alcohol and other drugs programme for young people in prison. Like Te Ira Wahine, it takes a trauma-informed approach, and is responsive to participants' mental health needs, with facilitators trained to recognise the symptoms of trauma and respond appropriately.

The Community Alcohol and Other Drugs Treatment Programme (community)

The Community Residential Alcohol and Other Drugs Treatment Programme commenced in February 2017. Corrections purchased 13 residential treatment beds in existing facilities that will be available to treat community-based offenders and ex-prisoners. We are now increasing the availability of beds from 13 at any one time to 27. Corrections also provides funding and support for residential services in the community.

Intensive Outpatient Alcohol and Other Drugs Programme (community)

The Intensive Outpatient Alcohol and Other Drugs Programme is an eight week group programme designed to meet the needs of community based offenders who are unsuitable or unable to participate in residential treatment.

RecoverRing – Alcohol and Other Drugs Support Line (prison and community)

Corrections has partnered with Homecare Medical to introduce a free, dedicated alcohol and other drugs support phone line for offenders and their whānau. The 0800 phone line is free and available 24 hours a day, seven days a week.

Expanding the provision of education to offenders

Thousands of prisoners receive qualifications with Corrections' support, each year.

The educational opportunities we provide to prisoners ensure they leave our custody much better prepared to partake in stable and suitable employment.

In 2017/18, prisoners received 3,173 qualifications, including 1,134 national certificates or equivalent and 2,039 short courses, licences and certifications such as health and safety.

People in the corrections system often have substantially lower levels of educational attainment than the general population.

The educational disparity seen in New Zealand prisons reflects international trends seen in corrections jurisdictions in the United States, United Kingdom and European Union.

Corrections invests significantly in education, as a rehabilitation tool.

Corrections estimate that:

- > 57 percent of prisoners have literacy and numeracy below that of NCEA Level One competency
- > 25 percent of prisoners are at, or below, Steps One and Two on the Adult Literacy and Numeracy Learning Progressions
- > 66 percent of prisoners have no formal qualifications (as recognised by the New Zealand Qualifications Framework). For comparison, only 23 percent of the general public have no formal qualifications.

This means the majority of prisoners face significant to severe literacy and numeracy challenges in their day-to-day lives. Further, the majority have no formal qualifications and face major barriers to entering sustainable employment.

Tutors assess each prisoner's educational needs and create bespoke learning pathways.

Prison-based tutors assess the education history and needs of prisoners to identify where they have the most pronounced need, what type of education support would provide the greatest benefit, and how we can help them to achieve their future goals.

In 2017/18, education tutors undertook over 8,000 education assessments and prepared over 6,500 unique learning pathways.

Corrections provides intensive support for hundreds of prisoners with literacy and numeracy challenges.

A lack of literacy and numeracy skills can be a complex and challenging barrier to overcome. In prison, this can limit people's capacity to engage in rehabilitation activity. In the community, this can mean that some people are unable to meet the basic expectations of entry-level employment.

In 2017/18, Corrections provided intensive literacy and numeracy support to 1,469 people – up from 1,441 in the previous year. Fifty two percent of prisoners that completed the programme demonstrated statistically significant literacy and numeracy gains.

Corrections has expanded the range of educational opportunities available to prisoners.

We now have over 60 different vocational programmes in areas such as first aid, health and safety, scaffolding and driving.

Our investment in this area has successfully encouraged higher levels of participation. In 2017/18, 2,685 prisoners participated in vocational training courses – 436 more than the year previous.

Supporting offenders' transitions and reintegration

Supporting offenders in the community is vital to ensure rehabilitative gains achieved in prison, or earlier in their community-based sentence, are retained.

Many offenders have needs that must be addressed in order to reduce their likelihood of re-offending. When a person begins their sentence – either in prison or in the community – Corrections immediately begins to address needs such as physical and mental health, education and substance abuse problems. When a person leaves prison, or ends their community-based sentence, we work with them to ensure they hold on to the motivation and skills they have gained.

We support prisoners with their transition into the community to reduce their likelihood of re-offending.

When a prisoner returns to their community, there is a chance they will return to the life they had prior to their imprisonment. Without support, they may re-offend. Corrections' case managers prepare reintegration pathways for long-serving prisoners, which involve planning for situations that may lead them to re-offend and helping prisoners to establish positive support networks in the community.

Guided Release is a key tool for assisting a long serving prisoner's reintegration. Through Guided Release, eligible prisoners can leave prison for short periods of time to undertake approved activities that will assist them upon their release. Guided Release activities can include attending whānau hui, visiting supported accommodation, meeting with property managers, reconnecting with past employers, enrolling with a local doctor, participating in support groups like Alcoholics Anonymous, and visiting educational institutions.

Safety is always our bottom line. There are strict eligibility criteria for prisoners wishing to participate in Guided Release, each application is assessed by an advisory panel, and each prisoner is equipped with an electronic monitoring bracelet.

Offenders are assisted with their accommodation, wellbeing, finances and living skills.

Corrections referred 7,439 offenders to reintegration service providers in 2017/18. These providers help offenders to find employment, obtain long-term sustainable accommodation, enrol in training programmes and courses, maintain their spiritual and personal wellbeing, open a bank account, budget, and connect with whānau and community support.

We help offenders to find jobs and to keep them. In 2017/18, thousands of offenders were referred to employment support services.

Corrections' 'This Way for Work' programme launched in October 2016. Since then, it has placed more than 60 offenders a month in jobs. Further, two thirds of these offenders retain their employment for more than three months. We have memoranda of understanding with 165 employers, securing over 1,500 job placements for offenders.

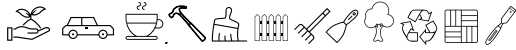
This Way for Work also provides financial assistance to employers who are able to employ offenders but face financial barriers to doing so. In addition to the 165 employers with whom we have a memoranda of understanding, 245 employers have received assistance to purchase equipment, training, and work clothing for offenders they have employed. Outside of This Way for Work, we offer an employment support service that delivers employment assessments, placements and up to six months of in-work support to offenders that have trouble finding and maintaining employment.

Industries and training

Overview of what Corrections facilities offer people in regards to training and industry as at 30 June 2018.

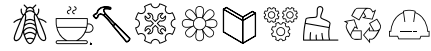
A **Northland Region Corrections Facility**
 Region: Northern • Opened: 2005

Industry and training



B **Auckland Prison**
 Region: Northern • Opened: 1968

Industry and training



C **Mt Eden Corrections Facility**
 Region: Northern • Opened: 2011

Industry and training



D **Auckland Region Women's Corrections Facility**
 Region: Northern • Opened: 2006

Industry and training



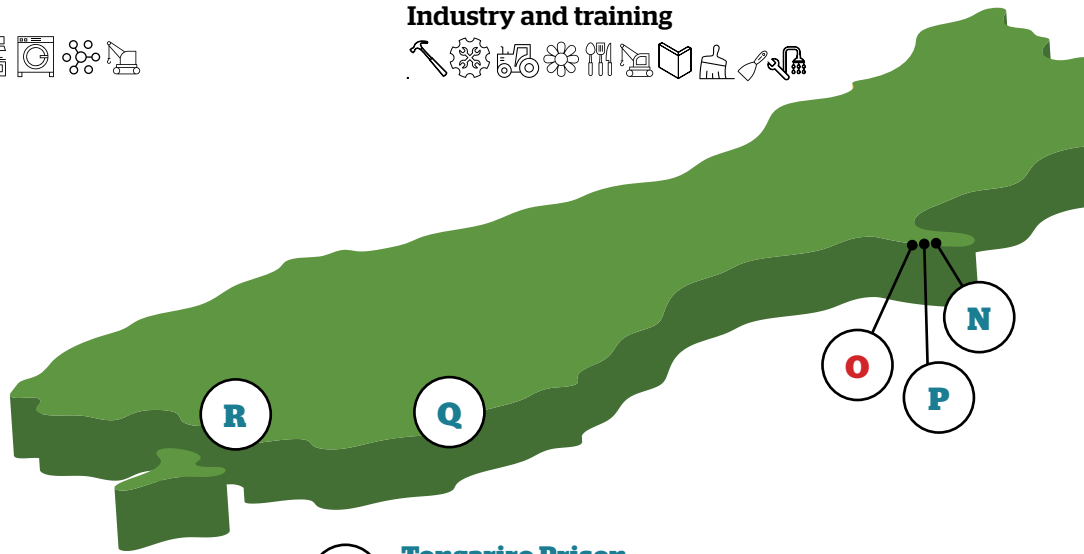
E **Auckland South Corrections Facility**
 Region: Northern • Opened: 2015

Industry and training



F **Spring Hill Corrections Facility**
 Region: Central • Opened: 2007

Industry and training



G **Waikeria Prison**
 Region: Central • Opened: 1911

Industry and training



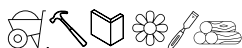
H **Tongariro Prison**
 Region: Central • Opened: 1978

Industry and training



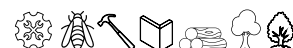
I **Whanganui Prison**
 Region: Lower North • Opened: 1978

Industry and training



J **Hawke's Bay Regional Prison**
 Region: Lower North • Opened: 1989

Industry and training



K **Manawatu Prison**
 Region: Lower North • Opened: 1979

Industry and training



L **Rimutaka Prison**
 Region: Lower North • Opened: 1967

Industry and training



M **Arohata Prison**
 Region: Lower North • Opened: 1944

Industry and training



N **Christchurch Men's Prison**
 Region: Southern • Opened: 1915

Industry and training



O **Christchurch Women's Prison**
 Region: Southern • Opened: 1974

Industry and training



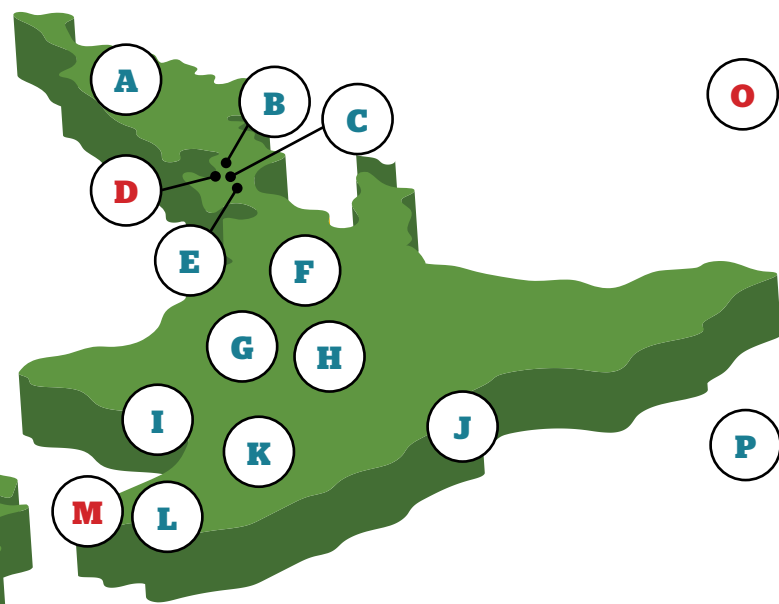
P **Rolleston Prison**
 Region: Southern • Opened: 1958

Industry and training



R **Invercargill Prison**
 Region: Southern • Opened: 1910

Industry and training



Q **Otago Corrections Facility**
 Region: Southern • Opened: 2007

Industry and training



Key:

Prison industry and training activities

Agriculture	Automotive	Barista	Carpentry	Farm maintenance	Landscaping	Plastering	Forestry
Recycling	Piggery	Whakairo (wood carving)	Apiculture	Engineering	Horticulture/Nursery	Joinery	Manufacturing
Painting	Light assembly	Grounds maintenance	Kitchen	Laundry	Distribution	Printing/Design	Hospitality
Hairdressing	Construction	Pre-cast concrete operation	Timber/Wood processing	Farming	Housing refurbishment	Plumbing/Gas fitting	Arboriculture
Bakery	Dairy	Silviculture	Tiling	Textiles			

Reducing re-offending

The vast majority of prisoners will eventually return to the community. As such, reducing re-offending is key to improving the safety of the community.

The Recidivism Index

Our Recidivism Index measures the percentage of offenders in any given cohort who are reconvicted within a given period of time (either 12 or 24 months).

The Recidivism Index shows that 46.8 percent of ex-prisoners released from prison in 2016/17 were reconvicted of an offence that resulted in a sentence administered by Corrections within 12 months of leaving prison. Further, 27.5 percent of community-based offenders who started a community-based sentence were reconvicted within a year of beginning their sentence. For the full 2017/18 Recidivism Index, see page 164-167.

The re-offending rate of people while serving any community-based sentence or order, and within a 12 month follow up period, resulting in reconviction was 25.4 percent. The proportion of offenders who committed a new offence while on home detention was 6.9 percent and for offenders on parole it was 17.6 percent. For offenders who started a community sentence or order, then committed an 'against-the-person' offence during the following period of management, it was 10.6 percent. These rates have fallen modestly since last year.

It is important to note that re-offending rates, as measured above, are dependent on a number of factors both within Corrections' influence and outside of it. Our annual assessment of our rehabilitation programmes – the Rehabilitation Quotient – shows that the programmes we have available for offenders are successfully reducing re-offending among those that engage in them.

The Rehabilitation Quotient

At Corrections, we undertake an annual assessment of our programmes and interventions by measuring the extent to which they reduce re-offending. This is done by comparing the rates of reconviction and re-imprisonment of offenders who have completed specific rehabilitation programmes with the rates of similar offenders who have not.

In 2017/18, our Special Treatment Unit Rehabilitation Programmes continued to be the most effective programmes we have available for reducing the reconviction and reimprisonment rate of our highest risk offenders. Additionally, our Drug Treatment Unit programmes (both 3 and 6 months in length) showed statistically significant reductions in reimprisonment rates, when participants were compared to similar prisoners that did not participate.

This Way for Work, an employment placement programme for recently released prisoners, achieved some of Corrections' most significant results. This indicates that our efforts to assist people into employment are successfully reducing the likelihood that they will return to criminal behaviour upon their return to the community. For the full 2017/18 Rehabilitation Quotient, see page 162-163.

Measuring the seriousness of re-offending

Our figure for measuring the seriousness of re-offending is derived from the Ministry of Justice's Seriousness of Offences Scale. The scale assigns a numeric score for every criminal offence according to its seriousness. For example, murder has a seriousness score of 12,000 while minor theft has a seriousness score of 70.

In 2017/18, re-offending by community-based offenders had an average seriousness score of 187.4, while re-offending by people released from prison had an average seriousness score of 373. By comparing these figures with those from 2016/17, we can see that Corrections is successfully reducing the seriousness of re-offending by our most serious offenders – those released from prison (in 2016/17, the seriousness of re-offending by people released from prison was 379.3).

Department of Corrections
Annual Report – Part B

Statement of Performance

Statement of Responsibility

I am responsible, as Chief Executive of the Department of Corrections for:

- > the preparation of Corrections' financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them;
- > having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- > ensuring that end-of-year performance information on each appropriation administered by Corrections is provided in accordance with sections 19A to 19C of the *Public Finance Act 1989*, whether or not that information is included in this annual report; and
- > the accuracy of any end-of-year performance information prepared by Corrections, whether or not that information is included in the annual report.

In my opinion:

- > the financial statements fairly reflect the financial position of Corrections as at 30 June 2018 and its operations for the year ended on that date; and
- > the forecast financial statements fairly reflect the forecast financial position of Corrections as at 30 June 2019 and its operations for the year ending on that date.

Signed



Ray Smith

Chief Executive

Date: 17 September 2018

Countersigned



Neil Cherry

Deputy Chief Executive
Finance, Property and Technology

Date: 17 September 2018

Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of Department of Corrections annual report for the year ended 30 June 2018

The Auditor General is the auditor of the Department of Corrections (the Department). The Auditor General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- > the financial statements of the Department on pages 114 to 152, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets, and statement of trust monies as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity, 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;
- > the performance information prepared by the Department for the year ended 30 June 2018 on pages 40 to 68 and 76 to 109; and
- > the statements of expenses and capital expenditure of the Department for the year ended 30 June 2018 on pages 159 to 160; and
- > the schedules of non departmental activities which are managed by the Department on behalf of the Crown on pages 154 to 158 that comprise:
 - > the schedules of assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018;
 - > the schedules of expenses; and revenue for the year ended 30 June 2018; and
 - > the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- > the financial statements of the Department on pages 114 to 152:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards.
- > the performance information of the Department on pages 40 to 68 and 76 to 109:
 - presents fairly, in all material respects, for the year ended 30 June 2018:
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
 - complies with generally accepted accounting practice in New Zealand.
- > the statements of expenses and capital expenditure of the Department on pages 159 to 160 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the *Public Finance Act 1989*.
- > the schedules of non departmental activities which are managed by the Department on behalf of the Crown on pages 154 to 158 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets; liabilities; commitments; and contingent liabilities and assets as at 30 June 2018; and
 - expenses for the year ended 30 June 2018.

Our audit was completed on 17 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below and we draw your attention to the contingency for entitlements under the *Holidays Act 2003*. In addition, we outline the responsibilities of the Chief Executive and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

Contingency for entitlements under the Holidays Act 2003

Without modifying our opinion, we draw your attention to the disclosure on page 119 relating to the Department's contingent liability to remediate issues associated with the calculation of entitlements under the *Holidays Act 2003*, which could be significant.

Basis for our opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Chief Executive for the information to be audited

The Chief Executive is responsible on behalf of the Department for preparing:

- > financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- > performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- > statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the *Public Finance Act 1989*.
- > schedules of non departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.

The Chief Executive is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Chief Executive is responsible on behalf of the Department for assessing the Department's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Department, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Department's Statement of Intent (Strategic Intentions) 2015 – 2019, Estimates of Appropriation and Supplementary Estimates of Appropriation 2017 for Vote Corrections, and the 2017/18 forecast financial figures included in the Department's 2016/17 Annual Report.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- > We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > We obtain an understanding of internal control relevant to the audit 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.
- > We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive.
- > We evaluate the appropriateness of the reported performance information within the Department's framework for reporting its performance.
- > We conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Department's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Department to cease to continue as a going concern.
- > We evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the *Public Audit Act 2001*.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 4 to 190, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Department in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out engagements in the areas of independent quality assurance, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship or interest in the Department.

Karen Young

Karen Young

Audit New Zealand

On behalf of the Auditor General

Wellington, New Zealand

Statement of Performance 2017/18

For the year ended 30 June 2018

Corrections plays an important role within the justice sector. We work to achieve two strategic outcomes: Public Safety is Improved and Re-offending is Reduced.

These outcomes contribute to the justice sector's vision of a 'criminal justice sector that the public trusts, and a safe, fair and prosperous society'. Progress in these outcome areas will ensure we achieve our vision of creating lasting change by breaking the cycle of re-offending.

Performance framework

Appropriation/Outcome	Intermediate Outcome	Output/Category	
Public Safety is Improved (MCA) ¹	<ul style="list-style-type: none"> > Harm levels of re-offending are reduced > The integrity of sentences and orders is improved > A safe and secure corrections system is assured 	Prison-based custodial services	<i>Custodial environments are safe and humane</i>
		Sentences and orders served in the community	<ul style="list-style-type: none"> > <i>Community sentences address safety and rehabilitation</i> > <i>Offenders are held to account</i>
		Information and administrative services to the Judiciary and New Zealand Parole Board	<i>The Judiciary and New Zealand Parole Board make informed decisions</i>
Re-offending is Reduced	<ul style="list-style-type: none"> > Offenders' capability to lead law abiding lives is improved > Offenders' ability to integrate into the community is improved 	Re-offending is reduced	<ul style="list-style-type: none"> > <i>Individual offender rehabilitation needs are identified and met</i> > <i>Reintegration initiatives ensure sustainability of rehabilitation interventions</i>
Policy Advice and Ministerial Services (MCA)		Policy Advice	
		Ministerial Services	
Capital Expenditure (PLA) ²		Purchase and development of assets for the use of the Department of Corrections to support other outputs	
Waikeria Corrections and Treatment Facility		Enable the development of the Waikeria Corrections and Treatment Facility	

Appropriations provide the Minister with the authority from Parliament to spend public money or incur expenses or liabilities on behalf of the Crown. As part of the *Public Finance Act 1989*, Corrections is required to report performance against each appropriation at the end of the financial year.

Progress against the outcomes detailed in the table above for the 2017/18 financial year can be found on the following pages.

1. MCA – Multi Category Appropriation

2. PLA – Permanent Legislative Authority

Appropriation 1 - Public Safety is Improved (MCA)³

OVERARCHING PURPOSE STATEMENT

The single overarching purpose of this appropriation is to manage offenders serving custodial and community-based sentences in a manner so as to improve the safety of offenders, staff, victims and the public.

SCOPE OF APPROPRIATION

This is an MCA as detailed below:

1.1 Prison-based Custodial Services

This category is limited to the provision of custodial services including under long-term service contracts and Public Private Partnerships for offenders lawfully required to be detained in custody.

This includes remand prisoners (people awaiting trial, and offenders convicted but not yet sentenced), those offenders sentenced to imprisonment and any other offenders required to be lawfully detained in custody.

1.2 Sentences & Orders Served in the Community

This category is limited to the management and delivery of sentences and orders served in the community, and electronic monitoring of people on bail.

1.3 Information & Administrative Services to the Judiciary and New Zealand Parole Board (NZPB)

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

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to enable Corrections to detain all prisoners in custody in a safe and humane way that protects the public and maintains the safety of all involved. It enables safe management of sentences served in the community and the ability for offenders to be held to account for successfully completing their sentence or order.

This MCA provides core services to the Judiciary and New Zealand Parole Board that enable informed sentencing and parole decisions to be made in a timely manner, and notification of offenders and victims regarding the outcomes of the judicial process.

1.1 Prison-based Custodial Services

What Corrections does

Corrections provides custodial services to ensure that prisoners complete the correct imposed sentence, comply with the specific restrictions and requirements of their sentence, are not harmed, are treated fairly and that their legitimate needs are met.

Management of our custodial facilities maintains public safety by ensuring prisoners are safely and securely contained, there is an appropriate environment for provision of rehabilitative interventions and that offenders are held to account.

Accommodating prisoners appropriately minimises their risk of harm to others and themselves and prevents crime within prisons (such as contraband). The Office of the Inspectorate assists in ensuring that complaints made by prisoners are acknowledged and completed in a timely way to ensure that Corrections is alerted to potential problems and areas where improvements can be made.

Operating context

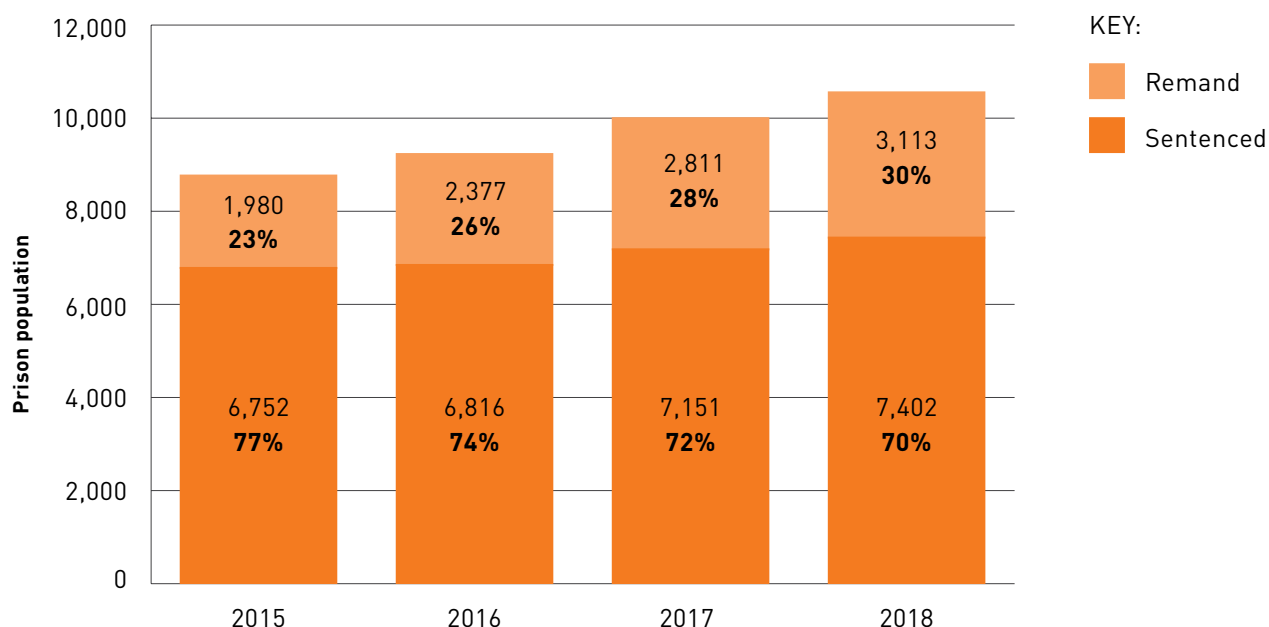
Corrections has a statutory obligation to accommodate all prisoners as directed by the Judiciary. The volume is influenced by factors such as legislation, judicial decisions, crime levels and policing.

Activity information (prison population)

	2015	2016	2017	2018	2018	2019
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of prisoners received into custody ⁴	14,029	15,719	17,651	17,538	17,500-18,500	17,500-18,500
The number of prisoners released from custody ⁴	13,719	15,003	16,479	16,661	17,500-18,000	17,500-18,500
The average prison population	8,732	9,193	9,962	10,515	10,100-10,400	10,500-11,000

The table above details changes to the average prison population. In the past financial year, the average prison population has increased by approximately 6%.

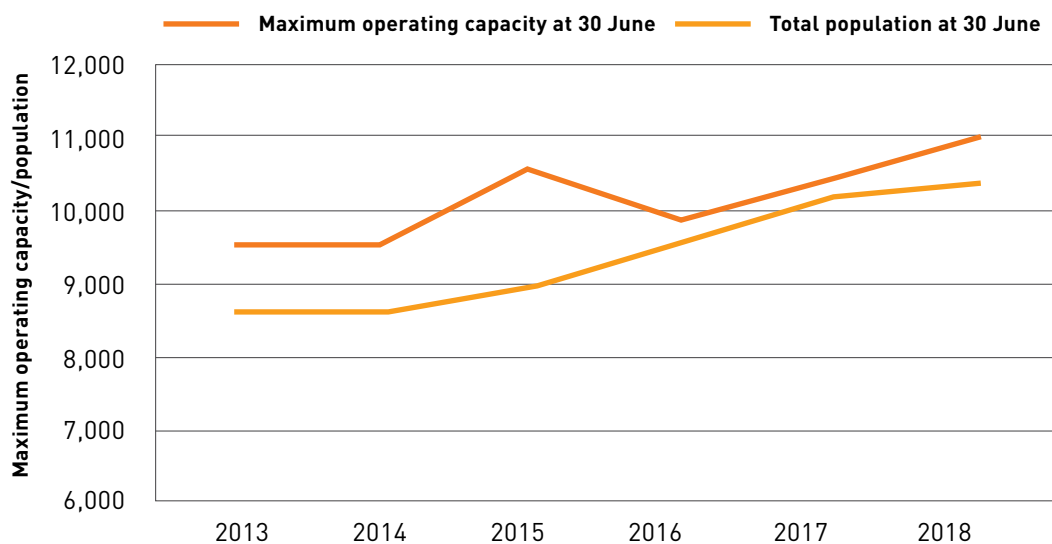
Breakdown of average prison population



4. These are not unique individuals

The prison population is made up of a combination of remand and sentenced prisoners. Population trends have seen a marked increase in the number of remand prisoners, which in 2017/18 accounts for 30% of the prison population. This has been attributable to changes in the *Bail Amendment Act 2013* and increased use of restorative justice.

