



Annual Report

1 JULY 2013 – 30 JUNE 2014



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❖ Chief Executive's Overview

New Zealand is a safer place.

The crime rate is the lowest it has been since 1979.

Violent crime is falling, youth crime is falling,
and fewer people are re-offending.*

*Justice Sector Report 2013

Results like this don't just happen; they are the combined effort of thousands of people. Nearly 8,000 of these people work at the Department of Corrections.

This Annual Report for the year ending 30 June 2014 is my fourth Annual Report as Chief Executive of the Department of Corrections. Over this period our people have been asked to challenge the status quo and adopt new approaches to managing offenders. They have responded to this challenge and this year more than ever you will see that our efforts have begun to show genuine progress. More offenders are receiving the support they need, and that support comes in a multitude of forms. Re-offending rates are going down and we're well on the way to achieving the target of a 25 per cent reduction in re-offending by 2017.

So, how do we reduce re-offending? For some people, a conviction provides the wake-up call they need. With our guidance, they make the most of their time, whether it is in prison or serving a community sentence. They seek help, gain new skills, deal with underlying drug and alcohol issues, improve their education and learn how to cope better with the trials life brings.

For others, it's not so easy to leave behind a lifestyle fuelled by drug and alcohol use, violence, abuse and crime. When you are defined by your crime and your reputation for violence precedes you, it can be incredibly hard to find the resolve to change. But we can and do persist. Everyone who works on the frontline at Corrections has a story to tell of that person no-one thought stood a chance of rehabilitation. But with targeted support at the right time they were able to make a change that in turn changed the lives of their families/whānau and their community.

There will, of course, always be those few who continue to pose a significant risk to society. These people need to be held securely in prison or electronically monitored in the community. As our technology has advanced and our sites have been upgraded, we have increased our ability to house these people in secure conditions that reduce their risk to the public, yet still provide access to essential training and rehabilitation opportunities.

I am incredibly proud of our results over the last year. Our organisation has continued to broaden its focus on rehabilitation. In the community, where the majority of offenders are based, over 6,500 offenders undertook rehabilitation programmes. Nearly 25,000 offenders received drug and alcohol support in 2013/14, an 87 per cent increase from 2012/13. Three of our facilities are now operating as working prisons, providing approximately 850 prisoners with a routine similar to the 40 hour working week. We have seen a 154 per cent increase in the number of prisoners participating in literacy and numeracy programmes, and over a 1,000 per cent increase in the number of prisoners gaining qualifications¹. As people leave prison, their successful return to the community is being aided by our Out of Gate programme, which puts ex-prisoners in touch with the support networks they need on the outside. So far, more than 1,600 people have been referred to this service.

This year in Christchurch, offenders began rebuilding 150 state houses damaged in the quakes. This rebuilding goes beyond bricks and mortar; it is echoed across our organisation. We're rebuilding the lives of offenders, and in turn we're helping to rebuild the lives of those families/whānau and victims whose lives are marred by crime.



Ray Smith
Chief Executive

¹ Percentages reflect increases in delivery of interventions between 2009/10 and 2013/14.



❖ What Corrections does

Corrections operates its facilities in accordance with the *Corrections Act 2004* and adheres to the United Nations Standard Minimum Rules for the Treatment of Prisoners.

Corrections is committed to managing prisoners safely and humanely, and meeting their legitimate needs (sections 69-82 of the *Corrections Act 2004*).

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

Public safety is our bottom line, and the best contribution we can make to public safety is to ensure that people who come into Corrections do not re-offend. That is why reducing re-offending is our ultimate goal and is at the heart of our strategic plan.

We actively work with offenders to provide rehabilitation, education and employment training that will make a positive difference in assisting them to turn their lives around.



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

We do this by:

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

... and by:

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



❖ Corrections and the Justice Sector

The New Zealand Government has set Better Public Services targets for the Justice Sector to achieve by June 2017. Our sector partners include the New Zealand Police, the Ministry of Justice (including courts), the Crown Law Office and the Serious Fraud Office.

