

Annual Report

1 JULY 2016 – 30 JUNE 2017

CREATING LASTING CHANGE
BY BREAKING THE CYCLE
OF RE-OFFENDING





❖ The Department of Corrections – Ara Poutama Aotearoa

Ara (noun): way, path, lane, passageway, track, course, route.

Poutama (noun): is a stepped pattern of tukutuku panels and woven mats symbolising genealogies and the various levels of learning and achievement. Some say they represent the steps which Tāne-o-te-wānanga ascended to the topmost realm in his quest for superior knowledge.

Ara Poutama Aotearoa is the Māori name for the Department of Corrections. It highlights the call to the department and our people, both staff and offenders, to step up, challenge and better ourselves.

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❖ Chief Executive's overview

If we want to live in a safe and well-functioning society we need to help offenders turn their lives around and become contributing members of our community.

No matter where we work and what our role is at Corrections, public safety is always our bottom line.

As I look back at the year in review there are two areas that stand out for me:

- > The way we responded to the unprecedented growth in prisoner numbers; and
- > Our unwavering focus on keeping the public safe.

The prison muster grew by over 700 over the last year, the equivalent of a medium-sized prison. In the last two

years there has been a 16.7% increase in the prison population. We now have more than 10,200 people¹ in 18 prisons across New Zealand², and a further 30,000 people are on community-based sentences.

We have been agile enough to rapidly increase our capacity to accommodate offenders. But we have also increased our overall capability, recruiting new staff and developing our people to be

able to manage and better support the offenders in our care.

What I am particularly proud of is how much we have accomplished while managing the increase in prisoner numbers. We have reduced re-offending, especially among those leaving prison after a longer sentence, there have been no escapes from prison since 2014, and serious prisoner on prisoner assaults have gone down.

¹ As at 30 June 2017.

² There are 18 prisons in New Zealand, including Kohuora, Auckland South Corrections Facility, which is managed by SecureFuture as a public private partnership.

These would be pleasing results in any given year, but are all the more remarkable considering they have been achieved while responding to the growth in prisoner numbers.

Unfortunately, there was one suicide in prison. Although one death is still one more than any of us would want, it is important to note that this is a significant reduction in unnatural deaths in prison, down from 11 in the previous year.

Of particular note is the work we are doing to improve outcomes for Māori offenders, our \$21 million investment in better mental health and alcohol and drug outcomes, our increased support for women offenders, and our work with youth and those in gangs.

In March 2017 we signed the first ever Accord, or Kawenata, between a government department and the Kiingitanga. This signing established an enduring relationship built on engagement and co-operation. This partnership will serve as a blueprint for us to build similar relationships with other iwi across New Zealand.

In March 2017 we launched two *Change Lives Shape Futures* strategies – *Reducing Re-offending Among Māori*³ and *Investing in Better Mental Health for Offenders*⁴. We have also finalised programmes of work to support women offenders, gangs, youth, people with alcohol and other drug issues and trans people. There is potential to change the lives of many offenders and their families for the better through an ongoing investment and focus in these areas.

Over the last year, we employed over 1,000 new frontline staff to ensure we can safely and securely manage the offender population. We're engaged with partners who have expertise in the areas where we need

to see better outcomes, we've brought more expertise in-house with roles such as counsellors, social workers, mental health workers, community engagement and reintegration advisers, and work brokers.

In July 2016 we established a new Commercial Services team to oversee our larger contracts with third parties. We also strengthened our Office of the Inspectorate and a number of our functions and governance practices following recommendations from the Chief Inspector, Waitangi Tribunal and Chief Ombudsman.

People can come to us damaged, dangerous and volatile. They can be a threat to themselves or others. These people can be incredibly challenging to manage and need a range of support. Every day our people rise to that challenge to ensure the safety of offenders, their families and the wider community. We support people to get back into education, we help them learn a trade, get a job, seek treatment, face up to their offending, complete programmes and do what it takes to address issues such as violence, sexual offending, trauma, drug abuse or any of the contributing factors that lead to criminal offending.

We have more offenders than ever before taking part in trade training, employment and education. We have forged strong relationships with organisations that can support offenders in the areas of health, employment, accommodation, alcohol and drug treatment, rehabilitation and reintegration programmes. We liaise with our partners in the justice and social sectors, and have developed links with iwi, community groups and academic experts whose expertise and influence is essential to make lasting changes in the lives of offenders and their families.

Following our decision to step in at Mt Eden Corrections Facility in July 2015, in March 2017 we achieved a smooth handover from Serco management to Corrections management. The prison has been running effectively without serious incident. We have also increased our monitoring capacity and oversight of the privately managed prison Kohuora, Auckland South Corrections Facility.

Underpinning all we do is a commitment to making our communities safer places to live. That commitment includes advanced security at prisons and community corrections sites, and for electronic monitoring, increased reintegration services for ex-prisoners and greater community liaison ahead of the placement of child sex offenders. For those who pose the greatest risk, we operate 24-hour high-risk response teams and a new civil detention residence, Matawhāiti.

Thanks to the dedication and determination of our people and partners, we have accomplished an enormous amount. Fewer people are re-offending. Our systems are safer and our sites are more secure. Our people are well-trained and we are flexible enough to respond to changes in offending patterns. Looking ahead, we will continue to develop our workforce and our partnerships with the social sector and the wider community. We will combine our own significant resources with those of the individuals, volunteers and agencies who share our commitment to changing the lives of New Zealanders.



Ray Smith
Chief Executive

³ Read Corrections' plan to reduce re-offending among Māori online http://www.corrections.govt.nz/__data/assets/pdf_file/0011/882245/COR-AoG_171081_Reducing_Māori_re-offending_v7.pdf

⁴ Read Corrections' mental health strategy online http://www.corrections.govt.nz/__data/assets/pdf_file/0009/880650/Investing_in_better_mental_health_for_offenders.pdf

❖ What Corrections does – Change Lives, Shape Futures

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

We do this by:

Ensuring that custodial and community-based sentences and orders imposed by the Courts and the New Zealand Parole Board are administered in a safe, secure, humane, and effective manner.

We do this by:

Assisting in the rehabilitation of offenders and their reintegration into the community through the provision of programmes and other interventions.

Public Safety

We do this by:

Providing information to the Courts and the New Zealand Parole Board to assist their decision-making.

Underlying our core responsibilities is a commitment to the people of New Zealand – to protect them from those who could harm them. Whether it is monitoring offenders serving sentences in the community, putting in place support plans for those at risk of re-offending, upgrading our facilities to make them more secure,

or providing information to the courts and Parole Board to assist with decision making, everything Corrections does is centred on keeping communities safe.

Public safety is our bottom line, and the best contribution we can make is to ensure that people who come into

the corrections system do not re-offend. That is why we work with offenders to provide rehabilitation, education and employment training, and develop the skills they need to change lives and shape futures.

Appropriation/Outcome	Intermediate Outcome	Output/Category	
Public Safety is Improved (MCA)	<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	<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	<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	

❖ Corrections in the Justice Sector

We work closely with our justice sector partners to reduce crime, improve public safety and provide access to justice by delivering modern and effective services.



Ministry of Justice

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



Police

arrest and prosecute people who break the law



Courts

try and sentence offenders and collect fines



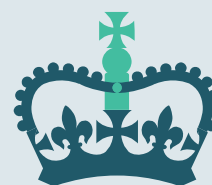
Parole Board

makes decisions on parole applications



Serious Fraud Office

investigates and prosecutes serious financial crime



Crown Law

represents Corrections in court cases

The Justice Sector

Corrections works closely with our partner agencies in the justice and social sectors to ensure a justice system that the public can trust, and which promotes a safe and just New Zealand.

We are part of the government's Justice Sector alongside other core organisations:

- > **Ministry of Justice** – develops policy across the justice sector and forecasts the future size of the prison population.
- > **Police** – arrest and prosecute law-breakers.
- > **Serious Fraud Office** – investigates and prosecutes serious financial crime.
- > **Courts** – try and sentence offenders and collect fines.
- > **Parole Board** – decides on parole applications.
- > **Crown Law Office** – represents Corrections in court cases.
- > **Oranga Tamariki** – manages young offenders.
- > **Ombudsman** – considers complaints and monitors the treatment of prisoners.

The Justice Sector Leadership Board

Corrections is part of the Justice Sector Leadership Board, which is responsible for ensuring we achieve our collective goals. The Board includes:

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

The Board coordinates major change programmes and oversees planning to improve services, reduce harm and the number of people in the criminal justice system, maintain institutions and manage investment.

Justice Sector Fund

The Justice Sector Fund was created in April 2012, and is a way for the justice sector to share savings and gives us financial flexibility to invest in areas that deliver the best results. Through the fund we can use the money saved by an agency to support effective initiatives across agencies, providing for a more flexible, inter-agency approach to reducing crime and re-offending.

In 2016/17, Corrections received funding totalling \$20.5 million from the Justice Sector Fund for initiatives including:

- > enhanced mental health services for offenders in prison and in the community
- > 'This Way for Work' pilot programme to support offenders into employment
- > a pilot to support young offenders in South Auckland to gain their driver's licence
- > positive parenting education for offenders – a pilot with the Brainwave Trust
- > reintegration services for women prisoners.

Investment Approach to Justice

The Social Investment Approach seeks to understand which population groups are most likely to be involved in crime in the future, and to support further analysis about the potential impact of new policies or investment to make that crime less likely.

The Investment Approach to Justice is owned by Justice Sector Chief Executives and overseen by Justice Sector Ministers. The purpose of the work is to reduce the future burden of crime on society. Because no agency can achieve this alone, the work involves Police, the Ministry of Justice, Corrections, the Ministry of Social Development, and others.

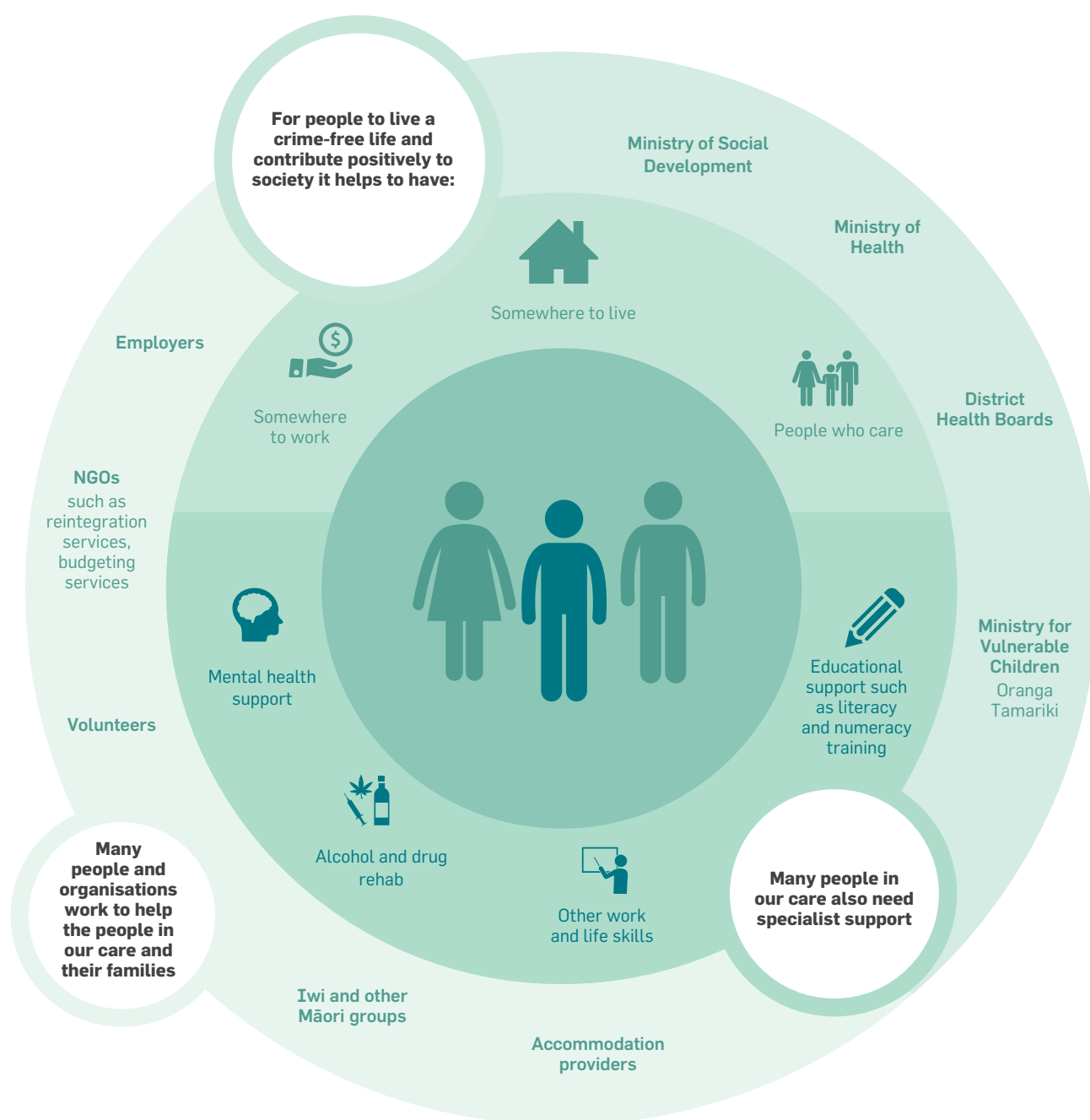
Investment analysis tells us the Corrections' population is disadvantaged on a range of key measures, including prevalence of mental health issues, benefit dependency and substance abuse, and their future costs are very high in terms of re-offending and benefit receipt.

The biggest ongoing challenge is ensuring that our investments in rehabilitation and reintegration are sustained when offenders leave our management. Several recent initiatives are taking this approach, including ring-fenced social housing for offenders and dedicated Ministry of Social Development case management support for released prisoners.



We work closely with the organisations in the social sector, health, employment, iwi and many other partners to help bring about change in offenders' lives.

If people have somewhere to live, a job, mental health support, education and skills, and people who care for them, they are far more likely to be able to live crime-free and contribute to society.



❖ Corrections by the numbers

In 2016/17 the Department of Corrections:

Continued to deliver against our key strategic outcomes: improving public safety and reducing re-offending. In this year we have:

- > ensured the security of prison sites, with no breakout escapes
- > supported 7,197 prisoners to complete a rehabilitation programme
- > ensured 3,287 community-based offenders completed a rehabilitation programme
- > referred 6,267 offenders to a reintegration intervention
- > ensured the integrity of the prison system, with only 3.6% of general random drug tests returning a positive result
- > ensured that 100% of psychological reports were provided within the timeframes of the New Zealand Parole Board
- > provided administrative support to 7,733 hearings of the Parole Board
- > referred 1,364 offenders to an employment support service
- > supported more than 10,000 prisoners to receive improved services to assist them in finding stable employment
- > achieved 91% prisoner engagement in Industry, Treatment, Learning and other constructive activities across our public prisons.

We managed a budget of approximately \$1.4 billion and maintained \$2.8 billion worth of non-current assets, including:

- > 18 operational prisons, 17 directly operated by Corrections and one privately managed by SecureFuture
- > 148 Community Corrections sites, including those leased, owned and shared with other agencies.

With:

- > nearly 9,000 staff, of whom 91% are frontline
- > 480 health staff
- > over 1,700 registered volunteers who made more than 18,000 prison visits.

Who managed and supported:

- > a prison population that exceeded 10,200 as at 30 June 2017 (up by over 700 compared with the same time last year), and approximately 30,000 people in the community.

ZERO

breakout escapes
from prison
since 2014

1st

winner of the 2017 Workplace
Health and Safety Awards
– **Governance category**

100%

of our prisons are
working prisons

28%

fewer individuals
re-offending than
in 2011

1

unnatural death in
prison (down from
11 in 2015/16)

10m

hours of industry, treatment,
learning and constructive
activities by prisoners
in 2016/17

Nearly 1.8m

community work
hours in 2016/17

2,226

work placements
in 2016/17

25

serious prisoner on
prisoner assaults in
2016/17 (down from
45 last year)

More than 1,100

offenders completed
intensive alcohol and drug
treatment programmes

3,894

qualifications were achieved
by prisoners while in prison

1,443

prisoners received
intensive literacy and
numeracy support

885

corrections officers
were appointed to
meet the increase
in prison capacity

Nearly 4,500

general random drug
tests were carried
out in prisons

1,992

prisoners participated
in trade training

Over 1,000

offenders completed
domestic violence
treatment programmes



❖ Making a difference in a challenging environment

Operating in an environment like ours can be challenging. Violent and damaged people can be unpredictable, and we must be constantly on the alert for all eventualities. We will not always get it right, but we will do whatever it takes to put it right and do what is expected of us by the people of New Zealand.

Responding to the rising prison population

There has been a 16.7% increase in the prison population in just the last two years.

The prison population has more than doubled from 4,079 prisoners in 1996 to more than 10,200 as at 30 June 2017. In the last year the prison population increased by over 700, the equivalent of a medium sized prison.

This increase was unforecast, but we were able to add new beds through increased double bunking or re-commissioning closed facilities, with plans to add more in 2017/18.

To support the increase in prisoner numbers, we have also increased our workforce and infrastructure.

The prison population is forecast to grow further over the next four years and beyond.

Meeting future capacity demand in our prisons will be a key focus for us between now and 2021.

In 2017/18 we will add more beds through further double bunking, smaller scale new builds and the rapid deployment of modular accommodation units across the network.

A new 1,500 bed facility planned at Waikeria Prison is due to be operational by 2021.

It is not enough to continue to build prisons. Alongside our capacity plans are comprehensive industry, treatment and learning plans specific to each prison that ensure all eligible prisoners are involved in activities that will help them live crime free when they leave prison.

Our reducing re-offending programme focused on doing what we know works by looking across the services that already exist and identifying what will make the most difference in offenders' lives.

Making progress in several key areas will have a lasting impact on re-offending, in particular reducing the harm done by family violence and gangs, investing in more mental health, alcohol and other drug support, boosting the education and employment opportunities for offenders, and increasing the programmes and support we provide to short-serving prisoners.

The size and capability of our workforce has increased to meet the needs of the prison population.

We have grown our workforce, not just in numbers through recruitment of more frontline staff, but also in ongoing training and development.

A successful nationwide and international recruitment drive ensured we had the people to meet the needs of an increase in prison capacity. Among the 885 new corrections officers recruited were a number of experienced officers from around the world, including Australia and the United Kingdom.

We have a strong focus on health and safety that begins right at the start of our induction process. Our people have also been given more tools to help them stay safe in the workplace. This includes provision of stab resistant body armour, on body cameras, pepper spray and slash resistant gloves, as well as site emergency response teams and enhanced de-escalation techniques.

Caring for our most vulnerable people

Some of the people we work with are particularly vulnerable, and over the last year we have made important gains towards ensuring that these people receive the specialist care and attention they need. This has included:

- > a significant investment in mental health services
- > developing a new operational policy in consultation with external stakeholders for the management of trans prisoners
- > implementing a new process to identify potential cases of terminal illness at an early stage and make a submission to the Parole Board around compassionate release.



The high prevalence of mental illness among prisoners means that the Department of Corrections is managing more people with mental illness than any other institution in New Zealand"

**Ray Smith, Chief Executive
Department of Corrections.**

Mental health and substance use disorders

Offenders have higher mental health needs than the general population. A 2016 Corrections study⁵ showed that anxiety, panic, post-traumatic stress and mood disorders are significantly more prevalent among offenders than the general population.

The study showed that 52% of female prisoners, and 40% of male prisoners have had a diagnosis of Post-Traumatic Stress Disorder (PTSD) at some point in their life.

People who have offended are also significantly more likely to have alcohol or substance use issues.

Drug and alcohol support can create a broad spectrum of benefits to society, to the individuals themselves and to Corrections.

If health needs are not addressed, then people can have difficulty complying with their conditions, completing their sentences and engaging in rehabilitation.

Investing in better mental health for offenders

In 2016, Corrections secured additional funding of \$21 million to improve mental health services (including alcohol and drug support) for offenders.

The four main areas of support include:

1. Professional teams of mental health clinicians
2. More help for women in prison
3. Supported living for people with high and complex needs
4. Wrap around family support.

The \$300 million redevelopment of Auckland Prison's maximum security facility is due to open in 2018. This new 260 bed facility will house some of our most challenging prisoners with serious mental health and/or complex behavioural issues. Supporting the mental health of maximum security prisoners is a key component of the redevelopment.

Where possible, people with mild to moderate mental health needs will be managed in standard accommodation and supported by health staff on the unit. For those with a higher level of need, a multidisciplinary team will provide timely, on site support, in a purpose built therapeutic environment.

The aim is to assess and intervene early to treat people before their behaviour escalates (or deteriorates), which will not only reduce the demand for our more acute services within prison, but also that of in-patient beds in secure facilities.

For more detail on our investment in better mental health, go to pages 65-69.

Read Change Lives Shape Futures – Investing in better mental health for offenders, available on our website.

⁵ Comorbid substance use disorders and mental health disorders among New Zealand prisoners, Devon Indig, Craig Gear, Kay Wilhelm. June 2016, Department of Corrections.

Supporting those most at risk

In 2016/17, one person in prison completed suicide.⁶ While there were 11 the previous year, any death in custody is one too many and we are doing more to manage our most vulnerable prisoners.

Our challenge has been to identify those most at risk of self-harm and to provide greater support for them. In the past year, more than 3,000 prisoners were placed in an At Risk Unit, and no prisoner assessed as At Risk in these units has taken their life in the last three years. Unfortunately people will try to take their own lives and we have implemented a new approach to manage those most at risk. This includes changing the way we support those at risk of self-harm, and enhancing the physical environment of our At Risk Units. We have accepted and responded to the Chief Ombudsman's report about our At Risk Units and use of tie-down beds.

Where possible, we are treating more people in their unit so they do not have to move to an At Risk Unit.

As well as better staff training to support the identification and treatment of people at risk of suicide, we have introduced multi-disciplinary teams who provide specialist care for people both in the At Risk Unit and once they have left.

The units themselves have been redesigned to be more therapeutic environments, the aim is to help reduce people's risk, before their needs require the support of external mental health teams.

Trauma exposure

Trauma occurs when an event, or series of events, is experienced by the individual as emotionally harmful or threatening.

The 2016 survey on the comorbidity of substance use disorders and mental health disorders among New Zealand prisoners identified high rates of lifetime exposure to potentially traumatising events. For example, over half (57%) of prisoners have experienced sexual and/or family violence. The rate was higher for women at 75% compared to 56% for men.

Trauma exposure can have a range of long-term impacts including the development of PTSD, or other mental disorders such as depression and anxiety, substance abuse, and interpersonal problems. There has been no causal link made between trauma and criminality. However, exposure to traumatic events causes a range of other negative coping strategies, which are, in turn, associated with criminality.

In November 2016, four counsellors and four social workers began working individually with women in prison who have experienced trauma. The aim is to equip them with a variety of skills that will help them cope both in prison and on release.



19%

(one in five) of prisoners had
ATTEMPTED SUICIDE,
at some point in their life.



These people want to damage themselves and they'll do anything to damage themselves."

**Staff member,
At Risk Unit**

⁶ 16 people attempted suicide in prison in 2016/17 but with prompt intervention 94% survived.

Alcohol and drug use

Alcohol and other drug (AOD) use among offenders presents numerous challenges. AOD use is common among offenders – 60% of community-based offenders and 87% of prisoners have identified AOD issues. Alcohol and drugs are often factors in their offending, and it inhibits an individual's success in rehabilitation programmes. In addition, people trying to get drugs and alcohol into prison is an ongoing contraband issue.

In 2016 Corrections invested \$8.6 million (as part of the \$21 million mental health funding) to provide more consistent aftercare support for offenders with AOD issues. The support we can now deliver includes AOD aftercare workers, more residential and non-residential programmes for offenders in the community, 0800 support lines and programmes via secure online learning and a methamphetamine screening and rehabilitation pilot that identifies methamphetamine users as they enter prison and provides treatment.

For more detail about the work Corrections is doing around alcohol and drug use, go to pages 65-68.

Gangs

Prisoners with gang connections are nearly twice as likely to re-offend compared to prisoners without gang affiliations, and are prone to re-offend with increased seriousness. Prisoners with gang affiliations commit a disproportionate number of assaults in prisons. In 2016/17, gang affiliated prisoners were responsible for nearly two-thirds (66%) of assaults despite comprising approximately one-third of the prison population.

Corrections is part of the Whole of Government Action Plan on Gangs, which was initiated in 2014 to reduce the harm gangs cause to families and communities. In May 2017 we launched the Corrections Gang Strategy (CGS).

The CGS programme will be delivered over the next five years and aligns to the Whole of Government Action Plan on Gangs. Our aim is to:

- > contain the negative influence of gang members in the custodial environment
- > disrupt the efforts and capabilities of gang members under our management to organise and commit crime from within prisons and in the community
- > reduce the re-offending rates of gang members and the harm caused by gangs in prisons and the community.

We support people who want to end their involvement with a gang. This can involve moving to a new area, building alternative support networks or accessing services such as gang-related tattoo removal. Pathways to exit gangs can also form part of a broader suite of rehabilitative interventions, which support offenders to build sustainable and law-abiding lifestyles.

Corrections contributes to the whole of government plan in this area, providing input into the Gang Intelligence Centre, safety planning for women with gang connections at risk of family violence on release from prison, and supporting gang members to adopt a crime-free lifestyle.

Challenges in reducing re-offending

The number of offenders who re-offend has been declining over the past six years, with 28% fewer re-offenders in the system than in 2011.

At a population level, the rate of re-offending over the past six years for all people aged 16 years and over has steadily declined, importantly with even steeper declines in the 16 to 19-year-old population.

While overall numbers of offenders entering the Corrections system has been reducing, those who are under sentence are more recidivist and higher-risk. Effective targeting of policing activities resulting in improved prosecution and conviction rates has been successful in ensuring offenders who commit the most serious crimes are those who are in prison.

The reduction in the rate of re-offending was 3.9% as at 30 June 2017. That measure combines the rate of reimprisonment among prisoners within 12 months of their release, and the rate of reconviction among people serving sentences in the community within 12 months of the start of their sentence.

Improving outcomes for Māori

Improving outcomes for Māori is a key focus for the department. Māori are over-represented at every stage in the criminal justice system. Despite making up only 15.8% of New Zealand's population, just over half of New Zealand's offender population are Māori. In terms of victimisation, around a third of Māori have been a victim of an offence.

Addressing these disparities is a challenge; one we have not shied away from. We have made a significant investment and effort in recent years to address the over-representation of Māori under our care, and there has never been such a high level of investment directed towards re-offending, particularly for Māori. But there is still much more we need to do.

Tackling this issue is complex as it requires dealing with entrenched, sometimes intergenerational, offending that is often driven by poor social and educational outcomes and a lack of cultural identity.

As a justice sector, a target has been set to reduce Māori re-offending by 25% by 2025. Achieving this target will require a sector wide response.

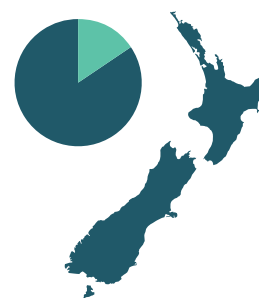
We understand the importance of partnership with Māori and are committed to working with Māori to reduce re-offending.

For more detail about the work Corrections is doing to improve outcomes for Māori, go to pages 70-72.



Māori make up...

15.8% of the population in New Zealand



51% of the prison population



“

Turning lives around takes time and a combined effort. We must work closely with iwi and the community, as well as our colleagues in the health, justice and social sectors, who share our commitment to improve outcomes for Māori.”

**Ray Smith, Chief Executive
Department of Corrections.**

Electronic Monitoring (EM)

There are around 4,100 people being electronically monitored in our communities, most of whom are not high-risk. Information on their whereabouts is monitored 24 hours a day.

3M New Zealand is contracted to provide electronic monitoring services for Corrections. Should an offender tamper with their anklet, our supplier must take immediate action.

While EM enhances the work of our probation staff, it cannot replace the personal interactions and intervention of staff who manage offenders in the community. Our people take all breaches seriously, and we work closely with our supplier and New Zealand Police to hold any offender to account who tampers with an anklet or absconds.

An offender's life can 'stop' when they are incarcerated. If they had a job they will often lose it and they can also lose connections with family. Electronic monitoring enables a sentence to be served without stopping positive aspects of an offender's life.

For more on EM, go to pages 46, 87 and 173.



Auckland South Corrections Facility (ASCF)

ASCF is the newest men's prison in New Zealand. ASCF has attracted a low level of financial penalties for 2016/17. Overall penalties are tracking at less than 0.5% percent of its operating budget.

The department has a 25 year contract with SecureFuture (a Public Private Partnership) to design, build, operate and maintain the prison. SecureFuture has subcontracted Serco to operate ASCF.

Rehabilitation performance

Under the contract with SecureFuture, ASCF will begin to be measured on reducing re-offending outcomes from 1 July 2017 and the results for the 2017/18 financial year will be compared to the department's results. The results will be available after the end of 2017/18, once the full year's result is known.

However, there are positive rehabilitation and reintegration initiatives already in place for prisoners at ASCF.

During 2016/17:

- > ASCF's horticulture team produced at least 5 tonnes of fresh vegetables from the gardens
- > over 1 tonne of timber framing was made by prisoners
- > over 200 skip bins were repaired or painted.

ASCF's performance results for 2016/17 are consistent with contractual expectations and with progress of a newly established prison.

Contractual abatements

The following is a summary of the performance regime for 2016/17:

- > Category 1 KPIs (**Chargeable Events**). There were no Chargeable Events and no financial abatement as a result.
- > Category 2 KPIs (**Key Operational Incidents**). There were three KPI breaches relating to operational requirements which resulted in a financial abatement of \$41,659. These included Failure to Investigate or Self Report (eg, an escort to hospital, and an after hours unlock were not reported within required timeframes) and Breaches of Corrections Services Requirements (eg, staff member took radio home). For the first time since becoming operational, the KPI for prisoner drug use exceeded the allowable tolerance in Quarter 4. A positive test result percentage of 6.8% was recorded. This resulted in a financial abatement of \$27,079.
- > Category 3 KPIs (**Custodial Performance – Operational Incidents**). These KPIs are measured each quarter as Red, Amber or Green. Since going operational they are tracking green.

- > Category 4 KPIs (**Rehabilitation & Reintegration**). These KPIs are measured each quarter as Red, Amber, Yellow or Green. These KPIs were assessed as Yellow in Quarter 2 as there was scope to deliver better outcomes for prisoners, particularly in relation to employment, health and wellbeing, and managing finances. This resulted in a financial abatement of \$43,742.

The total financial abatement for the 2016/17 year totalled \$118,727.



❖ Our people

The people who work at Corrections, and the volunteers and partners we work with each and every day, share a desire to improve public safety and turn people's lives around.

Our people are committed to changing lives and shaping futures

By supporting and developing our people, we ensure they have the skills and training they need to make a difference in the lives of offenders and to prevent the cycle of re-offending.

Each week, our people manage around 40,000 individuals either in prison or serving a sentence in the community. Our nearly 9,000 staff, along with 1,700 volunteers and hundreds of partners, come from diverse backgrounds and have a wide range of experience but we share a strong commitment to change lives and shape futures.

The vast majority of our people (91%) work on the frontline with offenders. This includes corrections officers, probation officers, case managers, psychologists, instructors, nurses, social workers, counsellors, workbrokers and programme facilitators who work with offenders in prison and the community, on a daily basis.

We have supported the large intake of new staff brought in to manage the increase in the prison population through a comprehensive induction programme and ongoing training, mentoring and development of our people.

Supporting our 24-hour frontline operations we have programme designers, practice experts and policy advisers, senior leaders and governance boards, as well as people working in administration, legal services, property, communications, human resources, finance and information technology.

Integrity

Corrections manages some of the most challenging members of society, so it is essential our people are above reproach. The majority of our people do the right thing all the time, our managers are expected to lead by example, and we have robust policies and procedures in place to reinforce the integrity of our people.

Our Integrity Support team investigates instances of possible misconduct and people are held to account where there has been wrongdoing. Cases vary from rare criminal cases involving theft, fraud or corruption, to breaches of the Code of Conduct such as breaches of privacy, unauthorised release of information, inappropriate use of technology systems or inappropriate relationships with offenders.

Rewarding and recognising our people

At Corrections we reward and recognise people who demonstrate excellence. We recognise the best performing recruit among each intake of new frontline staff with a Minister's Excellence Award and have a regional and nationwide performance framework that recognises those staff who have made a difference.

This year's Gold Make a Difference Award winners included the team involved in setting up the new Spring Hill Village to house offenders with high and complex needs, and our prison nurses in the Whanganui/ Taranaki District who are providing health services for offenders in the community.

We value our long serving staff and acknowledge their dedication with Long Service Awards. The awards recognise people who have provided service over 7, 14, 21, 28, 35 and 42 (or more) years.

The Chief Executive presents Special Commendation Awards to staff who display exceptional behaviour through courage, initiative or skill in a unique situation. Over the last year, this has included staff who have stepped in during a medical emergency to save a life.

The important work of our volunteers is recognised each year during National Volunteer Week. This is an opportunity to celebrate the invaluable contribution these people make to the lives of offenders and our communities. See page 25 for more information about the awards.

Minister's Excellence Award winner Moana Fox

After 25 years as a mother, housewife and part-time sports co-ordinator, Moana now works at Arohata Prison where she is using her skills to help women prisoners to turn their lives around.

Moana's road to becoming a corrections officer began in the Upper Hutt mall six years ago when she was drawn to a Corrections' recruitment stand. "I took a couple of pamphlets and from that day on I knew I wanted to be one of the team."

Moana and her husband had raised a family of four children, with her youngest off to college she felt it was

time to look for a new career. Her own childhood hadn't been easy and she knew she wanted a role where she could give back.

Over the years she'd been involved in sports management and supporting youth, including being a regional netball umpire and being coach of the New Zealand Deaf women's netball team. Although Moana had been out of the workforce for many years, it was clear she had a lot to offer. Her skills at working with people from all ages and backgrounds and her ability to bring out the best in people made her a good fit for a job at Corrections.

From day one, Moana applied herself to be the best corrections officer she can be. Throughout her training she was positive, enthusiastic and driven, achieving excellent results and culminating in her receiving the Minister's Excellence Award in recognition of her leadership, professionalism and overall excellence.