Prison maximum operating capacity



Maximum operating capacity is the number of places available in public and private prisons for prisoner accommodation during normal operations.

How Corrections performed

The following table outlines Corrections' performance against our current performance measures, and indicates changes made to the structure of performance measures in this area.

Custodial environments are safe and humane

Assessment of performance	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Budget (unaudited)	2019 Forecast (unaudited)
The number of escapes	6	2	5	5	Lower than average across the past 5 years: 3	Not a measure for 2019
The number of breakout escapes as a proportion of all escapes	0%	0%	0%	0%	0%	Not a measure for 2019
The proportion of general random drug tests undertaken by prisoners that have a positive result	4.0%	3.4%	3.6%	3.6%	Less than 5%	Less than 5%
The number of unnatural deaths	8	11	1	7	Nil	Nil
The number of prisoner on prisoner assaults that are serious ⁵	38	45	25	42	Lower than average across the past 5 years: 46	Not a measure for 2019
The number of prisoner on staff assaults that are serious ⁵	9	17	22	12	Lower than average across the past 5 years: 13	Not a measure for 2019
The number of justified complaints by prisoners to the Corrections Inspectorate upheld for not meeting process requirements	-	-	New measure for 2018	14	Less than 11	Not a measure for 2019
The number of justified complaints by prisoners to the Corrections Inspectorate upheld for reasons of materiality	-	-	New measure for 2018	3	Less than 12	Not a measure for 2019
The percentage of in prison Health Centres that retained their Cornerstone accreditation status following completion of an annual review	New measure for 2016	100%	100%	94%	100%	100%

5. Serious assaults are acts of violence which include: sexual assault of any form where police charges have been laid; bodily harm that requires medical intervention by medical staff followed by overnight hospitalisation; bodily harm that requires extended periods of ongoing medical intervention.

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget	Forecast
					(unaudited)	(unaudited)
The number of breakout escapes	-	-	-	New measure for 2019	-	Nil
The number of non-breakout escapes	-	-	-	New measure for 2019	-	Less than or equal to 5
The percentage of Death in Custody reports for unnatural deaths, that are completed by the Office of the Inspectorate within six months of the death occurring	-	-	-	New measure for 2019	-	Greater than 80%
The rate of prisoner on prisoner assaults that are serious, per 100 prisoners	-	-	-	New measure for 2019	-	Less than or equal to 0.50
The rate of prisoner on staff assaults that are serious, per 100 prisoners	-	-	-	New measure for 2019	-	Less than or equal to 0.20
The proportion of all complaints received to the Office of the Inspectorate that are acknowledged within 10 working days of receipt	-	-	-	New measure for 2019	-	100%
The proportion of all complaint investigations completed by the Office of the Inspectorate within three months of being received	-	-	-	New measure for 2019	-	Greater than 80%

Escapes

Our investment in prison infrastructure and strengthened custodial management has seen a reduction in the number of escapes. The number of breakout escapes for 2017/18 was zero. Maintaining public safety is our bottom line and despite the increase in the prison population, we have continued to ensure a safe and secure system with zero breakout escapes from prison this financial year.

Non-breakout escapes include prisoners absconding and escapes from escort. In 2017/18, there were five non-breakout escapes. Four of these were from escort during hospital visits and one was an abscond from hospital, a number of weeks after the prisoner was transferred there.

From the 2018/19 financial year, Corrections has moved from reporting the total number of escapes and proportion of these which are breakout escapes to reporting separate total numbers for breakout escapes and non-breakout escapes.

Drug testing

Corrections works hard to keep our prisons free from contraband. This financial year we have completed over 4,700 general random drug tests on prisoners within our prisons. The percentage of those testing positive continues to be within the budget standard of less than 5%, with a result of 3.6% recorded this financial year.

Unnatural deaths

During the 2017/18 financial year there were seven unnatural deaths in New Zealand prisons. All of these deaths were attributed to suicide, which is the most common cause of unnatural death in prisons. Our custodial staff are vigilant in identifying and assessing prisoner risk, and taking steps to protect prisoner safety. To better support prisoners at risk of self-harm Corrections has been undertaking a programme of work to establish an improved model of care for at-risk prisoners. This includes staff training, process review, and the establishment of Intervention and Support Units (previously called At-Risk Units). More information about this can be found on page 58.

Where an unnatural death occurs, a subsequent investigation is undertaken by the Office of the Inspectorate and a 'Death in Custody' report issued. To ensure the timeliness of these investigations, a new performance measure has been established from the 2018/19 financial year to track the percentage of Death in Custody reports for unnatural deaths, that are completed by the Office of the Inspectorate within six months of the death occurring.

Assaults

There were 12 victims of serious prisoner on staff assaults in 2017/18 compared to 22 last year; while the number of victims of serious prisoner on prisoner assaults increased since 2016/17, it remains lower than the average of the past five years.

Corrections manages some of New Zealand's most difficult and challenging people, many of whom have long histories of violence and antisocial behaviour. With over 75% of our prison population having a current or prior conviction for violence there is always a risk that offenders will resort to violent behaviour as a means of resolving issues and expressing themselves.

Prisoners who engage in violence are held to account. Prisoners who are subject to disciplinary action have their charges heard by a hearing adjudicator or by a Visiting Justice, who will determine the appropriate sanction, which can include loss of privileges, forfeiture of earnings, or cell confinement.

From the 2018/19 financial year, Corrections has moved from reporting numbers of serious prisoner on prisoner and serious prisoner on staff assaults to reporting each as a rate per 100 prisoners. Rates are considered to be a more accurate way to track incident trends over time as they allow for fluctuations in the prison population.

Justified Complaints to the Office of the Inspectorate

This financial year 14 complaints were received by the Office of the Inspectorate which were deemed justified for not meeting process requirements, and three for reasons of materiality.

From the 2018/19 financial year, Corrections has moved from reporting numbers of justified complaints to the Office of the Inspectorate to reporting the proportion of complaints being acknowledged and investigations being completed within appropriate timeframes. These new measures aim to improve the quality of reporting and ensure that investigations are undertaken in a timely manner.

Health Centre Accreditation

To demonstrate that the level of care in prison meets the standards of care that are available in the community, all health centres are required to be accredited under the Cornerstone® process. The accreditation process demonstrates that prison health centres meet the Royal New Zealand College of General Practitioners (RNZCGP) Aiming for Excellence Standards for New Zealand general practice.

All sites are actively engaged in the Cornerstone® accreditation process and have completed their annual self-assessments. RNZCGP have reviewed these assessments and advised that they meet the standard expected to retain accreditation. As at 30 June 2018, 14 sites were accredited with the Aiming for Excellence Standard. Due to availability of assessors or the transition to a new site, a further three sites had formal agreements in place with RNZCGP to extend the external assessment beyond the annual cycle. At the fourth site, RNZCGP indicated that the self-assessment suggested accreditation standards had been maintained, however the external assessment had not been completed within the required timeframes. The assessment was held in August and the findings were not available at time of publication but Corrections, expectation is that Cornerstone® accreditation will be reinstated.

1.2 Sentences and Orders Served in the Community

What Corrections does

Corrections manages:

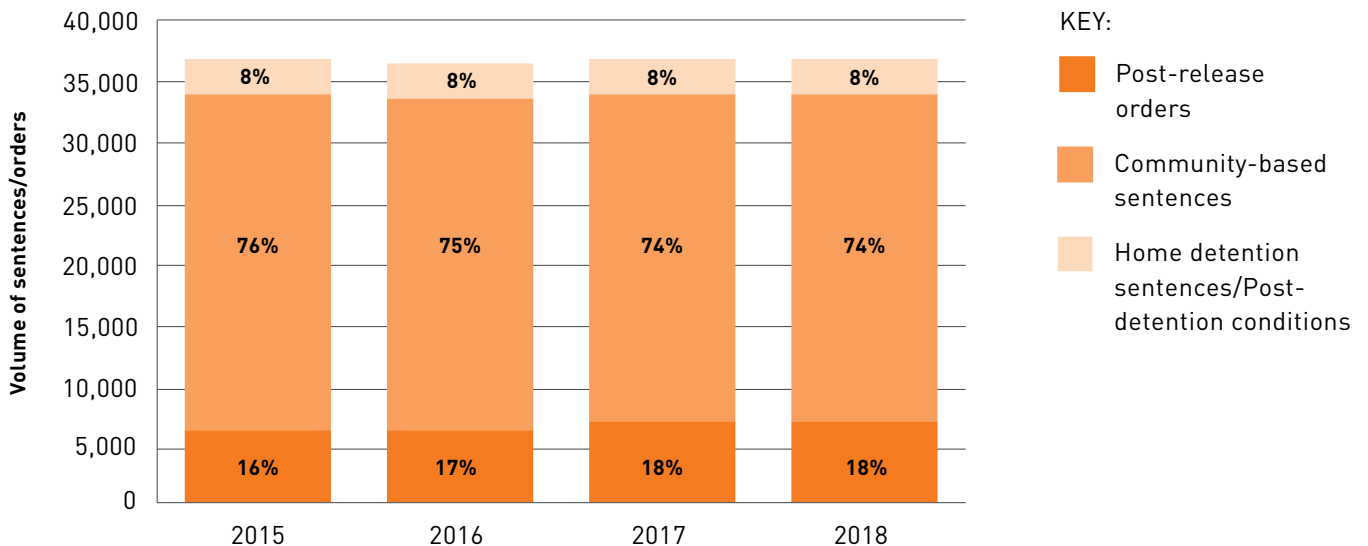
- > offenders on home detention sentences, which require an offender to remain at a suitable and approved residence at all times, under strict conditions including electronic monitoring, unless their probation officer has approved their absence
- > offenders serving sentences in the community, including those serving community work sentences, community detention, supervision and intensive supervision orders
- > offenders with post-release conditions imposed by the courts or New Zealand Parole Board. These include release on conditions, parole orders and extended supervision orders
- > electronic monitoring of people, including those monitored as a condition of bail while awaiting court hearing (EM bail) and those serving community-based sentences.

Corrections demonstrates its contribution to public safety by keeping communities safe through working with community-based offenders to successfully complete their sentences or orders. Our probation staff also ensure offenders comply with their sentence or order, and take the appropriate actions to hold the offender accountable for any non-compliance. We ensure the quality of service we provide by adhering to Standards of Practice for the management of offenders in the community.

Operating context

Approximately three quarters of the offenders who Corrections manages are in the community. At any one time, more than 1,400 probation officers and community work staff manage approximately 30,000 individual offenders across the country serving over 37,000 sentences or orders.

Breakdown of average number of sentences and orders being served in the community⁶



6. One offender may be serving multiple sentences or orders in the community at the same time.

Activity information (new sentences or orders served in the community)

Activity information	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Budget (unaudited)	2019 Forecast (unaudited)
The total number of new home detention sentences commenced	3,253	3,473	3,486	3,455	3,300 – 3,500	3,300 – 3,500
The total number of new community-based sentences commenced	46,463	44,805	43,370	41,015	43,000 – 46,000	43,000 – 46,000
The total number of new post-release orders commenced	5,951	6,420	6,966	7,059	6,000 – 8,000	6,000 – 8,000

Activity information (average number of sentences or orders being served in the community)

Activity information	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2018 Budget (unaudited)	2019 Forecast (unaudited)
The average number of home detention sentences being served:						
- Home detention	1,557	1,620	1,655	1,694		
- Post-detention conditions	1,270	1,273	1,362	1,453		
Total	2,827	2,893	3,017	3,147	2,900-3,200	3,150-3,400
The average number of community-based sentences being served:						
- Supervision	7,300	7,597	8,016	8,206		
- Intensive supervision	2,577	2,867	3,132	3,587		
- Community work	15,963	15,014	14,599	14,203		
- Community detention	1,655	1,600	1,493	1,602		
Total	27,495	27,078	27,240	27,598	26,000-29,000	26,000-29,000
The average number of post-release orders being served:						
- Post-release conditions	3,218	3,581	4,216	4,468		
- Parole/residential restrictions	2,428	2,301	2,233	2,213		
- Extended supervision	226	215	214	208		
Total	5,872	6,097	6,663	6,889	6,000- 7,000	6,700 - 7,700
Grand Total	36,194	36,068	36,920	37,634	34,900- 39,200	35,850- 40,100

As detailed above, we have seen a steady increase in the total average number of sentences or orders served in the community since 2016, and we expect this trend to continue as the number of reports that we are providing to the courts that are likely to result in a sentence continues to rise.

Electronic Monitoring (EM)

There are a variety of sentences or orders managed under EM. As at 30 June 2018 (30 June 2017):

- > 1,539 offenders on home detention sentences (1,613)
- > 1,634 offenders on community detention sentences (1,503)
- > 732 defendants on electronically monitored bail (512)
- > 276 offenders on release to work (148)
- > 139 offenders on temporary release from prison (113)
- > 146 offenders on electronically monitored parole (98)
- > 120 offenders serving extended supervision orders (94)
- > 49 offenders released on conditions (22)
- > 27 offenders on intensive supervision (6)
- > 6 offenders on returning offender orders (2).

The total number of offenders being managed with EM as at 30 June 2018 increased by 557 compared to last financial year, with the largest uplift being in the number of offenders on EM bail.

During 2017/18, 963 more people were monitored by EM when compared to 2016/17. This is driven by increases in the number of offenders on EM bail, home detention and community detention.

Despite the increasing demand, complexity and challenges of managing people under EM, Corrections has maintained strong performance.

Abscond information for people being managed under EM

It is important to monitor an offender's compliance with their sentence or order to ensure public safety while in the community.

	2017	2018
Activity information	Actual	Actual
Total number of people who were monitored by EM during the financial year ⁷	13,341	14,304
Percentage of people who did not abscond during the financial year ⁷	96.9%	96.1%
Percentage of people who did not abscond during the financial year, excluding EM bail ⁷	98.7%	98.4%
Number of people serving extended supervision orders who absconded during the financial year	3	9
Number of parolees who absconded during the financial year	19	41
Number of people serving home detention who absconded during the financial year	147	179
Number of absconders still at large as at 30 June	26	36

7. The methodology for calculating the total number of people who were monitored by EM has been revised. We have restated the 2016/17 numbers to reflect this improved calculation.

EM bail

EM bail is an alternative to being held on remand in prison, and allows defendants to continue to live and work in the community while awaiting trial.

Activity information (EM bail)

Activity information	2015	2016	2017	2018	2018	2019
	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of people who started EM bail	814	966	1,251	1,725	1,650	2,000
The average number of people who started EM bail	335	419	490	610	600 - 700	700 - 800

As detailed above, there has been a continued increase in the use of EM bail with a growing forecast trend. Factors contributing towards this include:

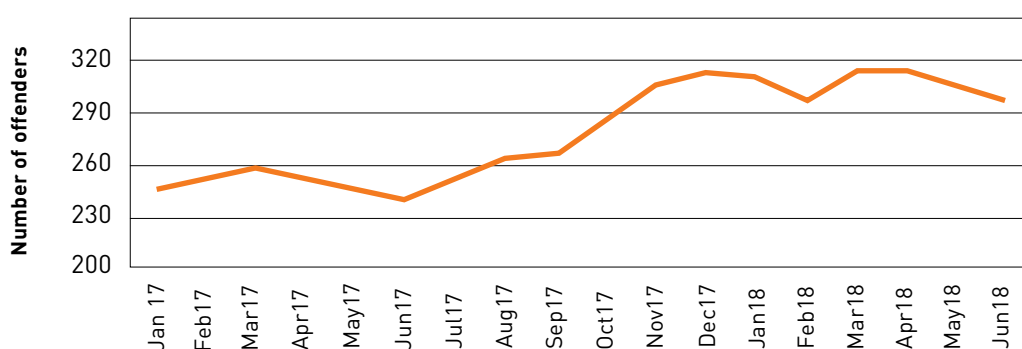
- > an increased number of applications made to courts
- > introducing the EM Bail Ready initiative to support defendants in their applications for electronic monitoring
- > developing the EM Bail phone application to support defendants in the community who are subject to EM bail
- > High Impact Innovation Programme (HIIP) initiative increasing access to EM bail
- > Oranga Tamariki - Ministry for Children promoting the use of EM bail for youth defendants.

The average time spent on EM bail was 130 days, a 1.5% decrease from last year.

Returning offenders

Changes in Australia's visa cancellation policy have resulted in an increase in the number of offenders being deported to New Zealand. As detailed below, the average number of returning offenders peaked in March 2018, approximately two years since the *Returning Offenders (Management and Information) Act 2015* came into force in November 2015.

Number of offenders on a Returning Offender Order at the end of each month



How Corrections performed

Corrections has maintained performance to meet the expected levels of services, despite a growing demand for community-based services. To respond to increases in the number of community-based offenders, we have, and will continue to recruit more probation officers. This will ensure we are able to continue to provide an effective range of sentences and orders that deliver safety to the public and effective rehabilitation outcomes as an alternative to custodial-based sentences.

Community sentences address safety and rehabilitation

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The proportion of community-based offenders who successfully complete their sentence or order ⁸	New measure for 2016	78%	77%	76%	65% - 80%	Greater than 75%

Offenders are held to account

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The proportion of community-based offenders being held to account by Probation staff for non-compliance	New measure for 2016	90%	94%	96%	90%	90%
The proportion of offenders on Electronic Monitoring (EM) who are reconvicted of a new offence whilst under EM conditions	New measure for 2016	3.5%	3.0%	2.6%	Less than 4%	Not a measure for 2019

8. Corrections improved data collection on offenders who successfully complete their sentence or order and we have restated for 2016 and 2017 financial years.

1.3 Information and Administrative Services to the Judiciary and New Zealand Parole Board (NZPB)

What Corrections does

To enable the Judiciary and New Zealand Parole Board to make informed decisions, Corrections provides:

- > information services to the Judiciary, which focus 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 resulting from probation initiated proceedings. This output ultimately supports the Judiciary to make informed decisions
- > information to the NZPB, which focuses on the preparation of reports that assist NZPB with decisions regarding a prisoner's release from prison. It also provides progress reports to the NZPB on offender compliance with the conditions of their parole orders. This output ultimately supports the NZPB to make an informed decision regarding a prisoner's release. Each of these reports have timeliness expectations as determined by the Judiciary and NZPB
- > information and administrative services, which focus on the administration of victim notification services. Corrections 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 Corrections.

Operating context

Activity information (information and administrative services)

	2015	2016	2017	2018	2018	2019
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of court attendance hours	83,651	108,713	108,426	104,939	109,000 – 111,000	109,000 – 111,000
The number of Electronic Monitoring Bail (EM Bail) applications submitted to court	2,835	3,794	4,770	5,533	4,800 – 5,800	6,000 – 7,000
The number of NZPB hearings where administrative support is required	8,045	8,113	7,733	8,321	8,000 – 8,500	8,000 – 8,500

As part of the information and administrative services Corrections provides, our probation staff are required to attend court. The number of court attendance hours has reduced by approximately 3% from last year.

The number of EM Bail applications submitted to court has increased 16% and we are expecting further growth next year as we continue to expand the use of electronic monitoring as an alternative to being remanded in custody.

How Corrections performed

Each year, Corrections provides approximately 30,000 pre-sentence probation reports and 200 psychological reports to courts. These reports provide the Judiciary with offender information to support its decision making.

As at 30 June 2018, there was a total of 4,591 active registered victims of which 1,130 were new registered victims this financial year. Three justified complaints received from registered victims were primarily due to communication errors with appropriate actions taken. All other performance measures have met expected levels of service, and have either maintained or are showing improvement when compared to previous years.

The Judiciary and New Zealand Parole Board (NZPB) make informed decisions

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The percentage of pre-sentence reports provided to court within agreed timeframes before sentencing: ⁹						
- Probation reports	94%	88%	95%	96%	95%	95%
- Psychological reports	89%	99%	95%	98%	95%	95%
The percentage of parole reports provided to agreed timeframes pursuant to NZPB requirements: ¹⁰						
- Parole assessment reports	90%	92%	100%	100%	90%	90%
- Parole progress reports	96%	95%	100%	100%	95%	95%
- Psychological reports	95%	93%	100%	100%	95%	95%
The percentage of offenders who are notified as per NZPB requirements ¹¹	100%	100%	100%	100%	100%	98%
The percentage of victims who are notified as per NZPB requirements ¹²	100%	100%	100%	100%	98%	98%
The percentage of all cases to be heard by the NZPB that are scheduled no later than 16 weeks from the date of the hearing	100%	100%	100%	100%	100%	98%
The number of justified complaints about notification services received from registered victims ¹³	0	2	0	3	0	0

9. Probation reports are completed to timeframes as set out in the Integrated Practice Framework. Specific timeframes are provided for each of the individual report types that are included under the heading of 'probation' reports, or times are agreed with the court. Psychological reports are provided to court at least two working days before sentencing where a request is received.

10. Result based on confirmation received from NZPB advising that Corrections has met agreed timeframes for the year ending 30 June 2018.

11. Offenders are notified of an impending hearing and of a NZPB decision within agreed timeframes.

12. Victims are notified of an impending hearing and of a NZPB decision within agreed timeframes.

13. *The Victims Rights' Act 2002* imposes clear obligations on specified agencies to provide information and offer assistance to victims of offences. This measure demonstrates that Corrections is meeting its legislative requirements and providing victims with notification of events relating to those who offended against them.

How much did it cost?

For the year ended 30 June 2018

	2017	2018			2019
	Actual	Actual	Budget	Supp. estimates	Forecast
			(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	1,148,673	1,251,079	1,213,358	1,271,467	1,333,306
Departmental	1,397	1,076	-	1,315	595
Other	4,295	5,022	3,194	4,585	3,194
Total revenue	1,154,365	1,257,177	1,216,552	1,277,367	1,337,095
EXPENSES					
- Prison-based Custodial Services	889,692	960,144	937,872	994,387	1,034,448
- Sentences and Orders Served in the Community	210,373	226,494	217,287	221,267	236,424
- Information and Administrative Services to the Judiciary and New Zealand Parole Board	60,797	67,140	61,393	61,713	66,223
Total expenses	1,160,862	1,253,778	1,216,552	1,277,367	1,337,095
Net surplus/(deficit)¹⁴	(6,497)	3,399	-	-	-

The total expense for the Public Safety is Improved MCA was \$1,253.8 million.

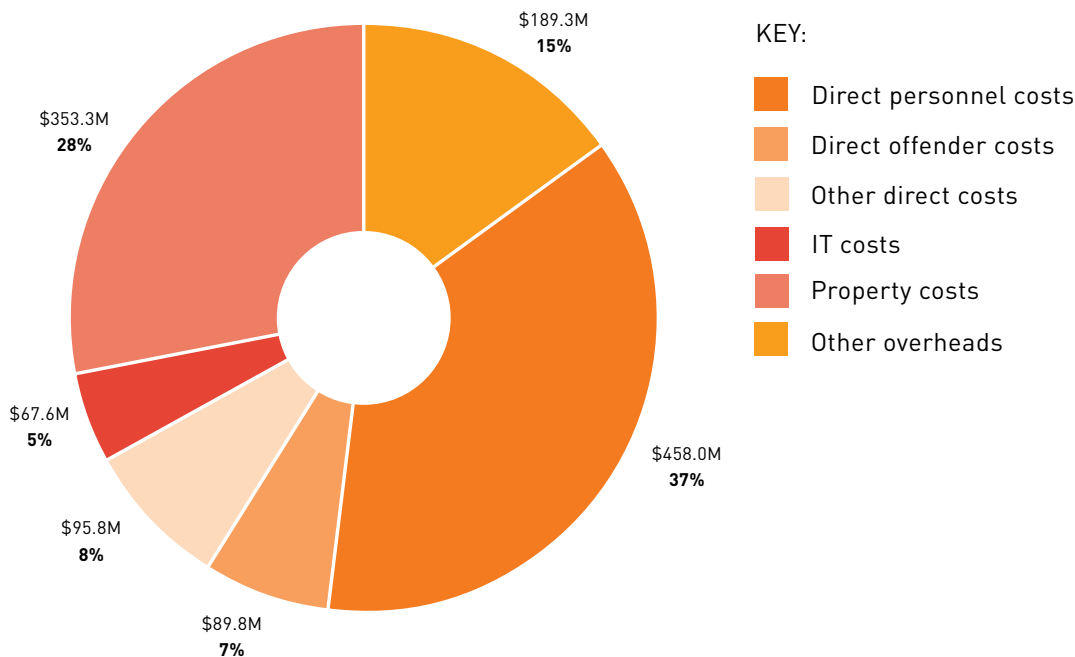
Personnel costs are a significant cost associated with this MCA as Corrections employs more than 9,000 people, 91% of which are deployed in frontline roles.

The Corrections network includes 18 prisons across the country and a significant amount of expenditure therefore relates to costs associated with the ownership, management and operation of these assets; this includes depreciation, asset management and capital charge. Total expenditure also includes payments made to SecureFuture Wiri Limited for the operation and maintenance of the Auckland South Corrections Facility.

Refer to the following graph for the composition of total expenditure by major expense category.

14. Corrections obtained approval to run an output class deficit for 2017 as a result of the de-recognition of Rangipo assets coinciding with the termination of a short term lease on 30 September 2016 entered into as part of the 2015 Treaty settlement land sale.

Composition of Public Safety is Improved total expenses



Actual expenditure was \$92.9 million higher than 2017 actual, mainly due to:

- > \$38.9 million increase in personnel costs mainly due to an increased investment of probation and corrections staff required to maintain the muster pressure and the impact of salary increases and overtime
- > \$25.4 million increase in overhead costs as a result of the increase in muster pressure
- > \$18.6 million increase in other asset ownerships costs. Depreciation was impacted mainly due to asset revaluation, facilities costs such as rates and utilities were impacted by general increases in costs
- > \$6.5 million increase in IT expenditure, which included investment to ensure safer child visits and improved fingerprint scanning
- > \$3.5 million increase in offender management costs related to the growth in the prison population.