The programme for delivery of Better Public Services targets is laid out in the *Reducing Crime and Re-Offending Result Action Plan*, developed in partnership by Justice Sector agencies and published by the Ministry of Justice in July 2012. By June 2017, the Justice Sector action plan will deliver:

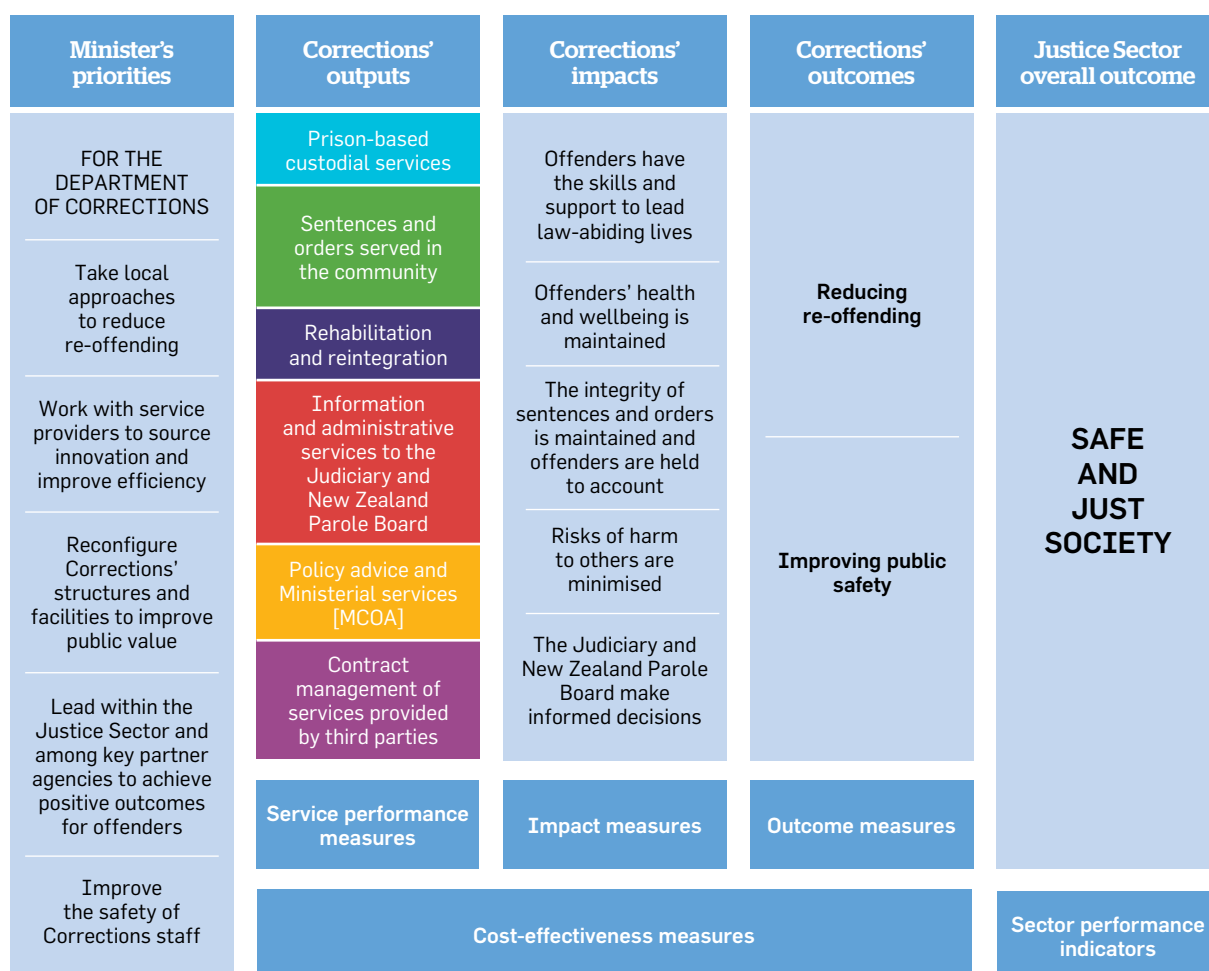
- > an overall reduction in crime by 15 per cent
- > a reduction in violent crime by 20 per cent
- > a reduction in youth crime by 25 per cent
- > a reduction in re-offending by 25 per cent

Corrections contributes considerably to the achievement of the Justice Sector outcomes. Our management of correctional facilities and community-based sentences and orders holds offenders to account and helps to build public trust in the justice system. Our rehabilitative and reintegrative work with offenders reduces crime and its impacts, leading to a safe and just society.

