



Annual Report

1 JULY 2013 – 30 JUNE 2014



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❖ Chief Executive's Overview

New Zealand is a safer place.

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

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

*Justice Sector Report 2013

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

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

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

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

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

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

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



Ray Smith
Chief Executive

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



❖ What Corrections does

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

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

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

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

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



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

We do this by:

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

... and by:

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



❖ Corrections and the Justice Sector

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

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

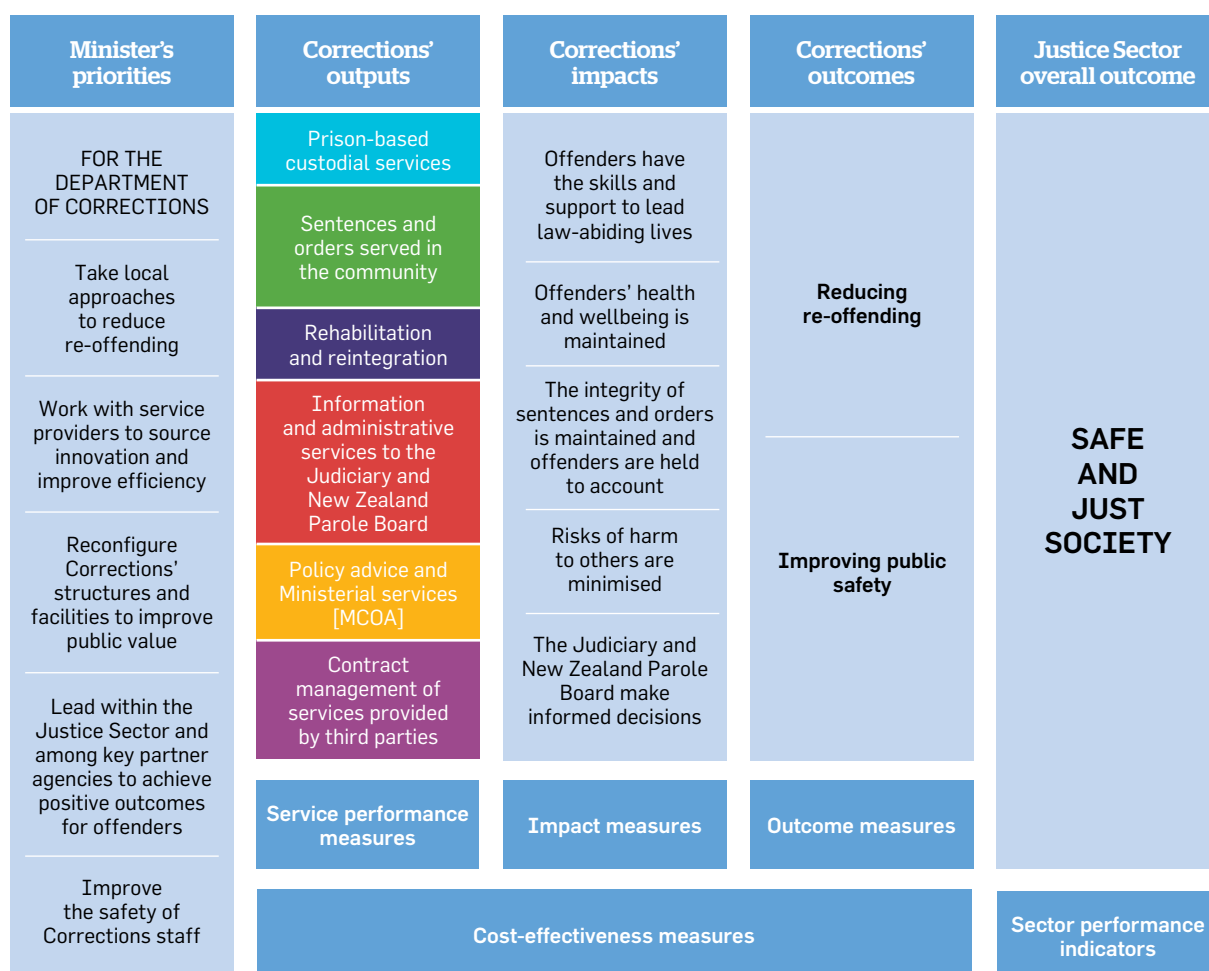
- > an overall reduction in crime by 15 per cent
- > a reduction in violent crime by 20 per cent
- > a reduction in youth crime by 25 per cent
- > a reduction in re-offending by 25 per cent

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

❖ Financial Overview

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

Overall results

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

The underspend was mostly the result of:

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

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

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

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

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

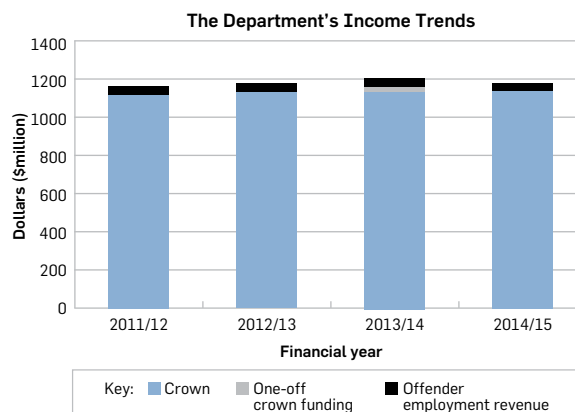
additional investment in reducing re-offending to \$15 million. This is in addition to the \$5 million investment in the Out of Gate reintegration initiative. We also successfully implemented staff and organisation structure changes aimed at lifting our productivity; streamlining our National Office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

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

Income

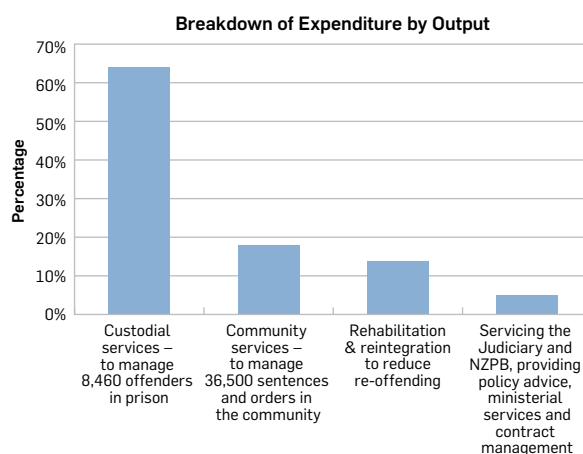
Our income is predominantly provided by the Crown. We also generate a small revenue stream from our offender employment activities such as forestry and farming that help in reducing re-offending.

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



Expenditure by output

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

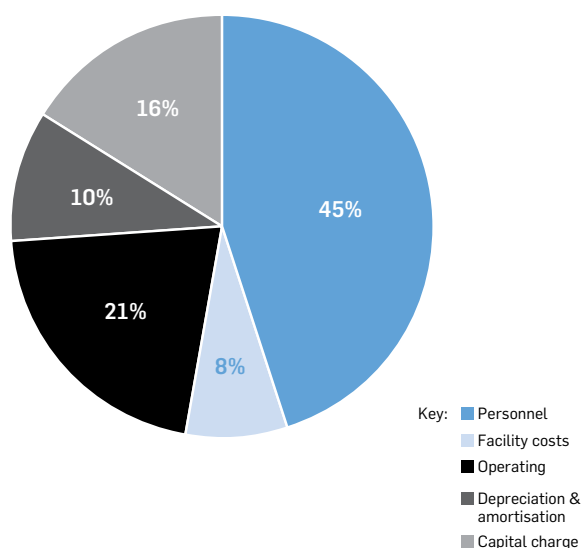


Expenditure by cost category

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

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

Breakdown of Expenditure by Cost Category



Asset base

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

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

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

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

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

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

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



Auckland South Corrections Facility

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

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

Capital expenditure

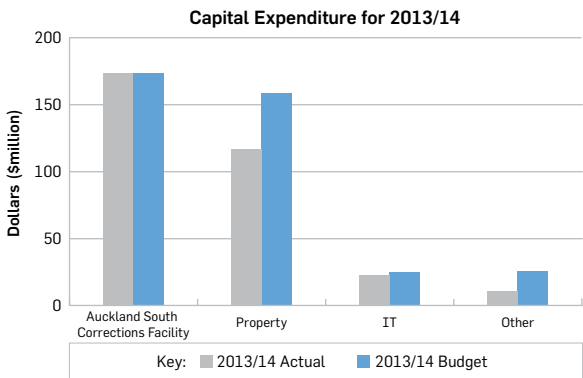
Corrections incurred \$319 million of capital spend in 2013/14. This comprised \$175 million for Auckland South Corrections Facility (PPP), \$115 million for property assets, \$22 million on information technology solutions and \$7 million on other items such as fleet and plant replacements.

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

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

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

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



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



❖ Corrections by the numbers

In 2013/14 the Department of Corrections:

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

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

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

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

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

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

With:

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

Who managed and supported:

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

What we've achieved this year

3.8%

Lowest ever level of
positive drug tests

3,664
offenders

assisted into employment

Increased

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

12.1%
reduction

in re-offending

All
prisons

have Cornerstone®
health accreditation

289

prisoners gained
construction skills
to assist in the Christchurch rebuild

3

working
prisons

94%

compliance
with sentences and orders for
community-based offenders

273

The average number of
electronically monitored
people on bail

98%

of prisoners

received health assessment
on day of reception in prison

8

million hours

of employment
undertaken by prisoners

2.5

million hours

worked by offenders
on community work

24%
fewer

serious assaults
on prisoners

54%
fewer

serious assaults
on staff

Approximately

850
prisoners

working a typical
40 hour week

3,858
qualifications

achieved by prisoners

Creating Lasting Change

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

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

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

Our Vision

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

Our Goal

Reducing re-offending by 25 per cent by 2017.

Our Outcomes

Improving Public Safety

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

Reducing Re-Offending

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

Our Priorities

Better Public Value

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

Visible Leadership

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

Public safety is our bottom line

Contribution to Outcomes and Delivering our Priorities

Outcomes

Reducing Re-offending

- > Offenders have the skills and support to lead law-abiding lives
- > Offenders' health and wellbeing is maintained

Improving Public Safety

- > The integrity of sentences and orders is maintained and offenders are held to account
- > Risks of harm to others are minimised
- > The Judiciary and New Zealand Parole Board make informed decisions

Priorities

Better Public Value

- > Freeing up resources while improving our service responses
- > Capital and asset management intentions
- > Information technology

Visible Leadership

- > Our people

A photograph of three men in blue overalls working on a large industrial machine. One man is on a ladder, another is standing next to him, and a third is in the foreground. The machine has a large blue pipe and a yellow warning sign. The background is a white wall with some electrical outlets.

❖ Reducing Re-offending

Reducing re-offending adds significantly to the safety and social wellbeing of our communities.

This is our ultimate goal.

Offenders have the skills and support to lead law-abiding lives

The greatest outcome the Department of Corrections can achieve for New Zealanders is to contribute to a reduction in re-offending. Breaking the cycle of crime results in fewer victims as well as safer communities. The Government is committed to achieving a 25 per cent reduction in re-offending by 2017. This will mean 4,600 fewer offenders returning to Corrections and 18,500 fewer victims of crime by 2017.

Offenders often have problems with low levels of education, drug and alcohol dependencies, lack of employment skills, dysfunctional family/whānau relationships and mental health issues. In order to address what we know to be drivers of criminal behaviour, a range of interventions are put in place for both community and prison-based offenders.

We work with offenders through the delivery of planned rehabilitative interventions that help them to address their offending behaviours and overcome challenges; providing them with rehabilitative support, training, skills and confidence. As we do so, we monitor and evaluate our programmes to ensure the delivery and content of our interventions are of a high standard, are responsive to the changing needs of offenders and continue to deliver outcomes. We also develop and

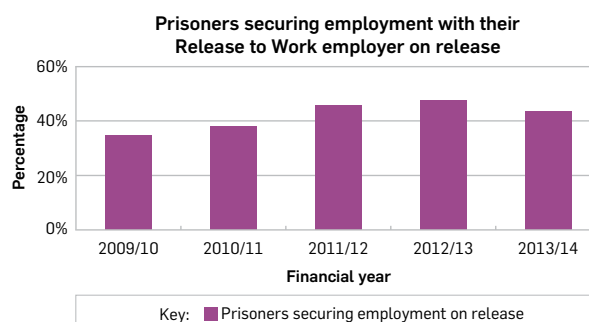
implement new programmes and opportunities that will help offenders to lead crime-free lives, and contract third parties to deliver services and programmes in the community.

During 2013/14 our staff were given training to become more involved in the delivery of interventions such as providing Brief Interventions and conducting motivational interviews.

A number of factors can influence re-offending rates. These include shifts in the demographics of New Zealand's offender population, changes in external drivers of reconviction and reimprisonment rates, such as policing and sentencing trends, or changes to the legislation that governs criminal justice. The successful rehabilitation and reintegration of offenders by Corrections helps to drive re-offending rates down.

Qualifications and employment

Since last year there has been an increase of 17 per cent to 2,297 prisoners achieving recognised qualifications on the New Zealand Qualifications Framework, however there has been a dip in the number of prisoners who upon release have secured employment with their Release to Work employer.



Profiling Our Success

Working prisons - improving offenders' life opportunities

We are developing some of our prisons into working prisons, where all eligible prisoners are engaged in a structured 40 hour week either working, studying, or attending rehabilitation programmes to equip them for life back in the community.

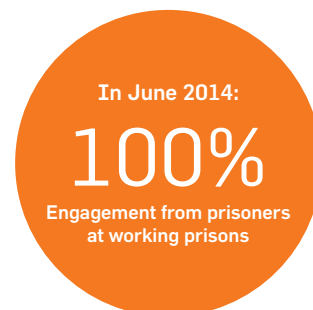
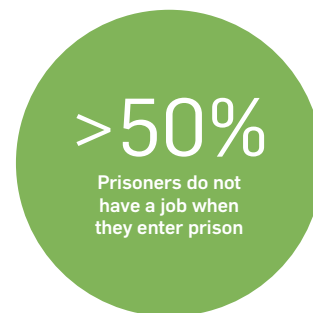
We know that people in regular employment are less likely to re-offend. Working prisons ensure that prisoners have more opportunity to gain work experience and qualifications, which increases their chances of finding employment on release. The working prison concept also provides Corrections with the opportunity to realise further benefits:

- > increased offender motivation and good order in the prison
- > increased staff safety
- > structure and behavioural expectations that better reflect offence-free living
- > increased public value through maximising use of resources

In 2013, we implemented working prisons at three of our facilities: Auckland Region Women's Corrections Facility, Tongariro/Rangipō Prison and Rolleston Prison, involving 1,000 prisoners.² On average working prisons involve approximately 850 prisoners on any given day across these three sites.

In 2014/15 four more prisons will become working prisons.

The construction yard at Rolleston Prison is manned by prisoners and is refurbishing earthquake-damaged homes as part of a joint initiative between the Department of Corrections and Housing New Zealand (HNZ). The construction yard officially opened in September 2013 with the first homes completed in July 2014. Over five years more than 400 offenders will gain construction skills such as carpentry, plastering, painting and decorating, roofing and joinery, while refurbishing 150 homes for those families/whānau in Christchurch who are most in need.



By 2017 our rehabilitation programmes will deliver:

- > 200 young prisoners and community offenders a year taking part in programmes specific to their needs
- > 120 additional prisoners a year treated in Special Treatment Units
- > 140 additional prisoners and 395 more community offenders a year receiving a rehabilitation programme of medium intensity
- > 5,000 prisoners a year receiving expanded case management
- > 2,000 community offenders receiving improved externally-provided rehabilitation programmes.

² Eligible population of Auckland Region Women's Corrections Facility, Tongariro/Rangipō Prison and Rolleston Prison at 30 June 2013.

Out of Gate - and back into the community

Typically, most reintegrative programmes have been focused on assisting long-term prisoners into the community. However, short-sentence prisoners also face significant barriers to reintegration when released. In October 2013 we launched Out of Gate – a service that assists offenders leaving prison after sentences of two years or less. Five providers were contracted to deliver Out of Gate across the country for two years, funded with \$10 million from the Justice Sector Fund.

Our providers meet with offenders before they are released to assess the services they will need, and complete a reintegration plan about how this will be achieved. The assistance they provide may involve pick-up at the prison gate, transport to the required services, help with paper work, linking with services for families/whānau and children of offenders, and provision of additional services and support if required.

The Out of Gate providers are expected to deliver specific outcomes for offenders, e.g. ensuring they are in accommodation that will last for up to 12 weeks, and enrolment in a training scheme or with Work and Income.

1,685

Offenders referred to
Out of Gate providers
since October 2013

4,000

Target referrals by
October 2015

Monitoring re-offending rates

We measure the rate at which re-offending is reduced using the Recidivism Index (RI; Appendix One refers), which quantifies the rate of re-offending of a specified group of offenders over 12 and 24 months follow-up. RI figures are produced for two potential outcomes: reconviction leading to imprisonment and reconviction leading to a community-based sentence administered by Corrections.



Greater access to rehabilitation programmes that are proven to reduce re-offending

Correction's Rehabilitation Quotient (RQ) measures the impact of our major rehabilitative programmes. RQ shows the extent to which re-offending is reduced by comparing rates of reconviction and reimprisonment amongst 'treated' offenders (who completed a rehabilitative intervention), with the rates observed amongst 'untreated' offenders (similar offenders, matched to a range of risk-related factors, who had no involvement in the programmes). Further information on the RQ methodology is presented in Appendix Two. This year's results are summarised in the table below.

When examined over multiple years, some level of variability is frequently observed in individual programme results. This is to be expected, for a range of reasons. Firstly, new programmes often take two to three years to successfully 'bed in', and relatively low impacts tend to be found in initial years of delivery. Further, maintaining programme effectiveness requires constant management, support and monitoring over a wide range of factors – for example, facilitator competence, correct targeting of participants, and maintenance of programme 'integrity' (i.e. the programme is delivered as designed). Sometimes there is no obvious reason that explains why results vary with a programme that in most years performs consistently well.

A programme that produces low results for two consecutive years would generally be subjected to close scrutiny and review, to determine whether there are systemic or design-related issues. If remedial actions fail to produce a positive turnaround in recorded outcomes it would then likely be discontinued.



