



DEPARTMENT OF
CORRECTIONS
ARA POUTAMA AOTEAROA

Annual Report

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DEPARTMENT OF
CORRECTIONS
ARA POUTAMA AOTEAROA



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❖ Chief Executive's overview

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

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

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

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

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

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

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

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

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

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



Ray Smith
Chief Executive



❖ What Corrections does

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

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

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



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

We do this by:

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

... and by:

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

❖ Corrections and the Justice Sector

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



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

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

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

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

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

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

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

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



❖ Working in a challenging and changing environment

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



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

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

Pressure on our prison capacity

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

Challenges in reducing re-offending

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

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

Future efforts to reduce re-offending

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

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

Structural changes to reduce re-offending

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

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

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



Operating in a fiscally constrained environment

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

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

Disruptions to our business

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



❖ Corrections by the numbers

In 2014/15 the Department of Corrections:

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

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

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

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

With:

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

Who managed and supported:

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

What we've achieved this year

More

prisoners securing employment with their Release to Work employers on release

7

prisons

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

All frontline

custodial staff

issued with slash and needle stick resistant gloves

86%

of prisoners started and completed a rehabilitation programme

Secured funding for

Out of Gate

from the Justice Sector Fund for a further 12 months

3,240

prisoners received literacy and numeracy programmes in prison

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

Owned over

\$2.5 billion

of non-current assets

0

breakout escapes

from prisons

More than 1,000

victim referrals received from New Zealand Police

Over

50%

of offenders who are electronically monitored are monitored by GPS

2.2

million hours

worked by offenders on community work sentences

Corrections

received

\$1.2 billion

of income in 2014/15

99%

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

Over

4,400

general random drug test samples were taken in prisons

Auckland South Corrections Facility

officially opened in May 2015

❖ Financial overview

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

Overall results

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

The underspend was mostly the result of:

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

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

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

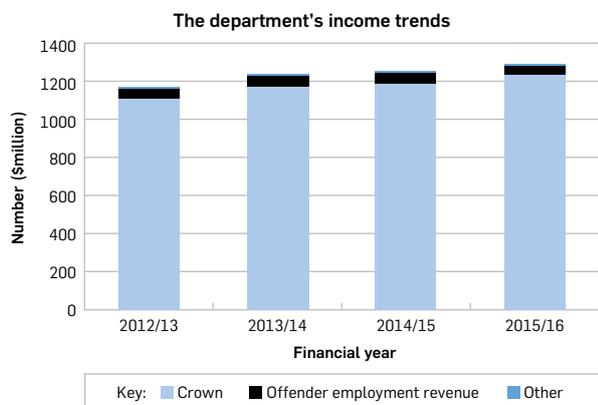
- > the recognition of a gain on the Tongariro/Rangipō land sale
- > higher than targeted forestry logging volumes and additional livestock sales, partly offset by
- > a reduction in Fonterra's milk prices to \$4.40/kg from \$4.70/kg, and
- > the pending insurance claim final settlement relating to the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

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

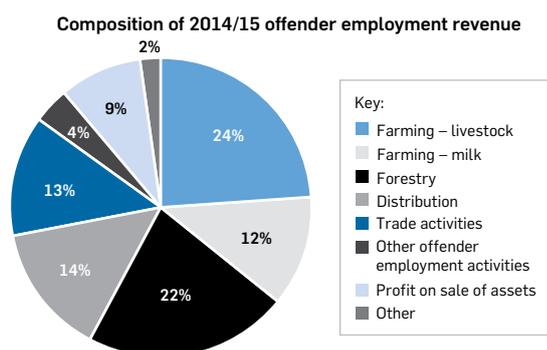
During 2014/15 Corrections recognised \$4.5 million of insurance proceeds revenue relating to settlement of claims for the 2012 Christchurch earthquake (\$3.3 million) and the 2013 Spring Hill Corrections Facility riot (\$1.2 million). Approval has been sought to retain this revenue for recovery of costs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

Income

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



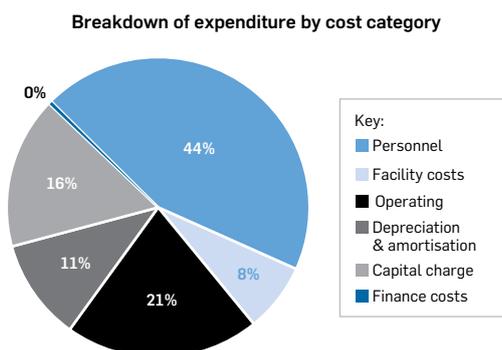
The graph below illustrates the composition of offender employment revenue as shown in the income trends graph by activity.



Expenditure by cost category

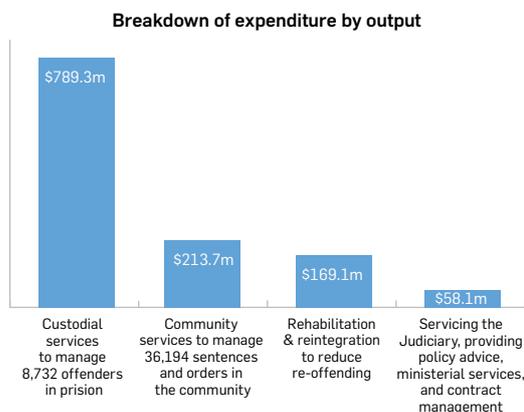
Nearly 80% of our \$1.2 billion spend in 2014/15 related to workforce and asset ownership costs.

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

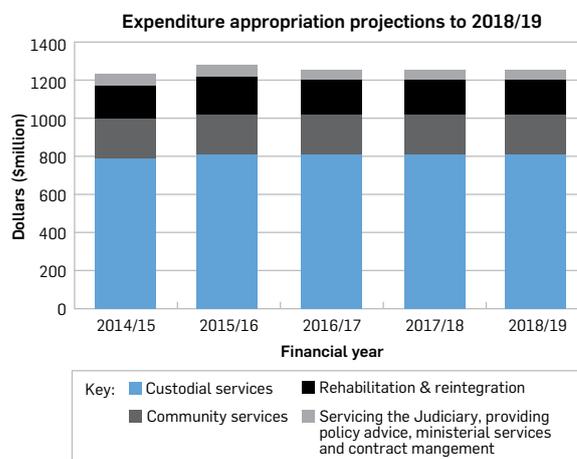


Expenditure by output

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



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



Asset base

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

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

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

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

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

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

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

Capital expenditure

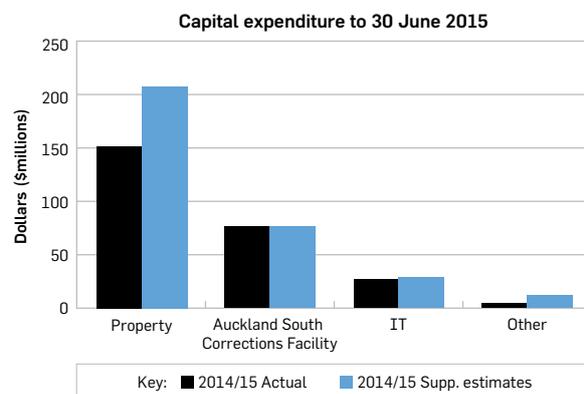
Corrections incurred \$263.2 million of capital spend in 2014/15. This comprised \$80.3 million to complete the Auckland South Corrections Facility, \$151.8 million for property assets, \$26 million on Information Technology and \$5.1 million on other items such as fleet and plant replacements.

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

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

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

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



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



Contribution to Priorities and Delivery of Outcomes



❖ Public Safety is Improved

A safe and secure Corrections system is fundamental to providing public safety in New Zealand, and to delivering an effective justice system.

Pressure on the prison network

Capacity pressures provide challenges to maintaining the integrity of sentences and orders and minimising the risks of harm to others.

Record prison population

Corrections has targeted strategies to manage an increasing prisoner population, these include certain prison capacity buffers as well as increasing the number of beds available at certain prisons.

The prison population reached a high of 8,906 on 29 June 2015, above the projected maximum of 8,393. This was the culmination of a pattern that has stretched throughout the financial year, with an average 2014/15 prison population of 8,732 compared to 8,460 in 2013/14. The higher than expected population has meant that standard, pre-prepared prison capacity has been full for the majority of the year, and more than half of prepared buffer capacity has also been utilised. The opening of Auckland South Corrections Facility and other additional beds in other parts of the estate are helping to address this pressure, and there is a planned net increase of 433 beds in 2015/16.

Increase in remandees

A major component of the increase has been in prisoners on remand. The average number of remandees has increased from 1,694 in 2013/14 to 1,977 in 2014/15. This increase has been even greater as a proportion of the prison population, rising to 23% of the total in 2014/15 from 20% in 2013/14. The higher number is itself a challenge for staff, as prisoner placements, interactions, and transportations all become more frequent and complex in line with the increase. Remandees represent a particular challenge as they are outside of the scope of most rehabilitation programmes, and have security and segregation requirements that are above those of average sentenced prisoners. In 2014/15 remandees have also been over-represented in violent incidents.



Minimising risks of harm to others

Corrections is committed to providing the safest possible environment for staff, the community, and prisoners. A multifaceted approach is in place to manage safety throughout the prison network.

Outcomes in 2014/15

Serious assaults are defined as "an act of physical violence that involves one or more of the following: sexual assault of any form and degree; bodily harm requiring medical intervention (assessment including medical treatment) by medical staff followed by overnight hospitalisation in a medical facility or bodily harm requiring extended periods of ongoing medical intervention."

Serious assaults on prisoners by other prisoners decreased in 2014/15 compared to 2013/14. The number of serious assaults on staff increased by three compared to the previous financial year, but has continued a longer term decline from 2011/12.

The number of staff days lost to injury has decreased from 15,863 to 14,107. While we cannot link time lost due to injuries to the injuries' specific causes (such as assaults), the decline is a positive trend in terms of staff health and safety overall.

The number of non-serious and no injury assaults on staff and prisoners have increased between 2013/14 and 2014/15. While this is a matter that requires further strategic focus, it can be seen in the context of improved reporting as a result of the campaign to make violence in prisons unacceptable. It may also be linked to the increasing number of prisoners on remand (and with indicators of high-risk and complex needs), as these individuals do not have access to the full range of rehabilitative programmes, can be suffering from recent abuse of alcohol or drugs and can be volatile as a result of uncertainty while awaiting trials or sentences.

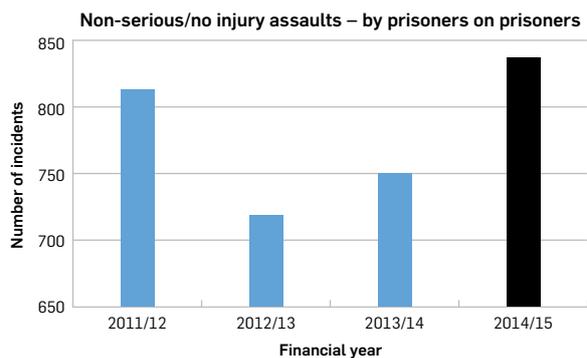
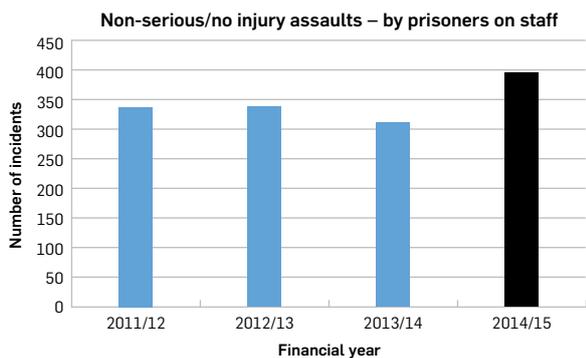
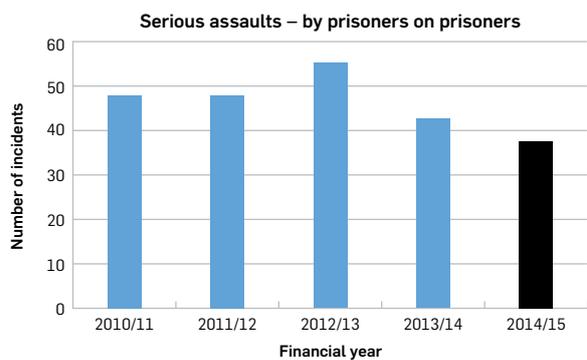
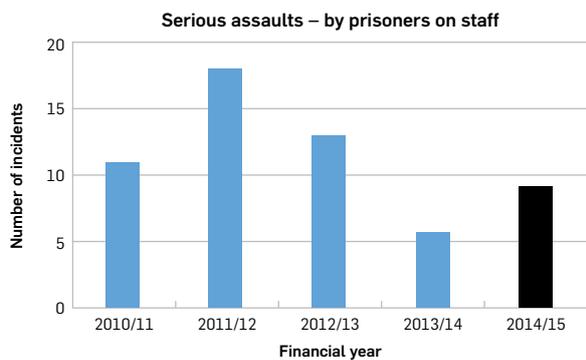
Zero tolerance for violence

Corrections has a policy of zero tolerance for violence, although it is sometimes unavoidable in the context of our work. In 2014/15 we have worked to transform attitudes towards violence in prisons, moving through the second year of our three year Staff Safety Plan. The plan has seen the introduction of new staff capabilities and reporting systems, designed to frame all violence as unacceptable.

Responding to assaults in prisons

We work in challenging environments with some of New Zealand's most violent individuals. Violence is always a risk to our staff, as many offenders use violent behaviour to resolve issues or express themselves.

Every violent incident is taken seriously, and staff are trained to respond immediately when such incidents occur. Staff in prisons carry radios and will be assisted within minutes of an alarm being activated. Additional staff can then bring the incident under control. Longer term responses can include moving perpetrators or victims to different units or facilities to reduce the potential for further violence, reviewing prisoner security classifications, changing our operational procedures, conducting internal investigations, or referring the matter to police to be treated as a criminal investigation. The safety of both prisoners and staff is our overriding priority, and we will continue working to reduce the harm caused by the offender population through prudent management of our estate, optimisation of the prison network, and investments in the capabilities and equipment of our staff.



Implementing the Staff Safety Plan

As part of our journey to becoming a Zero Harm Workplace, the department has implemented a number of major health and safety initiatives over the previous 12 months. Central to these has been the three year Staff Safety Plan, the second year of which was completed in June 2015. Numerous initiatives have been put in place, designed to improve the quality and suitability of equipment, to expand and enhance the capabilities of staff and to increase the transparency and effectiveness of Corrections' health and safety systems.

The Staff Safety Plan

The Staff Safety Plan is a comprehensive three year work programme, which began in July 2013. The plan is based on findings from the 2012 Staff Safety Expert Advisory Panel and has five priorities: visible leadership, enhanced staff capabilities, effective communication, more appropriate tools and resources, and improved processes, all of which are oriented to make staff safety their guiding principle. The plan's first year established a 'new normal' for Corrections' facilities, including a comprehensive campaign to reshape prisoner attitudes and make violence unacceptable, and an overriding consideration for the safety of staff in all contexts. In its second year the plan has seen new equipment, capabilities and organisational processes piloted and put in place, in line with the prioritisation of safety that has become standard practice.

Improvements to Personal Protective Equipment

By the end of June 2015 Corrections had reached an advanced preparatory stage in the deployment of several new items of Personal Protective Equipment (PPE) for prison staff. This equipment includes lightweight stab resistant body armour (SRBA), as well as on-body cameras and slash-proof gloves. Testing of these items has demonstrated their capacity to enhance the flexibility and effectiveness of responses to challenging situations within the prison environment, reducing the potential for violence to break out, escalate or expand.

Stab resistant body armour

Corrections' current stab resistant body armour (SRBA) is designed as an emergency response vest and is intended for use in high-risk weaponised environments. While these are necessary for some of the environments in which we operate, they have been found to cause overheating and fatigue, and are inappropriate for standard use.

The rollout of new, lightweight SRBA is expected to be complete by December 2015. The new SRBA is more suitable for longer periods of use, providing protection from most weapons encountered in prison environments and aligning more closely with the risk profile of Corrections' work. It is consistent with the specifications of SRBA used by New Zealand Police and offers a mounting solution for on-body cameras.

On-body cameras

On-body cameras were piloted in Rimutaka and Auckland Prisons between January and June 2014. The cameras were shown to have a calming effect on interactions between prisoners and staff, and staff reported that they felt safer and more confident when going about their duties. In all scenarios the trial showed positive outcomes, with a drop in prisoner related incidents of up to 20% compared to the same time in the previous year. Further testing of on-body cameras began at Arohata Prison on 18 June 2015. For further roll out of on-body cameras we are in the process of evaluating technology products that meet the operational requirements and maximises staff time efficiencies.

Slash-proof gloves

Slash and needle stick resistant gloves have been provided to all frontline custodial staff. These allow searches of prisoners and property to take place with substantially reduced risk, as investigators' hands are generally protected from being cut or otherwise injured by concealed objects. This improves the integrity of the prison system by making the concealment of contraband more difficult and enhances the safety of Corrections' staff when searches take place.

Enhancing staff capabilities

The capabilities of staff are central to success in any organisation, and Corrections is no exception. Over the 2014/15 financial year we have invested significantly in improving the capability of staff within environments that can be dangerous and unpredictable, and in which flexible and well-managed responses can have transformational positive impacts. As part of this, 2014/15 has seen the piloting of Site Emergency Response Teams and training to increase staff awareness of mental health and its impacts upon offender behaviour.



Site Emergency Response Teams

On the basis of Recommendation 8 of the inquiry into the June 2013 riot at the Spring Hill Corrections Facility, a Site Emergency Response Team (SERT) was developed at the facility as an effective pilot for such teams throughout the prison network. These teams are designed to bridge a capability gap between standard Control and Restraint and the Advanced Control and Restraint teams that can take some time to arrive at the site of an incident. The SERT pilot began on 1 April 2015, and positive results have led to an accelerated programme for establishing SERTs across the prison network.

Mental health awareness

Mental health awareness training for staff has been expanded in the 2014/15 financial year. A suite of information has been created within the Community Probation Practice Centre online resource, which includes guidelines for staff to recognise and respond to offender behaviours that may be influenced by the state of their mental health. All staff are encouraged to build knowledge, understanding and skills around issues of mental wellbeing, and all probation staff will take part in a training programme for Mental Health and Suicide Awareness.

Physical Readiness Assessment

A Physical Readiness Assessment has been piloted at several sites, to ensure that custodial staff are able to meet the physical demands of responding to emergency situations.

On-body cameras improved interactions between staff and offenders in all tested scenarios

Site Emergency Response Teams were successfully trialled at Spring Hill Corrections Facility, and are being expanded to an additional three sites

Organisational changes

Changes have also taken place at the national level, in particular with the establishment of the Executive Leadership Health and Safety Governance Committee. The Committee is chaired by the Chief Executive, and works to demonstrate leadership by exercising active oversight of significant operational issues relating to health and safety, as well as providing strategic governance in this area. Initiatives of the committee have been wide ranging and include systematic reviews of the most significant health and safety risks of Corrections' activities, and developing targeted measures to improve the safety of critical exposures. Areas investigated by the committee include the use of quad bikes, the protection of staff from Hepatitis B and the safety of Corrections' vehicle fleet.

Integrity of prison sentences

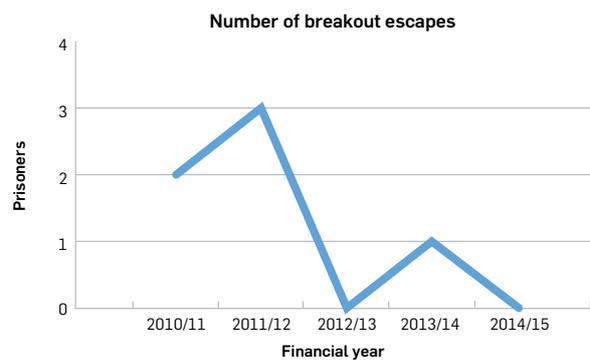
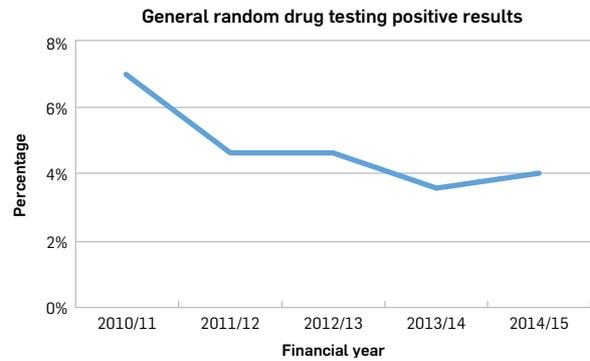
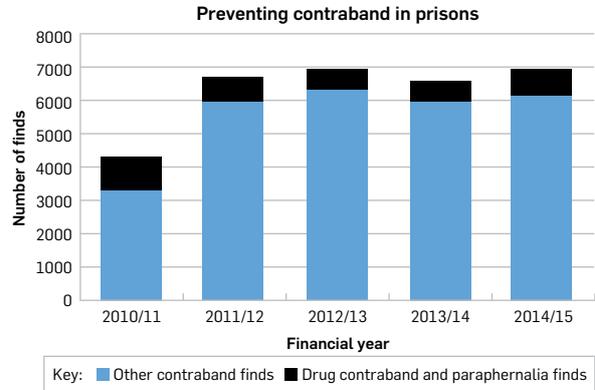
Preventing prisoner access to alcohol and drugs

Preventing prisoners from accessing alcohol and illicit drugs is of significant importance to maintaining the integrity of prison sentences and is challenging in a prison environment. Such substances can counteract efforts towards rehabilitation, especially for prisoners with histories of abuse, addiction or dependency. During the 2014/15 financial year 4,454 drugs tests were carried out in prisons under the general random drug testing regime, to assess the scope of the problem and the effectiveness of countermeasures. For the second year in a row the percentage of general random drug tests that returned positive results was 4% or lower, outperforming our target of 6% or less. The number of general random drug tests sampled was higher than in previous years (4,295 tests in 2013/14 and 4,454 tests in 2014/15) and the results represent an encouraging decline in the ability of prisoners to access drugs while in prison.

Improving site security

We are continually striving to improve upon our high standard of prisoner management, in line with our success in reducing numbers of escapes over time. Investment is ongoing in a range of security improvements across Corrections' network, including the installation of new detection and surveillance systems, enhanced perimeter fencing and the introduction of single entry-points at all prisons.

Looking ahead, \$40 million is being invested in upgrades to five prisons as part of our Prison Development programme. This will further improve site security and provide better facilities for rehabilitation, reintegration and training.



Reduced opportunities for escape

Zero prisoners have broken out of prison in 2014/15, and such breakout escapes have remained below three per year for the last four years. The six escapes that did occur in 2014/15 are classified as prisoners absconding or breaching temporary release, because they occurred when the prisoners were already outside of prison. Two of these were during escorts to hospital, two during escorts to court, one from a prisoner work party outside of the prison, and one during an overnight temporary release. The department is taking steps in each of these areas to prevent similar events occurring in the future.

Escorted transits are one of the most common situations in which prisoners find opportunities to abscond. There are an average of over 60,000 transportations of prisoners each year and over 50% of these are between prisons and district courts. Each movement requires a secure escort provided either by Corrections or a contracted security provider, and Corrections currently maintains a fleet of over 100 vehicles for this purpose.

In 2010 we began the use of Audio-Visual Link (AVL) connections. These allow prisoners to attend remand hearings via a video link rather than appearing in person, resulting in fewer needing to leave secure facilities to make court appearances. This significantly reduced the need for transits and escorts, in turn reducing the risk of prisoners attempting to escape, acquiring contraband, or becoming violent during transport.

Our use of AVL connections reduced escorts of prisoners to courts by more than 3,500 in the six months to June 2015.

AVL has also contributed to our efforts to reduce re-offending, as it increases prisoners' capacity to access rehabilitative programmes. Prisoners who are required to attend specific courts were previously held at sites close to the courts, even when appropriate rehabilitation services were only available at a different site. With the introduction of AVL, prisoners can now be held at facilities that do provide appropriate rehabilitation, and can attend court hearings through an AVL video link.

AVL also provides an opportunity for prisoners to maintain contact with friends and family, even when they are housed at a distant prison site.

Number of other escapes

Financial Year	From Escort	Breach of temporary release	Abscond
2010/11	2	0	0
2011/12	5	0	2
2012/13	1	0	0
2013/14	1	0	0
2014/15	4	1	1

Breach of temporary release

A high profile incident occurred in late 2014, when a prisoner breached a 72 hour temporary release for home leave and left the country. Temporary releases are common practice for low security prisoners and can be central to successful reintegration. An approved sponsor was required to monitor the prisoner during his time outside of prison.

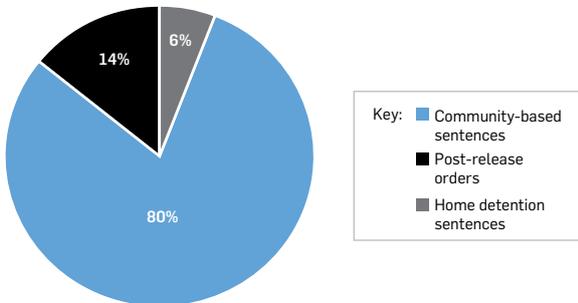
Corrections responded quickly to this incident, with all temporary releases suspended within five days of the breach. An internal review resulted in a ten point action plan and thirteen recommendations, all of which have been responded to by the department. Actions taken on the basis of the review and other investigations included the suspension of all temporary releases until new approval and monitoring systems were put in place, reviews of the psychological treatment and temporary releases of higher-risk prisoners, the exploration of closer links with New Zealand Customs Service and a wider inter-agency review into the sharing of information on offenders' identities.

Advisory panels have been established in the wake of the escape, to provide a range of perspectives and information to prison directors when activities and interventions outside the prison perimeter are considered. Advisory panels are multi-disciplinary teams of Corrections' staff, external agencies, and community representatives, who provide advice to enable more purposeful decision making. The inquiry into the escape, as well as amendments to the *Parole Act 2002*, have created an opportunity to enhance the pre-release phase of offenders' sentences. In the future, temporary releases may be utilised as part of a graduated pre-release pathway.