Diversity and why it matters

What is our goal?

Ethnicity: A stronger reflection of the communities we serve and the people in our care

Aging workforce: Support our mature employees while attracting new talent to future proof our organisation

Gender balance: Recognising that a gender balance within teams can enhance our perspective and decision making

Pay parity: Removing pay gaps where they exist

What we've been doing

Our efforts in diversity and inclusion have achieved positive results. This includes:

- » connecting with Māori and Pacific communities more directly through our corrections officer recruitment drive
- » a graduate or intern programme to bring in a greater diversity of new talent.

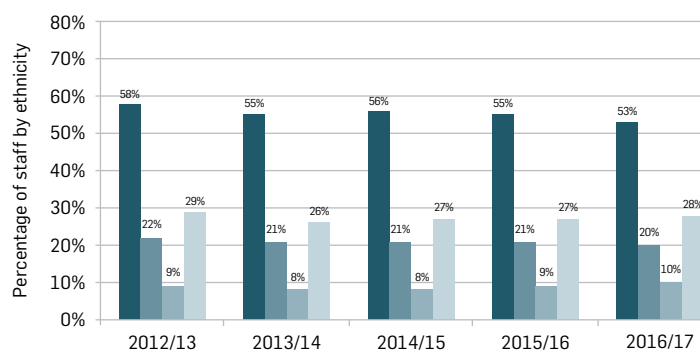
Being a diverse and inclusive organisation makes us stronger, more resilient and insightful. It helps us to understand and respond to the communities we serve, to achieve better outcomes through our day-to-day interactions with the people we manage and with each other, as well as anticipate the challenges and opportunities that may arise in the future. It has been shown to lead to better decision making and innovation.

Māori and Pacific people continue to be overrepresented in the justice system. Our recruitment campaigns

include a focus on attracting more Māori and Pacific people to work at Corrections, and we aim to have a good representation of all ethnicities among our staff.

Approximately 20% of our people identified as Māori in 2016/17, and approximately 10% identified as Pacific. There is a large number of our staff who identify as having a multi-ethnic background, which means our percentages add up to more than 100%.

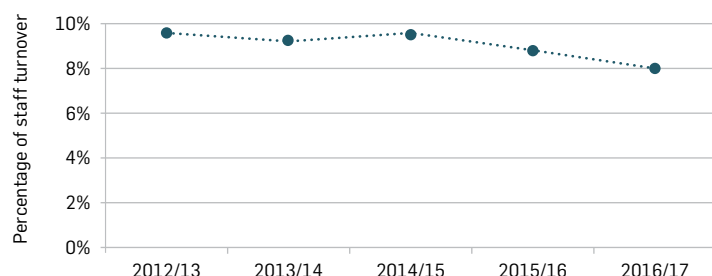
Ethnicity of Staff



KEY:

■ NZ European ■ Māori ■ Pacific peoples ■ Other ethnic groups

Department Turnover



Turnover

Voluntary turnover of staff at Corrections continues to drop and is now down to 8%. Our turnover rate is lower than the wider public sector average of 11.1%, which reflects Corrections' emphasis on valuing and developing our staff, and the sense of achievement that can come from the meaningful work we do.

Corrections is doing well in relation to its pay parity gap.

Corrections continues to reduce the pay gap between men and women, with the average pay gap being approximately 1.5% in 2016/17. This is significantly below the public sector average of 13.5% and is consistent with Corrections results in recent years. The next step is achieving full pay parity.

Our focus on the health and safety of our people

Keeping the public, our staff, and offenders safe underpins all we do.

In 2016, we launched a health and safety strategy, *Everyone Safe Every Day*, that sets out our approach to keeping people safe.

To keep everyone safe every day, we are focusing on the following key areas:

- > Safety leadership and culture.
- > Equipping staff to be safe.
- > Offender safety.
- > Health and wellbeing.
- > Partnerships for safety.

The strategy helps us reinforce a safety culture, which will help to reduce incidents of serious harm and minimise risks. It also responds to the new obligations for Corrections under the *Health and Safety at Work Act 2015*, particularly around the health and safety needs of our employees and of the people under our management.

In 2016/17 we have taken further steps to improve the wellbeing of people who work at, or with Corrections:

- > We established a new role of General Manager Health and Safety and doubled our health and safety staffing.
- > We have upgraded our vehicle fleets to make them safer.
- > Our staff on the move have new technology to stay in touch and keep safe.
- > Security has been upgraded at our sites.

- > We have introduced new de-escalation techniques, response teams and protective equipment.
- > We have new processes for working on construction sites, and working with contractors or third parties to ensure the safety of all those we work with.
- > New IT tools have been introduced to track health and safety incidents and monitor potential staff fatigue.
- > A new trauma policy was introduced for staff.

Our people are committed to making a difference and in return we are committed to their wellbeing and safety.

Our concerted focus on health and safety with strong senior leadership oversight was acknowledged at the recent 2017 Workplace Health & Safety Awards.

The New Zealand Workplace Health & Safety Awards are the biggest workplace health and safety awards of the year and celebrate the very best health and safety initiatives.

Addressing health and safety across all of our sites began with a focus from a senior level, and Corrections won the governance category for best board level engagement in health and safety.

Our Health and Safety Risk Governance Committee is made up of the executive leadership team and an independent health and safety expert. The committee has been meeting every six weeks since 2013, and over the last four years has undertaken a systematic review of every aspect of the organisation to see where we can improve processes and manage risks.

Volunteers

Volunteers from all walks of life make thousands of visits to prisons to help offenders learn new skills and reconnect with their communities.

Volunteers offer wide ranging opportunities in areas such as literacy and numeracy education, art, drama, sewing, knitting, life skills, cooking, budgeting, hobbies and fitness, as well as offering reintegration support.

In June 2017, as part of National Volunteer Week, Corrections celebrated the work of our volunteers by presenting awards in all four regions.

This year, two of our South Island volunteers were recognised for their work; Literacy Tutor Beverly Iremonger and Barista Tutor Vanessa Clements.

Beverly is a Howard League literacy volunteer at Christchurch Women's Prison and Christchurch Men's Prison Youth Unit. Beverly supports two prisoners for five hours per week.

Vanessa is a volunteer Barista Tutor at Christchurch Women's Prison. As a café owner, Vanessa is happy to share her knowledge, helping prisoners gain barista skills for potential future employment in a café. Beverly and Vanessa are just two of the 1,700 volunteers who make a real difference to offenders' lives.

In Taranaki, People At Risk Solutions (PARS) volunteers come to the community corrections site twice a week to help out with the Audio Visual Link (AVL) visits. This enables families to 'virtually visit' their family member without a two hour drive to Whanganui Prison for a visit in person. The PARS volunteers sit in an adjoining room and are available to alert a staff member if there are any technical or other issues with the AVL visit. They also provide a welcoming and familiar face to visitors.

Pip Meihana is the manager of Nga Hau e Wha Maara Kai, a Community Work agency in Taumarunui with a community garden where they grow

vegetables all year round. Pip and her friend Pal manage community work agency offenders and usually have several offenders placed with them at any one time. Pip teaches offenders how to plant, grow and harvest vegetables. She also shows them how to bottle and preserve.



Health and Safety Excellence Award winner Greg Spencer

In 2017 Community Work Supervisor Greg Spencer was recognised for his work with Corrections' first ever Health and Safety Excellence Award. The award recognised Greg's exceptional contribution to health, safety and wellbeing.

Greg has made a huge difference in the way his community work teams regard health and safety. He has made health and safety a priority on sites and conveys the importance of it to offenders. Greg also encourages offenders to take the safety message back to their families and friends.

Our Partners

We know we can achieve more by working together. That is why we work with partners from a range of disciplines, including the justice and social sectors, as well as groups involved in health, welfare, employment, education and accommodation.

Our partnerships range from major outsourced contracts to local agreements on community work placements. Our partners range from large global entities to small non-profit organisations.

As well as partnerships based on Memoranda of Understanding (MoUs) with the Tertiary Education Commission and the Department of Conservation, we also have 125 MoUs with employers. Collectively these employer MoUs will help over 1,200 offenders into jobs. There is a lot of interest from industry in employing

ex-offenders. In 2016/17 we held three employer breakfasts with hundreds of local employers coming along to learn more about our recruitment services.

We partner with five agencies to provide Out of Gate services nationwide to support people leaving prison. We also work with groups such as the Salvation Army and PARS to provide treatment programmes and re-integrative services; PARS also support ex-offenders returning from overseas.

Thanks to the support of local partners in the community, we're able to place thousands of offenders on community work each year. In 2016/17, community work crews carried out nearly 1.8 million hours of work.

You can find out more about the partners we work with on pages 59-60.

Our annual Partnership Award and local community partnership awards are a way for Corrections to acknowledge our partners. The 2017 Partnership Award went to Te Kiingitanga (see page 71).

In August 2017, Police, Fire and Emergency New Zealand, and Upper Hutt City Council received a community partnership award for an Alcohol Impairment Education Programme to offenders. The collaboration aimed at preventing driver impairment and encouraging sensible decision-making. Participants talked to Police, fire fighters, a mortician, and Upper Hutt City Council's road safety team. They learnt about the consequences of driving after drinking or drug-taking, and had a go at undertaking everyday activities while wearing 'beer' goggles that mirror being under the influence.



The 2017 partnership award being accepted on behalf of the Kiingitanga.

Governance and Oversight

An organisation with the size and complexity of Corrections requires strong corporate functions and governance structures to ensure that services represent value for money for taxpayers. Corrections has well established governance groups spanning the various operational aspects.

Financial and Risk Governance

Finance Governance Committee

The Finance Governance Committee is responsible for prioritising, approving and then monitoring operational expenditure and ten year capital plans.

In addition, programme and project boards meet regularly to govern projects including the community corrections site upgrade programme, prison development projects and the Auckland public private partnership maximum security rebuild.

Major Outsourced Contracts Advisory Board

A Major Outsourced Contracts Advisory Board was established this year. This board has responsibility for reviewing Corrections' strategy for outsourced contracts and providing advice and expertise on the management of these contracts. The Board has particular emphasis on the performance of external providers, and has an independent Chair.

Audit and Risk Committee

The Audit and Risk Committee advises the Chief Executive on the adequacy of Corrections' risks, systems, assurance programme and control environment. The Committee specifically provides advice on the:

- > risk and risk management framework
- > internal controls
- > legislative compliance and framework
- > internal and external audit functions
- > financial and other external reporting
- > governance framework and processes.

The committee is an advisory body; it has no executive powers in relation to findings and decisions. Responsibility for implementing these rests with the Chief Executive and the executive leadership team.

In addition, the work of the Internal Audit team is objective and independent of the day-to-day work of Corrections. They are governed by the International Professional Practices Framework of the Institute of Internal Auditors. The Internal Audit team report to the Audit and Risk Committee every quarter.

Operational Governance

Health and Safety Governance

Corrections has a broad range of activities and industries that creates a unique risk profile. Effective management of these activities is essential to minimise the risk of serious harm to staff, contractors, visitors, members of the public and offenders. The Health and Safety Risk Governance Committee has been established to focus on serious risks to health and safety including:

- > chronic ill-health
- > acute harm
- > catastrophic harm.

The core objective is focused on effective hazard identification and risk management. Specifically, the process by which hazards that have the potential to cause harm are identified and controls to eliminate, isolate or minimise the risk of harm are implemented.

The work of the Health and Safety Risk Governance Committee was recognised at the Safeguard New Zealand Workplace Health and Safety Awards in June 2017, with the award for the best board level engagement in health and safety.

Prisoner Welfare Governance Board

Corrections has established a Prisoner Welfare Governance Board, which includes three external members. This Board is providing advice to the Chief Executive and overseeing programmes of work designed to improve prisoner welfare and address matters raised by the Human Rights Commission and other similar inspections. The Board will take a proactive and reactive role in terms of advancing the welfare of people in prison.

Investor Confidence Rating

The Investor Confidence Rating is a rating of an agency's investment management environment. It is an indicator of the confidence that investors (eg, Cabinet, responsible ministers, or investment ministers) have in an agency's capacity and capability to realise a promised investment result. During 2016/17, Corrections actively contributed to the initial assessment. Although the overall grading for Corrections was a C, Corrections was recognised as having strong leadership resulting in delivering projects to a higher standard. We take this result seriously, and we are investing significant time and effort into strengthening our investment management practices, which we expect will be reflected in the next assessment expected to be completed in December 2017.





❖ Offender Summary

administered by the Department of Corrections

The cost per offender represents the total costs to the department 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 \$302 per offender per day	Offenders have been convicted of a crime and given a prison sentence	
		Average volume in 2016/17 was 7,151, this was 335 more than in 2015/16	Average length of sentence imposed in 2016/17: 535 days
Remand prisoners	Average cost of \$231 per offender per day	Remand prisoners are being held while awaiting trial or sentencing	
		Average volume in 2016/17 was 2,811, this was 434 more than in 2015/16	Average length of remand periods in 2016/17: 68 days
Extended supervision	Average cost of \$63 per offender per day	Corrections monitors the most serious child sex offenders, adult sex offenders and violent offenders for up to 10 years following a prison sentence	
		Average volume in 2016/17 was 214, this was 1 less than in 2015/16	Average length of order in 2016/17: 3,011 days
Home detention	Average cost of \$54 per offender per day	Offenders must remain at an approved residence under electronic monitoring and close supervision by a probation officer	
		Average volume in 2016/17 was 1,655, this was 35 more than in 2015/16	Average length of sentence in 2016/17: 165 days
Parole/ residential restrictions	Average cost of \$40 per offender per day	Oversight from a probation officer after release from prison sentences of more than two years	
		Average volume in 2016/17 was 2,233, this was 68 less than in 2015/16	Average length of order in 2016/17: 442 days

Intensive supervision	Average cost of \$20 per offender per day	A rehabilitative community-based sentence with intensive oversight from a probation officer	
		Average volume in 2016/17 was 3,132, this was 265 more than in 2015/16	Average length of sentence in 2016/17: 432 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 2016/17 was 4,216, this was 635 more than in 2015/16	Average length of sentence in 2016/17: 333 days
Supervision	Average cost of \$16 per offender per day	A rehabilitative community-based sentence with oversight from a probation officer	
		Average volume in 2016/17 was 8,016, this was 419 more than in 2015/16	Average length of sentence in 2016/17: 275 days
Community detention	Average cost of \$12 per offender per day	The offender must comply with an electronically-monitored curfew imposed by the court	
		Average volume in 2016/17 was 1,493, this was 107 less than in 2015/16	Average length of sentence in 2016/17: 123 days
Post detention conditions	Average cost of \$10 per offender per day	Oversight from a probation officer after completion of a home detention sentence	
		Average volume in 2016/17 was 1,362, this was 89 more than in 2015/16	Average length of sentence in 2016/17: 210 days
Community work	Average cost of \$11 per offender per day	Offenders do unpaid work in the community for non-profit organisations	
		Average volume in 2016/17 was 14,599, this was 415 less than in 2015/16	Average length of sentence in 2016/17: 112 hours



❖ Financial overview

The following pages provide an overview of our financial performance for the year ended 30 June 2017.

Overall results

The department incurred total operating expenses of \$1.3 billion which was \$11.9 million (1%) below the supplementary estimates and \$48.4 million (4%) above the previous year.

The increased year on year expenditure was mainly attributable to higher personnel and offender management costs driven by the continued growth in the offender population.⁷ An additional \$4.6 million was spent on reducing re-offending compared to 2015/16. Partly offsetting these cost increases was lower capital charge costs mainly reflecting a 2% reduction in the capital charge rate.

The revenue received by Corrections was \$1.3 billion, which was \$8.7 million below the supplementary estimates. This was mainly due to the recognition of lower Crown revenue to reflect the transfer of funding to out-years relating to pre-approved in-principle expense transfers.

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. An increase in Fonterra's milk prices has contributed to offender employment revenue being slightly higher than last year.

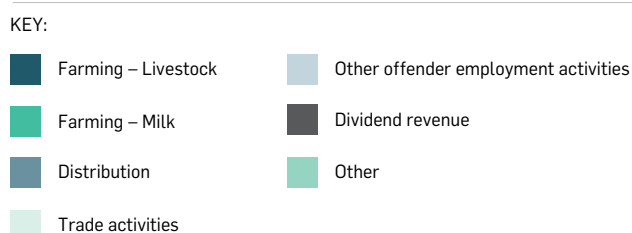
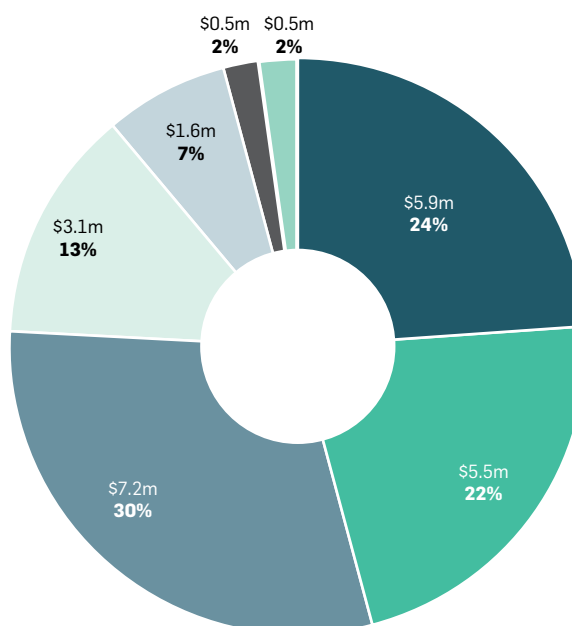
Income

The graphs opposite illustrate the sources of the department's revenue and the composition of offender employment revenue as shown in the income trends graph by activity.

The Department's Income Trends



Composition of 2016/17 Offender Employment Revenue



⁷ 8% increase in the average number of prisoners and 2% increase in the average number of sentences and orders being served in the community compared to 2015/16.

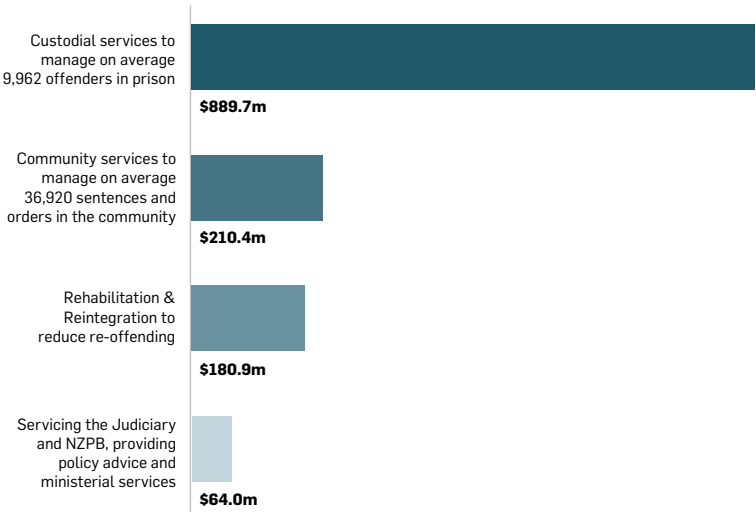
Expenditure by output

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

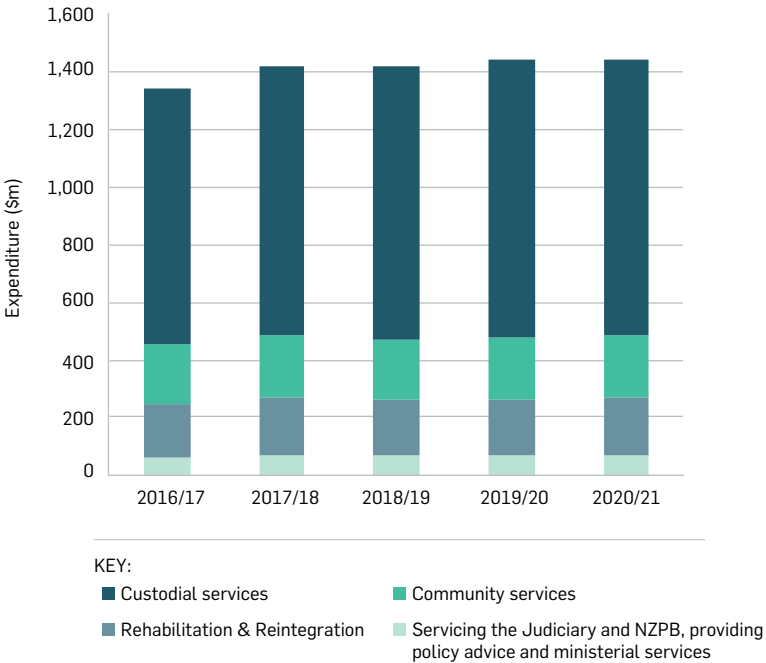
The graph below shows our output expenditure appropriation projections to 2020/21 reflecting the impact of the sustained prison population growth according to the Justice Sector Forecast.

The following appropriations form part of a Multi-Category Appropriation called Public Safety is Improved: Prison-based Custodial Services, Sentences and Orders Served in the Community, Information and Administrative Services to the Judiciary and New Zealand Parole Board.

Breakdown of Expenditure by Output



Expenditure Appropriation Projections to 2020/21



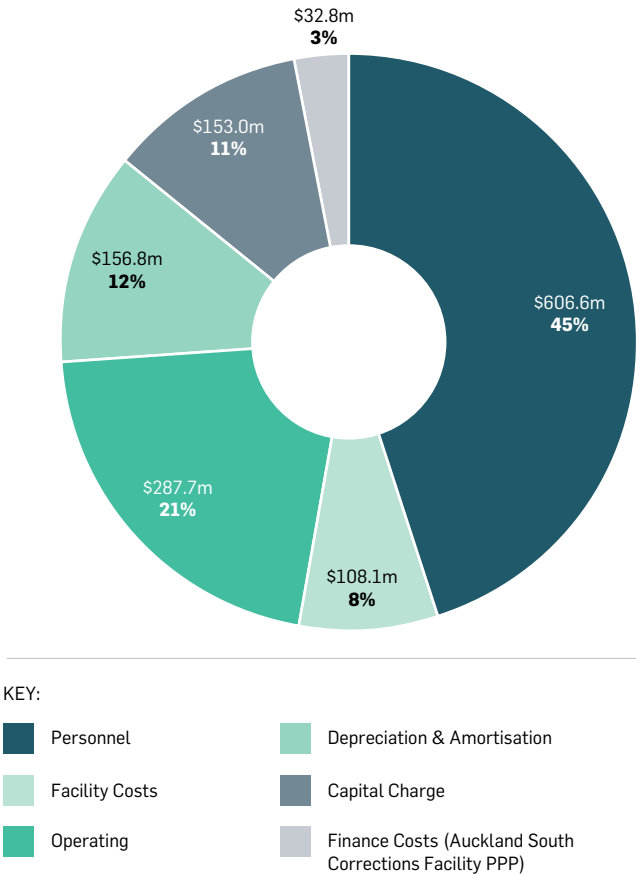
Expenditure by cost category

Almost 80% of our \$1.3 billion spend in 2016/17 related to workforce and asset ownership costs.

We employ around 9,000 staff, which results in \$606.6 million of personnel costs and makes up 45% 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.

Composition of Total Expenditure by Major Expense Category



Asset base

We own \$2,832.8 million of non-current assets that operate the length of the country, with many facilities operating 24 hours a day, seven days a week. Our non-current assets include:

- > property, plant and equipment – \$2,739.8 million
- > assets related to offender employment activity including farming – \$15.6 million
- > intangibles (software) including offender management systems – \$77.4 million.

Facility costs, depreciation and amortisation, capital charge and finance costs (Auckland South Corrections Facility PPP) represent 34% of our total 2016/17 spend.

Corrections' asset base, which includes 18 prisons⁸, must be fit-for-purpose, safe and secure, ensuring public safety is maintained and sentences are completed, while also enabling employment, training, skills development and rehabilitation opportunities for prisoners.

To ensure that sufficient capacity is available to accommodate the continued growth in the prison population, and restore the desired prison network capacity buffer, Corrections commenced a four-year Prison Capacity build programme in 2016/17. The programme includes the reconfiguration of some prisons, expanding double-bunking and the introduction of additional units. Current levels of population growth continue to provide a challenge, resulting in the need to introduce additional capacity options above those signalled in the Prison Capacity build programme.

Construction of the new maximum security facility at Auckland Prison (via a design, build, finance and maintain, Public Private Partnership with Next Step Partners Limited) is expected to be completed in early 2018. 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 ensure:

- > the safe containment of prisoners
- > prisoners who have high and complex needs can receive care in an environment that supports them
- > the delivery of high quality rehabilitative and reintegrative services
- > staff safety.

Capital expenditure

Corrections incurred \$256.7 million of capital spend in 2016/17. This comprised \$77.0 million for property assets, \$150.3 million on the Auckland Prison Public Private Partnership (PPP) development, \$19.8 million on Information Technology and \$9.6 million on other items such as fleet and plant replacements.

Property expenditure included \$38.5 million on the prison capacity programme, \$16.3 million for property and prison development projects, \$9.5 million for electronic security, \$4.6 million for community corrections site developments and \$8.1 million for minor works and asset replacements.

Information technology expenditure included single web based user interface for probation and prison offender management, business reporting and analysis, Personalised Prisoner Self Service Application (PPSSA) and mandatory infrastructure and software upgrades.

⁸ This figure includes Auckland South Corrections Facility which is privately operated through a contract with SecureFuture Wiri Limited.



Department of Corrections
Annual Report - Part A

Contributions to Priorities and Delivery of Outcomes



Our Business Model

Community \$240m



Information and Administrative Services to the Judiciary and New Zealand Parole Board

Re-offending is Reduced

Public Safety is Improved

approx. **11,000**

people provided with work and living skills



over **3,200**

rehabilitation programmes completed in the community




a total of **300**

staff who deliver programmes and interventions in the community and in prisons




\$30
million

\$210
million




approx. **30,000** people serving approx. 37,000 community-based sentences and orders

- approx. 15,000 community work sentences
- approx. 12,500 other community-based sentences
- approx. 3,000 home detention and post detention conditions
- approx. 6,500 post-release orders



approx. **1,400** probation officers and community work supervisors



148 community sites across NZ

Our People and Partners

The people and organisations who we partner with...



nearly **9,000** total staff



nearly **1,700** registered volunteers

Appropriation One

Public Safety is Improved
Multi-Category Appropriation
(MCA) **\$1,161M**
page 80

Appropriation Two

Re-offending is Reduced
\$181M
page 94

Appropriation Three

Policy Advice and Ministerial
Services Multi-Category
Appropriation (MCA)
\$3M
page 101

\$1,345m

total operating
expenditure in 2016/17

Prisons \$1,041m

**\$61
million**

Public Safety is Improved

approx.
10,200
people in **prison**



- of this approx. **7,200** people are sentenced prisoners
- of this approx. **3,000** people remanded in custody

approx.
3,800
corrections officers



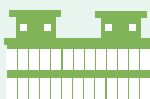
approx.
290
case managers
(mostly in prisons)



approx.
210
nurses



18
prisons including one private



**\$890
million**

Re-offending is Reduced

approx.
2,220
work placements facilitated



approx.
3,900
qualifications gained



approx.
7,200
people completing
rehabilitation programmes



a total of
300
staff who deliver
programmes and
interventions in the
community and in
prisons



approx.
260
psychologists



Treatment
approx. 2 million hours
spent on treatment

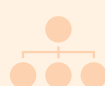


Industry
approx. 5.5 million hours
worked in industry



Learning
approx. 1.5 million hours
spent on learning

**\$151
million**




over
100
Non Government Organisations (NGO)
who partner with us to deliver services



\$3m
Policy Advice and
Ministerial Services (MCA)



over
125
Memoranda of Understanding
with employers



❖ Public Safety is Improved

Everyone benefits when people no longer commit crime. The ex-offender gets a second chance, their family gets a better life, but by far the greatest benefit is that there are no more victims and our communities are safer places to live.

Public safety is improved when we support someone to get a job, find somewhere to live, address their issues and seek treatment. For the small proportion of high-risk offenders who present an ongoing danger to themselves or those around them, we improve public safety through secure facilities, ongoing vigilance and liaison with Police, timely access to treatment and rehabilitation programmes, 24-hour monitoring and, where necessary, civil detention.

Our people have responded well to an increasing offender population with complex needs

We have maintained the security and integrity of the corrections system, while managing a prison population that has grown in excess of all forecasts. The fact that we have managed this increase while also improving our services and introducing significant initiatives is testament to our people.

We initiated the Prison Capacity Programme to ensure we can safely house the growing prison population

The Prison Capacity Programme began in 2016 to manage short-term pressures. It will ensure the prison estate remains resilient over the medium-term.

The Prison Capacity Programme has two phases:

Phase One – To address immediate pressures, we added an extra 520 beds in 2016/17 through further double bunking or re-commissioning facilities.

We will add more beds in 2017/18.

Phase Two – Construction is underway for 245 new beds at Mt Eden Corrections Facility (MECF) by late 2019, and Cabinet has approved a new 1,500 bed facility at Waikeria Prison.

On top of increasing our capacity, we have also improved the way we attract, recruit and assess the suitability of staff across our key frontline roles

This is changing the profile of our workforce, both in the people we attract and the skills they bring.

- > With a strong emphasis on inclusion, we are building a more diverse workforce to reflect the changing face of New Zealand society.
- > By focusing on the behaviours, attributes, skills and abilities in common across our roles, we are creating a future workforce that can move more flexibly across all our different environments.
- > We are continuing to promote careers at Corrections, career development and maximising job opportunities for all staff to increase the transferability of skills. An agile workforce will position us to predict and respond to changing environments, pressures and risks.

To better support the training of our staff we have enhanced their learning environment to create a national

learning centre for all Corrections staff. This has enabled us to develop new ways of delivering course content and improve the quality and consistency of our delivery. Ongoing work at the centre is creating an innovative simulated environment to train and develop our staff to a high standard. We're also exploring more online content to broaden our reach to our widely dispersed workforce.

As a result of our recruitment strategy, we have met the required levels of corrections officer recruitment and continue to actively recruit for frontline roles

Over the last 12 months, we have appointed 885 corrections officers as part of our recruitment drive to meet the increase in prison capacity, including a number of experienced officers from Australia and the United Kingdom. This is against an average annual recruitment level of 250.

In order to maintain safe staffing levels for the increasing prison population, we will be actively recruiting more staff over the next four years.

We are continuing to support our custodial staff

Not only are we increasing the number of frontline staff we have, but we are also investing more to support them. We have introduced a new trauma policy to support our staff in prisons, along with programmes focused on improved roster and shift-work options. We have also trained our staff in motivational interviewing, to improve prisoner engagement.

Physical Readiness Assessments have been introduced to ensure staff are fit enough to safely carry out their duties. We have introduced new tools to help staff assess daily changes in prison dynamics at prison sites. These help identify and resolve potential problems quickly, thereby reducing the number of incidents occurring in prison.

To help respond to incidents in prisons, we have expanded our Site Emergency Response Teams (SERTs)

SERTs provide additional resources and tactical options when responding to serious incidents in prison. As well as being ready to respond to disorder events, the SERTs take a proactive approach to safety by working with unit staff, security staff, detector dog teams and intelligence staff to stop contraband entering our prisons. SERTs are now present in six prisons around New Zealand, with plans to introduce teams to more prisons in the 2017/18 financial year.

We have provided more protective equipment to our staff

Corrections has completed a national rollout of 900 on-body cameras across our 17 public prisons. Auckland South Corrections Facility is also implementing the use of on-body cameras.

On-body cameras have been found to be an effective de-escalation tool, both by international research and a 2014 trial at Rimutaka and Auckland Prisons, which showed a 15-20% reduction in incidents when corrections officers were wearing an on-body camera.

From July 2017, changes to regulations mean more trained corrections officers will have access to pepper spray for use where authorised and necessary.

Pepper spray can be the safest way of responding to violence when force is required, both for staff and prisoners.

Increased access to pepper spray will enhance staff and prisoner safety, particularly when an urgent response is required as a result of an unanticipated event.



There were no breakout escapes this year

For the past three financial years, there have been no breakout escapes from prisons. This is a reflection of our long-term investment in security and our effective management of people in prison.

There have also been no escapes through breaches of temporary release or absconding. There were five escapes from escort from the approximately 62,500 movements we managed in 2016/17. All five of these people were apprehended and returned to custody.

For more information about escapes see page 84.

Although there has been an 8% increase in the prison population, our staff have kept violent incidents low

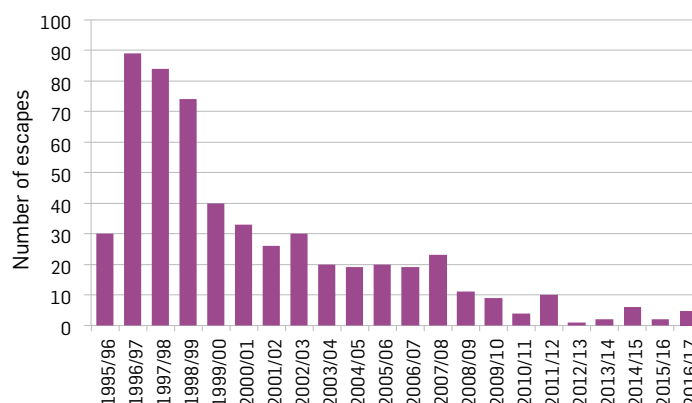
While no assault is acceptable, it is an unfortunate reality that they do occur from time to time, as we manage some of New Zealand's most difficult and challenging people. Understanding and managing risk is a challenge common to all correctional jurisdictions, and reducing violence in prisons is a priority for Corrections.

The following tables report the number of assault victims, not the number of incidents. While there were 22 prisoner on staff assault victims, there were only 13 serious prisoner on staff assaults, four of which resulted

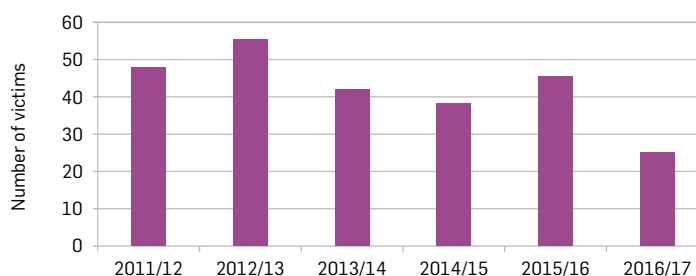
Types of escapes by financial year

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

Number of escapes by financial year



Serious assaults – prisoner on prisoner



in multiple staff members being injured. This was two fewer incidents than last year. There was a considerable drop in the number of recorded prisoner on prisoner assaults compared to last year.