The rehabilitation quotient figures in the table below represent percentage-point changes in the rates of reimprisonment or reconviction of treated offenders compared to the equivalent 'untreated' offenders, with a negative percentage point result representing a favourable outcome. For example; if the reimprisonment rate for a specified group of 'untreated' offenders is 30 per cent and the rate for a similar group who have attended a rehabilitation programme is 20 per cent then the RQ for that rehabilitation programme is -10.0.

Rehabilitation Quotient Results

Prisoner interventions	Reimprisonment (12 month follow-up)	Reconviction (12 month follow-up)
Special Treatment Unit (sex offenders)	- 5.6**	- 5.8**
Special Treatment Unit rehabilitation programmes	- 11.9*	- 12.9**
Drug Treatment Units (6 months format)	- 1.2	- 5.9**
Drug Treatment Units (3 months format)	- 2.3	- 3.4*
Young offender programme	- 6.1*	0.0
Medium intensity programme	- 4.9**	- 5.7**
Short motivational programme	- 3.9*	- 5.7*
Prison employment	- 2.8*	- 3.1*
Trade & technical training	0.6	5.2
"Release to Work"	- 1.4	0.0
Community-based interventions	Imprisonment	Reconviction
Medium intensity programme	2.0	0.1
Short rehabilitation programme	- 4.9**	- 8.3**
Short motivational programme	- 5.6**	- 4.8*

* Results are statistically significant below the 95 per cent threshold but are highly likely to be indicative of effectiveness.

** Results are statistically significant at the 95 per cent level.

Where non-asterisked figures are reported, the result may simply reflect random variation in outcomes.

Offenders' health and wellbeing is maintained

The state of your health affects your overall wellbeing. The better you feel physically and mentally, the better you're able to lead a full life and cope with the everyday stresses that come along. If a prisoner has their physical and mental health needs met, they are better able to focus on their rehabilitation. Many offenders enter prison with serious health issues that are the result of a lifetime of lack of care, violence, alcohol and drug abuse and poverty-related illness. Prisoners tend to have much higher healthcare needs than the general population, e.g. a 50 year old prisoner often suffers similar health problems to someone 10 years older.

It is a fundamental responsibility of Corrections to keep offenders safe in our care. Incidents of unnatural death and serious self-harm are therefore a cause for concern and Corrections is committed to preventing incidents of this nature. Staff training has meant that a number of attempts at self-harm have been thwarted and lives have been saved.

We have introduced a range of initiatives focused on the prevention of self-harm. These include tools to assess prisoners at risk of self-harm and processes to transition prisoners back to mainstream units in prisons following placement in At-Risk Units.

Our staff work hard to identify prisoners who are at risk of self-harm and to manage these prisoners appropriately, safely and humanely. Through the use of targeted initiatives and tools such as the Mental Health Screening tool staff can ensure prisoners have appropriate interventions such as forensic care, GP visits, medication and psychological treatment.

Despite Corrections having clear guidelines, good practice and capable staff, it can be difficult to prevent someone from harming themselves if they are determined to do so. This year saw no increase in the number of unnatural deaths of prisoners when compared to the previous year, supporting an overall downward trend since 2010/11. Despite a 13 per cent decrease in self-harm incidence, there was an increase in the number of these with a threat to life level of seriousness.

Overall occurrences remain relatively low and are investigated and treated seriously by Corrections as we constantly seek new ways of preventing these incidents.

Health services in prisons are part of the wider community, functioning alongside local hospitals and other providers to form healthy communities. Corrections contracts the services of General Practitioners (GPs) who provide medical advice in each prison and complement the work of nurses who provide the day-to-day care. Not only does the health team address the immediate health needs of prisoners, they look at wider health issues too, delivering innovative projects such as asthma management initiatives, and in conjunction with our community partners, a diabetic retinal screening programme.

Unnatural deaths and self-harm threat to life incidents

Year results reported	Unnatural deaths	Self-harm threat to life incidents
2009/10	6	31
2010/11	12	23
2011/12	5	6
2012/13	3	7
2013/14	3	17

The number of justified complaints made by prisoners to the Corrections' Inspectorate (general and about health services) is an important measure of fair and humane treatment.

The Inspectorate is Corrections' second tier of complaints resolution. In 2013/14 the Inspectorate received a total of 1,608 complaints made by prisoners, this was a decrease of 536 from the previous year. Of the complaints received this year, 38 have been deemed as justified, which equates to 2.36 per cent of total complaints received.

Changes in 2013 to the Inspectorate's complaints handling procedures have resulted in a more active management of complaints by prison management, and this accounts for the increase on the previous year.

The number of justified complaints are forecast to decrease over the next few years. A detailed report from the Chief Inspector can be found at Appendix Three.

Profiling Our Success

100%

Cornerstone® accreditation
for all prisons

In 2013/14:

98%

of newly received prisoners
received a health assessment
on day of arrival



Building on the success of the High Dependency Unit at Rimutaka Prison

In December 2012 the new High Dependency Unit (HDU) opened at Rimutaka Prison to accommodate prisoners with health issues such as dementia or a physical disability that makes it difficult for them to function independently in a prison environment, but who are not eligible for release.

For this small and high needs section of the prison population, the HDU has greatly improved the level of healthcare provided. These prisoners are able to receive appropriate care, from trained health staff, in a fit-for-purpose, safe and secure environment. The 20 bed HDU has been operating at maximum capacity since it opened.

In March 2014, a ten bed expansion of the HDU was approved. This will increase the number of offenders to be cared for, improving the focus on rehabilitation and reducing their longer term and more serious care requirements.

Cornerstone® accreditation

As the Department of Corrections is a primary healthcare provider to the prisoners in our care, we have a duty to provide an adequate level of care. We're proud to announce that in 2013/14 five more of our prison health centres achieved Cornerstone® accreditation. The accreditation is based on standards set by the Royal New Zealand College of General Practitioners for general practice and ensures our health services meet or exceed health-sector standards. All prisons now have this accreditation, providing assurance that we are providing an effective service and using our resources efficiently.



Reducing re-offending through our six areas of focus

Our targeted approach to reducing re-offending by 25 per cent by 2017 has seen us develop strategies in specific delivery areas, with a focus on outcomes that we know contribute to a reduction in re-offending.

People who have had education and training, and who are in work, are less likely to offend. Re-offending is reduced when offenders address behaviours that lead to their offending – by changing their attitudes and beliefs towards offending; learning life skills; gaining the education, skills and experience that employers find valuable; and engaging with family and whānau as part of their reintegration to the community. By strengthening rehabilitation and reintegration to prepare and support people to live law-abiding lives we can reduce re-offending and contribute to reducing crime overall.

- ✓ Tackling alcohol and drug abuse
- ✓ More rehabilitation that works
- ✓ Interventions delivered by probation staff
- ✓ Education, job skills, and working prisons
- ✓ Real jobs on release
- ✓ Partnering with iwi and community groups

Tackling alcohol and drug abuse

Alcohol and drug treatment for 33,100 additional offenders by 2017

Corrections has continued to increase offenders' access to Alcohol and Other Drug (AoD) treatment programmes. Particular emphasis has been placed on improving accessibility to AoD programmes for remand and short-serving prisoners, and the delivery of brief AoD interventions to offenders in the community by probation staff.

Our specialist Drug Treatment Units (DTU) have a proven track record of reducing the likelihood of re-offending by prisoners with more serious drug and alcohol treatment needs. Brief and intermediate support programmes are now being delivered in the majority of prisons, providing a range of shorter-term interventions for prisoners who have less chronic problems, but lack education about the impacts of drugs and alcohol.

Residential facilities continue to provide more intensive treatment options for community-based offenders; while a range of AoD programme options are being delivered to offenders in the community as part of a collaborative approach with the Ministry of Health, as a result of the Government's Drivers of Crime initiative.



In 2013/14:

24,678

Alcohol and Other Drug
interventions were delivered
to prisoners and community
-based offenders

This is:

87%

more than in
2012/13

More rehabilitation that works

New and expanded rehabilitation interventions for 7,855 additional prisoners and community-based offenders by 2017

Developing new and innovative approaches to rehabilitation, while expanding and strengthening existing services, has been effective in reducing re-offending. By partnering with community groups that have expertise in this area, we can ensure offenders take part in those programmes known to make the biggest difference.

To be successful, rehabilitation needs to be provided at the right time and be tailored to meet an individual's specific needs. Expanded case management by our staff is ensuring that the correct combination of interventions is matched to an offender's needs.

During 2013/14, 291 more programmes were delivered across the medium intensity suite of programmes for both prisoners and community-based offenders when compared to the previous year.

Psychological services is responsible for the delivery of high intensity, group-based psychological programmes for high-risk men in custodial Special Treatment Units (STUs). New Zealand prison-based programmes delivered through STUs, such as the sex offender treatment programme run at the Kia Marama Unit at Rolleston Prison, have consistently been evaluated as being in line with the most effective treatment programmes available internationally. We are now running a short intervention programme for child sex offenders in two of the STUs, which enables an additional 60 child sex offenders to be treated each year. By 2017 an additional 120 prisoners per year will be treated in one of Corrections' six STUs. This will be a result of the expansion of the programmes for high-risk offenders.

We have commenced a pilot of a group treatment programme for prisoners with high-risk personality disorders in maximum and high security environments. We also provide individual psychological assessment and treatment to prisoners and those on community-based sentences and orders.

In 2013/14:

1,504

Medium intensity interventions were delivered

In 2013/14:

501

Prisoners took part in programmes at Special Treatment Units

In 2013/14:

3,793

Prisoners received improved case management



Interventions delivered by probation staff

New rehabilitation interventions for 41,100 community-based offenders a year provided directly by probation staff by 2017

Probation staff are well placed to deliver brief and short term interventions to the 80 per cent of offenders who serve their sentences in the community. Working on the frontline, probation officers have the ability to make important decisions that can make a real difference to people's lives. They play a key role in reducing re-offending.

Corrections currently manages around 30,000 community-based offenders on average per day, with sentences ranging from community work to intensive supervision. As well as an emphasis on more offenders learning Work and Living Skills, probation staff help offenders in other ways, using the relapse prevention techniques of motivational interviewing.

Brief targeted interventions help offenders maintain focus on their longer-term rehabilitation plans and reintegration into the community – probation staff use motivational interviewing techniques to encourage offenders to enter into or stay in a programme, while relapse prevention programmes help offenders focus on maintaining the gains they have already made towards not re-offending.

In 2013/14:

33,400

Interventions were delivered directly to community-based offenders by probation staff

This is an increase of

78%

compared to 2012/13



Education, job skills, and working prisons

2,950 additional prisoners to receive education and employment training by 2017

Low levels of literacy and numeracy have long been acknowledged as a significant barrier to offenders' ongoing learning and finding sustainable employment. It is also important to have basic literacy and numeracy skills to be able to fully participate in and benefit from rehabilitation and reintegration programmes. Successful completion of these programmes and gaining employment are linked with a lower recidivism rate.

Corrections provides quality education and training programmes that support offenders to address their life-long barriers to learning and gain nationally recognised qualifications and employment experiences.

The working prisons programme run at Auckland Region Women's Corrections Facility, Tongariro/Rangipō Prison and Rolleston Prison aimed to better prepare prisoners to find a job on release. Prisoners are required to engage in a structured 40 hour week in core activities that directly contribute to reducing re-offending, e.g. training and education activities, employment related activities, and rehabilitation and reintegration interventions. We know that prisoners who have full active days are less likely to be bored, are far less likely to be disruptive and are more likely to positively reintegrate into society on release.

Auckland Region Women's Corrections Facility (ARWCF) has established the Inside Out Café, located in the reception area. The café provides barista training for offenders and sells coffee to Corrections staff, visitors and local workers. Women from ARWCF also run a canteen catering for contractors building the new men's prison at Wiri (Auckland South Corrections Facility). The women who work in the cafés achieve essential qualifications to help them gain employment in the hospitality industry when they leave prison.

The Education and Training work programme resulted in 3,089 enrolments in literacy and numeracy programmes in 2013/14. Prisoner access to quality education increased due to the roll out of distance learning National Certificate of Educational Achievement (NCEA), with 700 enrolments achieved in the 2013 calendar year. The Department has also progressed its commitment to technology-based learning. Stage one of Online Learning was approved to roll out 13 computer suites across 10 prison sites over the next 17 months. Online learning is targeted at improving youth prisoners' opportunities to increase their literacy and numeracy skills, succeed at achieving formal qualifications and acquire basic digital literacy. In the community, pilot programmes commenced across the Northern and Lower North Community Corrections sites to improve access to literacy and numeracy services and quality education programmes for community-based offenders.

In 2013/14:

289

Prisoners gained construction skills to assist in the Christchurch rebuild

In 2013/14:

3,089

Enrolments in literacy and numeracy education

206%

Increase in the number of Level 2 and 3 NCEA qualifications earned by prisoners compared to 2012/13

Real jobs on release

Working with employers and industries to provide real jobs for an additional 7,900 community offenders and prisoners released from prison by 2017

Corrections' focus on employment is not just about developing skills, but on securing work for ex-prisoners upon release. By partnering with Work and Income, employers and industry, we ensure offenders are supported to develop a positive self-awareness, a work ethic, and the ability to relate to others.

Research is clear that prisoners who find stable, rewarding work on release reduce their chances of re-offending. New figures released in 2014 show that rates of reimprisonment (within 12 months of release) were reduced by 1.4 per cent for prisoners on Release to Work.

Corrections has been releasing low-risk prisoners near the end of their sentences to work since the 1960s, but we are now aiming to be more innovative in our approach.

The success of GPS monitoring of offenders in the community was extended to prisoners on Release to Work during 2013. The availability of GPS has given more prisoners the opportunity to work outside the prison as their movements can be accurately monitored. The number of prisoners participating in the Release to Work programme being monitored by GPS increased from 11 to 26 during the year.

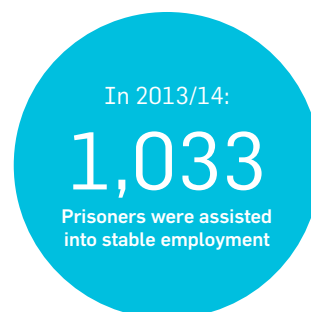
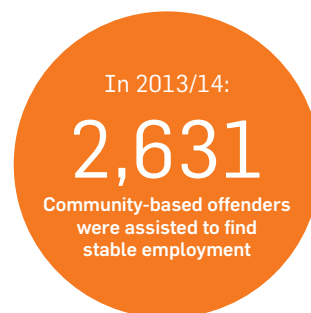
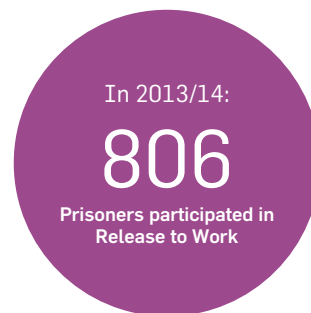
Partnering with iwi and community groups

Partnering with iwi and community groups to deliver rehabilitation and assist with reintegration into the community

Acknowledging that the most effective support comes from within the community, this strategy has seen us partner with local iwi and community groups to assist with the reintegration of offenders.

In 2013/14 we launched Out of Gate, a new reintegration service to improve the likelihood of reintegration into the community by helping offenders find suitable providers of accommodation, budgeting advice, employment advice and support to address their needs.

A new local reintegration services initiative was launched in February 2014 – the service provides participants with transitional accommodation (up to 12 weeks) and support to find employment and sustainable accommodation in the Rotorua/Taupō/Tokoroa district. It is expected that the service will be used by between 45-60 prisoners on release from prison each year.





❖ Improving Public Safety

Keeping communities safe by ensuring offenders complete the sentences and orders handed down to them by our justice system.

Public safety is always our bottom line.

The integrity of sentences and orders is maintained and offenders are held to account

The integrity of sentences and orders is maintained by ensuring offenders comply with the sentences and orders handed down to them by the courts and that they are held accountable for any breaches. Upholding judicial decisions is not only our statutory obligation; it also provides the public with confidence that our robust management of offenders maintains public safety, and sends a clear message to offenders that there is an expectation of compliance.

For offenders monitored using GPS, if a restricted-area breach occurs, not only do we respond quickly to keep the community safe, but we can improve the potential to prevent re-offending by holding that offender to account.

We take a similar preventive approach to contraband, supporting offenders to avoid misconduct procedures that may impact on the successful completion of their custodial-based sentences.

Compliance with sentences and orders

Financial Year	Home detention sentences	Community-based sentences	Post-release orders	Compliance with sentences and orders
2010/11	95%	96%	—	—
2011/12	98%	96%	98%	97%
2012/13	98%	93%	98%	95%
2013/14	95%	92%	96%	94%

Any failure by an offender to comply with a requirement of a sentence or order 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.



Reduced opportunities for escapes from custody and breaches of security

Fewer escapes from prison and custody directly contribute to increased public safety. Escapes fell to an all-time low in 2012/13, with one escape from escort, and have remained relatively consistent this year with a total of two escapes occurring; one from prison and one from escort.

In line with our success in reducing the number of escapes, we are continually striving to improve upon our high standard of prisoner management. We have invested in a range of security improvements to sites across the country during the last decade, including enhanced perimeter fencing, installation of detection and surveillance systems, and the introduction of single point-of-entry into prisons.

Looking ahead, \$81.3 million is being invested in upgrading five prisons (Rolleston, Waikeria, Tongariro/ Rangipō, Whanganui and Invercargill), as part of our Prison Development Programme that will improve security even further, as well as providing better facilities for prisoner rehabilitation and training.

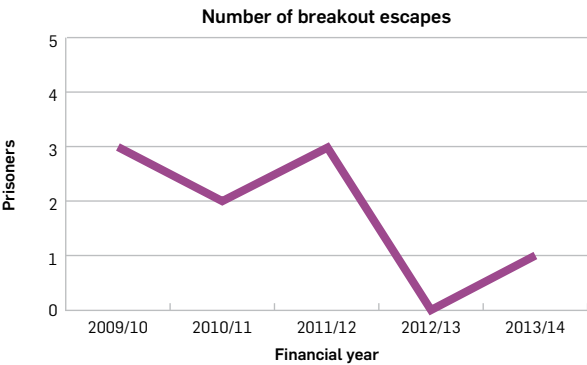
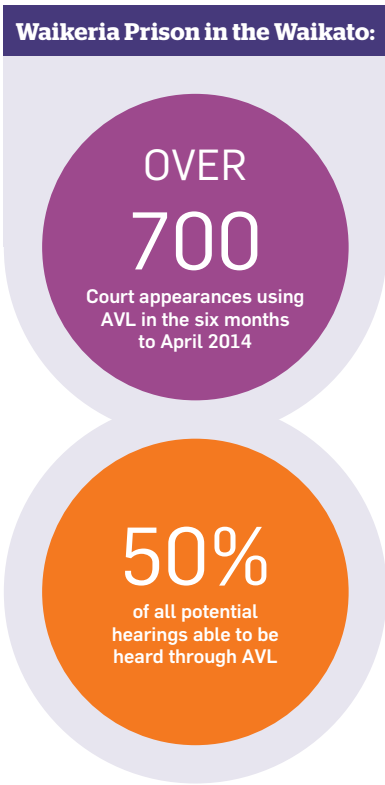
Prisoner transit provides one of the very few opportunities for exploitation and escape.