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

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

The following diagram illustrates the two Corrections outcomes that our success is measured by, the impacts that the initiatives under these outcomes will deliver, and the outputs against which our operational performance is measured.



A photograph of two smiling staff members, a woman on the left and a man on the right, standing in an office environment. The woman is wearing a light blue button-down shirt and the man is wearing a grey V-neck sweater over a dark collared shirt. They are both holding folders. The background shows an open-plan office with desks, chairs, and large windows.

❖ **Working in a
challenging
and changing
environment**

Corrections' focus is on the achievement of reducing re-offending and improving public safety outcomes for New Zealand society.

The planning and delivery of services must not only focus on achieving outcomes, but must also be responsive to the individual needs of offenders – we call this our offender-centric approach, and it lends some complexity to the work we do.

We have made a conscious shift from a broad approach to offender management, towards more specific responses to offender needs. In order to be effective in reducing re-offending, we have employed more targeted strategies; increasing rehabilitation programmes and improving the education and skills of offenders. We are also designing prisons and re-defining our prison-based models to support the shift in approach – building new prisons using state of the art design that we know impacts behaviours, and creating working prisons to re-create structured productive lives for prisoners.

While community-based offender numbers have reduced, the prison population is running just above forecast. This requires careful management to ensure people are housed safely and securely, and continue to have access to rehabilitation, education and employment training programmes.

The prison population is currently trending towards an increase in longer term prisoners and an ageing prison population due to longer sentences being served and larger proportions of those sentences being served. This year, on any given day, there were over 400 offenders over the age of 60 being held in New Zealand prisons; this is a significant increase when compared to the results of the 2003 Prison Census where the number of prisoners over the age of 60 was approximately 150.

As Māori make up just under half of the offender population, specific management of cultural needs and targeted rehabilitation programmes supports a reduction of re-offending among Māori and other offenders. Twenty-eight per cent of the prison population is gang affiliated. This and other groups such as youth offenders need specific and tailored responses, requiring geographical disbursement to split gang members, and Community Corrections sites deliberately designed to provide safe and appropriate environments for working with offenders.

A number of our Community Corrections sites and prisons require refurbishment to bring them up to the standard demanded of a modern facility, and a construction programme is underway to address this. We are increasing the opportunities technology offers to tackle old problems with new solutions, such as balancing the wide geographical spread of our offender placements with increasing rehabilitation opportunities at particular sites. Now, if a prisoner in Auckland is required to attend a sexual offender rehabilitation programme in Christchurch, they can be located in Christchurch and make use of Audio Visual Links to maintain contact with family/whānau and case workers, as well as legal counsel, prospective employers and other contacts.

Many offenders present with drug and alcohol problems, anti-social behaviour, low levels of literacy and numeracy and a poor or non-existent work history. It can be hard for ex-offenders to find a suitable place to live and to get a job. It can even be hard knowing where to go for help. Corrections is increasingly required to be innovative in our approach to offender needs and we are growing our focus on reintegration post prison, so that ex-offenders can be supported in their navigation through settlement services upon release.

Other ways that we meet our challenges and work successfully within our changing environment are by:

- > investing in secure sites and stronger prisons
- > prudent management of assets; and
- > focusing on targeted, cost-effective interventions that have been proven to effect change.

❖ Financial Overview

The following pages provide an overview of our financial performance for the year ended 30 June 2014.

Overall results

Corrections spent \$1.19 billion in 2013/14, which was \$28.3 million below the supplementary estimates. \$9.8 million will be carried forward, which reduces the underspend to \$18.6 million, or 1.6 per cent of our total projected expenses.