Actual expenditure was higher than budget due to one-off funding received in 2017 for the increase in prisoner volumes.

Actual expenditure was lower than Supplementary Estimates, mainly reflecting pre-approved in-principle expense transfers for the *Holidays Act 2003*, alcohol and drug testing, parole ready remand triage project and feasibility study, and prisoners at risk of self-harm.

Appropriation 2 - Re-offending is Reduced

SCOPE OF APPROPRIATION

This appropriation is limited to the provision of rehabilitation interventions and reintegration services to offenders serving custodial and community-based sentences that address the underlying causes of criminal offending and reduce re-offending.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to achieve a reduction in re-offending rates. It provides for the timely assessment of the rehabilitative and reintegrative needs of offenders in the community and those remanded in custody. This appropriation ensures identified offender needs are addressed through rehabilitation, education, employment and reintegration activities.

What Corrections does

Corrections plans and manages an offender's rehabilitation and reintegration activities through the development of offender plans, which outline key targets for rehabilitation, training and other interventions. This helps offenders to address the varied causes of their offending and find a way back into the community without re-offending.

Operating context

During 2017/18 there were over 40,000 individual offenders under the care of Corrections, more than 10,000 in prisons, and 30,000 in the community. Each offender presents with a diverse background and range of needs. To reduce the likelihood of re-offending, from the moment an offender comes under our care, Corrections plans their pathway toward an offence-free life. The offender pathway is below, with more information on page 56.

Offender pathway



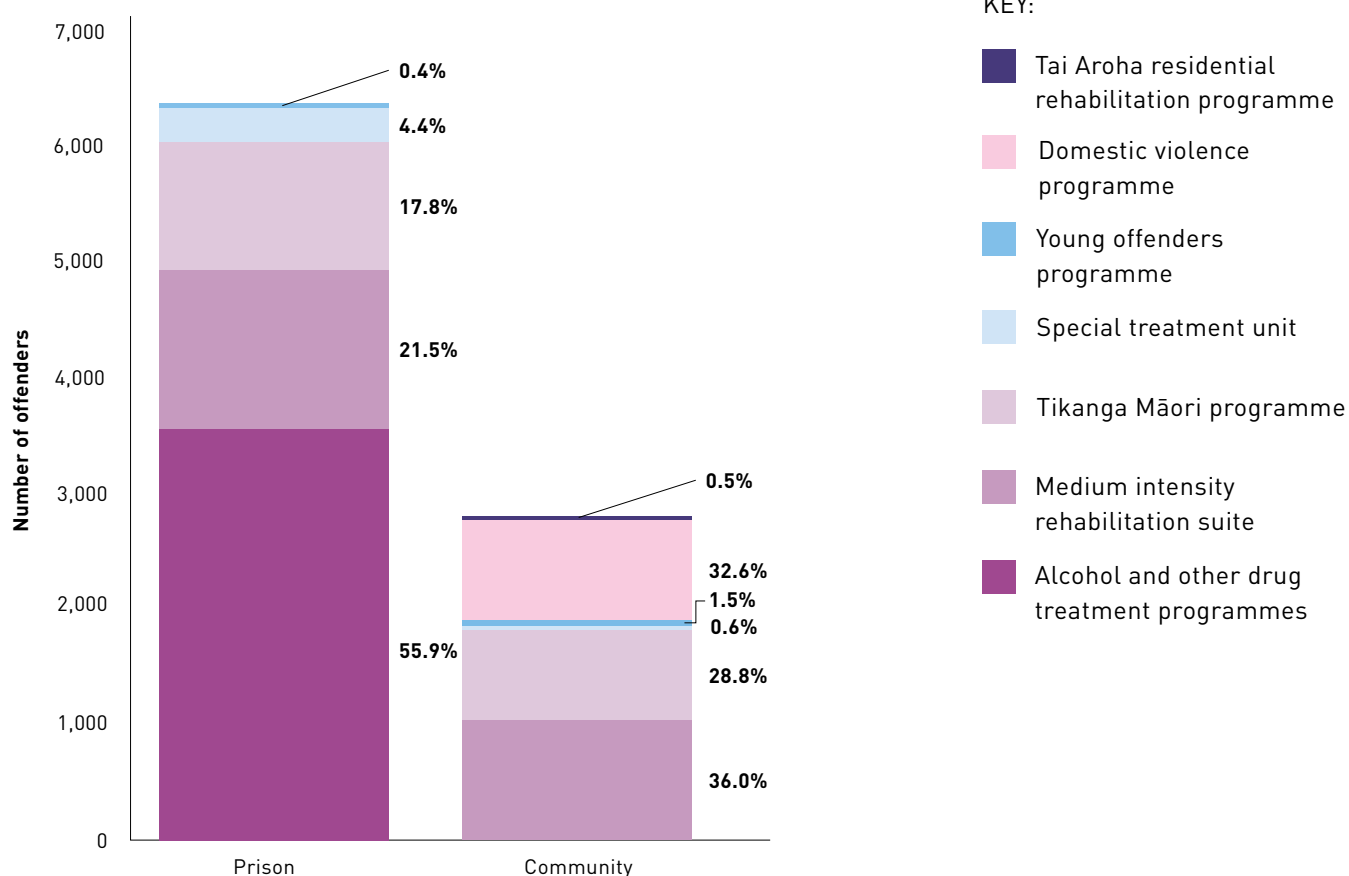
Case management

Prisoners are assigned with case managers who will guide them through their options and create an individual offender plan that can best address their needs. Case managers generated more than 8,000 prisoner offender plans (initial and transition) this financial year, 3% more than last year. Timeframes are determined by Standards of Practice guidelines.

Rehabilitation

Rehabilitation is the pathway for offenders to identify and overcome the causes of their offending. Corrections has developed programmes that support offenders by addressing drivers of their offending while acknowledging their cultural and personal histories.

Rehabilitation programme completions 2018 (prison and community)



Activity information (rehabilitation)

	2015	2016	2017	2018	2018	2019
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of offenders who have completed a rehabilitation programme:						
- Prisoners	6,837	8,372	7,197	6,766	9,000 – 9,500	4,000 – 4,500
- Community-based offenders	3,107	3,648	3,287	2,798	4,000 – 4,500	3,000 – 3,500

Corrections assesses every offender and, as detailed above, provides a wide range of programmes aimed at meeting their complex needs. For more information on rehabilitation programmes, please refer to page 61.

Between 2016/17 and 2017/18, the number of prisoners and community-based offenders completing a rehabilitation programme decreased by 6% and 15% respectively. This is primarily driven by a shift to invest in offence-focused programmes which take longer to complete. These include the medium intensity rehabilitation and lengthier drug treatment programmes and targeting women and youth with identified rehabilitation needs. By providing these more intense, offence-focused programmes, we aim to address the underlying causes of criminal offences and therefore reduce the likelihood of re-offending.

Training and Education

Corrections measures offenders' improvement in literacy and numeracy using the TEC Literacy and Numeracy Adult Assessment Tool (LNAAT). A statistically significant gain is an improvement in literacy and numeracy by an individual that can be directly attributed to the intervention that Corrections has provided. This financial year 52% of offenders assessed have made a gain, an increase of 5 percentage points when compared to last year.

Corrections is committed to providing learning opportunities that offer pathways to higher learning or employment. Of the qualifications achieved by offenders this financial year, 2,039 were a Short Course, Licence or Certification and 1,134 were on the New Zealand Qualification Framework (NZQF).

Employment

Offender employment includes the delivery of vocational and on the job training that may lead to a qualification and work experience, both of which build knowledge and experience that employers need. A vital link exists between the Industry, Treatment and Learning (ITL) framework and our offender employment strategy. Reimprisonment rates are positively influenced when prisoners are guided through a progressive pathway of rehabilitation, learning and industry. Our offender employment contributes by providing real experiences for prisoners to be work ready.

To date, Corrections has signed 165 memoranda of understanding with employers, pledging up to 1,583 jobs for offenders. These provide a platform on which both the organisation and Corrections can work collaboratively on employment outcomes for offenders. For more information on this area refer to page 64.

Reintegration

Around 16,000 people are released from our prisons each year and thousands more complete community-based sentences and orders. Our reintegration services help people leaving prison and in the community make a fresh start and play a positive role in their communities and families.

How Corrections performed

As detailed below, performance in some measures has been a challenge for Corrections.

Individual offender rehabilitation needs are identified and met

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The proportion of offenders entitled to receive an offender plan that received one within Standards of Practice timeframes ¹⁵ :						
- Prisoners	New measure for 2016	93%	85%	84%	90%	90%
- Community-based offenders	-	New for 2017	75%	78%	80%	80%
The proportion of prisoners with an identified activity on their offender plan who have a matching scheduled placement for a Departmental programme	New measure for 2016	76%	78%	77%	80%	80%
The proportion of community-based offenders with an identified activity on their offender plan who have a matching scheduled placement for a Departmental programme	New measure for 2016	50%	47%	49%	33%	45%
The proportion of prisoners who demonstrate statistically significant gains through intensive literacy and numeracy provision	New measure for 2016	42%	47%	52%	30%	35%
The percentage of offenders who start and complete a rehabilitation programme:						
- Prisoners	86%	81%	86%	89%	85%	85%
- Community-based offenders	59%	57%	63%	66%	65%	65%

15. *Corrections Act 2004* – Section 51 Management Plans. This section applied to every prisoner who is:

- > sentenced to imprisonment for a term of more than two months, or
- > in custody for a continuous period of more than two months on remand.

Reintegration initiatives ensure sustainability of rehabilitation interventions

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The total number of referrals made to reintegration service providers	New measure for 2016	5,780	6,267	7,439	4,500	5,000
The total number of referrals made to reintegration service providers that resulted in a programme start	New measure for 2016	3,258	3,670	4,290	3,500	4,000
All public prisons to be achieving on average 100% engagement for eligible prisoners	New measure for 2016	16 prisons 75% engagement	17 prisons 91% engagement	17 prisons 93% engagement	17 prisons 100% engagement	17 prisons 100% engagement

Prisoner engagement

The intent of Working Prisons is to provide offenders with the skills and opportunities they need to take greater control of their lives, with the aim of leading crime-free lives on release. All prisoners are considered eligible for work and are assessed for suitability as part of their induction to the relevant site. Corrections targets prisoners to be engaged in a 40 hour week, however this is not always practicable for those in remand, high or maximum security, segregated or medically unfit. Engagement includes focused employment (industry), education and training (learning), programme participation (treatment) and constructive activities that are intended to increase a prisoner's motivation to attend available interventions.

Engagement attributed to unit employment, self-directed learning and constructive activities is restricted to predefined limits to encourage participation in more structured interventions. Unit employment hours are capped at five hours per day, self-directed learning at three hours per day and constructive activity hours are capped at 15% of a prisoner's target. These limits are applied by Corrections to acknowledge the difficulty in corroborating unit activities. The overall percentage has an accepted margin of uncertainty of + / - 2.2%. This is due to some system limitations and judgement applied by staff when recording engagement hours.

How much did it cost?

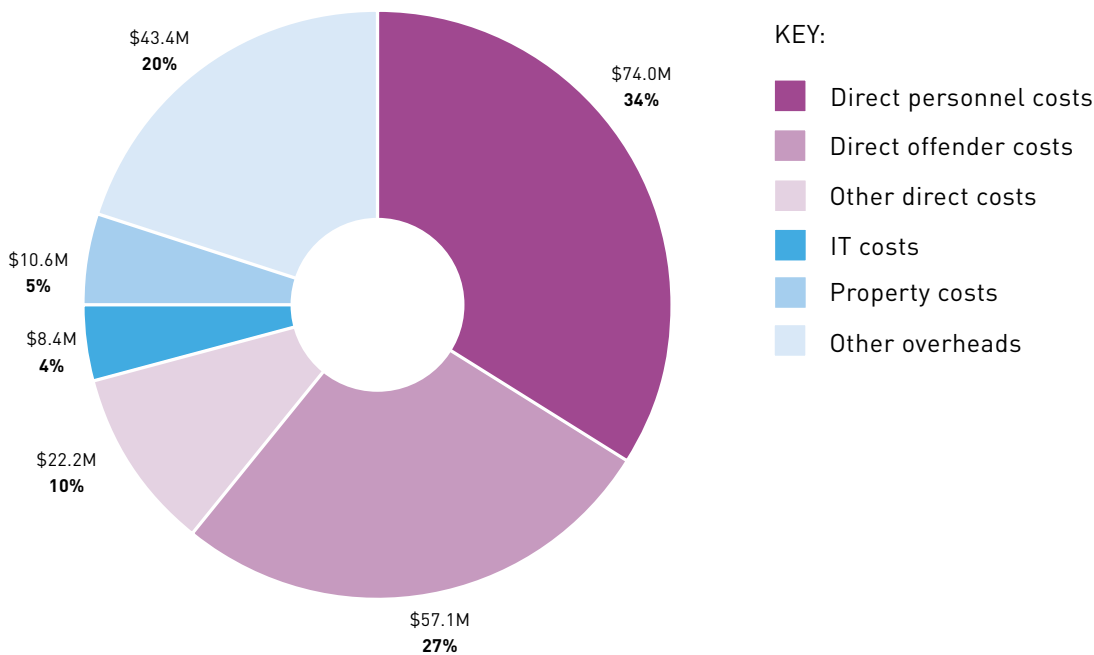
For the year ended 30 June 2018

	2017	2018			2019
	Actual	Actual	Budget	Supp. estimates	Forecast
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	149,157	182,449	171,851	188,381	201,269
Departmental	253	1,642	-	1,940	115
Other	24,285	28,426	29,694	26,945	26,945
Total revenue	173,695	212,517	201,545	217,266	228,329
Total expenses	180,869	215,676	201,545	222,415	231,078
Net deficit¹⁶	(7,174)	(3,159)	-	(5,149)	(2,749)

The total expense for this appropriation was \$215.7 million. Direct expenses accounted for 71% of total expenses in 2018.

Refer to the following for the composition of total expenditure by major expense category.

Composition of Re-offending is Reduced total expenses



16. Corrections obtained approval to run output class deficits relating to an unexpected short fall in offender employment activity revenue.

Actual expenditure was \$34.8 million higher than 2017 actuals, mainly due to:

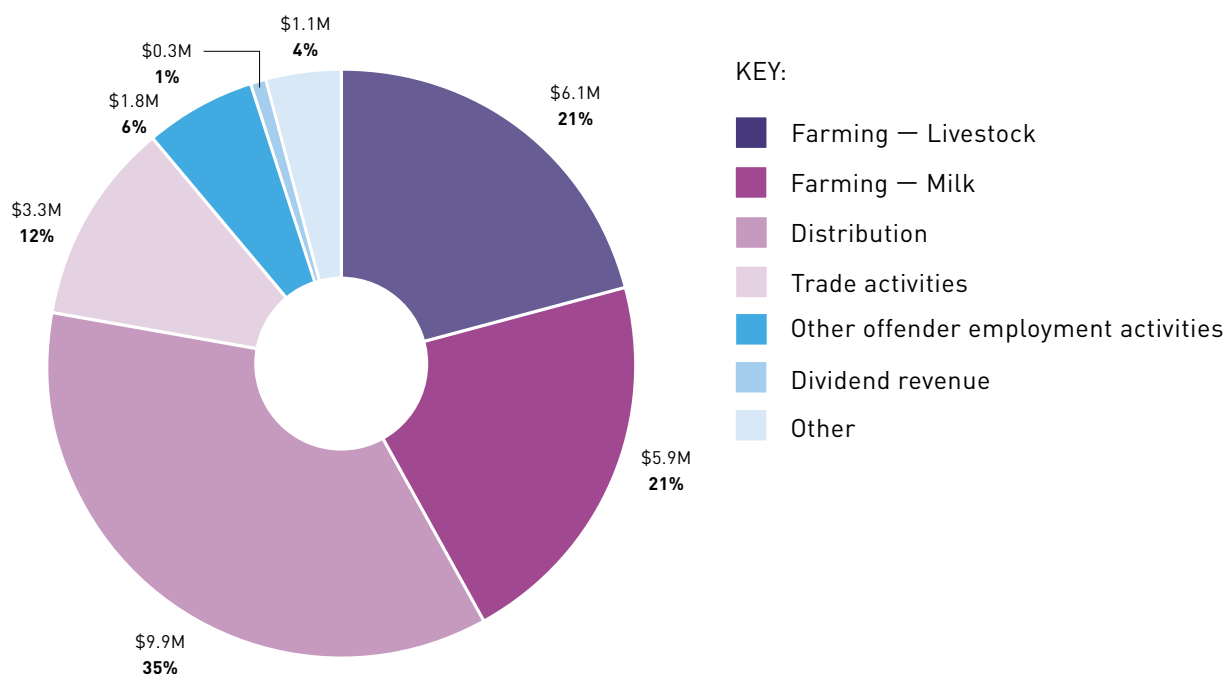
- > \$19.1 million increase in direct salary costs, mainly due to investment in staff to help reduce re-offending. The main increases were in offender employment, case management, psychologists, principal rehabilitation advisors and intervention and programme coordinators
- > \$7.5 million increase in overheads as a result of an increase in the prison population
- > \$4.3 million increase in offender and other direct costs
- > \$3.4 million increase in other asset ownerships costs, depreciation impacted by last year's asset revaluation and general increase in facilities costs such as rates and utilities
- > \$0.5 million increase in IT costs mainly due to mandatory infrastructure and software upgrades including IT security.

Actual expenditure was lower than Supplementary Estimates mainly reflecting pre-approved in-principle expense transfers for the Enhanced Mental Health Support Services, Alcohol and Other Drug Aftercare, Alcohol and Drug Testing of Offenders and Bailees in the Community, Methamphetamine Targeted Screening and Rehabilitation for Prisoners, and Supported Accommodation initiatives.

Other revenue mainly comprises sale of goods relating to offender employment activities, 42% of which relates to farming.

Refer to the following graph for the composition of other revenue.

Composition of Re-offending is Reduced other revenue



Appropriation 3 – Policy Advice and Ministerial Services (MCA)¹⁷

OVERARCHING PURPOSE STATEMENT

The single overarching purpose of this appropriation is to provide policy advice and other support to Ministers in discharging their policy decision-making and other portfolio responsibilities.

SCOPE OF THE APPROPRIATION

This is an MCA as detailed below:

3.1 Policy Advice

This category is limited to the provision of advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on Government policy matters.

3.2 Ministerial Services

This category is limited to department responses to ministerial correspondence and parliamentary questions.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to enable Corrections to respond to ministerial requests and parliamentary questions with a high standard of service. It allows the department to provide policy advice to support decision-making by Ministers on Government policy matters.

This MCA provides core services to co-ordinate information provided to Government and the public as well as developing policy that improves outcomes for New Zealand communities.

How Corrections performed

Corrections has met the expected level of service.

Policy advice and ministerial services (MCA)

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The office of the Minister of Corrections is satisfied with the level of quality of policy advice, and of draft Ministerial correspondence, provided by the Department (determined by an Annual Survey of satisfaction)	91%	94%	92%	93%	84%	85%

17. MCA – Multi Category Appropriation

3.1 Policy Advice

What Corrections does

Corrections provides advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on Government policy matters.

Operating context

Corrections has provided policy advice on the following issues for the 2017/18 financial year:

- > Amendments to governing legislation, including the *Corrections Act 2004* and associated regulations
- > Improving mental health services for prisoners
- > Improving reintegration outcomes for offenders
- > The Extended Supervision Order regime
- > Housing and supervision of higher risk offenders in the community
- > The effect of community sentences on the prison population
- > Options to manage the prison population
- > Comparisons between the New Zealand Corrections' system and other jurisdictions.

How Corrections performed

As detailed below, on the whole performance measures have met expected levels of service.

Policy advice

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
Technical quality of policy advice papers assessed by a survey with methodological robustness of 90% ¹⁸	75%	72%	74%	74%	At least an average of 70%	At least an average of 70%
The office of the Minister of Corrections is satisfied with the quality of policy advice provided, including quality of the written material and quality of the advice provided (measured through an annual survey ¹⁹)	83%	82%	70%	80%	78%	80%
Total cost per output hours of professional staff time devoted to policy advice and other policy functions ²⁰	\$92	\$98	\$91	\$102	\$105	\$105

18. This indicator provides a standardised score for the policy technical quality reviews undertaken by the third party assessor, in this case the New Zealand Institute of Economic Research.

19. This indicator is a quantitative representation of the Minister of Corrections' satisfaction with the policy advice provided by Corrections against the following standards: completeness/alignment, timeliness, robustness, value for money, likelihood to recommend, overall satisfaction and possible improvements in the delivery of policy advice.

20. This indicator provides the total costs of an hour of professional staff time devoted to both policy advice and other policy unit outputs. Total cost includes labour, overhead, support staff, direct costs and outsourced work to support output production.

3.2 Ministerial Services

What Corrections does

In addition to managing requests received under the *Official Information Act 1982* (OIA) and the *Privacy Act 1993*, Corrections also manages ministerial correspondence, parliamentary questions and any other correspondence that is received directly into National Office.

Operating context

In 2017/18, Corrections received over 7,400 pieces of correspondence (an increase of 8% when compared to 2016/17) from offenders, media, members of the public, parliamentarians and government agencies. As detailed below, more than half of these requests were OIAs.

Breakdown of correspondence received

	2017	2018
Activity information	Actual	Actual
Official Information Act requests ²¹	3,568	4,249
Chief Executive correspondence	1,768	1,562
Parliamentary questions	283	352
Ministerial correspondence	560	278
Privacy Act requests	466	662
Government agency requests	219	314
Total	6,864	7,417

As detailed below, the number of requests received by Corrections under the OIA has continued to increase year-on-year, reflecting a general desire of New Zealanders to live in a society where government agencies are committed to openness and transparency in the provision of public services, and where government data and information is readily accessible.

Volume of Official Information Act requests received

	2015	2016	2017	2018
Activity information	Actual	Actual	Actual	Actual
Official Information Act requests ²¹	2,006	2,457	3,568	4,249

21. Does not include media enquiries.

How Corrections performed

As detailed below, all performance measures have met expected levels of service, with ministerial draft correspondence that is signed without changes and parliamentary question response timeliness at 100%.

Ministerial services

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The percentage of ministerial draft correspondence that is signed without changes	98%	97%	99%	100%	95%	Greater than 95%
The percentage of all responses to parliamentary questions that are completed within five working days	98%	81%	100%	100%	98%	Greater than 98%
The percentage of responses to ministerial draft correspondence that are completed within 20 working days	100%	100%	99%	98%	98%	Greater than 98%

How much did it cost?

For the year ended 30 June 2018

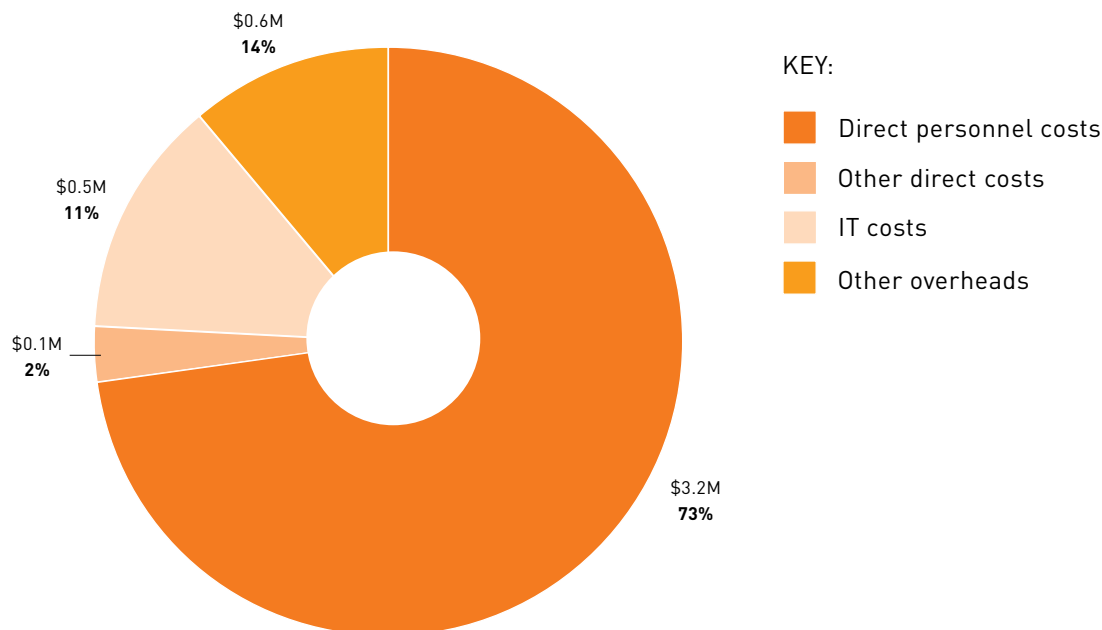
	2017	2018			2019
	Actual	Actual	Budget	Supp. estimates	Forecast
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	3,269	4,541	3,631	4,541	4,541
Departmental	-	-	-	5	5
Total revenue	3,269	4,541	3,631	4,546	4,546
EXPENSES					
- Policy Advice	1,731	2,403	1,646	2,558	2,559
- Ministerial Services	1,538	1,978	1,985	1,988	1,987
Total expenses	3,269	4,381	3,631	4,546	4,546
Net surplus	-	160	-	-	-

The total expense for the Policy Advice and Ministerial Services MCA was \$4.4 million. Expenses within this appropriation are primarily staff related costs incurred in providing policy advice and responses to ministerial and parliamentary questions, and OIA requests.

Actual expenditure was \$1.1 million higher than 2017 due to having a full complement of staff which were vacant in previous years.

Refer to the following graph for the composition of total expenditure by major expense category.

Composition of Policy Advice and Ministerial Services total expenses



Appropriation 4 - Department of Corrections Capital Expenditure (PLA)²²

SCOPE OF APPROPRIATION

This appropriation is limited to the purchase or development of assets by and for the use of the Department of Corrections, as authorised by section 24(1) of the *Public Finance Act 1989*.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to achieve renewal and replacement of assets in support of the provision of Corrections' outputs. Corrections has a capital programme of work that is focused on upgrading its assets, providing resilience to respond to changing demand and service needs and ensuring sufficient capacity to accommodate growing prison population levels.

What Corrections does

As an investment intensive agency, Corrections manages approximately \$2.9 billion of non-current assets including 17 publicly managed prisons and one privately managed prison, around 100 Community Corrections sites and a large fleet of over 1,800 cars, utility vehicles and mobile plant.

Operating context

The Prison Capacity Portfolio (PCP) was established in direct response to increasing pressure on prison capacity. We have developed a suite of programmes, ranging from re-commissioning end of life units to building new facilities at Waikeria and Mt Eden Corrections Facility. For more information on the PCP, please refer to page 41.