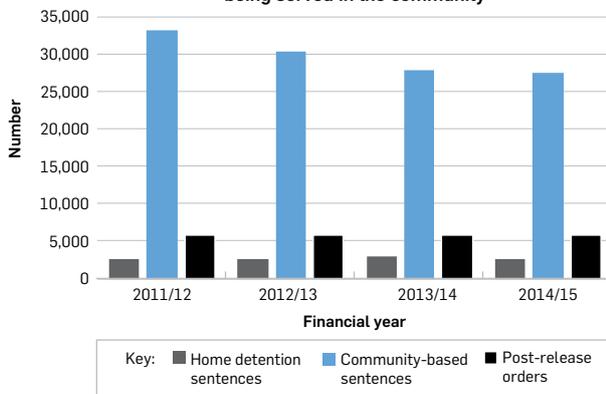
Offenders in the community

Maintaining the integrity of sentences and orders served in the community, and holding offenders to account.

Offenders serving sentences and orders in the community



Average number of sentences and orders being served in the community



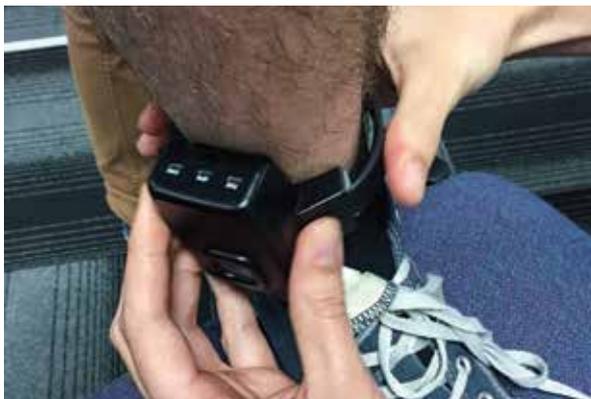
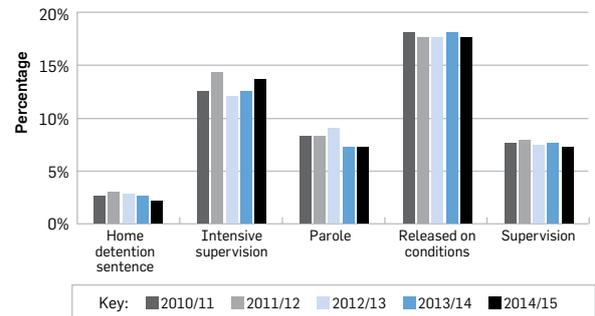
Managing offenders in the community to minimise risks of harm to others

An offender assessed as temporarily posing unusually high-risk of harm to another person or persons is managed in a more restrictive manner, to control and reduce the level of risk. Levels of supervision are responsive to regular risk assessments by probation staff.

The graph represents the rates of offences against the person (ie sexual or violent offences) which occurred during the course of a community sentence or order in each year given.

Reducing the number of offences of this nature is an important goal of community offender management. Results indicate that probation officers, in conjunction with partner agencies in the community, are doing an increasingly effective job at minimising instances of violent offending among offenders under their management.

Re-offending involving offences against the person while on a sentence or order and within the 12 month follow up period resulting in a reconviction



Mandatory standards; ensuring compliance with sentences and orders

Compliance with sentences and orders is achieved when offenders comply with all directives and restrictions inherent to the sentence or order (attendance at programmes, non-association orders, residential or employment restrictions), are subject to appropriate consequences in the event of non-compliance, and complete the imposed sentence or order.

Any failure by an offender to comply with a requirement of the sentence is considered to be non-compliance. This could include failure to report as instructed, breaking a curfew, or failure to advise of an address change.

A key component of ensuring compliance, and that appropriate action is taken in the event of non-compliance, is ensuring that probation staff comply with a set of Mandatory Standards of Practice. The Mandatory Standards of Practice are designed to measure the quality of service provided by Corrections.

An average of around 29,500 offenders were being managed in the community at any one time in 2014/15. Probation officers manage the sentences and orders of these offenders, and the table below reports the percentage of offenders that were managed in accordance with our Mandatory Standards of Practice. The table shows that more than 92% of these sentences and orders have been managed appropriately for at least five consecutive years, and in most cases this figure has been above 95%.

Mandatory Standards of Practice are unique to each sentence or order, setting the minimum level of service to be delivered to each offender. New Standards of Practice for probation officers came into effect on 1 July 2015, and replaced ones that had been in place for the previous five years. The new Standards of Practice focus on the optimisation of rehabilitative outcomes, and streamlining practice across all sentences and orders to centre our efforts on offenders.

Compliance with sentences and orders

Financial Year	Home detention sentences	Community-based sentences	Post-release orders
2010/11	95%	96%	–
2011/12	98%	96%	98%
2012/13	98%	93%	98%
2013/14	95%	92%	96%
2014/15	95%	95%	97%

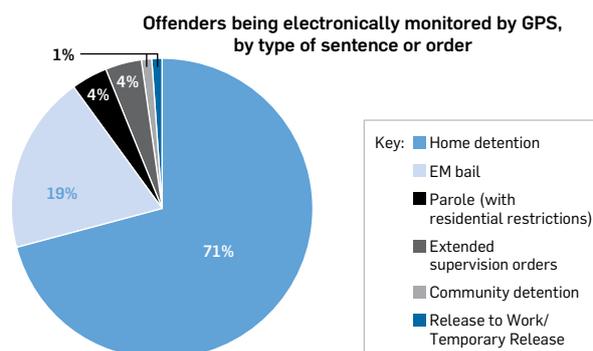
Improvement and expansion of Electronic Monitoring

The 2014/15 financial year has seen the standardisation and expansion of Corrections' Electronic Monitoring (EM) capabilities, representing an advance in our management of offenders on community-based sentences and orders. The number of EM providers has been reduced from three to one, standardising the procedures and accessibility of EM and providing a reliable and dynamic set of capabilities. More than 3,500 offenders were being monitored electronically by the end of June 2015.

Corrections' Electronic Monitoring services have been transitioned to a single provider, with a single contract and a consistent set of capabilities. Services were previously provided through four contracts with three providers, with a range of different systems that provided different capabilities and required different skill sets and procedures to be used to their full capacity. Standardisation has made EM consistent across regions and sentence types, and the single contract allows for monitoring of a much higher number of offenders without a significant increase in costs.

The standardisation also improves the transferability of skills within Corrections, as staff will no longer need to become familiar with a new set of procedures and systems when they move from one area of EM to another.

Corrections' staff, including probation officers and a dedicated National EM Response Team, use the 3M system to access information on an offender's prohibited movements, as well as the areas and times in which they are permitted to travel and whether these are breached. When police are called to respond to breaches or tamper alerts, they can now be given real-time information about an offender's location and movements, and a record of these is retained in 3M's system for use in follow up responses.



Drug and alcohol testing of community-based offenders

On 26 February 2015, the first reading was made of a bill to allow drug and alcohol testing of offenders on community-based sentences, when they are subject to conditions prohibiting consumption or use. At present, such offenders are held to their conditions on the basis of observations and circumstantial evidence, neither of which provides consistent and reliable information for staff to identify and respond to violations. When the bill is passed it will enable Corrections and police to require such offenders to undergo drug and alcohol testing, greatly improving our capacity to hold offenders to account and maintain the integrity of their sentences.

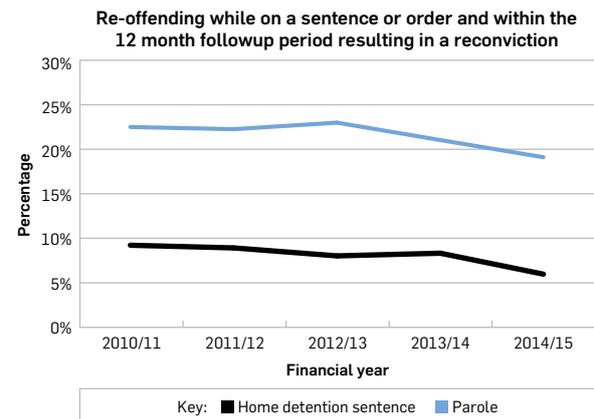


The Judiciary and New Zealand Parole Board

Corrections works with the Judiciary and New Zealand Parole Board (NZPB) to ensure that they make informed decisions. The first priority is maintaining and improving public safety, followed by promoting rehabilitation to contribute to reducing re-offending. In line with these, Corrections provides advice and documentation to support the organisations' assessments, helping them to make decisions that are appropriate for the individual circumstances of each offender.

We regularly compile information into integrated reports, which work through complex risk factors that can impact upon offenders' abilities to complete sentences and orders, to put forward appropriate recommendations. These reports:

- > assess the level of risk that an offender poses to those around them and the wider public
- > detail previous breaches of sentences and orders by the offender
- > detail the risk of escape
- > detail support available to the offender through family/whānau and
- > detail the potential for employment opportunities following release.



7,932
reports were provided to the New Zealand Parole Board in 2014/15

39,736
reports were provided to the courts in 2014/15

Public protection

Public protection orders and extended supervision orders.

In December 2014 two Acts were passed that enhance Corrections' ability to control high-risk offenders who have come to the end of prison sentences, allowing us to reduce the risk that such individuals pose to the safety of others. These bills are the *Public Safety (Public Protection Orders) Act* and *Parole Amendment (Extended Supervision Orders) Act*, and are aimed at protecting the public from serious violent and sexual offenders.

The first Act established a legal framework for public protection orders (PPOs); High Court orders that allow for the indefinite detention of individuals who have served a prison sentence but continue to pose an imminent risk of serious sexual or violent re-offending. These individuals will be housed within a secure and independent residence on the grounds of Christchurch Men's Prison. They are civil detainees rather than prisoners, but their residence is controlled by Corrections and they are not permitted to re-enter the community.

Corrections will conduct reviews of each PPO on either an annual or biannual basis, and the orders will be reconsidered by the High Court at least once every five years. Lifetime detention is allowable under the law, but in each case an offender plan will be developed to set out milestones for eventual rehabilitation and release.

The second Act enhanced extended supervision orders (ESOs), allowing serious sexual and violent offenders to be monitored by Corrections after the end of prison sentences. ESOs hold offenders to a set of conditions following release from prison; previously these had been limited to ten years following release and could only be applied to child sex offenders. Conditions can now be renewed after the initial ten years, and can be applied to any sexual or violent offender who poses a serious risk to the community (although not so serious as to be held under a PPO). This means that the movement and activities of such offenders can be controlled, reducing their likelihood of entering situations where they are likely to re-offend. ESOs ensure that offenders remain visible to relevant agencies and that risks are identified and managed appropriately, without the restrictions that a prison sentence or PPO would place on the life of the offender.

Victims of Crime Reform Bill 2014

Under the law that came into force on 6 December 2014, the Department of Corrections has altered the way in which we keep registered victims notified about the status of those who offended against them. We are now required to notify victims of:

- > all breaches of sentences and conditions by relevant offenders, not just breaches of parole, home detention and extended supervision, and advise victims of the Act that has been breached
- > the deaths of any relevant offenders, not just those in prison, on home detention or extended supervision, and specify the sentence or conditions that the offender was serving at the time of death and
- > any application by a relevant offender or their probation officer to have a sentence of home detention cancelled and substituted with another sentence.

The way that victims receive notifications at the end of an offender's sentence has also changed. Previously a letter was sent to victims two weeks before the expiry of home detention or extended supervision sentences. The new legislation requires Corrections to notify victims about the end of all relevant sentences, and prior to the end date of release on conditions and parole.

Quality of victim notification services

There have been zero justified complaints made about victim notification services during 2014/15. This is in line with our target and an improvement on the two justified complaints received in 2013/14. This is a positive result and demonstrates year-on-year improvement.





❖ **Re-offending is Reduced**

Working towards our target of a 25% reduction in the rate of re-offending.

Reducing re-offending through our six areas of focus

Corrections has developed targeted strategies to reduce re-offending by 25% by 2017, through six areas of focus:

- > tackling alcohol and drug abuse
- > more rehabilitation that works
- > interventions delivered by probation staff
- > education, jobs skills and working prisons
- > real jobs on release, and
- > partnering with iwi and community groups.

Work in these areas will help offenders address the reasons behind their offending and give them the skills, training and experience to make positive changes in their lives. By strengthening rehabilitation and reintegration opportunities for offenders we can reduce re-offending and improve public safety, while contributing to reducing crime overall in New Zealand.

Tackling alcohol and drug abuse

Drug and alcohol abuse is a major driver of crime. Two-thirds of New Zealand prisoners have substance abuse problems and over 50% of crime is committed by people under the influence of drugs or alcohol. By tackling this issue we can help offenders to lead offence-free lives following the completion of their sentences.

We provide alcohol and other drug (AOD) treatment in prisons through six month and three month intensive programmes. In the second part of this financial year we aimed to increase the number of such programmes and lift prisoner participation, and to provide a range of brief interventions to prisoners through our health staff. More than 4,800 brief interventions had been delivered by the end of 2014/15, against a target of 4,300.

We have also worked to achieve earlier identification of community-based offenders who have problems with drugs or alcohol, and to refer them to appropriate rehabilitative services. Over 14,000 drug and alcohol rehabilitation interventions were delivered to community-based offenders by probation officers in this financial year.

More rehabilitation that works

This year:

- > More than 1,300 community-based offenders have received the Medium Intensity Rehabilitation programme (MIRP), above our target of 1,135
- > Over 300 prisoners received treatment in Special Treatment Units
- > The overall number of interventions delivered under this area of focus was above 11,000, well beyond our target of 9,625.

The MIRP is a group-based programme for male offenders aged 20 years and above, with a medium-level risk of re-offending and specifically identified rehabilitative needs. Offenders are encouraged to address the thoughts, attitudes, and behaviour that led to their offending, and are aided in developing strategies to maintain positive change. The programme is available to offenders in prisons as well as those serving sentences in the community, and is delivered by trained programme facilitators.

Key factors targeted for change by the programme include:

- > violence propensity
- > anti-social attitudes
- > poor self-control and impulsivity
- > alcohol and drug abuse, both as a rehabilitative need and a health issue.





Family violence is recognised as a significant and costly social problem in New Zealand, with over 50% of violent crime being related to family violence.

Corrections is piloting a new Community Family Violence programme, created in collaboration with professional programme designers and representatives from a range of providers and agencies, including NZ Police, Ministry for Women, Ministry of Social Development, and the Ministry of Justice. We have been guided by research when considering the best way to design this programme and to target offenders.

In October 2014 we began a multifaceted Family Violence programme (FVP) pilot, with 13 suppliers to test the effectiveness of different models of programme delivery. The pilot is scheduled to be completed in September 2015, and will enhance our base of knowledge and by extension our capacity to provide effective, evidence-based FVPs in future years.

The rehabilitation of young people is another area of particular importance. Young offenders re-offend more frequently and more severely than other offenders and, if they fail to establish a law-abiding lifestyle, their cycle of

offending will last for longer and have a greater social impact than would be the case for older offenders. Young people are also more susceptible to change, and the benefits of positive change will last throughout their life.

Programmes within our ongoing Youth Strategy include the Young Offender programme and Mauri Toa Rangatahi. The first of these is a 16 week prison-based programme, which works to address the rehabilitative needs of medium-risk men under 20 years of age. The second programme is for 17-19 year old male offenders serving community-based sentences, and includes group and one-on-one sessions that address issues such as substance abuse, lifestyle balance, and personal supports.

We have also introduced the Parenting with a Purpose programme to offenders, designed to support them to improve their parenting skills and strategies. This will teach pro-social values and behaviour, reducing the exposure of children to ineffective parenting and poor role models. The programme aims to counteract intergenerational cycles of offending, which feeds into our goals within the Youth Strategy and reducing re-offending.

Interventions delivered by probation staff

Probation staff play a crucial role in reducing re-offending. Working on the frontline, they have the ability to make important decisions that can make a real difference to people's lives. Research shows that a reduction in reconvictions can be achieved by probation officers using the risk, need and responsivity framework in daily interactions with offenders. In line with this, our frontline probation staff are trained to deliver brief relapse prevention and motivational interventions to offenders.

Over this financial year, this area of focus has seen:

- > over 3,000 offenders on community-based sentences receive education and job skills training
- > more than 7,000 community-based offenders receive rehabilitation interventions from probation officers
- > almost 28,000 relapse prevention interventions delivered to community-based offenders.

Education, jobs skills and working prisons

People in regular employment are less likely to offend or re-offend. However, due to their criminal histories and often limited education, many prisoners experience significant difficulty in finding jobs upon release. Addressing this difficulty is vital to achieving success in reducing re-offending.

The working prisons initiative is designed to turn prisons into centres of treatment, learning and industry, with programmes that simulate a 40 hour engagement week for prisoners. By the end of 2014/2015, seven prisons have been converted to the working prisons model, and the initiative continues to be rolled out across the network.

An important part of the initiative is the formation of partnerships between Corrections and other organisations. These partnerships provide opportunities in both learning and industry, as well as providing skills and employment opportunities upon release.

Partnerships with other government departments is an area that Corrections is actively increasing. There is a partnership between Housing NZ and Corrections for prisoners to refurbish homes at Spring Hill Corrections Facility. A total of 125 houses are scheduled to be refurbished over a five year period. Prisoners are able to gain valuable work experience, and earn New Zealand Qualification Authority credits that count towards a National Certificate in Construction Skills.

A further partnership with the Department of Conservation is currently under discussion with a variety of initiatives already identified. These include assisting with the making of wooden bridges and pathways as well as providing native plant nurseries. All these initiatives include training which provide prisoners with skills and qualifications to gain sustainable employment upon release.



Real jobs on release

Recent data has shown that up to 60% of offenders in prison were unemployed prior to imprisonment. In addition, we know that people who find stable employment on leaving prison are significantly less likely to commit crime in the 12 months following their release.

By partnering with employers and industries we have worked to help more prisoners find employment when they leave prison. The search for a job begins in prison and continues once they return to the community.

Training, case management and cooperation with Work and Income all form part of our efforts to improve prisoners' ability to find work upon release.

During this financial year:

- > over 5,500 community-based offenders have received assistance to find stable employment
- > almost 1,500 prisoners received improved services to assist them in finding stable employment.

The Department of Corrections and Work and Income, through a formal agreement, are working on initiatives that will see prisoners as a priority group who will receive work brokerage support prior to leaving prison. Having prisoners engaged in the job search earlier will see them employed sooner and will likely reduce their flow to the beneficiary system. It is anticipated that with this support, a reduction of long-term benefit liability, as well as building on efforts to reduce re-offending will be achieved.

Agencies consider that the number of prisoners who go on to become long-term beneficiaries or return to prison can be significantly reduced by making concrete improvements in two key areas over the short and longer-term. The first is achieving better integration of Corrections and Work and Income services pre-release, ensuring that prisoners know they will be expected to seek employment following release, and supporting them to do so. The second is stronger support and incentives for prisoners following release, supporting those that have been educated, trained, and rehabilitated to find employment. These initiatives will have positive implications for long-term benefit liability as well as reduce their risk of re-offending.

In supporting offenders to gain employment, Corrections purchases employment-supported services that provide job searching and in-work support to offenders. The in-work support assists prisoners for the first 6 months of their employment.

Work has continued with a range of groups to provide **rehabilitative and reintegrative support** to offenders

75%
of prisoners have demonstrated measurable gains with literacy and numeracy

Partnering with iwi and community groups

Corrections works with several iwi and community groups, which have proven results in rehabilitation and helping prisoners to return successfully to their communities.

We have worked closely with these groups in this financial year, to improve the design and delivery of contracted services. Offenders often find themselves in unique and challenging circumstances when they are released from prison, and services need to be tailored to meet the individual needs of these offenders and their whānau or family support networks. Improvements have been agreed to the supported accommodation service, which will see an additional 140 offenders receive support in seven additional provincial areas from 2015/16. A new emergency accommodation service has also been contracted, which will support up to 250 offenders in the time immediately after they are released from prison.

Our use of results-driven contracts has linked the purchasing of services to outcomes that make a difference, putting increased emphasis on helping offenders to live law abiding lives on the completion of their sentences. This includes maintaining suitable accommodation and sustainable employment.

Corrections has continued to work with a range of groups to provide rehabilitative and reintegrative services to offenders. These include Prisoner's Aid and Rehabilitation Societies, which provide general reintegrative support; the Salvation Army, Anglican Action, and the Salisbury Street Foundation that provide accommodation support; and the Problem Gambling Foundation and Alcoholics Anonymous, which provide targeted forms of addiction counselling and support.

Offender education

Supporting offenders to gain education and achieve recognised qualifications is an essential component of reducing re-offending. A stable job is one of the most fundamental components of a law-abiding lifestyle, and qualifications and education are key to enhancing an offender's employability.

Without basic English literacy and numeracy skills, offenders are limited in their ability to gain qualifications and secure employment. Not having these skills will impact on all aspects of offenders' lives, making it more difficult to gain employment and contributing to re-offending. While offenders are in our custody we have an opportunity to support them to lift their skill levels and improve their chances of gaining employment on release.

Embedded literacy and numeracy

Over 60 education, community and employment staff have participated in embedded literacy and numeracy training across the regions in the past year. The training is provided by Adult Literacy Education and Consulting Ltd and enables staff to attain the National Certificate in Adult Literacy and Numeracy Education (Vocational) Level 5.

Over 80% of participants have graduated with this qualification and are now able to use the Literacy and Numeracy for Adults Assessment Tool developed for national use by the Tertiary Education Commission. They are also able to support learners to lift their literacy and numeracy skills in various learning contexts.

In total we now have over 140 qualified staff in prison and the community who can embed literacy and numeracy within their learning and industry environments. Embedded literacy and numeracy can support those who are wanting to attain Level 1 and 2 qualifications.

Implementation of Secure Online Learning

During 2014/15, the department has developed, tested and implemented 14 Secure Online Learning computer suites across 11 prison sites. The Secure Online Learning solution allows carefully selected prisoners restricted access to 12 pre-approved educational websites, including sites that improve literacy, numeracy and digital skills, and provide access to NCEA subjects, Te Reo Māori, drivers licence theory, budgeting, careers guidance and job search skills. The implementation has involved the upgrade of prison IT infrastructure and provision of modern IT equipment for existing computer suites.

The implementation solution follows a successful pilot at Christchurch Men's Prison Youth Unit in 2014. Youths achieved statistically significant gains in reading and numeracy skills at twice the rate of similar age students in the community, and also achieved more NCEA credits than their peers had in the previous year.

Memorandum of Understanding with the Tertiary Education Commission

Early in 2014, Corrections and the Tertiary Education Commission (TEC) signed a Memorandum of Understanding (MOU) to enable a more collaborative achievement in rehabilitation, education, and employment.

As a result of this MOU, for the first time, tertiary education organisations were able to submit bids for delivery of prison-based education services, as part of the TEC's level one and two qualification competitive funding process. The education market responded strongly to this, and the department was able to grow the number of learner places for prisoners from around 900 to 1,700 per annum. In addition, this allowed for a greater focus to be placed on education at each prison site, and allowed for a wider range of qualifications to be made available for prisoners, including an ongoing focus on trades training and the National Certificate in Educational Achievement.

Offender employment

Assisting offenders to gain meaningful and fulfilling employment can be central to breaking the cycle of re-offending. International research has shown a positive link between the stability, income, and satisfaction gained from work and a reduction in an offender's likelihood to re-offend. Employment can provide structure and purpose in a person's life, and can cement an offender's transition to a sustainable and law abiding lifestyle.

The following outcomes make up Corrections' framework for offender employment:

- > Forming a pathway to stable, real jobs on release
- > Representing the most cost effective way for offenders to gain experience and skills
- > Avoiding unacceptable risks to public safety.

Industry and training within prisons

Industries that operate within prisons, as well as activities that are required for prisons to be run, provide valuable opportunities for offenders to gain education, training, skills, and experience, and to develop a sound work ethic. It can also assist prisons to become more self-sufficient, and reduces operational costs by minimising the need for external workers.

Corrections seeks to be dynamic in its provision of training and industries within prisons, aligning these with the skills and rehabilitative needs of prisoners, the requirements of local industries, the direction of the national economy and the goals of the wider public service.

A further initiative aims to optimise employment outcomes through changes to prisoner placements. If a prisoner has basic construction skills and comes from a region where construction skills are in demand, then they will be placed in a prison that encourages training or employment in construction. This rationalises the supply of training programmes and avoids the need for every programme to be offered in every prison.

Industries currently available within prisons, which contribute to effective functioning of the sites, include laundry, cleaning, and asset maintenance. Other industries for which training or employment programmes are available include horticulture, painting, construction, joinery, wood carving, light engineering, catering, and landscaping.

Release to Work

Release to Work is an employment programme that allows eligible prisoners, who have demonstrated an active commitment to building a law-abiding lifestyle, to take part in employment away from the prison site. Advice on prisoners' suitability and eligibility is provided by multi-disciplinary panels, which provide similar support for all temporary releases. The programme allows prisoners to develop or maintain the skills and habits of normal employment, and to rebuild contact with employers and the general public.