The underspend was mostly the result of:

- > staff vacancies and turnover, which in turn reduced demand for staff training;
- > decreasing our discretionary spend in areas such as staff travel, contractors and consultants; and
- > changes in the phased delivery of some programmes.

The revenue received by Corrections was \$1.22 billion, which was \$1.96 million higher than the supplementary

estimates. This was due to the revaluation of forestry assets of \$4.9 million, offset by lower than expected insurance proceeds relating to the Canterbury earthquake and Spring Hill Corrections Facility riot, which were not settled by 30 June 2014.

In 2013/14 the impact of the Spring Hill riot required us to divert financial resources to deliver a successful recovery operation. We absorbed both the financial impact of the increased pay settlement in the Collective Bargaining Agreement and an increase in the superannuation contribution rate.

We re-prioritised our spending to invest an additional \$5 million in reducing re-offending and lifted our overall

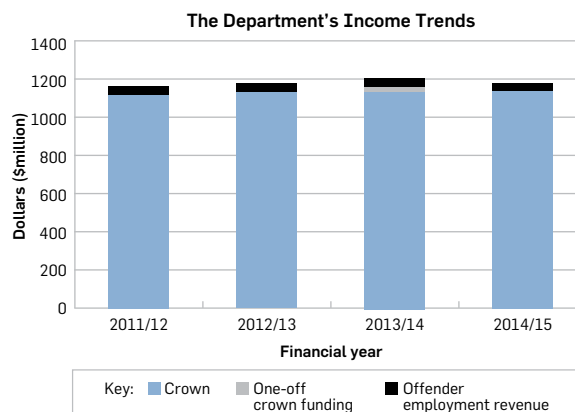
additional investment in reducing re-offending to \$15 million. This is in addition to the \$5 million investment in the Out of Gate reintegration initiative. We also successfully implemented staff and organisation structure changes aimed at lifting our productivity; streamlining our National Office operations and strengthening our new regional structure. This has generated future permanent savings.

We continue to manage our service within a constrained fiscal environment and are increasingly re-prioritising our resources to provide better services, within our fixed annual budget of \$1.2 billion.

Income

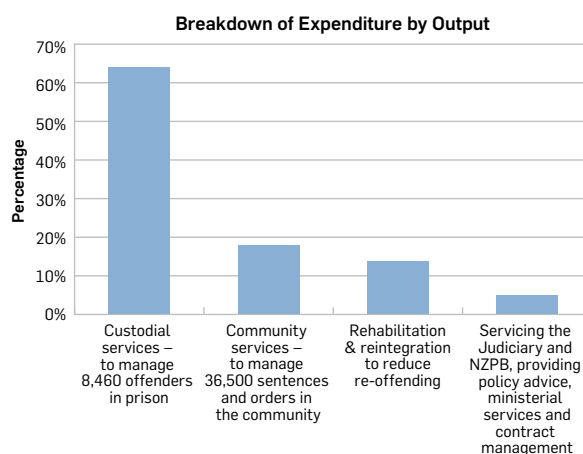
Our income is predominantly provided by the Crown. We also generate a small revenue stream from our offender employment activities such as forestry and farming that help in reducing re-offending.

Our Crown income temporarily increased in 2013/14 as a result of one-off project funding being transferred from 2012/13 to 2013/14.



Expenditure by output

Total expenditure for the year was \$1.19 billion. The following diagram illustrates the outputs we delivered and the portion of expenditure incurred to deliver each output. By far the largest portion of our total spend goes to providing custodial services.

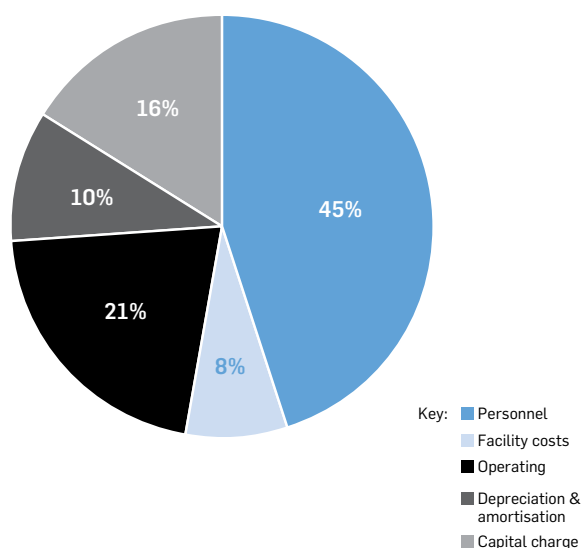


Expenditure by cost category

Nearly 80 per cent of our \$1.19 billion spend in 2013/14 related to workforce and asset ownership costs.