There are more than 50,000 prisoner movements each year, and 20,000 of these are between remand prisons and district courts. Each movement requires a secure escort provided either by Corrections or a contracted security provider. Corrections maintains a fleet of nearly 150 prisoner escort vehicles for this purpose.

In 2010, Corrections began using Audio Visual Link (AVL) connections. Prisoners could elect to attend remand hearings via a video link from prison rather than appearing in person, resulting in fewer prisoners having to leave their secure facility to make court appearances and removing the risk of escape from an escort.

AVL has also improved the potential to reduce re-offending by increasing access to rehabilitative programmes. Prisoners who would otherwise have been in an alternative location to the programme appropriate for them can now be relocated in order to attend a programme, and still appear at the requisite court through the use of AVL.

Should a prisoner be relocated away from family, AVL provides the opportunity for them to maintain contact.



Number of other escapes

Financial Year	From escort	Breach of temporary release	Abscond
2009/10	1	3	2
2010/11	2	0	0
2011/12	5	0	2
2012/13	1	0	0
2013/14	1	-	-

Monitoring offenders and people on bail

Global Positioning System (GPS) monitoring was implemented in August 2012 as a tool to help mitigate an offender's risk in the community by closely monitoring their whereabouts. GPS monitoring is a condition of release imposed by the New Zealand Parole Board (NZPB) and can be used by Corrections to closely monitor compliance for offenders being released after serving a long term of imprisonment, and who have conditions related to their whereabouts in the community.

In the past year we have expanded the number of offenders who can be monitored on GPS, with an 84 per cent increase in the number of offenders in the community on GPS conditions. We have also doubled the number of prisoners being monitored by GPS on Release to Work.

If an offender enters exclusion zones, or if they leave places they should not leave, Corrections immediately receives an alert. The movements are recorded by a monitoring system, and a monitoring centre in New Zealand is staffed 24 hours a day, seven days a week to monitor the offenders on GPS and respond to any alerts.

Offender location information gathered from GPS monitoring can be used to give evidence of offences committed and Corrections is able to provide this information to the relevant enforcement agency if requested e.g. NZ Police. By more fully utilising this technology we are able to ensure compliance with sentences and orders and respond efficiently in the event of any breach.

In September 2013, the Government passed the *Bail Amendment Act 2013*, a law that allowed Corrections to take over the management of Electronically Monitored (EM) Bail from the NZ Police. By using similar technology to that used for home detention, EM Bail provides another option for managing those accused of crimes and awaiting further court hearings, with stricter conditions than regular bail, but allowing for greater freedom than being remanded in a prison.

This change allows us to use our expertise and capacity for managing electronically monitored sentences and orders, and frees up Police resources to be used elsewhere. Police continue to manage all court, judicial and enforcement processes, while Corrections probation officers complete the suitability reports that allow courts to make an informed decision.

The number of bailees being electronically monitored at any given time has risen from 220 in October 2013 to an average of over 270 since Corrections assumed full control of monitoring in February 2014. Each of these people would have been remanded in custody if no other option was available, but by making good use of technology we have been able to maintain public safety while providing better value for money.

84%

Increase in the number of offenders in the community on GPS monitoring

273

The average number of electronically monitored people on bail





Maintaining order and security in prisons by preventing criminal behaviour and the introduction of contraband

Corrections employs a range of screening methods to prevent drugs and contraband from entering prisons. This includes the use of intelligence gathering, regular searching, increased security, visitor screening, drug detection dog teams and the operation of a free telephone service so that drug-related information can be provided to Corrections anonymously by offenders, staff, or members of the public.

Eliminating drugs in prisons is a crucial aspect of ensuring that prison order and safety are maintained; eliminating the problem ensures that prisoners abstain from drugs during the period of their incarceration – a necessary first step on the road to long-term recovery. It also improves an offender's ability to actively engage and be successful in their rehabilitation and reintegration.

The overall downward trend in the number of general random drug tests shows the effectiveness of our efforts to stop drugs entering prisons.

The roll-out of our prisoner TV rental scheme began at the end of November 2013. Prisoners now rent televisions directly from Corrections, rather than have them brought in from outside by friends or family. The TVs are made from clear plastic which has allowed for quicker and more successful cell searches and has addressed the security threat of modern TVs – removing access to wireless technology and USB ports. TVs have traditionally been used to hide and smuggle contraband into our prisons inside the TV casing; clear TVs significantly improve the safety and security of our prisons.

Corrections has two dedicated TV channels to host Departmental rehabilitation and reintegration content in the future.

Initial testing of on-body cameras worn by prison staff has been positive. Corrections officers wearing on-body cameras in high-risk areas have the ability to record potentially dangerous interactions with prisoners. Being filmed is having a calming effect on prisoners and making the units safer. It is also ensuring there is a visual record available should a situation escalate.

Positive Drug Tests:

1997/98
35%

2009/10
9%

2013/14
3.8%

Risks of harm to others are minimised

In November 2012, an Expert Advisory Panel was established to provide independent advice and guidance to Corrections on the implementation of strategies to improve staff safety. The result of the Expert Panel was the development of the Staff Safety Plan, covering Corrections staff working in prisons and the community. The plan aimed to reduce serious assaults on our staff and improve the work environment in prisons.

The Staff Safety Plan increases our potential to predict violence in prisons and improve our capacity to respond through additional staff training. A wider staff Health and Safety Programme is also in place, overseen by a governance group that ensures the risks inherent to working at Corrections are minimised.

Violence is always a risk to our staff as many offenders resort to violent behaviour as a means of resolving issues and of expressing themselves; it reduces the likelihood of an offender successfully completing their sentence, it creates an unsafe work environment for staff and is a burden on resources to respond effectively. Understanding and managing this risk is a challenge common to all corrections jurisdictions.

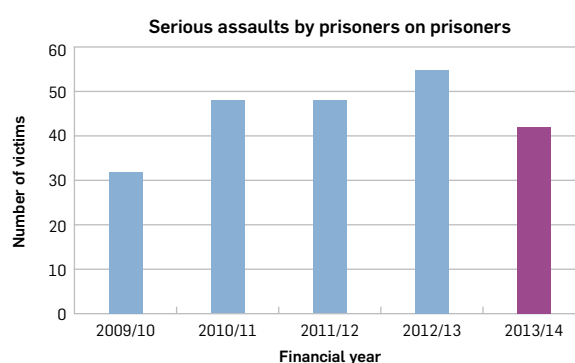
Responding to incidents of violence in prisons

One of the ways in which we can measure the success of the Staff Safety Plan is through a reduction in the rate (and number) and seriousness of assaults by prisoners on staff and other prisoners.

In 2013/14, there were six incidents where staff were seriously injured as a result of being assaulted by prisoners; a reduction of seven assaults from the previous year. There was also an encouraging decline in the number of serious assaults by prisoners on other prisoners; down from 55 in 2012/13 to 42.

While the achievements so far reflect the successes of the Staff Safety Plan, the benefits of these initiatives go beyond simply improving safety.

We know from staff engagement surveys that staff who feel they have received high levels of training investment are more likely to remain engaged and productive in their workplace. The return on our investment in people is an optimisation of staff capability; retaining high calibre staff whilst developing a sustainable staff pipeline for the future – delivering better value for money by making better use of our existing resources and building our capacity to respond to known risks such as violence in prisons.



'Keeping each other safe' – it's working

WHAT WE ACHIEVED IN YEAR ONE OF THE STAFF SAFETY PLAN:



All staff

- > All staff received the 'Ensuring Personal Safety' booklet.
- > Drug testing for staff ensures your colleagues are clear-headed and able to make good decisions.
- > We talk about safety at team meetings.
- > Management development programme means managers think more about safety and new managers are ready to step up.
- > New performance development conversations mean your manager talks to you about safety and you can raise safety issues more easily.
- > Regional welfare officers offer extra support to staff who need it.
- > We're learning from our incidents and taking action – for example, we're trialling roll cages on our quad bikes.
- > Tactical options e-learning is now available to all frontline staff.

Community-based staff

- > Zero serious assaults on community-based staff since plan started.
- > All staff have access to duress alarms in the office.
- > New training delivery model means frontline leaders, who are aware of all safety/risk issues, train staff.
- > Home visits practice review gives clear, safe guidelines.
- > All community-based staff are receiving safety in the community training.
- > We've successfully developed a duress app, which will be introduced along with smart phones.
- > We've reviewed a range of communications devices and developed practice guidance about which type will be most effective in any given situation.
- > A community work safety review is driving improvements to practice.

SAFER WORKPLACES

7 fewer staff & 13 fewer prisoners
were seriously assaulted in Year One.

*At June 2014, compared to previous year.

2014 – 2015 is Year Two of the Staff Safety Plan.



Offenders

- > Posters clearly tell offenders we will not tolerate threats or abuse.
- > We're redesigning the security classification process so we can make better decisions about prisoner placement and activities, and reduce the opportunity for prisoners to manipulate the system by behaving poorly.

Prison-based staff

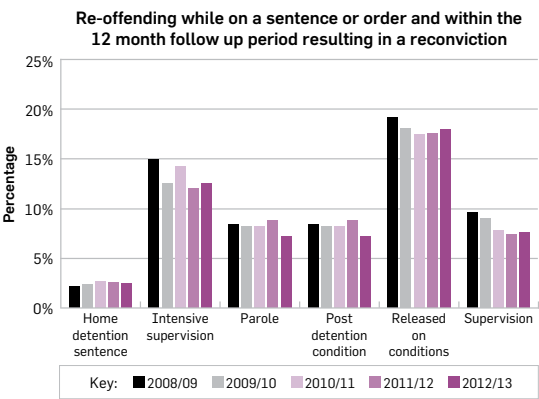
- > Over 5,300 staff have done tactical communications training, and over 3,800 have done tactical exit training.
- > We successfully trialled a new tool to predict violence in prisons – the Dynamic Appraisal of Situational Aggression (DASA) – and will be rolling this out.
- > We're continuing to work with unions to develop better rostering models that'll give staff a safer, productive day and good work/life balance.
- > We've made more handcuffs available to frontline staff to manage potentially violent prisoners.
- > We're supplying new slash-proof gloves for searching. Officers testing them received no injuries and were still able to feel contraband.
- > Changes to the way we select and promote senior corrections officers means more safety-conscious frontline leaders.
- > An international expert assessed our emergency capability as the 'best fit' for NZ prisons.
- > Managers have received enhanced emergency management training.
- > We're developing a physical readiness assessment to ensure all custodial staff are fit enough to support each other in an emergency.
- > We've increased the number of Advanced Control and Restraint (ACR) Team members and prison negotiators so we're better able to respond.
- > All ACR team members now have their own new SRBA (stab resistant body armour) which is easier to wear.
- > We improved how we select and induct staff into high-risk areas.
- > We're testing whether wearing on-body cameras keeps officers in high-risk areas safer.
- > We extended the initial training course for new Corrections officers to include more safety information, and provide more 'on the job' learning.
- > The new 'CO pathway' means new officers have extra support to keep them safe.
- > All prison escort staff now have high security handcuffs to enhance safety and security on escorts.

Managing offenders in the community at high-risk of harm to others, to reduce offences against the person

An offender assessed as temporarily posing unusually high-risks of harm to another person or persons is managed in a more restrictive manner, to control and reduce the level of risk. This heightened level of supervision and control continues until the risk returns to a low level.

The graph presents the rates of offences against the person (i.e. 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 amongst offenders under their management.



The Judiciary and New Zealand Parole Board make informed decisions

Corrections provides recommendations to the courts and the Parole Board so that appropriate sentences and orders are passed that reflect the risks and issues posed by the offenders we manage. Our advice is based on the institutional knowledge we hold about offending behaviour, and our individual assessments of offenders that we have worked with. Our end-to-end case management process involves custodial staff, probation officers, psychologists and contracted service providers, and provides an assessment of a complex set of risk factors that may impact on the offenders' abilities to complete sentences and orders.

We regularly compile complex risk factors into integrated reports and recommendations for the Judiciary and the New Zealand Parole Board (NZPB) that:

- > assess the level of risk that an offender poses to those around them and the wider public
- > detail previous breaches
- > detail risk of escape
- > detail current family/whānau support, and
- > detail potential for job opportunities upon release.



Re-offending while on parole and home detention

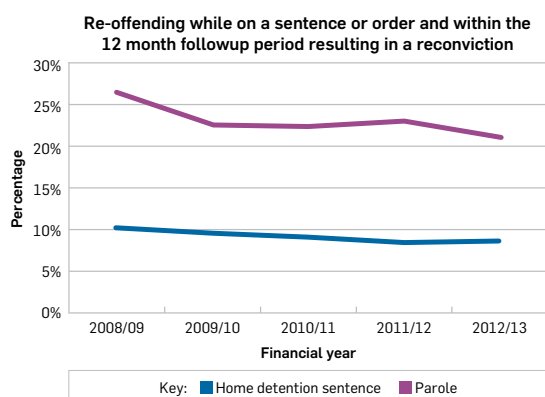
This reconviction-based measure captures re-offending committed during the course of the sentence or order. Results differ from the standard Recidivism Index rates, which have a fixed 12 and 24 months follow-up period.

This measure captures only the offences which fall between the sentence/order start and end dates; many sentences and orders are of shorter duration than 12 months (though some are longer).

Re-offending by home detainees during the sentence period has fallen steadily over the last five years. Re-offending by parolees fell also, but had flattened off by the end of 2013/14.

106,740

The number of hours
Corrections staff spent
in attendance at court
in 2013/14





❖ Better Public Value

Prioritising our resources to improve services
- effectively manage assets and developing
information technology.



Corrections ensures that everything we do, and everything we spend, is aimed at achieving our key goals. At the same time, we are working within funding constraints, and have committed to maximising our services while retaining spend at 2011/12 levels.

Whether it is through effective management of assets, shifting resources to the frontline or improving value for money in the services we commission, in our approach to capital planning and financial expenditure, Corrections is an accountable steward of the public purse.

Prudent capital planning adds value to our business; asset development is planned in line with offender need, contributing to our reduction of re-offending outcome, e.g. creating work yards at prisons to support the working prisons initiative provides opportunities for offender skill development in the building trade, improving job prospects upon release. The capital plan also includes investment in information technology to enhance our management of offenders. This includes the use of Audio Visual Links and other electronic security and software applications. It also details how Corrections will maintain and upgrade its IT infrastructure and technology solutions.



Effectively managed assets

Public Private Partnership at Auckland East - value for money through contracting for outcomes

Auckland East (at Auckland Prison) is the only maximum security facility in New Zealand and houses the national population of maximum security prisoners. Auckland East also accommodates all prisoners from the Northern Region with high and complex needs. When opened in 1968, 'Paremoremo' was one of the most modern prisons of its kind in the world. This is no longer the case; the buildings are difficult to maintain and do not support staff dealing with the most challenging prisoners or working with prisoners in their rehabilitation efforts. It also requires high staff numbers to operate safely.

In October 2013, Corrections announced it was entering into a non-custodial Public Private Partnership (PPP) for a complete rebuild of Auckland East, including design, build, finance and maintenance of the facility, with Corrections continuing to operate the prison. The procurement process is currently underway. In addition to being safe and secure, the new facility will allow for more meaningful interaction between staff and prisoners and provide greater opportunities for prisoners to take part in rehabilitation, education and employment activities.

Corrections is seeking a design solution that offers space to enable multi-disciplinary teams to work together leading to a more joined-up approach across the custodial, health and psychology teams. The vision is for a new facility that is safe for prisoners, staff and the public, is efficient to run and supports prisoners' wellbeing and rehabilitation. The procurement process is expected to conclude mid-2015, with the upgraded facility in service late 2017.



Auckland South Corrections Facility

The construction of Auckland South Corrections Facility (ASCF) is nearing completion and the first prisoners will be arriving in May 2015. The 960 bed men's prison will accommodate low, medium and high security prisoners and increase capacity in the Auckland area where there is a need to meet population projections.

ASCF has been developed through a PPP between Corrections and SecureFuture. SecureFuture is a consortium of companies that are collectively responsible for financing, designing, building, operating and maintaining the new prison for 25 years.

The contract with SecureFuture and Serco as operator is outcomes focused. It has been designed around the requirement for the contractor to deliver better performance than Corrections in reducing re-offending, while never compromising on the bottom line of safety and security.

This has been achieved through carefully balancing the combination of financial incentives and penalties designed to focus SecureFuture, and Serco as the operator, on the things that are of the most value to Corrections.

The contract was also designed with the intention of lifting performance across all the prisons in New Zealand. Under the contract, Corrections owns all the intellectual property in relation to ASCF and can use that intellectual property across the rest of the prison network. The requirement to better Corrections' performance in relation to recidivism remains, even when our performance lifts as a direct result of adopting practice from Serco. This means that if Corrections identifies and applies any of Serco's practice with positive results, then Serco will be challenged to find new practices and innovations to stay ahead of Corrections.



Modernising Community Corrections

A \$65 million multi-year upgrade of our Community Corrections sites will ensure that staff are safer and have the facilities they need to better support offenders to lead crime-free lives. As part of the upgrade, Corrections is refurbishing or extending existing buildings, and over time we are consolidating the number of community sites we have down from 172 to 131, resulting in more efficient management of the property portfolio. At the end of financial year 2013/14 Corrections had 151 Community Corrections sites.

The upgrade work brings a more open look and feel, creating a more welcoming environment and improving safety and security. Where possible the work includes better facilities for offender interviews, community work, programme delivery, training and family/whānau meetings – all aimed at reducing offenders' likelihood of committing another crime.

Prison Development Programme

Corrections is making an investment of \$81.3 million to improve security and facilities at five of our prisons. In 2013/14 we made significant progress on this programme, including the completion of two construction yards at Rolleston Prison where prisoners refurbish damaged homes for Christchurch; a new Prison Control Point at Waikeria Prison; a new receiving office and transit station at Tongariro-Rangipō prison; a new administration block at Whanganui Prison; and the addition of a bag x-ray at Invercargill Prison.