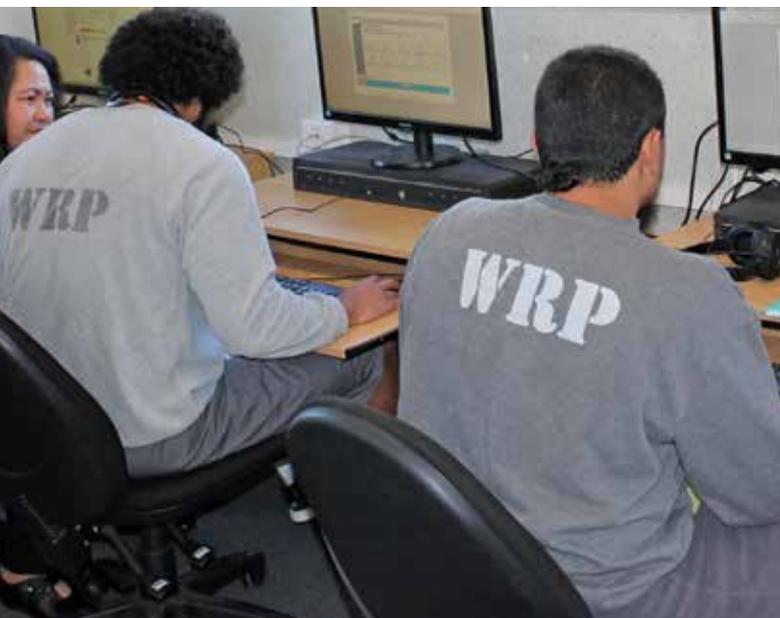
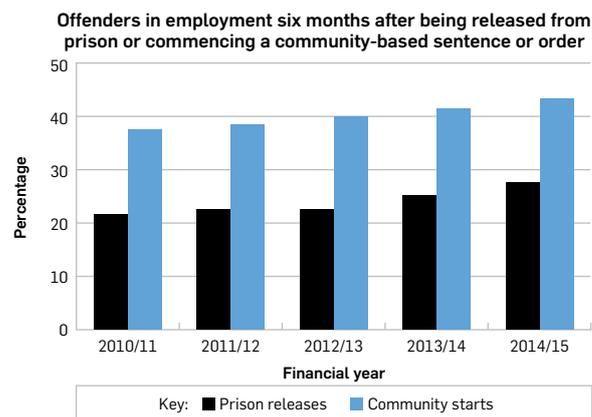
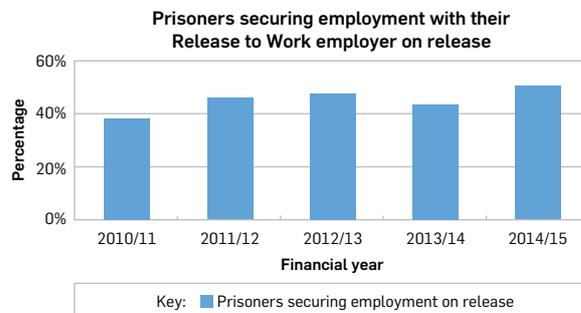
Employers engaged in the Release to Work programme are encouraged to offer permanent and sustainable jobs to their Release to Work workers following release. In the 2014/15 financial year, 50% of prisoners who took part in Release to Work gained permanent employment with the same employer at the end of their prison sentences.

In the community

Community probation works alongside community organisations and employers to support offenders to gain and maintain sustainable employment. Probation officers can provide several forms of assistance to offenders serving community-based sentences, including linking them to potential employers, ensuring the provision of appropriate training and employment support services, and organising contact between the offender and Work and Income.

Future initiatives

Corrections is finalising a new offender employment strategy and has introduced a set of planning tools designed to focus each site's mix of training and employment-based activities. This will better align prisoners' employment readiness with the needs of the local employment market. This initiative, along with our efforts to strengthen partnerships with local industry, will be a catalyst for us to achieve medium-term improvements in the opportunities for prisoners to attain sustainable jobs on release.



Working prisons

Working prisons are designed to engage prisoners in a 40 hour week with activities in industry, treatment, and learning, in preparation for release and reintegration. The 40 hours are made up of activities within the four pillars of a working prison: rehabilitation and reintegration, education and training, employment, and other constructive activities. These help to optimise prisoner pathways, and help them develop skills, experience and behaviours that will assist them in finding employment and stability following release. Through this focus on preparing prisoners for life following release, working prisons have become a key part of our efforts to reduce re-offending by 25% by 2017.

Activities that have taken place within the framework of the working prisons initiative include:

- > Expanded opportunities for prisoners to attain education qualifications through the Tertiary Education Commission and other providers
- > Greater attendance at rehabilitative programmes with a particular focus on provision to short-servers
- > A new café and catering business onsite at Auckland Region Women's Corrections Facility whose customers include local businesses
- > Partnerships with other government departments in which prisoners are provided with skills and qualifications to assist in gaining sustainable employment upon release.

Three sites, Auckland Region Women's Corrections Facility, Rolleston Prison, and Tongaririo/Rangipō Prison, became fully functional working prisons in December 2014. Four more sites, Hawkes Bay Regional Prison, Northland Region Corrections Facility, Otago Corrections Facility, and Spring Hill Corrections Facility, had completed their transitions by 30 June 2015. Nine remaining sites, Arohata Prison, Auckland Prison, Christchurch Men's Prison, Christchurch Women's Prison, Invercargill Prison, Manawatu Prison, Rimutaka Prison, Waikeria Prison, and Whanganui Prison, are completing their transitions and aim to be achieving 100% engagement by 2017.



Responding to offenders' reintegrative needs

Continued funding for Out of Gate

Justice Sector funding for Out of Gate has been extended for another 12 months. The Out of Gate service supports offenders at a particularly vulnerable stage of their lives, when they are released from prison and reintegrating into the community. While in prison offenders are isolated from society and support networks, and upon release they often have little money, few relationships and no job or accommodation. Out of Gate works with them both before and after release, supporting offenders through every aspect of their reintegration. This can include assistance to attend doctors' appointments, set up bank accounts, prepare for interviews or write CVs to apply for employment, and maintain programmes of rehabilitation and other forms of treatment.

The services within Out of Gate are provided by a number of organisations within the community. These include Presbyterian Support, Goodwood Park Healthcare Group, CareNZ, Healthcare of New Zealand Ltd, and the National Urban Māori Authority. By working with these organisations Corrections can help to make an ongoing difference in the lives of offenders, turning their release from prison from a time of vulnerability to one of renewed, positive involvement in their communities.



More than
4,000
prisoners have been referred to Out of Gate for post-release reintegrative support

Reducing the rate of re-offending

In May 2012, Corrections committed to achieving a 25% reduction in the rate of re-offending by June 2017. This would see the re-offending rate drop to 22.6% from the 2011 baseline of 30.1%.

Over the past three years Corrections, with the support of other agencies, has made significant progress towards the target by focusing our efforts on preparing offenders for employment, expanding and strengthening rehabilitation and reintegration programmes, and tackling alcohol and other drug abuse to support offenders to live crime-free lives in the community.

In February 2014 we reached the halfway point (12.6%), however our progress has since slowed (see graph below). Although the number of prisoners reimprisoned and the number of community-based offenders reconvicted has fallen since June 2011, the increase in the proportion of offenders with more entrenched and complex issues has made achievement of the target more difficult.

Table 1 (opposite) shows the results of outcomes analysis for our rehabilitation and reintegration programmes and interventions for the 2014/15 year.

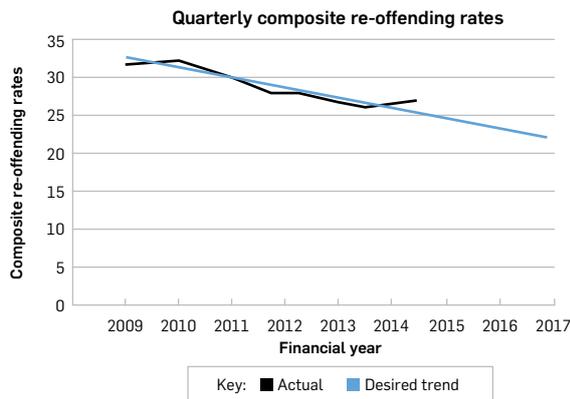


Table 1: Rehabilitation Quotient scores (reimprisonment and reconviction, 12 month follow up) for prison and community interventions.

Prisoner interventions	Reimprisonment (12 month follow up)	Reconviction (12 month follow up)
Special Treatment Unit Rehabilitation programme	-9.2	-17.1
Special Treatment Unit – Child Sex Offender programme	-2.2	-4.1
Medium Intensity Rehabilitation programme	-5.2	-4.2
Young Offenders programme	-10.6	-6.7
Drug Treatment Unit programme (3 months)	-5.3	-5.0
Drug Treatment Unit programme (6 months)	-5.4	-4.8
Short Motivational programme	-2.6	-5.7
Trade & technical training	-5.2	-5
Employment-related training	-4.4	-4.9
Short gains	-0.7	-3.8
Release to Work	-4.4	-4.2
Out of Gate	-6.2	-5.2
Community-based interventions	Imprisonment	Reconviction
Medium Intensity Rehabilitation programme	-4.6	-9.8
Short Rehabilitation programme	-6.2	-2.1
Short Motivational programme	-4.5	-4.7
Alcohol and Other Drug programme	-3.4	-5.3
Tikanga Māori programme	-2.7	2.6





Outcomes are measured by the Rehabilitation Quotient (RQ), which compares the rates of reconviction and reimprisonment for offenders who completed a rehabilitative intervention with the rates of a matched group who did not complete that intervention (see appendix two).

There have been significant reductions in reconviction and reimprisonment rates across a wide range of programmes and interventions both in prison and the community.

The Special Treatment Unit rehabilitation programmes continue to show extremely good levels of effectiveness. This is the third year that the programmes have shown effect sizes of around 10 percentage points. The reduction in reconvictions (ie re-offending resulting in either a prison sentence or a community sentence) was almost twice that, at 17.1 percentage points. Reductions of this extent, with some of the most high-risk and long-serving offenders we manage, continues to place these programmes on a par with the best in the world.

The outcome for the Young Offenders programme this year is perhaps the best ever recorded. Nearly 400 prisoners who started a prison sentence in 2014/15 were under the

age of 20, and this 16 week period programme targets young offenders with a medium-risk of re-offending. Investment in this programme is valuable considering the potential for preventing long-term offending by young offenders.

The first annual analysis of the Out of Gate navigation service also shows good impacts for a relatively light-touch reintegrative support service.

Alcohol and drug treatment programmes and interventions both in prison and community have shown positive results, as has the Medium Intensity Rehabilitation programme (MIRP). In the community the MIRP – a group-based programme for offenders with a medium-level risk of re-offending – has shown a very strong impact in reducing reconvictions. Not only do these results create a positive impact on the justice sector pipeline, reducing the potential for high policing and court costs, but is strategically significant for reducing the overall offender population in the future.

Valuable contributions also continue to be made by services focused on education and employment.

RR25%

Boost aims to reduce re-offending through a focus on key, high-volume offender populations

Over
9,000

additional Work and Living Skills interventions will be delivered to offenders



Our refreshed approach - RR25% Boost

Although we have made progress in our efforts to reduce re-offending, there is more to be done. Corrections has introduced RR25% Boost as a secondary push, intensifying our efforts to achieve our target of reducing re-offending. RR25% Boost has a focus on lifting participation rates of offenders in rehabilitative programmes, improving our rehabilitation efforts with people serving short sentences in prison and creating opportunities for community-based offenders through life skills programmes such as those designed to improve literacy and road safety.

Making permanent, positive changes to offenders' lives will create equally permanent reductions in re-offending, and is one of the most important things that we can do to improve public safety.

The programme of work has the potential to reduce the number of offenders re-offending by more than 1,400, by:

- > Creating an expectation that short-serving prisoners (those sentenced to less than 2 years) will complete AOD interventions and attend a combination of educational and therapeutic interventions (eg education, family violence programme, short rehabilitation programme, short motivation programme). We are adapting processes such as scheduling to ensure interventions can commence from the point an individual starts on remand. Once the interventions have been completed, short-serving offenders would have access to the Out of Gate navigation service.
- > Enhancing the current menu of Work and Living Skills activities for community-based offenders to lift the target annually from 10,000 to 24,000 participants. This would include increasing access to programmes that cover literacy and numeracy, road safety and drink driving, driver licence support, health and safety training, and support for managing finances, benefit and debt.
- > Lifting programme participation for offenders on intensive supervision or supervision orders using a greater suite of brief interventions.

Maintaining the health and wellbeing of offenders in custody

Feeling physically and mentally healthy is an essential component of rehabilitation. The state of a person's health affects their overall wellbeing, and a healthy person is better able to live a full and law-abiding life. When an offender's physical and mental health needs are being met, they are able to focus on rehabilitation and reintegration.

Many offenders enter prison with serious health issues resulting from a lifetime of inadequate care, lack of screening for chronic conditions, violence, alcohol and drug abuse and poverty-related illness. The prison population tends to have healthcare needs in excess of those of the general population, for example a prisoner in their 50s is likely to be in a state of health comparable to someone 10 years older in the general community. This situation will be exacerbated as the average age of prisoners continues to rise.

It is a legislative responsibility of Corrections to keep offenders safe in our care. Incidents of unnatural death and life threatening self-harm are causes for serious concern. Reducing the numbers of such incidents remains a key priority.

Offenders are entitled to the same healthcare as the general population and the department has a responsibility to provide healthcare within prisons.

Corrections' plans for 2014/15 were centred on maintaining the continuous improvement loop of programmes from the previous year. These include an ongoing pilot of expanded primary mental health services, introducing options for Hepatitis C screening in conjunction with the Hepatitis Foundation, and the expansion of the High Dependency Unit at Rimutaka Prison. Initiatives are also being developed with a focus on the prevention of self-harm, including tools to assess levels of risk and new processes for the transition of prisoners between At-Risk Units and the mainstream population.

Healthcare provided within the prison system has generally achieved or exceeded Corrections' targets. Over 100,000 consultations took place between prisoners and healthcare staff, 99% of newly received prisoners received health triage assessments on their day of reception, and more than 97% of prisoners identified as requiring cardio-vascular risk assessments received one within eight weeks of reception. In addition, Cornerstone® Accreditation of Health Centres within all public prisons has been retained.

The expansion of the High Dependency Unit at Rimutaka Prison will increase the number of available places from 20 to 30. The unit has been widely recognised as a model for the management of offenders who have been assessed as requiring a higher-level of care than that available in mainstream prison units. The expansion represents a significant advance in Corrections' capacity to ensure the wellbeing of prisoners with high-level needs who are not eligible for release.

Corrections will shortly have the results of a major survey of prisoners' mental health and substance abuse disorders. This survey involved 1,200 prisoners received in prison over the first half of this year, and will produce accurate quantification of the proportion of the prison population who suffer from psychiatric disorders. This information will be invaluable to improving services to address these needs within the prison population.

Unnatural deaths in prisons

The number of unnatural deaths in prisons has increased since last year while the number of life threatening self-harm incidents has decreased. Both remain uncommon in terms of the overall prison population; in 2014/15 there have been eight unnatural deaths and four life threatening self-harm incidents within an average prison population of over 8,700. The decrease in self-harm threats to life represents a success in the ability of staff to identify and manage at-risk individuals; prison staff have intervened at least 85 times in self-harm incidents over the previous five years. Corrections continues to investigate and assess such incidents as part of efforts to avoid future occurrences as much as possible.

Number of unnatural deaths and self-harm threat to life incidents

Financial Year	Unnatural deaths	Self-harm threat to life incidents
2010/11	12	23
2011/12	5	6
2012/13	3	7
2013/14	3	17
2014/15	8	4

Justified complaints to the Corrections Inspectorate

The Inspectorate is Corrections' second tier of complaints resolution. As such, it is effectively our last opportunity to resolve a complaint before the involvement of external agencies or court action.

Complaints received by the Inspectorate are categorised into one of 18 complaint groups, such as food services, security classifications, and prisoner work and pay.

The number of justified complaints to the Corrections Inspectorate has been higher than anticipated. Of the complaints made in 2014/15, 42 were found to be justified, up from 38 in 2013/14. 2.5% of total complaints were found to be justified, so the number here represents a very low proportion of the interactions that occur each year between Corrections and offenders.



Responding to incidents in prisons

Following a death and a serious assault at one of our prisons in March and April 2015, two reviews were carried out into the prison's operations. These reviews were the Well Functioning Site Report and the Operational Review Report, which returned a series of recommendations to improve Corrections' sites and minimise the likelihood of future incidents.

The Well Functioning Site Report made use of a new assessment matrix which identifies both areas of operational strength, as well as areas requiring improvements. A number of steps were outlined and implemented to strengthen the areas requiring improvement, including the assignment of an additional principal corrections officer, enhanced training and support for other staff and changes to prisoner management to provide more unlock time and structured activities. Prisoners associated with the incident that resulted in the death of another prisoner have been moved to other facilities, which has been judged to have significantly improved the environment at the prison.

The Operational Review Report identified areas in which prison staff could improve their ability to recognise threats to prisoners' wellbeing, and made five specific recommendations in relation to this. Four of the recommendations have been put in place. Subsequent staff safety risk assessments have led to the fifth recommendation being reconsidered. Other areas identified by the report have been considered by the prison and will be acted on when appropriate solutions are developed.



❖ Better Public Value

Prioritising our resources to improve services
and ensure value for taxpayers' money.



Investing to improve our facilities

Prisons

A four year capital investment programme has been put in place for the prison network, with the aim of upgrading and enhancing the network to support reducing re-offending. Corrections is investing \$105 million in Rolleston, Waikeria, Tongariro/Rangipō, Whanganui, and Invercargill Prisons, enhancing site security and public safety through measures such as prison control points, high security unit hardening, perimeter fences and improved electronic security. This work will ensure prisons are in good condition and fit for purpose, and will improve security and safety for staff, prisoners, and the public.

Upgrading Community Corrections sites

An investment of \$80 million has been made in upgrades to the majority of Community Corrections sites. At least 70% of these upgrades will be completed by 2018.

2014/15 was the second year of upgrades to Community Corrections sites.

A multi-year programme is being implemented, focusing on providing facilities that support offenders to reduce their likelihood of re-offending, as well as improving safety and security for visitors and staff. The changes have been partially informed by the tragic events at the Asburton Work and Income site in 2014. Corrections is also consolidating the number of Community Corrections sites, to allow more efficient management of our property portfolio. The reduction in numbers is particularly linked to the growth of Community Corrections hubs, which are large, new sites that can replace a number of smaller sites in the area. An example of a Community Corrections hub can be found in the new facility at Hamilton, which will replace at least seven existing sites.

Self-service kiosk pilot

There are approximately 240 kiosks installed in prisons around the country. The current kiosks are outdated and as a result are under-utilised, under-valued and are subject to vandalism.

As a forerunner to embarking on a nation-wide replacement programme, the proposed replacement technology was installed at Hawkes Bay Regional Prison (HBRP) in July 2015, and the outcome from this pilot will inform decisions for a wider roll-out.

In addition to providing information to prisoners, the new robust and secure kiosks will offer self-service functions such as canteen ordering, appointment requests and trust account balances.

The delivery of personalised services to prisoners through the new kiosks will reduce staff time spent on administrative tasks and will help prisoners to develop self-management skills that will be useful for life outside of prison.

In the self-care units and the Whare Orange Ake at HBRP the kiosk functionality will be provided through networked PCs with applications such as word processing.





Auckland South Corrections Facility

The Public Private Partnership model is an example of the different approaches Corrections utilises in order to deliver better value for money to the government and public of New Zealand. Whether it is the Public Private Partnership to re-build and maintain the high security unit of Auckland Prison, or the consolidation of contracts for the Electronic Monitoring of offenders to a single provider (3M), Corrections is always seeking the best value for money, both in terms of financial investment and the achievement of outcomes.

Auckland South Corrections Facility (ASCF) represents our innovative procurement approach to the building of our assets and management of our operations. ASCF will house 960 prisoners and therefore also represents a significant expansion to the capacity of the prison network; following the planned closure of units at other sites that are no longer fit for purpose, the net gain for Corrections will be over 330 beds.

ASCF has been developed through a Public Private Partnership between Corrections and SecureFuture. SecureFuture has managed the financing, design, and construction of the facility, and is responsible for its ongoing operation, security, and maintenance.

This has resulted in lower costs to Corrections than would have been incurred through standard procurement of a comparable level of capacity through a traditional build. Corrections will take full management of the site at the end of the 25 year contract period.

SecureFuture can earn incentive payments if it reduces rates of re-offending by at least 10% more than that achieved at prisons that are directly operated by Corrections. Any innovations developed to achieve this will become intellectual property of Corrections.

The facility is located in the centre of south Auckland, close to community groups, employers, and the families of many prisoners. The prison is designed and built to be a centre of learning and training, with purpose-built facilities to teach welding and building, and computers in cells on which prisoners can receive literacy and numeracy training. Several partnerships have been developed with local businesses and volunteer groups, creating further opportunities for the rehabilitation, training and employment of offenders during and after their time in prison.

Ongoing reprioritisation into frontline services

A large proportion of Corrections' staff is employed in frontline roles with only 8.7% of roles performing back office support functions. In 2012 our back office staffing model was revised under the Unifying our Efforts restructure to better support Corrections' unified service delivery model and reallocate resources into frontline services.

In April 2014 Corrections initiated a systematic review to lift productivity and improve efficiency, and to ensure that corporate overheads continue to be managed tightly. This has allowed Corrections to steadily increase investment in staff and programmes that increase the number of opportunities for offenders to participate in the programmes that help address their needs. Particular emphasis has been placed on increasing access to alcohol and drug treatment programmes, developing and expanding rehabilitation interventions at special treatment units, investing in family violence prevention and providing reintegration services.

The increased investment in delivering frontline services to reduce re-offending forms part of Corrections' continued change programme to raise productivity and performance while delivering outcomes in a smart and efficient way.

\$105
million

is being invested in Rolleston, Waikeria, Tongariro/Rangipō, Whanganui and Invercargill Prisons

\$80
million

of upgrades have been made to Community Corrections sites





❖ Visible Leadership

Our people are our greatest asset. We are committed to supporting and developing staff to ensure they have the skills and training to make a difference in the lives of offenders.



Supporting our people

Frontline Futures

Attracting and developing the right people to work on our frontline is essential for Corrections to achieve its goals. We know that providing opportunities to gain experience and capabilities in a range of roles makes Corrections, the Justice Sector and the wider public service a more attractive and rewarding place to work. Frontline Futures represents a significant investment in our frontline staff, as a one team training approach for the core roles of corrections officer, probation officer, case manager, employment instructor, and programme facilitator.

We have enhanced our approach to the recruitment and selection of frontline staff. We will focus on promoting careers at Corrections all year round. A new approach to assessment centres has been designed and tested where applicants for all core frontline roles can fully demonstrate their competence through a range of simulated frontline situations. These new frontline assessment centres will soon be implemented nationally. Psychometric tests provide important information for hiring managers and, through Frontline Futures, we will soon have one psychometric assessment for all core frontline roles at no extra cost.

As one of the largest operational government departments, Corrections offers a wide range of career opportunities. A Career Hub is now available to provide in-depth information on available roles and transferable skills, as well as emphasising the value that Corrections places upon gaining experience in different environments. Staff who successfully transition between roles are encouraged to support others who are considering similar moves.

Frontline Start

We now prepare our frontline staff for their new role through the Frontline Start Learning programme, where learning that is common across these roles is delivered on a monthly basis. This includes an introduction to Corrections and the wider public service by the Chief Executive, National Commissioner and representative from the State Services Commission. The programme is heavily focused on integrity and values, the importance of safety and the principles of good decision making.

The Frontline Start Learning programme consists of three, week long learning modules, which create a structure of knowledge for new frontline staff. It aims to give staff a generalised overview of the context and nature of frontline roles, so that practical experience can be mapped onto an appropriate knowledge base. It sits within Frontline Futures as an effort to unify and enhance initial training, and has been developed over the 2014/15 financial year with pilot modules beginning in May 2015.

Developing our leaders

Our focus on leadership development is producing ongoing and positive results. We have continued to set clear expectations for the development, performance and accountability of our staff. Concurrent strategies include the Emerging Senior Leaders and Emerging Regional Leaders programmes, which work to create strong leadership dynamics throughout the organisation. Our annual Leaders Forum brings together emerging senior leaders to share initiatives, and to acknowledge work programmes, teams and individuals that have achieved particular success. Visible Leadership embodies the expectation that managers will be strong and active leaders who inspire their teams. Beyond Corrections, it is about us taking a lead role across the public sector and demonstrating how we can work together to reduce re-offending.

Integrity at Corrections

Integrity means different things to different people and different cultures. It can be informally defined as doing the right thing even when no-one is watching. Integrity takes on added significance within the context of Corrections, as our staff are tasked with managing some of the most challenging people in society and supporting their rehabilitation and reintegration. In this financial year we have worked to strengthen integrity at every level of the department.

Integrity Support Team

The Integrity Support Team (IST) has replaced the Professional Standards Unit, creating a fresh focus that works to strengthen integrity beyond the investigation of specific lapses.

The work of the IST is focused upon five key areas:

- > Leadership and culture: driving change from the top down
- > Education and prevention: setting clear expectations and standards of behaviour, communicating practical processes and the consequences of non-compliance
- > Human resources: ensuring staff accountability, staying in touch with employees through all stages of the employee cycle
- > Detection and investigation: impartiality, specialist skills, knowledge and accountability; furthering large scale reviews of unlawful or unethical practice and behaviour
- > Continuous improvement and reporting: monitoring our integrity framework through measurement and assessment to ensure objectives remain relevant, and identifying opportunities for learning and improvement.



Offenders on community work sentences contributed over **2.2 million hours** of work in 2014/15

Corrections works wherever possible to **give back to our communities**



Strengthening our partnerships to deliver our shared objectives

While offenders are in our care we aim to provide rehabilitative and reintegrative services that will make a difference in their lives. However, to provide the most effective and long term forms of support we need to partner with others who can enhance our strategies and efforts. With this in mind, we work with iwi, community groups and non-government organisations (NGOs), to engage them in the rehabilitative and reintegrative process for offenders.

In 2014/15 we piloted the Te Ihu Waka framework for interventions with Māori offenders, which will be adopted as standard practice from July 2015. Te Ihu Waka is a culturally responsive framework, developed in consultation with providers of our existing tikanga programmes, which uses Māori philosophy, values, knowledge and practices to motivate offenders to address the underlying causes of their behaviour. This framework will enable greater engagement between Corrections, iwi groups and Māori offenders.

Corrections has continued to work with a range of NGOs to provide rehabilitative and reintegrative services. NGOs provide a wide range of support, for example the Prisoner's Aid and Rehabilitation Society provides general reintegrative services, the Salvation Army and Salisbury Street provide accommodation support, and the Problem Gambling Foundation and Alcoholics Anonymous provide targeted forms of rehabilitation. As well as the services, programmes, and support that NGOs provide, their involvement represents a joint commitment to provide offenders with the rehabilitative and reintegrative support that will allow them to reintegrate into the community and lead a law-abiding lifestyle.