Outside the prison, Corrections completed a number of projects to ensure our facilities are fit-for-purpose. The upgraded Community Corrections Sites (CCS) create a more welcoming environment with improved safety and security. Additionally, a new CCS was built in Levin to cater for further growth in community-based offenders as the High Impact Innovation Programme continues to expand the use of non-custodial alternatives.

How Corrections performed

Due to the shortage of available sites and contractors within the property market, Corrections was only able to build one new CCS and refurbish four existing sites.

Corrections added 493 of the 500 budgeted new beds. This was done through the Agile Programme, focusing on immediate solutions such as double bunking and small scale builds as opposed to the modular builds, which have been delayed.

	2015	2016	2017	2018	2018	2019
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
Number of new Community Correction Sites (CCS) and existing site refurbishments	-	-	New measure for 2018	5	10	8
Prison Capacity Portfolio (PCP) – permanent beds added ²³	-	-	New measure for 2018	493 ²⁴	500	503

22. PLA - Permanent Legislative Authority

23. Permanent beds include emergency beds

24. This is a new performance measure for 2018. Corrections has added a total of 971 beds since 2016.

How much did it cost?

For the year ended 30 June 2018

	2017	2018		2019
	Actual	Actual	Budget	Supp. estimates
			(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000
				Forecast
				(unaudited)
				\$000
CAPITAL EXPENSES				
Property, plant and equipment	106,692	193,688	219,038	218,798
Intangibles	18,622	14,937	18,000	18,742
Other	131,340	52,161	15,038	53,870
Total appropriation	256,654	260,786	252,076	291,410
				393,004

Actual expenditure was \$30.6 million lower than Supplementary Estimates with the property, plant and equipment category accountable for over 80% of this variance. This is primarily due to the timing of spend for projects relating to the 1D Modular Build at Tongariro and Rolleston as prototype sign-off has been delayed.

Details of Net Asset Schedule

	2017	2018		2019
	Actual	Actual	Budget	Supp. estimates
			(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000
				Forecast
				(unaudited)
				\$000
Opening balance	2,349,978	2,446,990	2,371,737	2,446,992
Capital injections	22,000	81,900	64,900	81,900
Capital withdrawals	(5,600)	(5,135)	-	(5,135)
Net (deficit)/surplus	6,510	(23,321)	-	(19,449)
Revaluation gains	74,102	-	-	-
Provision for payment of surplus to the Crown	-	(400)	-	-
Closing balance	2,446,990	2,500,034	2,436,637	2,504,308
				2,753,659

Appropriation 5 - Waikeria Corrections and Treatment Facility

SCOPE OF APPROPRIATION

This appropriation is limited to infrastructure improvements that are either a condition of the designation or otherwise necessary to enable the development of the Waikeria Corrections and Treatment Facility.

WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to achieve safety and access improvements on the local road leading to Waikeria Corrections and Treatment Facility and continuation of design of infrastructure improvements required to enable the development of the Waikeria Corrections and Treatment Facility.

What Corrections does

In June 2018 Cabinet approved a new Corrections and Treatment Facility at Waikeria Prison which is set to be open in 2022. The facility will have accommodation for 500 prisoners with a new mental health unit providing enhanced mental health services to an additional 100 prisoners.

Operating context

Whilst the capital expenditure for building the Waikeria Corrections and Treatment Facility is covered by the Prison Capacity Portfolio under the Capital Expenditure Appropriation, this one-off Non-Departmental Appropriation focuses on the accessibility leading to the new facility and the infrastructure design improvements required to enable the development of the facility.

How Corrections performed

	2017	2018
Assessment of performance	Actual	Actual
Completion of safety and access improvements on the local road leading to Waikeria Corrections and Treatment Facility	New measure for 2018	Corrections, on behalf of the Crown, has worked with Otorohanga District Council to complete the widening of Waikeria Road and made safety enhancements to several private driveways alongside. Construction of the duplicate bridge is almost complete with the remainder of work to be done during the first quarter of 2018/19.
Continuation of design of infrastructure improvements required to enable the development of Waikeria Corrections and Treatment Facility	New measure for 2018	Environment Court approved the plan to amend the existing designation of Waikeria Prison to allow additional prisoners on site, subject to 146 conditions. Corrections, on behalf of the Crown, signed a memorandum of understanding with Waipa District Council for detailed design and construction delivery of the wastewater treatment system.

How much did it cost?

For the year ended 30 June 2018

	2017	2018		2019
	Actual	Actual	Budget	Supp. estimates
		(unaudited)	(unaudited)	(unaudited)
	\$000	\$000	\$000	\$000
EXPENSES				
Waikeria Corrections and Treatment Facility	-	6,667	-	7,500
GST input expense	-	1,000	-	1,125
Total expenses	-	7,667	-	8,625

Glossary of terms

Appropriation	An appropriation is a parliamentary authorisation for the Crown or an Office of Parliament to incur expenses or capital expenditure.
Actual	For an amount, the actual incorporates the actual amount spent for the financial year.
Budget	For an amount, the budget incorporates the amount set for spending at the start of the year.
Community detention	Community detention is a community-based sentence that requires the offender to comply with an electronically monitored curfew imposed by the court for up to six months.
Community work	The sentence of community work requires offenders to do unpaid work in the community for non-profit organisations.
Escape	Refers to any incident when a prisoner has become free of custodial control. Escapes are categorised irrespective of whether external charges are laid against the prisoner for escaping custody. Corrections has four categories of escape: <ul style="list-style-type: none"> - breakout - from escort - absconding - breach of temporary release.
Expenses	Amounts consumed or losses of service potential or future economic benefits, other than those relating to capital withdrawals, in a financial year (an accrual concept measured in accordance with generally accepted accounting practice).
Extended supervision	An extended supervision order, imposed by the court, allows Corrections to monitor serious violent or sexual offenders for up to 10 years following their prison sentence.
Forecast	For an amount, the forecast incorporates the amount or volumes that have been set for the coming year.
Home detention	Home detention is a sentence that requires an offender to remain at an approved residence at all times under electronic monitoring and close supervision by a probation officer. Sentences may range in length from 14 days to 12 months.
Intensive supervision	Intensive supervision is a rehabilitative community-based sentence that requires offenders to address the causes of their offending with intensive oversight from a probation officer. Offenders can be sentenced to intensive supervision for between six months and two years.
Internal services employment activity	Internal services activities include asset maintenance, catering, grounds maintenance, laundry, manufacturing and sundry services.
Justified complaints	Justified complaints are complaints received by the Inspectorate about the treatment of prison-based offenders, where the complaint has required the Inspector's intervention in order to bring about a resolution.
Outputs	Goods or services supplied by Corrections to external parties including policy advice, administration of contracts and grants and the provision of specific services.
Post-release conditions	Conditions imposed on an offender by the New Zealand Parole Board on their release from prison, which can be imposed for six months or more.
Reintegration	Reintegration services build upon the rehabilitation programme provided within New Zealand's prisons, enabling and supporting offenders' transitions into the community, or assisting offenders serving sentences in the community to fulfil the conditions of their sentences and orders. Reintegration services are demand driven and can be accessed by offenders while in custody (remand and sentenced) and post release. The timing of reintegration is based on the offender's needs and supports other interventions.
Residential restrictions	Under the <i>Parole Act 2002</i> , the New Zealand Parole Board can impose special release conditions on an offender's release. One of these conditions is residential restrictions requiring the offender to remain at a specified residence at all times or at times specified by the Board.

Supervision	Supervision is a rehabilitative community-based sentence that requires offenders to address the causes of their offending. Offenders can be sentenced to supervision for between six months and one year.
Supplementary Estimates	For an amount, the Supplementary Estimates incorporate all changes since the budget and becomes the final amount for spending for the financial year.

Department of Corrections
Annual Report – Part C

Annual Financial Statements

This year at a glance

In 2017/18, the Department of Corrections:

Stewardship

- > The growing prison population has seen us increase our investment in capacity and personnel required to safely operate the network. Corrections' total personnel expenditure has increased to \$684.5 million (2016/17 \$606.6 million). Personnel costs now comprise 46% (2016/17 45%) of our total operating expenditure.
- > Bringing new prison beds into service required an investment in capacity of \$146 million through our Prison Capacity Portfolio.
- > Corrections increased spend on the provision of intervention programmes, case management and psychological services by \$23.5 million to \$153.3 million (2016/17 \$129.8 million).

Financial health

- > Our baseline has increased year-on-year by \$147.4 million.
- > We incurred total operating expenses of \$1.5 billion to within approximately 2% of appropriation (excluding remeasurements).
- > Approximately \$26.8 million of funding approved for 2017/18 has been pre-approved as in-principle expense transfers to out years.
- > We received an appropriation of \$7.5 million to facilitate infrastructure improvements relating to the Waikeria Corrections and Treatment Facility and to provide access improvements on the local roading network.

Sustainability

- > In 2018/19 our baseline increases further by \$68.4 million.
- > The new funding received will help fund our continued response to the growth in the prisoner population and maintaining public safety in the community.
- > Corrections has been funded \$193.5 million in 2018/19 and \$4.9 million in 2019/20 for capital spend on prison capacity, specifically the modular build programme at Christchurch Men's, Christchurch Women's and Rimutaka prisons.

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2018

2017 Actual	Notes	2018 Actual	2018 Budget	2018 Supp. estimates	2019 Forecast ¹
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
\$000		\$000	\$000	\$000	\$000
REVENUE					
1,301,099	Revenue Crown	1,438,069 ²	1,388,840	1,464,389	1,539,116
1,650	Departmental revenue	2,718	-	3,260	715
28,103	Other revenue	33,152	32,888	31,530	30,139
477	Dividend revenue	296	-	-	-
1,331,329	Total operating revenue	1,474,235	1,421,728	1,499,179	1,569,970
EXPENSES					
606,553	Personnel costs	684,507	662,677	683,189	723,695
395,917	Operating costs	427,737	409,789	465,205	453,720
156,813	Depreciation and amortisation	182,957	168,885	174,840	187,000
152,967	Capital charge	146,308	148,077	148,767	157,000
32,750	Finance costs	32,326	32,300	32,327	51,304
1,345,000	Total operating expenses	1,473,835	1,421,728	1,504,328	1,572,719
(13,671)³	Net operating surplus/(deficit)	400	-	(5,149)⁴	(2,749)⁴
OTHER COMPREHENSIVE REVENUE AND EXPENSE					
REMEASUREMENTS					
939	Unrealised gain in fair value of biological assets	219	-	-	-
679	Unrealised (loss)/gain in fair value of shares	(645)	-	-	-
837	Unrealised (loss)/gain in fair value in discount rates for retiring and long service leave	(716)	-	-	-
17,726	Unrealised (loss)/gain in fair value of derivative financial instruments	(22,579)	-	(14,300)	-
20,181	Total remeasurements	(23,721)	-	(14,300)	-
6,510	Net (deficit)/surplus	(23,321)	-	(19,449)	(2,749)
OTHER COMPREHENSIVE REVENUE AND EXPENSE					
74,102	Revaluation gains on land and buildings	-	-	-	-
74,102	Total other comprehensive revenue and expense	-	-	-	-
80,612	Total comprehensive revenue and expense	(23,321)	-	(19,449)	(2,749)

1. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2018.

2. Actual Crown revenue was recognised below entitlement (Supplementary Estimates) reflecting the transfer of funding to out-years relating to pre-approved in-principle expense transfers.

3. Corrections obtained approval to run output class deficits relating to an expected shortfall in offender employment activity revenue, and as a result of the de-recognition of Rangipo assets coinciding with the termination of a short term lease on 30 September 2016 entered into as part of the 2015 Treaty settlement land sale.

4. Corrections obtained approval to run output class deficits relating to an expected shortfall in offender employment activity revenue.

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 23.

Statement of Changes in Taxpayers' Funds

FOR THE YEAR ENDED 30 JUNE 2018

2017 Actual	Notes	2018 Actual	2018 Budget (unaudited)	2018 Supp. estimates (unaudited)	2019 Forecast ⁵ (unaudited)
\$000		\$000	\$000	\$000	\$000
2,349,978	Taxpayers' funds at 1 July	2,446,990	2,371,737	2,446,992	2,504,308
6,510	Net (deficit)/surplus	(23,321)	-	(19,449)	(2,749)
	Adjustments for flows to and from the Crown				
22,000	Add capital contributions from the Crown	81,900	64,900	81,900	272,100
(5,600)	Less capital cash returned to the Crown	(5,135)	-	(5,135)	(20,000)
74,102	Revaluation gains	-	-	-	-
-	Provision for payment of surplus to the Crown	(400)	-	-	-
90,502	Total adjustments for flows to and from the Crown	76,365	64,900	76,765	252,100
2,446,990	Taxpayers' funds at 30 June	2,500,034	2,436,637	2,504,308	2,753,659

5. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2018.

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 23.

Statement of Financial Position

AS AT 30 JUNE 2018

2017 Actual	Notes	2018 Actual	2018 Budget (unaudited)	2018 Supp. estimates (unaudited)	2019 Forecast ⁶ (unaudited)
\$000		\$000	\$000	\$000	\$000
ASSETS					
Current assets					
95,263	Cash and equivalents	103,246	50,000	50,000	50,000
2,899	Prepayments	7,501	3,025	3,025	3,025
274,195	Debtors and other receivables	366,785	270,744	321,778	372,116
3,888	Inventories	4,017	4,000	4,000	4,000
-	Non-current assets held for sale	1,614	-	-	-
376,245	Total current assets	483,163	327,769	378,803	429,141
Non-current assets					
7,346	Investments	6,700	6,662	7,346	7,346
2,739,777	Property, plants and equipment	2,821,875	2,823,034	2,854,807	3,039,383
77,422	Intangible assets	71,139	71,260	78,960	85,814
8,229	Biological assets	8,888	7,283	8,229	8,229
2,832,774	Total non-current assets	2,908,602	2,908,239	2,949,342	3,140,772
3,209,019	Total assets	3,391,765	3,236,008	3,328,145	3,569,913
LIABILITIES					
Current liabilities					
97,014	Creditors and other payables	136,415	85,993	100,000	100,000
95,371	Employee entitlements	108,848	83,427	91,363	91,363
8,979	Other financial liabilities	9,139	7,583	5,374	7,583
6,007	Provisions	10,818	7,500	6,000	6,000
-	Provisions for repayment of surplus to the Crown	400	-	-	-
207,371	Total current liabilities	265,620	184,503	202,737	204,946
Non-current liabilities					
17,256	Employee entitlements	17,802	18,142	17,256	17,256
537,402	Other financial liabilities	608,309	596,726	603,844	594,052
554,658	Total non-current liabilities	626,111	614,868	621,100	611,308
762,029	Total liabilities	891,731	799,371	823,837	816,254
TAXPAYERS' FUNDS					
1,615,796	General funds	1,668,840	1,679,545	1,673,114	1,922,465
831,194	Reserves	831,194	757,092	831,194	831,194
2,446,990	Total taxpayers' funds	2,500,034	2,436,637	2,504,308	2,753,659
3,209,019	Total liabilities and taxpayers' funds	3,391,765	3,236,008	3,328,145	3,569,913

6. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2018.

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 23.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

2017 Actual	Notes	2018 Actual	2018 Budget	2018 Supp. estimates	2019 Forecast ⁷
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash provided from:					
1,293,778	Receipts from Crown	1,363,654	1,403,994	1,423,191	1,495,344
870	Receipts from departments	1,924	-	3,440	715
26,776	Receipts from other revenue	30,679	32,888	31,172	30,139
3,895	GST payable (net)	1,529	-	(621)	-
Cash disbursed to:					
(597,408)	Payments for employees	(666,389)	(646,737)	(680,496)	(706,730)
(372,769)	Payments to suppliers	(410,409)	(425,728)	(474,749)	(484,079)
(152,967)	Payments for capital charge	(146,308)	(148,077)	(148,767)	(155,043)
202,175	Net cash flows from operating activities	174,680	216,340	153,170	180,346
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash provided from:					
477	Receipts from interest and dividends	296	-	-	-
1,039	Receipts from sale of physical, biological and intangible assets	935	-	-	-
-	Receipt from sale of shares	1	-	-	-
Cash disbursed to:					
(104,546)	Purchase of physical and biological assets	(192,029)	(219,039)	(218,798)	(364,504)
(18,623)	Purchase of intangible assets	(14,937)	(18,000)	(18,742)	(28,501)
(121,653)	Net cash flows from investing activities	(205,734)	(237,039)	(237,540)	(393,005)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash provided from:					
22,000	Capital injections	81,900	64,900	81,900	272,100
Cash disbursed to:					
(5,600)	Return of capital	(5,135)	-	(5,135)	(20,000)
(32,773)	Interest payment	(32,396)	(32,300)	(32,327)	(31,857)
(8,738)	Repayment of financial liabilities	(5,332)	(11,901)	(5,331)	(7,584)
(25,111)	Net cash flows from financing activities	39,037	20,699	39,107	212,659
55,411	Net increase/(decrease) in cash	7,983	-	(45,263)	-
39,852	Cash at the beginning of the year	95,263	50,000	95,263	50,000
95,263	Cash at the end of the year	103,246	50,000	50,000	50,000

7. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2018.

The accompanying note form part of these financial statements.

Statement of Commitments

AS AT 30 JUNE 2018

2017 Actual \$000		2018 Actual \$000
	CAPITAL COMMITMENTS	
120,933	Buildings	203,890
364	Motor vehicles	447
58	Plant and equipment	170
64,541	Service concession arrangements	-
1,416	Intangibles	2,700
187,312	Total capital commitments	207,207
	NON-CANCELLABLE OPERATING LEASE COMMITMENTS	
15,400	Less than one year	14,875
36,792	One to five years	30,342
26,124	More than five years	25,996
78,316	Total non-cancellable operating lease commitments	71,213
265,628	Total commitments	278,420

Capital commitments

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

The service concession arrangements capital commitment for 2017 related to the construction of a new maximum security facility at Auckland Prison. The facility will be designed, financed, built and maintained through a Public Private Partnership (PPP) with Next Step Partners Limited. Construction commenced in October 2015 and works completion was finalised early June 2018, however operation completion will only occur in early 2018/19.

Non-cancellable operating lease commitments

Corrections 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.

Statement of Contingent Liabilities and Contingent Assets

AS AT 30 JUNE 2018

Unquantifiable contingent liabilities

Parole Act 2002

In September 2016 the Supreme Court of New Zealand ruled that Corrections had incorrectly calculated the period of detention for a claimant offender. Under the *Parole Act 2002* Corrections is required to calculate the period of detention, taking into consideration the period of time a prisoner spends on pre-sentence detention. Corrections has made an initial assessment of the number of persons affected by the ruling, however, only one matter has reached a court determination as to compensation in respect of the period of unlawful detention. A number of other claims have been received but have not reached a court determination. Corrections has made an assessment of potential liability by applying ruling principles and recognised a provision where appropriate. Additional claims may be received in the future, however, no provision has been made as there is no reliable way to calculate potential liability.

Entitlements under the Holidays Act 2003

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the *Holidays Act 2003* (the Act).

Over a period of time, Corrections has actively engaged MBIE and has been proactive in identifying areas of potential non-compliance. Corrections has entered into an Enforceable Undertaking under the *Employment Relations Act 2000* to remediate the end-to-end payroll system and calculate any liabilities that are due and owing to current and past employees. The holiday pay remediation is a significant project that is well progressed and Corrections expects to complete this work in the first half of the 2019 calendar year.

Corrections' liability cannot be reliably estimated at this time and therefore no provision has been recognised at 30 June 2018. Corrections acknowledges that the potential liability could be significant as the issue affects current and past employees and covers a period from 2009 through to the date the payroll system is remediated.

Quantifiable contingent liabilities

2017 Actual \$000		2018 Actual \$000
819	Related to offenders	409
390	Employees and contractors	743
1,209	Total quantifiable contingent liabilities	1,152

Legal proceedings

As at 30 June 2018 Corrections was defending 37 court claims and proceedings which were assessed and had a value for contingent liability (2017: 30). Filed mostly by prisoners, the proceedings included applications for Judicial Review and claims for breach of the *New Zealand Bill of Rights Act 1990*, and sought compensation or other redress for perceived/alleged instances of wrongful action or decision-making by Corrections and individuals.

Personal grievances

Corrections was defending 14 employment and contractor-related claims, made mostly by staff members as at 30 June 2018 (2017: 9).

Contingent assets

Corrections has no contingent assets as at 30 June 2018 (2017: Nil).

Statement of Trust Monies

FOR THE YEAR ENDED 30 JUNE 2018

	As at 1 July 2017	Contribution	Distribution	As at 30 June 2018
	\$000	\$000	\$000	\$000
Trust accounts	1,716	19,461	(19,183)	1,994
Total trust accounts	1,716	19,461	(19,183)	1,994

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

Other trust accounts represent funds held in trust on behalf of the residents subject to either a Substantive Detention Order or Interim Detention Order, to account for resident earnings and/or benefits, reduced by purchases and other receipts/withdrawals of resident funds.

Money held in trust is not included in Corrections' reported bank balances. Trust money is held on behalf of prisoners and residents in the bank accounts maintained by each prison (one bank account per prison) and residence respectively.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Department of Corrections (Corrections) is a government department as defined by Section 2 of the *Public Finance Act 1989 (PFA)*. It is domiciled and operates in New Zealand. The relevant legislation governing Corrections' operations include the *Public Finance Act 1989*, the *Corrections Act 2004*, *Corrections Regulations 2005*, the *State Sector Act 1988*, the *Sentencing Act 2002*, the *Parole Act 2002*, the *Public Safety (Public Protection Orders) Act 2014*, the *Bail Act 2000*, and the *Returning Offenders (Management and Information) Act 2015*.

Corrections is a wholly owned entity of the New Zealand Crown whose primary objective is to administer New Zealand's corrections system in a way that is designed to improve public safety, reduce re-offending and contribute to the maintenance of a fair and just society.

In addition, Corrections has reported on Crown activities that it administers in the non-departmental statements and schedules on pages 154 to 158.

Statutory authority

The financial statements for Corrections have been prepared in accordance with the requirements of the *Public Finance Act 1989 (PFA)*. For the purposes of financial reporting, Corrections is classified as a Public Benefit Entity (PBE).

Reporting period

The reporting period for these financial statements is the year ended 30 June 2018 with comparative figures for the year ended 30 June 2017.

The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 17 September 2018.

Basis of preparation

The financial statements have been prepared on a going concern basis and the accounting policies have been consistently applied throughout the year.

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with Public Sector Public Benefit Entity (PBE) Accounting Standards (PBE accounting standards) – Tier 1. These standards are based on International Public Sector Accounting Standards (IPSAS).

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain non-current assets, actuarial valuations of certain liabilities, and the fair value of certain financial liabilities.

Presentation currency and rounding

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

Changes in accounting policies

An amendment to the accounting standard PBE IPSAS 32 Service Concession Arrangements: Grantor has been adopted in the 2017/18 Annual Report. The primary impact of the amended standard is to require Service Concession Arrangements to be reported together within the current categories of land building and plant and equipment, consistent with the requirements of PBE IPSAS 17 "Property, Plant and Equipment" and PBE IPSAS 31 "Intangible Assets". This change has been presented retrospectively and 2015/16 opening balances have been restated to meet the new standard.

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

Standards and amendments issued that are not yet effective, and have not been early adopted, and which are relevant to Corrections are:

Financial instruments

In January 2017, the External Reporting Board (XRB) issued PBE IFRS 9 *Financial Instruments*. This replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. The main changes under the standard are:

- > new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost;
- > a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses; and
- > revised hedge accounting requirements to better reflect the management of risks.

The Crown has decided to early adopt PBE IFRS 9 Financial Instruments for financial statements prepared for periods beginning on or after 1 January 2018.

Corrections has reviewed the changes incorporated into this new accounting standard and, for Corrections' existing financial instruments, no material impacts have been identified compared to the currently applied standards (primarily PBE IPSAS 29 Financial Instruments: Recognition and Measurement).

Impairment of Revalued Assets

In April 2017, the XRB issued *Impairment of Revalued Assets*, which now clearly scopes in revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant, and equipment measured at cost were scoped into the impairment accounting standards.

Under the amendment, a revalued asset can be impaired without having to revalue the entire class-of-asset to which the asset belongs. The timing of Corrections adopting this amendment will be guided by the Treasury's decision on when the Financial Statements of Government will adopt the amendment.

The Impairment of Revalued Assets (amendments to PBE IPSASs 21 and 26) standard is effective for annual financial statements covering periods beginning on or after 1 January 2019.

Critical judgements and estimates

The preparation of financial statements in conformity with PBE accounting standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Retiring and long service leave

An independent actuarial valuation is undertaken annually to estimate the present value of long service and retiring leave liabilities. 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.

Note 12 provides an analysis of the exposure and assumptions in relation to estimates and uncertainties surrounding these liabilities.

Revaluation of land and buildings

Critical judgements in determining the remaining life of land and buildings have been made by Corrections. 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, expected period of use by Corrections, and expected proceeds from any disposal.

Any property revaluations are certified by an appropriately qualified valuer.

Budget and forecast figures

The budget figures are for the year ended 30 June 2018 and were published in the 2016/17 Annual Report. They were included in the Estimates of Appropriations for the Government of New Zealand for the year ended 30 June 2018, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the 2017/18 Supplementary Estimates.

The forecast figures are for the year ending 30 June 2019, and are consistent with the best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) 2018 for the 2018/19 year.

The forecast financial statements have been prepared as required by the *Public Finance Act 1989* to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The forecast figures have been prepared in accordance with PBE FRS 42 Prospective Financial Statements.

The forecast financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 12 April 2018. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect Corrections' purpose and activities and are based on a number of assumptions on what may occur during the 2018/19 year. The forecast figures have been compiled on the basis of existing government policies and ministerial expectations at the time the budget was finalised.

The main assumptions adopted as at 12 April 2018 were as follows:

- > Corrections' activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities
- > personnel costs reflect an increase in planned capacity for the coming year
- > remuneration rates are based on current wage and salary costs, adjusted for anticipated remuneration changes
- > operating costs are based on historical experience and other factors that are believed to be reasonable in the circumstances and are Corrections' best estimate of future costs that will be incurred
- > no impact of the revaluation of land and buildings has been assumed in the forecast
- > capital commitments will realise as planned
- > service concession assets will be operationally complete in 2018/19
- > prison population/demand levels are consistent with the Justice Sector Forecast which projects continued growth
- > estimated year-end information for 2017/18 was used as the opening position for the 2018/19 forecast.

Significant accounting policies

Revenue

Revenue – exchange transactions

Revenue - department and third party

Revenue earned in exchange for the provision of outputs (products or services) to third parties is recorded as operating revenue.