We employ nearly 8,000 people, which results in a \$540 million wages bill that makes up 45 per cent of our total spend. A significant portion of our workforce is specialised and we make a considerable investment in upfront and ongoing training.

Breakdown of Expenditure by Cost Category



Asset base

We manage over \$2.5 billion of assets that run the length of the country, with many facilities operating 24 hours a day, seven days a week. Our assets include:

- > Property, plant and equipment – \$2.4 billion
- > Assets related to offender employment activity including farming and forestry – \$60 million
- > Intangibles (software) including streamlined offender management systems – \$68 million

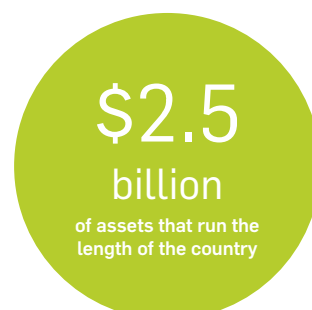
An important element of delivering a reduction in re-offending is Corrections' asset base. The prison estate, which includes 17 prisons (18 with the opening of Auckland South Corrections Facility in 2014/15), must be able to ensure public safety is maintained and sentences are completed, while enabling employment, training and skills development opportunities for offenders in areas such as farming, forestry, and construction.

Facility management costs, including capital charge and depreciation, represent 34 per cent of our total spend, which provides limited

flexibility in the short term to reduce asset management costs given the purpose built nature of prisons and their geographical spread.

Corrections has been investigating the configuration of its prisons to ensure that within the network there is enough flexibility to adapt to the changing prison population, including security classification of prisoners, age of prisoners and maintaining proximity to the local courts. The asset portfolio must also build in some resilience for unforeseen events, e.g. an earthquake.

The Government has announced plans to rebuild the maximum security Auckland East section of Auckland Prison as a non-custodial Public Private Partnership (PPP). In addition, Corrections has begun an \$81.3 million project to improve security and facilities at five prisons (Rolleston, Waikeria, Tongariro-Rangipō, Whanganui and Invercargill) to ensure these facilities remain fit for purpose.



Auckland South Corrections Facility

Corrections has a Public Private Partnership (PPP) agreement with SecureFuture for the delivery of a new 960 bed men's prison in South Auckland. SecureFuture will design, build, finance and maintain the prison and deliver custodial services for a contracted minimum period of 25 years.

Under the Project Agreement, Corrections will make operating payments to SecureFuture on completion of the prison. Corrections recognises the prison and a corresponding financial liability relating to the cost of construction on its balance sheet. This financial liability is characterised as the obligation by Corrections to make payments to SecureFuture over the 25 year term of the service concession period.

Capital expenditure

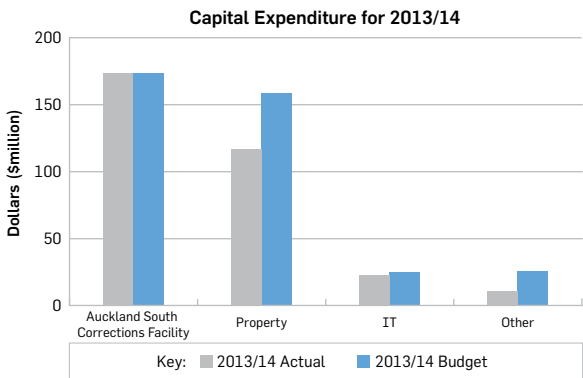
Corrections incurred \$319 million of capital spend in 2013/14. This comprised \$175 million for Auckland South Corrections Facility (PPP), \$115 million for property assets, \$22 million on information technology solutions and \$7 million on other items such as fleet and plant replacements.