Giving back to the community

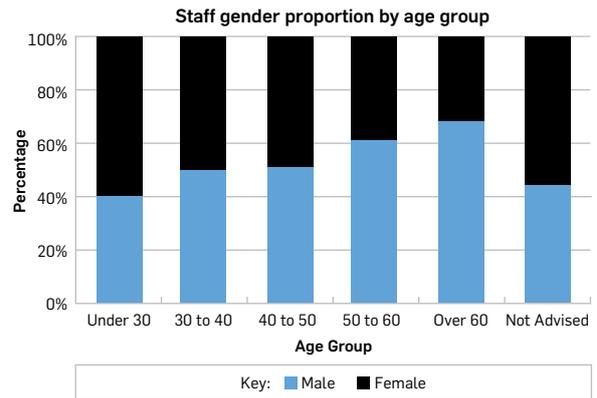
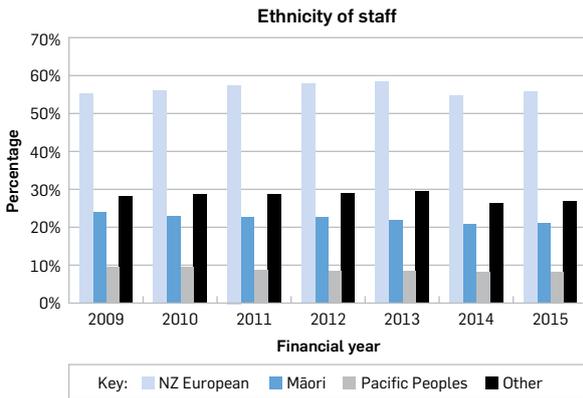
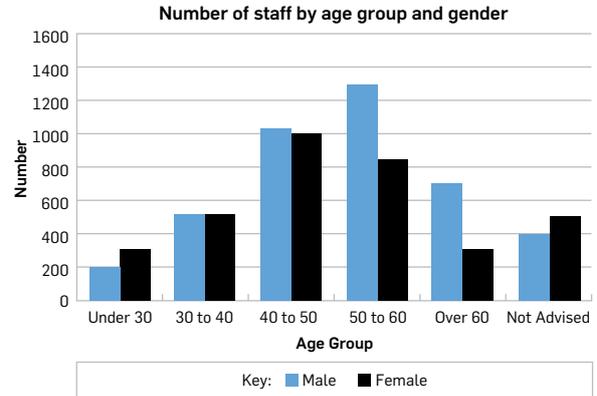
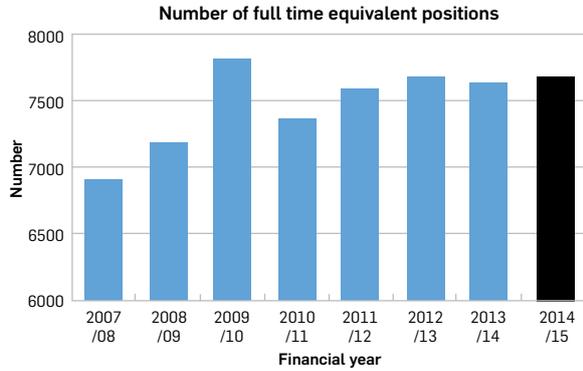
Corrections works to improve the lives of all New Zealanders, and wherever possible works to give back to our communities. In this financial year we have worked with the Ministry of Health and Housing NZ to progress the goal of reducing rates of rheumatic fever by two thirds. One cause of this disease is damp houses and storage units, and prisoner employment programmes at Spring Hill Corrections Facility and Whanganui Prison have built healthier houses and furniture to be distributed to families in need. Training and employment in construction has been encouraged at Rolleston Prison, where prisoners are helping to rebuild in the wake of the Canterbury earthquakes. Four community-based offenders from New Plymouth formed part of the team that transformed the Bowl of Brooklands for the WOMAD festival in March 2015.

Offenders on community work sentences completed over 2.2 million hours of community work in 2014/15. Community work parties contributed nearly 500 hours to the clean-up at Whanganui following severe floods in June 2015, which included:

- > clearing debris from the play area at Putiki Kohanga Reo on SH3
- > clearing mud and silt from the playground equipment, public toilets and Tot Town railway at Kowhai Park
- > work at Whanganui Airport to enable trucks to dump silt without damaging fences
- > unpacking donations received at a community work agency (Koha Shed).

Our people

The permanent workforce remained steady in 2014/15.



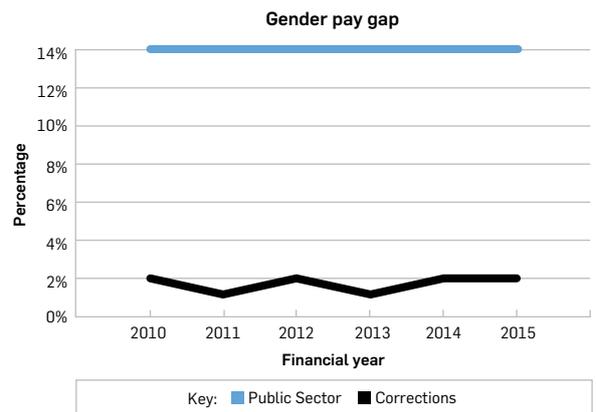
With Māori and Pacific peoples continuing to be over-represented in the corrections system, it is important for Corrections to ensure that its staff represent the full spectrum of the offender population. As with previous years, this level remained high in 2014/15.

More than 20% of staff identified as Māori in 2014/15, and approximately 8% identified themselves as Pacific Peoples. A high number of staff identify themselves as having a multi-ethnic background, and this is reflected in the high level of the other category.²

The average age of our staff is 47.9 years. 54% of Corrections' staff are male, and 46% are female.

Turnover

Voluntary turnover at Corrections stayed steady at just over 9% in 2014/15, remaining below the public sector average. It has been at or around this level since 2010/11.



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 2% compared to a sector average of 14%, a difference of 12%. This difference has been generally consistent since 2010, with the sector average remaining at 14% and Corrections' varying between 2% and 1%.

² The percentages for each year in the graph will add up to more than 100%, because staff can identify as more than one ethnicity.



Statement of Performance

Statement of Responsibility

In accordance with section 45C of the *Public Finance Act 1989*, I am responsible, as Chief Executive of the Department of Corrections, for:

- > the preparation of the department's 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
- > 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, including the forecast financial statements fairly reflect the financial position of the department as at 30 June 2015 and the result of its operations for the year ended on that date.

Signed



Ray Smith
Chief Executive

Date: 28 September 2015

Countersigned



Neil Cherry
Deputy Chief Executive Finance,
Technology & Commercial

Date: 28 September 2015

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 2015

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

- > the financial statements of the Department on pages 93 to 127, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and assets and statement of trust monies as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in taxpayers' funds, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- > the performance information prepared by the Department for the year ended 30 June 2015 on pages 18 to 54 and 62 to 89 and
- > the statements of expenses and capital expenditure of the Department for the year ended 30 June 2015 on pages 129 to 130.

OPINION

In our opinion:

- > the financial statements of the Department:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity (PBE) Standards.
- > the performance information of the Department:
 - presents fairly, in all material respects, for the year ended 30 June 2015:
 - 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;
 - complies with generally accepted accounting practice in New Zealand.
- > the statements of expenses and capital expenditure of the Department on pages 129 to 130 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 2015. This is the date at which our opinion is expressed.

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

BASIS OF OPINION

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Department's preparation of the information we audited in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

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

RESPONSIBILITIES OF THE CHIEF EXECUTIVE

The Chief Executive is responsible for preparing:

- > financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand and PBE Standards;
- > 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 for the Department that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.

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

The Chief Executive is responsible for such internal control as is determined is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Chief Executive is also responsible for the publication of the annual report, whether in printed or electronic form.

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

INDEPENDENCE

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit we provided assurance services over the Auckland East Redevelopment Project; the Facilities Management Contract Renewal and the tender process for electronic security services. These assignments are compatible with those independence requirements.

Other than the audit and the above engagements, we have no relationship with or interests in the Department.



Clint Ramoo

Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand

Statement of Performance 2014/15

For the year ended 30 June 2015

AS PART OF BUDGET 2014 – INFORMATION SUPPORTING
THE ESTIMATES 2014/15

Appropriation - Prison-based Custodial Services

This appropriation is limited to the provision of custodial services for offenders required by law 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 offender legally required to be detained in custody.

WHAT WE DO

This appropriation encompasses two outputs, the management of custodial services and health.

Management of custodial services ensures prisoners complete the correct imposed sentence or order, comply with the specific restrictions and requirements of their sentence or order, are not harmed, are treated fairly, and that their legitimate needs are met. Safe and secure management of custodial facilities maintains public safety; prisoners are safely and securely contained, an appropriate setting for provision of rehabilitative interventions is provided and offenders are held to account.

Corrections Health Services is a primary healthcare provider for the prison population and provides a service equivalent to that of General Practitioners in the community. Corrections Health Services has a central role in the prevention, detection, and management of health conditions among the prison population and in providing ongoing care for prisoners who require it. Our provision of healthcare to prisoners is a key enabler of their engagement in rehabilitation activity. When an offender's physical and mental health needs are met they are better able to focus on rehabilitation and preparing for release.

OPERATING CONTEXT

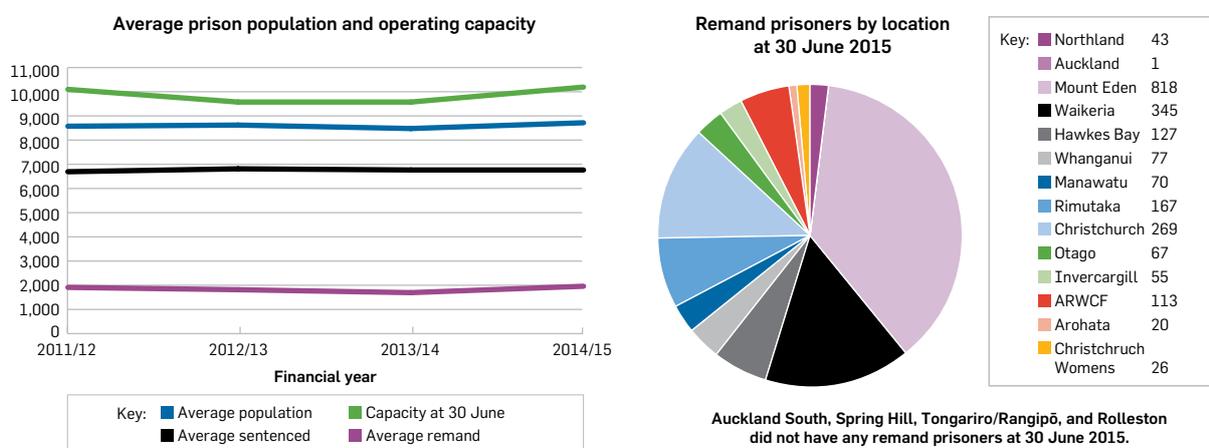
Custodial Services

Activity Information	Previous Years			Current Year			Next Year
	2011/12 Actual volume	2012/13 Actual volume	2013/14 Actual volume	2014/15 Actual volume	2014/15 Budget volume	2014/15 Variance	2015/16 Budget volume
NUMBER OF OFFENDERS							
The average prison population	8,587	8,614	8,460	8,732	8,246	486	8,500 – 8,750
The maximum number of prisoners held	8,738	8,743	8,640	8,906	8,393	513	N/A*

The average prison population in 2014/15 was 272 prisoners (3%) higher than in 2013/14, and was 486 prisoners (6%) above the Ministry of Justice forecast for this year. This is equivalent to the capacity of a medium sized prison such as that located at Whanganui Prison.

A major component of the above forecast prison population for this year has been the number of prisoners held while on remand. The following graphs show the trend of the prison population for 2014/15 in reference to the operating capacity ceiling, and the breakdown of remand prisoners by location.

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.



The average remandee population has risen by 283 prisoners in 2014/15 compared to 2013/14. On average, remand prisoners represent 23% of the total prison population for 2014/15 compared with 20% for 2013/14. The higher number of prisoners presents challenges for staff and for the provision of suitable accommodation, as prisoner placements, interactions, and transportations all become more frequent and complex in line with the increase.

Looking ahead

Corrections has undertaken a significant review of our performance management framework; new measures that are better operational assessments of performance have been developed, which focus on areas not currently measured.

The new activity information to be measured for 2015/16 is outlined below;

Activity Information	2015/16 Budget volume
NUMBER OF OFFENDERS	
The number of prisoners received into custody ¹	19,000 – 20,000
The number of prisoners released from custody ²	8,300 – 8,800

Health

Activity Information	Previous Years			Current Year			Next Year
	2011/12 Actual volume	2012/13 Actual volume	2013/14 Actual volume	2014/15 Actual volume	2014/15 Budget volume	2014/15 Variance	2015/16 Budget volume
NUMBER OF OFFENDERS							
The number of prisoners who require a health screening upon reception	29,295	30,253	29,751	31,840	30,500	1,340	N/A*
The total number of health consultations with healthcare staff	234,421	264,422	178,859 ³	129,714	124,300	5,414	N/A*

Health triage assessments take place upon the reception of offenders into prison, and are the first opportunity for Health Services staff to identify issues that will require further or ongoing treatment, as well as those that will impact on a prisoner's ability to engage in rehabilitative activity. The assessments ensure that prisoners' health needs are addressed in a clinical and timely manner.

In line with the higher prison population, Corrections delivered a higher number of consultations than expected during 2014/15.

¹ This measure includes all prisoners.

² The releases measure includes only sentenced and not remand prisoners.

³ Reporting of the volume of health consultations undertaken was refined in late 2013 and appropriate staff training was carried out so that this measure distinguishes consultations regarding health issues from routine interactions with prisoners such as dispensing medication. The decrease in volumes for this measure in 2013/14 is because of this redefinition coming into effect in the later part of the 2013/14 financial year.

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

HOW WE PERFORMED

Custodial Services

Corrections makes use of a number of measures to monitor our performance in the delivery of custodial services, including: the prison environment, the security of our facilities, and our effectiveness in preventing the introduction of contraband to prisons.

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
A SAFE CORRECTIONS SYSTEM							
QUALITY							
The number of non-serious/no injury prisoner on prisoner assaults	812	720	750	837	≤750	(87)	N/A*
The number of non-serious/no injury prisoner on staff assaults	338	337	314	397	≤300	(97)	N/A*
The percentage of initial offender plans completed within required timeframes	–	–	New for 2014/15	77%	≥85%	(8%)	≥85%
QUANTITY							
The number of general random drug tests sampled	4,140	4,191	4,295	4,454	≥4,200	254	N/A*

A safe corrections system

Corrections' three year Staff Safety Plan began in July 2013 and introduced a comprehensive campaign to make every instance of violence unacceptable as well as encouraging improved reporting of all incidents. Although the number of non-serious and no injury assaults on staff increased from 314 to 397 between 2013/14 and 2014/15, and on prisoners from 750 to 837, the total number of serious assaults has decreased since 2013/14.

The percentage of initial offender plans completed within required timeframes was previously an internal measure. This was changed to become the new performance measure and the number of eligible offenders was expanded, which meant that pre-existing achievements were reduced as a percentage. This has meant that the annual goal for 2014/15 was not achieved, although the target of 85% was met in the last quarter of the financial year. It is anticipated that the annual goal will be achieved in 2015/16.

During the 2014/15 financial year 4,454 drugs tests were carried out in prisons under the general random drug testing regime, which is ahead of expectations and last year's results. The increase from last year is in line with the overall increase in the prison population. For a second consecutive year the percentage of general random drug tests that returned positive results was 4%, outperforming our target of 6% or less.

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

Looking ahead

The new performance targets for 2015/16 are outlined below;

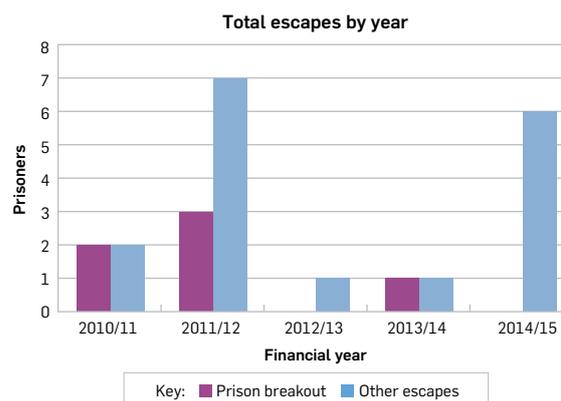
Performance Measures	2015/16 Budget standard
THE INTEGRITY OF SENTENCES AND ORDERS	
QUALITY	
The number of escapes (including absconds, breakouts, etc.)	5 (Lower than average across the past 5 years)
A SAFE CORRECTIONS SYSTEM	
QUALITY	
The number of prisoner on prisoner assaults that are serious	46 (Lower than average across the past 5 years)
The number of prisoner on staff assaults that are serious	11 (Lower than average across the past 5 years)
The number of justified complaints by prisoners to the Corrections Inspectorate	41 (Lower than average across the past 5 years)
The proportion of justified complaints upheld for not meeting process requirements)	Benchmark set at end of 2015/16 ⁺

Integrity of sentences and orders

Our ongoing investment in prison security at prisons Corrections manages has seen a sustained reduction in prison breakout escapes, with only one occurrence in the last three years and none during 2014/15.

During 2014/15 there were six reported other escapes which are classified as either prisoners absconding or breaching temporary release. All of these occurred when the prisoners were already outside of prison. Two of these occurred during escorts to hospital, two during escorts to court, one from a prisoner work party outside prison, and one during an overnight temporary release. A review of every escape is undertaken and where possible steps are taken to minimise the occurrence of these events in the future.

One significant example of the improvements Corrections is making to reduce the risk of prisoners escaping when outside prison is the increased use of Audio-Visual Link (AVL) connections. AVL allows prisoners to attend remand hearings via a video link rather than appearing in person. This results in fewer transportations, which is one of the most common situations in which prisoners may find opportunities to abscond from custody.



⁺ As this measure has not been previously monitored, baseline information is required to be collected in order to set an appropriate target.

HOW WE PERFORMED

Health

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
A SAFE CORRECTIONS SYSTEM							
QUALITY							
The percentage of newly received prisoners who have a health triage assessment on the day of reception	98%	99%	98%	99%	≥95%	4%	N/A*
The percentage of new receptions who have been assessed as requiring a cardio-vascular risk assessment (CVRA), and receive a CVRA within eight weeks of identification	New for 2012/13	83%	94%	97%	≥90%	7%	N/A*
The number of identified Health Centres achieving Cornerstone® Accreditation	New for 2012/13	6	5	–	1	(1)	N/A*
The number of Health Centres that retained their Cornerstone® Accreditation status following completion of an annual review	–	–	New for 2014/15	16	15	1	New for 2015/16 100% accreditation

Corrections met all of the performance measures related to health in this financial year, including all Health Centres retaining Cornerstone® Accreditation. This means all prison Health Centres have demonstrated they continue to meet the standards set by the NZ College of General Practitioners for primary healthcare and the staff meet the professional standards of an Accredited Health Centre. This is a significant achievement considering the challenges of our working environment and given that only 80% of GP clinics in the community are Cornerstone® Accredited.

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

HOW MUCH DID IT COST?

	2013/14	2014/15			2015/16
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	752,900	788,167	725,445	788,167	811,289
Departmental	232	140	–	196	–
Other	3,566	7,935	2,191	8,380	2,486
Total revenue	756,698	796,242	727,636	796,743	813,775
Total expenses	759,218	789,299	727,636	791,243	813,775
Net surplus/(deficit)	(2,520)	6,943	–	5,500	–

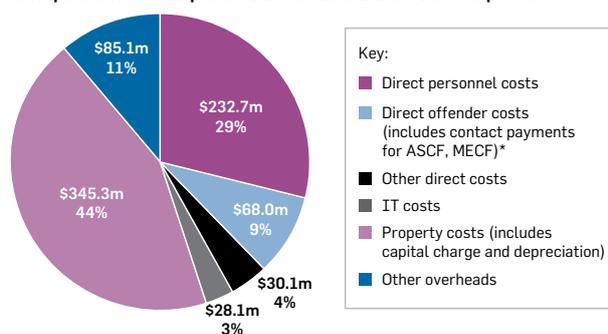
* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

The total expense for this appropriation was \$789.3 million. Corrections has 18 prison sites across the country, a significant amount of the expenditure therefore relates to costs associated with ownership, management and operation of these assets; such as depreciation, maintenance and capital charge. Expenditure includes costs associated with the operation of Auckland South Corrections Facility (ASCF) from May 2015.

Personnel costs is another significant cost associated with this appropriation as prison staff account for the majority of Corrections overall staffing levels.

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

Composition of total prison-based custodial services expenses



*Auckland South Corrections Facility (ASCF) and Mount Eden Corrections Facility (MECF)

Expenditure was \$30.1 million higher than for the equivalent 2013/14 financial year mainly due to:

- > an increase in capital charge of \$17.5 million arising from the asset revaluation of land and buildings as at 30 June 2014
- > contract expenses of \$12.9 million relating to operations at ASCF which commenced in May 2015.

Other revenue mainly comprises insurance proceeds for claims in relation to the Christchurch earthquake and the Spring Hill Corrections Facility riot costs which were incurred in previous years and board charged to prisoners on Release to Work.

Appropriation - Sentences and Orders Served in the Community

This appropriation is limited to the management and delivery of sentences and orders served in the community and for the Electronic Monitoring of offenders including those on bail.

WHAT WE DO

This appropriation encompasses four outputs: home detention sentences, community based sentences, post release orders and Electronic Monitoring bail (EM bail).

Correction manages home detention sentences which are sentences imposed by the courts that require the offender to reside at an approved address under strict conditions and with strict monitoring, sometimes including Electronic Monitoring.

Corrections also manages offenders serving community-based sentences such as: community work sentences, community detention, supervision and intensive supervision orders.

Post-release conditions are also managed by Corrections. Post-release conditions are imposed by the court at the time of sentencing for prisoners with short sentences. It also includes parole orders imposed by the New Zealand Parole Board (NZPB) and extended supervision orders imposed by the court, with additional special conditions set by the NZPB to actively manage the risks posed by high-risk violent and/or sex offenders in the community.

Corrections manages offenders on electronic monitoring, which can include those monitored as a condition of bail while awaiting a court hearing (EM bail) and those serving community-based sentences.

OPERATING CONTEXT

The integrity of sentences and orders is maintained when offenders in the community comply with and complete their sentences and orders and are held to account if they do not. This is a key facet in public safety, which is always our bottom line.

Compliance is achieved when offenders comply with all directives and restrictions inherent to the sentence or order (attendance at programmes, non-association orders, residential or employment restrictions), experience appropriate consequences in the event of non-compliance, and complete the imposed sentence or order.

Any failure by an offender to comply with a requirement of the sentence is considered to be non-compliance. This could include failure to report as instructed, breaking a curfew, or failure to advise of an address change.

Corrections ensures the effective and safe management of offenders in the community through the use of Mandatory Standards of Practice for probation officers. Mandatory Standards of Practice for the management of sentences and orders are unique to each sentence or order, and set the baseline level of service, monitoring, and compliance required for each offender.

Activity Information	Previous Years			Current Year			Next Year
	2011/12 Actual volume	2012/13 Actual volume	2013/14 Actual volume	2014/15 Actual volume	2014/15 Budget volume	2014/15 Variance	2015/16 Budget volume
HOME DETENTION SENTENCES							
The total number of new home detention sentences commenced	3,363	3,527	3,340	3,253	3,552	(299)	3,300 – 3,500
The average number of home detention sentences being served	2,693	2,854	2,947	2,827	2,896	(69)	2,700 – 3,000
COMMUNITY-BASED SENTENCES							
The total number of new community-based sentences commenced	58,726	54,561	49,018	46,463	49,786	(3,323)	47,000 – 49,000
The average number of community-based sentences being served							
– Supervision	7,883	8,243	7,751	7,300	7,984	(684)	
– Intensive supervision	2,531	2,464	2,381	2,577	2,300	277	
– Community work	20,892	17,702	15,825	15,963	15,060	903	
– Community detention sentence	1,770	1,950	1,719	1,655	1,895	(240)	
Total	33,076	30,359	27,676	27,495	27,239	256	26,500 – 29,500
POST-RELEASE ORDERS							
The total number of new post-release orders commenced	6,140	5,999	5,779	5,951	5,714	237	5,700 – 6,000
The average number of post-release orders being served							
– Post-release conditions	3,473	3,350	3,277	3,218	3,216	2	
– Parole/residential restrictions	2,303	2,360	2,404	2,428	2,469	(41)	
– Extended supervision	192	207	218	226	231	(5)	
Total	5,968	5,917	5,899	5,872	5,916	(44)	5,400 – 5,700
EM BAIL							
The number of new EM bail conditions imposed ⁴	–	New for 2013/14	392	814	1,000	(186)	750 – 800
The average number of EM bail conditions	–	New for 2013/14	273	335	431	(96)	300 – 350

In 2014/15, the average number of community-based sentences (which represents the volume of offenders Corrections is managing at any one time) was in line with expectations and stayed at similar levels to last year, after a gradual decline in the previous two years.

4 Full transition of EM bail operations from NZ Police was completed during January 2014, meaning 2014/15 was the first full year that Corrections was operationally responsible for EM monitoring. This has seen the number and average number of EM bail conditions increasing from 2013/14.

HOW WE PERFORMED

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
MANAGEMENT AND DELIVERY OF SENTENCES AND ORDERS IN THE COMMUNITY							
QUALITY AND TIMELINESS							
Compliance with mandatory standards for home detention sentences	New for 2012/13	96%	94%	95%	≥98%	(3%)	≥98%
Compliance with mandatory standards for community-based sentences	New for 2012/13	95%	93%	95%	≥98%	(3%)	≥98%
Compliance with mandatory standards for post-release order	New for 2012/13	98%	96%	97%	≥98%	(1%)	≥98%

A key component of ensuring compliance, and that appropriate action is taken in the event of non-compliance, is ensuring that probation staff comply with Mandatory Standards of Practice. The Mandatory Standards of Practice are designed to measure the quality of sentence management provided by Corrections.

Probation officers manage the sentences and orders of offenders in the community, and the above table reports how Corrections performed in accordance with our Mandatory Standards of Practice. Compliance with Mandatory Standards of Practice has improved across all sentences from last year but are still below expected levels.