Revenue from the supply of services is measured at the fair value of consideration received, recognised on a straight-line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer (usually on delivery of the goods), when the amount of revenue can be measured reliably and it is probable that the economic benefit or service potential associated with the transaction will flow to the entity.

Interest revenue

Interest revenue is recognised using the effective interest rate method.

Dividend revenue

Dividend revenue relates to investments arising from Corrections' business dealings with companies in the farming industry. Dividend revenue is recognised when the right to receive payment has been established.

Rental revenue

Rental revenue arising from residential property leases is accounted for on a straight-line basis over the lease terms and included in revenue.

Revenue – non-exchange transactions

Revenue Crown

Revenue from the Crown is measured based on Corrections' funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the *Appropriation (Supplementary Estimates) Act* for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, Corrections can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Donated or subsidised assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue when control of the asset is transferred to Corrections.

Insurance proceeds

Insurance proceeds are recognised when a settlement agreement has been reached which establishes the right to receive payment.

Capital charge

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

Finance costs

Finance costs are incurred in relation to the repayment of the service concession arrangement assets design and construction costs over the contract term. Finance costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised under the allowed alternative treatment method. Finance costs that are directly attributable to the construction of a service concession arrangement asset are capitalised as part of the cost of the asset during the construction period.

Derivative financial instruments

Corrections uses derivative financial instruments in the form of interest rate swaps, entered into with the New Zealand Debt Management Office (NZDMO), to manage its exposure to fluctuating market interest rates as a result of its Public Private Partnership arrangements.

Corrections does not hold or issue derivative financial instruments for trading purposes and has not adopted hedge accounting.

These derivatives are measured at fair value determined at the reporting period using the New Zealand dollar swap curve, which is made up of Official Cash Rate, bank bill rates and swap rates. Any changes in fair value are recognised in the Statement of Comprehensive Revenue and Expense in the period in which they arise.

Cash and cash equivalents

Cash includes cash on hand and cash held in bank accounts and deposits with a maturity of no more than three months. Corrections is required by the Treasury to maintain a positive balance in its bank accounts at all times. Corrections has two bank accounts with Westpac New Zealand Limited.

Debtors and other receivables

Debtors and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value. Receivables with duration of less than 12 months are recognised at their nominal value.

Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired.

Inventories

Inventories held for resale are measured at the lower of cost (calculated using the weighted average method) and net realisable value. Inventories consumed in providing a service are measured at cost or replacement cost.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. The amount of any write-down for the loss of service potential or from cost to net realisable value is charged to surplus or deficit in the period of the write-down.

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

All inventories are expected to be realised within 12 months and are therefore classified as current.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current 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 non-current assets held for sale are recognised in the surplus or deficit.

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

Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

Items of property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Land and buildings

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 three years or whenever the carrying amount differs materially to fair value. Additions between revaluations are initially recorded at cost.

Unrealised gains and losses arising from changes in the value of property, plant and equipment are recognised as at balance date. To the extent that a gain reverses a loss previously charged to surplus or deficit for the asset class, the gain is credited to surplus or deficit. Otherwise, gains are credited to an asset revaluation reserve for that class of asset. To the extent that there is a balance in the asset revaluation reserve for the asset class any loss is debited to the reserve. Otherwise, losses are reported in the Statement of Comprehensive Revenue and Expense.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Other property, plant and equipment

Other property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

Disposals

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Comprehensive Revenue and Expense in the period in which the transaction occurs. When revalued assets are sold or derecognised, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

Service concession arrangements

Service concession arrangements are recognised as assets under construction within property, plant and equipment until the in-service date. Such service concession arrangements are capitalised under each asset class to which the nature of the asset relates to in accordance with Corrections' policies, which comply with PBE IPSAS 17 *Property, Plant and Equipment*.

Service concession assets are recognised initially at cost being the fair value of the amount owed to the concession operator for the construction of the asset at the time the asset becomes operational.

Subsequently service concession assets are measured in accordance with Corrections' policy relevant to each class of asset.

Payments made to the contractor for the provision of services are recognised as an expense as incurred. Payments relating to the capital component reduce the financial liability when they are made. Finance costs are incurred in relation to the repayment of the service concession over the contract term and are recognised as an expense in the period in which they are incurred.

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any residual value, over its estimated useful life. Motor vehicles that have been classified as non-heavy duty have a residual value of 20%.

Typically, the depreciation rates for classes of property, plant and equipment are as follows:

Class of asset	Useful life	Residual value
Land	Not depreciated	Not applicable
Buildings ⁸	3 - 85 years	Nil
Plant and equipment	3 - 10 years	Nil
Furniture and fittings	3 - 5 years	Nil
Computer hardware	3 - 10 years	Nil
Motor vehicles	5 - 8 years	20%

The useful life of buildings is reassessed following any revaluation.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful life of the leasehold improvement, whichever is the shorter.

Intangible assets

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 and training staff are recognised as an expense when incurred.

Direct costs that are associated with the development of software for internal use by Corrections are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of the relevant indirect costs.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expense.

8. As at 30 June 2018 three buildings have an original useful life which exceeds 85 years.

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

Class of asset	Useful life	Residual value
Acquired/internally generated software	3 - 10 years	Nil

Biological assets

Corrections' biological assets consist of sheep, beef and dairy cattle, and pigs farmed at various locations throughout New Zealand.

Biological assets are recorded at fair value less costs associated with the sale or disposal of those assets. Gains or losses due to changes in the per head value of livestock and changes in livestock numbers, are recognised in the Statement of Comprehensive Revenue and Expense.

Investments

Investments are initially recognised 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 Statement of Comprehensive Revenue and Expense in the period in which they arise.

Fair value for investments is determined as follows:

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

Investments arise from Corrections' business dealings with companies in the farming industry, mainly shares in Fonterra Co-operative Group Limited. These investments are classified as financial instruments and valued at fair value through the Statement of Comprehensive Revenue and Expense.

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

Impairment of non-financial assets

Cash-generating assets

Corrections does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. Corrections holds some commercial assets with the primary objective of providing employment-training opportunities to prisoners as part of rehabilitation and reintegration programmes.

Non-cash-generating assets

Assets that have an indefinite useful life 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 held at cost 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 when 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 or its 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 Corrections would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Employee entitlements

Employee entitlements to salaries and wages, annual leave, long service leave and other similar benefits are recognised in the Statement of Comprehensive Revenue and Expense when they accrue to employees. Employee entitlements that Corrections expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. The liability for long-term employee entitlements is reported as the present value of estimated future cash outflows.

Termination benefits

Termination benefits are recognised in the Statement of Comprehensive Revenue and Expense only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits expected to be settled within 12 months are reported at the amount expected to be paid. Termination benefits not expected to be settled within 12 months are reported as the present value of the estimated future cash outflows.

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 Statement of Comprehensive Revenue and Expense as they are incurred.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains or losses resulting from the settlement of these transactions are recognised in the Statement of Comprehensive Revenue and Expense.

Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange rate at balance date. Foreign exchange gains or losses arising from translation of monetary assets and liabilities are recognised in the Statement of Comprehensive Revenue and Expense.

Financial instruments

Corrections is party to financial instruments as part of its normal operations. These financial instruments consist of cash and cash equivalents, debtors and other receivables, investments, creditors and other payables and other financial liabilities.

All financial instruments are initially measured at fair value plus transaction costs unless they are carried at fair value through the Statement of Comprehensive Revenue and Expense in which case the transaction costs are recognised in surplus or deficit. Financial assets designated at fair value through surplus or deficit are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Comprehensive Revenue and Expense.

Service concession arrangement liabilities greater than 12 months are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities entered into with duration less than 12 months are recognised at their nominal value.

Financial instrument derivatives are measured at fair value determined at the reporting period using the New Zealand dollar swap curve, which is made up of Official Cash Rate, bank bill rates, and swap rates. Any changes in fair value are recognised in the Statement of Comprehensive Revenue and Expense in the period in which they arise.

Provisions

Corrections recognises a provision for future expenditure of 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 resources embodying economic benefits or service potential 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 net deficits from future operating activities. Provisions are measured at the present value of the expenditure 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. Any increases in the provision due to the passage of time would be recognised as a finance cost.

Accident Compensation Corporation (ACC) Partnership Programme

Corrections belongs to the ACC Accredited Employer Programme whereby Corrections accepts the management and financial responsibility of work-related illnesses and accidents of employees.

Under the programme, Corrections is liable for the costs of all claims for a period of five years. At the end of the five year period, Corrections pays a premium to ACC for the value of residual claims, and the liability for ongoing claims passes to ACC from that point.

The liability for the programme is measured at the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date using actuarial techniques. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Onerous contracts

When the expected benefits or service potential to be derived from a contract are lower than the unavoidable costs of meeting the obligations under the contract, a provision is recognised. The provision is measured at the present value of the future net cash outflows expected to be incurred in respect of the contract.

Parental leave

Corrections provides an ex-gratia payment to employees (approximating six weeks pay) who return to Corrections for a period of time (as specified in contracts, typically three to six months) after being on parental leave. Corrections anticipates that this provision will be realised within 12 months.

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)

All statements are GST exclusive, except for creditors and other payables and debtors and other receivables within the Statement of Financial Position. These amounts are shown as GST inclusive.

The net amount of GST payable to, or recoverable from, Inland Revenue at balance date is included in creditors or debtors as appropriate. The net amount of GST paid to, or received from Inland Revenue including GST relating to investing and financing activities is classified as an operating cash flow in the Statement of Cash Flows.

Operating leases

Leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease.

Leasehold improvements are capitalised and the cost is depreciated over the unexpired period of the lease or the estimated remaining useful life of the leasehold improvements whichever is shorter.

Commitments

Future expenses and liabilities to be incurred on capital contracts and non-cancellable operating leases that have been entered into at balance date are disclosed as commitments to the extent they represent unperformed obligations.

Contingent liabilities

Contingent liabilities are disclosed in the Statement of Contingent Liabilities at the point at which the contingency is evident. Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic resources is remote.

Contingent assets

Contingent assets are disclosed in the Statement of Contingent Assets at the point at which an inflow of economic benefits or service potential is probable.

Cost allocation accounting policies

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

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.

Changes in cost allocation accounting policies

There have been no changes in cost allocation accounting policies during the period.

NOTE 2: OTHER REVENUE

2017		2018
Actual		Actual
\$000		\$000
23,807	Sale of goods	28,128
2,953	Board and rents	3,079
670	Profit on sale of assets	645
-	Gain on biological assets	467
673	Revenue other	833
28,103	Total other revenue	33,152

Sale of goods mainly comprises revenue from offender employment activities such as farming, distribution and other industries.

NOTE 3: PERSONNEL COSTS

2017		2018	2018	2019
Actual		Actual	Budget	Forecast⁹
\$000		\$000	(unaudited)	(unaudited)
			\$000	\$000
588,933	Salaries and wages	662,398	643,976	701,823
456	ACC Partnership Programme	1,045	-	129
283	Government Superannuation Fund contribution expense	271	310	279
15,656	State Sector Retirement Savings Scheme and Kiwisaver employer contribution	17,832	17,133	20,056
1,150	Retiring and long service leave	2,961	1,258	1,408
75	Termination benefits	-	-	-
606,553	Total personnel costs	684,507	662,677	723,695

9. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2018.

NOTE 4: OPERATING COSTS

2017 Actual		2018 Actual	2018 Budget (unaudited)	2019 Forecast ¹⁰ (unaudited)
\$000		\$000	\$000	\$000
18,314	Operating lease rentals	18,221	18,185	19,253
386	Audit fees for annual audit	395	395	410
44	Fees to auditors for other services ¹¹	28	-	-
77,134	Facilities maintenance	82,315	83,195	84,582
58,867	Offender management costs	62,506	59,276	66,496
35,817	Information technology costs	38,700	38,763	40,115
96,520	Contract management	103,379	112,557	110,052
32,773	Administration	43,080	33,660	35,916
9,468	Inventory expenses	11,465	8,676	7,928
53,972	Other operating costs	67,540	55,082	88,968
12,622	Loss on sale of assets	108	-	-
395,917	Total operating costs	427,737	409,789	453,720

NOTE 5: CAPITAL CHARGE

Corrections pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge for the year ended 30 June 2018 was 6% per annum (2017: the capital charge rate for the six months ended 31 December 2016 was 7% per annum and the rate for the six months ended 30 June 2017 was 6% per annum).

NOTE 6: DEBTORS AND OTHER RECEIVABLES

2017 Actual \$000		2018 Actual \$000
	CURRENT PORTION	
	Exchange transactions	
2,271	Trade debtors - external	3,737
311	Employee advances	424
(23)	Less provision for impairment	(2)
2,559	Trade debtors - external and employees	4,159
1,236	Trade debtors - other government entities	6,649
1,236	Trade debtors - other government entities	6,649
	Non-exchange transactions	
270,400	Debtor Crown	355,977
270,400	Debtor Crown	355,977
274,195	Total debtors and other receivables	366,785

10. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2018.

11. Total fees to auditors for other services in 2018 for independent quality assurance over asset management/facilities maintenance and correctional facilities procurement totals to \$55,000 of which, \$27,000 has been capitalised.

The carrying value of trade debtors approximates their fair value.

The debtor Crown of \$356.0 million (2017: \$270.4 million) consists of operating funding (GST inclusive) not drawn down as a result of the timing of cash requirements.

There is minimal credit risk with respect to external receivables. Corrections' 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.

All debtors are expected to be realised within 12 months and therefore classified as current. Corrections classifies debtor Crown as current because it can be realised in cash within three working days.

The ageing profile of debtors and other receivables at balance date is detailed below:

	2018			2017		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	366,149	-	366,149	273,186	-	273,186
Past due 1 - 30 days	190	-	190	455	-	455
Past due 31 - 60 days	43	-	43	101	-	101
Past due 61 - 90 days	9	-	9	136	-	136
Past due > 90 days	396	(2)	394	340	(23)	317
	366,787	(2)	366,785	274,218	(23)	274,195

As at 30 June 2018 and 30 June 2017, 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:

2017 Actual \$000		2018 Actual \$000
38	Balance at 1 July	23
(15)	Provisions (released)/made during the year	(21)
23	Balance as at 30 June	2

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

Those specific debtors that are insolvent are fully provided for. As at 30 June 2018 Corrections had no debtors that were insolvent (2017: Nil).

NOTE 7: NON-CURRENT ASSETS HELD FOR SALE

Actual 2017 \$000	Actual 2018 \$000
Non-current assets held for sale comprise:	
- Buildings	906
- Land	708
- Total non-current assets held for sale	1,614

Corrections owned properties at Seymour St Blenheim, Princess St Hawera, Revell St Hokitika and Poto Ave Whangarei have been presented as held for sale during the year following the approval to transfer the premises to Land Information New Zealand (LINZ) for disposal, as it will provide no future use to Corrections. The transfer was completed in July 2018.

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

An independent valuer, Beca Group, performed the most recent valuation of freehold land and buildings and the valuation was effective as at 30 June 2017. Peter Ward, Registered Certified Valuer (ANZIV) certified this valuation. The total fair value of freehold land and buildings valued by Beca Group at 30 June 2017 was \$2,279.8 million. In line with Corrections' accounting policy, the next valuation will be effective as at 30 June 2020. Until this time, the valuation undertaken in 2017 is deemed to be fair and reasonable.

Corrections has land holdings that are subject to Treaty of Waitangi claims and therefore there may be restrictions on disposal. No adjustment has been made to the value of Corrections' land holdings to reflect these restrictions.

Corrections classifies property, plant and equipment expected to be sold in the next 12 months as assets held for sale. There were four assets held for sale as at 30 June 2018 (2017: Nil)(Note 7).

Corrections constructs prison buildings, which are classified as assets under construction. Assets under construction are capitalised at the in-service date. Assets under construction include buildings \$533.1 million (2017: \$357 million), leasehold improvements \$9.1 million (2017: \$3.6 million), and other \$8.3 million (2017: \$10.9 million).

Corrections currently holds residential properties that were purchased in the 1960s. Corrections holds these properties so that it is able to provide accommodation to staff working in prisons in rural areas or for future operational purposes. The rental revenue that is received from these properties is incidental, as opposed to being held for investment purposes. The net carrying amount of these properties is \$2.9 million (2017: \$3.5 million).

Corrections holds the old prison at Mt Eden Corrections Facility as a heritage asset. Corrections does not recognise heritage assets within property, plant and equipment. However, it is insured under Corrections' material damage policy for an estimated total reinstatement value of \$114.9 million (2017: \$112.6. million).

There are no other restrictions over the title of Corrections' property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

Public Private Partnership (PPP) arrangements

Auckland South Corrections Facility

Operations at the 960 bed Auckland South Corrections Facility (ASCF) commenced in May 2015. The facility was designed, financed and built through a PPP with SecureFuture Wiri Limited (contractor). Under the agreement, Corrections provided existing department-owned land adjacent to Auckland Region Women's Corrections Facility to the contractor on which to build the prison. The contractor will continue to operate and maintain the prison for a period of 25 years, after which responsibility for ongoing maintenance and operations will revert to Corrections. The Chief Executive of the Department of Corrections will be responsible for the safe, secure and humane containment of prisoners on that site.

The asset relating to ASCF comprises land \$12.7 million (2017: \$12.7 million), buildings \$288.7 million (2017: \$299.9 million), plant and equipment \$4.7 million (2017: \$5.7 million) and other equipment \$4.5 million (2017: \$6.8 million).

Under this agreement Corrections pays a monthly unitary charge to the contractor from service commencement. This charge covers, and is allocated between:

- > The construction of the facility – these costs are not repriced and are recognised as a reduction against the service concession arrangement liability. Repayment of the service concession arrangement liability will be over a term of 25 years from service commencement at an effective interest rate of 8.79% per annum. Certain major capital expenditure incurred (such as re-roofing, replacement of heating units) during the term of the agreement is paid for by Corrections at the time it is provided by the contractor, and the unitary charge is adjusted at this time for these amounts.
- > The finance costs – finance costs are repriced every five years and the amount Corrections pays to the contractor is adjusted. Finance charges are recognised as an expense using the effective interest rate method.
- > The service costs – these costs cover operation of the facility as well as routine repairs and maintenance required to keep the facility operational and in good condition. A portion of these costs is indexed to Consumer Price Index and Labour Cost Index. This portion can be reset at year five and year 15 of the agreement. Any change in these service costs will result in a change to the amount Corrections pays to the contractor. Service costs are recognised as an expense in the period incurred.
- > Termination clauses and penalties are outlined in Corrections' base agreement and there is no right of renewal after the 25 years.
- > Lifecycle costs – this is additional to routine repairs and maintenance carried out during the contract lifetime which is agreed upfront.

Due to favourable current market conditions, SecureFuture Wiri Limited and Corrections had refinanced its debt to ensure improved debts terms and reduced base rates. This is two years ahead of when they were scheduled to refinance and would incur no additional cost to Corrections. The service concession liability will become a floating rate liability on 12 August 2019. Corrections has an interest rate swap with the New Zealand Debt Management Office to mitigate exposure to interest rate risk.

Auckland Prison

Construction commenced in October 2015 on the new maximum security facility at Auckland Prison and is expected to be completed in late 2018. The facility will be designed, financed, built and maintained through a Public Private Partnership with Next Step Partners Limited (contractor). Under the agreement, custodial operations will continue to be carried out by Corrections. While the total maximum prisoner capacity will remain unchanged, the new modern facility will continue to ensure the safe containment of prisoners and allow prisoners who have high and complex needs to receive care in an environment that supports them and the delivery of high-quality rehabilitative and reintegrative services.

The land under the new maximum security facility was provided by Corrections. The contractor will maintain the prison for a period of 25 years following construction, after which responsibility for ongoing maintenance will revert to Corrections. The contractor will also maintain the Auckland West facility, which is being integrated with the new facilities via secure links as part of the construction.

The asset relating to Auckland Prison is comprised of buildings within assets under construction of \$353.8 million (2017: \$292.4 million).

During the year, finance costs of \$6.9 million were capitalised during the construction period (2017: \$10.3 million).

Under this agreement Corrections pays a monthly unitary charge to the contractor from service commencement. This charge covers, and is allocated between:

- > The construction of the facility – these costs are not repriced and are recognised as a reduction against the service concession liability. Repayment of the service concession liability will be over a term of 25 years from service commencement at an effective interest rate of 5.90% per annum. Certain major capital expenditure incurred (such as re-roofing, replacement of heating units) during the term of the agreement is paid for by Corrections at the time it is provided by the contractor, and the unitary charge is adjusted at this time for these amounts.
- > The finance costs – finance costs are repriced every five years and the amount Corrections pays to the contractor is adjusted. Finance charges are recognised as an expense using the effective interest rate method.
- > The service costs – these costs cover maintenance of the facility required to keep the facility operational and in good condition. A portion of these costs is indexed to Consumer Price Index and Labour Cost Index. Any change in these service costs will result in a change to the amount Corrections pays to the contractor. Service costs are recognised as an expense in the period incurred.
- > Termination clauses and penalties are outlined in Corrections' base agreement and there is no right of renewal after the 25 years.
- > Lifecycle costs – this is additional to routine repairs and maintenance carried out during the contract lifetime which are agreed upfront.

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and fittings	Computer hardware	Motor vehicles	Assets under construction	Total property, plant and equipment
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation									
Balance at 1 July 2016¹⁴	148,879	2,297,597	38,822	73,275	22,150	51,562	45,056	283,828	2,961,169
Additions	-	44,065	1,378	2,420	676	1,203	6,489	181,800	238,031
Revaluation increase/(decrease)	29,459	(296,415)	-	-	-	-	-	-	(266,956)
Disposal/write-offs	-	(13,214)	(3,764)	(1,068)	-	(1,611)	(5,152)	(1,525)	(26,334)
Transfers	-	81,999	3,707	6,192	642	1,430	12	(92,567)	1,415 ¹²
Cost or valuation at 30 June 2017¹⁴	178,338	2,114,032	40,143	80,819	23,468	52,584	46,405	371,536	2,907,325
Add: Movements									
Additions	-	25,184	1,006	2,924	114	2,859	6,718	207,044	245,849
Disposals/write-offs	-	-	-	(329)	(26)	-	(4,164)	-	(4,519)
Transfers	(708)	16,226	147	7,820	195	1,279	1,539	(28,112)	(1,614) ¹³
Cost or valuation at 30 June 2018	177,630	2,155,442	41,296	91,234	23,751	56,722	50,498	550,468	3,147,041
Accumulated depreciation and impairment losses									
Balance at 1 July 2016 ¹⁴	-	(223,687)	(22,754)	(44,029)	(10,980)	(49,595)	(30,439)	-	(381,484)
Depreciation expense	-	(119,605)	(5,109)	(6,526)	(3,325)	(1,694)	(4,211)	-	(140,470)
Disposal/write-offs	-	2,499	3,764	753	-	1,611	4,721	-	13,348
Transfers	-	(265)	699	(422)	-	-	(12)	-	-
Revaluation increase	-	341,058	-	-	-	-	-	-	341,058
Accumulated depreciation and impairment losses at 30 June 2017¹⁴	-	-	(23,400)	(50,224)	(14,305)	(49,678)	(29,941)	-	(167,548)
Add: Movements									
Depreciation expense	-	(138,208)	(4,462)	(8,166)	(3,134)	(2,607)	(5,160)	-	(161,737)
Disposals/write-offs	-	-	-	299	26	-	3,794	-	4,119
Transfers	-	-	-	475	-	-	(475)	-	-
Accumulated depreciation and impairment losses at 30 June 2018	-	(138,208)	(27,862)	(57,616)	(17,413)	(52,285)	(31,782)	-	(325,166)
Carrying amounts per asset class At 30 June 2018	177,630	2,017,234	13,434	33,618	6,338	4,437	18,716	550,468	2,821,875
At 30 June 2017¹⁴	178,338	2,114,032	16,743	30,595	9,163	2,906	16,464	371,536	2,739,777

12. The balance against transfers in 2016/17 relates to the transfer of computer hardware assets under restriction from intangible assets to property plant and equipment upon capitalisation.

13. The balance against transfers for 2017/18 refers to assets now shown under Non-current assets held for sale (Note 7)

14. The 2016 and 2017 actuals were restated to reflect the impact of the amended standard PBE IPSAS 32 which requires Service Concession Arrangements to be reported together within the current categories of land building and plant and equipment, consistent with the requirements PBE IPSAS 17 "Property, Plant and Equipment".

NOTE 9: INTANGIBLE ASSETS

	Acquired software	Internally generated software	Assets under construction	Total intangible assets
	\$000	\$000	\$000	\$000
Cost or valuation				
Balance 1 July 2016	38,256	101,642	27,954	167,852
Additions	403	1,936	16,284	18,623
Transfers	4,092	10,094	(15,601)	(1,415) ¹⁵
Cost or valuation at 30 June 2017	42,751	113,672	28,637	185,060
Add: Movements				
Additions	1,613	2,271	11,053	14,937
Transfers	4,393	23,184	(27,577)	-
Cost or valuation at 30 June 2018	48,757	139,127	12,113	199,997
Accumulated amortisation and impairment losses				
Balance 1 July 2016	(28,768)	(62,527)	-	(91,295)
Amortisation expense	(3,753)	(12,590)	-	(16,343)
Accumulated amortisation and impairment losses at 30 June 2017	(32,521)	(75,117)	-	(107,638)
Add: Movements				
Amortisation expense	(5,356)	(15,864)	-	(21,220)
Accumulated amortisation and impairment losses at 30 June 2018	(37,877)	(90,981)	-	(128,858)
Carrying amounts				
At 30 June 2018	10,880	48,146	12,113	71,139
At 30 June 2017	10,230	38,555	28,637	77,422

Corrections develops and maintains internally generated software, which is classified as an asset under construction and capitalised at the in-service date.

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

15. The total balance against transfers relates to the transfer of computer hardware assets under construction from intangible assets to property, plant and equipment upon capitalisation.

NOTE 10: BIOLOGICAL ASSETS

2017		2018
Actual		Actual
\$000		\$000
	Cost or valuation	
7,283	Balance at 1 July	8,229
384	Purchases	171
6,411	Net gain/(loss) due to; regeneration, maturation, and changes in unit values	6,570
(5,849)	Sales/harvest	(6,082)
8,229	Cost or valuation at 30 June	8,888
946	Net change	659
7	Change due to movement in quantity	440
939	Change due to movement in fair value	219
8,229	Carrying amounts at 30 June	8,888

Corrections farms sheep, beef and dairy cattle, and pigs at various locations throughout New Zealand.

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

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

Corrections has assessed the impact of Mycoplasma Bovis on its biological assets. Based on testing to date there is a very low risk of stock being impacted and therefore no adjustment to the carrying value of these assets is necessary.

NOTE 11: CREDITORS AND OTHER PAYABLES

2017		2018
Actual		Actual
\$000		\$000
	CURRENT PORTION	
	Exchange transactions	
16,997	Trade creditors	28,306
69,397	Accrued expenditure	95,960
	Non-exchange transactions	
10,620	GST payable	12,149
97,014	Total creditors and other payables	136,415

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.