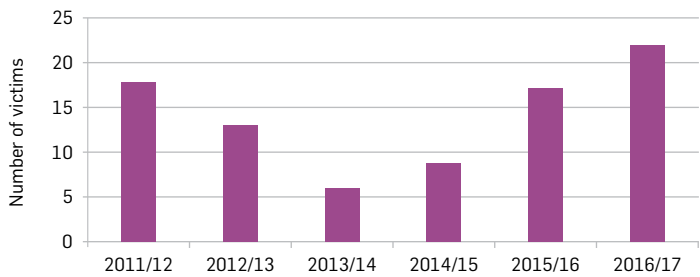
See page 84 for more information on assaults.

We have successfully reduced prisoner access to contraband

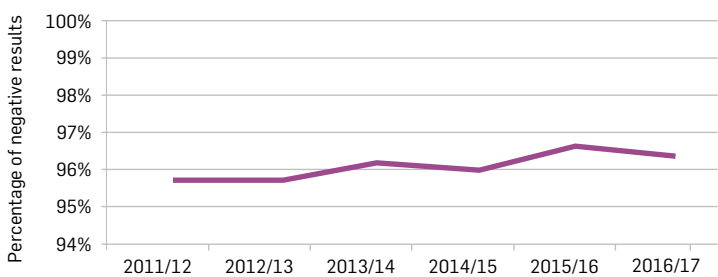
The stability, safety and security of prisons is improved by limiting contraband, particularly drugs.

Each prison has developed detection plans and our detector dog teams play an important role in keeping prisons free from contraband. This financial year, we conducted almost 4,500 random drug tests on prisoners. The percentage of those testing negative continues to be above our target of 95%, with 96.4% returning clean results this financial year.

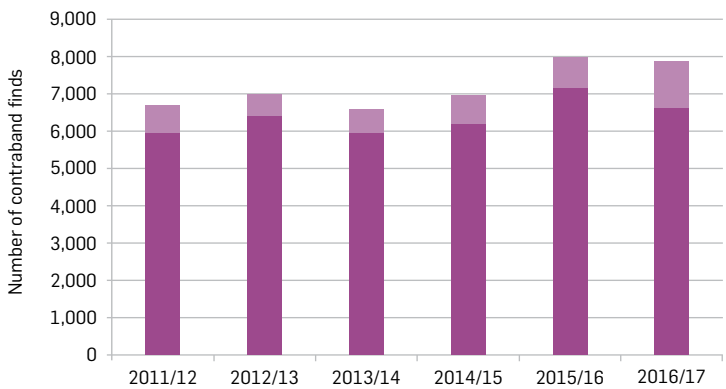
Serious assaults – prisoner on staff



Percent of general random drug testing negative results



Total number of contraband finds



KEY:

■ Drug contraband and paraphernalia finds ■ Other contraband finds

The Office of the Inspectorate

The Office of the Inspectorate has a new structure, extra staff and a new way of working. This will increase transparency and provide stronger assurance of our prison operations. A well-running prison means fewer incidents, improved outcomes and increased safety.

What is the Office of the Inspectorate?

Corrections has a team of independent inspectors who check our processes and practices are fair, safe, secure and humane.

The inspectors investigate complaints received from people serving prison and community sentences, and ensure the complaints system is operating as intended.

The inspectors report directly to the Chief Executive and operate under the Corrections Act 2004 and the Corrections Regulations 2005.

We have implemented a new prison inspection framework

The inspectors are now using a new prison inspection framework, based on international best practice. This framework focuses on safety, respect, rehabilitation and reintegration.

The Office of the Inspectorate is also developing a new website where summaries or redacted versions of their reports will be available to the public. This will provide greater transparency and public awareness of the Office of the Inspectorate.

Justified complaints to the Office of the Inspectorate

There were 23 justified complaints in 2016/17 (2.7% of complaints received), compared to 38 in 2015/16.

Independence and objectivity

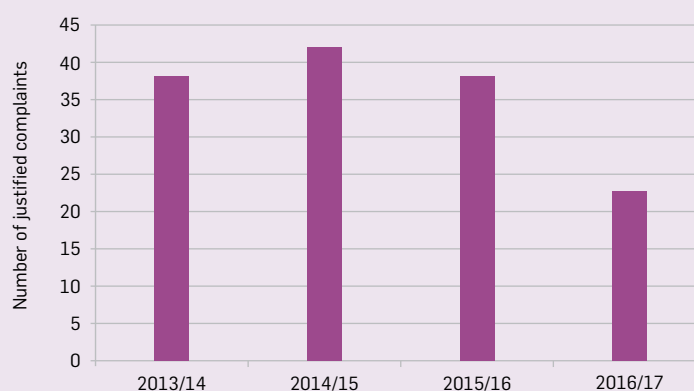
Inspectorate staff are independent of operational groups. They recommend changes to departmental systems, processes and practices, but they are not involved in designing or operating the systems.

Enhancing the Office of the Inspectorate

Early in 2017, the Inspectorate became known as the Office of the Inspectorate. It was expanded to allow more regular prison inspections.

These will ensure we safeguard the fair, safe and humane treatment of prisoners, and that emerging risks and good practice are identified early.

Justified complaints to the Office of the Inspectorate



We are working with communities across New Zealand to improve public safety

As well as the growth in our prison system, we are also facing an increase in the complexity of people serving community sentences, which has increased the workload for probation officers. We will increase our community corrections staff by approximately 100 people to respond to the increased workload.

Three-quarters of the people we manage live in the community. They have families and may have a job. Their sentence may be to complete community work, or they may be on parole or home detention.

We continue to invest in new roles, technology, treatment and training, so we can monitor them effectively and work with them to help prevent re-offending.

We introduced community engagement and reintegration specialists to liaise with the community about the management of child sex offenders

The responsibilities of these teams include:

- > establishing and maintaining strong relationships with key community leaders such as school principals, local body councils, boards and kaumātua
- > delivering education workshops and forums
- > working with property managers, accommodation providers and other agencies to help find suitable accommodation.

By increasing public understanding of how we manage people who have sexually offended against children, we are able to improve public safety.

Our High-Risk Response team helps manage those at highest risk of re-offending

The High-Risk Response team oversees the management of the most high-risk and high-profile offenders across Corrections. The team works closely with our frontline staff to provide support in the management of these high-risk people, while reducing the risk of harm to others.

We're introducing further training for probation officers in managing high-risk offenders

We have begun developing training modules to help probation officers better manage high-risk offenders. There are modules for working with different types of challenging behaviour as well as additional mental health training.

Electronic monitoring was tracking the movements of approximately 4,100 people at the end of the financial year

Electronic monitoring is one part of the tool-kit probation officers use to manage offenders. Offenders who are

being electronically monitored must report in regularly at a community corrections site. Probation officers also visit offenders at home and maintain regular contact with offenders' employers to confirm that they are turning up for work. Electronic monitoring adds another level of assurance.

People removing their tracking device is a serious concern for all jurisdictions that use electronic monitoring. During 2016/17, 12,862 individuals were monitored electronically for all or part of the year. Of those who were monitored, 96.8% did not remove their trackers during the course of their sentence or order. When excluding defendants managed under EM bail, this level of compliance increases to 98.5%. Of the 138 people serving extended supervision orders with electronic monitoring, only 3 removed their trackers during the year. Electronic monitoring was also in place for 288 people on parole, with 19 of them removing their trackers. For people on home detention, 147 removed their trackers. As at 30 June 2017, there were 26 (0.6%) people who had absconded and were yet to be recaptured, out of a total of approximately 4,100 people serving sentences with electronic monitoring.

Without electronic monitoring, many of these offenders would be managed in a custodial environment. Electronic monitoring offers a significant

reduction in cost, when compared to placing someone in prison, and it has also been found to have lower re-offending outcomes than incarceration.

For more information refer to pages 18, 87 and 173.

We have upgraded a number of community corrections sites to improve safety and security for staff, offenders and their whānau

We continued our community corrections sites upgrade programme, completing upgrades at Masterton, Murupara, Hamilton Hub and Hawera. The Hamilton Hub is now the largest community corrections site in New Zealand, accommodating around 200 staff and hosting between 130-150 offenders on site each day.

Once the entire programme is complete in 2019, we will have upgraded more than 60 community corrections sites. Enhanced security features such as CCTV, remote locking and redesigned reception areas to improve line of sight are some of the features included in these upgrades.

Matawhāiti, the first civil detention centre in New Zealand, received its first residents in January 2017

Matawhāiti, on the grounds of Christchurch Men's Prison, is a residence for people held under the Public Safety (Public Protection Order) Act 2014 on a public protection order (PPO). It received its first two residents in January 2017.

Residents are not prisoners, but are deemed by psychologists and the

courts to be of very high and imminent risk of causing violent and/or sexual harm. Detention is intended to protect the community rather than be punitive for the resident. Residents are afforded as much autonomy as practical, while continuing to get the help they need to break the cycle of re-offending.

What is a Public Protection Order?

A public protection order is a court order that allows the detention of very high-risk individuals at a secure facility within a prison.

These orders may be put in place for individuals who have served a finite prison sentence, but who still pose a very high risk of imminent and serious sexual or violent offending and cannot be safely managed in the community.



Our frontline staff worked closely with people serving sentences in the community to ensure compliance

We employ over 1,400 probation officers and community work supervisors to manage people serving community-based sentences. Our staff offer support, ensure offenders comply with their sentence or order, and hold them to account if they do not. Probation staff also provide services to 58 courts and 18 prison sites across the country. We have 148 community corrections sites and reporting locations from Kaitia to Invercargill.

Last financial year, 79% of community-based offenders successfully completed their sentence or order, against a targeted range of (65-85%).

Probation staff have a range of mechanisms to manage non-compliance, from giving warnings and increasing contact to issuing breach notices. This year, 94% of non-compliant, community-based offenders were held to account against a target of 90%.

Alcohol interlock devices immobilise vehicles if the driver has been drinking and help make our roads safer

We have secured further funding for an additional 240 devices for 2017/18. Alcohol interlocks immobilise a person's vehicle if alcohol is detected on the breath of the driver, and thus are an effective method of reducing drink driving offending.



Almost 1.8 million hours of community work were completed.

Community work is our most common community-based sentence. At the end of the 2016/17 financial year, there were 29,889 people serving community-based sentences, and 14,700 of these people were serving community work sentences. Judges can require people to serve between 40 and 400 hours of community work, which added up to almost 1.8 million hours being completed during 2016/17.

Work includes a wide range of activities, such as gardening, painting, building, picking up rubbish, graffiti clean-up and general maintenance of public land and buildings.

We have recently piloted a new way of operating called Community Work New Start. This approach improves safety by screening people before they start community work, and ensuring extra safety checks are done throughout the day. It also improves compliance by creating a more welcoming atmosphere for the people on community work.

The pilot showed an increase in compliance rates and a decrease in safety incidents. We have begun a national roll out of New Start, and every community corrections site will be using this model by March 2018.

We also offer Work and Living Skills to people serving community work sentences.

For more information, see page 58.

New legislation allows alcohol and drug testing of offenders in the community

In May 2017, we began a two-year trial in the northern region of drug and alcohol testing. New legislation was passed to allow Corrections and Police to monitor and test offenders and defendants on bail who have been given an abstinence condition by a court or the Parole Board.

Urine testing for drugs and alcohol is the most common form of testing. However, offenders with a high risk of causing alcohol-related harm may also have to wear an alcohol detection anklet.

The legislation also allows our staff to ask the police to administer breath alcohol tests.

We have improved road safety by supporting offenders to get a licence and complete a road safety course

Many people under Corrections' management have a history of driving offences. We offer various driving safety courses such as the Graduated Driver Licencing System (GDLS) for youth, and a brief drink driving programme as part of our Work and Living Skills (see page 58). In the last financial year, 74 youth completed the GDLS and 383 people on community work completed a brief programme to reduce drink-driving.

Our Road Safety Programmes help people like Mark*. Mark had been in prison more than a dozen times. He'd never had a full licence yet he'd been driving trucks for 25 years. Over that time he'd amassed thousands of dollars in fines for not having a licence. As part of the release programme developed by his case manager, Mark took part in a Howard League Driving School assessment that showed he needed two driving lessons. Mark not only earned his restricted licence, he was granted parole.

(*Not his real name)





❖ Re-offending is reduced

We all want to live in a safe society, and that means we need offenders to succeed in building new lives.

Despite the increasing prison population the department continues to significantly invest in rehabilitation and reintegration. We aim to help people at every step of their sentence. We support people's physical and mental health needs, offer education opportunities and provide industry training and qualifications. When people are released from prison, we help them find jobs, accommodation, and support groups. We also help people on community sentences to move away from offending through rehabilitation programmes, enhancing work and living skills, and supporting people into mental health services.

When these people succeed, it's not just a positive outcome for them; it's good for all of us.

From week one of a prison sentence, we are planning each person's pathway to reintegration

We address the known causes of offending through rehabilitation, education and employment, and reconnection to the community.

While someone is in prison, we do as much as we can to reduce the likelihood of them coming back. This includes supporting them to address their offending, their alcohol or drug issues, and working with psychologists to address mental health concerns. It also means encouraging them to engage in education and training, and to prepare for employment and life in the community.

The Industry, Treatment and Learning framework is a key part of reducing re-offending. Corrections began piloting the framework as working prisons in 2012 and since then, all Corrections-managed prisons have transitioned to the framework.

Under the framework, every eligible prisoner is engaged in education, training, employment programmes, treatment or rehabilitation, or some other constructive activity as part of a structured work week - all in preparation for their eventual release and reintegration. These activities help prisoners develop skills and behaviours that will enable them to turn their lives around.

We work with employers to increase prisoners' likelihood of finding employment on release. We have partners in key industries, including:

- > hospitality and service industries
- > primary sector
- > engineering and manufacturing
- > construction and infrastructure.

Towards the end of someone's sentence, if they need it, we connect them to one of our reintegration providers (page 62) who help prisoners with the practicalities of preparing for life in the community, such as getting ID, finding a place to live and getting a job.

We also have a number of employment placement coordinators, and in November we employed eight offender recruitment consultants, who have already placed 583 offenders into work.



Case managers guide prisoners through their time in prison

Each person in prison comes with a unique set of needs. Every prisoner has a case manager who works with them to develop a plan that outlines the most appropriate pathway for the prisoner's time in custody.

Case managers ensure the prisoner's most significant issues are addressed first. It can be challenging to concentrate on education or work experience if you're struggling with substance use or mental health issues, and people with poor literacy levels can't participate in some rehabilitation programmes.

Case managers form strong working relationships with other Corrections staff members, community service providers and community support networks. These relationships help ensure a safe and robust reintegration into the community.



Our rehabilitative programmes

One of the most important things we do to reduce someone's likelihood of re-offending, is to provide targeted rehabilitative programmes to address the causes of their offending. The intensity and length of our programmes are matched to each person's assessed risk of re-offending, with higher risk individuals typically attending longer, more intensive treatment programmes.

We have a suite of prison and community-based programmes to meet people's different needs. The suite includes programmes to increase participants' motivation; programmes targeted at people with different levels of re-offending risk, such as the Medium Intensity Rehabilitation programmes and the Special Treatment Unit programmes; and programmes aimed at helping people maintain the new behavioural patterns they have developed in offence-focused programmes.

Psychologists also work with high-risk and complex offenders in one-on-one sessions, particularly those who are unsuitable or have inadequate time on sentence to engage in group-based programmes.

All the rehabilitation programmes have tikanga concepts woven through them and facilitators demonstrate competence in the delivery of these cultural components. Corrections also has specialist programmes particularly focused on addressing both the cultural and offence-related needs of Māori, Pacifica, women and youth.

A number of rehabilitation programmes, such as our Medium Intensity Rehabilitation Programme, Kowhiritanga (for women), Toa Rangatahi (for youth) and our tikanga Māori programmes, are designed to be delivered either in prison or the community.

To support these offence-focused rehabilitation programmes we also provide:

- > short motivational programmes to assist those who may not be ready to engage in offence-focused rehabilitation
- > drug and alcohol treatment programmes
- > other rehabilitative and constructive, skills-based interventions, such as parenting programmes, that aim to improve the offender's skills and wellbeing.

We are also supporting people who want to end their involvement with a gang. This is especially important considering that gang members re-offend at roughly twice the rate of non-gang members. The support we are providing includes facilitating moving out of a gang neighbourhood, building alternative support networks, and accessing services such as gang-related tattoo removal.

As well as launching our own Gang Strategy in May 2017, Corrections contributes to the Whole of Government Gangs Action Plan, providing input into the Gang Intelligence Centre, safety planning for women with gang connections who are at risk of family violence, and supporting gang members to adopt an alternative lifestyle.

Our rehabilitative programmes

Medium Intensity Rehabilitation Programmes

Medium Intensity Rehabilitation Programmes are available in prisons and the community. These programmes help people understand what led to their offending, and learn skills to make positive changes. A shorter version of this programme is available for those with shorter sentences or individuals living in rural areas.

Kowhiritanga Women's Rehabilitation Programme

Kowhiritanga is a group programme for women, delivered both in prison and the community. The programme 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 attachments.

Saili Matagi Rehabilitation for Pacifica

Saili Matagi is a medium intensity rehabilitative programme for Pacifica men who are serving a prison sentence for a serious or violent offence. The programme is delivered at the Fale of the Pacific Focus Unit, Vaka Fa'aola (at Spring Hill Corrections Facility). The unit offers a therapeutic environment that aims to motivate Pacifica to address their offending behaviour, provides a venue for rehabilitation programmes and an environment where behaviours can model Pacifica values and beliefs.

Young Offender Programme (YOP)

The YOP is a rehabilitation programme for youth under 20 who have a medium risk of re-offending. It can be delivered to youth on remand or on a prison sentence.

Many of the skills prisoners learn and practice in their sessions relate to situations that have a high risk of triggering re-offending, and that will need to be dealt with regularly when they have completed the programme. New skills and behaviours are reinforced by providing continued opportunities to practice, and to receive constructive feedback on how to develop these further. The skills from the programme are transferred to life situations.

Special Treatment Units

Special Treatment Units (STUs) offer high-intensity offence-focused psychological interventions to very high-risk sexual and violent offenders serving prison sentences of longer than two years. STUs have led to a reduction in re-imprisonment for the fourth year in a row, and the reduction in the rate of reconviction is the highest seen. Achieving reductions with this most challenging group of offenders continues to place these programmes on a par with the best programmes in the world. These programmes run in a therapeutic environment known as a community of change, where the whole environment is part of the programme.

Mauri Tu, Mauri Ora for High-Risk Youth

Mauri Tu, Mauri Ora is designed to work within the context of a structured day, which includes therapy, education, employment, recreation, cultural activities and reintegrative opportunities. The programme was designed by Corrections in 2014 and has been jointly piloted by Corrections and the Ministry for Vulnerable Children, Oranga Tamariki in a youth justice facility. In Budget 2017, Corrections

received funding to run the programme for youth in prisons, and we will begin the programme in early 2018.

Future focus:

Burglary Prevention Programmes

In Budget 2017, the justice sector was successful in securing funding for a range of services to help reduce burglary committed by under 25-year-olds. The package included a Corrections' initiative to develop new programmes that would address the specific factors that contribute to offending by burglars. This includes an initiative for people with a high risk of re-offending and an initiative for people with a medium risk of re-offending. Work on this project began in July 2017 and the new programmes are expected to be delivered from early 2018.



Interventions in prisons	Reimprisonment	Reconviction
Offender employment, average across programmes*	-3.1	-4.1
Special Treatment Unit Rehabilitation Programme	-8.0	-10.4
Child Sex Offender Special Treatment Unit	-0.2	-0.6
Medium Intensity Rehabilitation Programme	-4.3	-8.3
Drug Treatment Unit (6 months)	-3.9	-0.5
Drug Treatment Unit (3 months)	-3.8	-7.3
Kowhiritanga	-0.8	-2.7
Saili Matagi	-2.3	-5.0
Short Motivational Programme	-0.3	-1.5
Short Rehabilitation Programme	-5.1	-4.5
TEC delivery/industry training	-2.0	0
Release to Work	-2.9	-3.6
Whare Oranga Ake	-1.4	-2.4
Interventions in the community	Reimprisonment	Reconviction
Medium Intensity Rehabilitation Programme	-2.5	0
Short Motivational Programme	-0.1	-2.4
Short Rehabilitation Programme	-3.0	-4.9
Alcohol and Other Drug Programme	0	0
Alcohol and Other Drug Programme (residential programme)	-3.7	0

* Offender employment 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.

Assessing our programmes and interventions

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 according to 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 above. These results are for interventions involving prisoners released within a 12-month period

ending on 31 March 2016, and offenders who completed a programme while on a community sentence within the same 12-month period (ending 31 March 2016). 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 reimprisonment score of -5.0 would indicate that if the rate of re-offending amongst the 'untreated' group was 35%, the corresponding rate for matched 'treated' offenders would be 30%.

In the table opposite the darker shading indicates that the difference between the 'treated' and 'untreated' groups was statistically significant at the 95% level. The lighter shading indicates statistical significance just below the 95% 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.

There has been a general reduction in the effect of programmes compared to previous years. There are three main reasons why this has occurred. First, rehabilitation efforts have increased across the offender population. This means that members of the "untreated" group, while not

having experienced the intervention in question, are increasingly likely to have completed some other form of rehabilitation, which reduces the differences observed between the "treated" and "untreated" groups. Second, as re-offending rates have declined, both the "treated" and the "untreated" group are more likely to contain individuals less likely to re-offend irrespective of interventions. This makes it harder to measure differences between the groups. Third, as the numbers of offenders undergoing treatment has increased, more effort is being made to treat those who are more difficult to help.

Within the next 12 months, alternative measures will be investigated for assessing programme impacts alongside the RQ. Attempts will be made to measure re-offending in ways which reflect local and international research evidence about the gradual nature of desisting from crime.

In addition to the programmes presented in the table, the department provides a range of reintegration services for those released from prison. A good example of such a service is Out of Gate. This is a national programme of reintegration services which support 'short-serving' prisoners to reconnect with their

communities and lead offence-free lifestyles. Through Out of Gate, released prisoners are navigated to community-based support services, which provide assistance with employment, accommodation, and general support. In the 2016/17 year, over 1,700 prisoners were helped by Out of Gate. The department is currently investigating an appropriate methodology for measuring the effectiveness of reintegration services.

Expert Academic Advisory Panel

The Expert Academic Advisory Panel was established in 2017 to share and develop research. The panel brings together our in-house experts and external academics, including sociologists and criminologists, to build a strong research base between us. There is a wealth of knowledge both within and outside Corrections and the panel provides the opportunity to discuss ideas, share findings, and improve our rehabilitation and reintegration practice.

Reducing the rate of re-offending

The main goal of our rehabilitation programmes is to reduce the frequency and seriousness of

re-offending. In 2016/17, the rate of re-offending within the 12-month follow-up period, resulting in a reconviction, was 28.4%. The reduction in the rate of offenders who committed a new offence while under a home detention sentence was 8.2%. For offenders on parole, it was 18.7%. For offenders who started a community sentence or order, then committed a new against-the-person offence during the following period of management, it was reduced by 11.1%.

Since 2011/12, Corrections has also measured the seriousness of re-offending. The figure is derived from the Ministry of Justice's Seriousness of Offences Scale, which assigns a numeric score for every criminal offence. For example, murder has a seriousness score of 10,000, while a minor theft has a seriousness score of 70. In 2016/17, the seriousness figure for prison releases was 379.3. The seriousness figure for community-based sentences was 183.5. Refer to page 185 for more information about reducing re-offending.

The Family Violence and Sexual Violence work programme

This cross-government programme of work is focused on improving the outcomes and response to family violence and sexual violence.

The main objectives are:

- » less family violence and sexual violence in New Zealand
- » harm to victims is minimised
- » more perpetrators end or reduce their use of violence and sexual violence and are held accountable for their behaviour
- » more men, women and children have respectful and non-violent relationships.

Corrections is the lead agency responsible for developing interventions to support perpetrators of family violence and sexual violence to change their behaviour. We are identifying a range of interventions that will target individuals' risk factors for family violence and sexual violence and address any barriers to treatment.

A social investment approach is guiding this work, using the evidence of what works to ensure we are intervening early, and getting the

right services to the right people to make the greatest difference and prevent future harm.

To create change, a co-ordinated and dedicated approach across all the key agencies is required. Corrections has built strong partnerships with our justice and social sector colleagues to ensure we are providing an integrated and holistic response to family violence that meets the needs of all members of the family/whānau.

Investing in education and training for people in prison and in the community

Education can open up a pathway previously closed to many people in prison. We offer literacy and numeracy education, as well as many other specialised education and training opportunities that will help people to find a job, move away from crime and build a lawful life outside of prison.

We assessed the education and training needs of approximately 6,000 people who spent time in prison this year

Education staff assess prisoners' literacy and numeracy needs, access their NZQA record of learning, and work with case managers to develop learning pathways. This enables Corrections to get prisoners learning the things that most effectively support their education and employment goals. This sits alongside their health assessment and rehabilitation activities.

We have begun work to better understand and meet the educational needs of women in prison

The department is increasing emphasis on ensuring female prisoners have access to educational services that are aligned to their goals and aspirations.

Focus groups were recently held across all women's prisons to better understand the education needs of women and to inform future service design.

Improved literacy has benefits for families as well as the women themselves. The Bedtimes Stories programme at Arohata Prison helps maintain the bond between mothers in prison and their children. Women can read a story, which is recorded on CD. The children get to hear their mother's voice reading them a bedtime story. The Bedtime Stories programme won an Arts Access Corrections Community Award in 2017, recognising the positive impact the project has had on both the women and their children.

We have increased access to computers and secure online learning to enable more people to have access to education

Secure computer rooms in our prisons allow people to be engaged in online learning, such as literacy and numeracy programmes, Te Reo Māori, and driver licence theory training, without compromising public safety.



It is estimated that

65%

of people in prison require
**LITERACY AND NUMERACY
SUPPORT.**

This year we:

- » provided prisoners with 40,000 hours of secure online learning
- » supported 581 people to complete an online learning programme
- » created three new computer suites - giving us a total of 24 suites across our prisons
- » introduced fingerprint technology to ensure more secure logins and to allow education tutors to focus more on teaching and less on administration
- » added Microsoft Excel, PowerPoint and Publisher to our list of available computer programmes, so people could learn relevant work skills.

We recently installed 235 new self-service kiosks in our prisons and we are upgrading the software to allow prisoners more self-management

Prisoners can use these kiosks to access information about legislation, prison procedures and rehabilitation programmes. We are upgrading the kiosks with new self-service applications so prisoners can order canteen items, check their trust accounts, view key sentence dates, and request meetings with case managers. As well as giving prisoners more autonomy, this reduces the amount of time custodial staff spend on administration, allowing more time to focus on supporting the welfare of prisoners, and maintaining safety.

Almost 3,900 qualifications were gained this year. Twenty-eight percent of these were National Certificate or equivalent

The types of qualifications included horticulture and agriculture National Certificates, forklift licences, and first aid certificates.

In the 2016/17 financial year, we provided education and training to 10,890 people on community work

For people who are sentenced to more than 80 hours of community work, it is possible to convert up to 20% of their hours to Work and Living Skills. This initiative provides education and training that will have a positive and meaningful impact on people's lives. Training includes budgeting skills, road safety, parenting skills, alcohol, drug and gambling education, and skills to increase job opportunities.

We exceeded our target of 10,000 people for the year.

Future focus:

In 2017/18 the department will continue to focus on prison education and training.

We will target services to the needs of different learners, such as women, youth, and speakers of Te Reo Māori.

We will build on existing relationships with tertiary education organisations. This will ensure education services are part of a wider pathway that supports prisoners to meet the needs of a dynamic labour market.

Lifting hopes for offenders in Paeroa

A forklift licence course is helping to 'lift' hopes of a new career for offenders in the Paeroa area thanks to Corrections' collaboration with the Transport Licensing Company.

The one-day intensive course gave eight offenders an Occupational Health and Safety (OSH) approved forklift licence, opening up opportunities in the horticultural, transportation, warehouse and distribution industries.

Our Paeroa service managers understand the importance of training, education and employment opportunities for offenders, "Thanks to partners like Transport Licensing Company, we are helping to make a real difference in offender's lives."

Once they have completed the course, offenders are further supported by organisations like EmployNZ, Workwise and Corrections' offender recruitment consultants who help place them in jobs based on their new skill set.

We have invested in industry and employment

Employment can provide structure and purpose in a person's life, and can cement the transition into a law-abiding lifestyle. Our employment industries provide experience so prisoners are work-ready when they go back to their communities.

We offer training and employment in our prison industries

As people serve their prison sentences, we are able to offer some of them employment in our prison-run industries. Not only do these offer important, transferable skills and qualifications that will help when it comes to finding a job outside of prison, but prisoners are also paid a wage for their work.

We are partnering with employers to help people who have offended find jobs

Corrections has signed 125 memoranda of understanding with employers, who have committed to offering around 1,200 additional jobs to people who have offended. The range of employers who have signed is testament to the wide variety of courses and trade training opportunities we provide for offenders. Businesses who have signed up include glaziers, construction, labourers, waste management, meatpacking and engineering firms.

We have secured justice sector funding for a two-year pilot, This Way for Work, to further help people secure jobs upon release from prison

This Way for Work includes two initiatives:

- > **Eight regionally-based offender recruitment consultants**, whose primary focus is to help people secure suitable and sustainable jobs.
- > **Employer starter packs** that support people into work by removing financial barriers to employment, such as transport costs, equipment or uniforms, training, licence fees, drug testing and accommodation costs.

This year we supported offenders by facilitating over 2,200 placements into work

This year we facilitated 2,226 work placements, including almost 600 placements in jobs by our new offender recruitment consultants since they began in November 2016.

What types of work do people do in prison?

New Zealand's prisons offer training in a vast array of industries, including: horticulture, agriculture, construction, carpentry, beekeeping, concreting, joinery, hospitality, painting, forestry, laundry, catering, printing, and distribution.

Our aim is to ensure that prisoners learn essential skills and are work-ready. By gaining work experience within a prison industry, an offender has the opportunity to train and upskill themselves, gaining unit standards and qualifications. These offenders are also learning positive work attitudes, teamwork, communications skills and sensible decision-making.

Prison Gate to Plate

For the last five years, Chef Martin Bosley and other top chefs have mentored Rimutaka prisoners in the kitchen, taking them to a level where they can produce a stunning gourmet dinner for paying guests as part of the Wellington on A Plate Festival.

Tickets are so sought after, this year there had to be a ballot and only one-third of those who entered were able to attend. Not only do prisoners learn important kitchen skills that have already led to employment on the outside, they do front of house and earn hospitality qualifications too.

Good to Grow partnership

Corrections has an agreement with the Department of Conservation (DoC) to provide labour for conservation projects. This work is conducted both in prison and by people on community work sentences. The partnership is not only offering offenders gainful

employment, it is enabling them to work towards formal qualifications such as Growsafe certification and first aid training, while also preserving and protecting our environment.

Our prison workshops provided a number of products to help DoC with their projects, including native seedlings, predator trap boxes, picnic tables, decoy birds and weta hotels.

Our community work teams operate at 65 DoC locations nationwide. Every week they are out cleaning, weeding, planting and restoring at sites of national importance. They have spent thousands of hours developing and maintaining walking tracks and cycleways. At the kākāpō rearing centre in Invercargill, kākāpō chicks are housed in incubators and hand-reared until old enough to survive in the wild. Community work teams not only help raise the chicks, they've also carried out extensive refurbishments on the property to make it fit for purpose.

Working with New Zealand Labour Hire

More than 70 offenders have already been helped into employment through Corrections partnership with New Zealand Labour Hire, one of the country's largest providers of industrial work personnel.

Through this memorandum of understanding, employers get access to hard-working, reliable and energetic staff, eager for an opportunity to turn their life around. The employees get a second chance and the opportunity to enter an industry where there are genuine career progression opportunities.

"This partnership to help prisoners into secure, meaningful employment offers substantial benefit to organisations, to offenders and their families, and to the public as a whole." - Corrections' Director Offender Employment and Reintegration, Stephen Cunningham



Giving back to the community

Our prisons and community corrections sites make positive contributions to the community:

- > Recycling bicycles at Tongariro, Rimutaka, Auckland and Christchurch Men's Prisons, as well as a number of community corrections sites.
- > Donating vegetables for the homeless and people in need.
- > Creating conservation products for the Department of Conservation.
- > Making poppies for the RSA, and restoring WWI monuments.
- > Donating plants from the prison nurseries to schools.
- > Sewing cushions for low decile schools.
- > Making teddy bears for Victim Support and Women's Refuge.
- > Knitting hats and blankets for children's hospitals.
- > Working with Pūniu River Care, a Rangatahi Marae based initiative, on a restoration project to enhance water quality, reinstate wetlands and see the taonga – tuna (eels), fish, bird life and insects return.
- > Supporting the WOMAD festival every year by setting up fencing, pop-up tents and recycling stations.
- > Using recycled wood at Rimutaka Prison to build dog kennels for the SPCA.
- > Knitting for SPCA, schools and other organisations.
- > Growing fruit and vegetables for the prison kitchen and the Salvation Army.
- > Making plastic bed mats for the Salvation Army to give to the homeless. The mats are made from knitted upcycled plastic supermarket bags and serve to keep people off the damp, cold ground.

Employer breakfasts

In 2016/17, Corrections held three Business Breakfasts in Hamilton, Wellington and Christchurch.

The aim was to raise awareness of our employment services and encourage employers to engage with us, and to provide more job opportunities for the people leaving our care. The breakfasts were also an opportunity for us to thank those who have worked with us.

The breakfasts were very successful in encouraging potential employers, with one person enquiring about employing someone within an hour of one of the breakfasts finishing.

<https://www.tvnz.co.nz/one-news/new-zealand/we-find-they-fit-in-really-well-business-owner-happy-scheme-helps-former-inmates-get-work>



We have supported people to transition from prison into our communities

Almost all of the people in prison will return to the community one day. Some people are in prison for a short time only; others are inside long enough to need help with simple tasks most people take for granted, like setting up a bank account or using a modern cell phone.