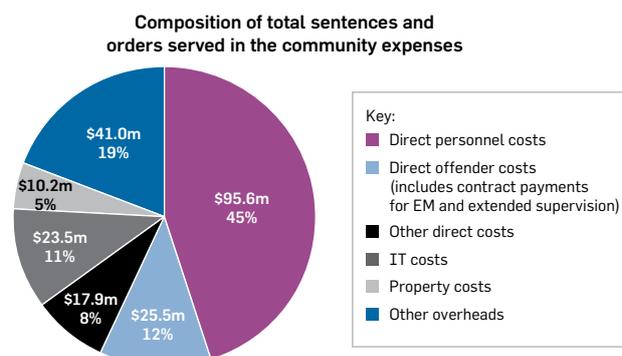
HOW MUCH DID IT COST?

	2013/14 Actual \$000	2014/15 Actual \$000	2014/15 Budget (unaudited) \$000	2014/15 Supp. estimates (unaudited) \$000	2015/16 Forecast* (unaudited) \$000
REVENUE					
Crown	217,767	215,151	218,470	215,151	212,539
Departmental	46	27	–	37	–
Other	–	–	–	–	–
Total revenue	217,813	215,178	218,470	215,188	212,539
Total expenses	210,307	213,723	218,470	215,188	212,539
Net surplus/(deficit)	7,506	1,455	–	–	–

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

The total expense for this appropriation was \$213.7 million. Almost half of the costs within this output class relate to direct personnel. Other costs associated with this output class include property costs such as rent and utilities, vehicle costs and contract management costs including the Electronic Monitoring (EM) of offenders.

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



The appropriation is \$3.4 million higher than 2013/14 actual expenditure, primarily reflecting one-off project costs resulting from the transfer of all Electronic Monitoring services to one supplier.

Corrections received \$2 million in 2014/15 and 2015/16 from the Justice Sector Fund to implement alcohol and drug testing of offenders and bailees in the community. The project will introduce random drug and alcohol testing where being drug free is a condition of bail, home detention, or other community sentences (known as an abstinence condition).

Due to a delay in the passing of the *Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill*, approval has been sought for an in-principle expense transfer of up to \$2 million from 2014/15 to 2016/17 to fund costs that will now be incurred beyond 2015/16.

Appropriation - Rehabilitation and Reintegration

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

WHAT WE DO

Corrections reduces re-offending by providing offenders with opportunities for rehabilitation and reintegration through five outputs: case management, rehabilitation, training and education, offender employment and reintegration. Providing these opportunities allows offenders to have the skills and support to lead law-abiding lives after the end of their sentence or order.

Case management focuses on planning and managing a prisoner's rehabilitation and reintegration needs which are reflected in a high quality offender plans for each individual.

Rehabilitation challenges behaviours that lead to offending. When appropriate programmes and pathways are made available and offenders are motivated to take part in them, there is a better chance that they will successfully reintegrate into the community at the end of their sentence or order.

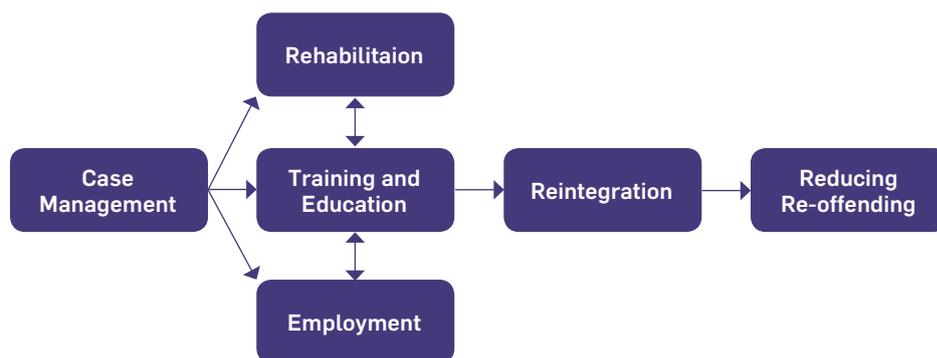
Corrections provides training and education that supports offenders to address lifelong learning barriers and gain recognised qualifications and employment experiences.

Offender employment opportunities provided by Corrections look to develop work habits, experience, training and skills, increasing offenders' chances for post-release employment.

Reintegration services managed by Corrections focus on creating pathways for people integrating back into the community, by assisting them to address employment, accommodation, living skills, health/wellbeing, community links and other reintegration needs.

OPERATING CONTEXT

The prisoner journey as it relates to rehabilitation and reintegration:



Corrections has developed targeted strategies to reduce re-offending through six areas of focus:

- > tackling alcohol and drug abuse
- > more rehabilitation that works
- > interventions delivered by probation staff
- > education, job skills and working prisons
- > real jobs on release and
- > partnering with iwi and community groups.

Case management

The process of case management encompasses the planning and management of a prisoner's rehabilitation and reintegration needs. This involves assessing rehabilitation requirements such as alcohol and drug programmes, planning literacy and numeracy education for those who require it, along with other training and education opportunities. This provides prisoners with the ability to go on to higher levels of education and acquire the skills to move into employment post-release.

Rehabilitation

Drug and alcohol abuse is a major driver of crime in New Zealand. Approximately two-thirds of New Zealand prisoners have substance abuse problems, and it is estimated that over 50% of crime is committed by people under the influence of drugs or alcohol. Corrections targets alcohol and drug rehabilitation to ensure progress is being made toward reducing re-offending.

Training and education

More than 60% of prisoners lack basic skills in literacy and numeracy. Without basic English literacy and numeracy skills, offenders are limited in their ability to gain qualifications and secure employment. Not having these skills will impact on all aspects of offenders' lives, making it more difficult to gain employment and increasing the risk of re-offending. Corrections has an opportunity to support offenders to lift their skill levels and improve their chances of gaining employment on release.

Offender employment

Recent data has shown that up to 60% of offenders in prison were unemployed prior to imprisonment. We know that people who find stable employment on leaving prison are significantly less likely to commit crime in the 12 months following their release. Support in finding stable employment is therefore a central part of Corrections' efforts to help offenders build positive lifestyles.

Working prisons are a key part of reducing re-offending and are places of industry, treatment, learning and constructive activities. Corrections began piloting the working prison framework in 2012. Since then seven prisons have become fully functional working prisons and we are committed to making every publicly managed prison a working prison by 2017. Working prisons engage eligible prisoners in a regular 40 hour week to prepare them for release and reintegration. The 40 hours are made up of rehabilitation and reintegration, education and training, employment and other constructive activity.

Reintegration

Corrections can help to make an ongoing differences in the lives of offenders, turning their release from prison from a time of vulnerability to one of renewed, positive involvement in their communities. Through the use of external providers, community groups and iwi, Corrections supports offenders to find stable accommodation and employment, set up bank accounts and other reintegrative needs.

HOW WE PERFORMED

Case management

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUANTITY AND TIMELINESS							
The percentage of prisoners entitled to receive an offender plan that received one	96%	98%	99.5%	98%	≥95%	3%	≥95%

Case management performance is measured by undertaking a monthly check of the prison population to ensure that all offenders entitled to a plan have one. The annual result against this measure for 2014/15 was 98%.

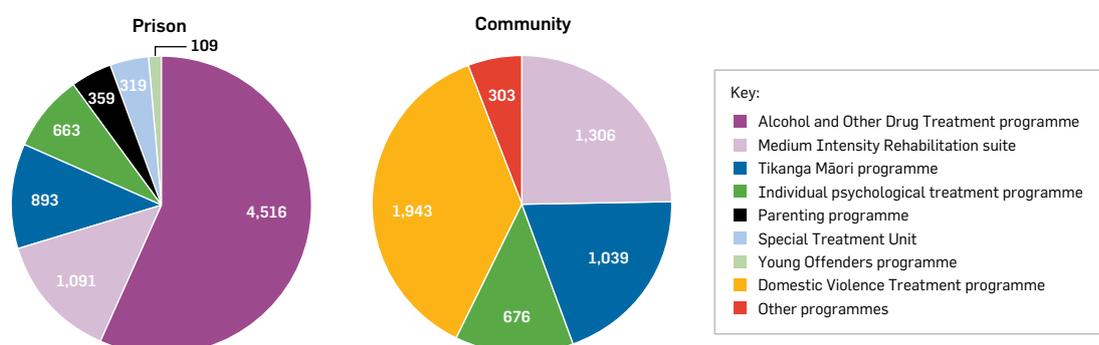
Corrections introduced a new scheduling process in this financial year, which is underpinned by effective assessment of needs and case management. The intent is to significantly increase the number of programmes and interventions we deliver to prisoners. The new scheduling process:

- > provides consistent scheduling approaches across the prisons. This helps schedulers to save an average of 4.3 minutes per wait-listed prisoner, allowing a reinvestment of time to incorporate additional scheduling functions
- > is expected to increase the completion rate in rehabilitation programmes over the time.

Rehabilitation

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUANTITY							
The number of offenders who start a rehabilitation programme:	New for 2012/13	11,279	14,035	13,217	13,247	(30)	N/A*
- prisoners	New for 2012/13	4,950	7,439	7,950	7,911	39	N/A*
- community-based offenders	New for 2012/13	6,329	6,596	5,267	5,336	(69)	N/A*
QUALITY							
The percentage of offenders who start and complete a rehabilitation programme:	New for 2012/13	86%	85%	86%	≥75%	11%	≥85%
- community-based offenders	New for 2012/13	63%	63%	59%	≥65%	(6%)	≥65%

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.



In the financial year 2014/15, 7,950 prisoners started a prison-based rehabilitation programme, and 5,267 started a community-based rehabilitation programme. These results are broadly in line with performance expectations. To address the issue of alcohol and drug dependencies over 50% of prison programmes target prisoners' alcohol and drug needs. In the community, over a third of programmes target reducing domestic violence.

The percentage of community-based offenders who start and complete a rehabilitation programme has reduced to 59% this year (2013/14: 63%). To an extent this reduction reflects the difficulties that Corrections faces with community-based offenders attending rehabilitation programmes; all programmes experience a natural attrition rate as maintaining the motivation and participation of offenders outside the custodial environment is a challenge, and not all community sentences compel offenders to take part in rehabilitation activities.

Training and education

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUALITY The percentage of prisoners who demonstrate measurable gains with literacy and numeracy ⁵	89%	82%	71%	75%	≥75%	–	N/A*
QUANTITY The number of prisoners who receive literacy and numeracy programmes in prison	New for 2012/13	2,981	3,801	3,240	2,969	271	N/A*
The total number of qualifications achieved by prisoners while in prison ⁶	3,145	3,160	3,858	3,698	3,505	193	4,240

To address prisoners lack of basic skills in literacy and numeracy Corrections has recently introduced a new approach to intensive literacy and numeracy that will provide greater support to those prisoners with the highest need, so that they have a better chance of achieving qualifications.

This has seen the percentage of prisoners who demonstrate measurable gains in literacy and numeracy increasing from the previous year and being in line with expectation.

5 This performance measure assesses the percentage of prisoners participating in the adult literacy and numeracy classes (Pathways Education) that demonstrate improvement as measured by the providers' use of the Tertiary Education Commission Literacy and Numeracy for Adults Assessment Tool (the 'TEC tool').

6 This performance measure includes New Zealand Qualifications Framework (NZQF) National Certificates and other NZQF certificates levels 2, 3 or above as a completed qualification, Limited Credit Programmes and Modularised Training Programmes, Trade Tickets (industry specific license to practice eg welding), Vocational driver's licenses, Health and Safety qualification accredited by Industry Training Organizations (ITOs), eg First Aid, Grow Safe and Site Safe and NCEA qualifications completed while in prison. It excludes the literacy and numeracy programmes currently done in prison (both by OE embedded within other qualifications and through the Foundation Skills programmes) as they support offenders to undertake more complex training and education, rather than providing a qualification and NCEA qualifications which prisoners were awarded before entering the prison system.

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

The following table shows the number of qualifications achieved by prisoners was ahead of expectation and that there was a significant increase in level 3 qualifications gained from the previous year as offenders become eligible to achieve higher qualifications.

Level	Type	2013/14 Actual	2014/15 Actual	Change %
LESS THAN LEVEL ONE	LCP ⁷ / MTP ⁸	4	92	
	Trade Ticket	16	24	
	Driver Licence	17	–	
	Other	–	5	
Qualifications achieved		37	121	227%
LEVEL ONE	LCP / MTP	106	73	
	National Certificate	119	159	
Qualifications achieved		225	232	3%
LEVEL TWO	LCP / MTP	1,482	1,112	
	National Certificate	1,165	869	
	Trade Ticket	59	29	
	Health and Safety	363	453	
	Driver Licence	261	229	
Qualifications achieved		3,330	2,692	(19%)
LEVEL THREE	LCP / MTP	82	478	
	National Certificate	115	167	
	Trade Ticket	13	–	
	Health and Safety	46	–	
Qualifications achieved		256	645	151%
LEVEL FOUR	National Certificate	10	8	
Qualifications achieved		10	8	(20%)
Total		3,858	3,698	

7 Limited Credit Programme (LCP)

8 Modularised Training Programme (MTP)

Offender employment

Support in finding stable employment is a central part of Corrections' efforts to help offenders build positive lifestyles. Recent data has shown that people who find stable employment on leaving prison are significantly less likely to commit crime in the 12 months following their release.

The following outcomes make up Corrections' framework for offender employment:

- > forming a pathway to stable, real jobs on release
- > representing the most cost effective way for offenders to gain experience and skills
- > avoiding unacceptable levels of risk.

Due to their criminal histories and often limited education, many prisoners experience difficulty in finding jobs upon release. By partnering with employers and industry we have worked to help more prisoners find employment. Real Jobs on Release is designed to help offenders find suitable employment, either following the end of their sentence or during its final stages. Support includes training calibrated to the needs of the labour market, and assistance in building routine and a sense of purpose into offenders' daily lives.

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUANTITY							
The number of prisoners who have engaged in employment activities	New for 2012/13	10,085	9,777	10,620	11,460	(840)	N/A*

The number of prisoners engaged in employment activities was under the performance standard but 9% (843) higher than 2013/14.

Working prisons remains a focus for Corrections and has continued to expand with seven prisons now operating as working prisons. Working prisons engage eligible prisoners in a regular 40 hour working week.

While working prisons increased employment activities from last year, this increase was partially offset during the year as Corrections reassessed the security classification of prisoners in activities that took them outside of the secure prison environment – for example some horticultural and forestry activities. This reduction was a result of a high profile breach of temporary release which lead to Corrections reviewing prisoners eligible to work outside the prison environment. This impacted Corrections' ability to meet the expected target.

Looking ahead

The new performance targets for 2015/16 are outlined below;

	2015/16 Budget standard
QUALITY	
The average number of hours engaged in industry and learning activities per prisoner	Benchmark set at end of 2015/16*

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

+ As this measure has not been previously monitored, baseline information is required to be collected in order to set an appropriate target.

Reintegration

Reintegration is the process of successfully transitioning offenders back into the wider community from custody with constructive attitudes and behaviours.

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUALITY							
The number of offenders referred by case managers through to Out of Gate providers	-	New for 2013/14	1,685	2,862	2,615	247	N/A+

Out of Gate (OOG) is a navigation-style service to support the reintegration of offenders sentenced to two years imprisonment or less, or those in custody on remand. These offenders are known to face a range of difficulties on release, including getting access to help they need before or as soon as they leave prison.

The OOG service, now in its second year, has had 4,547 referrals since commencing. The number of referrals to OOG in the year to June 2015 was 2,862 against the target of 2,615. This has enabled Corrections to achieve the 21 month target of 4,300 set when the service began in October 2013.

Results of OOG have seen 67% of prisoners who complete their programme and received the service remain out of prison for six months and 53% for 12 months.

Looking ahead

The new performance target for 2015/16 is outlined below;

Performance Measures	2015/16 Budget standard
QUALITY	
The number of prisoners who start reintegration services	4,300

HOW MUCH DID IT COST?

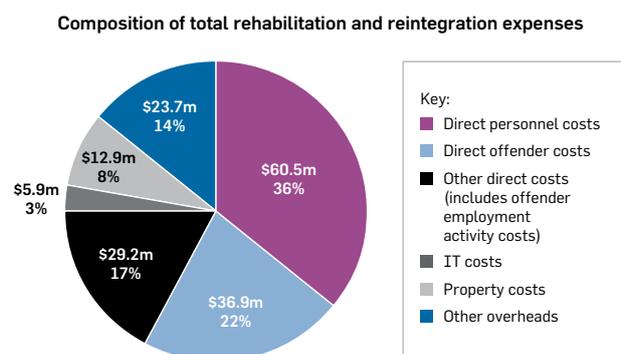
	2013/14	2014/15			2015/16
	Actual \$000	Actual \$000	Budget (unaudited) \$000	Supp. estimates (unaudited) \$000	Forecast* (unaudited) \$000
REVENUE					
Crown	141,967	134,770	149,048	134,770	162,649
Departmental	72	40	-	56	-
Other	37,943	39,204	29,694	34,768	29,694
Total revenue	179,982	174,014	178,742	169,594	192,343
Total expenses	161,937	169,122	178,742	169,594	192,343
Net surplus/(deficit)	18,045	4,892	-	-	-

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

+ This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

The total expense for this appropriation was \$169.1 million. Direct expenses accounted for 75% of total expenses in 2014/15, which included approximately \$69 million on the provision of intervention programmes and case management, \$40 million on offender employment activities and \$18 million on psychological services.

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

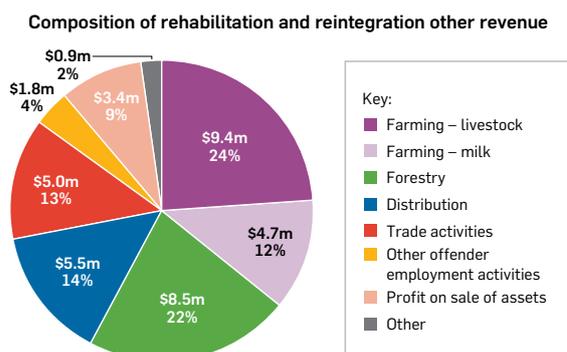


Actual expenditure was \$7.2 million more than 2013/14 actuals mainly due to:

- > an increase of \$2.3 million attributable to a full year of Out of Gate
- > an increase in logging volumes which resulted in additional costs of \$1.2 million (offset by increased sales)
- > an increase of \$0.9 million on reducing re-offending programmes
- > \$1.3 million livestock cost of sale as a result of de-stocking in preparation for the sale of the Tongariro/Rangipō land.

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

Refer to the chart below for the composition of other revenue.



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

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

WHAT WE DO

This appropriation encompasses three outputs, information services to the Judiciary, information services to the NZPB and information and administrative services to victims.

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

Information to the NZPB focuses on ensuring reports provide information to the NZPB to assist 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 informed decisions regarding a prisoner's release.

Information and administrative services focuses on the administration of victim notification services. Corrections has a responsibility to notify registered victims about specific events as detailed in the *Victims' Rights Act 2002*. The New Zealand Police refer details of registered victims to Corrections.

OPERATING CONTEXT

Activity Information	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
NUMBER OF REPORTS AND HOURS							
The number of reports provided to court:	53,399	47,494	39,420	39,736	44,557	(4,821)	N/A*
– probation reports	53,286	47,310	39,266	39,545	44,332	(4,787)	N/A*
– psychological reports	113	184	154	191	225	(34)	N/A*
The number of court attendance hours	102,159	97,561	106,740	83,651	99,227	(15,576)	99,000 – 101,000
The number of Electronic Monitoring bail (EM bail) applications submitted to court	–	New for 2013/14	1,319	2,835	2,500	335	2,500
The number of reports provided to the NZPB:	8,352	8,249	8,210	7,932	6,868	1,064	N/A*
– parole assessment reports	6,725	6,772	6,622	6,417	5,369	1,048	N/A*
– parole progress reports	415	320	307	330	299	31	N/A*
– psychological reports	1,212	1,157	1,281	1,185	1,200	(15)	N/A*
NUMBER OF VICTIM REFERRALS							
The number of victim referrals received from the New Zealand Police	754	753	912	1,019	≥1,800	(781)	N/A*
NUMBER OF HEARINGS							
The number of NZPB hearings where administrative support was required	8,942	8,614	8,718	8,045	8,500	(455)	8,000 – 8,500

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

The number of reports provided to the courts is broadly the same as last year. This is in line with the overall community-based offender population.

Although the number of victim referrals received from New Zealand Police was 48% under the standard expected, it was still significantly higher than volumes experienced in the previous years. The large increase in the expected volume (2013/14: ≥ 700 , 2014/15: $\geq 1,800$) was the estimated impact of proposed changes to the *Victims Reform Bill* at the time estimates were being prepared.

HOW WE PERFORMED

Information Services to the Judiciary

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUALITY							
The percentage of probation reports provided to court that met quality standards ⁹	97%	98%	98%	98%	$\geq 90\%$	8%	N/A*
TIMELINESS							
The percentage of reports provided to court, within agreed timeframes before sentencing: ¹⁰							
- probation reports	95%	94%	94%	94%	$\geq 95\%$	(1%)	$\geq 95\%$
- psychological reports	98%	84%	94%	89%	$\geq 95\%$	(6%)	$\geq 95\%$

Although quality continues to exceed the performance standards, timeliness of the provision of reports, in particular psychological reports is below expectations. This will remain a focus for Corrections in 2015/16.

⁹ Probation reports are completed to formal standards as set out in the Community Probation Supported Decision Framework.

¹⁰ Probation reports are completed to timeframes as set out in the Integrated Practice Framework. Specific timeframes are provided in respect of each of the individual report types that are included under the heading of 'probation' reports. Psychological reports are provided to court at least two working days before sentencing where a request is received.

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

Information Services to the New Zealand Parole Board (NZPB)

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUALITY							
The percentage of parole progress reports provided to agreed quality standards pursuant to NZPB requirements	99%	97%	95%	98%	90%	8%	N/A*
TIMELINESS							
The percentage of reports provided to agreed timeframes pursuant to NZPB requirements: ¹¹							
- parole assessment reports	85%	88%	88%	90%	≥75%	15%	≥75%
- parole progress reports	97%	96%	93%	96%	≥95%	1%	≥95%
- psychological reports	95%	94%	94%	95%	≥90%	5%	≥90%

Corrections has continued to exceed the performance standard for the quality and timeliness of reports provided to the NZPB. There has been an increase in the performance across all measures from the 2013/14 performance results.

Information and Administrative Services to Victims

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUALITY AND TIMELINESS							
The number of justified complaints about notification services received from registered victims ¹²	Nil	1	2	Nil	Nil	Nil	Nil

There were no justified complaints about notifications received from registered victims.

11 Parole assessment reports are provided to the NZPB at least 15 working days prior to the hearing date. Parole progress reports are provided to the NZPB at least 10 working days prior to the hearing date. Psychological reports are prepared for the NZPB at least five weeks prior to the hearing date.

12 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 the department is meeting its legislative requirements and providing victims with notification of events relating to those who offended against them.

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

Administrative Services to the NZPB

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUALITY							
The percentage of offenders who are notified as per NZPB requirement ¹³	100%	100%	100%	100%	≥98%	2%	≥98%
The percentage of victims who are notified as per NZPB requirement	100%	100%	100%	100%	≥98%	2%	≥98%
TIMELINESS							
The percentage of all cases scheduled to be heard by the NZPB that are scheduled no later than 16 weeks from the date of the hearing	100%	100%	100%	100%	≥98%	2%	≥98%

Corrections continues to exceed the performance standard for administration services to the NZPB.

HOW MUCH DID IT COST?

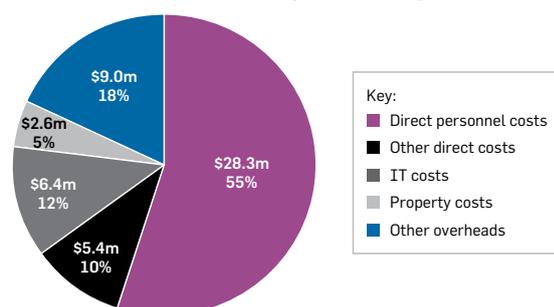
	2013/14	2014/15			2015/16
	Actual \$000	Actual \$000	Budget (unaudited) \$000	Supp. estimates (unaudited) \$000	Forecast* (unaudited) \$000
REVENUE					
Crown	54,193	51,687	53,277	51,687	50,768
Departmental	14	8	–	11	–
Other	–	–	–	–	–
Total revenue	54,207	51,695	53,277	51,698	50,768
Total expenses	51,767	51,672	53,277	51,698	50,768
Net surplus/(deficit)	2,440	23	–	–	–

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

The total expense for this appropriation was \$51.7 million. Approximately half of the costs associated with this appropriation are staff related. Reports written by our staff are used to provide the Judiciary and NZPB with relevant offender information.

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

Composition of total information and administrative services to the Judiciary and NZPB expenses



13 Offenders are notified of an impending hearing no later than 14 days from the date of the hearing. Offenders are notified of a Board decision no later than 14 days following receipt of the signed decision.

Appropriation - Policy Advice and Ministerial Services (Multi Class Output Appropriation)

APPROPRIATION – POLICY ADVICE

This output class 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

WHAT WE DO

Providing 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

Policy advice was provided across a number of issues including:

- > Sentencing (*Electronic Monitoring of Offenders*) Legislation Bill
- > Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill
- > Amendments to governing legislation
- > Child protection offender register
- > Ensuring that offenders deported from other countries are managed appropriately.

HOW WE PERFORMED

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
POLICY ADVICE AND MINISTERIAL SERVICES							
The office of the Minister of Corrections is satisfied with the level of quality of advice, and of draft ministerial correspondence, provided by the department (determined by an Annual Survey of Satisfaction)	-	-	New for 2014/15	91%	≥84%	7%	≥84%
QUALITY							
The technical quality of the department's policy advice will be externally assessed from a representative sample by a third party assessor (measured through an annual review) ¹⁴	-	New for 2013/14	75%	75%	≥70%	5%	≥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) ¹⁵	-	New for 2013/14	100%	83%	≥78%	5%	≥78%
COST							
Total cost per output hours of professional staff time devoted to policy advice and other policy functions ¹⁶	-	New for 2013/14	\$98	\$92	≤\$126	\$34	≤\$105

Corrections met all the performance standards for this output with the quality of advice and ministerial satisfaction above the performance standard.