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

NOTE 12: EMPLOYEE ENTITLEMENTS

2017		2018
Actual		Actual
\$000		\$000
Current liabilities		
27,457	Retiring and long service sick leave	30,610
61,344	Annual leave	70,055
2,562	Sick leave	2,877
4,008	Accrued salaries and wages	5,306
95,371	Total current portion	108,848
Non-current liabilities		
17,256	Retiring and long service leave	17,802
17,256	Total non-current portion	17,802
112,627	Total employee entitlements	126,650

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.

Corrections classifies employee entitlements as current that:

- > are expected to be settled within 12 months after the balance date; and
- > Corrections 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 retiring and long service leave obligations depend on multiple factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rates and the salary inflation factor. Any changes in these assumptions will impact on the carrying amount of the liability.

Independent valuer Chris Sissons (Fellow of the New Zealand Society of Actuaries) from Melville Jessup Weaver valued the retiring and long service leave as at 30 June 2018 (2017: Marcelo Lardies [a member of New Zealand Society of Actuaries] from Aon Hewitt valued the retiring and long service leave).

The major assumptions used in the 30 June 2018 valuation are that future salary growth rates are 3% (2017: 3%) per annum and discount rates ranged from 1.79% to 3.91% (2017: 1.96% to 3.62%) per annum. The discount rates and salary inflation factor used are those advised by Treasury.

If the discount rate were to differ by 1% from Corrections' estimates, with all other factors held constant, the carrying amount of the liability and the surplus/deficit would be an estimated \$2,629,000 higher/lower.

If the salary inflation factor were to differ by 1% from Corrections' estimates, with all other factors held constant, the carrying amount of the liability and the surplus/deficit would be an estimated \$2,652,000 higher/lower.

NOTE 13: PROVISIONS

2017		2018	2018	2018
Total provisions		Employee accidents	Other provisions	Total provisions
Actual		Actual	Actual	Actual
\$000		\$000	\$000	\$000
	Current provisions			
6,983	Balance at 1 July	5,367	640	6,007
888	Additional provisions made during the year	1,046	5,066	6,112
(1,783)	Charged against provision for the year	(819)	(460)	(1,279)
(81)	Provision reversed during the year	-	(22)	(22)
6,007	Current provisions	5,594	5,224	10,818
6,007	Total provisions	5,594	5,224	10,818

Employee accidents

The provision relates to the estimation of Corrections' outstanding claims liability under the Accident Compensation Corporation Partnership Programme. An independent valuer, Craig Lough (Fellow of the New Zealand Society of Actuaries) from Melville Jessup Weaver, provided an estimate of the outstanding claims liability as at 30 June 2018 and 2017.

Key assumptions

The key assumptions used in determining the value of outstanding claims are:

- > the development pattern of claims payments is the same for all loss periods. That is, the future claims pattern will reflect that which occurred in the past
- > the assumed loss ratios were 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
- > Corrections will remain in the ACC Accredited Employer's Programme (ACC AEP) for the foreseeable future. If Corrections were to exit immediately, a risk margin of approximately 12.8% (2017: 12.8%) per annum would be added by ACC.

The estimated ACC AEP outstanding claims liability as at 30 June 2018 included a provision for future claims handling expenses of 9.1% (2017: 9.5%) per annum of expected future claims costs.

Corrections 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
- > identification of work place hazards and implementation of appropriate safety procedures.

Other provisions

Parental leave

Corrections provides an ex-gratia payment to employees (approximating six weeks pay) who return to Corrections for a period of time (as specified in contracts, typically three to six months) after being on parental leave. Corrections anticipates that this provision will be realised within 12 months.

Onerous leases

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. Corrections has a number of operating lease contracts. This provision represents the future estimated irrecoverable expenses for vacant leased premises. Corrections has one year remaining on these.

Parole Act 2002

In September 2016 the Supreme Court of New Zealand ruled that Corrections had incorrectly calculated the period of detention for a claimant offender. Under the *Parole Act 2002* Corrections is required to calculate the period of detention, taking into consideration the period of time a prisoner spends on pre-sentence detention. This provision relates to 31 claims received and assessed. Corrections anticipates that this provision will be realised within 12 months.

NOTE 14: PROVISION FOR REPAYMENT OF SURPLUS TO CROWN

2017 Actual \$000		2018 Actual \$000
6,510	Net (deficit)/surplus	(23,321)
	Add/(less)	
(939)	Unrealised gain in fair value of biological assets	(219)
(679)	Unrealised loss/(gain) in fair value of shares	645
(837)	Unrealised loss/(gain) in discount rates for retiring and long service leave	716
(17,726)	Unrealised loss/(gain) in fair value of derivative financial instruments	22,579
(13,671)	Total surplus/(deficit)	400
13,671	Adjust overall deficit	-
-	Provision for repayment of surplus to the Crown	400

Remeasurements are reported in the Statement of Comprehensive Revenue. Under the *Public Finance Act 1989* all remeasurements are exempted from the requirement for appropriation on the basis of a lack of control. Similarly, unrealised remeasurements are not intended to affect the surplus repayable to the Crown.

The return of any surplus to the Crown is required to be paid by 31 October of each year.

NOTE 15: OTHER FINANCIAL LIABILITIES

2017		2018
Actual		Actual
\$000		\$000
	Current liabilities	
8,979	Service concession arrangements	9,139
8,979	Total current portion	9,139
	Non-current liabilities	
526,205	Service concession arrangements	574,533
11,197	Derivative financial instruments	33,776
537,402	Total non-current portion	608,309
546,381	Total other financial liabilities	617,448

Service concession arrangements

Other financial liabilities include Corrections' liabilities under service concession arrangements.

Repayment of the liability will be over a term of 25 years from service commencement. Service concession arrangement liabilities that Corrections expects to be settled within 12 months of balance date are classified as current.

Corrections has no securities against other financial liabilities.

Derivative financial instruments

Corrections uses derivative financial instruments in the form of interest rate swaps entered into with the New Zealand Debt Management Office (NZDMO) to manage its exposure to fluctuating market interest rates as a result of its Public Private Partnership arrangements.

At 30 June 2018 the total notional principal amount outstanding for Corrections' interest rate swaps derivatives was \$524.7 million (2017: \$245.5 million).

Corrections has two interest rate swaps with the NZDMO and these derivatives are classified as non-current.

For the arrangement with Next Step Partners the interest rate swap derivative is calculated at a fixed rate of 4.78% per annum and the maturity dates range from 2022 to 2041.

For the arrangement with SecureFuture Wiri Limited the interest rate swap derivative is calculated at a fixed rate of 3.78% per annum and the maturity dates range from 2019 to 2039.

These derivatives are measured at fair value determined at the reporting period using the New Zealand Dollar swap curve, which is made up of Official Cash Rate, bank bill rates and swap rates.

As a result of a lower interest rate environment, the present value of the liability has increased. The resulting unrealised loss in fair value of derivative financial instruments between 30 June 2017 and 30 June 2018 of \$22.6 million (2017: unrealised gain \$17.7 million) is recognised in the net surplus or deficit in the Statement of Comprehensive Revenue and Expense.

Derivatives are reported in the statement of financial position as assets when their fair value is positive and as a liability when their fair value is negative.

NOTE 16: TAXPAYERS' FUNDS

Taxpayers' funds comprise general funds and revaluation reserves.

2017 Actual \$000		Notes	2018 Actual \$000
GENERAL FUNDS			
1,592,886	Balance at 1 July		1,615,796
6,510	Net (deficit)/surplus		(23,321)
22,000	Capital contribution from the Crown		81,900
(5,600)	Capital cash returned to the Crown		(5,135)
22,910	Total movement in general funds		53,444
-	Provision for repayment of surplus to the Crown	14	(400)
1,615,796	Balance at 30 June		1,668,840
REVALUATION RESERVES			
757,092	Balance at 1 July		831,194
74,102	Revaluation gains		-
831,194	Reserves total		831,194
2,446,990	Total taxpayers' funds at 30 June		2,500,034

Corrections has no restricted reserves.

2017 Actual ¹⁶ \$000			2018 Actual \$000
Revaluation reserves			
Land			
92,867	Revaluation reserves at 1 July		122,326
29,459	Revaluation gains		-
122,326	Revaluation reserves at 30 June		122,326
Buildings			
664,225	Revaluation reserves at 1 July		708,868
44,643	Revaluation gains		-
708,868	Revaluation reserves at 30 June		708,868
831,194	Total reserves at 30 June		831,194

16. The 2017 actuals were restated to reflect the impact of the amendments in PBE IPSAS 32 which requires Service Concession Assets to be reported within the current asset categories.

NOTE 17: RECONCILIATION OF NET (DEFICIT)/SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

2017		2018
Actual		Actual
\$000		\$000
6,510	Net (deficit)/surplus	(23,321)
	<i>Add/(less) non-cash items</i>	
156,813	Depreciations and amortisation	182,957
(17,726)	Derivative financial instrument decrease/(increase)	22,579
(886)	Non-current employee entitlements	546
138,201	Total non-cash items	206,082
	<i>(Increase)/decrease in working capital</i>	
(8,758)	Debtors and other receivables	(92,590)
(419)	Inventories	(129)
(243)	Prepayments	(4,602)
15,067	Creditors and other payables	39,401
(976)	Provisions	4,811
10,170	Employee entitlements	13,477
14,841	Working capital movements - net	(39,632)
	<i>Add/(less) items classified as investing or financing activities</i>	
(946)	Biological assets revaluation increase	(659)
(679)	Shares fair value decrease/(increase)	645
(477)	Interest and dividends received	(296)
11,952	Net (gain)/loss on sale or disposal of non-current assets	(535)
32,773	Interest on other financial liabilities	32,396
42,623	Total investing activity items	31,551
202,175	Net cash flow from operating activities	174,680

NOTE 18: RELATED PARTY DISCLOSURE

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

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship, on terms and conditions no more or less favourable than those that it is reasonable to expect Corrections would have adopted in dealing with the party at arms' length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Corrections has determined key management personnel as the Chief Executive and the individual members of the Executive Leadership Team. Remuneration applicable to key management personnel is disclosed under Note 19.

There were no related party transactions or commitments to disclose (2017: Nil).

The Treasury advises that responsible Minister Hon Kelvin Davis (effective 26 October 2017) and previously Minister Hon Louise Upston have certified that they have no related party transactions for the year ended 30 June 2018 (2017: Ministers Hon Louise Upston and Hon Judith Collins - Nil).

NOTE 19: KEY MANAGEMENT PERSONNEL COMPENSATION

Corrections' key management personnel are the nine members of the Executive Leadership Team, which includes the Chief Executive, seven Deputy Chief Executives and the National Commissioner (2017: seven - Chief Executive, five Deputy Chief Executives and the National Commissioner).

2017		2018
Actual		Actual
\$000		\$000
2,828	Executive Leadership Team remuneration	3,460
2,828	Total key management personnel compensation	3,460

NOTE 20: POST-BALANCE DATE EVENTS

On 17 September 2018, Corrections signed a Public Private Partnership contract with Cornerstone Infrastructure Partners LP to develop a facility at Waikeria Prison. The facility can accommodate 500 prisoners with the capability to provide mental health treatment for a further 100 offenders. The agreement is not included in the Statement of Commitments as it was entered into after the balance date.

NOTE 21: FINANCIAL INSTRUMENTS

Categories of financial instruments

Corrections is party to financial instrument arrangements as part of its everyday operations. These include instruments such as cash and cash equivalents, investments, debtors and other receivables, creditors and other payables, and other financial liabilities.

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

2017		Notes	2018
Actual			Actual
\$000			\$000
FINANCIAL ASSETS			
Cash and receivables			
95,263	Cash and cash equivalents		103,246
274,195	Debtors and other receivables	6	366,785
369,458	Total cash and receivables		470,031
Fair value through total comprehensive revenue and expense			
7,346	Investments		6,700
7,346	Total investments		6,700
376,804	Total financial assets		476,731
FINANCIAL LIABILITIES			
Fair value through total comprehensive revenue and expense			
11,197	Derivative financial instruments	15	33,776
Measured at amortised cost			
97,014	Creditors and other payables	11	136,415
535,184	Service concession arrangements	15	583,672
643,395	Total financial liabilities		753,863

The liability for the repayment of surplus to the Crown is not a financial liability as defined by PBE IPSAS 28 *Financial Instruments: Presentation*, as the obligation to pay arises from statute.

Fair value hierarchy

Corrections 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
- > valuation technique with significant non-market observable inputs – financial instruments valued using models where one or more significant inputs are not observable.

	Notes	2018			2017		
		Valuation technique			Valuation technique		
		Quoted market price	Significant unobservable inputs	Total	Quoted market price	Significant unobservable inputs	Total
		Level 1	Level 3		Level 1	Level 3 ¹⁷	
		\$000	\$000	\$000	\$000	\$000	
Financial assets							
Cash and cash equivalents		103,246	-	103,246	95,263	-	95,263
Investments		6,700	-	6,700	7,346	-	7,346
Total financial assets		109,946	-	109,946	102,609	-	102,609
Financial liabilities							
Derivative financial instruments	15	-	33,776	33,776	-	11,197	11,197
Total financial liabilities		-	33,776	33,776	-	11,197	11,197

Valuation techniques with significant non-observable inputs (level 3)

Corrections' financial assets and liabilities classified in level 3 (being the interest rate swap with New Zealand Debt Management Office) uses valuation techniques based on significant inputs that are not based on observable market data.

Market inputs used for these swaps are NZD-SWAP and ICAP Australia as a pricing source for the 1-20 year portion of the NZD-SWAP curve. However, as there is no market data beyond 20 years for NZD-SWAP point, the valuation technique uses smooth continuous extrapolation techniques out to 50 years.

The table below provides reconciliation from the opening balance for the level 3 fair value measurement:

2017		Notes	2018
Actual			Actual
\$000			\$000
28,923	Open balance 1 July	15	11,197
-	Gains/losses recognised in:		-
	Surplus or deficit		
(17,726)	Other comprehensive income and expenses		22,579
11,197	Closing balance 30 June	15	33,776

There were no purchases, sales, issue, settlements or transfers as at 30 June 2017 and 30 June 2018.

17. The valuation technique has been reclassified as a level 3 to better reflect the inputs

Financial instrument risk

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. Corrections is exposed to price risk on its investments. The price risk is nominal as the investments are held by Corrections 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.

Corrections 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.

Corrections has no assets or liabilities that are denominated in foreign currency at balance date (2017: Nil).

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.

Corrections' other financial liabilities mainly relate to its service concession arrangements which are interest bearing.

For the arrangement with Next Step Partners Limited the effective interest rate is fixed at 5.90% until 26 August 2022, the interest rate becomes floating thereafter. Corrections has entered into an interest rate swap with New Zealand Debt Management Office (NZDMO) to mitigate our interest rate exposure. The interest rate on the swap is fixed at 4.78%.

For the arrangement with SecureFuture Wiri Limited the effective interest rate is fixed at 8.79% until 12 August 2019, the interest rate becomes floating thereafter. Corrections has entered into an interest rate swap with NZDMO to mitigate our interest rate exposure. The interest rate on the swap is fixed at 3.78%.

Corrections has obtained ministerial approval for borrowing in relation to its service concession arrangements and to enter into its interest rate swaps derivatives with the NZDMO.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date.

The table below sets out the difference in net (deficit)/surplus had interest rates been 1% higher or lower than the year-end market rate, with all other variables remaining constant.

Any change in the net surplus/(deficit) for the period would result in a corresponding movement in the financial liability at balance date.

2017		Change in interest rate	2018
Impact on net surplus/(deficit)			Impact on net (deficit)/surplus
\$000			\$000
21,448	Interest rate swaps	+ 1.00 %	(4,638)
(21,448)	Interest rate swaps	- 1.00 %	5,254

Credit risk

Credit risk is the risk that a third party will default on its obligations to Corrections, causing Corrections to incur a loss. In the normal course of business, Corrections is exposed to credit risk from trade debtors, transactions with financial institutions and the NZDMO.

Corrections 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, Corrections does not have significant concentrations of credit risk.

Corrections' maximum credit risk exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents and debtors and other receivables 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.

2017		Notes	2018
Actual			Actual
\$000			\$000
Cash and cash equivalents			
95,263	AA-		103,246
95,263	Total cash and cash equivalents		103,246
Debtors and other receivables			
270,400	AA+		355,977
3,795	Counterparties without credit rating		10,808
274,195	Total debtors and other receivables	6	366,785
Investments			
7,346	A+		6,700
7,346	Total investments		6,700

Debtors and other receivables

Debtors and other receivables are mainly comprised of debtor Crown NZDMO (Standard and Poor's credit rating of AA+), receivables from external parties and other government entities. For its receivables from external parties and other government entities, Corrections does not have significant concentrations of credit risk.

Liquidity risk

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

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

Contractual maturity analysis of financial liabilities

The table below shows Corrections' 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.

2017		Notes	2018
Actual			Actual
\$000			\$000
	Creditors and other payables		
86,394	Less than six months	11	124,266
	Other financial liabilities		
8,979	Less than one year		9,139
59,305	One to five years		97,622
478,097	More than five years		510,687
546,381	Total other financial liabilities	15	617,448
632,775			741,714

NOTE 22: CAPITAL MANAGEMENT

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

In accordance with the *Public Finance Act 1989* (PFA) Corrections manages its revenue, 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.

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

The PFA requires Corrections to make adequate and effective provision in its long-term capital expenditure plans and act in accordance with financial delegations from Cabinet to the Chief Executive through the responsible Minister. The PFA also requires that Corrections 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 taxpayers' funds is to ensure Corrections effectively achieves the goals and objectives for which it was established, while remaining a going concern.

NOTE 23: EXPANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variances from Corrections' budget are as follows:

Statement of Comprehensive Revenue and Expense

Revenue from the Crown was higher than budget by \$49.2 million mostly due to one off funding received in 2017 for increase in the prisoner volumes.

Personnel costs were higher than budget by \$21.8 million reflecting increased investment in probation and corrections staff required to manage the increased muster and offender volumes and the impact of salary increases and overtime. Operating costs increased reflecting offender management costs.

Operating costs were higher than budget by \$17.9 million mainly due to an increase in offender management costs as a result of the increased muster and offender volumes currently being managed.

Depreciation and amortisation was higher than budget by \$14 million mainly due to the revaluation of the assets.

Statement of Financial Position

Cash and cash equivalents were higher than budget by \$53.2 million due to the timing of vendor payments.

Debtors and other receivables were higher than budget by \$96 million mainly due to an increase in debtor Crown, as a consequence of Corrections requiring less cash due to payments for capital and operating expenditure being lower than expected.

Creditors and other payables were higher than budget by \$50.4 million due to an increase in accruals as a result of higher than anticipated accruals relating to investment on prison capacity projects.

Employee entitlements were higher than budget by \$25.4 million mainly due to changes in actuarial valuations, increased personnel and higher rates of remuneration.

Other financial liabilities were higher than budget by \$11.6 million. This relates to Corrections' service concession arrangement liabilities, and the interest rate swaps derivatives entered into with the New Zealand Debt Management Office to manage Corrections' interest rate risk under its Public Private Partnership (PPP) arrangement. The variance is due to construction delays on the Auckland Prison PPP, partly offset by an increase in the derivative liability.

General funds were higher than budget by \$10.7 million mainly due to net capital contributions.

Reserves were higher than budget by \$74.1 million due to the recognition of revaluation gains on Corrections' land and building assets in 2016/17.

Non-Departmental Statements and Schedules

For the year ended 30 June 2018

Schedule of Non-Departmental Expenses

FOR THE YEAR ENDED 30 JUNE 2018

2017 Actual		2018 Actual	2018 Budget (unaudited)
\$000		\$000	\$000
	EXPENSES		
-	Waikeria Corrections and Treatment Facility	6,667	7,500
-	GST input expense	1,000	1,125
-	Total non departmental operating expenses	7,667	8,625

Schedule of Non-Departmental Assets

AS AT 30 JUNE 2018

2017 Actual		2018 Actual	2018 Budget (unaudited)
\$000		\$000	\$000
	CURRENT ASSETS		
-	Cash and cash equivalents	8,625	-
-	Total current assets	8,625	-
-	Total non departmental assets	8,625	-

Schedule of Non-Departmental Liabilities

AS AT 30 JUNE 2018

2017 Actual	Notes	2018 Actual	2018 Budget (unaudited)
\$000		\$000	\$000
	CURRENT LIABILITIES		
-	Creditors and other payables	7,667	-
-	Total non departmental liabilities	7,667	-

Schedule of Non-Departmental Commitments

AS AT 30 JUNE 2018

Corrections, on behalf of the Crown has no non-departmental commitments as at the 30 June 2018 (2017: Nil)

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

AS AT 30 JUNE 2018

Contingent liabilities

Corrections, on behalf of the Crown has no non-departmental contingent liabilities as at the 30 June 2018 (2017: Nil)

Contingent assets

Corrections, on behalf of the Crown has no non-departmental contingent assets as at the 30 June 2018 (2017: Nil)

Notes to the Non-Departmental Schedules

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

These non-departmental schedules present financial information on public funds managed by Corrections on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position and results of its operations for the year reference should be made to the financial statements of the Government.

Basis of preparation

The non-departmental schedules have been prepared in accordance with the accounting policies of the consolidated financial statements of the Government, Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with the New Zealand generally accepted accounting practice (Tier 1 Public Sector Public Benefit Entity Accounting Standards) as appropriate for public benefit entities.

Significant accounting policies

Goods and Services Tax

All items in the non-departmental schedules are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the financial statements of the Government.

Budget figures

The 2018 budget figures are for the year ending 30 June 2018, which are consistent with the best estimate financial information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2018.

Cash and cash equivalents

Cash includes cash on hand and cash held in bank accounts and deposits with a maturity of no more than three months. Corrections, on behalf of the Crown, is required by the Treasury to maintain a positive balance in its bank accounts at all times. Corrections, on behalf of the Crown, has one bank account with Westpac New Zealand Limited.

Financial Instruments

Corrections, on behalf of the Crown, is party to financial instruments as part of its normal operations. These financial instruments consist of cash and cash equivalents and creditors and other payables.

All financial instruments are recognised in the schedule of non-departmental assets and the schedule of non-departmental liabilities. All revenue and expenses in relation to the financial instruments are recognised in the schedule of non-departmental expenses. They are shown at their estimated fair value.

NOTE 2: PAYABLES

2017 Actual \$000		2018 Actual \$000
	Exchange Transactions	
-	Creditors	5,740
-	Accrued expenses	1,927
-	Total payables	7,667

NOTE 3: FINANCIAL INSTRUMENTS***Fair value***

The fair value of financial assets and liabilities is equivalent to the carrying amount disclosed in the schedule of non-departmental assets and the schedule of non-departmental liabilities.

Market risk**Price, currency and interest**

Corrections, on behalf of the Crown, has no exposure to interest rate risk, price risk or currency risk on its financial instruments, as there were no foreign currency forward contracts at balance date and Corrections, on behalf of the Crown, does not hold any interest bearing financial instruments.

Credit risk

Credit risk is the risk that a third party will default on its obligation, causing a loss to be incurred. Credit risk arises from deposits with banks.

Funds must be deposited with Westpac New Zealand Limited, a registered bank.

The maximum credit exposure for each class of financial instruments is represented by the total carrying amount of cash and cash equivalents. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired. Other than Westpac Bank, there are no significant concentrations of credit risk.

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.

2017 Actual \$000		2018 Actual \$000
	Cash and cash equivalents	
-	AA-	8,625

Liquidity risk

Liquidity risk is the risk that Corrections, on behalf of the Crown, will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, Corrections, on behalf of the Crown, closely monitors its forecast cash requirements with expected cash draw downs from the New Zealand Debt Management Office. Corrections, on behalf of the Crown, maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities

The table below shows Corrections' non-departmental 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.

2017 Actual \$000	Notes	2018 Actual \$000
Creditors and other payables		
-	Less than six months	7,667
-		7,667

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

2017 Actual \$000		2018 Actual \$000
FINANCIAL ASSETS		
-	Cash and cash equivalents	8,625
-	Total financial assets	8,625
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
-	Creditors and other payables	7,667
-	Total financial liabilities	7,667

NOTE 4: EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for major variance from Corrections non-departmental budget figures are as follows:

Schedule of non-departmental expenses

The actual amounts invoiced was \$0.8 million less than what was anticipated in the budget.

Schedule of non-departmental assets and liabilities

The balance in the cash and cash equivalent account is a result of timing differences.

The balance in the creditors and other payables is as a result of timing differences.

Statement of Budgeted and Actual Expenses and Capital Expenditure Incurred Against Appropriations

FOR THE YEAR ENDED 30 JUNE 2018

2017 Expenditure after remeasure- ments \$000		2018 Expenditure before remeasure- ments \$000	2018 Remeasure- ments \$000	2018 Expenditure after remeasure- ments \$000	2018 Supp. estimates (unaudited) \$000	2019 Forecast ¹⁸ (unaudited) \$000
	VOTE: CORRECTIONS					
	Departmental output expenditure					
889,692	- Prison-based Custodial Services	983,439	(23,295)	960,144	994,387	1,034,448
210,373	- Sentences and Orders Served in the community ¹⁹	226,494	-	226,494	221,267	236,424
60,797	- Information and Administrative Services to the Judiciary and New Zealand Parole Board ¹⁹	67,140	-	67,140	61,713	66,223
1,160,862	Public Safety is Improved MCA	1,277,073	(23,295)	1,253,778	1,277,367	1,337,095
180,869	Re-offending is Reduced	216,102	(426)	215,676	222,415	231,078
1,731	- Policy Advice	2,403	-	2,403	2,558	2,559
1,538	- Ministerial Services	1,978	-	1,978	1,988	1,987
3,269	Policy Advice and Ministerial Services MCA	4,381	-	4,381	4,546	4,546
1,345,000	Total departmental output expenditure	1,497,556	(23,721)	1,473,835	1,504,328	1,572,719
	Corrections capital expenditure					
256,654	Corrections Capital Expenditure - Permanent Legislative Authority	260,786	-	260,786	291,410	393,004
256,654	Corrections Capital Expenditure - Permanent Legislative Authority	260,786	-	260,786	291,410	393,004
	Non-departmental other expenses					
-	Waikeria Corrections and Treatment Facility	6,667	-	6,667	7,500	-

Refer to Part B: Statement of Performance for detailed performance against each category (pages 69 - 111).

18. Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2018.

19. With Multi-Category Appropriations (MCAs), a single appropriation covers more than one category. As such, Corrections is permitted to reallocate resources between categories within a MCA without seeking further parliamentary approval. Despite some categories incurring a net deficit for the year, the respective MCA were within approved levels.