All five of these sites have further work underway, including some major construction. All upgrades are expected to be complete in 2016. This work will ensure these prisons effectively deliver programmes and training to prisoners, improve staff and public safety, and staff facilities.

Community Corrections sites:

\$65
million
multi-year upgrade

7
sites
already upgraded

27
more
in 2014/15

90
sites
in total upgraded
by 2018

A row of framed Gold Award certificates is shown, slightly out of focus in the background. The certificates are white with a gold border and feature the text "You've made a difference", "GOLD AWARD", and "Congratulations!". A semi-transparent purple rectangular box is overlaid on the lower half of the image, containing the section header and a paragraph of text.

❖ Visible Leadership

Leading across the public service and within the community using our unique insights into offending behaviour; supporting and encouraging our people, and strengthening our partnerships to deliver our shared objectives.



Corrections prides itself on the levels of knowledge and experience of its staff

Corrections' workforce has a strong commitment to reducing re-offending and improving public safety. This commitment can be seen every day in the interactions between offenders and probation officers, corrections officers, case managers, nurses, psychologists, programme facilitators and staff in all areas right across the country.

Supporting our people

Leadership development

In August 2013, over 150 senior and emerging leaders attended the annual Leaders Forum, where Chief Executive Ray Smith presented year three of Corrections' four year plan to create lasting change in the lives of offenders. The third year of this plan ensures our people have the support they need to do their job safely and make a real contribution. In addition to staff safety, specific priority areas include:

- > improvements to our facilities and technology
- > enhanced training available to staff and managers
- > strengthened working relationships across Corrections and at a local and nationwide level with our key partners who share Corrections' commitment to reducing re-offending.

A Visible Leadership Programme is in place across Corrections to support managers to become strong, capable leaders. In 2013/14 the successful Emerging Senior Leaders programme was expanded to encompass emerging leaders in the regions. Empowering our staff in the regions and developing people at a local level forms a key part of visible leadership at Corrections. This in turn increases the capability of regional staff to be actively involved in their local communities.

Recognising our people

Gold, Silver and Bronze Make a Difference awards encourage and recognise good performance by staff at a local, regional and national level. Recipients must have made a significant contribution to one of Corrections' four key priorities.

Strengthening our partnerships to deliver our shared objectives

Community engagement

Engagement with key partners has continued to increase at both a national and regional level. Corrections works closely with government agencies, community providers, local councils, iwi, business and industry. Stakeholders are invited to national forums at regular intervals. These are both a chance to come together to discuss areas of mutual interest, and an opportunity to plot Corrections' progress towards its reducing re-offending target.

Our close working relationship³ with the Ministry of Social Development (MSD) was formally recognised through the signing of a Relationship Agreement in August 2013. The agreement acknowledges the vulnerabilities of those we work with, and prioritises the needs of vulnerable children and adults, including victims of crime.

Locally, Work and Income has entered community work into their system as an approved job seeking initiative. This means that both organisations have an interest in offenders undertaking their community work and ensuring this sentence becomes a valid pathway to employment.

As well as Work and Income, Corrections collaborates with training providers, employment brokers, educational facilities and local Police to support offenders in the community and prison into employment. Interventions include help with CV writing, job searching skills, and interview techniques.

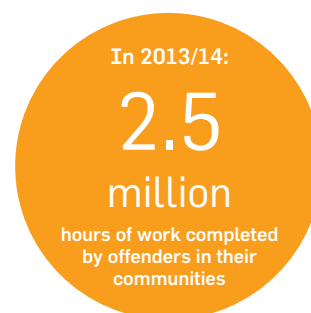
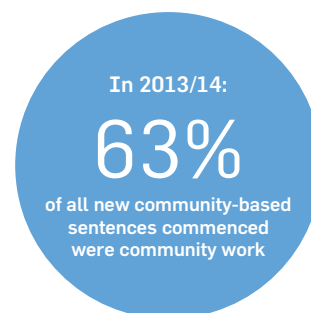
0508 CYF Link phone line

We are working in partnership with Child, Youth and Family (CYF) to improve information sharing regarding child safety.

Our frontline staff see children and young people most days in the course of their work, and are often best placed to notice if there is a child protection issue. We want to ensure staff have all the support they need to address any concerns they have, and help support children and young people to thrive.

Corrections and CYF launched a dedicated 24/7 phone line in November 2013, which is available to all staff across Corrections to report and discuss child protection concerns to the relevant authority. The phone line also offers opportunities for staff to get advice about dealing with child protection, make referrals for families/whānau to community agencies and access resources.

Since its launch the phone line has been well used by Corrections staff, reporting concerns regarding neglect, violence, visits by children to sex offenders and exposure to domestic violence. These reports increase the potential to deliver interventions for families/whānau that are responsive to the level of risk, while developing more effective working relationships between Corrections and CYF staff.



³ Collectively Corrections and MSD are involved in the lives of one in four New Zealanders, and the majority of people managed by Corrections have had previous involvement with MSD during their lives.

Giving something back to the community

If you've ever visited a well-kept local park or marae, enjoyed a bush-walking track, or noticed that a wall of unsightly tagging has been painted over – chances are you've seen a community work project managed by Corrections.

Offenders serving a sentence of community work do unpaid work in the community to help make up for their crime – and the work often involves improving and maintaining community assets. Community work is the most common community-based sentence. For 2013/14, 63 per cent of all new community-based sentences commenced were community work – that means Corrections was managing nearly 16,000 sentences of community work at any one time. This translates to a lot of hours of work; last year offenders completed over 2.5 million hours of work for their communities.

Our community work supervisors teach offenders skills such as painting or building, and act as role models, demonstrating how to meet challenges and find good solutions. They also use motivational interviewing techniques to encourage offenders to think about living a better kind of life.

Capturing Corrections' rich history - Heritage Centre

Corrections has developed a National Historic Strategy for protecting the historic value of our facilities and artefacts as we modernise our Community Corrections sites and prisons. In May 2014, Corrections opened the new Heritage Centre at our National Office in Wellington. The Heritage Centre showcases our rich past and provides an opportunity to inform the public of the important work being done to reduce re-offending.

Features of the Heritage Centre include a replica prison cell from the old New Plymouth Prison, an early admissions register from Invercargill Gaol (c1869) and a special exhibit on Corrections' involvement in the war effort to mark the centenary of World War One.

Written and oral interviews are also being undertaken to capture the history of Corrections as seen through the eyes of past and present staff. It is providing a voice for staff to tell their story and look at the progress of corrections over the decades.



Bringing the public into our prisons - Visa Wellington On a Plate

In August 2013, Wellington chef Martin Bosley tutored six prisoners at Rimutaka Prison to cook a high-end menu for paying guests as part of the Visa Wellington On a Plate festival. The event sold out within 15 minutes of tickets going on sale. All of these prisoners work in the kitchen at Rimutaka, and many are working towards NZQA qualifications that will help them get a job on release. It was a chance for them, and the public, to find out just what can be achieved behind bars. A further event was held in August 2014.

Presenting a united, professional image - Work-wear

This year a work-wear wardrobe was introduced for non-custodial staff, such as probation officers and people working in Community Corrections sites.

The *Creating Lasting Change* strategy set out a leadership objective to introduce work-wear options for frontline and support staff. The work-wear has proved incredibly popular. It's introduction has enhanced the 'one team' approach and corporate unity between all Corrections' roles. Other advantages of work-wear include enhanced professional image and identity of Corrections in the community.

Our people

The permanent workforce decreased slightly in 2013/14 as Corrections underwent a restructure at National Office in Wellington. On the whole, the existing ‘one team’ structure was working well, but as with all organisations, there were ways to work better. National Office operations were streamlined to improve productivity and retain resources where they are needed most. The new regional structure was strengthened to ensure functions could be appropriately managed at a regional level. Corporate overheads were reduced to reflect reducing offender numbers over the last two years, particularly in prisons.

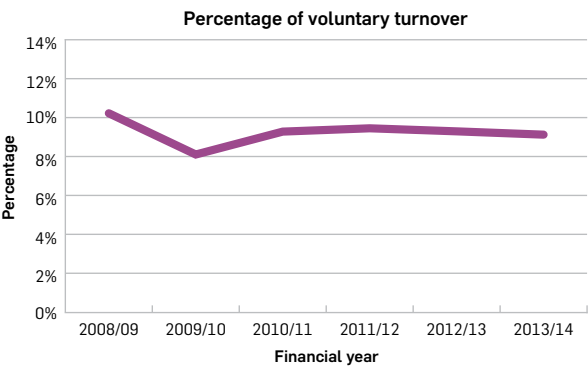
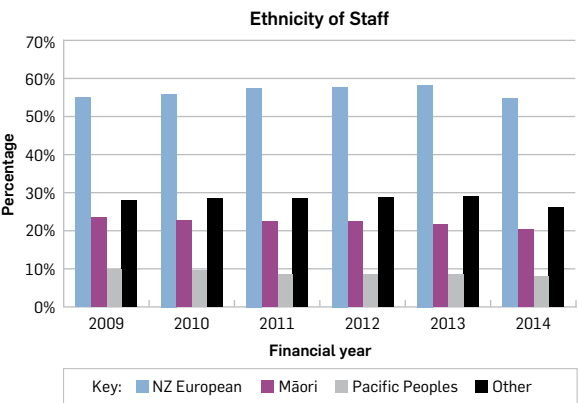
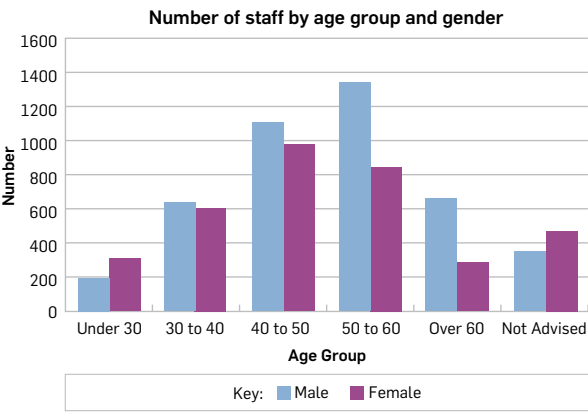
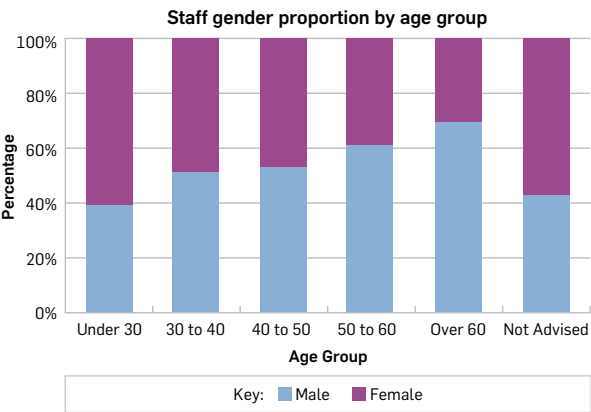
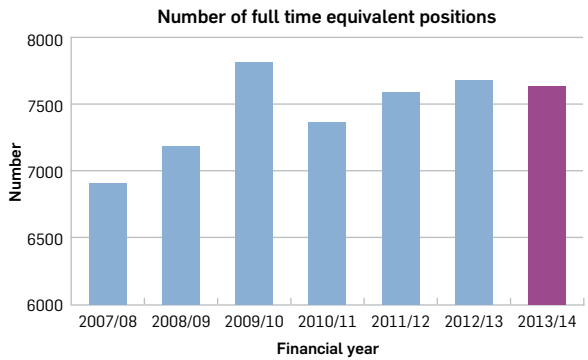
With Māori and Pacific peoples continuing to be over-represented in the corrections system, it is important for Corrections to ensure that its staff represent the full spectrum of the offender population. As with previous years, this level remained high in 2013/14.

More than 20 per cent of staff identified as Māori in 2013/14, and approximately eight per cent 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. The average age of our staff is 48 years. Fifty-five per cent of Corrections’ staff are male.

Turnover

Voluntary turnover at Corrections has dipped slightly, in line with similar movements elsewhere in the public sector, and is below the public sector average.





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

Statement of Service Performance

The offender journey as it relates to output classes

The diagram below shows the offender journey through the Corrections system as it relates to the government funded services that we deliver. The services are funded in the form of output classes. The Statement of Service Performance that forms Part B of this Annual Report reconciles our performance with the funded services.

POLICY ADVICE & MINISTERIAL SERVICES

151 Community Corrections sites

Corrections must ensure community-based offenders comply with any restrictions placed on them by the courts or NZPB. Offenders are assigned a probation officer to support and monitor them.

Directly supported by:

- Probation staff
- Community work supervisors
- GPS monitors
- Regional & admin teams

Key relationships:

- Justice Sector partners
- Social sector partners
- Community groups
- NZPB
- Iwi & whānau

CONTRACT MANAGEMENT OF SERVICES

- G4S
- Spotless
- Buddi
- Chubb

REHABILITATION & REINTEGRATION



Programmes

Corrections delivers programmes to offenders designed to motivate them to make positive changes in their attitude and behaviour. Programmes focus on motivation, specific offending, alcohol and other drug issues, and culture.

Directly supported by:

- Probation staff
- Psychologists
- Programme facilitators

Key relationships:

- Residential treatment providers
- Ministry of Health
- External programme providers

SENTENCES & ORDERS SERVED IN THE COMMUNITY

OFFENCE & OFFENDER NEEDS

Released on parole

PRISON-BASED CUSTODIAL SERVICES

17 prisons (three women's, 14 men's)

Corrections decides at which prison a sentence is served based on the offender needs and profile. All prisoners are assigned a case manager to support them.

Directly supported by:

- Custodial staff
- Health teams
- Specialist teams
- Regional & admin teams

Key relationships:

- Justice Sector partners
- Ministry of Health
- Prison volunteers
- Chaplaincy
- Iwi & whānau

CONTRACT MANAGEMENT OF SERVICES

- SERCO
- Spotless
- First Security

REHABILITATION & REINTEGRATION

Programmes

Corrections delivers programmes to offenders designed to motivate them to make positive changes in their attitude and behaviour. Programmes focus on motivation, behaviour leading to offending, alcohol and other drug issues, culture and parenting as appropriate.

Directly supported by:

- Psychologists
- Programme facilitators
- Tutors
- Prison volunteers

Key relationships:

- District Health Boards
- Māori service providers
- External programme providers
- Salvation Army
- Parents Centre



Education, Training, Employment

Corrections links offenders with relevant service providers who can deliver education, training and employment needs aimed to provide the skills necessary to lead an offence-free life.

Directly supported by:

- Probation staff

Key relationships:

- Service providers
- TEC
- Training institutes
- Education institutes
- Employers
- Work & Income



Reintegration

Corrections links offenders to relevant service providers who will support them to lead an offence-free life in the community.

Directly supported by:

- Probation staff

Key relationships:

- Service providers
- Work & Income
- Health providers
- Faith-based agencies
- Iwi & whānau
- Community groups

INFORMATION & ADMIN SERVICES TO THE JUDICIARY & NEW ZEALAND PAROLE BOARD

Corrections advises the courts and NZPB, and notifies victims when offenders have breached their conditions or are being considered for parole.

Directly supported by:

- Probation staff
- Psychologists
- Case managers
- Admin support staff

Key relationships:

- Independent NZPB members
- NZ Police
- State Services Commission
- Ministry of Justice
- Victim Support
- Judiciary

LIVING OFFENCE FREE



Education, Training, Employment

An education, training, employment pathway is built into the Offender Plan aimed to provide the skills necessary to lead an offence-free life. Corrections has prison-based industries and trade training workshops at each prison site.

Directly supported by:

- Offender employment instructors
- Case managers
- Custodial staff
- Work party supervisors

Key relationships:

- Training institutes
- Education institutes
- Employers
- External providers

Reintegration

Corrections provides a range of services to effectively transition and reintegrate prisoners into the community. Corrections has pre-release units at selected prison sites.

Directly supported by:

- Case managers
- Custodial staff
- Health staff

Key relationships:

- Supported accommodation providers
- Work & Income
- Community agencies
- Health providers
- Iwi & whānau
- Service providers
- Faith-based agencies



STATEMENT OF RESPONSIBILITY

In accordance with the *Public Finance Act 1989*, section 45C, I am responsible, as Chief Executive of the Department of Corrections, for the preparation of the Department's financial statements and statement of service performance, and for the judgements made in these statements.

I have responsibility of establishing, and I have established a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements including the forecast financial statements and the statement of service performance fairly reflect the financial position and operations of the Department for the year ended 30 June 2014.

Signed



Ray Smith
Chief Executive

24 September 2014

Countersigned



Neil Cherry
Deputy Chief Executive
Finance, Technology & Commercial

24 September 2014

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of the Department of Corrections financial statements and non-financial performance information for the year ended 30 June 2014.

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 of the financial statements and the non-financial performance information of the Department on her behalf.

We have audited:

- > the financial statements of the Department on pages 89 to 120, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and assets as at 30 June 2014, the statement of comprehensive income, statement of changes in taxpayers' funds, statement of departmental expenditure and capital expenditure against appropriations, statement of unappropriated expenditure, statement of trust monies 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; and
- > the non-financial performance information of the Department that comprises the statement of service performance on pages 59 to 83 and the report about outcomes on pages 19 to 50.

OPINION

In our opinion:

- > the financial statements of the Department on pages 89 to 120:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Department's:
 - financial position as at 30 June 2014;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2014; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2014.
- > the non-financial performance information of the Department on pages 19 to 50 and 59 to 83:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Department's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 24 September 2014. 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 financial statements and the non-financial performance information are 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 financial statements and the non-financial performance information. 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 financial statements and the non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Department's preparation of the financial statements and the non-financial performance information that fairly reflect the matters to which they relate. We consider internal control 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 non-financial performance information within the Department's framework for reporting performance;
- > the adequacy of all disclosures in the financial statements and the non-financial performance information; and
- > the overall presentation of the financial statements and the non-financial performance information.

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

We have obtained all the information and explanations we have required and 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 and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Department's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Chief Executive is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

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

RESPONSIBILITIES OF THE AUDITOR

We are responsible for expressing an independent opinion on the financial statements and the non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the *Public Audit Act 2001* and the *Public Finance Act 1989*.

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 carried out assignments on the review of the proposal to directly procure a GPS contract, assurance over the Auckland East redevelopment project and assurance over the tender process for electronic monitoring services. These assignments are compatible with those independence requirements.