Many people leave prison without a home or family to go to. As well as finding them a place to live and a job, we try to reconnect people with their families/whānau, especially their children.

We referred more people than ever to reintegration services, to prepare them for their return to the community

We have expanded our suite of reintegration support providers, which now includes emergency accommodation, job support and cultural services. In 2016/17, we made more than 6,250 referrals to services, against our target of 4,500. Of these, 3,670 started a reintegration programme, against our target of 3,500.

We helped people return to the community by providing over 1,000 accommodation places in the 2016/17 financial year

A particular challenge for Corrections is ensuring appropriate housing is secured for offenders, especially those released from prison. In total, Corrections provides access to over 1,000 accommodation places per year, ranging from six nights of emergency accommodation through to 12 months of intensive supported accommodation.

Reintegration services play an important role in successfully transitioning offenders into the community. The services provide offenders with practical assistance, such as finding employment, accommodation, or navigating social services. The services also help offenders maintain the positive behaviours they have developed in prison-based rehabilitation programmes. There is very promising New Zealand evidence showing these types of services reduce re-offending.

Many reintegration services use 'navigators' who work with individuals inside prison for a number of weeks before they return to the community.

Before release, the navigator:

- » works with the person and their case manager to understand their transition needs and goals
- » makes a connection to the probation office the person will be reporting to and starts to build a release plan
- » helps with finding housing for the person for when they're released
- » supports the person to reconnect with their family/whānau or other trusted community members.

At the time of release, the navigator may:

- » meet the person at the gate, and take them to a previously agreed place
- » help them with essential things like setting up a bank account or a phone number
- » help them to organise a temporary job-seeker benefit if they haven't already got a job
- » connect them to other services.

Over the month following release, navigators are available to continue providing support, if necessary.

We have introduced child-centric visits to Northland Region Corrections Facility

Maintaining positive family ties is hugely beneficial to aid reintegration. By keeping close bonds with their families, prisoners are able to have support when they are released.

With this in mind, NRCF has improved the practices around child visitations. Visiting children can now interact with their fathers in a more inviting environment, play games, and build positive relationships. Two of the initiatives include Breakfast Club, where fathers make breakfast for their children, and the Story Time programme. Not only is this great for the children, who get to experience quality time with their fathers, but building these bonds can give the fathers a reason to move away from crime, so they can be there for their families.

The improvement of audio visual technology also offers a 'visits' option for families who do not live near the prison where their loved one is being held. This helps to maintain family support, and can improve the wellbeing of the family member behind bars.

We have also strengthened our processes to ensure children who are visiting prison are kept safe

Children must now get pre-approval before visiting someone in prison, which means we are able to liaise with other government agencies such as the Ministry of Vulnerable Children, Oranga Tamariki, and assess the potential risks before allowing a child to visit someone in prison.

Brainwave programme

The Brainwave Trust's 'Growing Great Brains' programme is a new two-day programme to educate parents on early childhood brain development from new-borns to three years of age. It looks at the effect of abuse on the brain and how this can affect brain development through to adulthood. This programme is designed to motivate participants to address their behaviour and become better parents. As of 30 June 2017, the programme is being delivered across 15 prisons, with 30 prisoners completing it in the first month.

Parenting skills programme in prisons

This short programme, which has been running for three years, teaches essential parenting skills to prisoners, so they can play a greater, more positive role in the lives of children. Up to 550 offenders take part in this programme each year.

A feature of the programme is community support after release. Participants who complete the programme will have the option of community support, which can range from one or two home visits to phone calls in the first three months after release.

Corrections is helping people like Jason* with employment and learning opportunities that lead to real jobs

This time last year, Jason was living rough on the streets. He'd done prison time, was homeless, jobless and knew he'd be back in prison soon.

Thanks to the efforts of people like one of our employment development advisers and staff from EmployNZ and Workbridge, Jason no longer sees prison in his future. While on probation, he attended weekly literacy and numeracy classes with EmployNZ. He was able to complete his CV, and was encouraged to enrol in a more advanced literacy and numeracy course, followed by a computing and administration course. He has since finished a couple of unit standards.

Today, Jason has a roof over his head, a partner and a new baby. He's improved his literacy and taken steps to address his addiction issues. The couple are undertaking relationship counselling and Jason completed a domestic violence course. Jason's also earned his driver licence and found employment. It's not always easy, but his employers like him and he does a good job. Jason's no longer under Corrections' management, but his Workbridge consultant will continue to support him for 12 months.

Jason is just one of thousands of people we help every year to get a job, a place to live, people to care about them and if they need it, access to specialist care.
(*Not his real name)



We work to improve the health and wellbeing of people in prison

Improving the health and wellbeing of people in prison is important. Not only do we want people under our management to be free from distress, but health and wellbeing issues can also work as barriers in the way of making rehabilitation gains towards reducing re-offending. We have increased mental health support and developed new management approaches for at-risk groups, including women and trans people.

Corrections is moving beyond a model of 'managing' prisoners with mental health needs, and towards a model that intervenes earlier, supports their mental health, and reduces escalation wherever possible.

We have secured additional funding of \$21 million to improve mental health services and alcohol and drug interventions over the next two years

This includes:

- > more mental health clinicians in prisons and at community corrections sites
- > wrap-around support for the families/whānau of prisoners and community-based offenders who are engaged in mental health services during their sentence
- > supported living services for a small number of people with complex mental health needs or cognitive impairment on release from prison
- > counsellors and social workers in women's prisons.

Supporting the mental health of people in prison is a key component of the \$300 million redevelopment of the maximum security facility in Auckland

Auckland Prison's maximum security facility houses up to 260 of the most challenging people in the country, including many with serious mental health and/or complex behavioural issues.

Many of these men have deeply troubled pasts, fraught with abuse, deprivation, violence and substance misuse. Many display behaviours such as chronic self-harm, violence, persistent shouting and other disruptive behaviours.

In 2012, the government approved a \$300 million redevelopment at Auckland Prison to enhance safety and security for staff and prisoners alike. The redevelopment will better address mental health needs and provide greater opportunities for rehabilitation and reintegration.

We have increased our investment in mental health services for women.

Women in prison are likely to have experienced family violence, sexual assault or other violence and these experiences can have ongoing effects on their lives and wellbeing.

Four counsellors and four social workers began work in our women's prisons in November 2016, working individually with women who have experienced trauma. The aim is to equip women with skills that will help them cope both in prison and on release.



2 out of 3

women in prison have been victims of
**FAMILY VIOLENCE, RAPE AND
/OR SEXUAL ASSAULT.**

The new facility is due to open in 2018 and will feature:

- > Kia Mau Mia Matāra – a new, on-site mental health facility with multi-disciplinary clinical staffing to support our most high-risk prisoners
- > a range of cell types to meet varying needs
- > offender employment opportunities
- > better access to rehabilitation programmes
- > group activities and dayrooms.

For more about the facility, see pages 6 – 9 of our mental health strategy, available on our website.

Ninety-nine percent of prisoners received a health assessment on their first day in prison

Each prison has a healthcare centre with registered nurses employed by Corrections. Doctors and dentists are contracted to provide medical and dental care. The health service is comparable to that offered by a medical centre in the community.

Our health staff assess every prisoner when they first arrive to serve their prison sentence, to ensure any health needs are addressed. This includes an assessment of the risk of self-harm and suicide, and whether the prisoner will require nicotine replacement therapy (prisons have been smokefree for the last five years).

We have a new approach to managing people at risk of suicide

The most common cause of unnatural death in prison is suicide. Suicide is a serious problem in New Zealand, and suicide prevention is a priority for Corrections. There was one suicide in prison in 2016/17, and 11 in the previous year.

We are working to improve our identification and treatment of people at risk of suicide through the implementation of Intervention and Support units. These units are staffed by multi-disciplinary teams who provide specialist care for people at risk of suicide, and follow-up care once they have left. The units are designed to be therapeutic environments, to help reduce people's escalated risk.

We will provide increased mental health training and a new suicide screening tool for our probation officers. This will help to improve understanding and reduce the risk of suicide among people serving community sentences.

We are working to reduce people's alcohol and other drug needs

In 2016, Corrections launched *Breaking the cycle: Our drug and alcohol strategy through to 2020*. The strategy is structured around three key pillars: demand reduction, supply control, and problem limitation.

The strategy recognises the need for services that are offender-centric and tailored to need, and that processes and policies do not act as barriers to access. It focuses on improving the continuity of care for those with alcohol and other drug needs, and the delivery of effective programmes and services.

Building on this strategic vision, Corrections offers a suite of programmes to deal with the issues of substance abuse and dependency. These range from low intensity (AOD brief and intermediate programmes) to medium and high intensity (Intensive Treatment Programmes and Drug Treatment Programmes available to prisoners, and Residential AOD Treatment and Intensive Outpatient AOD Programme available to community-based offenders).



19%

(one in five) of prisoners had **ATTEMPTED SUICIDE**, at some point in their life.

What mental health services are available to prisoners?

Mild to moderate mental health services may be provided by contracted medical officers (GPs), Corrections nursing staff or contracted mental health services providers. Services include medication, one to one or group therapy, and health education.

Prisoners with moderate to severe mental health needs are referred to forensic mental health services for assessment and treatment. This is generally managed within the prison environment, but individuals may also be admitted to secure inpatient facilities if this is clinically indicated.

Prisoners with complex needs who do not meet eligibility criteria for Forensic Services (for example, prisoners with a severe personality disorder) are managed by Corrections using a multidisciplinary approach that includes health, psychology and custodial staff.

We have developed pilot programmes to address alcohol and drug misuse for specific groups

Two pilot programmes address the alcohol and drug issues of women and youth prisoners. The treatment programme for women will be trialled at Auckland Region Women's Corrections Facility. The youth-responsive programme will be trialled in Hawkes Bay Regional Prison.

Both pilot programmes will be trauma-informed and responsive to mental health concerns, while utilising a strong kaupapa Māori approach.

We have also launched three pilots in response to the growing population of prisoners who are methamphetamine users. These programmes identify users and provide support and treatment.

We have a new approach for the management of trans people in custody

Trans people make up a very small percentage of the prison population. There are 25 trans prisoners in New Zealand, or 0.25% of the prison population.

A prisoner who identifies as trans will be managed in a way that is individualised, seeks to preserve their dignity, safety and privacy, and enables them to maintain their gender identity while in prison.

Our new approach includes individual support plans, guidelines for sharing cells, and a process for reception and induction as well as personal searches.

We have implemented a new process to identify people in the terminal stage of illness at the earliest opportunity

This allows us to make appropriate arrangements for their care, including submissions to the Parole Board around compassionate release.

All of our health centres retained Cornerstone® accreditation

Cornerstone® accreditation is awarded by the Royal NZ College of General Practitioners and provides assurance that our health centres have robust systems, policies and procedures in place and provide a service similar in quality to a general practice.

What AOD treatment services are provided to offenders in prison?

AOD Brief Support Programme - a motivational programme for all with an identified need

AOD Intermediate Support Programme - treatment for prisoners serving short sentences with all levels of need, who don't have time for more intensive treatment (20 hours of treatment)

Intensive Treatment Programmes - treatment for prisoners with a moderate AOD treatment need (8 weeks treatment)

Drug Treatment Programmes - treatment for prisoners with a moderate to high AOD treatment need (3-6 months treatment)

Aftercare Service - for offenders requiring post treatment support

RecoverRing AOD Support Line - telephone service available to all offenders

Mt Eden Corrections Facility is piloting Screening, Brief Intervention and Referral to Treatment (SBIRT) to establish the prevalence of methamphetamine use amongst prisoners and refer them for treatment.

We have also improved support for people serving sentences and orders in the community, especially mental health and alcohol and drug support

People serving sentences and orders in the community have higher rates of mental health difficulties and substance abuse than the general population. These issues can seriously impede someone's chances to stay away from re-offending. We have increased services to help people with these issues in the community.

We have provided more community treatment for offenders with alcohol and drug needs

We purchased 13 additional beds in established community residential alcohol and drug treatment facilities.

We also have a new intensive outpatient treatment programme that began in June 2017 in Whangarei and Auckland. This programme is for people with high alcohol and other drug needs, a high risk of dependence and who are experiencing significant problems as a result of their substance abuse, but for whom residential care is unsuitable.

Both these programmes are being run as pilots and will be evaluated.

We have established a two-year pilot to support participants who have graduated from our prison-based drug treatment programmes

The Alcohol and Other Drug Aftercare Worker Service provides ongoing support for prisoners who have

graduated from the Drug Treatment Programme or Intensive Treatment Programme.

Aftercare workers help people maintain treatment gains made in prison and upon release into the community. They help ex-prisoners make contact with maintenance support groups.

Approximately 1,400 individuals accessed the aftercare service in the 2016/17 financial year.

We have set up RecoveRing - an alcohol and other drug helpline for offenders in the community and prison

Corrections has partnered with Homecare Medical to introduce this free, 24/7 alcohol and drug support line to assist prisoners, offenders, and their whānau. The line went live at the end of May 2017 and had received more than 100 calls by 30 June. We are anticipating a substantial increase in phone calls for the 2017/18 financial year.



Around
60%
of people serving sentences and orders in the community have an
IDENTIFIED ALCOHOL OR DRUG PROBLEM.

We are piloting wrap-around support for families of offenders with mental health disorders

The aim is to help families remain connected and to support the offender when they are released from prison. Families will be linked in to services in their community to improve the offender's social, health, and educational outcomes. The wrap-around family support service is being piloted at four community corrections sites.

Future focus:

Dedicated mental health teams to work with community-based offenders, starting at four community corrections sites.

Teams of psychiatrists, psychologists, occupational therapists and nurses with post-graduate qualifications in mental health will work with offenders and their families to address their mental health needs. The teams will help individuals and their whānau to link in to existing mental health services in their area, and support ex-prisoners with mental health needs as they transition into the community.

The teams will also provide advice and training to support Corrections staff to better understand and work with people who have mental health needs.

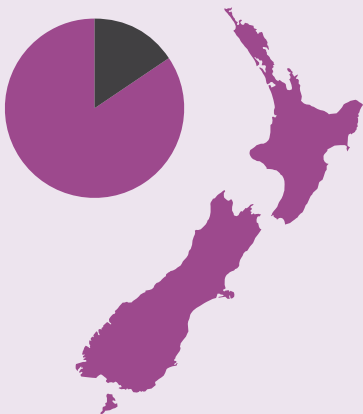


Investing in Māori

More offenders identify as Māori than any other ethnic group, therefore everything we do is designed to help Māori succeed. From the people we recruit, to the programmes we provide and the facilities and technology we use, everything we do is linked to reducing re-offending among Māori.

Māori make up...

15.8% of the population in New Zealand



51% of the prison population



Māori women make up 63% of the female prison population

The justice sector is working towards improving outcomes for Māori

The government, as part of its programme of delivering Better Public Services, has set a goal of improving justice outcomes for Māori. Together with Police and the Ministry of Justice we have set a target to reduce Māori re-offending by 25% by 2025.

In recent years, Corrections has made progress in introducing interventions to rehabilitate and reintegrate Māori prisoners more effectively

Māori make up the largest group participating in all forms of rehabilitation and reintegration.

Eighty-five percent of people complete prison rehabilitation programmes, and Māori complete at an identical rate to non-Māori.

In recent years, Māori made up 60% of those beginning the Special Treatment Unit Rehabilitation Programme (STURP), and 55% of those starting Drug Treatment Programmes.

Overall, reconviction rates for Māori who participate in Drug Treatment Units, Medium Intensity Rehabilitation programmes and Out of Gate (a reintegration service) show they are effective for Māori, with lower reimprisonment rates of 5.5% (MIRP), 6.7% (DTU) and 8.5% (Out of Gate) than for those who do not complete the programmes.

In March 2017, we signed the Kawenata accord with the Kiingitanga, signalling a strong commitment between us to improve outcomes for Māori

The partnership has already gained traction with a governance board in place, and a project plan taking shape. The Kiingitanga Office has also set aside land in Hamilton to build a new reintegration centre for women released from prison, with an emphasis on helping mothers maintain or regain access to their children.

This partnership won our Partner of the Year award for the 2016/17 financial year.

We have also developed relationships with other iwi and urban authorities

These relationships include Ngāti Porou, Ngāti Kahungunu, Ngāti Raukawa and the Manukau Urban Māori Authority, and focus on working together on practical initiatives that will better support Māori offenders and their whānau.

Future focus:

We are planning further work with the Māori business sector.

In partnership with the Māori business sector, we will develop training and employment opportunities to help Māori offenders reintegrate into the community.

Around a

1/3

of Māori have been a victim of offending, compared to about one-quarter of the general population.

In April 2017, the Waitangi Tribunal released their report, Tū Mai te Rangi!

The Waitangi Tribunal released its Tū Mai te Rangi! report on the Crown and Disproportionate Re-offending Rates on 11 April 2017. We accepted the overall conclusion of the report and are responding to all the recommendations.

Since its release, we have been actively considering how to implement a Māori-specific re-offending strategy that builds upon and complements the existing sector-wide Māori Justice Outcomes Strategy of reducing Māori re-offending by 25% by 2025. Together with our Māori Advisory Board, we will consider how we can measure progress in this regard, and what resources will be required to meet these targets.

The Tribunal recognised our attempts to engage hapū and iwi in improving re-offending outcomes for Māori; however, they recommended that the Māori Advisory Board's role be enhanced, and that its terms of reference be revised. We have made good progress in acting on this recommendation and will be seeking the Board's agreement to new terms of reference.

We have also established a Māori Strategy and Partnerships Team within the Office of the Chief Executive and have a programme of work under way to develop a strategy for recruiting more Māori staff across the organisation and to enhance the cultural competency of all employees. In early 2017, we launched a new Reducing Re-offending among Māori plan, setting out our priorities. This plan is available on our website.

We are working to increase the number of Māori we employ as well as the presence of tikanga values in all we do

Over 20% of all Corrections staff identify as Māori. We are preparing a strategy to recruit more Māori staff in all roles, beginning with a review of job descriptions and competencies. We have also accepted the Waitangi Tribunal's recommendation that senior staff receive similar training in cultural awareness as frontline staff.

The department has a Māori Services Team, who take a lead role in managing Māori prisoner reintegration at a regional level. Members of the team link with whānau, hapū, iwi and

kaitiaki to enhance the quality of reintegrative and rehabilitative services. They also support the work of other parts of the organisation, particularly the Service Development Group and the Regional Commissioners.

We have recently established a Māori Strategy and Partnerships team within the Office of the Chief Executive. The purpose of this team is to ensure departmental activities have a greater focus on initiatives that improve outcomes for Māori. This team will also be responsible for enhancing existing partnerships with iwi and other Māori authorities, and will look to new opportunities to partner with Māori communities in the design and delivery of the department's services.

Specialist Māori Cultural Assessment

Many Māori who have offended are disconnected from their culture. We offer specialised cultural assessments for Māori, to help re-engage them with tikanga principles and motivate them to change their lives. Participants also receive a comprehensive booklet after the assessment that tells them about their whakapapa, and recommends programmes or courses to improve their engagement with tikanga Māori.

Te Tirohanga (Māori focus units)

Te Tirohanga (formerly Māori focus units) is the collective name for five, 60-bed custodial units and also the name of the national programme that operates within those units. Te Tirohanga offers a culturally appropriate environment for Māori to address issues related to their offending in a holistic manner.

Integral to the programme's work in reducing re-offending is the interdisciplinary team in each whare, often including whānau and others such as kaumātua and kuia. The team approach ensures a collective and coordinated approach in transitioning tāne from the programme to the next part of their journey.

Research has shown that a Te Ao Māori (Māori world view) approach, such as that applied in these units, strengthens the cultural identity of Māori offenders, improves their attitudes and behaviours and motivates them to participate in rehabilitation opportunities.



Statement of Performance

Statement of Responsibility

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

- > the preparation of the departments 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 the department 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 the department, whether or not that information is included in the annual report.

In my opinion:

- > the financial statements fairly reflect the financial position of the department as at 30 June 2017 and its operations for the year ended on that date; and
- > the forecast financial statements fairly reflect the forecast financial position of the department as at 30 June 2018 and its operations for the year ending on that date.

Signed



Ray Smith
Chief Executive

Date: 28 September 2017

Countersigned



Neil Cherry
Deputy Chief Executive Finance,
Property and Technology

Date: 28 September 2017

Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Department of Correction's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of the Department of Corrections (Corrections). 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 Corrections on pages 111 to 149, 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 2017, 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 Corrections for the year ended 30 June 2017 on pages 40 to 72 and 79 to 106; and
- > the statements of expenses and capital expenditure of Corrections for the year ended 30 June 2017 on pages 151 to 152.

OPINION

In our opinion:

- > the financial statements of Corrections on pages 111 to 149:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017; 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 Corrections on pages 40 to 72 and 79 to 106:
 - presents fairly, in all material respects, for the year ended 30 June 2017:
 - 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 Corrections on pages 151 to 152 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.

Our audit was completed on 28 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. 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.

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 Corrections for preparing:

- > financial statements that present fairly Corrections' 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 Corrections, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

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 Corrections for assessing Corrections' 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 Corrections, 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 Corrections' Statement of Intent (Strategic Intentions) 2015 – 2019, Estimates and Supplementary Estimates of Appropriation 2016/17 for Vote Corrections, and the 2016/17 forecast financial figures included in Corrections' 2015/16 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 Corrections' 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 Corrections' 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 Corrections' 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 Corrections 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 2 to 185, but does not include the information we audited, and our auditor's report thereon.

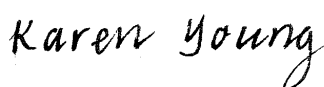
Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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 Corrections 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 interests in Corrections.



Karen Young

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Statement of Performance 2016/17

For the year ended 30 June 2017

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)*	<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	<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	<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	

* MCA – Multi Category Appropriation

Appropriations provide a 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 2016/17 financial year can be found on the following pages.

Appropriation 1 – Public Safety is Improved (MCA)

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 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 NZPB and the provision of administrative, financial and secretariat services to the NZPB.

What is Intended to be Achieved with this Appropriation

This appropriation is intended to enable the department 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 NZPB 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.

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.

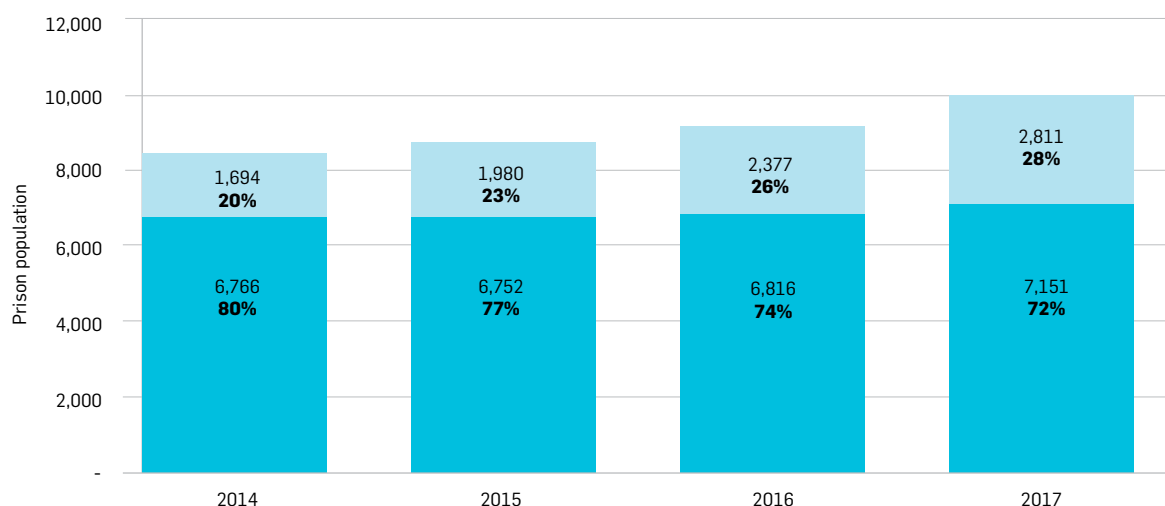
Activity information (prison population)

	2014	2015	2016	2017	2017	2018
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of prisoners received into custody ¹	13,304	14,029	15,719	17,651	15,000 – 16,000	17,500 – 18,500
The number of prisoners released from custody ¹	13,266	13,719	15,003	16,479	15,000 – 15,500	17,500 – 18,000
The average prison population	8,460	8,732	9,193	9,962	9,250 – 9,500	10,100 – 10,400

As detailed above, the average prison population has grown by 8% this financial year, being consistently above 10,000 prisoners over the last three months (Apr-Jun 2017). As a consequence of this growth, Corrections has delivered additional prison capacity, recruited more frontline staff, produced additional offender plans, provided more health services and transported more prisoners across the network. For further information refer to pages 41-44.

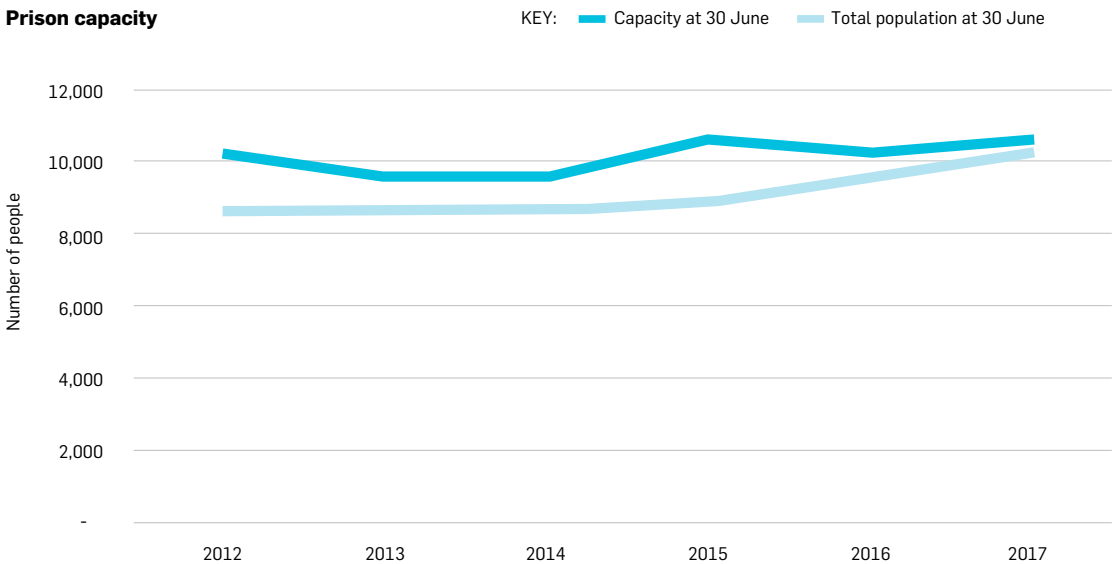
Breakdown of average prison population

KEY: ■ Sentenced ■ Remand



¹ These are not unique individuals

Corrections has 18 prisons across the country which house a mix of sentenced and remand prisoners. As detailed on the previous page, sentenced and remand prison populations have increased, with the remand population growing at a significantly faster rate. The prison population is influenced by a number of factors including changes to policy and legislation.



HOW CORRECTIONS PERFORMED

As detailed below, on the whole, performance measures have met expected levels of service, and most are showing improvement when compared to previous years.

Custodial environments are safe and humane

	2014	2015	2016	2017	2017	2018
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of escapes	2	6	2	5	Lower than average across the past 5 years 5	Lower than the average across the past 5 years 3
The number of breakout escapes as a proportion of all escapes	50%	0%	0%	0%	0%	0%
The proportion of general random drug tests undertaken by prisoners that have a positive result	3.8%	4.0%	3.4%	3.6%	Less than 5%	Less than 5%
The number of unnatural deaths	3	8	11	1	0	0
The number of prisoner on prisoner assaults that are serious	42	38	45	25	Lower than average across the past 5 years 46	Lower than average across the past 5 years 46
The number of prisoner on staff assaults that are serious	6	9	17	22	Lower than average across the past 5 years 11	Lower than average across the past 5 years 13
The number of justified complaints by prisoners to the Corrections Inspectorate	38	42	38	23	Lower than average across the past 5 years 42	N/A ²
The proportion of justified complaints by prisoners to the Corrections Inspectorate upheld for reasons of materiality	–	New for 2016	16%	52%	Less than 25%	N/A ²
The percentage of Prison Services Health Centres in prisons that retained their Cornerstone accreditation status following completion of an annual review ³	–	New for 2016	100%	100% ⁴	100%	100%

² Measure has been excluded from 2017/18 budget and will not be reported next year.

³ 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 (NZCGP) Aiming for Excellence Standards for New Zealand general practice. In order to retain their accreditation, each health centre undertakes an internal review annually and updates the NZCGP on completion.

⁴ Measure calculates those prisons which have an existing Cornerstone accreditation and have retained it. In 2016/17, Auckland South Corrections Facility did not have Cornerstone accreditation. They are currently working towards gaining this.

Escapes

Our investment in prison infrastructure and strengthened custodial management has seen a sustained reduction in the number of escapes. 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.

We manage approximately 62,500 prisoner movements each year. Almost half are for court attendances (30,000). Inter-prison transfers (15,000) and medical visits (12,500) account for the majority of the rest. There are more opportunities for a prisoner to escape when they are outside prison grounds. Five prisoners have escaped from escort this financial year. All prisoners were apprehended and subsequently returned to prison. A review is undertaken after any such incident and, where possible, mitigation steps are implemented.

Drug Testing

Each prison has developed contraband detection plans and our drug dog detection teams play an important role in keeping our prisons free from contraband. This financial year we have conducted almost 4,500 general random drug tests on prisoners within our prisons. The percentage of those testing positive continues to be below the budget standard of less than 5%, with a result of 3.6% recorded this financial year.

Unnatural Deaths

The most common cause of unnatural death in prisons is suicide. With increased mental health training and suicide awareness, our custodial staff are vigilant in assessing the risk a prisoner may pose to themselves. For more information on the work we are doing in this area refer to page 65. Following any unnatural death, the Chief Inspector of Corrections conducts a Death in Custody review alongside an inquest from the Coroner. There has been one unnatural death recorded this financial year at Christchurch Women's Prison.

Justified Complaints to the Inspectorate

The Corrections Inspectorate independently monitors systems and standards in relation to sentence management, investigates complaints received from offenders and ensures that the complaints system is operating as intended. We are enhancing the way in which we manage the prisoner complaints process and are seeing positive progress in this area. This financial year 845 complaints have been received. Of these, 23 were deemed justified by the Corrections Inspectorate, with 12 being deemed material (refer to page 107 Glossary of Terms). Recent changes to the Inspectorate have enhanced and strengthened this function. For more information refer to page 45.

Assaults

There were almost 1,500 non-serious/no injury assaults (on prisoners and staff) recorded across the prison network this financial year. Trends over time can be found on page 43-44. On occasion, incidents can result in a serious injury and this financial year there have been 25 serious prisoner on prisoner assaults (the lowest in four years) and 22 serious prisoner on staff assaults recorded. These measures report the number of assault victims, not the number of incidents. As detailed on page 43-44, there was a total of 13 serious prisoner on staff incidents (in line with last year), resulting in 22 victims. Four of these incidents resulted in multiple staff members being injured.

Our response to all serious assaults includes the review of the prisoner's security classification, revoking their privileges and/or referring the matter to Police.

1.2 Sentences & Orders Served in the Community

WHAT CORRECTIONS DOES

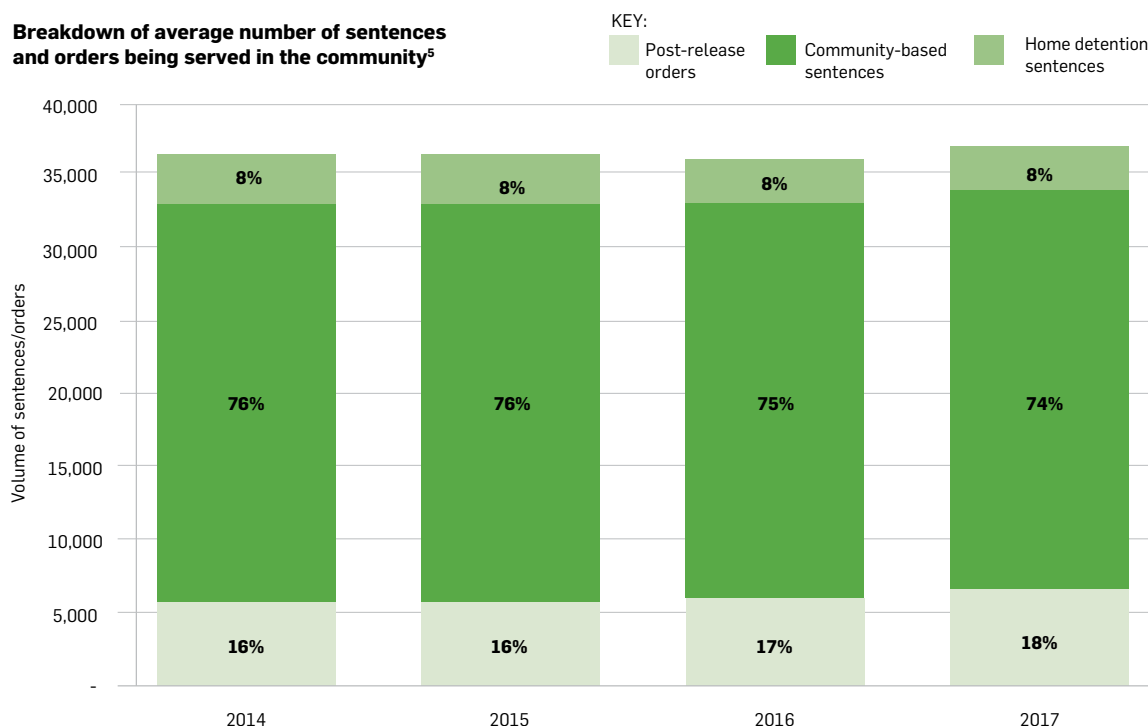
Corrections manages:

- > offenders on home detention sentences, which require an offender to remain at a suitable and approved residence at all times, under strict conditions and monitoring (sometimes using 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 NZPB. 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 maintains the integrity of sentences and orders in the community by ensuring that offenders adhere to conditions and are held to account if they fail to do so.