14 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.

15 This indicator is a quantitative representation of the Minister of Corrections' satisfaction with the policy advice provided by the department 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.

16 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.

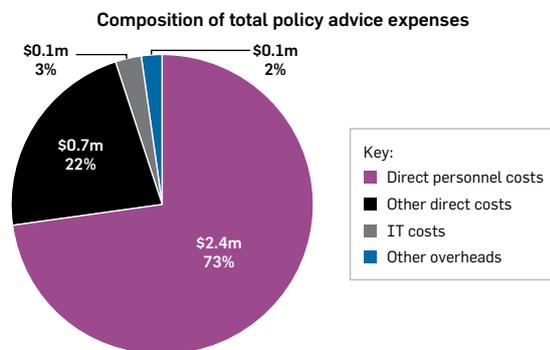
HOW MUCH DID IT COST?

	2013/14	2014/15			2015/16
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	4,216	3,836	4,135	3,836	3,331
Departmental	-	-	-	-	-
Other	-	-	-	-	-
Total revenue	4,216	3,836	4,135	3,836	3,331
Total expenses	3,071	3,332	4,135	3,836	3,331
Net surplus/(deficit)	1,145	504	-	-	-

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

The total expense for this appropriation was \$3.3 million. Expenses within this output class are primarily staff related costs incurred in providing policy advice.

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



APPROPRIATION – MINISTERIAL SERVICES

This output is limited to the provision of responses to ministerial correspondence and parliamentary questions.

WHAT WE DO

Providing responses to ministerial correspondence and parliamentary questions.

OPERATING CONTENT

Corrections ensures that timely, accurate and relevant responses are provided to ministerial correspondence, parliamentary questions and requests for information made under the *Official Information Act*.

HOW WE PERFORMED

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUALITY							
The percentage of ministerial draft correspondence that is signed without changes	97%	96%	96%	98%	≥90%	8%	≥90%
TIMELINESS							
The percentage of all responses to parliamentary questions that are completed within five working days	100%	100%	99%	98%	≥98%	–	≥98%
The percentage of responses to ministerial draft correspondence that are completed within 20 working days	100%	100%	100%	100%	≥98%	2%	≥98%

The number of ministerial drafts increased for this financial year with 167 drafted (2013/14: 129). Of these 98% were completed without changes and all within the timeframe of 20 working days.

The number of parliamentary questions decreased to 259 (2013/14: 346) with 98% of the answers provided within the target of five working days.

HOW MUCH DID IT COST?

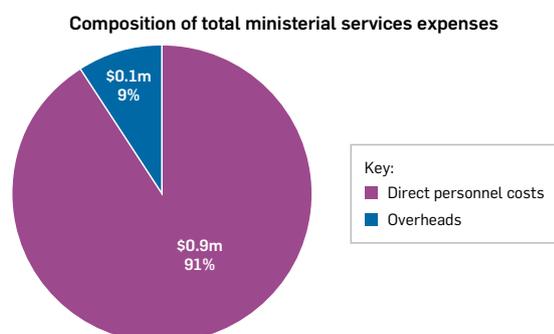
	2013/14	2014/15			2015/16
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	1,486	976	1,474	976	1,040
Departmental	-	-	-	-	-
Other	-	-	-	-	-
Total revenue	1,486	976	1,474	976	1,040
Total expenses	1,335	1,008	1,474	976	1,040
Net (deficit)/surplus	151	(32)	-	-	-

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

The total expense for this appropriation was \$1 million. Expenses within this output class are primarily staff related costs incurred in providing responses to ministerial and parliamentary questions.

Ministerial Services is part of a multi-class output expense appropriation whereby a single appropriation covers more than one output class. As such, Corrections is permitted to reallocate resources between output classes within a multi-class appropriation without seeking further parliamentary approval. Despite this appropriation incurring a net deficit for the year, the multi-class appropriation was within approved levels.

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



Appropriation - Contract Management of Services Provided by Third Parties

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

WHAT WE DO

This output covers the contract management of services provided by third parties to Corrections.

OPERATING CONTENT

It is important to ensure that Corrections is on track to obtain contractual outcomes by the end of a contract's life. Outsourced contracts deliver operational service improvements and support Corrections' strategic goals and direction. Monthly, quarterly and annual reviews/audits of contractors' performance are key ways of measuring whether the contractors are delivering the contract outcomes sought by Corrections.

Reviews or audits provide a view on contractors' performance against contract objectives, service outcomes and obligations or performance measures and key performance indicators.

HOW DID WE PERFORM

Performance Measures	Previous Years			Current Year			Next Year
	2011/12 Actual standard	2012/13 Actual standard	2013/14 Actual standard	2014/15 Actual standard	2014/15 Budget standard	2014/15 Variance	2015/16 Budget standard
QUALITY							
Undertake audits of the contracts through the year and report on the audit	New for 2012/13	Achieved	Achieved	Achieved	Achieved	-	N/A*

Monthly contract reviews were completed on all major outsourced contracts and internal or external reviews/audits were completed on:

- > Serco (contract management of Mount Eden Corrections Facility)
- > Spotless (facilities management contract)
- > Optimisation, HCL and Resultex consortium and Gen-I (Information Technology contract)
- > First Security (prisoner escorting and court custodial service contract)
- > 3M.

* This measure has been excluded from the 2015/16 budget and will not be reported in 2015/16.

HOW MUCH DID IT COST?

	2013/14	2014/15			2015/16
	Actual	Actual	Budget	Supp. estimates	Forecast*
	\$000	\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
Crown	2,288	2,256	1,755	2,256	–
Departmental	–	–	–	–	–
Other	–	–	–	–	–
Total revenue	2,288	2,256	1,755	2,256	–
Total expenses	1,489	2,005	1,755	2,256	–
Net surplus/(deficit)	799	251	–	–	–

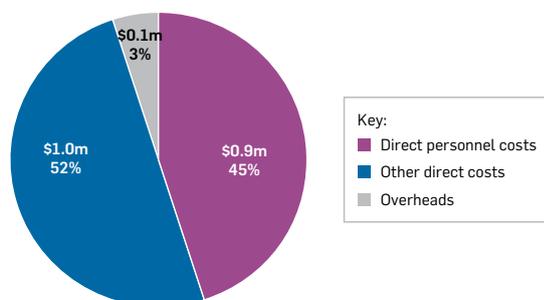
* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

Corrections delivered its contract management services broadly in line with supplementary estimates.

From 2015/16 the Contract Management of Services provided by Third Parties appropriation has been integrated into the Prison-based Custodial Services appropriation.

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

Composition of total contract management of services provided by third parties 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.
Supplementary estimates	For an amount, the supplementary estimates incorporates all changes since the budget and becomes the final amount for spending for the financial year.
Forecast	For an amount, the forecast incorporates the amount that has been set for spending the coming year.
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).
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.
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, attend training or rehabilitative programmes. Sentences may range in length from 14 days to 12 months.
Supervision	Supervision is a rehabilitative community-based sentence that requires offenders to address the causes of their offending. Offenders can be sentenced to supervision for between six months and one year.
Extended supervision	Extended supervision is aimed at managing long-term risks posed by sex offenders or violent offenders in the community. An extended supervision order, imposed by the Court, allows the department to monitor such offenders for up to ten years following their prison sentence.
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.
Community work	The sentence of community work requires offenders to do unpaid work in the community for non-profit organisations as a way of making up for their offending.
Community detention sentence	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.
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 New Zealand Parole Board. The conditions can be for six months or more.
Residential restrictions	Under the <i>Parole Act 2002</i> , the New Zealand Parole Board can impose special release conditions on an offender's release. One of these conditions is residential restrictions requiring the offender to remain at a specified residence at all times or at times specified by the Board.
National certificate	Qualification listed on the National Qualifications Framework (NQF) administered by the New Zealand Qualification Authority (NZQA), composed of a prescribed number of unit standards and is a complete qualification.
Limited Credit Programme (LCP)	Qualification listed on the 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.
Trade Ticket	Qualification underpinned by unit standards indicating trade currency and competency. Examples: 4711 Welding Ticket or Electrical Limited Regulation Ticket.
Driver Licence	Qualifications composed of unit standards authorising individuals to drive prescribed types of vehicles.
Health and Safety	Qualifications sanctioned by ITOs, underpinned by or containing unit standards. Examples are: First Aid, Grow Safe and Site Safe.
Internal services employment activity	Internal services activities include asset maintenance, catering, distribution of goods, grounds maintenance, laundry, manufacturing and sundry services.
Primary employment activity	Primary activities include farming, dairy and horticulture.
Timber employment activity	Timber activities include building refurbishment, forestry, joinery, milling, and timber processing.



Department of Corrections
Annual Report - Part C

Annual Financial Statements

The Year at a Glance

IN 2014/15 THE DEPARTMENT OF CORRECTIONS:

Financial health and sustainability

- > significantly developed and enhanced its financial strategy through the four year planning process, holding to an agreed fixed budget baseline until 2020
- > developed a 10 year capital investment plan that is underpinned by asset management plans which adhere to the National Asset Management Standards (NAMS) requirements
- > continued to maintain a high score against all nine principles in the Chartered Institute of Public Finance and Accountancy Treasury Internal Controls Knowledge Survey (CIPFA Tick)
- > was notified that its Administrative and Support Services spend as a percentage of its Organisational Running Costs (ORC), was just below the upper quartile level of the 2013/14 Benchmarking Administrative and Support Services (BASS) large agency cohort.

Financial improvements

- > relinquished some property holdings (ie Tongariro/Rangipō forest land and crop) reducing commercial and operational risk as well as reducing capital charge
- > consolidated the electronic monitoring contract to a single supplier which will result in better value for money
- > successfully implemented its Lifting Productivity and Performance in New Zealand's Prisons restructure which will drive longer term sustainable efficiencies.

Expenditure

- > managed its \$1.2 billion operating budget within 1% of appropriation (excluding remeasurements) despite financial pressures across the department's operations
- > reinvested \$20 million in initiatives designed to reduce re-offending
- > invested \$263.2 million of capital spend including property and prison development projects
- > achieved a reduction in domestic travel expenditure of \$1.1 million compared to budget through careful fiscal management and through the use of advanced AVL technology
- > improved controls around contractors and consultants resulting in a \$0.8 million under spend against budget.

Financial pressures

- > absorbed the financial impact of the Collective Bargaining Round, the Lifting Productivity and Performance in New Zealand's Prisons restructure and incremental facilities costs such as rates increases, within the existing budget baseline
- > self-funded the increased depreciation costs related to the revaluation of land and buildings as at 30 June 2014
- > absorbed the impact of volatile commodity prices associated with offender employment activities, in particular the impact that significant reduction in milk prices had on revenue from dairy operations
- > self-funded the cost pressure and business impact resulting from the breach of temporary release incident.

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual	Notes	2015 Actual	2015 Budget	2015 Supp. estimates	2016 Forecast*
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
REVENUE					
1,174,817	Crown	1,196,843	1,153,604	1,196,843	1,241,616
364	Departmental revenue	215	–	300	–
41,370	Other revenue	46,777	31,885	43,148	32,180
139	Dividend revenue	362	–	–	–
1,216,690	Total operating revenue	1,244,197	1,185,489	1,240,291	1,273,796
EXPENSES					
539,484	Personnel costs	544,058	543,065	553,069	539,916
342,534	Operating costs	346,787	312,942	339,156	346,123
122,401	Depreciation and amortisation	134,142	145,638	137,310	157,700
183,588	Capital charge	201,107	183,844	201,156	196,057
–	Finance costs	4,067	–	4,100	34,000
1,118	Earthquake related	–	–	–	–
1,189,125	Total operating expenses	1,230,161	1,185,489	1,234,791	1,273,796
27,565	Net operating surplus	14,036**	–	5,500	–
REMEASUREMENTS					
(4,480)	Unrealised decrease/(increase) in fair value of biological assets	1,193	–	–	–
–	Realised decrease/(increase) in fair value of biological assets	7,714	–	–	–
1,719	Unrealised decrease/(increase) in fair value of shares	1,084	–	–	–
–	Unrealised change in discount rates for retiring and long service leave	2,071	–	–	–
(2,761)	Total remeasurements	12,062	–	–	–
30,326	Net surplus	1,974	–	5,500⁺	–
OTHER COMPREHENSIVE REVENUE AND EXPENSE					
218,644	Revaluation (losses)/gains on land and buildings	(422)	–	–	–
218,644	Total other comprehensive revenue and expense	(422)	–	–	–
248,970	Total comprehensive revenue and expense	1,552	–	5,500	–

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015.

** Approval has been sought to retain \$4.5 million of insurance proceeds revenue to cover costs incurred in previous years, as well as \$3.6 million of underspends.

+ Supp. estimates net surplus represents insurance proceeds revenue for claims relating to the 2012 Christchurch earthquake and the 2013 Spring Hill Corrections Facility riot.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 25 (page 127).

Statement of Changes in Taxpayers' Funds

FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual	Notes	2015 Actual	2015 Budget (unaudited)	2015 Supp. estimates (unaudited)	2016 Forecast* (unaudited)
\$000		\$000	\$000	\$000	\$000
2,294,845	Taxpayers' funds at 1 July	2,519,450	2,298,045	2,519,450	2,508,450
248,970	Total comprehensive revenue and expense for the year	1,552	–	5,500	–
	Adjustment for flows to and from the Crown				
3,200	Add capital contributions from the Crown during the year	–	–	–	–
–	Less capital returned to the Crown during the year	(63,967)	–	(11,000)	–
(27,565)	Provision for payment of surplus to the Crown	(6,322)	–	(5,500)	–
(24,365)	Total adjustments for flows to and from the Crown	(70,289)	–	(16,500)	–
2,519,450	Taxpayers' funds at 30 June	2,450,713	2,298,045	2,508,450	2,508,450

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

Statement of Financial Position

AS AT 30 JUNE 2015

2014 Actual	Notes	2015 Actual	2015 Budget	2015 Supp. estimates	2016 Forecast*	
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000	
ASSETS						
Current assets						
82,337	Cash and cash equivalents	6	58,459	100,000	50,000	50,000
1,973	Prepayments		2,304	3,025	3,025	3,025
388,340	Debtors and other receivables	7	344,202	182,682	302,606	134,257
4,105	Inventories	8	3,877	5,000	5,000	5,000
476,755	Total current assets		408,842	290,707	360,631	192,282
Non-current assets						
7,130	Investments	9	6,064	8,838	7,130	7,130
2,389,128	Property, plant and equipment	10	2,487,607	2,366,135	2,527,400	2,662,683
67,696	Intangible assets	11	76,204	71,214	85,767	92,833
53,223	Biological assets	12	10,093	48,630	53,223	53,223
2,517,177	Total non-current assets		2,579,968	2,494,817	2,673,520	2,815,869
2,993,932	Total assets		2,988,810	2,785,524	3,034,151	3,008,151
LIABILITIES						
Current liabilities						
119,749	Creditors and other payables	13	104,294	88,000	109,001	100,001
75,422	Employee entitlements	14	78,965	69,000	72,000	72,000
300	Other financial liabilities	23	10,562	–	–	5,152
6,833	Provisions	15	12,231	7,779	16,500	16,500
27,565	Provision for repayment of surplus to the Crown	16	6,322	–	5,500	–
229,869	Total current liabilities		212,374	164,779	203,001	193,653
Non-current liabilities						
13,580	Employee entitlements	14	16,025	13,000	13,000	13,000
231,033	Other financial liabilities	23	309,698	309,700	309,700	293,048
244,613	Total non-current liabilities		325,723	322,700	322,700	306,048
474,482	Total liabilities		538,097	487,479	525,701	499,701
TAXPAYERS' FUNDS						
1,759,693	General funds	17	1,693,645	1,756,932	1,748,693	1,748,693
759,757	Reserves	17	757,068	541,113	759,757	759,757
2,519,450	Total taxpayers' funds		2,450,713	2,298,045	2,508,450	2,508,450
2,993,932			2,988,810	2,785,524	3,034,151	3,008,151

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 25 (page 127).

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual	Notes	2015 Actual	2015 Budget	2015 Supp. estimates	2016 Forecast*
\$000		\$000	(unaudited) \$000	(unaudited) \$000	(unaudited) \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash provided from:					
1,124,111	Receipts from Crown	1,234,782	1,242,554	1,270,202	1,388,006
364	Receipts from departments	1,033	–	955	–
38,853	Receipts from other revenue	46,400	31,885	43,685	32,180
Cash disbursed to:					
(536,403)	Payments to employees	(532,671)	(545,557)	(557,071)	(539,916)
(318,269)	Payments to suppliers	(363,760)	(294,183)	(337,862)	(349,712)
(5,075)	GST payable (net)	4,445	8,560	680	–
(183,476)	Payments for capital charge	(201,107)	(183,844)	(201,156)	(193,686)
120,105	Net cash flows from operating activities	189,122	259,415	219,433	336,872
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash provided from:					
139	Receipts from interest and dividends	344	–	–	–
332	Receipts from sale of physical, biological and intangible assets	55,371	1,000	2,411	923
Cash disbursed to:					
(125,656)	Purchase of physical and biological assets	(154,685)	(221,076)	(187,716)	(273,295)
(18,312)	Purchase of intangible assets	(22,638)	(20,000)	(29,300)	(25,000)
(143,497)	Net cash flows from investing activities	(121,608)	(240,076)	(214,605)	(297,372)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash provided from:					
3,200	Capital injections	–	–	–	–
Cash disbursed to:					
–	Return of capital	(63,827)	–	(11,000)	–
–	Interest payment	–	(4,100)	(4,100)	(34,000)
(20,663)	Return of operating surpluses	(27,565)	(15,239)	(22,065)	(5,500)
(17,463)	Net cash flows from financing activities	(91,392)	(19,339)	(37,165)	(39,500)
(40,855)	Net decrease in cash	(23,878)	–	(32,337)	–
123,192	Cash at the beginning of the year	82,337	100,000	82,337	50,000
82,337	Cash at the end of the year	58,459	100,000	50,000	50,000

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

The accompanying notes form part of these financial statements.

Statement of Commitments

AS AT 30 JUNE 2015

2014 Actual \$000		2015 Actual \$000
	CAPITAL COMMITMENTS	
41,287	Buildings	60,328
2,000	Computer hardware	–
4,161	Motor vehicles	26
451	Plant and equipment	3,940
78,639	Service concession asset	–
3,616	Intangibles	5,739
130,154	Total capital commitments	70,033
	NON-CANCELLABLE OPERATING LEASE COMMITMENTS	
12,037	Less than one year	14,092
37,847	One to five years	36,642
20,766	More than five years	20,265
70,650	Total non-cancellable operating lease commitments	70,999
200,804	Total commitments	141,032

Capital commitments

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

Non-cancellable operating lease commitments

The department leases premises at many locations throughout New Zealand.

Lease commitments include new lease arrangements for land under the Tongariro/Rangipō 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 Assets

AS AT 30 JUNE 2015

QUANTIFIABLE CONTINGENT LIABILITIES AND ASSETS

2014 Actual \$000		2015 Actual \$000
1,477	Legal proceedings	1,799
360	Personal grievances	250
1,837	Total quantifiable contingent liabilities	2,049
5,800	Insurance proceeds	800
5,800	Total quantifiable contingent assets	800

Quantifiable contingent liabilities

Legal proceedings

The department was defending 40 legal claims by prisoners as at 30 June 2015 (2014: 40). 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 seven employment related claims made by staff members as at 30 June 2015 (2014: 10).

Quantifiable contingent assets

Insurance proceeds

During the year the department recognised \$4.5 million of insurance proceeds relating to the 2013 Spring Hill Corrections Facility riot (\$1.2 million) and the 2012 Christchurch earthquake (\$3.3 million).

The department has one remaining quantifiable contingent asset relating to insurance claims for the damage caused by the riot at the Spring Hill Corrections Facility. Final settlement was still being negotiated as at 30 June 2015.

Statement of Trust Monies

FOR THE YEAR ENDED 30 JUNE 2015

	As at 1 July 2014 \$000	Contribution \$000	Distribution \$000	As at 30 June 2015 \$000
Prison trust accounts	2,354	16,161	(16,327)	2,188
Total prison trust accounts	2,354	16,161	(16,327)	2,188

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2015

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*, and the *Bail Act 2000*.

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 that contributes 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*. 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 2015 with comparative figures for the year ended 30 June 2014.

The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 28 September 2015.

Basis of preparation

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

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). Previously published financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards as appropriate for public benefit entities (NZ IFRS (PBE)).

These financial statements, including comparatives, are the first financial statements presented in accordance with the new PBE accounting standards. There were no material adjustments arising on transition to the new PBE accounting standards as explained in Note 19.

Measurement base

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

Presentation currency and rounding

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

Changes in accounting policies

Accounting policies have been updated to comply with the new PBE accounting standards. Otherwise, there were no changes to the department's accounting policies during the period.

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

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The department has applied these standards in preparing the 30 June 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The department will apply these updated standards in preparing its 30 June 2016 financial statements. The department expects there will be minimal or no change in applying these updated accounting standards.

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 significant 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 was undertaken by Aon Hewitt as at 30 June 2015 and 2014 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
- > the present value of the estimated future cash flows.

Note 14 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 2015 and were published in the 2013/14 annual report. They were included in the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2015, which are consistent with the financial information in the main estimates. In addition, the financial statements also present the updated budget information from the supplementary estimates.

The forecast figures are for the year ending 30 June 2016, and are consistent with the best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) 2015 for the 2015/16 year.

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

The budget and forecast figures 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 10 April 2015. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the department regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2016 will not be published.

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 2015/16 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 10 April 2015 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 FTE levels consistent with 2014/15
- > 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. Remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes
- > land and buildings are not revalued
- > muster/demand levels are consistent with 2014/15
- > estimated year-end information for 2014/15 was used as the opening position for the 2015/16 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 asset 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.

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.

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 recognised in surplus or deficit in the period of the write-down.

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, which include motor vehicles and furniture and fittings, 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 Property, Plant and Equipment PBE IPSAS 17.

For newly constructed assets, the department recognises the asset and corresponding liability, as the asset is being progressively constructed. Service concession arrangements, while 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	3 – 75 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

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 and overhead 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

Biological assets are initially recorded at fair value less costs associated with the sale or disposal of those assets.

Forestry

Forestry assets are independently revalued on an annual basis. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined post-tax rate.

Gains or losses arising from a change in fair value less costs associated with the sale or disposal of those assets are recognised in the Statement of Comprehensive Revenue and Expense.

The costs to maintain forestry assets are included in the Statement of Comprehensive Revenue and Expense.

Livestock

Livestock 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.

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 and 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 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.

Other financial 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.

Provisions

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

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

Provisions are not recognised for 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

Where the benefits to be derived from a contract are lower than the unavoidable costs of meeting the obligation under the contract, a provision is recognised. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

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 (IR) at balance date is included in creditors or debtors as appropriate. The net amount of GST paid to, or received from IR 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 amortised over the unexpired period of the lease or the estimated useful life of the 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 accounting policies

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

Cost allocation

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

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

Changes in cost accounting policies

There have been no changes in cost accounting policies during the period.

NOTE 2: OTHER REVENUE

2014 Actual \$000		2015 Actual \$000
37,201	Sale of goods	35,388
3,552	Board and rents	3,410
143	Profit on sale of assets	3,454
–	Insurance proceeds	4,508
474	Revenue other	17
41,370	Total other revenue	46,777

Sale of goods mainly comprises revenue from offender employment activities such as farming and forestry.

Insurance proceeds relate to settlement of claims for the 2012 Christchurch earthquake (\$3.3 million) and the 2013 Spring Hill Corrections Facility riot (\$1.2 million).

NOTE 3: PERSONNEL COSTS

2014 Actual \$000		2015 Actual \$000	2015 Budget (unaudited) \$000	2016 Forecast* (unaudited) \$000
522,218	Salaries and wages	521,051	526,539	524,402
1,237	ACC Partnership Programme	936	–	–
408	Government Superannuation Fund contribution expense	350	280	243
13,271	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	13,583	14,449	13,630
1,230	Retiring and long service leave	1,641	1,797	1,641
1,120	Termination benefits	6,497	–	–
539,484	Total personnel costs	544,058	543,065	539,916

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

NOTE 4: OPERATING COSTS

2014 Actual \$000		2015 Actual \$000	2015 Budget (unaudited) \$000	2016 Forecast* (unaudited) \$000
17,205	Operating lease rentals	16,739	16,827	17,500
366	Audit fees for annual audit	370	361	370
50	Fees to auditors for other services	39	–	–
76,723	Facilities maintenance	71,825	76,475	70,125
57,551	Offender management costs	55,506	58,161	53,693
34,378	Information technology costs	32,246	33,589	33,165
66,661	Contract management	86,680	77,018	107,670
29,458	Administration	24,383	23,148	25,236
168	Receivables written off during period	7	–	–
10,069	Inventory expenses	9,104	9,033	9,022
46,577	Other operating costs	47,492	18,330	29,342
3,328	Loss on sale of assets	2,396	–	–
342,534	Total operating costs	346,787	312,942	346,123

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

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 year ended 30 June 2015 was 8% per annum (2014: 8% per annum).

NOTE 6: CASH AND CASH EQUIVALENTS

2014 Actual \$000		2015 Actual \$000
82,337	Cash and bank balances	58,459
82,337	Total cash and cash equivalents	58,459

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.

NOTE 7: DEBTORS AND OTHER RECEIVABLES

2014 Actual \$000		2015 Actual \$000
CURRENT PORTION		
Exchange transactions		
4,453	Trade debtors – external	1,554
189	Employee advances	207
(24)	Less provision for impairment	(6)
4,618	Trade debtors – external and employees	1,755
2,253	Trade debtors – other government entities	1,312
2,253	Trade debtors – other government entities	1,312
Non-exchange transactions		
381,469	Debtor Crown	337,839
381,469	Debtor Crown	337,839
–	Trade debtors – external	3,296
–	Trade debtors – external	3,296
388,340	Total debtors and other receivables	344,202

The carrying value of trade debtors approximates their fair value.