Other than the above assignments and audit, 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 SERVICE PERFORMANCE 2013/14
FOR THE YEAR ENDED 30 JUNE 2014**

As part of Budget 2013 – Information Supporting the Estimates 2013/14

APPROPRIATION - PRISON-BASED CUSTODIAL SERVICES

This appropriation is limited to the provision of custodial services for offenders lawfully required to be detained in custody. This includes remand prisoners (people awaiting trial and offenders convicted but not yet sentenced), those offenders sentenced to imprisonment, and any other offender required to be lawfully detained in custody.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2014

	2012/13	2013/14			2014/15
	Actual	Actual	Main Estimates	Supp. Estimates	Forecast* (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	745,039	752,900	753,130	752,900	725,445
Departmental	290	232	146	343	–
Other	1,980	3,566	104	8,277	2,191
Total revenue	747,309	756,698	753,380	761,520	727,636
Total expenses	742,859	759,218	753,380	761,520	727,636
Net surplus/(deficit)	4,450	(2,520)	–	–	–

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

The total expense for the appropriation was \$759.2 million. With 17 prison sites across the country (16 managed by Corrections and one prison managed by Serco) a significant portion of the expenditure relating to this appropriation is costs associated with holding physical assets. These assets drive operational costs such as depreciation, maintenance and capital charge comprising approximately 25 per cent of this appropriation. With staff located across all prison sites the other significant costs associated with this appropriation are personnel costs. On any given day Corrections manages approximately 8,500 offenders and custodial personnel are predominantly responsible for the safe, secure and humane containment of offenders.

Actual expenditure was \$2.3 million lower than the Supplementary Estimates due to delays in a number of one-off projects including:

- > Allowances made within the budget to cover costs flowing on from the proposed enactment of the Public Safety (Public Protection Orders) Bill, which did not eventuate.
- > Expenditure relating to staff uniforms has been lower than originally anticipated.

This appropriation increased from the Main Estimates to the Supplementary Estimates due to additional one-off costs associated with the September 2012 Christchurch earthquake and the June 2013 Spring Hill riot, which have been incurred during 2013/14. These costs are expected to be partially offset by proceeds from claims against Corrections' insurance policies.

In addition, funding was transferred from 2012/13 to 2013/14 for anticipated one-off project related costs (e.g. Public Protection Orders, Staff Safety and Prisoner Clothing).

OUTPUT: CUSTODIAL SERVICES

This output provides custodial services for prisoners and ensures offenders complete the correct imposed order/sentence and comply with the specific restrictions and requirements of their order/sentence, are not harmed, and are treated fairly and their legitimate needs are met.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUANTITY							
The number of non-serious/ no injury prisoner/prisoner assaults (note 1)	New for 2011/12	812	720	750	≤800	(50)	≤750
The number of non-serious/ no injury prisoner/staff assaults (note 1)	New for 2011/12	338	337	314	≤300	14	≤300
The number of general random drug tests sampled (note 1)	4,036	4,140	4,191	4,295	≥4,200	95	≥4,200
QUALITY							
Percentage of initial offender plans completed within required timeframes* (note 1)	–	–	–	85%	New for 2014/15	–	≥85%

*New performance measures for 2014/15 have current year comparisons for future reporting purposes

Activity Information	Previous Years			Current Year			Next Year
	2010/11 Actual Volume	2011/12 Actual Volume	2012/13 Actual Volume	2013/14 Actual Volume	2013/14 Budget Volume	2013/14 Variance	2014/15 Budget Volume
NUMBER OF OFFENDERS							
The average prison population ⁴ (note 1)	8,712	8,587	8,614	8,460	8,634	(174)	8,246
The maximum number of prisoners held (note 1)	8,853	8,738	8,743	8,640	8,793	(153)	8,393

Corrections monitors a number of measures across its activities to assess:

- > the overall safety of the prison environment
- > the security of its facilities; and
- > the effectiveness in preventing contraband entering prisons.

The volume of prisoner on prisoner assaults was below the maximum acceptance level for the year, although slightly up on last year's result. However, the effectiveness of our 2013/14 safety initiatives and zero tolerance for violence saw a reduction in more serious assaults compared to the previous year, as noted in our impact measures on page 37 (down from 55 serious assaults in 2012/13 to 42 this year).

Although the number of non-serious/no injury assaults on staff was higher than the expected levels, the impact of the release of the staff safety plan and associated initiatives has seen a significant reduction to six serious assaults by prisoners on staff, down from 13 in the previous year.

Our effectiveness at ensuring contraband does not enter our prison system is measured by the percentage of general random prisoner drug tests that show a positive test result for illegal drugs. During 2013/14, we completed 4,295 general random drug tests; of the 4,226 resulted tests 3.8 per cent returned a positive result, our most successful year since testing began in 1998.

⁴ The original budgeted volumes were based on Justice Sector Forecasts finalised on 28 September 2012. The most recent forecasts were revised in December 2013 and expect lower levels of offenders compared to the original budget. The actual number of prisoners is currently above the revised forecasts due to higher than expected prisoners on remand.

We attribute this success to the introduction of a number of new initiatives, in particular the introduction of the prisoner television rental scheme (see page 36 for more detail).

Corrections has introduced a new measure to ensure initial offender plans are completed within the required timeframes. The completion of these plans in a timely manner enables the best possible opportunity for offenders to participate in rehabilitation, employment and education programmes while serving their sentence.

The timely completion of each plan is dependent on the efficient and effective completion of risk assessments and health screenings undertaken in the custodial environment. The performance of 85 per cent reflects the voluntary nature of offender plans and highlights those offenders who are not willing to participate or are unable to participate due to being transferred between prisons.

OUTPUT: HEALTH

This output provides for health assessments and primary healthcare for all prisoners in custody.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
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%	≥90%	4%	≥90%
The number of identified Health Centres achieving Cornerstone accreditation	–	New for 2012/13	6	5	4	1	1
The percentage of newly received prisoners who have a reception health triage assessment on the day of reception (note 1)	92%	98%	99%	98%	≥95%	3%	≥95%

Activity Information	Previous Years			Current Year			Next Year
	2010/11 Actual Volume	2011/12 Actual Volume	2012/13 Actual Volume	2013/14 Actual Volume	2013/14 Budget Volume	2013/14 Variance	2014/15 Budget Volume
NUMBER OF PRISONERS							
The number of prisoners who require a health screening upon reception (note 1)	31,835	29,295	30,253	29,751	30,500	(749)	30,500
The total number of health consultations with healthcare staff (note 1)	244,048	234,421	264,422	178,859 ⁵	264,000	(85,141)	124,300

⁵ 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 current financial year.

Corrections Health Services provides a primary health care service to prisoners equivalent to that the general population would receive from a General Practitioner. As a primary health care provider, Corrections Health Services has a critical role in prevention, early detection, robust clinical management and continuity of care.

A reception health triage assessment is the first opportunity that Health Services staff will have to obtain health information about prisoners who may need health services while they are in prison. These assessments ensure that the prisoner's immediate health needs are clinically addressed in a timely manner. The percentage of newly received prisoners who have a reception health triage assessment on the day of the reception was 98 per cent (2012/13: 99%) well above the expected standard.

The target of 95 per cent was set to exclude prisoners who on reception to prison may require an interpreter, are under the influence of drugs or alcohol, or are received outside of the health centre hours.

The percentage of new prisoners who require and receive a cardio-vascular risk assessment within eight weeks of identification has increased to 94 per cent (2012/13: 83%).

A national strategy aimed at addressing cardio-vascular disease in New Zealand has been developed by the Ministry of Health. As part of that strategy, Corrections is committed to providing a specialist cardio-vascular risk assessment to all prisoners who are in an at-risk group.

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 electronic monitoring of people on bail.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2014

	2012/13	2013/14			2014/15
	Actual	Actual	Main Estimates	Supp. Estimates	Forecast* (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	206,483	217,767	206,065	217,767	218,470
Departmental	–	46	–	68	–
Other	323	–	–	–	–
Total revenue	206,806	217,813	206,065	217,835	218,470
Total expenses	203,233	210,307	206,065	217,835	218,470
Net surplus/(deficit)	3,573	7,506	–	–	–

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

The total expense for this appropriation was \$210.3 million. Approximately half of the cost within this output class relates to personnel. With approximately 36,500 sentences and orders being served in the community, our staff play a vital role in making communities safer by effectively managing sentences and orders such as community work, home detention and parole. Other costs associated with this output class include the electronic monitoring of offenders.

Actual expenditure was \$7.5 million (3.5%) less than the Supplementary Estimates. This was due to delays in a number of one-off projects including:

- > Amendments to legislation allowing random drug testing on community-based offenders and bailees who are subject to abstinence conditions were delayed. An in-principle expense transfer has been approved for up to \$2 million from 2013/14 to 2015/16.
- > Delays in the Electronic Monitoring Procurement Project have resulted in expenditure now occurring later than originally planned. An in-principle expense transfer has been approved for up to \$3 million from 2013/14 to 2014/15.

At Main Estimates the 2013/14 budget for this output class was \$206.1 million. During the year this was increased as a result of the following activities:

- > The provision of Electronic Monitored Bail operations being transferred from NZ Police to Corrections, effective from 1 October 2013.
- > A shift in demand to the management of more intensive community-based sentences and orders, with less time being spent on services provided directly to the Judiciary.

Corrections has permanently transferred funding from the 'Information and Administrative Services to the Judiciary and New Zealand Parole Board' output class to the 'Sentence and Orders Served in the Community' output class as this trend is expected to continue in the foreseeable future.

OUTPUT: HOME DETENTION SENTENCES

This output covers sentences imposed by the courts that require the offender to reside at an approved address under strict conditions and with strict monitoring, including electronic monitoring. The Department ensures that offenders complete the correct imposed sentence and comply with the restrictions and requirements of their sentence.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY AND TIMELINESS							
Compliance with mandatory standards for home detention sentences (note 2)	–	New for 2012/13	96%	94% ⁶	≥98%	(4%)	≥98%
NUMBER OF OFFENDERS							
The total number of offenders commencing a home detention sentence	3,774	3,363	3,527	3,340	3,275	65	3,552
The average number of home detention sentences being served	3,001	2,693	2,854	2,947	2,748	199	2,896

The number of offenders commencing a home detention sentence dropped to 3,340 (2012/13: 3,527). However, the average number serving a home detention sentence on any day increased to 2,947 offenders (2012/13: 2,854) representing an increase in the average length of a home detention sentence to 6.5 months (2012/13: 6.3 months).

Corrections ensures that all community offenders comply with their sentences and orders. Compliance is achieved when offenders:

- > complete the imposed sentence or order
- > comply with all directives and restrictions inherent to the sentence or order (e.g. attendance at programmes, non-association orders, residential or employment restrictions); and/or
- > experience appropriate consequences in the event of non-compliance.

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 measures compliance with community sentences and orders at the impact and outcome level (see page 33).

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. The mandatory standards are designed to measure the quality of service provided by Corrections.

Our compliance with the mandatory standards required for the management of home detention sentences was 94 per cent (2012/13: 96%) which was marginally below the performance standard.

The primary reasons for a failure to meet the standards were:

- > approved absences that had not been entered in case notes
- > home visits unable to be completed within five days
- > action not taken, or rationale for action not taken, for failure to report by offenders.

In most cases, non-compliance with the mandatory standard was the result of administrative oversight and did not impact on the safety of the community. In the case where actions were not taken or rationale for action not taken for failure to report, the probation officer followed it up with a corrective action.

⁶ Reporting of the compliance with mandatory standards undertaken was refined in April 2013 making the measure more astute in finding areas of non-compliance. The decrease in compliance for this measure in 2013/14 is because of this redefinition coming into effect.

OUTPUT: COMMUNITY-BASED SENTENCES

This output covers the management of offenders serving community-based sentences, such as: community work, intensive supervision, community detention and supervision. The Department ensures that offenders complete the correct imposed sentence and comply with the restrictions and requirements of their sentence.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY AND TIMELINESS							
Compliance with mandatory standards for community-based sentences (note 2)	–	New for 2012/13	95%	93% ⁷	≥98%	(5%)	≥98%
NUMBER OF OFFENDERS							
The total number of offenders commencing community-based sentences ⁸	61,721	58,726	54,561	49,018	67,666	(18,648)	49,786
The average number of community-based sentences being served	35,856	33,076	30,359	27,676	31,349	(3,673)	27,239

There has been a reduction in the volume of community sentences commenced at 49,018 (2012/13: 54,561), which also translates into a lower average number of sentences served.

The volumes by sentence type that contribute to this output are provided in the table below.

Sentence type (average number of sentences)	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual
Supervision	7,591	7,883	8,243	7,751
Intensive supervision	2,619	2,531	2,464	2,381
Community work	23,962	20,892	17,702	15,825
Community detention sentence	1,684	1,770	1,950	1,719

Our compliance with the mandatory standards required for the management of community-based sentences was 93 per cent (2012/13: 95%) which was below our performance target.

The primary reasons for a failure to meet the standards were:

- > home visits were unable to be completed within five days
- > offender plans that were commenced but not completed
- > action not taken, or rationale for action not taken, for failure to report by offender.

In most cases, non-compliance with the mandatory standard was the result of administrative oversight and did not impact on the safety of the community. In the case where actions were not taken or rationale for action not taken for failure to report, the probation officer followed it up with a corrective action.

⁷ Reporting of the compliance with mandatory standards undertaken was refined in April 2013 making the measure more astute in finding areas of non-compliance. The decrease in compliance for this measure in 2013/14 is because of this redefinition coming into effect.

⁸ The original budgeted volumes were based on Justice Sector Forecasts finalised on 28 September 2012. The most recent forecasts were revised in December 2013 and expect lower levels of offenders compared to the original budget.

OUTPUT: POST-RELEASE ORDERS

This output covers the management of offenders who have post-release conditions as imposed by the courts at the time of sentencing for prisoners with short sentences. It also covers parole orders imposed by the New Zealand Parole Board (NZPB) and extended supervision orders imposed by the courts, with additional special conditions set by the NZPB to actively manage the long term risks posed by high-risk child-sex offenders in the community. The Department ensures that offenders complete the correct imposed order and comply with the restrictions and requirements of their order.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY AND TIMELINESS							
Compliance with mandatory standards for post-release orders (note 2)	–	New for 2012/13	98%	96% ⁹	≥98%	(2%)	≥98%

Activity Information	Previous Years			Current Year			Next Year
	2010/11 Actual Volume	2011/12 Actual Volume	2012/13 Actual Volume	2013/14 Actual Volume	2013/14 Budget Volume	2013/14 Variance	2014/15 Budget Volume
NUMBER OF OFFENDERS							
The total number of offenders with a post-release order ¹⁰	6,452	6,140	5,999	5,779	5,901	(122)	5,714
The average number of post-release orders being served	5,827	5,968	5,917	5,899	6,155	(256)	5,916

There has been a reduction in the number post-release orders commencing to 5,779 (2012/13: 5,999), which also translates into a lower average number of post-release orders being served.

The volumes by post-release order type that contribute to this output are provided in the table below.

Order type (average number of sentences)	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual
Post-release conditions	3,538	3,473	3,350	3,277
Parole/residential restrictions	2,119	2,303	2,360	2,404
Extended supervision	170	192	207	218

Our compliance with the mandatory standards required for the management of community-based sentences was 96 per cent (2012/13: 98%).

The primary reasons for a failure to meet the standards were:

- > home visits were unable to be completed within five days
- > offender plans that were commenced but not completed
- > action not taken, or rationale for action not taken, for failure to report by offender.

In most cases, non-compliance with the mandatory standard was the result of administrative oversight and did not impact on the safety of the community. In the case where actions were not taken or rationale for action not taken for failure to report by offender, the probation officer had followed it up with a corrective action.

⁹ Reporting of the compliance with mandatory standards undertaken was refined in April 2013 making the measure more astute in finding areas of non-compliance. The decrease in compliance for this measure in 2013/14 is because of this redefinition coming into effect.

¹⁰ The original budgeted volumes were based on Justice Sector Forecasts finalised on 28 September 2012. The most recent forecasts were revised in December 2013 and expect lower levels of offenders compared to the original budget.

OUTPUT: ELECTRONIC MONITORING BAIL (EM BAIL)

This output covers the management of people on electronic monitoring as a condition of bail (EM bail) which is granted to suitable defendants who would otherwise be remanded in custody, in prison, while waiting for a court hearing. EM bail may be available to a defendant who has either had bail refused or has been remanded in custody because bail has not been sought.

Activity Information	Previous Years			Current Year			Next Year
	2010/11 Actual Volume	2011/12 Actual Volume	2012/13 Actual Volume	2013/14 Actual Volume	2013/14 Budget Volume	2013/14 Variance	2014/15 Budget Volume
NUMBER OF BAILEES							
The number of new EM bail conditions imposed*	–	–	–	392	New for 2014/15	–	1,000
The average number of EM bail conditions*	–	–	–	273	New for 2014/15	–	431

**New performance measures for 2014/15 have current year comparisons for future reporting purposes*

Provision of EM bail operations was transferred from NZ Police to Corrections, effective from 1 October 2013, with the full transition being completed during January 2014. The average EM bail population has increased from 223 when the transfer began on 1 October 2013 to 273 people on bail within the last nine months (to 30 June 2014).

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.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2014

	2012/13	2013/14			2014/15
	Actual	Actual	Main Estimates	Supp. Estimates	Forecast* (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	117,074	141,967	139,599	141,967	149,048
Departmental	–	72	–	106	–
Other	38,190	37,943	30,998	35,598	29,694
Total revenue	155,264	179,982	170,597	177,671	178,742
Total expenses	145,923	161,937	170,597	177,671	178,742
Net surplus/(deficit)	9,341	18,045	–	–	–

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

The total expense for this appropriation was \$161.9 million and is fundamental to achieving the 25 per cent reduction in re-offending by 2017. The main cost drivers are personnel and contract costs related to programme delivery.

Actual expenditure was \$15.7 million (9%) less than the Supplementary Estimates due to staff vacancies and delays in establishing contract providers for the delivery of certain programmes. This has resulted in an in-principle expense transfer being approved for up to \$2.5 million from 2013/14 to 2015/16 for the Out of Gate programme.

The increase in spending between Main Estimates and Supplementary Estimates of \$7 million was due to an increase in offender employment activities which are partially funded by favourable market prices for goods and services provided through these activities.

In addition, Corrections transferred funding from 2012/13 to 2013/14 to support the completion of activities within the reducing re-offending programme.