OPERATING CONTEXT

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 offenders across the country. Probation staff manage offenders to ensure they follow directives and restrictions, and comply with their sentence or order. We ensure the quality of service we provide by adhering to quality Standards of Practice for the management of offenders in the community.



⁵ One offender may be serving multiple sentences or orders in the community at the same time.

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

	2014	2015	2016	2017	2017	2018	2017
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)	Actual Average daily cost per offender
The average number of home detention sentences being served:							
- Home detention	1,618	1,557	1,620	1,655			\$54
- Post detention conditions	1,329	1,270	1,273	1,362			\$10
Total	2,947	2,827	2,893	3,017	2,800 – 3,000	2,900 – 3,200	
The average number of community-based sentences being served:							
- Supervision	7,751	7,300	7,597	8,016			\$16
- Intensive supervision	2,381	2,577	2,867	3,132			\$20
- Community work	15,825	15,963	15,014	14,599			\$11
- Community detention	1,719	1,655	1,600	1,493			\$12
Total	27,676	27,495	27,078	27,240	26,000 – 29,000	26,000 – 29,000	
The average number of post-release orders being served:							
- Post-release conditions	3,277	3,218	3,581	4,216			\$18
- Parole/residential restrictions	2,404	2,428	2,301	2,233			\$35
- Extended supervision	218	226	215	214			\$63
Total	5,899	5,872	6,097	6,663	6,000 – 7,000	6,000 – 7,000	
Grand Total	36,522	36,194	36,068	36,920	34,800 – 39,000	34,900 – 39,200	

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

	2014	2015	2016	2017	2017	2018
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The total number of new home detention sentences commenced	3,340	3,253	3,473	3,486	3,300 – 3,500	3,300 – 3,500
The total number of new community-based sentences commenced	49,018	46,463	44,805	43,370	43,000 – 46,000	43,000 – 46,000
The total number of new post-release orders commenced	5,779	5,951	6,420	6,966	6,000 – 8,000	6,000 – 8,000

As detailed above, there has been a consistent decrease in the number of new community-based sentences. Since 2014, the number of new community work and community detention sentences has decreased by 7,500, partially offset by an increase in the number of supervision and intensive supervision sentences (up by 1,850).

Electronic Monitoring (EM)

There are a variety of sentences or orders managed under EM. As at 30 June 2017 (30 June 2016):

- > 1,613 offenders on home detention sentences (1,629)
- > 1,503 offenders on community detention sentences (1,603)
- > 512 defendants on electronically monitored bail (448)
- > 148 offenders on release to work (not reported in 2015/16)
- > 113 offenders on temporary release from prison (142)
- > 98 offenders on electronically monitored parole (105)
- > 94 offenders serving extended supervision orders (94)
- > 22 offenders released on conditions (not reported in 2015/16)
- > 6 offenders on intensive supervision (not reported in 2015/16)
- > 2 offenders on returning offender orders (not reported in 2015/16).

The total number of offenders being managed with EM decreased by 3% compared to last financial year, with the largest reduction being in the number of offenders on community detention and those on temporary release from prison.

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

Abscond information for people being managed under EM

	2015/16	2016/17
Total number of people who were monitored by EM during the financial year	13,499	12,862
Percentage of people who did not abscond during the financial year	97.1%	96.8%
Percentage of people who did not abscond during the financial year, excluding EM bail	98.2%	98.5%
Number of people serving extended supervision orders who absconded during the financial year	3	3
Number of parolees who absconded during the financial year	11	19
Number of people serving home detention who absconded during the financial year	171	147
Number of absconders still at large as at 30 June	15	26

EM Bail

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

Activity information (EM bail)

	2014	2015	2016	2017	2017	2018
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of new EM bail conditions imposed	392	814	966	1,251	1,400	1,650
The average number of EM bail conditions	273	335	419	490	600 - 700	600 - 700

As detailed above, there has been a continued increase in the use of EM bail, with an average of 490 defendants on EM bail in 2017. Factors contributing towards this include:

- > a reduction in the turnaround time of EM bail Suitability Reports
- > more information made available to courts regarding EM bail and how to apply for it
- > an increased number of applications made to courts
- > Ministry for Vulnerable Children, Oranga Tamariki promoting the use of EM bail for youth defendants.

The average time spent on EM bail was 132 days, a 4% increase 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. A total of 677 offenders have returned to New Zealand, since the *Returning Offenders (Management and Information) Act* came into force on 18 November 2015. As at 30 June 2017, 247 offenders were managed by Corrections under a Returning Offender Order.

HOW CORRECTIONS PERFORMED

Our probation staff work with offenders in the community to ensure that they adhere to the conditions of their sentence or order and are held to account if they fail to do so. The consequence of non-compliance can range from the offender being given a warning, to a breach notice being issued (which could result in imprisonment).

As detailed below, all performance measures have met expected levels of service.

Community sentences address safety and rehabilitation

	2014	2015	2016	2017	2017	2018
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The proportion of community-based offenders who successfully complete their sentence or order	–	New for 2016	82%	79%	65% - 80%	65% - 80%

Offenders are held to account

	2014	2015	2016	2017	2017	2018
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 for 2016	90%	94%	90%	90%
The proportion of offenders on Electronic Monitoring (EM) who are reconvicted of a new offence whilst under EM ⁶ conditions	–	New for 2016	3.5%	3.0%	Less than 4%	Less than 4%

⁶ An offender is included in the calculation of this measure if they have re-offended while on an EM sentence or order and subsequently been reconvicted during the same time period where they were under Corrections management.

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

WHAT CORRECTIONS DOES

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 the 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
- > 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 NZ Police refer details of eligible victims to Corrections.

OPERATING CONTEXT

Activity information (Information and administrative services)

	2014	2015	2016	2017	2017	2018
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of court attendance hours	106,740	83,651	108,713	108,426	109,000 – 111,000	109,000 – 111,000
The number of Electronic Monitoring Bail (EM Bail) applications submitted to court	1,319	2,835	3,794	4,770	3,800 – 4,800	4,800 – 5,800
The number of NZPB hearings where administrative support is required	8,718	8,045	8,113	7,733	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. As detailed above, the number of court attendance hours has remained at a similar level to last year.

The number of EM Bail applications to court has more than tripled since 2014. This increase in throughput has resulted in more applications being granted and therefore a larger number of offenders on EM Bail.

Due to changes to the *Parole Act 2002* (implemented in September 2015) there has been a consistent reduction in the number of NZPB hearings where administrative support has been required. The NZPB adjusted hearing requirements, so that an offender is now required to attend hearings every two years, rather than every year as previously directed.

HOW CORRECTIONS PERFORMED

Each year, Corrections provides approximately 45,000 pre-sentence probation reports and 250 psychological reports to courts. These reports provide the Judiciary with offender information to support their decision-making.

In addition, parole assessment reports provide the NZPB with advice as to whether an offender is suitable for parole. Parole progress reports track the progress of an offender while on probation, and psychological reports provide details of an offender's psychological history and capabilities, and the psychologist's recommendation for parole. Each of these reports have timeliness expectations as determined by the Judiciary and NZPB.

As at 30 June 2017, there was a total of 4,259 active registered victims. There were 903 new registered victims this financial year, slightly fewer than the average of the last three years.

As detailed below, all 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

	2014	2015	2016	2017	2017	2018
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 ⁷ :						
– Probation reports	94%	94%	88%	95%	95%	95%
– Psychological reports	94%	89%	99%	95%	95%	95%
The percentage of parole reports provided to agreed timeframes pursuant to NZPB requirements ⁸ :						
– Parole Assessment reports	88%	90%	92%	100%	90%	90%
– Parole Progress reports	93%	96%	95%	100%	95%	95%
– Psychological reports	94%	95%	93%	100%	95%	95%
The percentage of offenders who are notified as per NZPB requirements ⁹	100%	100%	100%	100%	98%	98%
The percentage of victims who are notified as per NZPB requirements ¹⁰	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%	98%	98%
The number of justified complaints about notification services received from registered victims ¹¹	2	0	2	0	0	0

7 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.

8 Result based on confirmation received from NZPB advising that the Department has met agreed timeframes for the year ending 30 June 2017

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

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

11 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 2017

	2016	2017			2018
	Actual	Actual	Budget	Supp. estimates	Forecast
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	1,107,464	1,148,673	1,164,716	1,148,311	1,213,358
Departmental	1,155	1,397	–	1,356	–
Other	13,249	4,295	3,194	3,769	3,194
Total revenue	1,121,868	1,154,365	1,167,910	1,153,436	1,216,552
EXPENSES					
– Prison-based Custodial Services	853,093	889,692	889,610	894,481	937,872
– Sentences and Orders Served in the Community	206,387	210,373	209,104	208,937	217,287
– Information and Administrative Services to the Judiciary and New Zealand Parole Board	57,672	60,797	59,196	58,966	61,393
Total expenses	1,117,152	1,160,862	1,167,910	1,162,384	1,216,552
Net (deficit)/surplus¹²	4,716	(6,497)	–	(8,948)	–

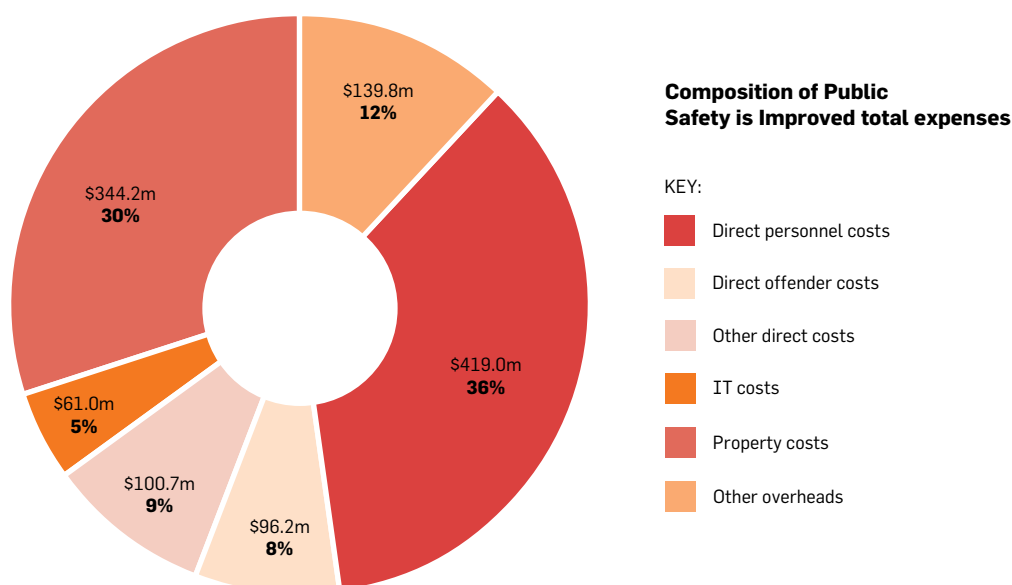
The total expense for the Public Safety is Improved MCA was \$1,160.9 million.

Personnel costs are a significant cost associated with this MCA as frontline staff account for the majority of Corrections' overall staffing numbers.

The Corrections network includes 18 prisons across the country and another significant amount of expenditure therefore relates to costs associated with the ownership, management and operation of these assets; this includes depreciation, asset maintenance and capital charge. Total expenditure also includes payments made to SecureFuture Wiri Limited for the operation and maintenance of Auckland South Corrections Facility (ASCF) and to Next Step Partners Limited for the maintenance of Auckland Prison under these service concession arrangements.

Refer to the diagram on the next page for the composition of total expenditure by major expense category.

¹² 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.



Actual expenditure was \$43.7 million higher than 2016 actuals, mainly due to:

- > \$45.4 million increase in personnel costs including over 1,000 new frontline staff to manage an increasing prison population and the impact of salary increases
- > \$11.3 million increase in loss on sale of assets mainly due to 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
- > \$9.9 million increase in other asset ownership costs including depreciation and facilities costs such as rates and utilities
- > \$8.8 million increase in other staff costs including recruitment, travel and uniforms, driven by an increase in staff numbers, and
- > \$6.6 million increase in offender management costs related to the growth in the prison population, partly offset by
- > \$41.7 million decrease in capital charge costs mainly reflecting a 2% rate reduction.

The year on year decrease in other revenue is mainly due to higher one-off revenue received in 2016, which included the receipt of proceeds from Serco in full settlement of costs incurred by Corrections due to the Step-In at Mount Eden Corrections Facility and the receipt of insurance proceeds in relation to the costs of the Spring Hill Corrections Facility riot that were incurred in previous years.

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.

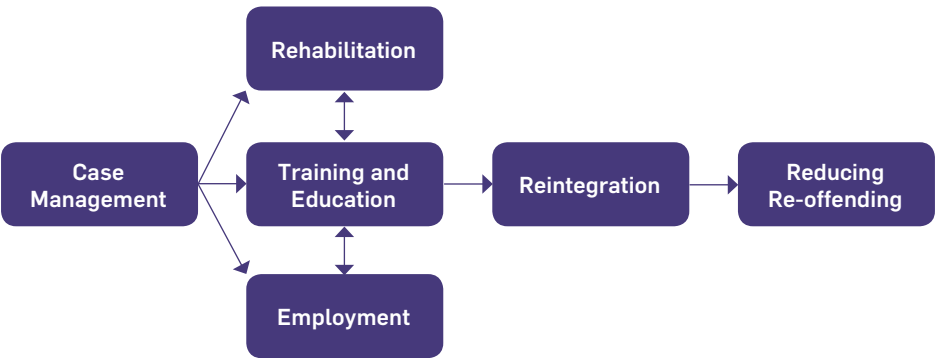
Rehabilitation challenges behaviours that lead to offending. Corrections assesses an offender's needs and provides a variety of programmes, which vary depending on risk, need and responsiveness. Rehabilitation programmes focus on the motivation to change, cognitive-behavioural interventions and general skills.

Corrections also provides industry training and education that helps offenders gain qualifications and address lifelong learning barriers. Employment opportunities look to develop work habits, experience and skills, while reintegration services create pathways for those integrating back into the community by assisting them with employment, accommodation, living skills, health and wellbeing, community links and other needs.

OPERATING CONTEXT

The offender journey as it relates to rehabilitation and reintegration is detailed below.

The offender journey



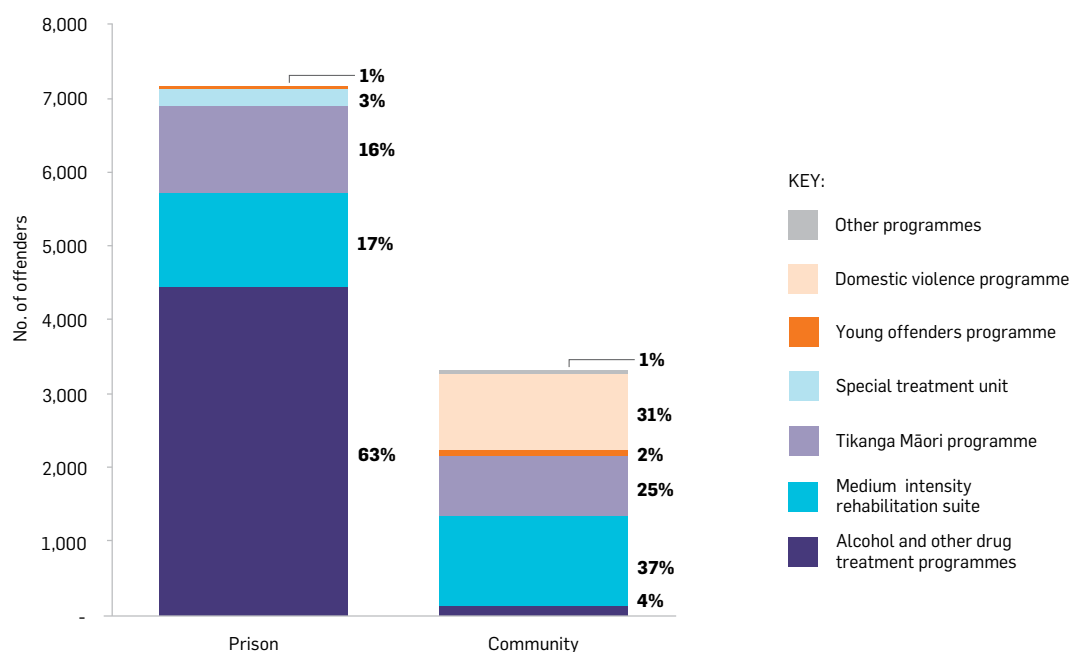
Case Management

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.

Rehabilitation programme completions 2017 (prison and community)



Corrections assesses every offender, and as detailed above, provides a wide range of programmes aimed at meeting their complex needs.

Activity information (Rehabilitation)

	2014	2015	2016	2017	2017	2018
Activity information	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The number of offenders who have completed a rehabilitation programme:						
- Prisoners	New for 2015	6,837	8,372	7,197	9,000 – 9,500	9,000 – 9,500
- Community-based offenders	New for 2015	3,107	3,648	3,287	4,000 – 4,500	4,000 – 4,500

Progress towards reducing re-offending is reported through a number of long term key performance indicators. For more information on the types of programmes Corrections offers and the impact they have on reducing re-offending (Rehabilitation Quotient), refer to page 55.

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.

Volume of qualifications achieved by prisoners

Financial year	2017
Driver Licence	409
LCP / MTP	1,958
National Certificate or Equivalent	1,093
Other	103
Health and Safety	331
Total	3,894

As detailed above, half of qualifications achieved this financial year were for a Limited Credit Programme (LCP) or a Modularised Training Programme (MTP), with a further 28% of prisoners achieving a National Certificate or equivalent. For more information refer to Glossary of Terms (page 107).

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.

Industry, Treatment and Learning (ITL)

The ITL framework is a key part of reducing re-offending. Corrections began piloting the framework as Working Prisons in 2012. Aimed at engaging all eligible prisoners in a 40-hour work week, the framework focuses on preparing prisoners for release and reintegration through industry, treatment and learning.

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. Our reintegration services focus on:

- > employment
- > accommodation
- > education and training
- > skills for life and ora
- > family/whānau/community relationships.

Reintegration is not just for people leaving prison. People who have served sentences and orders in the community also need help to make a fresh start and play a positive role in their communities and families.

HOW CORRECTIONS PERFORMED

As detailed below, performance in some of the measures has been a challenge for Corrections this financial year.

Individual offender rehabilitation needs are identified and met

	2014	2015	2016	2017	2017	2018
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The proportion of offenders entitled to receive an offender plan who received one within Standards of Practice timeframes ¹³ :						
- Prisoners	–	New for 2016	93%	85%	90%	90%
- Community-based offenders	–		New for 2017	75%	90%	80%
The proportion of prisoners with an identified activity on their offender plan who have a matching scheduled programme placement						
	–	New for 2016	76%	78%	80%	80%
The proportion of community offenders with an identified activity on their offender plan who have a matching scheduled placement for a departmental programme						
	–	New for 2016	50%	47%	15%	33%
The proportion of prisoners who demonstrate statistically significant gains through intensive literacy and numeracy provision						
	–	New for 2016	42%	47%	30%	30%
The percentage of offenders who start and complete a rehabilitation programme:						
- Prisoners	85%	86%	81%	86%	85%	85%
- Community-based offenders	63%	59%	57%	63%	65%	65%

Case Management

Case managers have generated more than 6,100 prisoner offender plans this financial year, an increase of over 50% compared to last year. Timeframes are determined by Standards of Practice guidelines.

13 *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.

Rehabilitation

Approximately 7,200 prisoners and 3,200 community-based offenders have successfully completed a rehabilitation programme this financial year.

An offender achieving the objectives set out in their offender plan is dependent on matching their needs with available programmes. Performance in this area has improved from last year.

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 47% of offenders assessed have been assessed as making a gain, an increase of 5% when compared to last year.

Employment

As detailed below, progress towards achieving the goal of 100% engagement under our ITL (Working Prisons) framework has improved significantly since 2016.

To date, Corrections has signed 125 memoranda of understanding (MOU) with employers, pledging up to 1,200 jobs for offenders. The memorandum provides 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 59.

Reintegration

We continue to expand our suite of reintegrative services, which includes emergency accommodation, job support and cultural services. As detailed in the table below, the volume of referrals made to reintegration services has increased compared to last year. For more information on the services we provide, refer to page 62.

As detailed below, the majority of performance measures have met expected levels of service and are showing improvement when compared to last year.

Reintegration initiatives ensure sustainability of rehabilitation interventions

	2014	2015	2016	2017	2017	2018
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The total number of referrals made to reintegration service providers		New for 2016	5,780	6,267	4,500	4,500
The total number of referrals made to reintegration service providers that resulted in one or more outcomes being achieved		New for 2016	3,258	3,670	3,500	3,500
All public prisons to be transitioned to the Working Prisons framework and achieving on average 100% prisoner engagement by 30 June 2017		New for 2016	16 prisons 75% engagement	17 prisons 91% ¹⁴ engagement	17 prisons 100% engagement	17 prisons 100% engagement

¹⁴ Progress towards achieving the goal of 100% engagement under our ITL (Working Prisons) framework has improved by 16% since 2016. The continued focus on engaging eligible prisoners in the four pillars of industry, treatment, learning and constructive activity has underpinned this increase. Working Prisons 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 target 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 focussed employment (industry), education and training (learning), and programmes (treatment) which directly contributes to 87% of the 2016/17 result; the remaining 4% relates to constructive activities which are intended to increase a prisoner's motivation to attend available interventions.

HOW MUCH DID IT COST?

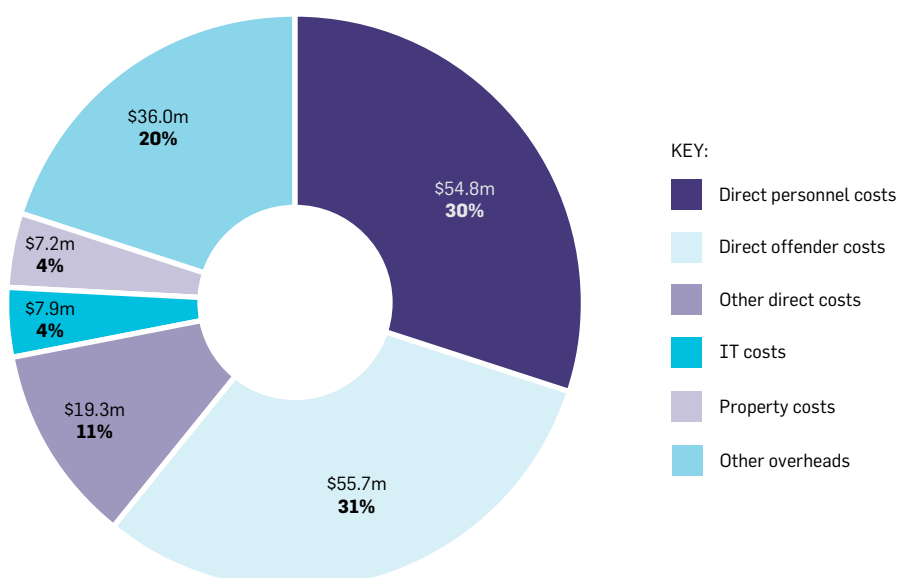
For the year ended 30 June 2017

	2016	2017			2018
	Actual	Actual	Budget	Supp. estimates	Forecast
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	145,982	149,157	152,493	159,156	171,851
Departmental	174	253	–	244	–
Other	23,038	24,285	29,694	23,515	29,694
Total revenue	169,194	173,695	182,187	182,915	201,545
Total expenses	176,308	180,869	182,187	190,868	201,545
Net deficit¹⁵	(7,114)	(7,174)	–	(7,953)	–

The total expense for this appropriation was \$180.9 million. Direct expenses accounted for 72% of total expenses in 2017, which included approximately \$83.8 million on the provision of intervention programmes and case management, \$28.0 million on offender employment activities, and \$18.0 million on psychological services.

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

Composition of Re-offending is Reduced total expenses



¹⁵ The department obtained approval to run output class deficits relating to an expected shortfall in offender employment activity revenue.

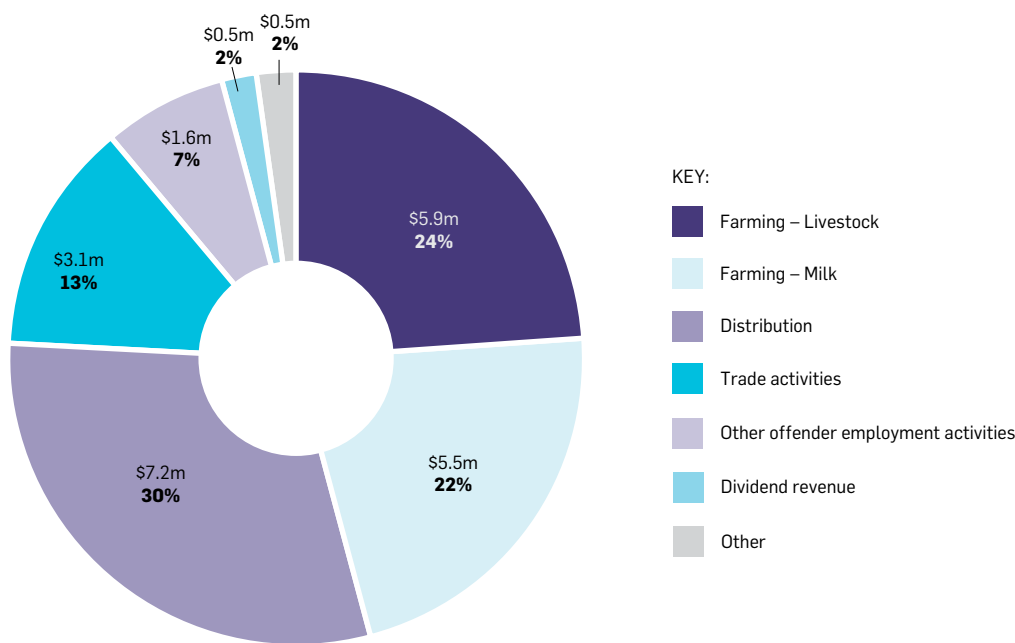
Actual expenditure was \$4.6 million higher than 2016 actuals, mainly due to new spend for alcohol and other drug aftercare support and enhanced mental health support services.

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

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

Refer below for the composition of other revenue.

Composition of Re-offending is Reduced other revenue



Appropriation 3 – Policy Advice and Ministerial Services (MCA)

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 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 the department 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.

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 2016/17 financial year:

- > Amendments to governing legislation, including the *Corrections Act 2004* and associated regulations.
- > Strengthening of the Corrections' Inspectorate.
- > Housing and supervision of higher risk offenders in the community.
- > Continuity of care for prisoners with mental health needs.
- > Sentencing calculation for offenders who have been remanded in custody.
- > Managing the prison population.
- > *Sentencing (Electronic Monitoring of Offenders) Legislation Bill*, through the Committee of the whole House and implementation.
- > *Drug and Alcohol Testing of Community-based Offenders, Bailees and Other Persons Legislation Bill*, through the Committee of the whole House and implementation.

HOW CORRECTIONS PERFORMED

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

Policy Advice and Ministerial Services

	2014	2015	2016	2017	2017	2018
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)	New for 2015	91%	94%	92%	84%	84%
Technical quality of policy advice papers assessed by a survey with methodological robustness of 90% ¹⁶	75%	75%	72%	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 ¹⁷)	100%	83%	82%	70%	78%	78%
Total cost per output hours of professional staff time devoted to policy advice and other policy functions ¹⁸	\$98	\$92	\$98	\$91	\$105	\$105

16 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.

17 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.

18 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 OIA and the Privacy Act, the Ministerial Services team also manages correspondence with the Office of the Ombudsman, Office of the Privacy Commissioner, Ministerial Correspondence, Parliamentary questions and any other correspondence that is received directly into National Office.

OPERATING CONTEXT

In 2016/17, Corrections received almost 7,300 pieces of correspondence (an increase of 21% when compared to 2015/16) from offenders, media, members of the public, parliamentarians, government agencies and external assurance organisations. As detailed below, almost half of these requests were OIAs.

Breakdown of correspondence received

Financial Year	2016	2017
	Actual	Actual
Official Information Act (OIA) requests ¹⁹	2,457	3,568
Chief Executive correspondence	1,235	1,768
Parliamentary questions	754	283
Ministerial correspondence	619	560
Privacy Act requests	346	466
Office of the Ombudsman	322	307
Government agency requests	197	219
Office of the Privacy Commissioner	124	127
Total	6,054	7,298

As detailed below, the number of requests received by Corrections under the OIA has continued to increase year-on-year and reflects 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

Financial Year	2014	2015	2016	2017
	Actual	Actual	Actual	Actual
Official Information Act requests ¹⁹	1,598	2,006	2,457	3,568

¹⁹ Does not include media enquiries.

Improving OIA practices

Since the release of the Chief Ombudsman's report, *Not Just a Game of Hide and Seek*, in December 2015, Corrections is undertaking a range of actions to implement the ten recommendations that relate directly to the department, while also noting the spirit of the 16 recommendations that relate to other agencies.

HOW CORRECTIONS PERFORMED

As detailed below, all performance measures have met expected levels of service, and on the whole, are showing improvement when compared to trends over the last four years.

Ministerial Services

	2014	2015	2016	2017	2017	2018
Assessment of performance	Actual	Actual	Actual	Actual	Budget (unaudited)	Forecast (unaudited)
The percentage of ministerial draft correspondence that is signed without changes	96%	98%	97%	99%	95%	95%
The percentage of all responses to parliamentary questions that are completed within five working days	99%	98%	81%	100%	98%	98%
The percentage of responses to ministerial draft correspondence that are completed within 20 working days	100%	100%	100%	99%	98%	98%

HOW MUCH DID IT COST?

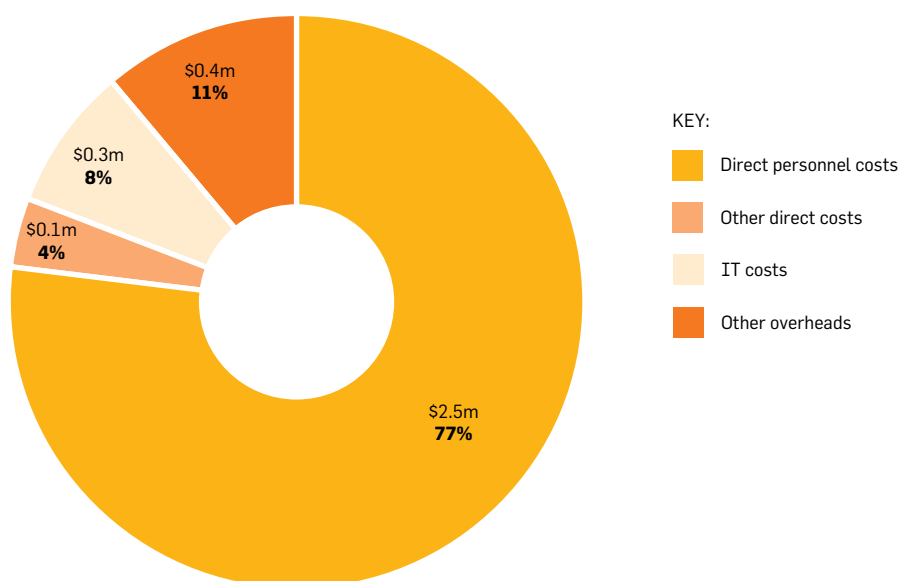
For the year ended 30 June 2017

	2016	2017			2018
	Actual	Actual	Budget	Supp. estimates	Forecast
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	3,284	3,269	2,687	3,631	3,631
Departmental	–	–	–	1	–
Total revenue	3,284	3,269	2,687	3,632	3,631
EXPENSES					
– Policy Advice	1,785	1,731	1,646	1,647	1,646
– Ministerial Services	1,341	1,538	1,041	1,985	1,985
Total expenses	3,126	3,269	2,687	3,632	3,631
Net surplus	158	–	–	–	–

The total expense for the Policy Advice and Ministerial Services MCA was \$3.3 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.

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

Composition of Policy Advice and Ministerial Services total expenses



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 (CD) is a community-based sentence that requires the offender to comply with an electronically monitored curfew imposed by the court. Offenders can be sentenced to CD for up to six months. Curfews can total up to 84 hours per week. The minimum curfew period is two hours.
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	Extended supervision is aimed at managing long-term risks posed by serious violent or sexual (adult or child) offenders in the community. An extended supervision order, imposed by the court, allows Corrections to monitor serious violent or sexual (adult or child) offenders for up to ten 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 (HD) 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. It can help offenders to maintain family relationships, keep working or actively seek work, and attend training or rehabilitative programmes. 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.
Limited Credit Programme (LCP)	Qualification listed on the National Qualifications Framework (NQF) administered by the NZQA, composed of a number of unit standards and is a pathway towards a National Certificate.
Modularised Training Programme (MTP)	Qualification not listed on the NQF administered by an Industry Training Organisation (ITO), composed of a number of unit standards and is a pathway towards a National Certificate.
National certificate	Qualification listed on the NQF administered by the New Zealand Qualification Authority (NZQA), composed of a prescribed number of unit standards and is a complete qualification.
Outputs	Goods or services supplied by departments and other entities to external parties. Outputs are a variety of types, including policy advice, administration of contracts and grants and the provision of specific services.
Post-release conditions	When an offender is released from prison they are required to comply with their standard and/or special conditions of release. These conditions are imposed by the NZPB. The conditions can be for six months or more.

Reintegration	<p>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.</p> <p>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.</p>
Residential restrictions	<p>Under the <i>Parole Act 2002</i>, the NZPB 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.</p>
Serious assault	<p>Defined as an act of violence that involves one or more of the following:</p> <ul style="list-style-type: none"> - sexual assault of any form or degree where police charges have been laid or - physical assault resulting in bodily harm requiring medical intervention by medical staff or - physical assault resulting in bodily harm requiring extended periods of ongoing medical intervention.
Supervision	<p>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.</p>
Supp. estimates	<p>For an amount, the supplementary estimates incorporate all changes since the budget and becomes the final amount for spending for the financial year.</p>



Department of Corrections
Annual Report - Part C

Annual Financial Statements

The Year at a Glance

IN 2016/17 THE DEPARTMENT OF CORRECTIONS:

Stewardship, financial health and sustainability

- > established a new Commercial Services team to develop, implement and manage our larger contracts with third parties
- > achieved a smooth transition of Mount Eden Corrections Facility from Serco management to Corrections management
- > increased monitoring and oversight of the privately managed prison, Auckland South Corrections Facility
- > added extra 520 beds to the network through the Prison Capacity Build Programme.