The debtor Crown of \$337.8 million (2014: \$381.5 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.

Trade debtors relating to non-exchange transactions represents the balance of insurance proceeds owed in relation to the 2012 Christchurch earthquake.

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

	Gross \$000	2014 Impairment \$000	Net \$000	Gross \$000	2015 Impairment \$000	Net \$000
Not past due	386,847	–	386,847	342,255	–	342,255
Past due 1-30 days	1,283	–	1,283	1,164	–	1,164
Past due 31-60 days	65	–	65	441	–	441
Past due 61-90 days	41	(24)	17	151	–	151
Past due > 90 days	128	–	128	197	(6)	191
	388,364	(24)	388,340	344,208	(6)	344,202

As at 30 June 2015 (and 30 June 2014), 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:

2014 Actual \$000		2015 Actual \$000
71	Balance at 1 July	24
(47)	Provisions released during the year	(18)
24	Balance at 30 June	6

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

Those specific debtors that are insolvent are fully provided for. As at 30 June 2015 the department had no debtors that were insolvent (2014: Nil).

NOTE 8: INVENTORIES

2014 Actual \$000		2015 Actual \$000
3,448	Inventory held for the provision of goods and services	3,328
657	Finished goods	549
4,105	Total inventories	3,877

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.

NOTE 9: INVESTMENTS

2014 Actual \$000		2015 Actual \$000
Non-current portion		
7,130	Investments	6,064
7,130	Total investments	6,064

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.

NOTE 10: 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 2014. Nigel Hoskin B.B.S (VPM), ANZIV certified this valuation. The total fair value of freehold land and buildings valued by Beca Group at 30 June 2014 was \$1,998 million.

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 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.

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 includes buildings \$134.4 million (2014: \$91.4 million), leasehold improvements \$6.3 million (2014: \$6.4 million) and service concession arrangements Nil (2014: \$231.3 million).

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 located in rural areas. 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 \$1.5 million (2014: \$2.1 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 \$102.1 million.

There are no 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

Operations at the new 960 bed Auckland South Corrections Facility commenced in May 2015. The facility was designed, financed and built through a Public Private Partnership with SecureFuture Wiri Limited (contractor). Under the agreement the department provided existing department owned land, adjacent to the Auckland Region Women's Corrections Facility to the contractor on which to build the prison. SecureFuture will continue to operate and maintain the prison for a period of 25 years, after which responsibility for ongoing maintenance and operation 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 comprises land \$8.7 million, buildings \$300.5 million and plant and equipment \$19.3 million.

During the year finance costs of \$18 million were capitalised during the construction period (2014: \$10.8 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 liability. Repayment of the service concession liability will be over a term of 25 years from service commencement at an effective interest rate of 6.1% 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
- > the service costs – these costs cover operation of the prison as well as routine repairs and maintenance required to keep the prison 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 fifteen 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.

	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 2013	206,598	1,816,410	29,018	49,772	6,515	47,541	47,481	-	110,810	2,314,145
Additions	2,306	55,475	(450)	3,533	1,791	797	2,939	-	231,449	297,840
Revaluation incr/(decr)	(42,495)	(41,490)	-	-	-	-	-	-	-	(83,985)
Disposals	-	-	(424)	(1,371)	(55)	(1,319)	(1,076)	-	(505)	(4,750)
Transfers	443	6,497	348	5,367	40	28	2	-	(12,704)	21
Cost or valuation at 30 June 2014	166,852	1,836,892	28,492	57,301	8,291	47,047	49,346	-	329,050	2,523,271
Add: Movements										
Additions	-	40,262	155	1,551	561	3,281	3,013	-	191,649	240,472
Revaluation incr/(decr)	92	(514)	-	-	-	-	-	-	-	(422)
Disposals	(17,621)	(707)	(295)	(1,232)	(47)	-	(8,089)	-	-	(27,991)
Transfers	(8,641)	51,360	4,917	1,361	540	562	591	329,309	(379,956)	43
Cost or valuation at 30 June 2015	140,682	1,927,293	33,269	58,981	9,345	50,890	44,861	329,309	140,743	2,735,373
Accumulated depreciation and impairment losses										
Balance 1 July 2013	-	(206,876)	(11,896)	(33,887)	(6,096)	(41,615)	(27,120)	-	-	(327,490)
Depreciation expense	-	(96,301)	(3,935)	(4,273)	(490)	(3,773)	(4,413)	-	-	(113,185)
Disposals	-	-	424	1,199	51	1,318	911	-	-	3,903
Transfers	-	303,076	-	-	-	-	-	-	-	303,076
Revaluation incr/(decr)	-	(447)	-	-	-	-	-	-	-	(447)
Accumulated depreciation and impairment losses at 30 June 2014	-	(548)	(15,407)	(36,961)	(6,535)	(44,070)	(30,622)	-	-	(134,143)
Add: Movements										
Depreciation expense	-	(105,902)	(3,253)	(3,938)	(857)	(2,610)	(4,627)	(852)	-	(122,039)
Disposals	-	28	295	1,183	47	-	6,863	-	-	8,416
Accumulated depreciation and impairment losses at 30 June 2015	-	(106,422)	(18,365)	(39,716)	(7,345)	(46,680)	(28,386)	(852)	-	(247,766)
Carry amounts per asset class										
At 30 June 2014	166,852	1,836,344	13,085	20,340	1,756	2,977	18,724	-	329,050	2,389,128
At 30 June 2015	140,682	1,820,871	14,904	19,265	2,000	4,210	16,475	328,457	140,743	2,487,607

* 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 11: INTANGIBLE ASSETS

	Acquired software \$000	Internally generated software \$000	Assets under construction \$000	Total intangible assets \$000
Cost or valuation				
Balance 1 July 2013	24,959	56,406	33,020	114,385
Additions	1,939	2,001	17,078	21,018
Disposals	(952)	(748)	(1,934)	(3,634)
Transfers	6,990	4,366	(11,377)	(21) *
Cost or valuation at 30 June 2014	32,936	62,025	36,787	131,748
Add: Movements				
Additions	206	5,702	16,817	22,725
Disposals	–	–	(2,071)	(2,071)
Transfers	3,896	22,185	(26,124)	(43) *
Cost or valuation at 30 June 2015	37,038	89,912	25,409	152,359
Accumulated depreciation and impairment losses				
Balance 1 July 2013	(19,807)	(35,978)	–	(55,785)
Amortisation expense	(3,167)	(6,049)	–	(9,216)
Disposals/transfers	494	455	–	949
Accumulated depreciation and impairment losses at 30 June 2014	(22,480)	(41,572)	–	(64,052)
Add: Movements				
Amortisation expense	(3,084)	(9,019)	–	(12,103)
Accumulated depreciation and impairment losses at 30 June 2015	(25,564)	(50,591)	–	(76,155)
Carrying amounts				
At 30 June 2014	10,456	20,453	36,787	67,696
At 30 June 2015	11,474	39,321	25,409	76,204

* 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 are classified as assets under construction and capitalised at the in-service date. There are no restrictions over the title of the department's intangible assets, nor are any intangible assets pledged as security for liabilities.

NOTE 12: BIOLOGICAL ASSETS

	Forest crop	Livestock	Total biological assets
	\$000	\$000	\$000
Cost or valuation			
Balance at 1 July 2014	40,554	12,669	53,223
Purchases	–	224	224
Net gain/(loss) due to: regeneration, maturation and changes in unit values	751	6,779	7,530
Sales/harvest	(8,465)	(9,579)	(18,044)
Disposal of forest crop	(32,840)	–	(32,840)
Cost or valuation at 30 June 2015	–	10,093	10,093
Net change			
	(40,554)	(2,576)	(43,130)
Change due to disposal of forest crop	(32,840)	–	(32,840)
Change due to movement in quantity	–	(1,383)	(1,383)
Change due to movement in fair value	(7,714)	(1,193)	(8,907)
Carrying amounts			
At 30 June 2014	40,554	12,669	53,223
At 30 June 2015	–	10,093	10,093

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

Forests

The department sold the Tongariro/Rangipō forest crop and land to the Central North Island Forests Iwi Collective (the collective) under a treaty settlement on 30 June 2015. A robust and independent valuation process was agreed and undertaken by both parties. The Crown Forestry unit within the Ministry for Primary Industries was involved throughout the process including the review of both valuations. This process resulted in an agreed settlement price of the valuation midpoint, which reflected fair value at the date of settlement.

Livestock

The department farms sheep, cattle, deer and pigs at various locations throughout New Zealand. At 30 June 2015, livestock on hand comprised 12,078 sheep (2014: 14,491); 731 beef cattle (2014: 1,692); 4,404 dairy cattle (2014: 4,463); 2,605 deer (2014: 2,740) and 7,492 pigs (2014: 7,191).

The valuation of livestock is based on the active market price and was undertaken by various independent livestock valuers. The overall decrease in the number of livestock was primarily due to the de-stocking at the Tongariro/Rangipō farm in preparation for settlement with the collective.

Financial risk management strategies

The department is exposed to financial risks arising from changes in commodity prices, in particular the price of milk solids. However the financial risk is not considered to be material. The department reviews its outlook for livestock and milk prices regularly in considering the need for active financial risk management.

NOTE 13: CREDITORS AND OTHER PAYABLES

2014 Actual \$000		2015 Actual \$000
	CURRENT PORTION	
	Exchange transactions	
22,778	Trade creditors	14,119
87,117	Accrued expenditure	80,863
	Non-exchange transactions	
9,854	GST payable	9,312
119,749	Total creditors and other payables	104,294

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 14: EMPLOYEE ENTITLEMENTS

2014 Actual \$000		2015 Actual \$000
	Current liabilities	
23,305	Retiring and long service leave*	24,572
50,485	Annual leave	52,066
1,632	Sick leave	2,327
75,422	Total current portion	78,965
	Non-current liabilities	
13,580	Retiring and long service leave*	16,025
13,580	Total non-current portion	16,025
89,002	Total provision for employee entitlements	94,990

* Retiring and long service leave liabilities include \$2.1 million relating to the impact of a reduction in the discount rates assumed in the actuarial valuation.

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

The department classifies employee entitlements as current that:

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

The present value of the 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 2015 (2014: Greg Lee from Aon Hewitt).

The major assumptions used in the 30 June 2015 valuation are that future salary growth rates are 3.00% (2014: 3.00%) per annum and discount rates ranged from 3.18% to 5.50% (2014: 3.42% to 5.50%) 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 15: PROVISIONS

2014 Total provisions Actual \$000		2015 Restructuring Actual \$000	2015 Employee accidents Actual \$000	2015 Other provisions Actual \$000	2015 Total provisions Actual \$000
	Current provisions				
6,655	Balance at 1 July	773	5,483	577	6,833
2,518	Additional provisions made during the year	5,557	989	394	6,940
(1,475)	Charged against provision for the year	(709)	(530)	(180)	(1,419)
(865)	Provision reversed during the year	(64)	–	(59)	(123)
6,833	Current provisions	5,557	5,942	732	12,231
6,833	Total provisions	5,557	5,942	732	12,231

Restructuring

The 2015 provision relates to the Lifting Productivity and Performance in New Zealand's Prisons restructure announced in May 2015. The restructure is centred on unifying the prison resources and closing individual facilities at Waikeria, Tongariro/Rangipō and Rimutaka prisons which are no longer fit for purpose. The prison unit closures will commence in 2015/16 and are scheduled to be fully completed by April 2016.

The 2014 restructuring provision related to the Lifting our Productivity Programme and the 2012 organisation realignment which resulted in disestablished positions. The restructuring was completed during the current year.

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, Mark Weaver (Fellow of the New Zealand Society of Actuaries) from Melville Jessup Weaver provided an estimate of the outstanding claims liability as at 30 June 2015 and 2014.

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 NZ Employers Programme (ACCEP) for the foreseeable future. If the department were to exit immediately, a risk margin of 12.8% (2014: 12.0%) per annum would be added by ACC.

The estimated ACCEP outstanding claims liability as at 30 June 2015 included a provision for future claims handling expenses of 10.8% (2014: 11.2%) per annum of expected future claims costs.

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 between one to three years remaining on these leases.

NOTE 16: PROVISION FOR REPAYMENT OF SURPLUS TO THE CROWN

2014 Actual \$000		2015 Actual \$000
30,326	Net surplus	1,974
	Plus/(minus)	
(4,480)	Unrealised decrease/(increase) in fair value of biological assets	1,193
1,719	Unrealised decrease/(increase) in fair value of shares	1,084
–	Unrealised change in discount rates for retiring and long service leave	2,071
27,565	Provision for repayment of surplus to the Crown	6,322

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 surplus to the Crown is required to be paid by 31 October of each year.

NOTE 17: TAXPAYERS' FUNDS

Taxpayers' funds comprise general funds, revaluation reserves and fair value through other comprehensive revenue and expense reserves.

2014 Actual \$000		2015 Actual \$000
GENERAL FUNDS		
1,753,732	Balance at 1 July	1,759,693
30,326	Net surplus	1,974
–	Transfer from fair value through equity reserve	2,267
3,200	Capital contribution from the Crown	–
–	Capital returned to the Crown	(63,967)
33,526	Total movement in general funds	(59,726)
(27,565)	Provision for repayment of surplus to the Crown (Note 16)	(6,322)
1,759,693	Balance at 30 June	1,693,645
REVALUATION RESERVES		
538,846	Balance at 1 July	757,490
218,644	Revaluation (losses)/gains	(422)
757,490	Balance at 30 June	757,068
FAIR VALUE THROUGH EQUITY RESERVE		
2,267	Balance at 1 July	2,267
–	Transfer to general funds	(2,267)
2,267	Balance at 30 June	–
759,757	Reserves total	757,068
2,519,450	Total taxpayers' funds at 30 June	2,450,713

The department has no restricted reserves.

The transfer from fair value through equity reserve to general funds relates to an asset disposed of in a prior period.

Capital returned to the Crown mainly relates to the Tongariro/Rangipō forest crop and land sale proceeds and the departments' contribution to the Justice Sector precinct land purchase in Christchurch.

2014 Actual \$000		2015 Actual \$000
	Revaluation reserves	
	Land	
135,271	Revaluation reserves at 1 July	92,776
(42,495)	Revaluation gains/(losses)	92
92,776	Revaluation reserves at 30 June	92,868
	Buildings	
403,575	Revaluation reserves at 1 July	664,714
261,139	Revaluation (losses)/gains	(514)
664,714	Revaluation reserves at 30 June	664,200
757,490	Total reserves at 30 June	757,068
	Fair value through equity reserve	
2,267	Revaluation reserves at 1 July	2,267
–	Transfer to general funds	(2,267)
2,267	Revaluation reserves at 30 June	–
759,757	Total reserves at 30 June	757,068

NOTE 18: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

2014 Actual \$000		2015 Actual \$000
30,326	Net surplus	1,974
	<i>Add/(less) non-cash items</i>	
122,401	Depreciation and amortisation	134,142
–	Dividends received	(18)
(74)	Non-current employee entitlements	2,445
122,327	Total non-cash items	136,569
	<i>(Increase)/decrease in working capital</i>	
(60,678)	Debtors and other receivables	44,138
200	Inventories	228
2,921	Prepayments	(331)
24,739	Creditors and other payables	(15,455)
(2,849)	Provisions	5,398
3,155	Employee entitlements	3,543
(32,512)	Working capital movements – net	37,521
	<i>Add/(less) items classified as investing or financing activities</i>	
(4,940)	Biological assets revaluation loss/(gain)	10,290
1,719	Shares fair value decrease/(increase)	1,084
–	Interest and dividends received	(344)
3,185	Net loss on sale or disposal of non current assets	2,028
(36)	Total investing activity items	13,058
120,105	Net cash flow from operating activities	189,122

NOTE 19: ADJUSTMENT ARISING ON TRANSITION TO THE NEW PBE ACCOUNTING STANDARDS

Reclassification adjustments

There has been no reclassification on the face of the financial statements in adopting the new PBE accounting standards.

Recognition and measurement adjustments

The department elected to early adopt PBE IPSAS 32 *Service Concession Arrangement – Grantor* in its 2013 financial statements. As a result no recognition and measurement adjustments were required to the financial statements for the year ended 30 June 2015 including comparatives.

The department reviewed all its revenue streams to determine whether the revenue is exchange or non-exchange. There were no recognition or measurement adjustments required as a result of this review.

NOTE 20: 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. During the year legal services were purchased from Minter Ellison Rudd Watts. A partner of this legal firm is the brother of a member of the department's Executive Leadership Team. The partner was not involved in providing any advice to the department. Purchases during the year totalled \$0.025 million (2014: \$0.003 million) and the transactions were conducted under normal arms' length commercial terms. There is a nil balance outstanding at 30 June 2015 (2014: Nil).

The department has not entered into any commitments with any related parties.

The Treasury advises that responsible Minister Hon Peseta Sam Lotu-Iiga (effective 8 October 2014) and previously Minister Hon Anne Tolley have certified that they have no related party transactions for the year ended 30 June 2015 (2014: Minister Hon Anne Tolley – Nil).

Remuneration applicable to key management personnel is disclosed under Note 21.

NOTE 21: KEY MANAGEMENT PERSONNEL COMPENSATION

The department's key management personnel are the six members of the Executive Leadership Team (2014: six), which include the Chief Executive, four Deputy Chief Executives and the National Commissioner.

2014 Actual \$000		2015 Actual \$000
2,065	Executive Leadership Team remuneration	2,195
2,065	Total key management personnel compensation	2,195

NOTE 22: POST-BALANCE DATE EVENTS

The department 'Stepped-in' to the management of the Mount Eden Corrections Facility (MECF) on 27 July 2015. MECF is operated under contract to the department by Serco. The decision to Step-in arises from incidents and events at MECF before and after balance date. The Step-in process may result in financial implications under the contract, including the recovery of Step-in costs. As of the date the financial statements were authorised for issue the financial and non-financial implications had yet to be determined, however, it is unlikely that these would have a material impact on the financial statements or performance information for the period ended 30 June 2015. Accordingly, no adjustment has been made, or is considered appropriate, to the 2014/15 financial statements or performance information as a result of the Step-in.

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

NOTE 23: 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.

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

	Quoted market price \$000	Total \$000
As at 30 June 2015		
Local currency financial assets		
Cash and cash equivalents (Note 6)	58,459	58,459
Investments (Note 9)	6,064	6,064
Total local currency financial assets	64,523	64,523
As at 30 June 2014		
Local currency financial assets		
Cash and cash equivalents (Note 6)	82,337	82,337
Investments (Note 9)	7,130	7,130
Total local currency financial assets	89,467	89,467

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.

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 primarily relate to its service concession arrangement which is interest bearing at the effective interest rate of 6.1% per annum. There is no interest rate risk exposure at balance date as the interest rate is fixed until August 2019.

The department has obtained ministerial approval for borrowing in relation to its service concession arrangement.

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 New Zealand Debt Management Office (NZDMO).

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

The department's maximum credit risk exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents (Note 6) and debtors and other receivables (Note 7) 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:

2014 Actual \$000		2015 Actual \$000
	Counterparties with credit ratings	
	Cash and cash equivalents (Note 6)	
82,337	AA-	58,459
82,337	Total cash and cash equivalents	58,459
	Investments (Note 9)	
7,130	A+	6,064
7,130	Total investments	6,064
	Counterparties without credit ratings	
	Debtors and other receivables (Note 7)	
388,340	Existing counterparty with no defaults in the past	344,202
388,340	Total debtors and other receivables	344,202

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.

Other financial liabilities mainly represent the department's service concession arrangement with SecureFuture Wiri Limited. Repayment of the liability will be over a term of 25 years from service commencement at an effective interest rate of 6.1% per annum. The department has no securities against other financial liabilities. The value of the service concession arrangement asset is greater than the liability due to the asset including existing department owned land and other internally generated costs.

The department has entered into an agreement with Next Step Partners LP to design, rebuild, finance and maintain the maximum security Auckland East section of Auckland Prison under a Public Private Partnership (PPP). Other financial liabilities include \$8.6 million of design and site development works completed to date under an Early Works Agreement, with a corresponding asset recognised under assets under construction.

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.

2014 Actual \$000		2015 Actual \$000
	Creditors and other payables (Note 13)	
119,749	Less than six months	104,294
	Other financial liabilities	
300	Less than one year	10,562
25,800	One to five years	29,502
205,233	More than five years	280,196
351,082		424,554

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each of the PBE IPSAS 29 categories are as follows:

2014 Actual \$000		2015 Actual \$000
FINANCIAL ASSETS		
Loans and receivables		
82,337	Cash and cash equivalents (Note 6)	58,459
388,340	Debtors and other receivables (Note 7)	344,202
470,677	Total cash and receivables	402,661
Fair value through total comprehensive revenue and expense		
7,130	Investments (Note 9)	6,064
7,130	Total investments	6,064
477,807	Total financial assets	408,725
FINANCIAL LIABILITIES		
Measured at amortised cost		
119,749	Creditors and other payables (Note 13)	104,294
231,333	Other financial liabilities	320,260
351,082	Total financial liabilities	424,554

NOTE 24: CAPITAL MANAGEMENT

The department's capital is its taxpayers' funds, which comprise general funds, revaluation reserves and fair value through other comprehensive revenue and expense reserves. Taxpayers' funds are represented by net assets.

In accordance with the *Public Finance Act 1989* (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 asset management plans in place 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 that the department acts 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 its goals and objectives for which it has been established, while remaining a going concern.

NOTE 25: 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 higher than budget by \$43.2 million mainly due to:

- > the impact of asset revaluation of land and buildings as at 30 June 2014
- > one-off funding received from the Justice Sector Fund to offset cost pressures mostly arising from the impact of the asset revaluation as at 30 June 2014 (depreciation) and costs associated with Auckland South Corrections Facility
- > funding brought forward from 2015/16 in relation to Lifting Productivity and Performance in New Zealand's Prisons.

Other revenue was higher than budget by \$14.9 million mainly due to:

- > higher offender employment activity revenue primarily driven by increased forestry logging volumes, favourable market prices for livestock sales and increased building refurbishment and catering activities, partly offset by lower milk prices
- > insurance proceeds relating to the Christchurch earthquake and the Spring Hill Corrections Facility riot costs which were incurred in previous years
- > profit on sale of assets.

Operating costs were higher than budget by \$33.8 million mainly due to:

- > contract management costs associated with service commencement at Auckland South Corrections Facility
- > one-off project costs to transfer all Electronic Monitoring services to one supplier
- > increased costs associated with offender employment activities, in particular higher logging volumes, and increased building refurbishment and catering activities
- > loss on sale of assets
- > remeasurement loss due to livestock quantity movement.

Depreciation and amortisation was lower than budget by \$11.5 million due to the reprioritisation of capital projects and the deferral of capital expenditure to 2017/18.

Capital charge was higher than budget by \$17.3 million mainly due to the revaluation of land and buildings as at 30 June 2014.

Statement of Financial Position

Cash and cash equivalents were significantly lower than budget to align with Treasury's best practice of minimising cash surpluses.

Debtors and other receivables were higher than budget by \$161.5 million mainly due to an increase in debtor Crown, as a consequence of the department requiring less cash.

Property, plant and equipment was higher than budget by \$121.5 million due to the revaluation gains on land and buildings as at 30 June 2014. The gains on buildings were mainly due to increases in construction costs and re-assessment of useful lives. This was partly offset by capital expenditure being deferred to 2017/18 and the sale of the Tongariro/Rangipō forest land on 30 June 2015.

Biological assets were lower than budget by \$38.5 million mainly due to the sale of the Tongariro/Rangipō forest crop on 30 June 2015.

Creditors and other payables were higher than budget by \$16.3 million due to the timing of accruals.

Total employee entitlements were higher than budget by \$13 million mainly due to changes in actuarial valuations and higher rates of remuneration.

Total other financial liabilities were higher than budget by \$10.6 million mainly due to the commencement of design and site development works at the maximum security Auckland East section of Auckland Prison.

General funds were lower than budget by \$63.3 million mainly due to capital withdrawals during the year, in particular, proceeds from the Tongariro/Rangipō forest crop and land sale on 30 June 2015.

Reserves were higher than budget by \$216 million mainly due to the revaluation gains on land and buildings as at 30 June 2014.

Statements of Expenses and Capital Expenditure

Statement of Budgeted and Actual Expenses and Capital Expenditure Against Appropriations

FOR THE YEAR ENDED 30 JUNE 2015

2014 Expenditure after remeasurements		2015 Expenditure before remeasurements	2015 Remeasurements	2015 Expenditure after remeasurements	2015 Appropriation voted (unaudited)	2016 Forecast* (unaudited)
\$000		\$000	\$000	\$000	\$000	\$000
VOTE: CORRECTIONS						
Departmental output expenditure						
51,767	Information Services	51,690	(18)	51,672	51,698	50,768
	Policy Advice and Ministerial Services MCA	4,406	(1)	4,340	4,812	4,371
3,071	– Policy Advice	3,333	(1)	3,332	3,836	3,331
1,335	– Ministerial Services	1,008	–	1,008	976	1,040
759,219	Prison-based Custodial Services	790,972	(1,673)	789,299	791,243	813,775
161,937	Rehabilitation and Reintegration	179,425	(10,303)	169,122	169,594	192,343
210,307	Sentences and Orders Served in the Community	213,790	(67)	213,723	215,188	212,539
1,489	Contract Management of Services provided by Third Parties	2,005	–	2,005	2,256	–
1,189,125	Total departmental output expenditure	1,242,223	(12,062)	1,230,161	1,234,791	1,273,796
Appropriation for capital expenditure						
318,858	Corrections – Permanent Legislative Authority	263,197	–	263,197	295,655	298,295

* Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2015

Refer to Part B: Statement of Performance for detailed performance against each output class (pages 62-89).

Changes in appropriation structure

Contract Management of Services provided by Third Parties appropriation will be consolidated within the Prison-based Custodial Services appropriation from 1 July 2015.

Statement of Capital Injections

FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual	2015 Actual	2015 Appropriation voted (unaudited)
\$000	\$000	\$000
VOTE: CORRECTIONS		
3,200	Capital injections	-
		-

Statement of Capital Injections Without, or in Excess of, Authority

FOR THE YEAR ENDED 30 JUNE 2015

The department has not received any capital injections during the year without, or in excess of, authority.