OUTPUT: CASE MANAGEMENT

This output is focused on planning and managing a prisoner's rehabilitation and reintegration needs which are reflected in a high quality offender plan for each individual prisoner.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUANTITY							
The percentage of prisoners entitled to receive an offender plan that received one (note 1)	New for 2011/12	96%	98%	99.5%	≥95%	4.5%	≥95%

Case management focuses on providing end-to-end case management for prisoners in order to actively manage them on a regular basis. Case management involves, firstly, identifying the individual needs of an offender, and then ensuring these needs are met; all with the ultimate aim of reducing the risk of re-offending.

We measure our performance by undertaking a monthly check of the prison population to ensure that all offenders entitled to a plan have one with the annual result being 99.5 per cent (2012/13: 98%).

OUTPUT: INTERVENTIONS – TRAINING AND EDUCATION

This output focuses on providing prisoners with industry recognised qualifications which improve their ability to engage productively in society upon release. It ensures that those undertaking these interventions have had their educational and training needs correctly assessed and that the Department is providing these opportunities to a minimum number of prisoners each year.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
The percentage of prisoners who demonstrate measurable gains with literacy and numeracy (note 3)	New for 2011/12	89%	82%	71%	≥75%	(4%)	≥75%
QUANTITY							
The number of prisoners who receive literacy and numeracy programmes	–	New for 2012/13	2,981	3,801	2,969	832	2,969
The total number of qualifications achieved by prisoners while in prison	New for 2011/12	3,145	3,160	3,858	2,800	1,058	3,505

The percentage of prisoners demonstrating measurable gains in literacy and numeracy has fallen short of our expectations this year (71% against a target of 75%). Corrections contracts for the delivery of high quality education and training activities for prisoners that will contribute to our intended outcomes for society, in particular that offenders are provided with the skills and support to lead law-abiding lives and thereby reduce the risk of their re-offending.

In order to achieve our outcome we have revised our education strategy to ensure that appropriate levels of education are provided to suit the needs of all offenders. In previous years we have delivered literacy and numeracy education to all prisoners regardless of identified need.

During 2013/14 we have expanded our education and training provision to enable prisoners with higher levels of literacy and numeracy attainment to undertake training aimed at increasing their prospects of gaining employment on release. The net result of this is that we now measure literacy and numeracy attainment levels across a group of offenders with an overall lower level of numeracy and literacy at the beginning of the programme.

Corrections has seen a shift in more long-serving prisoners (5-15 years of average sentence length), which means they are staying longer in employment and training based activities. There has also been a shift in the Corrections' education and training strategy, which promotes programmes designed to provide access to useful qualifications on the New Zealand Qualifications Framework (NZQF).

The combined impact of this is seen in the steep increase in the number of qualifications achieved by prisoners. Along with the increase in the volume of qualifications, the qualifications achieved are of a higher level than last year. The combined volume of Level 2 and 3 qualifications achieved by prisoners has more than tripled from 2012/13.

Level	Type	2012/13 Actual	2013/14 Actual	Change (%)
LESS THAN LEVEL ONE	LCP¹¹/MTP¹²	1,326	4	
	Trade Ticket	103	16	
	Health and Safety	279		
	Driver Licence	93	17	
Qualifications achieved		1,801	37	(98%)
LEVEL ONE	LCP/MTP	2	106	
	National Certificate	172	119	
Qualifications achieved		174	225	29%
LEVEL TWO	LCP/MTP	4	1,482	
	National Certificate	1,072	1,165	
	Trade Ticket		59	
	Health and Safety		363	
	Driver Licence		261	
Qualifications achieved		1,076	3,330	209%
LEVEL THREE	LCP/MTP	10	82	
	National Certificate	85	115	
	Trade Ticket		13	
	Health and Safety		46	
Qualifications achieved		95	256	169%
LEVEL FOUR	National Certificate	14	10	
Qualifications achieved		14	10	(29%)

The qualifications achieved are in the area of timber processing and forestry (29%), asset maintenance, laundry and kitchen (29%), engineering (14%), farming and horticulture (14%) and other training activities (14%).

11 Limited Credit Programme (LCP).

12 Modularised Training Programme (MTP).

OUTPUT: INTERVENTIONS – PRISONER EMPLOYMENT

This output is focused on providing employment relevant skills that can be applied upon release to secure employment.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUANTITY							
The number of prisoners who have engaged in employment activities	–	New for 2012/13	10,085	9,777	11,435	(1,658)	11,460

Despite the lower than expected number of prisoners in these activities over the year, actual employment, measured by the number of hours of employment, has increased by around 11 per cent since last year. Approximately eight million hours of employment have been completed by prisoners, compared to 7.3 million hours in 2012/13, with the average time spent in employment per prisoner across the average number of prisoners engaged also increasing by approximately three hours per prisoner per week.

Measures	2012/13 Actual	2013/14 Actual
Total hours of employment	7,290,306	8,071,582
Average hours per week	138,640	155,227
Average prisoners employed per week	4,770	4,740
Average hours of employment per week per prisoner	29.07	32.75

OUTPUT: INTERVENTIONS – REHABILITATION

This output is focused on ensuring offenders start and complete their rehabilitation.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
The percentage of offenders who start and complete a rehabilitation programme:							
– prisoners	–	New for 2012/13	86%	85%	≥75%	10%	≥75%
– community-based offenders	–	New for 2012/13	63%	63%	≥65%	(2%)	≥65%
QUANTITY							
The number of offenders who start a rehabilitation programme:							
– prisoners	–	New for 2012/13	11,279	14,035	14,135	(100)	13,247
– prisoners	–	New for 2012/13	4,950	7,439	7,856	(417)	7,911
– community-based offenders	–	New for 2012/13	6,329	6,596	6,279	317	5,336

Rehabilitation programmes empower offenders to break the cycle of their offending by giving them the opportunity to learn the skills they require to change their patterns of behaviour. Offender needs are identified by case managers, and offenders are given the opportunity of participating in programmes that help to address their needs. These include Special Treatment Programmes for sex offenders, Domestic Violence Treatment, Tikanga Māori Programmes and Alcohol and Drug Treatment Programmes.

In the 2013/14 financial year 7,439 prisoners (2012/13: 4,950) started a prison-based rehabilitation programme, which was lower than expected by 417. During the year new Alcohol and Drug Treatment programmes and a broad range of programmes that were delivered according to local and regional needs were introduced. Some delays were experienced embedding the new programmes at a local level leading to a small under-delivery against our expected target.

The 7,439 starts on prison-based rehabilitation programmes include:

- > 3,525 on Alcohol and Drug Treatment Programmes (includes programmes of various length from two weeks to six months, an increase of 2,499 from the previous year)
- > 1,064 on Tikanga Māori Programme (delivered by Māori service providers, that use Māori philosophy, values, knowledge and practices to emphasise the relationship of the individual with their social and cultural environment)
- > 927 on a Medium Intensity Suite Programme (ranging from Short Motivational Programmes through to the 10 week long Medium Intensity Rehabilitation Programme). These are offence focused and support offenders to alter the thoughts, attitudes and behaviours that led to their offending and assist them to develop strategies for maintaining positive change
- > 621 Individual Psychological Treatment Programmes (one-on-one treatment by which psychologists provide offenders with specialist advice, assessment, and treatment to reduce an offender's risk of re-offending, where the offender is unlikely to benefit from a group based programme); and
- > 310 on a Special Treatment Unit Programme (special programmes which are high intensity offence-focused psychological interventions that address sex offending, violence, etc.).

In the 2013/14 financial year 6,596 community-based offenders (2012/13: 6,329) started a rehabilitation programme, including:

- > 2,443 on the Domestic Violence Treatment Programme (provides offenders with skills to live without domestic violence by training them to control violent impulses and resolve conflicts without violence)
- > 1,125 on a Medium Intensity Suite Programme (ranging from Short Motivational Programmes through to the 10 week long Medium Intensity Rehabilitation Programme). These are offence focused and support offenders to alter the thoughts, attitudes and behaviours that led to their offending, and assist them to develop strategies for maintaining positive change
- > 1,046 on programmes implemented through the Regional Initiative Fund (provides regions with the opportunity to contest for funding by submitting their ideas for new and effective rehabilitation activities)
- > 921 on Tikanga Māori Programmes (60-80 hours long and offers a culturally responsive programme for offenders who identify as Māori by looking at Māori culture as a pathway to address the underlying causes of their offending and develop positive goals for the future)
- > 676 on Individual Psychological Treatment Programme (one-on-one treatment by which psychologists provide offenders with specialist advice, assessment, and treatment to reduce an offender's risk of re-offending); and
- > 385 on Other programmes (includes Tai Aroha Residential Rehabilitation Programme, Young Offenders Programme, Residential Drug Treatment Programme, and Child Sex Offender Treatment Programme).

OUTPUT: INTERVENTIONS – REINTEGRATION

This output is focused on ensuring offenders start and complete their reintegrative interventions.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
The percentage of prisoners who have had their reintegrative needs addressed	–	New for 2012/13	78%	86%	≥60%	26%	–
Number of offenders referred by case managers through to Out of Gate providers* ¹³	–	–	–	1,685	New for 2014/15	–	4,300

**New performance measures for 2014/15 have current year comparisons for future reporting purposes*

Reintegration is the process of successfully transitioning offenders to the wider community from the custody of, and/or control by Corrections. The goal is to successfully transition offenders and settle them in the wider community with constructive attitudes and behaviours.

The six pillars are the core reintegrative needs commonly required by prisoners in Corrections care:

- > Employment – every prisoner is engaged in sustainable employment/has employment resilience
- > Accommodation – every prisoner has safe, appropriate and long-term sustainable accommodation
- > Education and training – every prisoner has skills, training, and support to acquire and retain sustainable employment
- > Oranga: Health and wellbeing – every prisoner has strategies to maintain spiritual, personal, and cultural wellbeing
- > Skills for Life – every prisoner has skills to manage household, family/whānau and financial commitments
- > Family/whānau and community support – every prisoner has positive family/whānau and/or community support.

5,823 offender needs for reintegration were identified; of which 5,026 (86%) were met. (2012/13: 78%)

During the year, Out of Gate was introduced as a reintegration service aimed at supporting prisoners who are sentenced to imprisonment for two years or less or on remand for 60 days or more; and have one or more reintegrative needs.

There are two levels of service:

- > Standard service which provides a core level of support to connect eligible participants with support services to assist with their successful reintegration into the community
- > Intensive service which is aimed at short-serving offenders with more complex and challenging needs.

In 2013/14, 1,477 referrals were made for standard services and 208 were for intensive services.

¹³ The Out of Gate service was implemented from October 2013.

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, and the provision of administrative, financial and secretariat services to the New Zealand Parole Board.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2014

	2012/13	2013/14			2014/15
	Actual	Actual	Main Estimates	Supp. Estimates	Forecast* (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	61,912	54,193	61,844	54,193	53,277
Departmental	–	14	–	20	–
Other	71	–	–	–	–
Total revenue	61,983	54,207	61,844	54,213	53,277
Total expenses	58,842	51,767	61,844	54,213	53,277
Net surplus/(deficit)	3,141	2,440	–	–	–

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

The total expense for this appropriation was \$51.8 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 New Zealand Parole Board with relevant offender information.

The decrease in the budget between the Main Estimates and Supplementary Estimates of \$7.6 million (5%) reflects the decline in the demand for information and administrative services provided to the Judiciary, victims of crime and Parole Board.

Funding was permanently transferred from the 'Information and Administrative Services to the Judiciary and New Zealand Parole Board' to the 'Sentences and Orders Served in the Community' output class to meet increased management of offenders on community-based sentences and orders.

OUTPUT: INFORMATION SERVICES TO THE JUDICIARY

This output 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 supports the Judiciary to make informed decisions.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
The percentage of probation reports provided to court that met mandatory standards (note 4)	94%	97%	98%	98%	≥90%	8%	≥90%
TIMELINESS							
The percentage of reports provided to court within agreed timeframes before sentencing: (note 5)							
– probation reports	94%	95%	94%	94%	≥95%	(1%)	≥95%
– psychological reports (note 1)	98%	98%	84%	94%	≥95%	(1%)	≥95%

Activity Information	Previous Years			Current Year			Next Year
	2010/11 Actual Volume	2011/12 Actual Volume	2012/13 Actual Volume	2013/14 Actual Volume	2013/14 Budget Volume	2013/14 Variance	2014/15 Budget Volume
NUMBER OF REPORTS AND HOURS							
The number of reports provided to court: ¹⁴	58,135	53,399	47,494	39,420	50,540	(11,120)	44,557
– probation reports	58,017	53,286	47,310	39,266	50,290	(11,024)	44,332
– psychological reports (note 1)	118	113	184	154	250	(96)	225
The number of court attendance hours	101,895	102,159	97,561	106,740	103,586	3,154	99,227
Number of Electronic Monitoring bail (EM bail) applications submitted to court*	–	–	–	1,319	New for 2014/15	–	2,500

*New performance measures for 2014/15 have current year comparisons for future reporting purposes

The average number of unique offenders serving a community-based sentence or order has decreased to 29,637 (2012/13: 30,999). This decrease in the overall community-based offender population has resulted in lower than expected demand for the provision of advice to courts in written form.

The volume of reports provided to courts was 22 per cent lower than expected for probation and 38 per cent below the budget for psychological reports. There was a noticeable improvement in the timeliness of psychological reports which increased by 10 per cent since last financial year.

We continue to exceed our performance standard for the quality of reports provided to the courts.

14 The original budgeted volumes were based on Justice Sector Forecasts finalised on 28 September 2012. The most recent forecasts were revised in December 2013 and expect lower levels of offenders compared to the original budget and therefore lower numbers of reports to the Judiciary.

OUTPUT: INFORMATION SERVICES TO THE NEW ZEALAND PAROLE BOARD (NZPB)

This output focuses on ensuring reports provide information to the NZPB to assist with decisions regarding a prisoner's release from prison. The Department also provides progress reports to the NZPB on offender compliance with the conditions of their parole orders. This output supports the NZPB to make informed decisions.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
The percentage of parole progress reports provided to agreed standards pursuant to NZPB requirements	New for 2011/12	99%	97%	95%	≥90%	5%	–
TIMELINESS							
The percentage of reports provided to agreed timeframes pursuant to NZPB requirements: (note 6)							
– parole assessment reports (note 1)	New for 2011/12	85%	88%	88%	≥75%	13%	≥75%
– parole progress reports	93%	97%	96%	93%	≥95%	(2%)	≥95%
– psychological reports (note 1)	100%	95%	94%	94%	≥90%	4%	≥90%
Activity Information							
	2010/11 Actual Volume	2011/12 Actual Volume	2012/13 Actual Volume	2013/14 Actual Volume	2013/14 Budget Volume	2013/14 Variance	2014/15 Budget Volume
NUMBER OF REPORTS							
The number of reports provided to the NZPB:	8,350	8,352	8,249	8,210	7,335	875	6,868
– parole assessment reports (note 1)	6,626	6,725	6,772	6,622	5,699	923	5,369
– parole progress reports	508	415	320	307	436	(129)	299
– psychological reports (note 1)	1,216	1,212	1,157	1,281	1,200	81	1,200

The volume of reports provided to the NZPB was four per cent lower than last year for probation and 11 per cent higher than last year for psychological reports.

Despite the increase in volumes in psychological reports, the timeliness of these reports maintained performance at 94 per cent (2012/13: 94%).

OUTPUT: INFORMATION AND ADMINISTRATIVE SERVICES TO VICTIMS

This output focuses on the administration of victim notification services. The Department has a responsibility to notify eligible victims about specific events as detailed in the *Victims' Rights Act 2002*. The New Zealand Police refer details of eligible victims to the Department.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY AND TIMELINESS							
The number of justified complaints about notification services received from registered victims (note 7)	Nil	Nil	1	2	Nil	(2)	Nil
Activity Information	Previous Years			Current Year			Next Year
	2010/11 Actual Volume	2011/12 Actual Volume	2012/13 Actual Volume	2013/14 Actual Volume	2013/14 Budget Volume	2013/14 Variance	2014/15 Budget Volume
NUMBER OF VICTIMS							
The number of victim referrals	731	754	753	912	≥700	212	≥1,800

The number of victim referrals received from New Zealand Police was 30 per cent over the standard expected, and is significantly higher than volumes experienced in previous years. The referral process is driven by Police, and as such Corrections has no direct control over the number of referrals received.

Two justified complaints were received during the year. Corrections aims to have no justified complaints about notification services received from registered victims. The two complaints were in relation to:

- > an inappropriate request for access to the children of the offender; and
- > insufficient notification to a victim relating to a temporary release.

OUTPUT: ADMINISTRATIVE SERVICES TO THE NEW ZEALAND PAROLE BOARD (NZPB)

The Department provides administrative services to the Board.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
The percentage of offenders who are notified as per NZPB requirements (note 8)	100%	100%	100%	100%	≥98%	2%	≥98%
The percentage of victims who are notified as per NZPB requirements	98%	100%	100%	100%	≥98%	2%	≥98%
TIMELINESS							
The percentage of all cases to be heard by the NZPB that are scheduled no later than 16 weeks from the date of the hearing	100%	100%	100%	100%	≥98%	2%	≥98%

Activity Information	Previous Years			Current Year			Next Year
	2010/11 Actual Volume	2011/12 Actual Volume	2012/13 Actual Volume	2013/14 Actual Volume	2013/14 Budget Volume	2013/14 Variance	2014/15 Budget Volume
NUMBER OF HEARINGS							
The number of NZPB hearings where administrative support was required	9,058	8,942	8,614	8,718	8,500	218	8,500

Corrections met all the performance standards for this output with an increased volume of hearings compared to expected levels and 2012/13.

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.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2014

	2012/13	2013/14			2014/15
	Actual	Actual	Main Estimates	Supp. Estimates	Forecast* (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	4,225	4,216	4,217	4,216	4,135
Departmental	—	—	—	—	—
Other	—	—	—	—	—
Total revenue	4,225	4,216	4,217	4,216	4,135
Total expenses	3,621	3,071	4,217	4,216	4,135
Net surplus/(deficit)	604	1,145	—	—	—

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

The total expense for this appropriation was \$3.1 million. Expenses within this output class are primarily staff related costs incurred in providing policy advice.