Expenditure

- > managed a \$1.4 billion operating budget to approximately 1% of appropriation (excluding remeasurements)
- > recruited over 1,000 new frontline staff (including 885 corrections officers) and invested in the development of our people to increase Corrections overall capability
- > invested \$256.7 million of capital across the estate, including property and prison development projects, with \$38.5 million expended on the Prison Capacity Build Programme which is phased over the next four years to ensure we can accommodate the forecast prison population.

Financial pressures

- > self-funded the financial impact of salary increases, incremental facilities costs such as rates increases, and increased depreciation costs related to the revaluation of land and buildings as at 30 June 2014 within the existing budget baseline
- > demonstrated agility in developing organised programmes of work to increase prison capacity to accommodate growth in prisoner numbers.

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual	Notes	2017 Actual	2017 Budget	2017 Supp. estimates	2018 Forecast ¹
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
1,256,730	Revenue Crown	1,301,099 ²	1,319,896	1,311,098	1,388,840
1,329	Departmental revenue	1,650	–	1,601	–
35,857	Other revenue	28,103	32,888	27,284	32,888
430	Dividend revenue	477	–	–	–
1,294,346	Total operating revenue	1,331,329	1,352,784	1,339,983	1,421,728
EXPENSES					
558,966	Personnel costs	606,553	585,839	595,729	662,677
356,698	Operating costs	395,917	376,149	417,976	409,789
152,007	Depreciation and amortisation	156,813	163,487	157,511	168,885
195,565	Capital charge	152,967	194,609	152,968	148,077
33,350	Finance costs	32,750	32,700	32,700	32,300
1,296,586	Total operating expenses	1,345,000	1,352,784	1,356,884	1,421,728
(2,240)	Net operating deficit³	(13,671)	–	(16,901)	–
OTHER COMPREHENSIVE REVENUE AND EXPENSE					
REMEASUREMENTS					
(586)	Unrealised increase/(decrease) in fair value of biological assets	939	–	–	–
595	Unrealised increase in fair value of shares	679	–	–	–
(2,063)	Unrealised increase/(decrease) in discount rates for retiring and long service leave	837	–	–	–
(28,923)	Unrealised increase/(decrease) in fair value of derivative financial instruments	17,726	–	22,258	–
(30,977)	Total remeasurements	20,181	–	22,258	–
(33,217)	Net surplus/(deficit)	6,510	–	5,357	–
OTHER COMPREHENSIVE REVENUE AND EXPENSE					
24	Revaluation gains on land and buildings	74,102	–	–	–
24	Total other comprehensive revenue and expense	74,102	–	–	–
(33,193)	Total comprehensive revenue and expense	80,612	–	5,357	–

1 Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2017.

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

3 The department 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.

Statement of Changes in Taxpayers' Funds

FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual	Notes	2017 Actual	2017 Budget	2017 Supp. estimates (unaudited) \$000	2018 Forecast ⁴ (unaudited) \$000	
\$000		\$000	(unaudited) \$000			
2,450,713	Taxpayers' funds at 1 July	2,349,978	2,432,616	2,349,980	2,371,737	
(33,217)	Net surplus/(deficit)	6,510	–	5,357	–	
	Adjustment for flows to and from the Crown					
4,508	Add capital contribution from the Crown	15	22,000	1,654	22,000	64,900
(72,000)	Less capital cash returned to the Crown	15	(5,600)	(72,000)	(5,600)	–
(50)	Less capital non-cash returned to the Crown	15	–	–	–	–
24	Revaluation gains	15	74,102	–	–	–
(67,518)	Total adjustments for flows to and from the Crown	90,502	(70,346)	16,400	64,900	
2,349,978	Taxpayers' funds at 30 June	2,446,990	2,362,270	2,371,737	2,436,637	

4 Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2017.

Statement of Financial Position

AS AT 30 JUNE 2017

2016 Actual	Notes	2017 Actual	2017 Budget	2017 Supp. estimates	2018 Forecast ⁵
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
ASSETS					
Current assets					
39,852	Cash and cash equivalents	95,263	50,000	50,000	50,000
2,656	Prepayments	2,899	3,025	3,025	3,025
265,437	Debtors and other receivables	274,195	127,527	285,898	270,744
3,469	Inventories	3,888	4,000	4,000	4,000
311,414	Total current assets	376,245	184,552	342,923	327,769
Non-current assets					
6,662	Investments	7,346	6,064	6,662	6,662
2,579,685	Property, plant and equipment	2,739,777	2,879,111	2,733,563	2,823,034
76,557	Intangible assets	77,422	87,822	77,541	71,260
7,283	Biological assets	8,229	10,093	7,283	7,283
2,670,187	Total non-current assets	2,832,774	2,983,090	2,825,049	2,908,239
2,981,601	Total assets	3,209,019	3,167,642	3,167,972	3,236,008
LIABILITIES					
Current liabilities					
81,947	Creditors and other payables	97,014	105,000	85,993	85,993
85,201	Employee entitlements	95,371	78,965	83,427	83,427
8,777	Other financial liabilities	8,979	4,245	11,901	7,583
6,983	Provisions	6,007	7,500	7,500	7,500
182,908	Total current liabilities	207,371	195,710	188,821	184,503
Non-current liabilities					
18,142	Employee entitlements	17,256	16,025	18,142	18,142
430,573	Other financial liabilities	537,402	593,637	589,272	596,726
448,715	Total non-current liabilities	554,658	609,662	607,414	614,868
631,623	Total liabilities	762,029	805,372	796,235	799,371
TAXPAYERS' FUNDS					
1,592,886	General funds	1,615,796	1,605,202	1,614,645	1,679,545
757,092	Reserves	831,194	757,068	757,092	757,092
2,349,978	Total taxpayers' funds	2,446,990	2,362,270	2,371,737	2,436,637
2,981,601	Total liabilities & taxpayers' funds	3,209,019	3,167,642	3,167,972	3,236,008

5 Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2017.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual	Notes	2017 Actual	2017 Budget	2017 Supp. estimates	2018 Forecast ⁶
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash provided from:					
1,321,739	Receipts from Crown	1,293,778	1,447,974	1,292,278	1,403,994
2,073	Receipts from departments	870	–	1,959	–
38,595	Receipts from other revenue	26,776	32,888	25,284	32,888
7,590	GST payable (net)	3,895	–	2,275	–
Cash disbursed to:					
(557,846)	Payments for employees	(597,408)	(583,139)	(592,512)	(646,737)
(375,548)	Payments to suppliers	(372,769)	(378,171)	(410,855)	(425,728)
(195,565)	Payments for capital charge	(152,967)	(194,609)	(152,968)	(148,077)
241,038	Net cash flows from operating activities	202,175	324,943	165,461	216,340
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash provided from:					
430	Receipts from interest and dividends	477	–	–	–
1,301	Receipts from sale of physical, biological and intangible assets	1,039	–	–	–
Cash disbursed to:					
(130,437)	Purchase of physical and biological assets	(104,546)	(191,542)	(112,235)	(219,039)
(15,493)	Purchase of intangible assets	(18,623)	(27,794)	(18,000)	(18,000)
(144,199)	Net cash flows from investing activities	(121,653)	(219,336)	(130,235)	(237,039)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash provided from:					
–	Capital injections	22,000	–	22,000	64,900
Cash disbursed to:					
(72,000)	Return of capital	(5,600)	(72,000)	(5,600)	–
(31,933)	Interest payment	(32,773)	(32,700)	(32,700)	(32,300)
(9,699)	Repayment of financial liabilities	(8,738)	(907)	(8,778)	(11,901)
(1,814)	Return of operating surpluses	–	–	–	–
(115,446)	Net cash flows from financing activities	(25,111)	(105,607)	(25,078)	20,699
(18,607)	Net increase/(decrease) in cash	55,411	–	10,148	–
58,459	Cash at the beginning of the year	39,852	50,000	39,852	50,000
39,852	Cash at the end of the year	95,263	50,000	50,000	50,000

6 Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2017.

Statement of Commitments

AS AT 30 JUNE 2017

2016 Actual \$000		2017 Actual \$000
CAPITAL COMMITMENTS		
20,337	Buildings	120,933
2,042	Motor vehicles	364
20	Plant and equipment	58
236,866	Service concession arrangements	64,541
1,804	Intangibles	1,416
261,069	Total capital commitments	187,312
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
12,067	Less than one year	15,400
34,689	One to five years	36,792
18,575	More than five years	26,124
65,331	Total non-cancellable operating lease commitments	78,316
326,400	Total commitments	265,628

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 relates 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 is expected to be completed in early 2018.

Non-cancellable operating lease commitments

The department leases premises at many locations throughout New Zealand.

Commitments include a lease arrangement for land under Tongariro Prison following the sale under Treaty settlement on 30 June 2015. The prison and associated ancillary buildings were not part of the sale agreement and therefore remain owned by the department.

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 2017

Unquantifiable contingent liabilities

Parole Act 2002

In September 2016 the Supreme Court of New Zealand ruled that the department had incorrectly calculated the period of detention for a claimant offender. Under the *Parole Act 2002* the department is required to calculate the period of detention, taking into consideration the period of time a prisoner spends on pre-sentence detention. The department 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 and this is being appealed.

Holidays Act 2003

The department has identified issues in relation to the interpretation of the *Holidays Act 2003*. The department is currently developing a programme of work to address these issues, identify potentially affected employees and quantify the potential liability. At this stage the department is not able to obtain a sufficient level of certainty about the number of individuals impacted or any potential liability.

Quantifiable contingent liabilities

2016 Actual \$000		2017 Actual \$000
939	Legal proceedings	819
420	Personal grievances	390
1,359	Total quantifiable contingent liabilities	1,209

Legal proceedings

The department was defending 30 legal claims by prisoners as at 30 June 2017 (2016: 31). They cover a range of areas, including breach of the *New Zealand Bill of Rights Act 1990*, seeking compensation or other redress for perceived/alleged instances of wrongful action or decision-making by the department and individuals.

Personal grievances

The department was defending nine employment related claims made by staff members as at 30 June 2017 (2016: 11).

Contingent assets

The department has no contingent assets as at 30 June 2017 (2016: Nil).

Statement of Trust Monies

FOR THE YEAR ENDED 30 JUNE 2017

	As at 1 July 2016 \$000	Contribution \$000	Distribution \$000	As at 30 June 2017 \$000
Trust accounts	1,438	16,709	(16,431)	1,716
Total trust accounts	1,438	16,709	(16,431)	1,716

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 the department's 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 2017

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Department of Corrections (the department) 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 the department's 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*.

The department 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.

Statutory authority

The financial statements for the department have been prepared in accordance with the requirements of the *Public Finance Act 1989* (PFA). For the purposes of financial reporting the department is classified as a public benefit entity (PBE).

Reporting period

The reporting period for these financial statements is the year ended 30 June 2017 with comparative figures for the year ended 30 June 2016.

The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 28 September 2017.

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 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

There have been no changes in the department's accounting policies during the year.

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

Standards and amendments, issued but not yet effective, that have not been early adopted, and which are relevant to the department 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 timing of the department adopting PBE IFRS 9 will be guided by the Treasury's decision on when the Financial Statements of Government will adopt PBE IFRS 9. The department has not yet assessed the effects of the new standard.

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 the department adopting this amendment will be guided by the Treasury's decision on when the Financial Statements of Government will adopt the amendment.

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 11 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 the department. 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 the department, 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 2017 and were published in the 2015/16 annual report. They were included in the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2017, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the 2016/17 Supplementary Estimates.

The forecast figures are for the year ending 30 June 2018, and are consistent with the best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) 2017 for the 2017/18 year.

The forecast financial statements have been prepared as required by the PFA 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 11 April 2017. 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 the department's purpose and activities and are based on a number of assumptions on what may occur during the 2017/18 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 11 April 2017 were as follows:

- > the department's 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 the department's 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 fully constructed in 2017/18
- > prison population/demand levels are consistent with the Justice Sector Forecast which projects continued growth
- > estimated year-end information for 2016/17 was used as the opening position for the 2017/18 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 the department's 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 the department's 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, the department 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 the department.

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

The department 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 PPP arrangements.

The department 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 on a daily basis using the NZD swap curve, which is made up of OCR, 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. The department is required by the Treasury to maintain a positive balance in its bank accounts at all times. The department 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.

The department's 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.

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 at which time they are recognised as a separate asset class. As such, service concession arrangements are accounted for in accordance with the department's policies, which comply with PBE IPSAS 17 *Property, Plant and Equipment*.

For newly constructed assets, the department recognises the asset and corresponding liability, as the asset is being progressively constructed. Service concession arrangements, whilst under construction, are measured at amortised cost.

Payments made by the department under a service concession arrangement reduce the value of the liability, pay for interest on the principal, reimburse the operator for the service provided and reimburse any other additional operational costs.

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 ⁷	3 – 85 years	Nil
Plant and equipment	5 – 10 years	Nil
Furniture and fittings	3 – 5 years	Nil
Computer hardware	3 – 10 years	Nil
Motor vehicles	5 – 8 years	20%
Service concession arrangements		
Land	Not depreciated	Not applicable
Buildings	7 – 65 years	Nil
Plant and equipment	3 – 10 years	Nil

⁷ As at 30 June 2017 three buildings have been appropriately assigned a useful life which exceeds 85 years given the current age of those buildings.

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 the department 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.

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

The department's 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 the department's 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.

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

Impairment of non-financial assets

Cash-generating assets

The department does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return. The department 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 the department 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 the department expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. 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

The department 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 on a daily basis using the NZD swap curve, which is made up of OCR, 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

The department 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

The department belongs to the ACC Partnership Programme whereby the department accepts the management and financial responsibility of work-related illnesses and accidents of employees.

Under the programme, the department is liable for the costs of all claims for a period of five years. At the end of the five year period, the department 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

The department 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. The department 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

The department 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

2016 Actual \$000		2017 Actual \$000
22,605	Sale of goods	23,807
2,905	Board and rents	2,953
473	Profit on sale of assets	670
1,654	Insurance proceeds	–
8,220	Revenue other	673
35,857	Total other revenue	28,103

Sale of goods mainly comprises revenue from offender employment activities such as farming, distribution and other industries.

NOTE 3: PERSONNEL COSTS

2016 Actual \$000		2017 Actual \$000	2017 Budget (unaudited) \$000	2018 Forecast ⁸ (unaudited) \$000
541,052	Salaries and wages	588,933	569,283	643,976
(54)	ACC Partnership Programme	456	–	–
305	Government Superannuation Fund contribution expense	283	271	310
14,545	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	15,656	14,602	17,133
1,998	Retiring and long service leave	1,150	1,683	1,258
1,120	Termination benefits	75	–	–
558,966	Total personnel costs	606,553	585,839	662,677

8 Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2017.

NOTE 4: OPERATING COSTS

2016 Actual		2017 Actual	2017 Budget (unaudited)	2018 Forecast ⁹ (unaudited)
\$000		\$000	\$000	\$000
17,241	Operating lease rentals	18,314	17,792	18,185
376	Audit fees for annual audit	386	385	395
5	Fees to auditors for other services ¹⁰	44	–	–
72,859	Facilities maintenance	77,134	72,427	83,195
49,602	Offender management costs	58,867	58,604	59,276
31,964	Information technology costs	35,817	33,686	38,763
101,384	Contract management	96,520	95,938	112,557
30,469	Administration	32,773	27,206	33,660
7,904	Inventory expenses	9,468	8,498	8,676
43,472	Other operating costs	53,972	61,613	55,082
1,422	Loss on sale/de-recognition of assets	12,622	–	–
356,698	Total operating costs	395,917	376,149	409,789

⁹ Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2017.

¹⁰ Total fees to auditors for other services in 2017 for independent quality assurance over asset management/facilities maintenance and correctional facilities builds totals to \$95,000, \$51,000 of which has been capitalised.

NOTE 5: CAPITAL CHARGE

The department pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year.

The capital charge rate for the 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 (2016: 8% per annum).

NOTE 6: DEBTORS AND OTHER RECEIVABLES

2016 Actual \$000		2017 Actual \$000
CURRENT PORTION		
Exchange transactions		
1,567	Trade debtors – external	2,271
373	Employee advances	311
(38)	Less provision for impairment	(23)
1,902	Trade debtors – external and employees	2,559
456	Trade debtors – other government entities	1,236
456	Trade debtors – other government entities	1,236
Non-exchange transactions		
263,079	Debtor Crown	270,400
263,079	Debtor Crown	270,400
265,437	Total debtors and other receivables	274,195

The carrying value of trade debtors approximates their fair value.

The debtor Crown of \$270.4 million (2016: \$263.1 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. The department's standard terms of credit are that payment is due on the 20th of the month following the date of invoice. No further extension of credit is permitted.

All debtors are expected to be realised within 12 months and therefore classified as current. The department 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:

	Gross \$000	2017 Impairment \$000	Net \$000	Gross \$000	2016 Impairment \$000	Net \$000
Not past due	273,186	–	273,186	264,866	–	264,866
Past due 1-30 days	455	–	455	269	–	269
Past due 31-60 days	101	–	101	27	–	27
Past due 61-90 days	136	–	136	55	–	55
Past due > 90 days	340	(23)	317	258	(38)	220
	274,218	(23)	274,195	265,475	(38)	265,437

As at 30 June 2017 and 30 June 2016, 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:

2016 Actual \$000	2017 Actual \$000
6 Balance at 1 July	38
32 Provisions (released)/made during the year	(15)
38 Balance at 30 June	23

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

Those specific debtors that are insolvent are fully provided for. As at 30 June 2017 the department had no debtors that were insolvent (2016: Nil).

NOTE 7: 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 the department's 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.

The department has land holdings that are subject to Treaty of Waitangi claims and therefore there may be restrictions on disposal unless under Treaty claim procedures. No adjustment has been made to the value of the department's land holdings to reflect these restrictions.

The department classifies property, plant and equipment expected to be sold in the next 12 months as assets held for sale. There were no assets held for sale as at 30 June 2017 (2016: Nil).

The department 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 \$64.6 million (2016: \$131.7 million), leasehold improvements \$3.6 million (2016: \$10.0 million), service concession arrangements \$292.4 million (2016: \$142.1 million) and other \$10.9 million (2016: Nil).

The department currently holds residential properties that were purchased in the 1960s. The department 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 \$3.5 million (2016: \$0.4 million).

The department holds the old prison at Mt Eden Corrections Facility as a heritage asset. The department does not recognise heritage assets within property, plant and equipment. However, it is insured under the department's material damage policy for an estimated total reinstatement value of \$112.6 million (2016: \$102.1 million).

There are no other restrictions over the title of the department's property, plant and equipment, nor are any property, plant and equipment pledged as security for liabilities.

Service concession arrangements

Auckland South Corrections Facility

Operations at the new 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, the department 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 on-going maintenance and operations will revert to the department. The Chief Executive of the Department of Corrections will be responsible for the safe, secure and humane containment of prisoners on that site.

The service concession arrangements asset relating to ASCF comprises land \$12.7 million (2016: \$8.7 million), buildings \$299.9 million (2016: \$293.6 million) and plant and equipment \$12.5 million (2016: \$15.9 million).

Under this agreement the department pays a monthly unitary charge to the contractor from service commencement. This charge covers, and is allocated between:

- > The construction of the prison – 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 the department 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 the department 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 the department pays to the contractor. Service costs are recognised as an expense in the period incurred. Termination clauses and penalties are outlined in the department's base agreement and there is no right of renewal after the 25 years.

Auckland Prison

Construction commenced in October 2015 on the new maximum security facility at Auckland Prison and is expected to be completed in early 2018. The facility will be designed, financed, built and maintained through a PPP with Next Step Partners Limited (contractor). Under the agreement, custodial operations will continue to be carried out by the department. 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 the department. The contractor will maintain the prison for a period of 25 years following construction, after which responsibility for on-going maintenance will revert to the department. 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 service concession arrangement relating to Auckland Prison is comprised of buildings within assets under construction of \$292.4 million (2016: \$142.1 million).

During the year, finance costs of \$10.3 million were capitalised during the construction period (2016: \$8.2 million).

Under this agreement the department 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 the department 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 the department 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 the department pays to the contractor. Service costs are recognised as an expense in the period incurred.
- > Termination clauses and penalties are outlined in the department's base agreement and there is no right of renewal after the 25 years.

	Land	Buildings	Leasehold improvements	Plant & equipment	Furniture & fittings	Computer hardware	Motor vehicles	Service concession arrangements	Assets under construction	Total property, plant and equipment
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation										
Balance 1 July 2015	140,682	1,927,293	33,269	58,981	9,345	50,890	44,861	329,309	140,743	2,735,373
Additions	-	9,926	283	5,756	430	328	2,124	-	212,211	231,058
Revaluation increase/(decrease)	(1)	5	-	-	-	-	-	-	-	4
Disposals /write-offs	(502)	(241)	(60)	(1,216)	-	-	(2,152)	-	(1,230)	(5,401)
Transfers	-	59,539	5,330	1,822	996	344	-	-	(67,896)	135
Cost or valuation at 30 June 2016	140,179	1,996,522	38,822	65,343	10,771	51,562	44,833	329,309	283,828	2,961,169
Add: Movements										
Additions	-	44,065	1,378	2,420	676	1,203	6,489	-	181,800	238,031
Revaluation increase/(decrease)	25,479	(295,257)	-	-	-	-	-	2,822	-	(266,956)
Disposals/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
Cost or valuation at 30 June 2017	165,658	1,814,115	40,143	72,887	12,089	52,584	46,182	332,131	371,536	2,907,325
Accumulated depreciation and impairment losses										
Balance 1 July 2015	-	(106,422)	(18,365)	(39,716)	(7,345)	(46,680)	(28,386)	(852)	-	(247,766)
Depreciation expense	-	(109,927)	(4,409)	(4,191)	(1,169)	(2,915)	(4,036)	(10,220)	-	(136,867)
Disposals/write-offs	-	73	20	1,023	-	-	2,013	-	-	3,129
Revaluation increase/(decrease)	-	20	-	-	-	-	-	-	-	20
Accumulated depreciation and impairment losses at 30 June 2016	-	(216,256)	(22,754)	(42,884)	(8,514)	(49,595)	(30,409)	(11,072)	-	(381,484)
Add: Movements										
Depreciation expense	-	(112,745)	(5,109)	(5,469)	(1,050)	(1,694)	(4,183)	(10,220)	-	(140,470)
Disposals/write-offs	-	2,499	3,764	753	-	1,611	4,721	-	-	13,348
Transfers	-	(265)	699	(422)	-	-	(12)	-	-	-
Revaluation increase/(decrease)	-	326,767	-	-	-	-	-	14,291	-	341,058
Accumulated depreciation and impairment losses at 30 June 2017	-	-	(23,400)	(48,022)	(9,564)	(49,678)	(29,883)	(7,001)	-	(167,548)
Carrying amounts per asset class										
At 30 June 2016	140,179	1,780,266	16,068	22,459	2,257	1,967	14,424	318,237	283,828	2,579,685
At 30 June 2017	165,658	1,814,115	16,743	24,865	2,525	2,906	16,299	325,130	371,536	2,739,777

11 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 8: INTANGIBLE ASSETS

	Acquired software \$000	Internally generated software \$000	Assets under construction \$000	Total intangible assets \$000
Cost or valuation				
Balance 1 July 2015	37,038	89,912	25,409	152,359
Additions	1,037	1,042	13,577	15,656
Disposals/write-offs	–	–	(28)	(28)
Transfers	181	10,688	(11,004)	(135)
Cost or valuation at 30 June 2016	38,256	101,642	27,954	167,852
Add: Movements				
Additions	403	1,936	16,284	18,623
Transfers	4,092	10,094	(15,601)	(1,415)
Cost or valuation at 30 June 2017	42,751	113,672	28,637	185,060
Accumulated amortisation and impairment losses				
Balance 1 July 2015	(25,564)	(50,591)	–	(76,155)
Amortisation expense	(3,204)	(11,936)	–	(15,140)
Accumulated amortisation and impairment losses at 30 June 2016	(28,768)	(62,527)	–	(91,295)
Add: Movements				
Amortisation expense	(3,753)	(12,590)	–	(16,343)
Accumulated amortisation and impairment losses at 30 June 2017	(32,521)	(75,117)	–	(107,638)
Carrying amounts				
At 30 June 2016	9,488	39,115	27,954	76,557
At 30 June 2017	10,230	38,555	28,637	77,422

12 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.

The department 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 the department's intangible assets, nor are any intangible assets pledged as security for liabilities.

NOTE 9: BIOLOGICAL ASSETS

2016 Actual \$000		2017 Actual \$000
Cost or valuation		
10,093	Balance at 1 July	7,283
283	Purchases	384
5,106	Net gain due to; regeneration, maturation, and changes in unit values	6,411
(8,199)	Sales/harvest	(5,849)
7,283	Cost or valuation	8,229
Net change		
(2,810)	Net change	946
(2,224)	Change due to movement in quantity	7
(586)	Change due to movement in fair value	939
7,283	Carrying amounts	8,229

The department 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 the department's biological assets, nor are any biological assets pledged as security for liabilities.

NOTE 10: CREDITORS AND OTHER PAYABLES

2016 Actual \$000		2017 Actual \$000
CURRENT PORTION		
Exchange transactions		
12,701	Trade creditors	16,997
62,521	Accrued expenditure	69,397
Non-exchange transactions		
6,725	GST payable	10,620
81,947	Total creditors and other payables	97,014

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

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

NOTE 11: EMPLOYEE ENTITLEMENTS

2016 Actual \$000		2017 Actual \$000
Current liabilities		
26,516	Retiring and long service leave	27,457
54,349	Annual leave	61,344
2,562	Sick leave	2,562
1,774	Accrued salaries and wages	4,008
85,201	Total current portion	95,371
Non-current liabilities		
18,142	Retiring and long service leave	17,256
18,142	Total non-current portion	17,256
103,343	Total employee entitlements	112,627

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.

The department classifies employee entitlements as current that:

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

The present value of the 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 Marcelo Lardies, a member of the New Zealand Society of Actuaries, from Aon Hewitt, valued retiring and long service leave as at 30 June 2017 and 30 June 2016.

The major assumptions used in the 30 June 2017 valuation are that future salary growth rates are 3.00% (2016: 3.00%) per annum and discount rates ranged from 1.96% to 3.62% (2016: 1.94% to 3.82%) per annum.

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

NOTE 12: PROVISIONS

2016 Total provisions Actual \$000		2017 Restructuring Actual \$000	2017 Employee accidents Actual \$000	2017 Other provisions Actual \$000	2017 Total provisions Actual \$000
CURRENT PORTION					
12,231	Balance at 1 July	990	5,264	729	6,983
876	Additional provisions made during the year	–	456	432	888
(5,254)	Charged against provision for the year	(990)	(353)	(440)	(1,783)
(870)	Provision reversed during the year	–	–	(81)	(81)
6,983	Current provisions	–	5,367	640	6,007
6,983	Total provisions	–	5,367	640	6,007

Restructuring

The 2016 provision primarily related to the Lifting Productivity and Performance in New Zealand's Prisons restructure announced in May 2015.

Employee accidents

The provision relates to the estimation of the department's outstanding claims liability under the ACC Partnership Programme. An external independent actuarial 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 2017 (2016: Mark Weaver (fellow of the New Zealand Society of Actuaries)).

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
- > the department will remain in the ACC Accredited Employers Programme (ACCEP) for the foreseeable future. If the department were to exit immediately, a risk margin of approximately 12.8% (2016: 12.8%) per annum would be added by ACC.

The estimated ACCEP outstanding claims liability as at 30 June 2017 included a provision for future claims handling expenses of 9.5% (2016: 9.9%) per annum of expected future claims costs.

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

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

Other provisions

Parental leave

The department 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. The department 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. The department has a number of operating lease contracts. This provision represents the future estimated irrecoverable expenses for vacant leased premises. The department has two years remaining on these.

NOTE 13: PROVISION FOR REPAYMENT OF SURPLUS TO CROWN

2016 Actual \$000		2017 Actual \$000
(33,217)	Net surplus/(deficit)	6,510
	Add/(less)	
586	Unrealised (increase)/decrease in fair value of biological assets	(939)
(595)	Unrealised increase in fair value of shares	(679)
2,063	Unrealised (increase)/decrease in discount rates for retiring and long service leave	(837)
28,923	Unrealised(increase)/decrease in fair value of derivative financial instruments	(17,726)
(2,240)	Total deficit	(13,671)
2,240	Adjust overall deficit	13,671
–	Provision for repayment of surplus to the Crown	–

Remeasurements that are reported in the Statement of Comprehensive Revenue and Expense mainly relate to unrealised changes in fair value as a result of revaluation. 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 14: OTHER FINANCIAL LIABILITIES

2016 Actual \$000		2017 Actual \$000
Current liabilities		
8,777	Service concession arrangements	8,979
8,777	Total current portion	8,979
Non-current liabilities		
401,650	Service concession arrangements	526,205
28,923	Derivative financial instruments	11,197
430,573	Total non-current portion	537,402
439,350	Total other financial liabilities	546,381

Service concession arrangements

Other financial liabilities include the department's 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 the department expects to be settled within 12 months of balance date are classified as current.

The department has no securities against other financial liabilities.

Derivative financial instruments

The department uses derivative financial instruments in the form of interest rate swaps entered into with the NZDMO to manage its exposure to fluctuating market interest rates as a result of its PPP arrangements.

At 30 June 2017 the total notional principal amount outstanding for the department's interest rate swaps derivatives was \$245.5 million (2016: \$245.5 million).

The department's interest rate swaps derivatives are classified as non-current as the maturity dates range from 2022 to 2041, and are fixed at the rate of 4.8% per annum.

As a result of a higher interest rate environment, the present value of the liability has decreased. The resulting unrealised increase in fair value of derivative financial instruments between 30 June 2016 and 30 June 2017 of \$17.7 million (2016: unrealised decrease \$28.9 million) is recognised in the net surplus or deficit in the Statement of Comprehensive Revenue and Expense.

NOTE 15: TAXPAYERS' FUNDS

Taxpayers' funds comprise general funds and revaluation reserves.

2016 Actual \$000		2017 Actual \$000
GENERAL FUNDS		
1,693,645	Balance at 1 July	1,592,886
(33,217)	Net surplus/(deficit)	6,510
4,508	Capital contribution from the Crown	22,000
(72,000)	Capital cash returned to the Crown	(5,600)
(50)	Capital non-cash returned to the Crown	–
(100,759)	Total movement in general funds	22,910
1,592,886	Balance at 30 June	1,615,796
REVALUATION RESERVES		
757,068	Balance at 1 July	757,092
24	Revaluation gains	74,102
757,092	Reserves total	831,194
2,349,978	Total taxpayers' funds at 30 June	2,446,990

The department has no restricted reserves.

2016 Actual \$000		2017 Actual \$000
Revaluation reserves		
Land		
92,868	Revaluation reserves at 1 July	92,867
(1)	Revaluation gains/(losses)	25,479
92,867	Revaluation reserves at 30 June	118,346
Buildings		
664,200	Revaluation reserves at 1 July	664,225
25	Revaluation gains	31,510
664,225	Revaluation reserves at 30 June	695,735
Service concession arrangements land and buildings		
–	Revaluation reserves at 1 July	–
–	Revaluation gains	17,113
–	Revaluation reserves at 30 June	17,113
757,092	Total reserves at 30 June	831,194

NOTE 16: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

2016 Actual \$000		2017 Actual \$000
(33,217)	Net surplus/(deficit)	6,510
	<i>Add/(less) non-cash items</i>	
152,007	Depreciation and amortisation	156,813
28,923	Derivative financial instrument (increase)/decrease	(17,726)
2,117	Non-current employee entitlements (decrease)/increase	(886)
183,047	Total non-cash items	138,201
	<i>(Increase)/decrease in working capital</i>	
78,765	Debtors and other receivables	(8,758)
408	Inventories	(419)
(352)	Prepayments	(243)
(22,347)	Creditors and other payables	15,067
(5,248)	Provisions	(976)
6,236	Employee entitlements	10,170
57,462	Working capital movements – net	14,841
	<i>Add/(less) items classified as investing or financing activities</i>	
2,810	Biological assets (increase)/decrease	(946)
(595)	Shares fair value increase	(679)
(430)	Interest and dividends received	(477)
28	Net loss on sale or disposal of non current assets	11,952
31,933	Interest on other financial liabilities	32,773
33,746	Total investing activity items	42,623
241,038	Net cash flow from operating activities	202,175

NOTE 17: RELATED PARTY DISCLOSURE

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

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 the department 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.

The department 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 18.

There were no related party transactions or commitments to disclose (2016: Nil).

The Treasury advises that responsible Minister Hon Louise Upston (effective 16 December 2016) and previously Minister Hon Judith Collins have certified that they have no related party transactions for the year ended 30 June 2017 (2016: Ministers Hon Judith Collins and Hon Peseta Sam Lotu-Iiga – Nil).

NOTE 18: KEY MANAGEMENT PERSONNEL COMPENSATION

The department's key management personnel are the seven members of the Executive Leadership Team, which includes the Chief Executive, five Deputy Chief Executives and the National Commissioner (2016: six - Chief Executive, four Deputy Chief Executives and the National Commissioner).

2016 Actual \$000		2017 Actual \$000
2,330	Executive Leadership Team remuneration	2,828
2,330	Total key management personnel compensation	2,828

NOTE 19: POST-BALANCE DATE EVENTS

There are no post-balance date events that require consideration or adjustment to the department's financial statements.

NOTE 20: FINANCIAL INSTRUMENTS

The department 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.

Fair value

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

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

2017				2016		
Notes	Quoted market price \$000	Valuation technique observable inputs \$000	Total \$000	Quoted market price \$000	Valuation technique observable inputs \$000	Total \$000
Financial assets						
Cash and cash equivalents	95,263	–	95,263	39,852	–	39,852
Investments	7,346	–	7,346	6,662	–	6,662
Total financial assets	102,609	–	102,609	46,514	–	46,514
Financial liabilities						
Derivative financial instruments	14	–	11,197	–	28,923	28,923
Total financial liabilities	–	11,197	11,197	–	28,923	28,923

Market risk

Price risk

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

Currency risk

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

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

The department has no assets or liabilities that are denominated in foreign currency at balance date (2016: 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.