Changes in appropriation structure

In 2018 a non-departmental other expenses appropriation was created. There have been no other changes to appropriations.

Statement of Capital Injections**FOR THE YEAR ENDED 30 JUNE 2018**

2017 Actual \$000		2018 Actual \$000	2018 Budget (unaudited) \$000	2018 Supp. estimates (unaudited) \$000	2019 Budget (unaudited) \$000
22,000	VOTE: CORRECTIONS Capital Injections	81,900	64,900	81,900	272,100

Statement of Capital Injections Without, or in Excess of, Authority**FOR THE YEAR ENDED 30 JUNE 2018**

Corrections has not received any capital injections during the year without, or in excess of, authority (2017: Nil).

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Authority**FOR THE YEAR ENDED 30 JUNE 2018**

Corrections has no expenses and capital expenditure incurred without appropriation or other authority or in excess of an existing appropriation or other authority, in relation to our activities (2017: Nil).

Department of Corrections
Annual Report – Part D

Appendices

Appendix One: Rehabilitation Quotient

The Rehabilitation Quotient (RQ) indicates the extent to which re-offending is reduced by comparing rates of reconviction and reimprisonment amongst offenders who completed a specific rehabilitation intervention, with the rates observed amongst similar offenders (matched on a range of risk-related factors) who had no involvement with that particular intervention.

RQ scores are calculated separately for programmes delivered in prison and in the community. Results for the most recent annual analysis of outcomes are represented in the table opposite. These results are for interventions involving prisoners released within a 12-month period ending on 31 March 2017, and offenders who completed a programme while on a community sentence within the same 12-month period (ending 31 March 2017). The follow-up period, during which any new offending is counted, is 12 months from the date of each individual offender's prison release, or 12 months from the date of programme completion for those on a community sentence.

RQ scores in the right-hand columns are percentage point changes in either reimprisonment or reconviction, indicating differences between 'treated' and equivalent 'untreated' offender groups. As such, a score of -5.0 would indicate that if the rate of re-offending amongst the 'untreated' group was 35 percent, the corresponding rate for matched 'treated' offenders was 30 percent. In the table the darker shading indicates that the difference between the 'treated' and 'untreated' groups was statistically significant at the 95 percent level. The lighter shading indicates statistical significance just below the 95 percent threshold, where a programme effect is considered highly likely.

A number of observations can be made regarding the figures in the table. First, reductions in reimprisonment and reconviction are recorded for most of the interventions evaluated, which is a good outcome. This general trend supports confidence in the general positive impact of our wider rehabilitative efforts.

A number of individual results are worthy of mention. Firstly, as has been the case for the last seven years, the special treatment unit rehabilitation programmes (STURP) continue to generate the largest effect sizes. This year's reimprisonment result (13.4 percentage points) is the strongest recorded on this particular measure to date. The reduction in reconvictions (i.e., re-offending resulting in either a prison sentence or a community sentence) this year is also the highest recorded this year across all interventions. Achieving reductions of this magnitude with the most challenging group of offenders we manage - high-risk violent offenders serving long prison sentences - continues to place this programme on a par with the best programmes of this type in the world.

Further, both three and six month formats of the Drug Treatment Units show excellent results this year, both in reduced reconvictions and re-imprisonments.

Results in Offender Employment continue to be positive, with reductions recorded across most forms of Offender Employment. The overall impacts were statistically significant also. Some surprisingly good results are also observed this year in the educational domain, with Intensive Literacy and Numeracy producing excellent effect sizes.

Similarly for prison programmes, this year's community results are improved on last year's results. In particular, the Short Rehabilitation Programme has produced a solid five percentage-point reduction in reconvictions, and the Medium-intensity Rehabilitation Programme has registered a 4.3 percentage point impact on imprisonments.

A stand-out result this year is a new service, "This Way to Work", an employment placement service for recently released prisoners. The 8.9 percentage-points reduction in re-imprisonment is the second highest for any programme this year, and is a very good achievement for a reintegrative service. The result is however based on outcomes for individuals successfully placed in employment, rather than for all who were referred for the service; as such, some "selection bias" will inevitably influence the result. Nevertheless, the strength of the effect size attests to robust relationship between employment and reduced likelihood of re-offending.

REHABILITATION QUOTIENT		
Interventions in prison	Reimprisonment	Reconviction
Offender Employment, average across Programmes ¹	-3.6	-5.0
Special Treatment Unit Rehabilitation Programme	-13.4	-14.8
Child Sex Offender Special Treatment Unit Programme	-3.2	-4.4
Medium Intensity Rehabilitation Programme	-2.4	-5.5
Drug Treatment Unit Programme (6 months)	-6.4	-9.2
Drug Treatment Unit Programme (3 months)	-4.2	-7.6
Kowhiritanga Programme	-1.0	-2.7
Saili Matagi Programme	-3.5	-6.5
Short Motivational Programme	-4.0	-5.9
Short Rehabilitation Programme	-3.5	-5.5
Intensive Literacy & Numeracy Programme	-5.8	0.3
Release to Work	-2.7	-2.5
Out of Gate	-4.5	-2.2
Supported Accommodation	-3.6	-8.4
Whare Oranga Ake	-0.5	-4.4
Interventions in the community	Reimprisonment	Reconviction
Medium Intensity Rehabilitation Programme	-4.3	0.0
Short Motivational Programme	-2.5	0.0
Short Rehabilitation Programme	-3.2	-5.0
Alcohol and Other Drug Programme	-1.8	-2.9
Alcohol and Other Drug Programme (residential programme)	-3.9	-6.9
This Way to Work	-8.9	-14.1

1. Offender Employment (in prison) is broken down into different employment types (engineering, timber, construction and so on). The figures here are the average effect across the multiple offender employment programmes.

Appendix Two: Recidivism Index

The Recidivism Index (RI) is the measure Corrections uses to represent progress in reducing re-offending.

At one level the RI is fairly straightforward: it is the percentage of offenders in any given cohort who are reconvicted within a given period of time (the follow-up period), and who receive either a prison sentence (RI reimprisonment) or any Corrections-administered sentence (RI reconviction). Corrections' RI figures are produced on a monthly basis, using a 12-month follow up period.

When RI rates are reported, they relate to offenders who were released from prison or started a community sentence over a 12-month period, ending 15 months ago. The difference in time between the offender release or sentence start period and the reporting of the re-offending rate is to allow for the follow-up period to run its course, and to ensure that conviction for new offences have been recorded by the courts.

RECIDIVISM INDEX - 12-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2016/17

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
All (2016/2017)		32.2	46.8	5.7	27.5
Gender	Female	22.7	36.1	3.2	22.6
	Male	33.3	48.1	6.3	28.7
Ethnicity	Maori	34.9	50.4	7.8	33.3
	European	29.5	43.1	4.9	26.6
	Pacific	28.9	42.5	4.4	25.0
	Other (incl. Asian)	16.7	26.5	4.7	22.2
Age (at prison release or start of community sentence)	Less than 20 years	43.3	65.2	6.4	38.9
	20-24 years	36.1	53.1	6.0	32.2
	25-29 years	36.3	52.0	6.5	29.5
	30-39 years	34.0	49.4	6.5	27.9
	40 and above	22.1	32.2	3.7	17.5
Gang Affiliate	Active	47.2	61.5	18.7	47.5
	Former	34.0	49.7	12.3	42.8
	Not recorded	24.3	39.1	4.4	25.4
Offence Group (Most serious for original sentence)	Breaches	38.6	55.7	12.6	35.7
	Burglary	41.5	57.2	8.8	37.7
	Dishonesty	45.0	61.2	9.1	35.6
	Drugs	15.9	24.1	4.5	21.4
	Property Damage	27.7	42.9	7.1	33.9
	Sexual	9.7	14.2	2.7	11.7
	Traffic	20.3	37.8	3.0	22.7
	Violence	28.8	43.7	4.3	24.9
	Weapons	38.0	58.0	7.8	33.5
Other offence	35.6	49.2	6.7	28.1	
Community Sentence	Community Work	n/a	n/a	6.1	29.2
	Supervision	n/a	n/a	6.0	26.1
	Intensive Supervision	n/a	n/a	7.8	32.7

RECIDIVISM INDEX - 12-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2016/17

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
All (2016/2017)		32.2	46.8	5.7	27.5
	Community Detention	n/a	n/a	1.4	25.1
	Home Detention Sentence	n/a	n/a	6.6	18.9
Prisoner Security Classification (at release)	Maximum	70.4	81.5	n/a	n/a
	High	56.7	70.1	n/a	n/a
	Low Medium	42.7	57.9	n/a	n/a
	Low	30.8	47.0	n/a	n/a
	Minimum	12.9	25.0	n/a	n/a
Release Type	Parole	16.4	23.3	n/a	n/a
	Post-release Conditions	36.2	53.1	n/a	n/a
Sentence Length	6 mths or less	39.5	57.4	4.0	24.6
	>6mths to 1 yr	33.8	49.0	6.1	26.0
	>1 to 2yrs	29.7	43.4	8.6	31.3
	>2 to 3yrs	16.1	24.6	n/a	n/a
	>3 to 5yrs	15.8	21.7	n/a	n/a
	More than 5yrs	10.5	15.2	n/a	n/a
All (2015/16)		31.7	45.5	6.1	28.4

RECIDIVISM INDEX - 24-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2015/16						
Category	Group	Released from prison		Beginning community sentence		
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted	
All (2015/2016)		43.2	60.9	9.1	41.6	
Gender	Female	29.6	49.6	5.1	33.3	
	Male	44.8	62.1	10.2	43.9	
Ethnicity	Maori	49.6	67.7	12.1	50.0	
	European	34.4	51.8	8.2	40.5	
	Pacific	38.4	55.9	8.1	39.7	
	Other (incl. Asian)	28.0	38.1	6.2	35.6	
Age (at prison release or start of community sentence)	Less than 20 years	62.0	82.7	10.5	56.8	
	20-24 years	50.8	72.1	9.9	48.3	
	25-29 years	48.0	67.7	10.7	45.6	
	30-39 years	45.6	62.4	9.9	41.6	
	40 and above	28.0	41.4	5.7	26.7	
Gang Affiliate	Active	59.0	76.7	26.3	70.2	
	Former	56.7	72.6	17.3	60.1	
	Never	34.4	52.2	7.4	38.6	
Offence Group (Most serious for original sentence)	Breaches	51.1	69.3	18.9	52.1	
	Burglary	58.1	78.5	14.3	56.2	
	Dishonesty	56.3	73.4	12.9	49.8	
	Drugs	21.2	35.5	8.0	36.1	
	Property Damage	44.4	64.1	11.2	48.5	
	Sexual	15.4	24.9	2.7	16.9	
	Traffic	27.3	50.1	5.0	34.9	
	Violence	40.8	58.8	7.8	39.2	
	Weapons	55.8	72.8	10.6	43.7	
Other offence	48.0	62.8	10.4	44.1		
Community Sentence	Community Work	n/a	n/a	9.7	42.9	
	Supervision	n/a	n/a	9.6	38.6	
	Intensive Supervision	n/a	n/a	11.9	50.9	
	Community Detention	n/a	n/a	2.6	38.6	
	Home Detention Sentence	n/a	n/a	10.9	38.7	
	Prisoner Security Classification (at release)	Maximum	75.0	87.5	n/a	n/a
		High	68.4	83.2	n/a	n/a
Low Medium		55.6	72.9	n/a	n/a	
Low		45.7	66.1	n/a	n/a	
Minimum		20.9	36.9	n/a	n/a	

RECIDIVISM INDEX - 24-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2015/16

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
All (2015/2016)		43.2	60.9	9.1	41.6
Release Type	Parole	25.2	38.1	n/a	n/a
	Post-release Conditions	49.3	68.6	n/a	n/a
Sentence Length					
	6 mths or less	51.7	70.5	6.2	39.7
	>6mths to 1 yr	48.0	67.9	10.3	40.1
	>1 to 2yrs	43.9	62.4	11.3	46.2
	>2 to 3yrs	23.9	41.5	n/a	n/a
	>3 to 5yrs	23.5	34.6	n/a	n/a
	More than 5yrs	17.6	24.0	n/a	n/a
All (2014/2015)		42.2	59.7	8.7	40.7

Appendix Three: Report under section 190 of the Corrections Act 2004 and Parole Act 2002

Section 190(1)(A) of the Corrections Act 2004

A report on how the chief executive has carried out his functions under section 8(1)(K) and prison directors have carried out their functions under section 12(d), of ensuring that processes are established and maintained to identify communities significantly affected by policies and practices in the corrections system, and giving opportunity for those communities to give their view on those policies and practices, and ensuring those views are taken into account.

In 2017/18, Corrections continued to engage with stakeholders, individuals and groups in instances where our operations could potentially impact communities. In 2017/18, we engaged with communities on the placement of offenders in the community, and during Treaty settlements.

Following their sentence, the majority of offenders are returned to the community with the intention that they will be able to integrate and become a productive member of that community. When Corrections places an offender in the community, especially those who have offended against children and/or are believed to be at higher risk of re-offending, the primary concern will be to maintain the safety of that community. On a case by case basis, Corrections will endeavour to engage with the community in ways which meet their needs. For example, introduced at the end of the 2016/17 year, new senior adviser community engagement and reintegration roles were established around the country to facilitate the placement of child sex offenders in the community. Throughout the 2017/18 year, this role allowed Corrections to expand the level of community involvement in the placement of child sex offenders and facilitate safe and sustainable reintegration for child sex offenders.

Corrections is committed to engaging with communities, and being responsive to their needs. In some cases, this will mean adapting the ways in which we approach community engagement. In early 2018 members of the Ōtāhuhu community raised concerns over the number of high-risk offenders being placed into housing in their area. Corrections met with the community to discuss their concerns and provided a forum for discussion. Corrections listened to their concerns and following this, moved the offenders from the community.

As discussed throughout this Annual Report, Corrections acknowledges that in order to succeed in rehabilitating and reintegrating offenders, we need to establish strong relationships with community groups that meet the needs of Māori. Corrections is in the process of reviewing existing relationships and strengthening new and emerging partnerships with iwi. One such partnership was formalised through the signing of a memorandum of understanding on 29 June 2018 with Ngāti Kahungunu, the country's third largest iwi - representing 9.2 percent of the Māori population. This Whakaritenga Pahekoheko, or relationship framework, establishes the joint intention to better the lives of Māori in Corrections' care. Developing iwi partnerships such as this provide essential pathways for the support of offenders in our care, and we are constantly seeking ways to form and strengthen these relationships.

Corrections seeks to use engagement with the community to support the safety and wellbeing of both offenders and the communities they come from, or reside in. While we are making constant efforts to engage with communities, we know we can always do better and look forward to opportunities in the coming year to hear the voices of the public.

Section 190(1)(B) of the Corrections Act 2004

A report on the work undertaken by the inspectors of Corrections, including statistical information about the disposition of complaints made by people under control or supervision and comment on issues arising from complaints or visits.

The Office of the Inspectorate is a critical part of the oversight of the Corrections system. The Inspectorate operates under the *Corrections Act 2004* and the *Corrections Regulations 2005* to provide assurance that offenders are treated in a fair, safe, secure and humane way throughout the corrections system.

While situated within Corrections, the Office of the Inspectorate is operationally independent, allowing it to undertake its functions objectively. These functions include: complaints investigations, investigation of any deaths occurring in custody, the review of Visitor Prohibition Orders, prison inspections and special investigations. To carry out these functions effectively, Inspectors have unrestricted access to all staff, facilities, information and property under Corrections' care or control.

In the past year, the Inspectorate has started its programme of prison inspections, expanded its skill base by recruiting a number of specialist roles, and developed a public website (www.inspectorate.corrections.govt.nz) with key information available in six languages. From the 2018/19 year, new performance measures are also being adopted, which are based on the timeliness of reporting and better reflecting the breadth of the Inspectorate's work.

In total, the Inspectorate dealt with 3,059 cases including complaints, statutory reviews of Visitor Prohibition Orders and misconduct charges, death in custody investigations and special investigations. During this period, 97 percent of these cases were closed.

Prison inspections

In the 2017/18 year the Inspectorate has undertaken 12 prison inspections, based on the new prison inspection framework, which involves undertaking an inspection at each of the 18 prisons across the country within a 20-month time frame. The framework was developed based on research into international and national best practice.

Prisons are assessed against a "Healthy Prisons" framework, based on the United Nation's Standard Minimum Rules for the Treatment of Prisoners which requires inspectors to consider nine specific areas of prison life: reception and admission, first days in custody, escorts and transfers, good order, duty of care, environment, health, rehabilitation, and reintegration.

Prison performance is assessed under four guiding principles:

- > Safety: Prisoners are held safely.
- > Respect: Prisoners are treated with respect for human dignity.
- > Rehabilitation: Prisoners are able, and expect, to engage in activity that is likely to benefit them.
- > Reintegration: Prisoners are prepared for release into the community, and helped to reduce their likelihood of re-offending.

The principles reflect the purpose of the prison system to protect society from crime, both during imprisonment and after release, and highlight the potentially competing demands that are often placed on prison staff and management. This framework is being updated to meet new United Nations minimum rules, known as the "Nelson Mandela Rules", and will also include specific expectations for women and transgender prisoners.

The inspections are intended to provide a "window into prisons", identify innovation and good practice, and give early warning of emerging risks and themes. The reports are written to broadly focus on the prisoner journey – from arrival in prison through to rehabilitation and release.

Inspectors interview prisoners as well as staff. Prisoner focus groups have been held, to engage with and get input from prisoners. The first such focus group, at Tongariro Prison, involved a group of transgender prisoners who spoke about their experiences in prison.

During the year, inspections were carried out at Hawke's Bay Regional Prison, Waikeria Prison, Invercargill Prison, Auckland South Corrections Facility, Rimutaka Prison, Spring Hill Corrections Facility, Mt Eden Corrections Facility, Northland Region Corrections Facility, Otago Corrections Facility, Tongariro Prison, Christchurch Women's Prison and Christchurch Men's Prison. Five inspection reports were finalised.

The first two inspection reports (into Manawatu Prison and Auckland Prison) were published in February 2018, the third one (into Waikeria Prison) was published in May 2018. A fourth report (into Invercargill Prison) was published in July 2018. The reports are released to media, to improve the transparency, visibility and public accountability of the Office of the Inspectorate.

Over the next financial year, when the programme of prison inspections is complete, the inspection team will continue to develop the inspection model to include thematic examinations. These could potentially encompass topics such as aged prisoners, foreign national prisoners, youth prisoners, prisoner resettlement, prisoner transfers, prisoner induction and remand prisoners.

Complaints

The Office of the Inspectorate receives complaints from prisoners, community offenders, lawyers and members of the public. The Inspectorate investigates complaints that have gone through the internal complaints system and where the complainant is not satisfied. In cases of urgency or safety, a complaint can be made directly to the Inspectorate.

During the year the Inspectorate dealt with 2,316 complaints, the majority of which came from: Auckland Prison, Rimutaka Prison, Mt Eden Corrections Facility and Auckland South Corrections Facility (which is a large prison where prisoners have access to telephones in their cells, which may account for the high number of complaints received).

The main categories of complaints received by the Inspectorate were: staff conduct and attitude, prisoner property, prisoner transfers and movements, sentence management, and prisoner health services. To improve the accuracy with which types of complaint are recorded, a separate category was set up for complaints about the complaints system towards the end of the year. Many of the complaints previously categorised as staff conduct and attitude are expected to now fall within the new category.

In 2017/18, there were 17 justified complaints, which are where it is concluded that the agency responsible for the outcome or action being complained of should have acted differently. This is the last year the Inspectorate will report on justified complaints as a performance measure, as this is based on subjective decision-making and implied that complaints which were not justified had no merit.

Death in custody investigations

All deaths in New Zealand prisons are investigated by the Office of the Inspectorate and the reports, on behalf of the Chief Executive, are submitted as evidence at subsequent Coronial inquiries. When an individual dies in custody, the Office of the Inspectorate writes to their nominated contact person to set out the Inspectorate's role in investigating the death and reporting to the Coroner. The family is kept updated about the investigation and once concluded, the next of kin can request a copy of the investigation report, subject to Coroner's approval and the *Official Information Act*. Family members are also provided a booklet with important information to guide them through the process, which the Office of the Inspectorate has recently updated.

In the 2017/18 year, 23 death in custody investigations were finalised. Investigations are dependent upon the circumstances of each case and informed by relevant experts, as required. Comprehensive investigations are carried out into unnatural deaths or those where serious concerns have been raised. Natural deaths are generally investigated with a focus on the adequacy of medical care.

Section 190(1)(C)(D)(E) of the Corrections Act 2004

A report on the processes and systems in place to supervise and control the monitoring of prisoner phone calls, including statistics on the proportion of prisoner calls monitored (otherwise than merely by being recorded) and the number and percentage of calls disclosed under section 117(1) and (2):

- > **to any person other than an employee of the Chief Executive or a contractor**
- > **to an employee of the Chief Executive or a contractor**
- > **of those disclosed, the number of proceedings against a person for a disciplinary offence in which a recording of any of those calls was used in evidence.**

Legislative authority for Corrections to monitor prisoners' telephone calls is provided under section 113 of the *Corrections Act 2004*.

Prisoners in all New Zealand prisons have access to the use of payphones to maintain contact with their loved ones and conduct their personal affairs. They can use these by purchasing a prepaid phone card to use to contact approved phone numbers. Each prisoner is allowed a maximum of 10 approved phone numbers which they are able to call from these phones, with the system not allowing calls to unauthorised numbers to proceed. In order to be added to the approved list, the prison must contact the recipient and confirm their identity and willingness to correspond with the caller. Each phone call has a maximum time limit of 15 minutes.

While the majority of phone calls made from prison are made for legitimate purposes, it is important that Corrections monitor these phone calls, in order to maintain the safety of prisoners, staff and the public.

Prisoners are made aware that phone calls will be recorded and that a portion of these phone calls will be monitored. The exceptions to this are calls made to legal representatives, the Office of the Ombudsman, Crimestoppers, government departments and Members of Parliament, which are exempt from monitoring.

In 2017/18, the total number of calls monitored in Corrections-run prisons was 71,701. This is an increase of more than 4,200 calls from the previous year.

The information Corrections gathers from these phone calls is used to track criminal activity such as; threats of violence, drug activity, and coercion of witnesses. Corrections also shares relevant information from these calls with partner agencies, such as New Zealand Police, Ministry of Social Development and Inland Revenue.

Section 190(1)(F) of the Corrections Act 2004

A report on the measures to reduce the harms of alcohol and drugs on prisoners and offenders within the community.

Corrections is committed to helping offenders change their lives for the better. For many offenders, long-ingrained substance use is both a key driver of their offending and a stumbling block on the road to building a better life. To support offenders in breaking these cycles requires significant investment in high-quality programmes and interventions.

Corrections alcohol and other drug strategy, *Breaking the Cycle: Our Drug and Alcohol Strategy through to 2020* is built on the principles of promoting and protecting the health and wellbeing of offenders, and controlling supply of substances. Against this strategy, we have delivered effective treatment programmes while expanding aftercare support, screening, drug testing and alcohol interlock initiatives.

Prison-based treatment and intervention

Brief and Intermediate treatment programmes

In the 2017/18 year, brief and intermediate alcohol and other drug treatment programmes were delivered to 2,560 individuals. A further 283 individuals were placed in intensive alcohol and other drug treatment Programmes and 907 individuals were placed in Corrections' three, six, or 12-month Drug Treatment Programme. All of the above programmes exceeded the target completion rate of 85 percent.

This year, Corrections made a strategic decision to discontinue the alcohol and other drug Brief and Intermediate programmes in order to focus internal resources on greater provision of offence-focused programmes. To continue to meet treatment needs, an increased number of interventions are now being delivered by contracted providers.

Gender-responsive and youth programmes

To better support the diverse needs of offenders, two specialised pilot programmes were also launched this year. Te Ira Wahine is a gender-responsive alcohol and other drug programme pilot, launched on 1 June 2018. The programme is developed and delivered by Te Ha Oranga at Auckland Region Women's Corrections Facility.

Tāmaua te Koronga is a youth focused alcohol and other drug programme, developed and delivered by Te Taiwhenua o Heretaunga. Tāmaua te Koronga launched on 7 May 2018 and is delivered alternately at Hawke's Bay Regional Prison in the high security to the under-25 population and in the Youth Unit.

Both pilot programmes will incorporate a mental health focus and trauma-informed practice, while utilising a strong kaupapa Māori approach.

Methamphetamine Screening and Intervention

Corrections has become increasingly aware of the need for methamphetamine-specific treatment for offenders, and expanded its suite of programmes to meet the unique needs of those affected by methamphetamine use.

In September 2017, Corrections implemented pilots to identify and address methamphetamine use among people in prison. This has included:

- > the introduction of the Screening, Brief Intervention and Referral to Treatment (SBIRT) programme at Mt Eden Corrections Facility
- > the introduction of a methamphetamine elective for participants of the Drug Treatment Programme at Spring Hill Corrections Facility, Christchurch Men's Prison and Auckland Prison
- > a mental health and wellbeing elective designed for participants of the Drug Treatment Programme at Spring Hill Corrections Facility.

The Screening, Brief Intervention and Referral to Treatment programme has been delivered to 427 people since implementation. Of those, 314 individuals indicated methamphetamine use at some point over their lifetime and the majority were subsequently referred to a programme called 'Meth and Me'. The Drug Treatment Programme electives operating within the have also progressed well, with 273 having completed this intervention. In June 2018, both pilots were extended to Christchurch Men's Prison.

Community-based treatment and intervention

Community Residential Alcohol and Other Drug Treatment Programme

Corrections' Community Residential Alcohol and Other Drug Treatment Programme began on 15 February 2017. In the 2017/18 year, the target of 37 new programme starts was exceeded with 38 programme starts.

Additionally, a budget of \$2.24 million per year for the next three years has now been approved to continue the provision of this service past 30 June 2018 and to increase provision of community residential alcohol and other drug treatment programmes from 13 to 27 treatment beds.

On 10 June 2018 the Minister of Corrections and the Ministry of Health signed a joint paper to endorse a joint commissioning process to tender for community residential AOD treatment programmes. Current contracts have been extended to allow time for this, and it is expected that new contracts will be in place by 1 July 2019.

Intensive Outpatient Alcohol and Other Drug Programme

A one-year pilot of two Intensive Outpatient Alcohol and Other Drug Programmes went live in June 2017. The programmes are eight-week group treatment programmes designed to meet the needs of individuals who are unsuitable or unable to participate in residential treatment. 60 participants started the programme in 2017/18. The pilot has been extended and will be available until June 2019 in Auckland and Whangarei.

Drink-Drive Intervention

Between September 2015 and June 2016 Corrections, with support from the Justice Sector Fund, undertook a successful trial of Alcohol Interlock systems. The trial fully subsidised the costs of the alcohol interlock programme for community offenders who had been given an alcohol interlock order by the court, and successfully demonstrated that the cost of the interlocks was a barrier to uptake.