	Previous Years			Current Year			Next Year
Performance Measures	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
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) (note 9)	–	–	New for 2013/14	75%	≥70%	5%	≥70%
The office of the Minister of Corrections is satisfied with the quality of the policy advice provided, including quality of the written material and quality of the advice provided (measured through an annual survey) (note 10)	–	–	New for 2013/14	100%	≥78%	22%	≥78%
COST							
Total cost per output hours of professional staff time devoted to policy advice and other policy functions (note 11)	–	–	New for 2013/14	\$98	≤\$105	(\$7)	≤\$126

Policy advice was provided across a number of issues including:

- > sentencing (Electronic Monitoring) amendment bill
- > relationship between management options for child sex offenders
- > protecting the public from serious harm from child sex offenders and other offenders
- > child protection offender register and risk management framework; and
- > alcohol and drug testing of offenders and bailees in the community.

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

APPROPRIATION: MINISTERIAL SERVICES

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

OUTPUT CLASS STATEMENT

For the year ended 30 June 2014

	2012/13	2013/14			2014/15
	Actual	Actual	Main Estimates	Supp. Estimates	Forecast* (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	1,121	1,486	1,136	1,486	1,474
Departmental	–	–	–	–	–
Other	–	–	–	–	–
Total revenue	1,121	1,486	1,136	1,486	1,474
Total expenses	997	1,335	1,136	1,486	1,474
Net surplus/(deficit)	124	151	–	–	–

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

The increase in the Ministerial Services budget between the Main Estimates and Supplementary Estimates of \$0.4 million reflects higher volumes of responses to ministerial correspondence and parliamentary questions. Corrections ministerial operations have been consolidated to ensure that requests received each year are being effectively managed. Corrections expects that current volumes and activity levels will continue in the foreseeable future.

Performance Measures	Previous Years			Current Year			Next Year
	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
The percentage of ministerial draft correspondence that is signed without changes	86%	97%	96%	96%	≥90%	6%	≥90%
TIMELINESS							
The percentage of all responses to parliamentary questions that are completed within five working days	100%	100%	100%	99%	≥98%	1%	≥98%
The percentage of responses to ministerial draft correspondence that are completed within 20 working days	99%	100%	100%	100%	≥98%	2%	≥98%

The number of ministerial drafts remained constant with 129 drafted (2012/13: 124) with 96 per cent completed without changes and all within the timeframe of 20 working days.

The number of parliamentary questions increased considerably to 346 (2012/13: 143) with 99 per cent of answers provided within five working days.

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.

OUTPUT CLASS STATEMENT

For the year ended 30 June 2014

	2012/13	2013/14			2014/15
	Actual	Actual	Main Estimates	Supp. Estimates	Forecast* (unaudited)
	\$000	\$000	\$000	\$000	\$000
REVENUE					
Crown	4,700	2,288	1,598	2,288	1,755
Departmental	–	–	–	–	–
Other	–	–	–	–	–
Total revenue	4,700	2,288	1,598	2,288	1,755
Total expenses	4,007	1,489	1,598	2,288	1,755
Net surplus/(deficit)	693	799	–	–	–

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

Corrections delivered its Contract Management Services at a cost of \$0.8 million less than the Supplementary Estimates. This is due to delays to the Information Communication Technology integration component of the Wiri implementation plan.

An in-principle expense transfer been approved up to \$0.5 million from 2013/14 to 2014/15 to fund project related costs that are expected to be incurred later than anticipated.

The increase between Main Estimates and Supplementary Estimates of \$0.7 million was due to project funding relating to the construction of the new prison being built at Wiri, under a Public Private Partnership arrangement.

OUTPUT: CONTRACT MANAGEMENT

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

	Previous Years			Current Year			Next Year
Performance Measures	2010/11 Actual Standard	2011/12 Actual Standard	2012/13 Actual Standard	2013/14 Actual Standard	2013/14 Budget Standard	2013/14 Variance	2014/15 Budget Standard
QUALITY							
Undertake audits of the contracts through the year, and report on the audit	–	New for 2012/13	Achieved	Achieved	Achieved	Nil	Achieved

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.

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

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

NOTES TO PERFORMANCE MEASURES

Note	Reference/Performance measure	Definition
1	Performance measure includes both the Department and private prison	The aggregated standard (budget and actual) includes performance results for the Department and private prisons.
2	Compliance with mandatory standards	Mandatory standards set the bottom line and the starting point for the level of service to be delivered by probation officers. Probation's purpose is to contribute to safer communities by holding offenders to account and managing them to: comply with their sentences and orders, reduce their likelihood of re-offending, and minimise their risk of harm to others. Each mandatory standard links to at least one of the three elements of probation's purpose providing a rationale for that standard. A set of definitions is provided to probation officers to ensure consistency of understanding and application.
3	The percentage of prisoners who demonstrate measurable gains with literacy and numeracy	Measures 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').
4	The percentage of probation reports provided to court that met mandatory standards	Probation reports are completed to formal standards as set out in the Community Probation Supported Decision Framework.
5	The percentage of reports provided to court within agreed timeframes before sentencing	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.
6	The percentage of reports provided to agreed timeframes pursuant to NZPB requirements	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.
7	The number of justified complaints about notification services received from registered victims	The <i>Victims Rights' Act 2002</i> 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.
8	The percentage of offenders who are notified as per NZPB requirements	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.
9	The technical quality of Corrections' policy advice will be externally assessed from a representative sample by a third party assessor (measured through an annual review)	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.
10	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 review)	This indicator is a quantitative representation of the Minister of Corrections' satisfaction with the policy advice provided by the Department against the following standards: <ul style="list-style-type: none"> completeness/alignment, timeliness, robustness, value for money, likelihood to recommend, overall satisfaction and possible improvements in the delivery of policy advice.
11	Total cost per output hours of professional staff time devoted to policy advice and other policy functions	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.

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.
Main Estimates	For an amount, the main estimate incorporates the amount set for spending at the start of the year.
Supp. Estimates	For an amount, the supplementary estimate incorporates the amount estimated to be spent for the rest of the year during the baseline update in March.
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/whānau 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 child sex offenders in the community. An extended supervision order, imposed by the court, allows the Department to monitor child sex offenders for up to ten years.
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, set by the courts or NZPB dependent on sentence length.
Residential restrictions	Under the <i>Parole Act 2002</i> , the NZPB can impose special release conditions on an offender's release. One of these conditions is residential restrictions requiring the offender to remain at a specified residence at all times or at times specified by the NZPB.
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 2013/14 THE DEPARTMENT OF CORRECTIONS:

Financial health

- > received 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), is in the upper quartile performance of the 2012/13 Benchmarking Administrative and Support Services (BASS) large agency cohort
- > initiated a second Expenditure Review programme to assist in enhancing financial sustainability beyond 2013/14 and to continue the Department's focus on lifting its productivity and performance.

Financial improvements

- > realised \$10.9 million of efficiency savings, principally through optimising the Department's balance sheet and corporate efficiencies
- > successfully implemented its Lifting Our Productivity restructure within the National Office.

Expenditure

- > managed its \$1.2 billion operating budget within two per cent, before expense transfers
- > reinvested \$15 million in initiatives designed to reduce re-offending
- > improved controls around contractors and consultants resulting in a \$2.8 million under spend against budget
- > achieved a reduction in domestic travel expenditure of \$0.9 million compared to budget through careful fiscal management and through the use of advanced AVL technology.

Financial pressures

- > absorbed the financial impact of the Collective Bargaining Round and Lifting Our Productivity restructure
 - > absorbed an increase in the KiwiSaver employer contribution rate from 2 to 3 per cent
 - > successfully managed the operational and financial impact of the riot at Spring Hill Corrections Facility
 - > absorbed additional Information Technology (IT) costs to support further capital expansion
 - > absorbed increased costs arising from legislative and policy changes.
-

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

2013 Actual	Notes	2014 Actual	2014 Main Estimates	2014 Supp. Estimates	2015 Forecast* (unaudited)
\$000		\$000	\$000	\$000	\$000
REVENUE					
1,140,554	Crown	1,174,817	1,167,589	1,174,817	1,153,604
290	Departmental revenue	364	146	537	–
38,883	Other revenue	41,370	31,102	43,875	31,885
418	Dividend revenue	139	–	–	–
1,489	Gains on biological assets	4,480	–	–	–
3,364	Gains on shares	19	–	–	–
1,184,998	Total operating revenue	1,221,189	1,198,837	1,219,229	1,185,489
EXPENDITURE					
516,048	Personnel costs	539,484	534,031	535,366	543,065
332,609	Operating costs	342,534	349,328	375,700	312,942
124,310	Depreciation and amortisation	122,401	130,631	124,575	145,638
185,184	Capital charge	183,588	184,847	183,588	183,844
1,331	Earthquake related	1,118	–	–	–
–	Losses on shares	1,738	–	–	–
1,159,482	Total operating expenses	1,190,863	1,198,837	1,219,229	1,185,489
25,516	Net surplus/(deficit)	30,326¹⁵	–	–	–
OTHER COMPREHENSIVE INCOME					
(18,623)	Revaluation gains/(losses) on land and buildings	218,644	–	–	–
(18,623)	Total other comprehensive income	218,644	–	–	–
6,893	Total comprehensive income	248,970	–	–	–

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2014

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 23 (page 120).

¹⁵ Net surplus includes \$2.761 million net revaluation gains and up to \$9.8 million of expense transfers.

STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

For the year ended 30 June 2014

2013 Actual \$000	Notes	2014 Actual \$000	2014 Main Estimates \$000	2014 Supp. Estimates \$000	2015 Forecast* (unaudited) \$000
2,314,805	Taxpayers' funds at 1 July	2,294,845	2,330,086	2,298,045	2,298,045
	Changes in taxpayers' funds during the year				
	<i>Transfers from statement of comprehensive income</i>				
25,516	Add/(deduct) net surplus/(deficit)	30,326	–	–	–
(18,623)	Increase/(decrease) in revaluation reserves	218,644	–	–	–
6,893	Total comprehensive income	248,970	–	–	–
	Adjustment for flows to and from the Crown				
–	Add capital contributions from the Crown during the year	3,200	–	–	–
(6,190)	Less capital returned to the Crown during the year	–	–	–	–
(20,663)	Provision for payment of surplus to the Crown	(27,565)	–	–	–
(26,853)	Total adjustments for flows to and from the Crown	(24,365)	–	–	–
2,294,845	Taxpayers' funds at 30 June	2,519,450	2,330,086	2,298,045	2,298,045

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2014

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 23 (page 120).

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

2013 Actual		Notes	2014 Actual	2014 Main Estimates	2014 Supp. Estimates	2015 Forecast* (unaudited)
\$000			\$000	\$000	\$000	\$000
ASSETS						
Current assets						
123,192	Cash and cash equivalents	6	82,337	180,053	100,000	100,000
4,894	Prepayments		1,973	3,025	3,025	3,025
327,662	Debtors and other receivables	7	388,340	170,995	235,562	182,682
4,305	Inventories	8	4,105	6,231	5,000	5,000
460,053	Total current assets		476,755	360,304	343,587	290,707
Non-current assets						
8,837	Investments	9	7,130	5,590	8,838	8,838
1,986,655	Property, Plant and Equipment	10	2,389,128	2,233,373	2,233,621	2,366,135
58,600	Intangible assets	11	67,696	83,079	72,481	71,214
48,628	Biological assets	12	53,223	45,259	48,630	48,630
2,102,720	Total non-current assets		2,517,177	2,367,301	2,363,570	2,494,817
2,562,773	Total assets		2,993,932	2,727,605	2,707,157	2,785,524
LIABILITIES						
Current liabilities						
98,042	Creditors and other payables	13	119,749	79,101	88,000	88,000
72,267	Employee entitlements	14	75,422	66,721	69,000	69,000
6,655	Provisions	15	6,833	7,779	7,779	7,779
20,663	Provision for repayment of surplus to the Crown	16	27,565	–	–	–
197,627	Total current liabilities		229,569	153,601	164,779	164,779
Non-current liabilities						
13,654	Employee entitlements	14	13,580	12,618	13,000	13,000
56,647	Other financial liabilities	21	231,333	231,300	231,333	309,700
70,301	Total non-current liabilities		244,913	243,918	244,333	322,700
267,928	Total liabilities		474,482	397,519	409,112	487,479
TAXPAYERS' FUNDS						
1,753,732	General funds	16	1,759,693	1,771,219	1,756,932	1,756,932
541,113	Reserves	16	759,757	558,867	541,113	541,113
2,294,845	Total taxpayers' funds		2,519,450	2,330,086	2,298,045	2,298,045
2,562,773			2,993,932	2,727,605	2,707,157	2,785,524

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2014

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 23 (page 120).

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

2013 Actual	Notes	2014 Actual	2014 Main Estimates	2014 Supp. Estimates	2015 Forecast* (unaudited)
\$000		\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash provided from:					
918,252	Receipts from Crown	1,124,111	1,167,589	1,254,887	1,242,554
513	Receipts from departments	364	146	575	–
38,944	Receipts from other revenue	38,853	31,102	37,837	31,885
Cash disbursed to:					
(513,299)	Payments to employees	(536,403)	(531,384)	(531,445)	(545,557)
(334,224)	Payments to suppliers	(318,269)	(351,876)	(377,690)	(294,183)
(32,842)	GST payable (net)	(5,075)	–	3,587	8,560
(185,184)	Payments for capital charge	(183,476)	(184,847)	(183,588)	(183,844)
(107,840)	Net cash flows from operating activities	17	120,105	204,163	259,415
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash provided from:					
418	Receipts from interest and dividends	139	–	–	–
771	Receipts from sale of physical and intangible assets	332	1,000	1,000	1,000
Cash disbursed to:					
(56,387)	Purchase of physical assets	(125,656)	(144,680)	(187,322)	(221,076)
(20,129)	Purchase of intangible assets	(18,312)	(26,752)	(23,570)	(20,000)
(75,327)	Net cash flows from investing activities	(143,497)	(170,432)	(209,892)	(240,076)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash provided from:					
–	Capital injections	3,200	19,500	3,200	–
Cash disbursed to:					
–	Interest payment	–	–	–	(4,100)
(8,827)	Return of operating surpluses	(20,663)	–	(20,663)	(15,239)
(8,827)	Net cash flows from financing activities	(17,463)	19,500	(17,463)	(19,339)
(191,994)	Net increase/(decrease) in cash	(40,855)	(20,202)	(23,192)	–
315,186	Cash at the beginning of the year	123,192	200,255	123,192	100,000
123,192	Cash at the end of the year	82,337	180,053	100,000	100,000

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2014

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 23 (page 120).

STATEMENT OF COMMITMENTS

As at 30 June 2014

2013 Actual \$000		2014 Actual \$000
CAPITAL COMMITMENTS		
Property, Plant and Equipment		
189,364	Less than one year	115,261
80,685	One to five years	14,893
270,049	Total capital commitments	130,154
NON-CANCELLABLE OPERATING LEASE COMMITMENTS		
Office accommodation		
12,309	Less than one year	12,037
30,407	One to five years	37,847
21,180	More than five years	20,766
63,896	Total non-cancellable operating lease commitments	70,650
333,945	Total commitments	200,804

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition or construction of property, 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. 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.

The accompanying notes form part of these financial statements.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2014

QUANTIFIABLE CONTINGENT LIABILITIES AND ASSETS

2013 Actual \$000		2014 Actual \$000
1,048	Legal proceedings	1,477
195	Personal grievances	360
1,243	Total quantifiable contingent liabilities	1,837
–	Insurance proceeds	5,800
–	Total quantifiable contingent assets	5,800

QUANTIFIABLE CONTINGENT LIABILITIES

Legal proceedings

The Department was defending 40 (2013: 30) legal claims by prisoners as at 30 June 2014. 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 10 (2013: 14) employment related claims made by staff members as at 30 June 2014.

QUANTIFIABLE CONTINGENT ASSETS

Insurance proceeds

The Department has two quantifiable contingent assets both relating to insurance claims for the damage caused by the riot at the Spring Hill Corrections Facility which took place on 1 June 2013 and the damage caused by the 2012 Christchurch Earthquake, which took place in February 2012. Both settlements are still being negotiated at 30 June 2014.

The accompanying notes form part of these financial statements.

STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2014

2013 Expenditure after remeasurements \$000		2014 Expenditure before remeasurements \$000	2014 Remeasurements \$000	2014 Expenditure after remeasurements \$000	2014 Appropriation Voted \$000	2015 Forecast* (unaudited) \$000
VOTE: CORRECTIONS						
Departmental output expenditure						
58,842	Information Services	51,767	–	51,767	54,213	53,277
	Policy Advice and					
4,618	Ministerial Services MCOA	4,406	–	4,406	5,702	5,609
3,621	– Policy Advice	3,071	–	3,071	4,216	4,135
997	– Ministerial Services	1,335	–	1,335	1,486	1,474
	Prison-based Custodial					
742,859	Services	759,219	–	759,219	761,520	727,636
	Rehabilitation and					
145,923	Reintegration	163,675	(1,738)	161,937	177,671	178,742
	Sentences and Orders					
203,233	Served in the Community	210,307	–	210,307	217,835	218,470
	Contract Management of					
	Services provided by Third					
4,007	Parties	1,489	–	1,489	2,288	1,755
1,159,482	Total departmental output expenditure	1,190,863	(1,738)	1,189,125	1,219,229	1,185,489
Appropriation for capital expenditure						
Corrections – Permanent						
133,163	Legislative Authority	318,858	–	318,858	385,578	319,715

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2014

Refer to Part B: Statement of Service Performance for detailed performance against each output class (pages 59 – 83).

Changes in appropriation structure

There were no changes in appropriation structure during the year.

The accompanying notes form part of these financial statements.
For information on major variances against budget refer to Note 23 (page 120).

STATEMENT OF UNAPPROPRIATED EXPENDITURE

For the year ended 30 June 2014

There was no un-appropriated expenditure for the year ended 30 June 2014 (2013: nil).

STATEMENT OF TRUST MONIES

For the year ended 30 June 2014

	As at 1 July 2013 \$000	Contribution \$000	Distribution \$000	As at 30 June 2014 \$000
Prison Trust Accounts	1,756	15,646	(15,048)	2,354
	1,756	15,646	(15,048)	2,354

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).

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

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*. It is domiciled in New Zealand.

The Department administers 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.

Reporting period

The reporting period for these financial statements is the year ended 30 June 2014. Comparative figures are for the year ended 30 June 2013.

The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 24 September 2014.

Statement of compliance

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities. These financial statements also comply with all Treasury Instructions.

For the purposes of these forecast financial statements, the entity has been designated as a public benefit entity. These forecast financial statements for the year ended 30 June 2014 comply with *Financial Reporting Standard 42: Prospective Financial Statements*.