The department's other financial liabilities mainly relate to its service concession arrangements which are interest bearing.

The service concession arrangement entered into with SecureFuture Wiri Limited is calculated at the effective interest rate of 8.79% per annum and there is no interest rate risk exposure at balance date as the interest rate is fixed until August 2019.

For the arrangement with Next Step Partners Limited, the department has entered into interest rate swaps derivatives to limit its interest rate exposure. These derivatives are calculated at a fixed rate of 4.8% per annum.

The department 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.

2016 Impact on net surplus/(deficit) \$000		Change in interest rate	2017 Impact on net surplus/(deficit) \$000
20,401	Interest rate swaps	+ 1.00 %	21,448
(25,795)	Interest rate swaps	- 1.00 %	(21,448)

Credit risk

Credit risk is the risk that a third party will default on its obligations to the department, causing the department to incur a loss. In the normal course of business, the department is exposed to credit risk from trade debtors, transactions with financial institutions and the NZDMO.

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

The department's maximum credit risk exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents 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.

2016 Actual \$000		Notes	2017 Actual \$000
Cash and cash equivalents			
39,852	AA-		95,263
39,852	Total cash and cash equivalents		95,263
Debtors and other receivables			
263,079	AA+		270,400
2,358	Counterparties without credit ratings		3,795
265,437	Total debtors and other receivables	6	274,195
Investments			
6,662	A+		7,346
6,662	Total investments		7,346

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, the department does not have significant concentrations of credit risk.

Liquidity risk

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

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

Contractual maturity analysis of financial liabilities

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

2016 Actual \$000		Notes	2017 Actual \$000
	Creditors and other payables		
75,222	Less than six months	10	86,394
	Other financial liabilities	14	
8,777	Less than one year		8,979
52,350	One to five years		59,305
378,223	More than five years		478,097
514,572			632,775

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.

2016 Actual \$000		Notes	2017 Actual \$000
	FINANCIAL ASSETS		
	Cash and receivables		
39,852	Cash and cash equivalents		95,263
265,437	Debtors and other receivables	6	274,195
305,289	Total cash and receivables		369,458
	Fair value through total comprehensive revenue and expense		
6,662	Investments		7,346
6,662	Total investments		7,346
311,951	Total financial assets		376,804
	FINANCIAL LIABILITIES		
	Fair value through total comprehensive revenue and expense		
28,923	Derivative financial instruments	14	11,197
	Measured at amortised cost		
81,947	Creditors and other payables	10	97,014
410,427	Service concession arrangements	14	535,184
521,297	Total financial liabilities		643,395

NOTE 21: CAPITAL MANAGEMENT

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

In accordance with the PFA the department 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.

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

The PFA requires the department 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 the department complies with the requirements of the *State Sector Act 1988*, Treasury Instructions and any other legislation governing its operations, when incurring any capital expenditure.

The objective of managing taxpayers' funds is to ensure the department effectively achieves the goals and objectives for which it was established, while remaining a going concern.

NOTE 22: EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

Explanations for significant variances from the department's budget are as follows:

Statement of Comprehensive Revenue and Expense

Crown revenue was lower than budget by \$18.8 million mainly due to a decrease in capital charge funding reflecting a 2% rate reduction, partly offset by the additional funding the department received including funding to continue to manage the rising prison population.

Personnel costs were higher than budget by \$20.7 million mainly due to the transition of Mount Eden Corrections Facility from Serco management to Corrections management, and the impact of an increasing prison population including higher overtime costs.

Operating costs were higher than budget by \$19.8 million mainly due to 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, as well as higher facilities costs such as rates and utilities.

Capital charge costs were lower than budget by \$41.6 million mainly reflecting a 2% rate reduction.

Statement of Financial Position

Cash and cash equivalents were higher than budget by \$45.3 million due to the timing of vendor payments, including the deferral of planned capital expenditure.

Debtors and other receivables were higher than budget by \$146.7 million mainly due to an increase in debtor Crown, as a consequence of the department requiring less cash.

Property, plant and equipment and intangible assets were \$139.3 million and \$10.4 million lower than budget respectively mainly due to the reprioritisation and deferral of planned expenditure including construction delays on the Auckland Prison PPP. The underspend was partly offset by the recognition of an unbudgeted increase of \$74.1 million as a result of the revaluation of the department's land and building assets this year.

Employee entitlements were higher than budget by \$17.6 million mainly due to changes in actuarial valuations, increased personnel and higher rates of remuneration.

Other financial liabilities were lower than budget by \$51.5 million. This relates to the department's service concession arrangement liabilities, and the interest rate swaps derivatives entered into with the NZDMO to manage the department's interest rate risk under its 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 \$10.6 million mainly due to net capital contributions.

Reserves were higher than budget by \$74.1 million due to the recognition of revaluation gains on the department's land and building assets this year.

Statements of Expenses and Capital Expenditure

Statement of Departmental Expenditure and Capital Expenditure Against Appropriations

FOR THE YEAR ENDED 30 JUNE 2017

2016 Expenditure after remeasurements \$000	2017 Expenditure before remeasurements \$000	2017 Remeasurements \$000	2017 Expenditure after remeasurements \$000	2017 Supp. estimates (unaudited) \$000	2018 Forecast ¹³ (unaudited) \$000
VOTE: CORRECTIONS					
Departmental output expenditure					
– Public Safety is Improved MCA	1,142,452	18,410	1,160,862	1,162,384	1,216,552
– <i>Prison-based Custodial Services</i>	870,925	18,767	889,692	894,481	937,872
– <i>Sentences and Orders Served in the Community</i> ¹⁴	210,690	(317)	210,373	208,937	217,287
– <i>Information and Administrative Services to the Judiciary New Zealand Parole Board</i> ¹⁴	60,837	(40)	60,797	58,966	61,393
176,308 Re-offending is Reduced	179,099	1,770	180,869	190,868	201,545
3,126 Policy Advice and Ministerial Services MCA	3,268	1	3,269	3,632	3,631
1,785 – <i>Policy Advice</i> ¹⁴	1,730	1	1,731	1,647	1,646
1,341 – <i>Ministerial Services</i>	1,538	–	1,538	1,985	1,985
57,672 Information and Administrative Services to the Judiciary and New Zealand Parole Board	–	–	–	–	–
853,093 Prison-based Custodial Services	–	–	–	–	–
206,387 Sentences and Orders Served in the Community	–	–	–	–	–
1,296,586 Total departmental output expenditure	1,324,819	20,181	1,345,000	1,356,884	1,421,728
Departmental capital expenditure					
246,714 Corrections Capital Expenditure – Permanent Legislative Authority	256,654	–	256,654	323,094	252,076
246,714 Total departmental capital expenditure	256,654	–	256,654	323,094	252,076

¹³ Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2017.

¹⁴ With Multi-Category Appropriations (MCAs), a single appropriation covers more than one category. As such, the department 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.

Refer to Part B: Statement of Performance for detailed performance against each category (pages 72-106).

Changes in appropriation structure

The Information Services to the Judiciary and New Zealand Parole Board, Prison-based Custodial Services and Sentences and Orders Served in the Community appropriations were disestablished and replaced with a MCA called Public Safety is Improved for 2017 in order to align the appropriations with the department's strategic outcomes. At the same time, the Rehabilitation and Reintegration appropriation was renamed to Re-offending is Reduced.

There were no other changes in the department's appropriation structure in 2017.

Statement of Capital Injections

FOR THE YEAR ENDED 30 JUNE 2017

2016 Actual	2017 Actual	2017 Budget (unaudited)	2017 Supp. estimates (unaudited)
\$000	\$000	\$000	\$000
VOTE: CORRECTIONS			
4,508 Capital Injections	22,000	1,654	22,000

Statement of Capital Injections Without, or in Excess of, Authority

FOR THE YEAR ENDED 30 JUNE 2017

The department has not received any capital injections during the year without, or in excess of, authority (2016: Nil).

Statement of Expenses and Capital Expenditure Incurred Without, or in Excess of, Authority

FOR THE YEAR ENDED 30 JUNE 2017

The department 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 (2016: Nil).



Appendices

Appendix One: Recidivism Index

RECIDIVISM INDEX - 12 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2015/16

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2015/16)	All	31.7	45.5	6.1	28.4
Gender	Female	21.2	35.7	3.3	22.7
	Male	33.0	46.6	6.9	30.0
Ethnicity	Māori	36.5	51.4	8.3	34.2
	European	25.3	37.2	5.6	27.7
	Pacific	27.5	41.7	5.5	27.8
	Other (incl. Asian)	21.6	28.7	4.1	22.9
Age (at prison release or start of community sentence)	Less than 20 years	53.1	71.4	7.3	40.7
	20-24 years	39.9	57.8	7.0	33.4
	25-29 years	35.6	49.8	7.5	31.0
	30-39 years	31.5	45.2	6.4	27.9
	40 and above	19.1	28.4	3.6	17.6
Gang Affiliate	Active	45.5	61.7	18.9	51.8
	Former	40.4	54.0	12.6	43.4
	Never	24.5	37.0	4.8	26.0
Offence Group (Most serious for original sentence)	Breaches	38.3	52.2	12.9	35.7
	Burglary	42.5	61.5	9.9	37.6
	Dishonesty	45.7	61.3	9.0	36.9
	Drugs	13.6	22.1	4.5	22.0
	Property Damage	34.0	44.3	6.8	32.5
	Sexual	7.0	12.7	1.6	10.6
	Traffic	21.3	35.9	3.4	23.9
	Violence	28.9	41.8	5.2	25.9
	Weapons	44.7	63.1	6.8	32.0
	Other offence	36.1	49.3	7.1	29.2
Community Sentence	Community Work	N/A	N/A	6.6	30.1
	Supervision	N/A	N/A	6.3	26.1
	Intensive Supervision	N/A	N/A	8.5	36.3
	Community Detention	N/A	N/A	1.7	25.3
	Home Detention	N/A	N/A	6.7	21.7
Prisoner Security Classification (at release)	Maximum	46.7	66.7	N/A	N/A
	High	54.4	68.7	N/A	N/A
	Low medium	43.6	58.1	N/A	N/A
	Low	31.6	47.4	N/A	N/A
	Minimum	13.0	23.1	N/A	N/A
Release Type	Parole	14.4	23.0	N/A	N/A
	Post-release Conditions	37.0	52.6	N/A	N/A
Sentence Length	6mths or less	40.1	55.9	4.0	25.7
	<6mths to 1yr	36.0	52.6	6.8	26.8
	<1yr to 2yrs	31.2	44.0	8.0	31.7
	<2yrs to 3yrs	13.6	24.2	N/A	N/A
	<3yrs to 5yrs	14.1	20.9	N/A	N/A
	More than 5yrs	7.3	11.5	N/A	N/A
All (2014/15)		29.7	44.2	5.6	28.1

RECIDIVISM INDEX - 24 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2014/15

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2014/15)		42.2	59.7	8.7	40.7
Gender	Female	27.7	50.4	4.6	31.1
	Male	43.7	60.7	9.9	43.4
Ethnicity	Māori	47.0	65.8	11.8	49.1
	European	36.4	52.9	7.5	38.8
	Pacific	37.3	53.0	7.8	40.5
	Other (incl. Asian)	26.7	33.3	5.4	32.6
Age (at prison release or start of community sentence)	Less than 20 years	58.8	81.8	10.9	59.0
	20-24 years	50.7	72.7	10.0	47.4
	25-29 years	45.9	65.3	10.4	44.8
	30-39 years	45.5	62.2	9.5	39.6
	40 and above	26.4	39.0	4.8	25.7
Gang Affiliate	Active	58.4	75.2	26.2	70.0
	Former	51.2	68.4	22.0	61.6
	Never	34.7	52.5	7.0	38.0
Offence Group (Most serious for original sentence)	Breaches	48.3	71.1	17.8	51.8
	Burglary	56.0	75.7	12.5	57.9
	Dishonesty	53.9	71.4	11.4	46.2
	Drugs	20.1	31.7	6.1	32.7
	Property Damage	37.4	54.5	10.2	50.8
	Sexual	13.8	20.2	3.1	18.1
	Traffic	29.0	50.8	5.1	34.2
	Violence	41.8	58.7	8.2	39.8
	Weapons	48.3	65.7	13.5	49.7
	Other offence	51.7	69.1	9.8	41.1
Community Sentence	Community Work	N/A	N/A	9.1	42.0
	Supervision	N/A	N/A	9.3	38.5
	Intensive Supervision	N/A	N/A	11.5	49.0
	Community Detention	N/A	N/A	2.8	37.5
	Home Detention	N/A	N/A	10.4	35.1
Prisoner Security Classification (at release)	Maximum	89.7	93.1	N/A	N/A
	High	66.8	81.6	N/A	N/A
	Low medium	54.7	73.3	N/A	N/A
	Low	43.9	62.6	N/A	N/A
	Minimum	20.3	36.8	N/A	N/A
Release Type	Parole	26.8	39.5	N/A	N/A
	Post-release Conditions	46.6	65.7	N/A	N/A
Sentence Length	6mths or less	49.0	69.3	6.6	38.6
	<6mths to 1yr	47.9	66.9	9.2	38.5
	<1yr to 2yrs	41.7	57.6	13.3	48.2
	<2yrs to 3yrs	26.8	40.9	N/A	N/A
	<3yrs to 5yrs	26.1	38.8	N/A	N/A
	More than 5yrs	20.3	28.7	N/A	N/A
All (2013/14)		39.6	59.0	7.6	39.8

Appendix Two: Recidivism Index and Rehabilitation Quotient

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 convictions for new offences have been recorded by the courts.

The Rehabilitation Quotient (RQ) measures the impact of the department's rehabilitative programmes, through comparing the rates of reconviction and reimprisonment among 'treated' offenders (who completed a rehabilitative intervention) with the rates among 'untreated' offenders (offenders who are matched based on a range of risk-related factors, but who had no involvement in that specific programme).

RQ scores are calculated separately for programmes delivered in prison and in the community. The cohort of prisoners is those who completed programmes in prison and were released in the 12 months ending 31 March 2016. We analyse their re-offending over the 12 months following their individual release dates.

The cohort of community offenders is those who completed a programme on a community sentence, where the programme end date occurred within the 12 months ending 31 March 2016. Corrections then measures their re-offending over the 12 months following completion of the programme.

The rates are represented by percentage-point changes in the rates of reimprisonment or reconviction of 'treated' offenders, compared to the equivalent 'untreated' offenders. A reimprisonment score of -10.0 indicates that the rate of reimprisonment for 'treated' offenders was 10% lower than for the comparable 'untreated' offenders (for example, 12% compared to 22%). 'Untreated' includes those who did not receive any form of treatment, and those who received other forms of intervention but not the specific one being tested. The statistical method used in the analysis controls for the influence of these factors.

Many prisoners and community-based offenders participate in more than one programme. Where this occurs, the effects of participation in multiple programmes are not double-counted in each of the different programme RQs. The rates of some programmes reported are small and below the level of statistical significance; however, this does not necessarily mean that the particular programme has no impact on re-offending.

Appendix Three: Report under section 190 of the Corrections Act 2004 and Parole Act 2002

Section 190(1)(A)

Requires the Chief Executive to report on how he 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 opportunities for those communities to give their views on those policies and practices, and ensuring those views are taken into account.

The year has seen the department continue to engage with stakeholders, as well as actively engaging with individuals and groups where our operations could potentially impact communities, e.g. the application to lift the designation at Waikeria Prison ahead of the design and construction of a new facility at the site, design and construction of the new facility at Auckland Prison, placement of offenders in the community, temporary release of prisoners, and treaty settlements.

We have established formal community liaison groups where prison representatives meet with designated members of the community to consider the effects of any activity carried out at the prison on the community.

The department has worked with employers, government agencies, and community groups to both gain a greater understanding of stakeholders' views and, in turn, provide a wider picture of what the department is doing to make a difference in people's lives.

We work closely with a number of large employers and industry leaders to encourage greater employment and training options for offenders. In addition to our relationships with employers who provide Release to Work opportunities for offenders close to release from prison, we have Memoranda of Understanding with over 120 employers who have agreed to provide jobs for offenders following the end of prison sentences.

Advisory panels were first established in 2014/15, and were embedded during 2015/16. These panels provide advice to prison directors on the suitability of prisoners who have applied for activities or special visits outside the prison perimeter, including Temporary Release, Release to Work, the Whare Oranga Ake support programme, and prisoner work parties. The advisory panels are made up of Corrections staff, external agencies, and community representatives, who provide advice to the prison director to support their decision-making regarding matters of necessary concern to the community.

Corrections is also changing the way it ensures management oversight of high-risk and complex needs (HCN) cases by establishing a Regional High-Risk Governance Panel in each region. These panels will introduce a nationally consistent approach and provide regions with greater oversight of their highest risk and most complex needs cases, both in prison and the community. Each Regional High-Risk Governance Panel will focus on the level of service required for each HCN case, and support operational staff to access and deliver the services needed to manage HCN cases. There will be a strong focus on early planning for HCN releases into the community as well as considering cases for extended supervision orders and public protection orders. The panel consists of Corrections staff and other agencies such as Police, the Ministry of Health, the Ministry for Vulnerable Children – Oranga Tamariki and Housing New Zealand. A pilot commenced in July 2017 in the Lower North region and national rollout is expected to conclude in December 2017.

In March 2017, the department introduced new senior advisers community engagement and reintegration roles around the country. The new roles are designed to improve public understanding of how we manage people who've sexually offended against children. The department has designed the senior adviser role to: build relationships with schools, local bodies and other stakeholders to broaden public understanding of our work; support communities when the department notifies them about child sex offenders returning to their communities to live; and facilitate safe and sustainable reintegration for child sex offenders.

Engagement with the community is recognised as a key element in supporting offenders' rehabilitation, reintegration and employment. The department has strengthened relationships with local iwi and community groups to help people on sentences and orders, in prisons and the community, to develop the skills to make positive change in their lives and to sustain this change.

A particular focus has been placed on strengthening relationships with iwi, local government, and community and industry leaders.

On 7 July 2017, the department hosted the inaugural meeting of a new Academic Advisory Committee. This newly formed committee is made up of external academics and leaders from within Corrections. The team will work together to review current best practice, identify meaningful research opportunities and make sure decision-making has a strong base in current research.

Section 190(1)(B)

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.

Chief Inspector's Annual Report for 2016/2017 Pursuant to Section 190(1)(b) of the *Corrections Act 2004*

Introduction

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

In 2016/17, the Inspectorate's operations changed significantly after parliament approved the Inspectorate taking on the role of formally inspecting all prison sites on a 20-month cycle. The Inspectorate was renamed as the Office of the Inspectorate and received an increase in resources to allow it to fulfil its broader mandate effectively. The Inspectorate's Operations Team continues its work and a new Inspections Team will carry out and report on scheduled prison inspections.

We intend to increase the transparency of our work by publishing reports on a new Office of the Inspectorate website.

Inspectorate Enhancement Project

Background

The environment in which prison services are delivered in New Zealand has seen rapid, fundamental change in recent years. The number of prisoners has increased to levels not seen before, straining capacity and requiring the expansion of some facilities and more use of double bunking. Services are now provided by a mixture of public and private operators, and New Zealand's prisons are arguably subject to more public and political interest and scrutiny than at any time in history.

These developments, and their impact on the risk profile of prison services, have changed expectations of the Inspectorate. Although its core focus of carrying out investigations and reviewing complaints, defined in the *Corrections Act 2004*, remains, the need for a cycle of risk-based, in-depth, "free, frank and fearless" prison reviews is increasing. These reviews should provide greater assurance to a range of audiences that prisoners are being treated fairly, safely and humanely, and that emerging risks and good practice are identified early.

With the Inspectorate Enhancement Project, we set out to:

- > design the format and framework for a regular cycle of prison inspections
- > prepare a schedule for prison inspections based on risk
- > improve our capacity and capability to deliver the schedule of prison inspections.

The project was founded on the premise that the Inspectorate is best placed to carry out such inspections. We have a strong focus on offenders – our role is firmly enshrined in legislation and we have a detailed knowledge and understanding of Corrections' core business while remaining independent of operational business and management. However, the design of the project acknowledged that to deliver to these higher and evolving expectations, the Inspectorate needed to bring in new skills and world views to produce more comprehensive and valuable inspections.

Our inspections must be able to satisfy the expectations of several audiences. We must provide the:

- > Chief Executive and Executive Leadership Team with a robust, strengths-based, risk-driven "window into prisons", drawing out innovation and best practice, while providing a third line of assurance and early warning indicators of emerging risks and themes
- > Minister of Corrections with better visibility and oversight of our investigations and findings, including the Chief Executive's response to those findings
- > Audit and Risk Committee with better oversight of our work
- > wider public access to reports of prison inspections to promote transparency and increase public accountability.

Previous Situation

To discharge its main functions of carrying out investigations and reviewing complaints, the Inspectorate had a chief inspector and seven full-time inspectors. About 60% of the Inspectorate's workload was associated with handling complaints. This was expected to ease with the introduction of a new prisoner complaints regime within Corrections Services from December 2016.

Inspectors visit each prison regularly. They investigate deaths in custody, review serious incidents and carry out special focus reviews as required. These reports were not usually referred to the Minister of Corrections or made public.

The role of the Inspectorate complements the Office of the Ombudsman, an independent agency reporting to parliament, which also handles complaints from prisoners, monitors investigations into deaths in custody and serious incidents involving prisoners, and carries out a programme of prison inspections.

Future state

The framework for future prison inspections will be based on standards defined by comparable overseas jurisdictions, in particular Her Majesty's Inspectorate of Prisons for England and Wales, and Queensland Corrective Services.

The framework will test prisons against four key aspects:

- > **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.

To deliver the new cycle of inspections, the Inspectorate needed additional staff. This was an opportunity to improve the Inspectorate's existing skills in auditing, analysis and written communication.

The Inspectorate team charged with carrying out the new inspections would be separated from other Inspectorate functions. This would minimise disruption, promote service continuity and help to develop specialist skills and knowledge.

Recruitment

In December 2016, Corrections advertised the new principal inspector role and the six new inspector positions. It received 14 applications for the principal inspector position and 109 applications for the inspector vacancies.

By early March 2017, the principal inspector and five of the six inspector vacancies were filled and the successful applicants had started in their new roles. The sixth appointee started on 22 May 2017.

In January 2017, recruitment for the administration, information and data analyst, and report editor support positions began, with successful applicants appointed in early 2017.

Corrections began an international search for someone to fill the expanded role of chief inspector.

Prison Inspections

An inspection programme was developed to complete an inspection at each of the 18 prisons across the country within a 20-month time frame. The programme allows 10 weeks for the new inspection team to complete each prison inspection.

The first inspection in the new programme began at Manawatu Prison on 27 March 2017. The Auckland Prison inspection began on 22 May 2017. We expect most of our upcoming inspections to be completed by two teams of three inspectors working independently to meet the requirements of the 20-month programme cycle.

Investigation Team activities

Complaints to the Inspectors

Community-based sentences traditionally generate little contact with the Inspectorate. In 2016/17, the Office of the Inspectorate received only 20 contacts related to community-based sentences through calls to our 0800 number, letters or email. This number is similar to previous years and includes both complaints and requests for information.

Resolving prisoners' complaints effectively and promptly is key. For safety, security, fairness and to mitigate risk, the department expects matters involving prisoners or offenders to be resolved as soon as practicable and at the lowest possible organisational level – usually, within prison units. Unit staff are responsible for resolving prisoners' concerns by taking appropriate action before those concerns lead to complaints or incidents. An auditable internal complaints system exists at prisons. This constitutes the first tier of complaints resolution.

In December 2016, the department introduced a second tier for handling complaints if they are not resolved at the lower level. The department established a Complaint Response Desk (CRD), based at National Office. Complainants dissatisfied with how their complaints have been addressed locally may refer their concerns to the CRD to resolve a complaint before the complainant takes their complaint to an external agency such as the Office of the Inspectorate or Office of the Ombudsman.

The Inspectorate received 845 formal complaints in 2016/17, significantly fewer than the 1,058 received in 2015/16.

The Inspectorate has changed the way we handle complaints. This change was to make prison directors accountable for managing prisoners' complaints in the first instance. We refer contacts from prisoners who had not used all of the internal complaints processes – tiers 1 and 2 – back to the prison to deal with the complaint.

We now record complaints only after the prison and CRD have made a decision and the complainant is dissatisfied with the outcome. The exception is if we have identified a risk to anyone's safety or the matter relates to a statutory review with critical time frames. In these instances, the Inspectorate will become involved immediately.

Of the 845 complaints received in 2016/17, 23 (2.7%) were justified, which means the agency responsible for the action or outcome being complained of should have acted differently, in that any of the following conditions applied:

- > The action or outcome being complained about did not comply with the applicable legislation, regulation or operating standards.
- > The action being complained about was not safe, fair or reasonable in the circumstances.
- > The complaint was not dealt with in a timely manner.
- > Some corrective action or redress is warranted.

When a complaint is not categorised as justified, it does not mean that the complaint was without merit or validity. We have focused on gaining a satisfactory resolution to prisoners' complaints through mediation and discussion with staff at the prison.

0800 Complaints Line

Since 1997, the Inspectorate has operated an 0800 free-call phone line that offenders and their families may use to raise a complaint with an inspector. In 2016/17, there were 3,500 contacts through the 0800 system, which included formal complaints, requests for general information, clarification of issues or repeat calls about the same issue. This facility continues to generate most of the contacts prisoners have with inspectors every year. The service allows a prisoner to bring a serious concern directly to the attention of an inspector.

Investigations

In addition to visiting prisons and resolving complaints, in 2016/17, the Inspectorate carried out investigations of 16 deaths in custody (15 of assumed natural causes and one an assumed suicide). This is significantly fewer than the 26 deaths investigated in 2015/16. The conduct of these investigations had been monitored by investigating officers from the Office of the Ombudsman. The Office of the Ombudsman has recently changed how it operates and no longer takes an active role in the investigations. However, it will monitor the conduct of all investigations and take whatever actions it sees necessary in its independent oversight role.

Conclusion

Throughout 2016/17, the Inspectorate reported to the Chief Executive and to the Department of Corrections Audit and Risk Committee on the matters arising out of its various activities.

Section 190(1)(C)(D)(E)

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*.

The monitoring of prisoner phone calls made from payphones in prisons is an important part of our commitment to safety in the community and in our prisons. We use information collected from these calls to protect victims, prevent drug use, violence and escapes, and to stop crimes being organised and committed in the community. We also share this information with New Zealand Police, the Inland Revenue Department, the Ministry of Social Development, and other agencies.

Spark New Zealand provides standard payphones for prisoner use in units across all prisons. Prisoners can purchase phone cards to pay for their calls through the prisoner canteen system, or they can be posted to the prisoner by family members and friends. All calls are recorded and monitored on a targeted basis. The exceptions are prisoners' calls to the Office of the Ombudsman, legal representatives, Crimestoppers, Members of Parliament and selected government agencies, which are exempt from monitoring.

All prisoner calls are managed through a call control system – which restricts the calls that prisoners are able to make. Only ten numbers are able to be loaded onto the prisoner's approved calling list. This is to prevent criminal activity or harassment of victims or members of the public from within the prison. All numbers are verified by prison staff and permission sought from the call recipient before the number is approved.

In 2016/17, approximately 67,500 calls were monitored, and a large number of these produced valuable information to support the prevention of crime. We also know that sharing this information with our partners has made it possible to identify visitors who may pose a threat to staff and prisoners in our prisons, enhanced community safety, and led to the discovery of drugs and other contraband.

Section 190(1)(F)

A report on the measures to reduce the harms of alcohol and drugs on prisoners and offenders within the community.

The Department of Corrections continues to follow the path laid out in our latest alcohol and other drug (AOD) strategy, *Breaking the Cycle: Our Drug and Alcohol Strategy through to 2020*. We have expanded on the good work started in both the AOD treatment and aftercare areas, as well as the drug testing and alcohol interlock initiatives.

Business As Usual - Prison Programmes

A range of AOD treatment programmes are offered in prison and the number of offenders starting and completing these programmes continues to demonstrate their need and benefit throughout the 2016/17 reporting period.

In the past year Brief, Intermediate and Intensive AOD interventions were delivered to 4,297 offenders. In addition, 798 offenders were placed into Drug Treatment Unit programmes for three or six months. All AOD treatment programmes exceeded the targeted completion rate (75%) with 86% of participants completing Brief, Intermediate and Intensive Interventions and 78% of participants completing the more intensive Drug Treatment Unit programmes.

Aftercare Programmes

In mid-2015, the Department of Corrections was awarded \$8.625 million over three years from the Justice Sector Fund (JSF), to develop and deliver a new suite of AOD interventions and aftercare support to offenders. The suite of aftercare interventions includes: RecoveRing AOD Support Line, the Aftercare Worker Service, increased access to Community Residential AOD Treatment, and Intensive AOD Outpatient Programmes in the community.

RecoveRing AOD Support Line is a 24/7 support line, which aims to address problematic AOD use by providing assistance for offenders, prisoners and their families. The support line went live 24 May 2017 and in the months of May and June there was a total of 106 calls to the support line.

The Aftercare Worker Service forms part of the two-year pilot to offer more consistent aftercare support for participants who have graduated from either the Drug Treatment Programme (DTP) or the Intensive Treatment Programme (ITP). The purpose of the aftercare worker role is to help participants maintain their treatment gains, both while in prison and upon release back into the community. Since the beginning of the service in July 2016, 1,400 offenders accessed the aftercare worker service.

The Community Residential AOD Treatment Programme began on 15 February 2017. Under the new contract, Corrections has purchased 13 additional residential beds in already established treatment facilities until June 2018. As at 2 August 2017, there have been four offenders who have completed treatment, eight who are currently in treatment, four who are approved for treatment and awaiting treatment start and ten who are awaiting assessments.

The Intensive Outpatient Programme went live on 14 June 2017. This intervention provides two new intensive outpatient programmes for approximately 70 community-based offenders with high AOD needs, who are not suitable for residential treatment.

Brief Drink Drive

The Brief Drink Drive Intervention pilot that began in 2014/15 was extended for a further two years with funding from the Justice Sector Fund. Between October 2016 and June 2017, 134 interventions were delivered to 1,323 community offenders. The programme consists of brief educational and motivational sessions of six to ten hours in length, suitable for first and second time drink driving offenders. Feedback from participants has been positive.

Alcohol Interlocks

In addition to the Brief Drink Drive programme, the department implemented an Alcohol Interlock trial (supported by the Justice Sector Fund), which fully subsidises the costs of the alcohol interlock programme for community offenders who had been given an alcohol interlock order by the court. This trial has successfully demonstrated that cost is a barrier to uptake, with a total of 207 interlocks installed between September 2015 and June 2016 (120 of which were funded by the trial), compared with 141 offenders taking up an interlock device in the nine months before the trial began. By the end of June 2017, a further 55 participants had signed up under this trial and will have their interlocks installed in the next few months. Both of these road safety programmes complement those provided by partner agencies such as NZ Police and other organisations.

Brief AOD Intervention Community

To reduce drug and alcohol use in the community, our probation officers are continuing to deliver brief AOD interventions to community-based offenders with an identified need for intervention. In 2016/17, 13,746 community offenders received brief alcohol and drug interventions delivered by probation officers.

Drug Testing

Corrections carried out 4,453 drug tests in prisons under the general random drug testing regime during 2016/17 (2015/16: 4,419). The number of drug tests returning a positive was 3.6%.

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) 2014*
- > defendants under the *Bail Act 2000*.

The amending legislation came into force on 16 May 2017. Police and Corrections are using alcohol and other drug testing and monitoring technology in the Northern Region for a two year trial. 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.

While targeted breath alcohol testing and urine testing will be utilised across the country, alcohol detection anklets are only being trialled in the Northern region. Random urine testing commenced at two community corrections sites on 16 May 2017. All offenders who test positive are held to account. Disciplinary action ranges from written warnings, referrals to AOD treatment programmes, to recall back to prison. The full suite of alcohol and other drug testing commences across the Northern Region on 1 September 2017. This trial will be evaluated and the findings will be used to support a national implementation of alcohol and other drug testing.

Methamphetamine Programmes

In 2016, a successful bid to the Proceeds of Crime fund obtained funding for the design and implementation of an enhanced alcohol and other drug screening procedure, as well as the development, implementation and evaluation of a pilot for methamphetamine treatment.

Launched in September 2017, the initiatives aim to canvass the extent to which methamphetamine use is a problem within our prison population, while simultaneously piloting treatment interventions that focus on methamphetamine use and abuse. These new initiatives will allow the department to develop and 'live test' an integrated framework with a focus on early intervention.

Gender Responsive and Youth Focused Alcohol and other Drugs Treatment Intervention

As part of the department's increased focus on industry, treatment and learning, two specialised pilot programmes for alcohol and other drugs (AOD) will be launched in the 2017/18 financial year. The two pilot programmes are aimed at developing new AOD services to address unmet needs of specific cohorts, particularly female and youth prisoners. The two interventions are gender-responsive AOD treatment programme for women at ARWCF and a youth-responsive AOD treatment programme in Hawke's Bay. Both pilot programmes will incorporate a mental health focus while utilising a strong kaupapa Māori approach.

Section 190(1)(G)

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 provided to security officers employed by the Contractor

The Contractor's security officers received the following current training as required:

- > Control & Restraint (including refresher course)
- > First Aid (including refresher course)
- > Induction Training
- > Class Two Driver Training
- > Health & Safety Toolbox Talks (Electrical Safety, Presentation & Hygiene, Holiday Season, Infection Control and Stress Management)

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

One complaint was made by a prisoner in relation to security officers employed by the Contractor. The complaint was investigated and resulted in a formal warning being issued to the security officer.

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

There were no reported incidents involving violence by prisoners against other prisoners while in the custody of security officers employed by the Contractor.

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

There were no reported incidents involving violence by prisoners against security officers employed by the Contractor while carrying out escort duties or courtroom custodial duties.

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

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

The compliance, by security officers employed by the Contractor, with the requirements of sections 83, 84, 85, 87, and 88 of the *Corrections Act 2004*

A total of 10 incidents were recorded in this area. All incidents were investigated and determined to be compliant with the requirements as specified in the *Corrections Act 2004*.