Statement of Expenses and Capital Expenditure Incurred Without Appropriation or Other Authority

FOR THE YEAR ENDED 30 JUNE 2015

The department had no expenses and capital expenditure incurred without appropriation or other authority or in excess of an existing appropriation or other authority, in relation to the activities of the department (2014: Nil).



**Department of Corrections
Annual Report - Part D**

Appendices

Appendix One: Recidivism Index

RECIDIVISM INDEX - 12 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2013/14

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2013/2014)		28.1	43.7	4.9	27.4
Gender	Female	16.0	34.8	2.3	20.7
	Male	29.3	44.6	5.6	29.2
Ethnicity	Māori	32.1	49.0	6.6	32.8
	European	23.9	38.5	4.3	25.9
	Pacific	23.0	36.8	4.1	26.4
	Other (incl. Asian)	12.5	21.0	3.3	21.8
Age (at prison release or start of community sentence)	Less than 20 years	46.0	68.3	5.9	41.7
	20-24 years	36.1	54.6	5.6	31.6
	25-29 years	32.5	49.4	5.6	28.3
	30-39 years	26.0	41.7	5.1	26.2
	40 and above	16.1	26.8	3.0	17.2
Gang affiliate	Active	41.7	58.0	17.4	50.8
	Former	33.8	54.2	11.8	40.0
	Never	22.3	37.1	3.9	25.5
Offence group (Most serious or original sentence)	Breaches	33.5	50.6	9.8	34.7
	Burglary	41.0	58.9	6.9	40.1
	Dishonesty	38.8	57.9	7.4	34.8
	Drugs	10.4	19.6	3.5	20.1
	Property damage	28.4	49.0	7.2	35.3
	Sexual	8.7	14.4	2.1	11.6
	Traffic	16.9	32.0	2.5	21.9
	Violence	26.2	42.3	4.7	26.7
	Weapons	38.2	55.5	5.8	34.8
	Other offence	31.4	46.9	5.2	26.7
Community sentence	Community work	N/A	N/A	5.4	29.4
	Supervision	N/A	N/A	4.9	25.0
	Intensive supervision	N/A	N/A	6.4	34.8
	Community detention	N/A	N/A	1.6	23.4
	Home detention sentence	N/A	N/A	4.5	19.5
Prisoner security classification (at release)	Maximum	76.7	86.0	N/A	N/A
	High	52.0	67.9	N/A	N/A
	Low Medium	37.4	54.8	N/A	N/A
	Low	24.2	42.5	N/A	N/A
	Minimum	9.5	21.0	N/A	N/A
Release type	Parole	15.6	25.0	N/A	N/A
	Post-release conditions	32.6	50.0	N/A	N/A
Sentence length	Less than 6 months	33.5	53.5	3.1	24.2
	6 months to <1 year	32.3	47.5	5.0	24.5
	1 year to <2 years	28.3	42.5	6.3	34.8
	2 years to <3 years	14.9	25.5	N/A	N/A
	3 years to <5 years	16.0	25.9	N/A	N/A
	5 years or more	10.2	13.9	5.4	29.4
All (2012/2013)		25.9	41.7	4.4	26.4

RECIDIVISM INDEX - 24 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2012/13

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2012/2013)		36.5	57.0	6.8	38.3
Gender	Female	21.2	44.1	3.3	28.5
	Male	38.1	58.4	7.7	40.9
Ethnicity	Māori	41.3	63.2	9.1	44.6
	European	32.8	51.4	5.5	36.3
	Pacific	25.5	46.6	5.7	36.7
	Other (incl. Asian)	17.8	33.9	4.1	28.5
Age (at prison release or start of community sentence)	Less than 20 years	54.2	80.4	8.8	54.8
	20-24 years	41.4	66.9	7.2	43.7
	25-29 years	42.0	64.1	7.5	39.4
	30-39 years	35.7	54.6	7.3	36.9
	40 and above	24.7	39.9	4.4	24.9
Gang affiliate	Active	50.5	71.9	22.8	67.4
	Former	47.5	67.6	18.1	58.5
	Never	30.8	51.1	5.6	36.2
Offence group (Most serious or original sentence)	Breaches	38.4	64.7	13.3	46.7
	Burglary	54.3	75.0	11.2	53.7
	Dishonesty	47.2	68.6	8.4	43.7
	Drugs	20.4	34.8	5.5	31.4
	Property damage	39.3	65.2	9.3	50.6
	Sexual	15.8	25.9	1.9	16.3
	Traffic	22.9	45.9	4.0	32.5
	Violence	33.1	53.8	6.9	39.8
	Weapons	32.1	61.6	9.1	44.8
	Other offence	43.5	59.3	6.2	34.6
Community sentence	Community work	N/A	N/A	7.0	39.4
	Supervision	N/A	N/A	7.2	36.0
	Intensive supervision	N/A	N/A	10.6	49.4
	Community detention	N/A	N/A	2.1	35.3
	Home detention sentence	N/A	N/A	9.0	33.3
Prisoner security classification (at release)	Maximum	87.0	100.0	N/A	N/A
	High	62.0	80.5	N/A	N/A
	Low Medium	48.5	70.0	N/A	N/A
	Low	30.7	54.4	N/A	N/A
	Minimum	16.1	31.6	N/A	N/A
Release type	Parole	24.8	38.7	N/A	N/A
	Post-release conditions	40.4	62.9	N/A	N/A
Sentence length	Less than 6 months	41.0	64.7	4.9	36.3
	6 months to <1 year	40.8	62.5	7.6	36.2
	1 year to <2 years	38.6	59.3	12.5	49.2
	2 years to <3 years	24.9	41.8	N/A	100.0
	3 years to <5 years	23.8	36.3	N/A	N/A
	5 years or more	18.1	25.8	7.0	39.4
All (2011/2012)		36.8	58.9	6.6	38.7

Appendix Two: Recidivism Index and Rehabilitation Quotient

The Recidivism Index (RI) is the measure Corrections uses to represent progress in reducing in re-offending.

At one level the RI is fairly straightforward: it is the percentage of offenders in any given cohort that is 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 and a rolling cohort of all offenders.

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, 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 observed among 'untreated' offenders (offenders who are matched based on a range of risk-related factors, but 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 are those who completed programmes in prison and were released in the 12 months ending 31 March 2014. We analyse their re-offending over the 12 months following their individual release dates.

The cohort of community offenders are those who completed a programme on a community sentence, where the programme end date occurred within the 12 months ending 31 March 2014. Corrections then measure 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 Corrections continue to engage with stakeholders, as well as actively engaging with individuals and groups where our operations could potentially impact communities, eg the construction of Auckland South Corrections Facility (ASCF), temporary release of prisoners, and treaty settlements.

Corrections has spent more time working 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 Corrections 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 125 employers who provide Release to Work opportunities for offenders close to release from prison, we have signed Memoranda of Understanding with 33 employers agreeing to provide 293 jobs for prisoners upon release.

In March 2015 Corrections established an external advisory panel at each of our prisons to consider prisoners' cases for undertaking specified reintegrative activities outside the secure perimeter of the prison. The panels include custodial and case management staff, and representatives from local police and the community. This approach provides a more holistic view of the risk a prisoner could pose on a temporary day release, for example on Release to Work, as well as a balanced view of how to manage that risk appropriately.

As part of the development of ASCF a community impact forum and a tangata whenua committee were established to address social and cultural effects on the local community. These two committees played a key role in enabling Corrections to work with the community and ensure concerns regarding the prison were addressed.

Corrections is engaging with the local community on replacement of the maximum security unit at Auckland Prison. The current facility is outdated and does not facilitate the delivery of modern rehabilitation and reintegration programmes to support Corrections' goal of reducing re-offending. The design of the new facility will prioritise the safety and security of prisoners, staff and the public. Corrections provides project updates to the local community via a local newsletter, a local email distribution list and our website.

On 30 June 2015 Corrections sold 8,500ha of land and forest to Ngati Tūwharetoa under a treaty settlement. The Tongariro/Rangipō Prison is on this land and under the agreement, Corrections will retain the prison buildings and ancillary buildings and will lease the land along with the training farm. This will enable Corrections to continue to give prisoners training opportunities to help ready them for life outside prison.

The deal has been in negotiation since 2008 and has both cultural and commercial significance to Tūwharetoa as it rejoins the Lake Taupo Forest land to the north and Lake Rotoaira Forest land to the south.

The land includes several wāhi tapu and two rivers which are important to Ngati Tūwharetoa. The sale will provide the iwi involved with the resources to assist their economic, social and cultural development.

Engagement with family/whānau, iwi and local communities is an essential part of preparing people for reintegration ahead of leaving prison and once they are in the community. Iwi and community groups contributed to our reducing re-offending work through locally initiated programmes of activity funded by our Regional Initiative Fund. These stakeholders continue to assist us in identifying new and effective rehabilitation activities in prisons and in the community.

SECTION 190(1)(B)

A report on the work undertaken by the Corrections Inspectorate, 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 2014 / 2015 Pursuant to Section 190(1)(b) of the Corrections Act 2004

Introduction

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

Complaints to the inspectors of Corrections

Community-based sentences traditionally generate a very low volume of complaints to the inspectors. Only 15 were received for the year which is two more than received for the previous year.

The effective and timely resolution of prisoner complaints is the primary area of focus for inspectors and generates the majority of their workload. For reasons of safety, security, fairness and the mitigation of risk Corrections expects prisoner issues and concerns to be resolved as soon as practicable and at the lowest possible organisational level. In the normal course of events that is within the prison, at unit level. It is the responsibility of unit staff to resolve prisoner concerns by taking the appropriate action before they escalate into complaints or incidents. For those occasions where lower level resolution does not occur, or is not possible, the legislation provides Corrections with a two-tiered system of internal complaints resolution. At prison site level, a robust, auditable internal complaints system exists so that prisoners can formally take matters for resolution to their residential manager or prison director. This constitutes the first tier.

The Inspectorate is Corrections' second tier of complaints resolution. As such it is effectively Corrections' last opportunity to resolve a complaint before external agencies or court action become involved. There were 1,641 formal complaints received for the year. This was a slight increase on the 1,608 complaints received in 2013/2014.

It should be noted that the Inspectorate had altered the manner in which it handled complaints from 1 April 2013. Contacts from prisoners who had not used the internal complaints processes in the first instance are now referred back to prison management and are recorded by the Inspectorate as an information contact and not as a complaint. Complaints are now only recorded by the Inspectorate following a formal decision on their complaint being made by management, which the prisoner did not accept. The exception to this rule is where there is an identified risk to the safety of any individual, or the matter relates to a statutory review where timeframes are critical, in these cases the Inspectorate will immediately become involved.

Only 42 of the 1,641 complaints received in the 2014/2015 year were found to be justified. At 3% of total complaints this is a very low proportion of the thousands of interactions that occur between Corrections and offenders every year.

While a complaint may not be categorised as justified, it does not mean that the complaint was without merit or validity. It was considered that in most cases prison management may not have been given the opportunity to resolve the matter in the first instance. It is anticipated that with the alteration to the Inspectorate complaint handling process, the ratio of justified complaints would rise as prison management would have had the opportunity to address the issue prior to the Inspectorate becoming involved.

The highest category of justified complaints (14) related to internal complaint forms not being processed or actioned appropriately by prison staff. These were isolated incidents of individual staff non-compliance with the system requirements rather than any systemic issues and in general were related to excessive time taken to resolve the issue or provide a formal response to the prisoner.

0800 Complaints Line

Since 1997, the Inspectorate has operated a 0800 free-call phone line that offenders, and in particular prisoners and their families could use to raise a complaint directly with an inspector during normal business hours. In 2014/2015 there were 3,288 calls received, of which 1,397 were recorded as a formal complaint. The remaining contacts were for general information or clarification of issues or repeat calls about the same issue.

This facility still generates the vast majority of the contacts prisoners make with the inspectors every year. While only 1,397 of these contacts resulted in formal complaints during 2014/2015, the service is of considerable value as it allows a prisoner to immediately bring a serious concern to the attention of an inspector. The inspector is also in a position to immediately highlight a concern to prison management regarding a prisoner's state of mind and potential risk to themselves, or others, as a result of these calls.

Investigations

In addition to the prison visiting and complaints resolution activities, the inspectors have conducted full investigations of 18 prisoner deaths in custody (10 assumed natural causes, seven assumed suicides and one assumed homicide). This is a significant increase on the 13 deaths investigated for 2013/2014. The conduct of these investigations has been monitored by investigating officers from the Office of the Ombudsmen who attended most scene examinations and interviews and were kept apprised of developments throughout.

Two further special investigations have commenced into prisoner-on-prisoner assaults which resulted in serious injuries being suffered by a prisoner at Mount Eden Corrections Facility and another prisoner at Hawkes Bay Regional Prison.

In the interests of transparency, the inspectors have also continued to monitor the conduct and outcome of a number of internal prison investigations into prisoner's allegations of assault/abuse by staff. Twenty-six such monitoring reviews were commenced during the year, twenty-two have been finalised and four cases are still currently under investigation.

The issues identified in these investigations tend to reflect isolated instances of non-compliance with some specified systems, usually by an individual, rather than any systemic issues in practice with those systems.

A change to the Inspectorate work plan for the 2013/2014 year had been approved which would see the Inspectorate conducting special focus reviews of various aspects of prison operations using the Healthy Prison Standards¹, as developed and used by other international jurisdictions. Two reviews have been concluded into directed segregation and prisoner activities. A third review is currently underway which will consider rehabilitation and reintegration services.

Conclusion

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

It cannot be stressed enough that Corrections is, and will remain, a challenging environment to manage, and in which to work. Incidents are a fact of prison life in particular, and no jurisdiction in the world has developed an effective immunity to them.

Nonetheless, it remains the Inspectorate's view that Corrections can be proud of the overall quality of its services and of the ongoing dedication and professionalism of its staff and managers.

Andy Fitzharris

Chief Inspector of Corrections

¹ Standards for the treatment of prisoners worldwide all derive from Article 10 of the United Nations International Covenant on civil and political rights which state "All persons deprived of their liberty shall be treated with humanity and respect for the inherent dignity of the human person".

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, to prevent drug use, violence, and escapes, and to stop crimes being organised and committed in the community. We also share this information with the New Zealand Police, the Inland Revenue Department, the Ministry of Social Development, and other agencies to these ends.

Spark New Zealand provide 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 exception is 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 prisoner telephone call control system – which restricts the calls that prisoners are able to make. Only ten numbers are able to be loaded onto the prisoners 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 2014/15, 59,820 calls were monitored. 80% of these monitored calls produced valuable information to support the prevention and reduction 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 discover of drugs and other contraband.

SECTION 190(1)(F)

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

Corrections focuses on both the treatment of prisoners with drug and alcohol problems and the prevention of opportunities for prisoners to consume alcohol and drugs. Interventions targeting alcohol and drug abuse include the Alcohol, Smoking and Substance Involvement Screening Test (ASSIST), which is delivered by health staff and case managers to identify and judge levels of substance use, and brief Alcohol and Other Drug (AOD) programmes that educate prisoners about the negative impacts of their use of alcohol and drugs.

The number of offenders starting prison-based drug and alcohol interventions continues to increase since the implementation of a wider range of programmes commenced in the 2012/13 year. In 2014/15 Corrections delivered brief and intermediate level alcohol and other drug treatment programmes to 3,500 prisoners, and provided over 1,000 placements in the more intensive three month and six month Drug Treatment Unit (DTU) programmes. 80% of prisoners completed the DTU programme, and 88% completed the AOD brief, intermediate, and intensive programmes. Three additional sites were confirmed to start delivery of an eight week AOD intensive support programme towards the end of 2014/15, increasing the total number of sites offering this programme to five.

To reduce drug and alcohol use by offenders in the community, our probation officers are delivering effective brief alcohol and drug interventions to community-based offenders with an identified need for intervention. We have continued to work with the Ministry of Health to increase the availability of alcohol and other drug services to community-based offenders. In 2014/15 14,300 community offenders received brief alcohol and drug interventions delivered by probation officers.

In addition to the programmes aimed at repeat drink-drivers, funded by the Ministry of Health, we conducted a pilot of a brief early intervention programme for drink drivers with places for over 350 participants. This complements the programmes provided by partner agencies such as NZ Police and other road safety organisations. This pilot will expand to over 130 programmes in 2015/16 with places for up to 1,950 community offenders.

Corrections carried out 4,454 drug tests in prisons under the general random drug testing regime during 2014/15 (2013/14: 4,295). For the third consecutive year the percentage of general random drug tests that returned a positive result was 4%, outperforming our target of 6% or less.

On 26 February 2015, the *Drug and Alcohol Testing of Community-based Offenders and Bailees Legislation Bill* had its first reading in the House. The bill will allow drug and alcohol testing of offenders on community-based sentences, when they are subject to conditions prohibiting consumption or use. When the bill is passed it will enable Corrections and NZ Police to require such offenders to undergo drug and alcohol testing, greatly improving our capacity to hold offenders to account and maintain the integrity of their sentences.

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

A total of 155 training courses were attended by security officers employed by the Contractor. In addition to induction training, security officers received training in control and restraint, first aid, Prisoner Escorting & Court Custodial Services (PECCS) controller/assessor/ mandatory courses and class 2 drivers licence training.

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

There were no complaints made in relation to security officers employed by the Contractor.

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 two reported incidents involving violence by prisoners against other prisoners while in the custody of security officers employed by the Contractor. One incident was considered non-serious and the other resulted in no injury.

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

There were two reported incidents involving prisoner violence against security officers employed by the Contractor while carrying out escort duties or courtroom custodial duties. These incidents resulted in no injury and were considered non-serious.

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

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

The compliance, by security officers employed by the Contractor, with the requirements of sections 83, 84, 85, 87, and 88 of the *Corrections Act 2004*

A total of 12 incidents were recorded in this area. All were deemed to be compliant with the requirements as specified in the *Corrections Act*.

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

A total of 39,602 searches were recorded by security officers employed by the Contractor during the reporting year. This included nine 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

Disciplinary proceedings were initiated against two security officer employed by the Contractor for offences related to staff conduct. The proceedings resulted in two final written warnings.

SECTION 190(1)(H)

A report on the operation of every contract prison in operation in whole or in part in the year, including:

- > **a summary of reports forwarded to the Chief Executive under section 199D (1A), (2) and (3)**
- > **a summary of reports made to the Chief Executive under section 199E(3)(b)**
- > **a summary of actions taken in relation to the management of contract prisons as a result of matters raised in any report forwarded or made.**

Management of Mt Eden Corrections Facility (MECF)

This section provides a summary of the monthly reports submitted to the Chief Executive by the monitors of the Serco contract for the management of MECF. Monitors are Corrections staff and maintain a permanent presence at MECF. Beyond our departmental monitoring and reporting activities, MECF remains subject to the wider justice sector's scrutiny, as well as through the independent Ombudsmen's proactive investigation of any issues, and through the prison Inspectorate.

Corrections has a contract with Serco, a private provider, to manage the operation of MECF. The primary outcomes of the contract are to achieve our goal of a reduction in re-offending and to run the prison securely, safely, and humanely.

MECF is the main remand prison for the Auckland and Northland area, with a maximum prison population of 976. This makes it one of the largest prisons in the country and the largest prison with a predominantly remand population.

In the fourth year of managing MECF, Serco has continued to embed its management systems and become more familiar with the New Zealand legislative climate and environment.

Our contract with Serco has 37 targets that must be met, with financial penalties imposed for non-performance on some of these targets. The results show that Serco has achieved 80% of performance targets consistently since the second year of the contract.

Each unmet target has either a 0 or 100% compliance requirement and consequently provides for the highest level of contract compliance possible, in some cases holding Mount Eden to a higher level of compliance than our public prisons. Where appropriate, Corrections has issued performance notices in relation to targets that have not been met.

The rate of serious assaults for 2014/2015 exceeded the performance standard required under the contract. Corrections penalised Serco financially for these incidents in accordance with the contract – nine serious assaults or above trigger a performance notice to be issued by Corrections, with a financial penalty attached. Subsequent to the 2014/15 year end, the prison Inspectorate is conducting an investigation into prisoner violence at MECF. Serco is conducting its own investigation into the level of violence.²

During 2014/2015, under Serco's management, there have been no escapes from custody. Serco continues to achieve low levels of self-harm with no incidents of serious self-harm recorded during the year; however, regrettably there was one death in custody, the first to have occurred under Serco's management of MECF. At 30 June 2015 this incident was under investigation by the Inspectorate.

Ultimately, the success of the contract will be reflected in reduced re-offending. Since the third contract year Corrections and Serco have been trialling two reducing re-offending focused measures titled the Out of Custody Index (OCI).

Corrections has been tracking outcomes against the OCI over the past two years. The OCI measures the average number of days a prisoner is out of custody in the 12 month period after their release from MECF. In order to achieve their target Serco must perform 10% better than Corrections in this area.

Management of Auckland South Corrections Facility (ASCF)

On 10 September 2012, Corrections signed a contract with SecureFuture to design, build, finance, operate, and maintain the new Auckland South Corrections Facility. On 18 May 2015 Serco took over operational management of the prison, Department of Corrections' monitors began working on the site, and prisoner build-up commenced, scheduled to be completed in October 2015.

SecureFuture has provided monthly reports to Corrections outlining performance against the contract for services and other matters as required by the *Corrections Act 2004*, such as monthly statutory and quarterly Vote Corrections performance reporting. This contract is also a security contract under the *Corrections Act 2004*.

² Subsequent to the end of 2014/15, Corrections invoked the "Step In" clause of the contract with Serco. The outcome of reviews into allegations involving the management of Mount Eden Corrections Facility could impact the total sum of financial penalties applied to Serco for the 2014/15 financial year.

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 2015.

For the financial year ending 30 June 2015 the average number of offenders who were at any time subject to parole or extended supervision, with a residential restriction or electronic monitoring special condition, was 170. The total number of offenders subject to parole or extended supervision with residential restrictions or electronic monitoring at some point during the year ended 30 June 2015 was 346. The average length of time they were subject to such conditions during the financial year was 5.8 months.

During the year ending 30 June 2015, there were 74 offenders subject to extended supervision with residential restrictions or electronic monitoring. Of those 74 offenders:

- > three (4.1%) were convicted of a breach of their electronic monitoring/residential restriction condition
- > four (5.4%) were convicted of other offences
- > 15 (20.1%) were convicted of a breach of extended supervision order conditions other than electronic monitoring/residential restrictions.

Offenders on parole and extended supervision can have a special condition of residential restriction imposed by the New Zealand Parole Board or Court. The Department of Corrections considers the suitability of the offender's proposed address for the New Zealand Parole Board or Court, and assesses the safety and welfare of any occupants proposing to reside with the offender. In all cases the other occupants in the premises must consent to having an offender with a residential restriction special condition residing with them.

Offenders subject to electronic monitoring are required to wear an electronic anklet at all times to allow Corrections to monitor their whereabouts. If the offender tries to remove the anklet or leaves the monitored address without permission, an alarm is triggered and action is taken to assess the offender's whereabouts.

Offenders subject to a residential restriction special condition on parole or extended supervision can work outside the address, but only if authorised by a probation officer. Offenders may also apply for approved absences to attend rehabilitation, study or healthcare. Offender compliance with the direction of such absences is monitored.

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 whereabouts 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.

Apendix Four: Report under section 121 of the *Public Safety (Public Protection Orders) Act 2014*

Last year the Government passed the *Public Safety (Public Protection Orders) Act 2014*. A public protection order (PPO) is imposed by the High Court and allows the detention of a very high risk individual at a secure residence within prison precincts.

PPOs are civil detention orders for individuals who have served a finite prison sentence but pose a very high-risk of imminent and serious sexual or violent offending and who cannot be safely managed in the community. Only a very small number of people are likely to be subject to a PPO; it is estimated this will only apply to five to twelve people over the next ten years.

The Act makes it clear that orders are not imposed to punish persons and the previous commission of an offence is only one of several factors that are relevant to assessing whether there is a very high-risk of imminent serious sexual or violent offending by a person. Persons who are detained in a residence under a PPO should have as much autonomy and quality of life as possible, while ensuring the orderly functioning and safety within the residence.

Given the high threshold which must be met before an order can be considered, no orders have yet been granted. Despite this, an interim residence has been established in the event an order is made before the permanent residence is completed in 2016.

PUBLIC PROTECTION ORDER RESIDENCE

Public protection order – detention in residence	2014/2015
Total number of persons detained	0
Number of months each resident detained	N/A
Public protection order – detention in prison	
Total number of persons detained	0
Number of months each resident detained	N/A
Protective supervision order (PSO)	
Number of residents released on PSO	0
Number of persons released on PSO and returned to PPO residence	0
Review of public protection order	
Number of times a review of public protection order has been applied for	0
Number of appeals against public protection order	0
Outcome of appeal:	
<i>Upheld</i>	N/A
<i>Dismissed</i>	N/A
Serious incidents	
Total number of serious incidents	0
<i>Incidents involving residents only</i>	N/A
<i>Incidents involving residents and staff</i>	N/A
<i>Incidents involving staff only</i>	N/A
Use of force	
Total number of incidents resulting in the use of significant force	0
<i>Number of incidents where force used</i>	N/A
<i>Number of incidents where restraints used</i>	N/A
Seclusion of residents	
Total number of times seclusion imposed on residents	0
Duration of seclusion:	
<i>Up to 12 hours</i>	N/A
<i>Between 12 and 24 hours</i>	N/A
<i>Over 24 hours</i>	N/A
Reason for seclusion:	
<i>Endangering the health or safety of resident or others</i>	N/A
<i>Seriously compromising care and wellbeing of others</i>	N/A
<i>Significantly disrupting the orderly functioning of the residence</i>	N/A
Hospitalisation of residents	
Number of hospital admissions	0
Death of residents	
Number of residents who have died	0
Inspectorate activity	
Number of visits and inspections	0
Number of Complaints received by inspectors	0
<i>Number of justified complaints</i>	N/A
<i>Number of complaints dismissed</i>	N/A
Number of investigations by inspectors	0
Number of meetings attended by inspectors	0



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