The second phase of the trial began in July 2017 with Corrections securing funding for a further 240 interlocks. The design of this phase changed the eligibility of the criteria to allow for Corrections oversight in the process and offenders were required to receive a sentence of Intensive Supervision for a minimum period of 12 months. This has reduced the uptake of the funded interlocks and currently there have been 39 approved installations. A legislation change on 1 July 2018 making interlocks compulsory for certain offenders is likely to see these numbers increase.

In addition, Corrections began provision of a Brief Drink-Drive Intervention Programme. The programme consists of brief educational and motivational sessions of six to ten hours in length, which are suitable for first and second time drink driving offenders. Initial feedback from programme participants has been positive.

Drug Testing

Prison

Drug detection programmes are in place in prison to prevent the supply of drugs into prison, and reduce re-offending by reducing drug use in prison and on release.

The criteria for the random testing programme is applicable to prisoners who have spent 30 continuous days in prison and have more than 10 days to serve.

Prisoners who meet the criteria may be required to submit to a random drug test, to detect whether or not they have used drugs or alcohol or both.

Corrections carried out 4,700 drug tests in prisons under the general random drug testing regime during 2016/17 (2016/17: 4,453). The number of drug tests returning a positive was 3.6 percent.

Community

The Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill enables Corrections and Police to require offenders and bailees to undergo alcohol and other drug testing and monitoring in relation to:

- > offenders under the *Sentencing Act 2002*
- > offenders under the *Parole Act 2002*
- > offenders under the *Returning Offenders (Management and Information) Act 2015*
- > persons on protective supervision orders under the *Public Safety (Public Protection Orders) Act 2014*
- > defendants under the *Bail Act 2000*.

The amending legislation came into force on 16 May 2017. The legislation will improve our capacity to hold offenders to account and maintain the integrity of their sentences. It also assists probation officers to target interventions.

The New Zealand Police and Corrections are using alcohol and other drug testing and monitoring technology in the Northern Region for a two year trial, which began in May 2017. The trial uses breath alcohol testing (Police only) and urine testing Alcohol Detection Anklets. All offenders who test positive are held to account and actions taken for failed tests range from written warnings, referrals to alcohol and other drug treatment programmes, to recall back to prison. This trial will be evaluated and the findings will be used to support a national implementation of alcohol and other drug testing.

Aftercare Support

The Alcohol and Other Drug Aftercare Worker Service pilot was implemented on 4 July 2016 to offer more consistent aftercare support for participants who have graduated from either the Drug Treatment Programme (DTP) or the Intensive AOD Treatment Programme (ITP). In December 2017, additional Aftercare Workers were placed in particular sites to increase service delivery. There are currently 17 Aftercare Workers in prison sites nationwide who support participants post-programme. An evaluation of the pilot is currently underway.

RecoverRing Support Line

Additional support is offered to prisoners, community-based offenders and their families in the form of the RecoverRing Support Line. This is a 24/7 support line, which aims to address problematic substance use. The support line went live 24 May 2017, and in the year to May 2018, 446 calls had been received. The RecoverRing contract has been extended for a further 12 months until 30 June 2019.

Section 190(1)(G) of the Corrections Act 2004

A report 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) or (3) and 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

The Contractor's security officers received the following current training as required:

- > Class Two Driver Training
- > Advanced Driver Training Course
- > Control and Restraint (including refresher course)
- > First Aid Certification (including refresher course)
- > Tactical Instructor Course
- > Workplace Behaviour Training
- > PECCS (Prisoner Escorts and Courtroom Custodial Services) Training Course
- > Health & Safety Toolbox Talks (Environmental Awareness, Mental Health, Driver Safety, Holiday Season, Stair Safety, Working Outdoors, Lone Working, Sharps and Syringe Disposal, Influenza and Communicable Diseases)

Complaints

There were two complaints made by prisoners in relation to security officers employed by the Contractor. Following investigation:

- > one resulted in a written warning being issued to the security officer
- > one found the security officers involved had acted in compliance with relevant policies, procedures and legislation.

Violence

There were no reported incidents involving violence by prisoners against other prisoners while in the custody of security officers employed by the Contractor. There was one reported incident involving violence by a prisoner against a security officer employed by the Contractor while carrying out escort duties or courtroom custodial duties.

Self-inflicted injuries

There was one reported incident involving a self-inflicted injury to a prisoner while in the custody of security officers employed by the Contractor.

Searches

Security officers employed by the Contractor are conferred powers by sections 98 and 101 of the *Corrections Act 2004* in order to perform search functions where appropriate. A total of 40,407 searches were recorded by security officers employed by the Contractor during the reporting year.

Disciplinary action

Employment investigations were initiated against seven security officers employed by the Contractor for misconduct. The proceedings resulted in three written warnings, three final warnings and one dismissal.

Compliance with sections 83, 84, 85, 87, and 88 of the Corrections Act 2004

Under the requirements of the above sections of the Act contractors must report on matters relating to use of force, provoking of prisoners, use of non-lethal weapons, or restraint of prisoners. A total of eight incidents were recorded. All incidents were investigated and determined to be compliant with the requirements as specified in the *Corrections Act 2004*.

Section 190(1)(H) of the Corrections Act 2004

A report on the operation of every contract prison that was in operation for the whole or any part of the year to which the annual report relates.

Auckland South Corrections Facility

On 10 September 2012, Corrections engaged in a Public Private Partnership (PPP) with SecureFuture Wiri Limited (SecureFuture) to design, build, finance, operate and maintain Auckland South Corrections Facility (ASCF).

ASCF is a 960 bed men's prison with security classifications ranging from low to high. ASCF has now been operating for three years, having received its first prisoners in May 2015.

The Contract

The ASCF contract takes an outcomes-based approach. It incentivises the contractor to deliver better outcomes than Corrections in reducing re-offending, without compromising on safety and security.

The contract has a set of Key Performance Indicator (KPI) measures that make up the performance framework for ASCF. The KPIs measure both custodial and rehabilitation performance and outcomes and the framework comprises of financial and contractual mechanisms.

If ASCF breaches a KPI, there may be financial penalties (called abatements) or Service Failure Points (SFPs) applied, or for particularly serious incidents, a significant financial penalty of up to \$600,000 applies. SFPs accrue as a result of any KPI breach and as the number of SFPs increase the level of intervention available to Corrections increases. This can include requiring additional reporting or a rectification programme to Corrections' expectations.

The Contractor provides monthly, quarterly and annual reports to Corrections. The reports provide information on custodial performance and rehabilitation and reintegration information. In addition, the Prison Director at ASCF is a member of Corrections' Northern Regional Team and, as such, and the Prison Director meets regularly with the Northern Regional Commissioner.

Prison Monitors

Corrections employs three site based staff (two Prison Monitors and one Team Leader Monitor) on a full time basis who provide assurance over the activities undertaken by the Contractor. Their monitoring role includes inspections of prison operations against contractual and legislative requirements.

In 2017/18, there were two Corrections staff members assigned to ASCF appointed as additional Monitors. One of these Special Monitors continues to visit the site to monitor operations and any specific areas of focus or risk. A monthly assurance report is completed by these staff for Corrections.

Prison Inspectors

Prison Inspectors are empowered under the *Corrections Act 2004*, the *Corrections Regulations 2005*, and the mandate of the Chief Executive. This mandate means Prison Inspectors check and report on the fair, safe, secure and humane treatment of prisoners and people detained within the Corrections system, including those detained at ASCF.

Performance for 2017/18

ASCF has performed well during the performance year and there were no charge events. A further reflection of performance is that there has not been a high level of the financial penalties applied and it has not been necessary for Corrections to require additional reporting or rectification programmes as a result of the level of SFPs during the performance year.

The numbers of serious assaults at ASCF during 2017/18 were comparable to Corrections-operated prisons of a similar size, and there were zero self-harm threat to life incidents during the year. Two serious assaults recorded at ASCF near the end of 2015 were upheld in the courts during 2017/18.

Rehabilitation and Reintegration

As one of Corrections' newest prisons, ASCF provides many rehabilitation options. The prison comprises 32 buildings in total, including the Whare Manaaki and Fale Pasifika, and the industry training capability is one of the largest of any prison in the country.

ASCF provides work and training opportunities for prisoners on site through business partnerships. The work and life skills gained through the industry and learning programmes provide prisoners with realistic employment skills for when they leave prison.

Many prisoners are expected to take responsibility for their day to day arrangements, including budgeting, meal planning, cooking and doing their own laundry.

The PPP agreement includes a financial incentive for the contractor to contribute to reducing re-offending. The contractor is required to show a 10 percent (or greater) improvement compared to Corrections' performance to be able to receive the incentive payment. The measurement of rehabilitation outcomes requires time. Corrections is currently reviewing the incentive performance data and expect to finalise this during 2018/19.

Section 15A of the Parole Act 2002

A report about the use of electronic monitoring, including:

- > **the number of offenders who were at any time subject to an electronic monitoring condition**
- > **the average number of offenders who were subject to an electronic monitoring condition and the average duration of the condition**
- > **the percentage of offenders who, while subject to an electronic monitoring condition attached to an extended supervision order, were convicted of a breach of the condition, or convicted of any other offence**
- > **a description of processes and systems relating to electronic monitoring that were in place during the year reported on.**

Corrections manages offenders on parole and extended supervision who are electronically monitored on a residential restrictions special condition under the provisions of section 15(3)(ab). The following information relates to offenders subject to electronic monitoring under either section 15(3)(f) or section 15(3)(ab) of the *Parole Act 2002* for the financial year to 30 June 2018.

On 30 June 2017, 192 offenders were subject to electronic monitoring as a condition of parole or extended supervision.

For the financial year ending 30 June 2018, the average number of offenders who were at any time subject to electronic monitoring as a condition of parole or extended supervision was 229; 101 as a condition of parole and 131 as a condition of extended supervision. The average length of time that they were subject to such conditions was four years, six months and nine days.

During the year ending 30 June 2018, among offenders subject to an electronic monitoring condition attached to an extended supervision order, 18 (15 percent of the total) were convicted for an electronically monitored specific breach and 41 (34.2 percent of the total) for other breaches.

Offenders subject to electronic monitoring are required to wear an electronic anklet at all times to allow Corrections to monitor their location. If the offender tries to remove the anklet or leaves the monitored address without permission, an alert is triggered and action is taken to assess the offender's whereabouts.

Offenders subject to an electronic monitoring condition may be required to submit to Global Positioning System (GPS) monitoring. GPS monitoring enhances the ability of Corrections to monitor an offender's compliance with any special condition they have related to their location in the community. It provides real-time information on an offender's location, which allows early detection of an offender entering prohibited locations or leaving a place in which they must remain.

Appendix Four: Report under section 121 of the Public Safety (Public Protection Orders) Act 2014

Public Protection Orders are a form of civil detention order, which can be imposed upon a person who is considered to have a very high risk of violent or sexual offending. These orders are applied in circumstances where that person has served their prison sentence, but could not be safely placed in the community due to the risk they pose to others.

The *Public Safety (Public Protection Orders) Act 2014* allows for the application of these orders, and ensures that they are administered in such a way as to protect the public, and not to further punish an offender who has already served their sentence.

The following table presents information required under section 121(1) of the *Public Safety (Public Protection Orders) Act 2014*. There were no inspectors appointed under the Act in the 2017/18 year.

Reference letter	Description of measure	Type	Number of persons/times	State	# of months ²	Outcomes
a	Number of persons who, at the end of the financial year, are detained under this Act	Residences	3	Full Full Full	26.1 month 17.75 month 8.25 month	Not applicable
b	Number of persons who, at the end of the financial year, are detained under this Act	Prisons	0	Information not available	Information not available	Not applicable
c	Number of persons who have been released on protective supervision	Not applicable	0	Not applicable	Not applicable	Not applicable
d	Number of persons who are on protective supervision and who have again been detained under this Act	Not applicable	0	Not applicable	Not applicable	Not applicable
e	Number of times that the Chief Executive applied to the court, ahead of time and pursuant to a direction of the review panel, for a review of a public protection order	Not applicable	0	Not applicable	Not applicable	Not applicable
f	Number of appeals against orders made under this Act, and the outcome of each appeal	Not applicable	0 at the PPO	One deemed abandoned One in progress	Not applicable	Not applicable Information not available
g	Number and nature of any serious incidents involving residents or staff members of residences, or both	Not applicable	0 at the PPO	Not applicable	Not applicable	Not applicable
h	Number and nature of any incidents involving the use of significant force or restraints on residents	Not applicable	0 at the PPO	Not applicable	Not applicable	Not applicable
i	Number of times seclusion was imposed on residents, and the duration of, and reason for, each episode of seclusion	Not applicable	0 at the PPO	Not applicable	Not applicable	Not applicable
j	Number of times that residents were hospitalised	Not applicable	0 at the PPO	Not applicable	Not applicable	Not applicable
k	Number of residents who died	Not applicable	0	Not applicable	Not applicable	Not applicable
l	Number of emergencies in residence that required assistance from corrections officers	Not applicable	0	Not applicable	Not applicable	Not applicable
m	Any other matter that the Chief Executive considers should be included	Not applicable	none	Not applicable	Not applicable	Not applicable

2. These durations are as at 30 June 2018.

Appendix Five: Report under section 50(A) of the Victims' Rights Act 2002

Corrections maintains a victim notification register through which victims (or their appointed representative) can access limited, relevant information about offenders in their case. It is important for the wellbeing of victims that the information is kept up-to date, that they are treated with respect, that their privacy is maintained, and that they are provided information in an accurate and timely manner.

During 2017/18, Corrections received four complaints from registered victims in respect to the victim notification register.

Three of these were deemed to be justified:

- > one complaint concerning contact being made directly with a victim rather than their appointed representative
- > one complaint involving a victim being provided with a release date for a specific offender which was later than the date on which they were released
- > one complaint relating to a victim feeling that they had not had their identity sufficiently verified before being granted access to their personal information.

A fourth complaint was received regarding failure to notify a victim that the offender in their case had been released. This complaint was deemed unjustified after it was found that the offender had not, in fact, been released.

Reviewing victim feedback and complaints is an important part of improving Corrections, and the wider justice sector's services to victims of crime, and we endeavour to learn from each of these complaints.

Corrections is part of a 'victims of crime' inter-agency committee, which includes representatives from key justice sector agencies. This committee brings together non-identifying victim complaints data from across the sector to identify trends and make service improvements.

Appendix Six: Profile of our people

Corrections has over 9,000 staff across the country. The profile of our people outlines our workforce by gender, role designation, remuneration, age, ethnicity and length of service. For data back to 30 June 2013, please see Corrections' 2015/16 Annual Report:

http://www.corrections.govt.nz/resources/strategic_reports/annual-reports.html

All employees by gender

Gender	As at 30 June 2017			As at 30 June 2018		
	Full time	Part time	Total	Full time	Part time	Total
Female	3,731	385	4,116	4,006	399	4,405
Male	4,547	189	4,736	4,717	175	4,892
Grand total	8,278	574	8,852	8,723	574	9,297

All employees by age group

Age	As at 30 June 2017			As at 30 June 2018		
	Frontline	Non-frontline	Total	Frontline	Non-Frontline	Total
<25 years	243	19	262	256	30	286
25 to 34 years	1,206	148	1,354	1,365	171	1,536
35 to 44 years	1,533	172	1,705	1,566	191	1,757
45 to 54 years	2,215	207	2,422	2,288	232	2,520
55 to 64 years	1,775	127	1,902	1,881	154	2,035
>65 years	348	19	367	378	23	401
Not recorded	780	60	840	698	64	762
Grand total	8,100	752	8,852	8,432	865	9,297

All employees by ethnicity

	As at 30 June 2017	As at 30 June 2018
NZ European	57.4%	56.8%
Māori	21.8%	21.4%
Pacific People	10.6%	11.3%
Other	30.6%	31.7%

All employees by designation group

Designation group	As at 30 June 2017			As at 30 June 2018		
	Female	Male	Total	Female	Male	Total
Administration Officer	364	24	388	358	31	389
Administration Support Officer	136	22	158	145	22	167
Adviser	255	185	440	297	218	515
Case Manager	180	111	291	186	113	299
Clerical	56	11	67	63	10	73
Community Work Supervisor	82	222	304	90	208	298
Corrections Officer	988	2,716	3,704	1,063	2,756	3,819
Deputy Chief Executive	3	3	6	3	5	8
Executive Assistant/PA	29	0	29	29	0	29
External Secondment	9	4	13	4	4	8
Facilitator/Principal Facilitator	197	103	300	214	104	318
Instructor/Principal Instructor	55	275	330	60	286	346
Manager	143	169	312	164	177	341
Nurse	149	61	210	163	63	226
Other	325	232	557	365	268	633
Practice Leader	54	25	79	55	30	85
Probation Officer/Senior/Senior Practitioner	801	389	1,190	821	404	1,225
Psychologist/Principal Psychologist	127	46	173	152	41	193
Regional Manager	10	9	19	10	9	19
Residential Manager	13	51	64	12	56	68
Service Manager	104	64	168	115	69	184
Team Leader	36	14	50	36	18	54
Grand total	4,116	4,736	8,852	4,405	4,892	9,297

Remuneration

Remuneration of staff by salary and gender, as at 30 June 2018

Remuneration band	Female	Male
Hourly Paid	43	153
<\$40,000	38	5
\$40,000 - \$49,999	354	36
\$50,000 - \$59,999	1,415	1,782
\$60,000 - \$69,999	1,351	1,386
\$70,000 - \$79,999	500	846
\$80,000 - \$89,999	130	134
\$90,000 - \$99,999	220	160
\$100,000 - \$109,999	128	125
\$110,000 - \$119,999	68	66
\$120,000 - \$129,999	45	49
\$130,000 - \$139,999	35	40
\$140,000 - \$149,999	19	25
\$150,000 - \$159,999	14	23
\$160,000 - \$169,999	7	13
\$170,000 - \$179,999	7	6
\$180,000 - \$189,999	9	9
\$190,000 - \$199,999	9	5
\$200,000 - \$209,999	2	2
\$210,000 - \$219,999	0	6
\$220,000+	11	21
Grand total	4,405	4,892

Remuneration of staff by salary and age group, as at 30 June 2018

Remuneration band	< 25 years	25 to 34	35 to 44	45 to 54	55 to 64	> 64 years	Not recorded
Hourly Paid	0	3	10	38	69	51	25
<\$40,000	17	8	5	7	5	0	1
\$40,000 - \$49,999	22	64	52	109	84	22	37
\$50,000 - \$59,999	177	729	650	824	498	82	237
\$60,000 - \$69,999	57	447	488	717	653	131	244
\$70,000 - \$79,999	8	121	234	422	409	65	87
\$80,000 - \$89,999	4	57	45	73	55	9	21
\$90,000 - \$99,999	0	57	105	97	75	7	39
\$100,000 - \$109,999	1	23	55	68	69	15	22
\$110,000 - \$119,999	0	12	27	43	33	3	16
\$120,000 - \$129,999	0	9	26	22	20	7	10
\$130,000 - \$139,999	0	1	12	33	19	2	8
\$140,000 - \$149,999	0	1	10	18	10	2	3
\$150,000 - \$159,999	0	1	14	12	7	0	3
\$160,000 - \$169,999	0	1	6	6	5	1	1
\$170,000 - \$179,999	0	1	1	4	3	1	3
\$180,000 - \$189,999	0	0	5	6	6	1	0
\$190,000 - \$199,999	0	1	1	6	4	1	1
\$200,000 - \$209,999	0	0	2	1	0	0	1
\$210,000 - \$219,999	0	0	2	1	2	0	1
\$220,000+	0	0	7	13	9	1	2
Grand total	286	1,536	1,757	2,520	2,035	401	762

Turnover and length of service

Average length of service, by age and gender

Age	As at 30 June 2017			As at 30 June 2018		
	Female	Male	Total	Female	Male	Total
<25 yrs	0.87	0.95	0.90	1.08	1.08	1.08
25 to 29 yrs	2.17	1.82	2.01	2.17	1.87	2.04
30 to 34 yrs	3.56	3.38	3.47	3.43	3.26	3.35
35 to 39 yrs	4.98	5.19	5.08	4.89	5.12	5.01
40 to 44 yrs	6.14	6.75	6.45	6.20	6.89	6.55
45 to 49 yrs	7.13	7.87	7.52	6.85	7.75	7.31
50 to 54 yrs	8.47	10.79	9.77	8.09	10.31	9.30
55 to 59 yrs	10.69	13.45	12.35	10.03	13.77	12.19
60 to 64 yrs	12.92	17.66	16.09	13.43	17.41	16.08
>65 yrs	18.28	17.77	17.94	18.03	18.56	18.38
Not Recorded	5.15	5.39	5.25	6.16	6.40	6.26
Grand Total	6.87	9.32	8.18	6.82	9.37	8.16

Turnover at Corrections

Group	As at 30 June 2017	As at 30 June 2018
	%	%
Frontline	7.2%	8.7%
Non-Frontline	12.3%	12.3%
Male	6.9%	8.2%
Female	8.5%	10.1%
Management	6.3%	3.8%
Non-Management	7.8%	8.8%

Appendix Seven: Asset Performance

Asset Overview

The majority of Corrections' assets fall within the property portfolio. The property portfolio, related facilities and assets are the key physical resource for the delivery of our core functions, which are:

- > keeping communities safe by ensuring offenders comply with sentences and orders
- > reducing re-offending by making rehabilitation programmes, education, industry training, and reintegration and transition services available to offenders.

Demand on our property portfolio, related facilities and assets impacts the management of the asset lifecycle at Corrections. 'Demand' is considered to be the number of people under our management. These people include sentenced and remand prisoners, sentenced offenders in the community, offenders serving community-based orders, and defendants being electronically monitored.

Property asset performance measures

The following asset performance measures apply to our owned and leased assets in our property portfolio:

Measure	Indicator	2016/17	2017/18	2017/18	2018/19
		Actual	Target	Actual	Target
Percentage of Prison Service buildings with an excellent/good condition	Condition	85%	-	86%	85%
Percentage of Community Corrections site owned buildings with an excellent/good condition	Condition	100%	-	85%	85%
Percentage of prison service available capacity at year end	Utilisation	97%	-	99%	99%
Percentage of prison service utilisation of available capacity at year end	Utilisation	95%	-	96%	-
Number of reactive calls, as a rate per prisoner ³	Functionality	-	-	4.65	4.4 (5% reduction)
Number of reactive calls affecting normal operations, as a rate per prisoner ³	Functionality	-	-	1.14	1.08 (5% reduction)

For the property condition assessment criteria, see page 189.

The Prison condition rating is up one percent as our Planned Asset Replacement programme takes place. Waikeria and Auckland prisons have the overall worst condition rating of our prisons. There are major works underway at both prison sites to improve their condition.

3. Reactive calls are unplanned maintenance requirements.

Information Communications and Technology (ICT) asset performance measures

Corrections' ICT asset programme of capital investment is principally driven by either:

- > new initiatives; or
- > upgrades and replacements of existing systems that are 'end of life' to maintain existing capability and service levels.

The following asset performance measures apply to both owned and leased assets in our ICT portfolio:

Measure	Indicator	2016/17	2017/18	2017/18
		Actual	Target	Actual
Percentage of time our core services are available	Availability	99.9%	> 99.5%	99.9%
Percentage of our ICT assets with a condition rating of poor	Condition	21%	21%	18%
Number of online kiosks available within the prison environment for offender self-service	Utilisation	170	170	274
Percentage of Community Corrections frontline staff accessing information through mobile technology	Utilisation	100%	> 75%	100%
Percentage of our storage that is available/ hosted within a public cloud	Functionality	0%	10%	0%

We have not invested in our current ICT assets as Corrections' strategy is to move our services to cloud. Our cloud project is currently in the procurement phase.

Property condition assessment criteria

Rating	Asset category/criteria		Internal	Services	Fittings	Furnishings	Maintenance	Client Impact
	External	Internal						
1	Excellent	Sound structure.	Fabric constructed with sound materials, true to line and level. No evidence of deterioration and discolouration.	All components are operable and well maintained and clean.	Excellent/as new.	Well secured and operational, good function and appearance.	Well maintained and clean.	No client complaints.
2	Good	Functionally sound structure.	Showing minor wear and tear and minor deterioration of surfaces.	All components operable. Increased maintenance inspection required.	Operational and functional, minor wear and tear.	Operational and functional. Minor wear and tear.	Increased maintenance inspection required.	Deteriorations cause minimal influence on occupational uses. Occasional client concerns.
3	Standard	Adequate structure. Some evidence of foundation movement, minor cracking.	Appearance is afflicted by minor cracking, staining, or minor leakage, some dampness or mildew. Minor damage to wall/ceiling finishes.	Occasional outages, breakdowns or blockages. Increased maintenance required. Regular and programmed maintenance inspections essential.	Generally operational. Minor defects.	Generally operational. Minor breakages.	Regular and programme maintenance essential.	Some deterioration beginning to be reflected in minor restrictions on operational uses. Client concerns.
4	Poor	Structure functioning but with problems due to foundation movement. Some significant cracking.	Fabric damaged, weakened or displaced. Appearance affected by cracking, straining, overflows or breakages. Breaches of waterproofing evident.	Failures of plumbing component commonplace. Frequent maintenance inspections essential. Short term element replacement/refurbishment.	Components of poor quality and appearance, often inoperable and damaged.	Fittings of poor quality and appearance, often inoperable and damaged.	Frequent maintenance inspection essential. Short term element replacement/refurbishment.	Regular client complaints.
5	Very poor/end of life	Structure has serious problems and concern is held for the integrity of the structure.	Fabric badly damaged or weakened. Appearance affected by cracking, staining, leakage.	Plumbing components are unsafe or inoperable. Minimum life expectancy requiring urgent rehabilitation or replacement.	Significant damage, risk of imminent failure or life has expired.	Most are inoperable or damaged.	Minimum life expectancy requiring urgent rehabilitation or replacement.	Generally not suitable for use by client.

Appendix Eight: New Zealand Business Numbers

Corrections has continued to maximise the benefit of New Zealand Business Numbers during the past year. Where possible, processes have been put in place to identify the New Zealand Business Number (NZBN) of all new and existing vendors. This means New Zealand Business Numbers are now captured at the point of establishing a new vendor or making changes to an existing vendor in Corrections' system.

Corrections has recorded the New Zealand Business Number of 456 current active vendors (15 percent of a total 2,855 active vendors). Over the next year Corrections intends to utilise the New Zealand Business Number database to provide automated data verification of vendor details to further strengthen the accuracy of vendor data.

We are collaborating with the Ministry of Business, Innovation and Employment to provide feedback on New Zealand Business Number initiatives with the aim of meeting obligations under the relevant government directions by 2020.



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