The exercise, by security officers employed by the Contractor, of the powers conferred by sections 98 and 101 of the *Corrections Act 2004* in order to perform the functions of security officers

A total of 43,182 searches were recorded by security officers employed by the Contractor during the reporting year. This included four strip searches.

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

Employment investigations were initiated against two security officers employed by the Contractor for misconduct. The proceedings resulted in one formal warning being issued and one immediate dismissal.

Section 190(1)(H)

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 classification ranging from low to high. It is the newest men's prison in New Zealand and 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 is comprised 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 the department's 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 the Prison Director meets regularly with the Northern regional commissioner.

Prison Monitors

Corrections employs two full-time prison monitors who are based at ASCF and provide assurance over the activities undertaken by the contractor. Their monitoring role includes inspections of prison operations against contractual and legislative requirements.

In addition, there are currently two Corrections staff members assigned to ASCF who are appointed as additional monitors. One of these special monitors visits the site at least once per week 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 2016/17

There have been no charge events at ASCF and a further reflection of performance is that there has not been a high level of the financial penalties applied. It has not been necessary for Corrections to require additional reporting or rectification programmes as a result of the level of Service Failure Points during the Performance Year.

The numbers of serious assaults at ASCF during 2016/17 were comparable to Corrections run prisons and there were zero self-harm threat to life incidents during the year. Regrettably, there were two alleged sexual assaults recorded at ASCF near the end of 2015. As at 30 June 2017, these incidents were before the courts for determination.

Rehabilitation and Reintegration

As a new prison, 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% improvement (or greater) compared to Corrections' performance to be able to receive the incentive payment. The measurement of rehabilitation outcomes requires time. Because ASCF has only been operating since May 2015 and prisoners have only begun to be released recently, it is not yet possible to measure reducing re-offending outcomes because the measurement period is not long enough at this stage. ASCF will begin to be measured on reducing re-offending outcomes from 1 July 2017 and the results for the 2017/18 financial year will be compared to the department's results. The results will be available after the end of 2017/18, once the full year's result is known.

Section 15A of the Parole Act 2002

Section 15A(4) of the *Parole Act 2002* requires the Department of Corrections to include in its Annual Report information about the use of electronic monitoring.

The information required covers:

- > **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 for 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 2017.

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 2017, the average number of offenders who were at any time subject to electronic monitoring as a condition of parole or extended supervision was 188; 101 as a condition of parole and 86 as a condition of extended supervision. The average length of time that they were subject to such conditions was 1 year, 2 months, 11 days.

During the year ending 30 June 2017, among offenders subject to an electronic monitoring condition attached to an extended supervision order, 12 (12.8% of the total)¹ were convicted for an electronically monitored specific breach and 23 (24.5% 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.

¹ Please note that this only includes instances where the re-offending was identified and the offender convicted during the 2016/17 financial year.

Appendix Four: Report under section 121 of the *Public Safety (Public Protection Orders) Act 2014*

The following table presents information required under section 121(1) of the *Public Safety (Public Protection Orders) Act 2014*. The reference letters refer to sub-sections within the legislation, and the descriptions of measures are taken directly from these sub-sections.

Reference letter	Description of measure	Type	Number of persons/times	State	# of months ²	Outcome
a	Number of persons who, at the end of the financial year, are detained under this Act	Residences	2 – Public Protection Order (PPO) residence	Interim Full	14 months 5.5 months	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	1 (interim detention order)	In court	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

² These durations are as at 30 June 2017.

Reference letter	Description of measure	Type	Number of persons/times	State	# of months ²	Outcome
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	Information not available	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	Not applicable	Not applicable	Not applicable	Not applicable

² These durations are as at 30 June 2017.

Appendix Five: Report under section 50 (a) of the Victims' Rights Act 2002

Victims Code

In September 2015, the Minister of Justice launched the Victims Code.

The Victims Code is a cross-agency initiative, led by the Ministry of Justice, and explains to victims of crime how they can expect to be treated by government agencies and other organisations that provide services to them, and how to get support.

The Victims Code brings together and explains eleven victims' rights that exist in various Acts. The rights relate to five broad areas:

- > information about programmes or services
- > information about the progress of the case
- > victims involvement during proceedings
- > notifications after sentencing
- > for victims in the youth justice system, to participate in family group conferences.

The Victims Code explains how victims can make a complaint if they believe they have not been afforded one or more of their rights, and who to direct their complaint to.

In addition, the Victims Code contains eight principles that guide how all agencies and organisations that provide a service to victims of crime should treat victims.

Victim complaints

One of the ways the Victims Code aims to make government agencies more accountable when providing services to victims is through the complaints process.

Beginning 2015/16, agencies with key responsibilities to victims are required to report annually on the number of complaints received alleging a breach of a right or rights in the Code.

Not all agencies are responsible for each of the rights in the Code and the reporting obligation only applies to the right or rights that the agency is directly responsible for. Agencies work together to ensure all victim complaints are directed to the correct agency for a response.

During 2016/17, the department received no complaints from registered victims.

Service improvements

Reviewing victim feedback and complaints is an important part of improving the department's, and the wider justice sector's, services to victims of crime.

Corrections is part of a victims of crime inter-agency committee, which comprises representatives from key justice sector agencies. This committee brings together non-identifying victim complaints data from the different agencies to identify trends and make service improvements.

Appendix Six: Legislation that was enacted in 2016/17

Electronic Monitoring of Offenders Split Over Three Acts

The Electronic Monitoring of Offenders Legislation Bill came into force on 23 December 2016 and covered the following Acts:

- > *Sentencing (Electronic Monitoring of Offenders) Amendment Act 2016*
- > *Parole (Electronic Monitoring of Offenders) Amendment Act 2016*
- > *Corrections (Electronic Monitoring of Offenders) Amendment Act 2016.*

The Acts introduced the ability to electronically monitor whereabouts conditions imposed on offenders subject to intensive supervision and release on conditions after less than two years imprisonment. They also clarified the department's legislative authority to electronically monitor prisoners permitted to go outside the wire (i.e. those residing in external self-care units and prisoners granted temporary release or removed from prison).

Drug and Alcohol Testing of Community-based Offenders, Bailees, and Other Persons Split Over Five Acts

The Drug and Alcohol Testing of Community-based Offenders, Bailees, and Other Persons Legislation Bill came into force on 16 May 2017 and covered the following Acts:

- > *Returning Offenders (Management and Information) (Drug and Alcohol Testing) Amendment Act 2016*
- > *Public Safety (Public Protection Orders) (Drug and Alcohol Testing) Amendment Act 2016*
- > *Sentencing (Drug and Alcohol Testing) Amendment Act 2016*
- > *Parole (Drug and Alcohol Testing) Amendment Act 2016*
- > *Bail (Drug and Alcohol Testing) Amendment Act 2016.*

The Acts specified the ability for the department and NZ Police to test community-based offenders and bailees for alcohol and/or drug use. The offender or bailee must have an abstinence condition prohibiting them from using alcohol and/or drugs. The department is currently running a two-year trial in the Northern Region to test technology and processes before implementing nationwide.

Child Protection (Child Sex Offender Government Agency Registration) Act 2016

The Child Protection (Child Sex Offender Government Agency Registration) Act 2016 came into force in October 2016. The Act establishes a Child Sex Offender Register and allows NZ Police, the Department of Corrections, and other authorised agencies to access up to date information that increases monitoring of known child sex offenders in the community.

The register was established to minimise the risk of re-offending, increase public safety and monitor the whereabouts and movements of child sex offenders in the community.

Appendix Seven: Electronic Monitoring

Electronic monitoring (EM) allows individuals to be tracked in their homes and in the community. There are two types of technology used for electronic monitoring – Radio Frequency (RF), which sets up an electronic boundary to manage curfew-based sentences such as community detention; and Global Positioning System (GPS), which allows for real time tracking of movements and the establishment of exclusion zones (areas where someone is not allowed to be), and can also be set to monitor curfews. GPS is used primarily for people serving home detention, and those subject to electronic monitoring conditions as part of their parole or extended supervision order.

EM devices (trackers) are attached around an offender's ankle on a strap, and assist Corrections to monitor compliance with their sentence or order. EM tracks that an offender remains at home if they are under a curfew, that they do not go into certain areas if that is a condition of their release, and that they are at their proper place of work while on a community sentence. EM is also used for low-risk prisoners who have been granted temporary release from prison to undertake paid work.

EM strengthens Corrections' ability to enforce the conditions of sentences or release orders. It does not replace regular visits to community corrections sites, or visits by a probation officer to an offender's home; nor does it replace regular contact with an employer to see if an offender has turned up to work. It simply adds an extra level of assurance, and provides information to a probation officer to better understand a person's movements.

EM is one part of the tool-kit that probation officers use to manage offenders, which also includes regular risk assessments, rehabilitation programmes, other programmes focused on delivering employment and education outcomes, positive community support and one on one meetings with the offender. In certain circumstances, details provided by EM can help Police to track an offender if their movements place them at the scene of a crime.

Corrections has used EM since 1999 when a pilot for home detention was undertaken. Up until 2012, Corrections used only RF technology, and at this point we introduced GPS technology for a small number of offenders subject to EM as part of their management in the community. In 2015, we transitioned to the use of GPS for home detention and offenders on parole with an EM condition. New Zealand is now one of the single biggest users of GPS technology in a corrections jurisdiction, with countries such as England beginning to convert their RF technology to GPS.

The types of devices that we use are also used in 40 jurisdictions across Europe, the US and Asia. Our supplier has fitted over 200,000 offenders worldwide. The strap used to hold the device on the ankle must meet health and safety standards, which means that it can be removed in an emergency. This is a common standard across comparable jurisdictions.

Corrections Works with Other Agencies When Using EM

Corrections does not decide who gets to wear EM anklets. The court will decide if it is for a community detention or a home detention sentence. The court may also impose an extended supervision order (ESO), but it is the Parole Board that imposes any special conditions attached to it, including electronic monitoring. For electronically monitored parole restrictions, it is the Parole Board that may make it a condition of a prisoner's release.

Corrections also has a staff member dealing with electronic monitoring at Police National Headquarters, to ensure that communication between the two agencies is fast and efficient.

Electronic Monitoring Improves Our Ability to Hold Offenders to Account

The anklets work by having GPS signals sent to them from satellites, which pinpoint the offender's location, and this information is then passed on to a monitoring centre through the cell phone network.

All offenders on EM are maintained 24/7 through a dedicated centre. The centre monitors around 4,100 people on EM sentences and orders, and on EM bail. This includes additional monitoring support for a small group of higher risk offenders, those subject to EM conditions on parole and extended supervision orders, and prisoners on temporary release from prison.

The information that the monitoring centre and response team receive goes into a computer system with information relevant to the offenders' release conditions and if the tracker shows a breach then the monitoring centre and/or response team are alerted, who in turn take an appropriate response which may include contacting the probation officer or Police.

In August 2015 Corrections enhanced its process around notification in the event that an offender tampers with their EM anklet. If a strap tamper occurs, our supplier must take action within 60 seconds of the alert being activated. For all alerts that require a field officer to be dispatched, this must be done within 10 minutes of receiving the alert. On receipt of a dispatch, the field officer will travel directly to the location. If the field officer finds that the offender has absconded, our supplier will notify Corrections immediately, who will then notify NZ Police.

For the higher risk offenders, the monitoring centre contacts the GPS Immediate Response Team. The response team then determines the course of action to take, which can include direct escalation to NZ Police, dispatching a field officer, making contact with the offender, or a combination of these.

The response from the monitoring centre and the response team is proportionate to the type of incident and the nature of the sentence being served. Offenders on the highest level of sentence in the community are on ESOs. These offenders are subject to intensive monitoring conditions, and a small group are monitored 24 hours a day by live-in staff at their accommodation with EM anklets worn. Offenders on an ESO without intensive monitoring but with EM are subject to a range of special conditions and rigorous oversight from their probation officers. The response to incidents involving ESOs is treated with the highest importance.

Offenders serving a sentence of home detention in their house have regular visits from probation staff as well as wearing EM, and their risk is generally lower. The community detention sentence is the lowest in terms of seriousness for which EM can be used.

Home detention is Corrections most successful sentence in terms of lower re-offending rates compared with short custodial prison terms, which demonstrates the worth of EM and the frequent contact with a probation officer.

Breaches While on Electronic Monitoring (Excluding EM bail)

EM trackers set off an alarm in the monitoring centre if an offender has failed to charge the batteries of a GPS tracker, or if they attempt to cut or interfere with the anklet strap. If the offender is considered high risk the GPS Immediate Response Team will send out a field officer or the Police, and will alert the probation officer immediately.

Breaches range from batteries not being recharged or radio frequency beacons having an interrupted signal, right through to the most serious, with the anklets being tampered with or removed and the offender absconding.

At any one time, around half a percent (0.5%) of EM offenders (including EM bail) have illegally removed their anklets and absconded. This is between 20 and 40 individuals.

We Hold Our Supplier to High Standards of Performance

The contract that Corrections has with our supplier has performance standards in it. For example, 95% of equipment is required to be free from defects each month and operating as designed.

Standards not met related to time frames around checks to ensure that locations for offenders in the community were feasible, through to response actions and installations of anklets. Penalties were applied for failed standards. To put this into context, a process that involves the production and distribution of over 6,000 pieces of complex electronics will involve some instances of defects, and a system involving the real time monitoring of around 4,000 people will experience some level of disruption from time to time.

Nonetheless our standards require that at least 5,700 pieces of equipment are operating effectively in every month.

In summary, EM provides a level of assurance that enhances the work of our community probation staff to ensure that offenders adhere to the conditions of their release and sentences.

It does not replace the personal intervention of our staff to monitor offenders in the community, but it does improve offender management because it shows where the offender has been between visits to community corrections sites, as well as their whereabouts between visits to them by probation officers.

Any breaches are taken seriously, and we are working well with our supplier and NZ Police to hold any offender to account who tampers with an anklet or absconds.

Corrections will continue to test the use of new technologies to strengthen its ability to monitor offenders in the community, with the success of EM being part of this process.

EM Bail

EM bail is a form of bail that people remanded in custody while awaiting trial or sentencing can apply for. The remanded person can apply to the courts for EM bail as often as they like.

Those on electronically monitored bail are not subject to a sentence managed by Corrections, as they are still progressing through the court process and are awaiting a conviction or sentence. Corrections will assess suitability as to whether a person should be monitored on bail, but the decision rests with the judge.

Corrections' monitoring role is simply to ensure that the person on bail meets their movement conditions, and we contact NZ Police if they do not.

Corrections assists with the EM bail application process by interviewing the defendant and assessing them for suitability. Corrections also assesses the prospective residence and checks for suitability for EM (for example whether it can receive GPS and cellphone signal), and will also interview the other occupants of the residence to gain their consent and assess their ability to support the defendant.

Corrections submits its EM Bail Suitability Report to court as part of the application for EM bail. Corrections may assess someone as unsuitable for EM bail for a range of reasons, including previous non-compliance or if the occupants of the residence have not given their consent. However, it is the judge who determines whether someone is granted EM bail, not Corrections.

If someone is granted EM bail they may have a number of bail conditions they must adhere to, such as abstinence from alcohol or drugs or not contacting victims and witnesses. NZ Police are responsible for the person on EM bail and ensuring that they comply with their bail conditions.

Corrections supports NZ Police with EM bail by providing the EM component. Defendants subject to EM bail are monitored by our supplier as with other people on EM sentences and orders. Corrections provides support for the monitoring of any approved absences for defendants on EM bail.

The EM Assurance Team

Provides oversight and support within the Electronic Monitoring space, enabling a broad view of practice that is informed by operational experience and specialist GPS understanding. As well as technical support, the EM Assurance Team provides a higher-level view to generate improvements throughout Corrections' electronic monitoring.

Offenders subject to Electronic Monitoring as at 30 June 2017:

- > 1,613 offenders on home detention sentences
- > 1,503 offenders on community detention sentences
- > 512 defendants on electronically monitored bail
- > 148 offenders on release to work
- > 113 offenders on temporary release from prison
- > 98 offenders on electronically monitored parole
- > 94 offenders serving extended supervision orders
- > 22 offenders released on conditions
- > 6 offenders on intensive supervision
- > 2 offenders on returning offender orders.

Our Supplier

Provides and installs EM anklets and home beacons, and operates the Monitoring Centre that receives alerts from these devices.

Corrections EM staff

Receive alerts from the Monitoring Centre, assesses alerts and determine appropriate responses.

Probation officers

Respond to alerts generated by offenders that they manage, liaise with EM staff to ensure that informed decisions are made during non-working hours, and manage sentence breaches.

Police

Are contacted when deemed appropriate, to apprehend offenders regarded as posing an imminent risk to public safety or in regard to breaches of EM bail.

GPS Immediate Response Team

- > Monitors approximately 200 offenders, who are deemed to be at high-risk of re-offending and endangering public safety.
- > Primarily uses GPS monitoring technology, to precisely track the location of offenders.
- > Provides 24 hour proactive monitoring of these offenders, regularly checking their locations and rapidly responding to alerts.
- > Escalates directly to police when alerts cannot be promptly resolved.

Standard EM

- > Monitors approximately 3,900 offenders, who are deemed to pose a low to medium-risk to public safety.
- > Uses a combination of radio frequency (RF) and GPS technology, to track an offenders' proximity to an RF beacon or their precise location.
- > The monitoring team responds to alerts, which are generated when an offender strays from prescribed times and locations.
- > Escalation is at the discretion of the EM teams, responses can begin by contacting the offender or their probation officer, and will only be escalated to police when deemed to pose an imminent risk to public safety.

In 2016/17, 3% of offenders under EM conditions were convicted of a new offence

Appendix Eight: Profile of Our People

This appendix provides a detailed view of the composition of Corrections staff, broken down by a number of key metrics.

All employees: by gender

Employees by gender, as at June 2014-2017

	As at 30 June 2014			As at 30 June 2015		
Gender	Full time	Part time	Total	Full time	Part time	Total
Female	3,152	363	3,515	3,216	371	3,587
Male	4,098	210	4,308	4,087	194	4,281
Total	7,250	573	7,823	7,303	565	7,868
Percentage female (%)	43.5%	63.4%	44.9%	44.0%	65.7%	45.6%

	As at 30 June 2016			As at 30 June 2017		
Gender	Full time	Part time	Total	Full time	Part time	Total
Female	3,234	386	3,620	3,717	399	4,116
Male	4,048	184	4,232	4,547	189	4,736
Total	7,282	570	7,852	8,264	588	8,852
Percentage female (%)	44.4%	67.7%	46.1%	45.0%	67.9%	46.5%

Notes

- > Figures above are staff headcount.
- > Due to the consolidation of numbers, some minor rounding variations can occur between employee numbers in the report. This rounding does not affect the overall position or integrity of the numbers reported.

Employees by designation group, as at 30 June 2014-2017

Designation group	As at 30 June 2014					As at 30 June 2015				
	Female		Male		Total	Female		Male		Total
Administration officer	398	95.2%	20	4.8%	418	382	94.6%	22	5.4%	404
Administration support officer	143	87.7%	20	12.3%	163	142	88.2%	19	11.8%	161
Adviser	168	59.8%	113	40.2%	281	185	60.5%	121	39.5%	306
Clerical	54	81.8%	12	18.2%	66	56	84.8%	10	15.2%	66
Corrections officer (PCO/SCO/CO)	738	23.7%	2,380	76.3%	3,118	749	24.1%	2,361	75.9%	3,110
Deputy chief executive	3	42.9%	4	57.1%	7	2	33.4%	4	66.7%	6
Executive assistant/PA	31	100.0%	–	0.0%	31	30	100.0%	–	0.0%	30
Manager – non-custodial	131	48.7%	138	51.3%	269	123	45.7%	146	54.3%	269
Nurse	135	78.0%	38	22.0%	173	130	75.6%	42	24.4%	172
Other	276	54.5%	230	45.5%	506	269	53.6%	233	46.4%	502
Practice leader	6	60.0%	4	40.0%	10	54	67.5%	26	32.5%	80
Principal/facilitator	159	63.3%	92	36.7%	251	168	65.1%	90	34.9%	258
Principal/instructor	45	14.3%	269	85.7%	314	49	15.9%	259	84.1%	308
Principal/psychologist	167	68.4%	77	31.6%	244	179	72.2%	69	27.8%	248
Principal/senior/case manager	137	61.7%	85	38.3%	222	130	57.3%	97	42.7%	227
Regional manager	6	24.0%	19	76.0%	25	7	26.9%	19	73.1%	26
Residential manager	11	18.0%	50	82.0%	61	15	23.8%	48	76.2%	63
Service manager	95	55.6%	76	44.4%	171	109	62.3%	66	37.7%	175
Senior/community work supervisor	93	24.7%	283	75.3%	376	97	27.2%	259	72.8%	356
Senior/probation officer	686	64.1%	384	35.9%	1,070	680	64.5%	374	35.5%	1,054
Team leader	33	70.2%	14	29.8%	47	31	66.0%	16	34.0%	47
Total	3,515	44.9%	4,308	55.1%	7,823	3,587	45.6%	4,281	54.4%	7,868

	As at 30 June 2016					As at 30 June 2017				
Designation group	Female		Male		Total	Female		Male		Total
Administration officer	350	94.3%	21	5.7%	371	364	93.8%	24	6.2%	388
Administration support officer	136	88.3%	18	11.7%	154	136	86.1%	22	13.9%	158
Adviser	203	57.8%	148	42.2%	351	255	58.0%	185	42.0%	440
Clerical	54	84.4%	10	15.6%	64	56	83.6%	11	16.4%	67
Corrections officer (PCO/SCO/CO)	759	24.5%	2,336	75.5%	3,095	988	26.7%	2,716	73.3%	3,704
Deputy chief executive	2	33.3%	4	66.7%	6	3	42.9%	4	57.1%	7
Executive assistant/PA	28	100.0%	–	0.0%	28	29	100%	–	0.0%	29
Manager – non-custodial	134	45.6%	160	54.4%	294	143	46.0%	168	54.0%	311
Nurse	134	73.2%	49	26.8%	183	149	71.0%	61	29.0%	210
Other	278	57.7%	204	42.3%	482	334	58.6%	236	41.4%	570
Practice leader	57	66.3%	29	33.7%	86	54	68.4%	25	31.6%	79
Principal/facilitator	202	67.1%	99	32.9%	301	197	65.7%	103	34.3%	300
Principal/instructor	45	14.9%	257	85.1%	302	55	16.7%	275	83.3%	330
Principal/psychologist	177	72.0%	69	28.0%	246	185	69.8%	80	30.2%	265
Principal/senior/case manager	137	59.8%	92	40.2%	229	180	61.9%	111	38.1%	291
Regional manager	7	30.4%	16	69.6%	23	10	52.6%	9	47.4%	19
Residential manager	13	21.7%	47	78.3%	60	13	20.3%	51	79.7%	64
Service manager	100	58.8%	70	41.2%	170	104	61.9%	64	38.1%	168
Senior/community work supervisor	84	26.9%	228	73.1%	312	82	27.0%	222	73.0%	304
Senior/probation officer	691	65.6%	362	34.4%	1,053	743	67.7%	355	32.3%	1,098
Team leader	29	69.0%	13	31.0%	42	36	72.0%	14	28.0%	50
Total	3,620	46.1%	4,232	53.9%	7,852	4,116	46.5%	4,736	53.5%	8,852

Note:

The classifications within the designation groups have been amended in 2016/17, these adjustments have been reflected in the historical numbers but the totals remain the same.

Employees by age group, as at June 2014-2017

	As at 30 June 2014			As at 30 June 2015		
Age	Frontline	Non-frontline	Total	Frontline	Non-frontline	Total
0 to 24	117	16	133	116	19	135
25 to 34	819	108	927	801	115	916
35 to 44	1,524	164	1,688	1,449	176	1,625
45 to 54	2,084	196	2,280	2,046	179	2,225
55 to 64	1,557	113	1,670	1,617	123	1,740
>65	279	21	300	310	16	326
Unknown	764	61	825	833	68	901
Total	7,144	679	7,823	7,172	696	7,868

	As at 30 June 2016			As at 30 June 2017		
Age	Frontline	Non-frontline	Total	Frontline	Non-frontline	Total
0 to 24	139	25	164	241	17	258
25 to 34	870	107	977	1,203	150	1,353
35 to 44	1,364	153	1,517	1,524	172	1,696
45 to 54	2,045	174	2,219	2,217	206	2,423
55 to 64	1,650	104	1,754	1,780	128	1,908
>65	323	19	342	355	19	374
Unknown	818	61	879	780	60	840
Total	7,209	643	7,852	8,100	752	8,852

Notes

- > Figures above are staff headcount.
- > Due to the consolidation of numbers, some minor rounding variations can occur between employee numbers in the report. This rounding does not affect the overall position or integrity of the numbers reported.

All employees: by ethnicity

Ethnicity profile of staff at the Department of Corrections, as at June 2013-2017

Ethnicity	2013 Census population base (%)	Corrections profile, as at 30 June				
		2013 (%)	2014 (%)	2015 (%)	2016 (%)	2017 (%)
NZ European	69.6	58.2	54.8	55.7	55.2	53.0
Māori	14.9	21.9	20.6	21.0	20.7	20.3
Pacific peoples	7.4	8.6	8.3	8.3	8.6	9.7
Other ethnic groups	8.1	29.2	26.3	26.6	27.0	27.7

Notes

- > Employees are given the option of recording multiple ethnic groups. If an employee has chosen to do this they are counted in each group selected, so the percentages in this table will add to more than 100%.
- > Figures are given on a full time equivalent basis, meaning that employees working on a part time basis are summed to an equivalent of a full time employee.
- > Numbers do not include employees on leave without pay.
- > Population statistics are from the 2013 Census and include all people who stated each ethnic group, whether as their only ethnic group or as one of several ethnic groups. Where a person reported more than one ethnic group, they have been counted in each applicable group.

All employees: voluntary turnover

Number and percentage of turnover as at June 2014-2017

	As at 30 June							
	2014		2015		2016		2017	
Voluntary turnover	Full time equivalent	%	Full time equivalent	%	Full time equivalent	%	Full time equivalent	%
Frontline staff	586.71	8.8	596.57	9.0	553.31	8.4	530.37	7.2
Non-frontline staff	92.08	14.5	96.01	15.8	88.90	14.6	75.15	12.3
Male	337.74	8.2	378.80	9.4	318.80	8.0	299.15	6.9
Female	341.05	10.7	313.78	9.9	323.41	10.0	306.37	8.5
Management	52.60	6.3	50.10	5.9	53.90	6.0	57.8	6.3
Non-management	626.19	9.7	642.48	10.1	588.31	9.3	551.22	7.8

This excludes planned terminations.

Voluntary turnover at Corrections decreased to just under eight percent in 2016/17, remaining below the public sector average. It has been at or around this level since 2010/11.

Remuneration

Remuneration of staff by salary and gender, 2016/17

Remuneration band	Female	Male	Total
Hourly Paid	40	163	203
<\$40,000	32	4	36
\$40,001 – \$50,000	592	170	762
\$50,001 – \$60,000	1,120	1,726	2,846
\$60,001 – \$70,000	1,432	1,742	3,174
\$70,001 – \$80,000	336	383	719
\$80,001 – \$90,000	162	109	271
\$90,001 – \$100,000	154	133	287
\$100,001 – \$110,000	104	107	211
\$110,001 – \$120,000	45	40	85
\$120,001 – \$130,000	33	52	85
\$130,001 – \$140,000	18	25	43
\$140,001 – \$150,000	11	24	35
\$150,001 – \$160,000	7	15	22
\$160,001 – \$170,000	7	10	17
\$170,001 – \$180,000	10	5	15
\$180,001 – \$190,000	5	6	11
\$190,001 – \$200,000	2	3	5
\$200,001 – \$210,000	1	3	4
\$210,001 – \$220,000	1	5	6
\$220,000+	4	11	15
Grand total	4,116	4,736	8,852

Notes

> Figures above are staff headcount.

Remuneration of staff by salary band and age group 2016/17

Remuneration band	<25	25-34	35-44	45-54	55-64	>64	Unknown
Hourly Paid	–	1	7	39	72	57	27
<\$40,000	14	8	6	4	2	–	2
\$40,001 – \$50,000	50	158	135	171	136	38	74
\$50,001 – \$60,000	146	586	575	749	435	60	295
\$60,001 – \$70,000	43	399	563	919	825	163	262
\$70,001 – \$80,000	4	101	133	199	188	29	65
\$80,001 – \$90,000	–	42	84	75	40	4	26
\$90,001 – \$100,000	–	26	63	94	60	5	39
\$100,001 – \$110,000	–	12	58	56	61	8	16
\$110,001 – \$120,000	–	8	18	22	26	4	7
\$120,001 – \$130,000	–	3	17	32	20	1	12
\$130,001 – \$140,000	–	2	8	12	14	2	5
\$140,001 – \$150,000	–	3	11	9	9	1	2
\$150,001 – \$160,000	–	2	5	9	6	–	–
\$160,001 – \$170,000	–	1	1	10	1	1	3
\$170,001 – \$180,000	–	1	4	6	2	1	1
\$180,001 – \$190,000	–	–	2	5	3	–	1
\$190,001 – \$200,000	–	–	1	3	1	–	–
\$200,001 – \$210,000	–	–	–	1	2	–	1
\$210,001 – \$220,000	–	–	2	3	1	–	–
\$220,000+	–	–	3	6	4	–	2
Grand total	257	1,353	1,696	2,424	1,908	374	840

Notes

- > Figures above are staff headcount.
- > The table includes all employees including part time employees, employees who had a period of leave without pay, employees who started during the year and employees who received a pay increase, by the remuneration band they actually received rather than the full-time remuneration at any point in the year.

Pay equality

The gender pay gap at Corrections continues to be significantly less than the public sector average. The most recently reported pay gap was 1.5% compared to a sector average of 13.5%, a difference of around 12%. This difference has been generally consistent since 2010, with the sector average remaining at 14% and Corrections' varying between two percent and one percent.

Average length of service, by age and gender, 2013/14 to 2016/17

	2013/14			2014/15			2015/16			2016/17		
Age group	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male	Total
< 25 yrs	1.73	1.39	1.59	1.39	1.38	1.38	1.02	1.46	1.19	0.87	0.94	0.89
25 to 30 yrs	2.63	2.74	2.67	2.72	2.65	2.69	2.77	2.40	2.61	2.16	1.80	2.00
30 to 35 yrs	3.99	4.04	4.01	4.14	4.39	4.26	4.32	4.44	4.38	3.54	3.36	3.45
35 to 40 yrs	5.32	5.63	5.48	5.23	5.91	5.57	5.34	6.13	5.75	4.96	5.19	5.08
40 to 45 yrs	6.05	6.32	6.19	6.34	6.60	6.47	6.68	7.11	6.89	6.13	6.72	6.43
45 to 50 yrs	6.99	8.29	7.69	7.49	8.62	8.08	7.82	8.45	8.15	7.12	7.87	7.51
50 to 55 yrs	8.28	11.48	10.17	8.69	11.64	10.45	8.73	11.58	10.39	8.45	10.67	9.70
55 to 60 yrs	10.6	14.75	13.24	10.94	14.86	13.40	11.04	14.98	13.46	10.67	13.52	12.37
60 to 65 yrs	13.96	16.18	15.48	13.91	16.90	15.90	13.67	17.67	16.31	12.94	17.56	16.05
> 65 yrs	15.27	17.28	16.7	16.05	17.07	16.78	17.52	17.42	17.45	18.30	17.73	17.91
Not Advised	3.68	4.15	3.89	3.90	4.13	4.00	4.45	4.68	4.55	5.07	5.21	5.12
Overall average	6.78	9.69	8.39	7.09	9.98	8.67	7.35	10.18	8.87	6.87	9.33	8.19

* The average length of service (in years) for Corrections employees as at the end of each financial year.

Appendix Nine: Reducing re-offending by 25%

Corrections' Better Public Service (BPS) re-offending measure is a composite of the reconviction rate for people serving community-based sentences and the reimprisonment rate of prisoners.

Analysis conducted since the target was set in 2012 shows that the overall rate of re-offending fell between June 2011 and February 2014, at which point Corrections was just over half-way towards the 25% target.

Since February 2014, the rate has flattened off, and from mid-2014 it has been increasing slowly. The current rate is still below the June 2011 rate, finishing at 3.9% on June 30 2017.

The stall towards the 25% reduction target is at odds with Corrections' positive results in rehabilitation outcomes. These results have been improving in recent years, with significant reductions in reconvictions and reimprisonment being consistently recorded for most of our key rehabilitation programmes. In addition, the proportion of the offender population who are successfully engaged in rehabilitation programmes has never been as high as in the last few years. This has increased further since the beginning of 2015, following the implementation of the RR25% Boost initiative.

The lack of reflection of these results in the Recidivism Index (RI) figures implicates other factors, outside Corrections' control, in the current trend. Analysis undertaken within the department, as well as by the Ministry of Justice, has identified a number of factors that appear, either singly or in combination, to have contributed to the recent upturn in RI rate.

Further, a falling number of new sentence starts with Corrections in recent years has brought about a change in the composition of the offender population under our management. This now features a greater proportion of recidivistic offenders, more of whom have gang connections, and fewer first-time offenders. This change in mix has had a direct and adverse impact on the annual re-offending rate.

It is important to note that the number of offenders who re-offend has been declining since June 2011, with 28% fewer re-offenders re-entering the system now, relative to 2011. This decline in volumes has occurred consistently since the setting of our BPS target. This shows that significant, positive progress has been made, although this has not been captured within the precise terms and measurements that apply to our BPS target.

We did not meet the target of reducing re-offending by 25% by June 2017. Analysis indicates that the measure was susceptible to a range of external influences, which unfortunately obscured the positive impacts of offender rehabilitation and reintegration. Corrections continues to ramp up efforts to ensure that the most effective rehabilitation services are delivered as widely as possible to the offenders we manage.

Appendix Ten: New Zealand Business Numbers (NZBN)

In order to maximise the benefit from the use of the NZBN, the department has revised documentation and electronic systems to enable the capture and storage of the NZBN. The NZBN is collected at the point of vendor set up, whenever available. Using the NZBN strengthens our validation of new vendors and provides a standard, easy and accurate way of confirming our supply base. We intend to develop a NZBN roadmap by 2018 and broaden our focus from pure vendor management to assess whether there are other business processes and systems where using the NZBN approach might be beneficial.



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