Property expenditure reflects the progression of large programmes of work associated with prison and community site developments.

This includes redevelopment works at Invercargill and Whanganui prisons, the New Plymouth Remand Centre, the housing construction yard at Rolleston Prison, and the progression of the Tongariro/Rangipō Prison transit station.

Property expenditure also included repairs at Spring Hill Corrections Facility, the replacement and enhancement of electronic security systems and ongoing facilities lifecycle asset replacements.

Information technology expenditure included offender-centric initiatives such as Administration of Community Sentences and Orders Bill (ACSOB) and Electronic Monitoring (EM) Bail, primarily driven by new legislation. The corporate system's portfolio expenditure included Work Force Time Management and a new purchasing system.



In 2013/14:
\$319
million
of capital spend



❖ Corrections by the numbers

In 2013/14 the Department of Corrections:

Reduced re-offending by 12.1 per cent against our target of a 25 per cent reduction by 2017:

- > this means 2,200 fewer offenders being reimprisoned or reconvicted; and
- > 8,800 fewer victims of crime.

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

- > 3,801 prisoners to improve their literacy and numeracy skills
- > 2,297 prisoners to gain 3,858 recognised qualifications
- > 9,777 offenders to engage in employment-related activities within prison
- > 7,439 prison-based and 6,596 community-based offenders to start a rehabilitation programme
- > community-based offenders with 33,400 interventions delivered by probation staff.

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

- > 17 operational prisons and 151 Community Corrections sites operating across four regions and 15 districts.
(16 prisons are operated directly by the Department of Corrections and one prison is privately managed by Serco.)

With:

- > Nearly 8,000 staff, who completed over 42,398 staff training days; and
- > Over 2,000 registered volunteers, who made almost 22,500 visits to prison.

Who managed and supported:

- > On average, around 8,500 people in our prisons, 30,000 community-based offenders, and 36,500 sentences and orders being served in the community, on any given day.

What we've achieved this year

3.8%

Lowest ever level of
positive drug tests

3,664
offenders

assisted into employment

Increased

use of Audio Visual Links
to reduce the need for
prisoner transportation

12.1%
reduction

in re-offending

All
prisons

have Cornerstone®
health accreditation

289

prisoners gained
construction skills
to assist in the Christchurch rebuild

3

working
prisons

94%

compliance
with sentences and orders for
community-based offenders

273

The average number of
electronically monitored
people on bail

98%

of prisoners

received health assessment
on day of reception in prison

8

million hours

of employment
undertaken by prisoners

2.5

million hours

worked by offenders
on community work

24%
fewer

serious assaults
on prisoners

54%
fewer

serious assaults
on staff

Approximately

850
prisoners

working a typical
40 hour week

3,858
qualifications

achieved by prisoners

Creating Lasting Change

Corrections' strategic plan is *Creating Lasting Change*. The strategy highlights the fact that in our various roles at Corrections we have the chance to influence the lives of thousands of offenders. We're in a position to create lasting changes in their lives and make a huge difference in the lives of their victims and families.

Under the vision of Creating Lasting Change, our goal is to reach the Justice Sector target of reducing re-offending by 25 per cent by 2017. This is the greatest contribution to the delivery of the Justice Sector *Reducing Crime and Re-Offending Result Action Plan* that the Department of Corrections can make. In delivering

the outcome of reduced re-offending we also deliver improved public safety; this will always be our bottom line. When working towards the achievement of outcomes, we do so by delivering better public value and demonstrating visible leadership – our priorities.

Our Vision

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

Our Goal

Reducing re-offending by 25 per cent by 2017.

Our Outcomes

Improving Public Safety

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

Reducing Re-Offending

Cutting the rate of re-offending leaves fewer victims and adds significantly to the social wellbeing of our communities as offenders become productive members of our society.

Our Priorities

Better Public Value

Our commitment is to achieve more with every taxpayer's dollar, freeing up resources where we can, while improving our service responses.

Visible Leadership

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

Public safety is our bottom line