ACCOUNTING POLICIES AND MEASUREMENT SYSTEM

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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

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

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Department is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards have been developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014 and were published in May 2013. This means the Department will transition to the new standards in preparing its 30 June 2015 financial statements.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

The Department anticipates that these standards will have no material impact on the financial statements in the period of initial application. It is likely that the changes arising from this framework will affect the disclosures required in the financial statements. However, it is not practicable to provide a reasonable estimate until a detailed review has been completed.

Standards, amendments and interpretations issued that have been early adopted

The Department has elected to early adopt PBE IPSAS 32 Service Concession Arrangement – Grantor.

CRITICAL JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income 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 on-going 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 Consulting New Zealand Ltd as at 30 June 2014 and 2013 to estimate the present value of long service and sick leave liabilities. The calculations are based on:

- > likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- > the present value of the estimated future cash flows.

Note 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 FIGURES

The budget figures are those included in the Information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2014, 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 budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue – Crown

The Department derives revenue through the provision of outputs to the Crown. Crown Revenue is recognised at fair value of the consideration received or receivable when earned.

Revenue – Department and third party

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

Interest income

Interest income is recognised using the effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive payment has been established.

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.

CAPITAL CHARGE

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

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 a 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.

PROPERTY, PLANT AND EQUIPMENT

Items of 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 profit or loss for the asset class, the gain is credited to profit or loss. 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 Income.

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 includes 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 Income 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. As such, service concession arrangements are accounted for in accordance with the Department's policies, which comply with Property, Plant and Equipment NZ IAS 16 (PBE).

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

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

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any residual value, over its estimated useful life. Motor vehicles that have been classified as non-heavy duty have a residual value of 20 per cent.

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%

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.

Costs that are directly 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 Income.

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 to sell.

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 to sell are recognised in the Statement of Comprehensive Income.

The costs to maintain forestry assets are included in the Statement of Comprehensive Income.

Livestock

Livestock assets are recorded at fair value less costs to sell. 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 Income.

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 Income 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; and
- > 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

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 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 amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the Statement of Comprehensive Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income.

For assets not carried at a revalued amount, the total impairment loss is recognised in the Statement of Comprehensive Income.

EMPLOYEE ENTITLEMENTS

Employee entitlements to salaries and wages, annual leave, long service leave and other similar benefits are recognised in the Statement of Comprehensive Income 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 Income 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 Income 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 and losses resulting from the settlement of these transactions are recognised in the Statement of Comprehensive Income.

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 Income.

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 Income in which case the transaction costs are recognised in profit or loss. Financial assets designated at fair value through profit or loss are recorded at fair value with any realised and unrealised gains or losses recognised in the Statement of Comprehensive Income.

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 future operating losses. 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 on-going 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 to 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, the Inland Revenue Department (IRD) at balance date is included in creditors or debtors as appropriate. The net amount of GST paid to, or received from the IRD 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 accommodation 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.

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 since 30 June 2013.

Note 2: Other revenue

2013 Actual \$000		2014 Actual \$000
35,301	Sale of goods	37,201
3,208	Board and rents	3,552
374	Profit on sale of assets	143
–	Revenue other	474
38,883	Total other revenue	41,370

Note 3: Personnel costs

2013 Actual \$000		2014 Actual \$000
504,821	Salaries and wages	522,218
903	ACC Partnership Programme	1,237
444	Government Superannuation Fund contribution expense	408
10,506	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	13,271
(626)	Retirement and long service leave	1,230
–	Termination benefits	1,120
516,048	Total personnel costs	539,484

Note 4: Operating costs

2013 Actual \$000		2014 Actual \$000	2014 Mains \$000	2015 Forecast* \$000
16,671	Operating lease rentals	17,205	16,375	16,827
361	Audit fees for annual audit	366	366	361
–	Fees to auditors for other services	50	–	–
79,237	Facilities maintenance	76,723	81,750	76,475
52,635	Offender management costs	57,551	58,849	58,161
32,709	Computer costs	34,378	27,844	33,589
66,123	Contract management	66,661	69,887	66,661
31,008	Administration	29,458	34,485	23,148
55	Receivables written off during period	168	–	–
10,062	Inventory expenses	10,069	10,000	9,033
41,911	Other operating costs	46,577	49,772	28,687
200	Donations	–	–	–
1,637	Loss on sale of property, plant and equipment	3,328	–	–
332,609	Total operating costs	342,534	349,328	312,942

*Forecast financial statements have been prepared using Budget Economic Fiscal Update (BEFU) 2014

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 2014 was 8 per cent per annum (2013: 8%).

Note 6: Cash and cash equivalents

2013 Actual \$000		2014 Actual \$000
123,192	Cash and bank balances	82,337
123,192	Total cash and cash equivalents	82,337

The Department is required by the Treasury to maintain a positive balance in its bank accounts at all times. The Department has two departmental bank accounts with Westpac New Zealand Limited.

Note 7: Debtors and other receivables

2013 Actual \$000		2014 Actual \$000
CURRENT PORTION		
323,157	Debtor Crown	381,469
323,157	Debtor Crown	381,469
3,262	Trade debtors – external	4,453
270	Employee advances	189
(71)	Less provision for impairment	(24)
3,461	Trade debtors – external and employees	4,618
1,044	Trade debtors – other government entities	2,253
1,044	Trade debtors – other government entities	2,253
327,662	Total debtors and other receivables	388,340

The carrying value of trade debtors approximates their fair value.

The Crown debtor of \$381.469 million (2013: \$323.157 million) consists of \$47.794 million (2013: \$47.794 million) of capital funding (no GST on capital injection) not drawn down and \$333.675 million (2013: \$275.363 million) 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 Crown Debtor as current because it can be realised in cash within three working days.

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

	2013 \$000 Gross	2013 \$000 Impairment	2013 \$000 Net	2014 \$000 Gross	2014 \$000 Impairment	2014 \$000 Net
past due	327,042	–	327,042	386,847	–	386,847
Past due 1-30 days	235	–	235	1,283	–	1,283
Past due 31-60 days	94	–	94	65	–	65
Past due 61-90 days	29	–	29	41	(24)	17
Past due > 90 days	333	(71)	262	128	–	128
	327,733	(71)	327,662	388,364	(24)	388,340

As at 30 June 2014 (and 30 June 2013), 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:

2013 Actual \$000		2014 Actual \$000
162	Balance at 1 July	71
(91)	Provisions made/released during the year	(47)
71	Balance at 30 June	24

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 2014 the Department had no debtors (2013: 1) that were insolvent.

Note 8: Inventories

2013 Actual \$000		2014 Actual \$000
3,719	Inventory held for the provision of goods and services	3,448
586	Finished goods	657
4,305	Total inventories	4,105

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

2013 Actual \$000		2014 Actual \$000
Non-current portion		
8,837	Investments	7,130
8,837	Total investments	7,130

Investments arise from the Department's business dealings with companies in the farming industry. These investments are classified as financial instruments and valued at fair value through the Statement of Comprehensive Income.

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. N Hoskin B.B.S (VPM), ANZIV certified this valuation. The last valuation was performed by Darroch Valuations for year ended 30 June 2011.

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. At 30 June 2014 the Department's Service Concession Arrangement represents \$231.333 million within Assets Under Construction.

The Department reports transfers and disposals together for presentation purposes only.

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 income that is received from these properties is incidental, as opposed to being held for investment purposes. The net carrying amount of these properties is \$2.094 million (2013: \$7.970 million). There are no restrictions over the title of the Department's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

Service concession arrangements

The Department has entered into a Project Agreement with SecureFuture Wiri Limited (contractor) for the delivery of a new men's prison at Auckland South Corrections Facility (ASCF) through a Public Private Partnership. SecureFuture will design, build, finance, operate and maintain the prison. Under the agreement, the Department has provided existing Department owned land, adjacent to the Auckland Region Women's Corrections Facility to the contractor on which to build the prison. The agreement is for a period of 25 years, after which responsibility for on-going 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. Under this agreement the Department pays a unitary charge to the contractor from the point at which the prison becomes operational. 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. Certain major capital expenditure incurred (such as reroofing, 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; and
- > the service costs – these costs cover 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 5 and year 15 of the agreement. Any change in these service costs will result in a change to the amount the Department pays to the contractor. Service costs are recognised as an expense in the period incurred.

Termination clauses and penalties are outlined in the Department's Base Agreement and there is no right of renewal after the 25 years.

Construction of the prison is scheduled for completion in June 2015, no payment or operating expenditure is expected to be made and incurred until the prison is in service.

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Computer Hardware	Motor Vehicles	Asset Under Construction	Total Physical Assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost or valuation									
Balance 1 July 2012	212,446	1,795,551	21,631	49,483	6,501	45,693	47,848	61,932	2,241,085
Additions	-	11,713	2,643	2,155	140	2,883	2,479	91,021	113,034
Revaluation increase/(decrease)	22	(25,488)	-	-	-	-	-	-	(25,466)
Disposals	(5,870)	(1,852)	(329)	(1,820)	(126)	(1,037)	(2,845)	(489)	(14,368)
Transfers	-	36,486	5,073	(46)	-	2	(1)	(41,654)	(140)
Cost or valuation at 30 June 2013	206,598	1,816,410	29,018	49,772	6,515	47,541	47,481	110,810	2,314,145
Add: Movements									
Additions	2,306	55,475	(450)	3,533	1,791	797	2,939	231,449	297,840
Revaluation increase/(decrease)	(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
Accumulated depreciation and impairment losses									
Balance 1 July 2012	-	(116,432)	(8,271)	(31,947)	(5,953)	(38,364)	(24,657)	-	(225,624)
Depreciation expense	-	(98,544)	(3,954)	(3,757)	(229)	(4,284)	(4,858)	-	(115,626)
Disposals	-	1,253	329	1,703	86	1,033	2,395	-	6,799
Transfers	-	-	-	114	-	-	-	-	114
Revaluation increase/(decrease)	-	6,847	-	-	-	-	-	-	6,847
Accumulated depreciation and impairment losses at 30 June 2013	-	(206,876)	(11,896)	(33,887)	(6,096)	(41,615)	(27,120)	-	(327,490)

	Land	Buildings	Leasehold Improvements	Plant & Equipment	Furniture & Fittings	Computer Hardware	Motor Vehicles	Asset Under Construction	Total Physical Assets
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Add: Movements									
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
Revaluation increase/(decrease)	-	303,076	-	-	-	-	-	-	303,076
Impairment losses	-	(447)	-	-	-	-	-	-	(447)
Accumulated depreciation and impairment losses at 30 June 2014									
	-	(548)	(15,407)	(36,961)	(6,535)	(44,070)	(30,622)	-	(134,143)
Carry amounts per asset class									
At 30 June 2013	206,598	1,609,534	17,122	15,885	419	5,926	20,361	110,810	1,986,655
At 30 June 2014	166,852	1,836,344	13,085	20,340	1,756	2,977	18,724	329,050	2,389,128

Note 11: Intangible assets

	Acquired Software \$000	Internally Generated Software \$000	Asset Under Construction \$000	Total Intangible Assets \$000
Cost or valuation				
Balance 1 July 2012	23,716	51,299	19,928	94,943
Additions	411	693	19,026	20,130
Disposals	–	–	(688)	(688)
Transfers	832	4,414	(5,246)	–
Cost or valuation at 30 June 2013	24,959	56,406	33,020	114,385
Add: Movements				
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
Accumulated depreciation and impairment losses				
Balance 1 July 2012	(16,676)	(30,425)	–	(47,101)
Amortisation expense	(3,131)	(5,553)	–	(8,684)
Accumulated depreciation and impairment losses at 30 June 2013	(19,807)	(35,978)	–	(55,785)
Add: Movements				
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)
Carrying amounts				
At 30 June 2013	5,152	20,428	33,020	58,600
At 30 June 2014	10,456	20,453	36,787	67,696

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

	Forests	Livestock	Total Biological Assets
	\$000	\$000	\$000
Cost or valuation			
Balance at 1 July 2013	37,364	11,264	48,628
Purchases	–	399	399
Net gain/(loss) due to; regeneration, maturation, and changes in unit values	9,848	8,956	18,804
Sales/harvest	(6,658)	(7,950)	(14,608)
Cost or valuation at 30 June 2014	40,554	12,669	53,223
Net change	3,190	1,405	4,595
Change due to movement in quantity	460	(345)	115
Change due to movement in fair value	2,730	1,750	4,480
Carrying amounts			
At 30 June 2013	37,364	11,264	48,628
At 30 June 2014	40,554	12,669	53,223

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 Tongariro forest land is owned by the Crown. The Department manages the forest as part of its prisoner employment-training programme. The Tongariro forest area is as follows:

Forest	Legal description	Legal area
Tongariro	Land rated as commercial forest	4,512ha
	Land rated as reserve	1,332ha
	Total legal area	5,844ha

The valuation of forests was undertaken by an independent registered valuer, PF Olsen and Company Limited, on 30 June 2014. J Schnell, registered forestry consultant (NZIF), completed this valuation.

The forest valuation was determined using the expectation value approach adopting the following valuation assumptions:

- > a discount rate of 7 per cent (2013: 7%) has been applied to post-tax cash flows;
- > land values, improvements, protection or amenity planting have been excluded;
- > the tree crop has been valued on a liquidation basis;
- > an inflation rate of 2.5 per cent (2013: 3%) has been applied;
- > annual and forest operations costs are based on current industry costs for similar forests; and
- > log prices are derived from average prices published by the Ministry for Primary Industries.

Livestock

The Department farms sheep, cattle, deer and pigs at various locations throughout New Zealand. At 30 June 2014, livestock on hand comprised 14,491 sheep (2013: 15,847); 1,692 beef cattle (2013: 1,388); 4,463 dairy cattle (2013: 4,499); 2,740 deer (2013: 3,006) and 7,191 pigs (2013: 7,507).

The valuation of livestock was undertaken by independent registered valuers, Pat Lacy and PGG Wrightson between 16 June and 2 July 2014. The valuation was based on projected fair value less estimates costs as at 30 June 2014 and was based on active market prices.

Financial risk management strategies

The Department is not materially exposed to financial risks arising from changes in commodity prices. The Department reviews its outlook for timber and livestock prices regularly in considering the need for active financial risk management.

Note 13: Creditors and other payables

2013 Actual \$000		2014 Actual \$000
CURRENT PORTION		
26,414	Trade creditors	22,778
60,747	Accrued expenditure	87,117
10,881	GST payable	9,854
98,042	Total creditors and other payables	119,749

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

2013 Actual \$000		2014 Actual \$000
Current liabilities		
22,001	Retirement and long service leave	23,305
48,270	Annual leave	50,485
1,996	Sick leave	1,632
72,267	Total current portion	75,422
Non-current liabilities		
13,654	Retirement and long service leave	13,580
13,654	Total non-current portion	13,580
85,921	Total provision for employee entitlements	89,002

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 retirement 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 G.R.Lee BSc (FIA), a member of the New Zealand Society of Actuaries, from Aon New Zealand, valued long service leave and retirement leave as at 30 June 2014 and 2013.

The major assumptions used in the 30 June 2014 valuation are that future salary growth rates are 3 per cent (2013: 3%) per annum and discount rates ranged from 3.42 to 5.50 per cent (2013: 2.71% 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

2013 Total Provisions Actual \$000		2014 Restructuring Actual \$000	2014 Employee Accidents Actual \$000	2014 Other Provisions Actual \$000	2014 Total Provisions Actual \$000
Current provisions					
16,668	Balance at 1 July	1,452	5,203	–	6,655
184	Additional provisions made during the year	758	1,183	577	2,518
(10,197)	Charged against provision for the year	(572)	(903)	–	(1,475)
–	Provision reversed during the year	(865)	–	–	(865)
6,655	Current provisions	773	5,483	577	6,833
6,655	Total provisions	773	5,483	577	6,833

RESTRUCTURING

The restructuring provision arises from the Lifting our Productivity Programme (\$0.758 million) and the 2012 organisation realignment (\$0.15 million) which resulted in disestablished positions. The provision relates to the cost of expected redundancies anticipated to be paid to employees as a result of these redundancies as agreed and communicated prior to balance date. Management anticipates that the restructuring will be completed within 12 months of balance date and the amount of the liability is considered reasonably certain.

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, M.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 2014 and 2013. The estimated claims liability at 30 June is \$5.483 million (2013: \$5.203 million).

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; and
- > the Department will remain in the ACC Partnership Programme (ACCPP) for the foreseeable future. If the Department were to exit immediately, a risk margin of 12 per cent (2013: 12%) would be added by ACC.

The estimated ACCPP outstanding claims liability as at 30 June 2014 included a provision for future claims handling expenses of 11.2 per cent (2013: 10%) of expected future claims costs.

OTHER PROVISIONS

Parental Leave

The Department provides an ex-gratia payment to employees (approximating 6 weeks pay) who return to Corrections for a period of time (as specified in contracts typically 3 – 6 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 two to four years remaining on these leases.

Note 16: Taxpayers' funds

Taxpayers' Funds comprise General Funds, Revaluation Reserves and Fair Value through Other Comprehensive Income Reserves.

2013 Actual \$000		2014 Actual \$000
GENERAL FUNDS		
1,755,069	Balance at 1 July	1,753,732
25,516	Net operating surplus/(deficit)	30,326
–	Capital contribution from the Crown	3,200
(6,190)	Capital returned to the Crown	–
19,326	Total movement in general funds	33,526
(20,663)	Provision for repayment of surplus to the Crown	(27,565)
1,753,732	Balance at 30 June	1,759,693
REVALUATION RESERVES		
557,469	Balance at 1 July	538,846
(18,623)	Revaluation gains/(losses)	218,644
538,846	Balance at 30 June	757,490
FAIR VALUE THROUGH EQUITY RESERVE		
2,267	Balance at 1 July	2,267
2,267	Balance at 30 June	2,267
541,113	Revaluation total	759,757
2,294,845	Total taxpayers' funds at 30 June	2,519,450

The net surplus attributable to the Crown from the delivery of outputs must be repaid by 31 October each year. The Department has no restricted reserves.

2013 Total Actual \$000		2014 Total Actual \$000
Asset Revaluation Reserve		
Land		
135,249	Revaluation reserves at 1 July	135,271
22	Revaluation gains/(losses)	(42,495)
135,271	Revaluation reserves at 30 June	92,776
Buildings		
422,220	Asset revaluation reserves at 1 July	403,575
(18,645)	Revaluation gains/(losses)	261,139
403,575	Asset revaluation reserves at 30 June	664,714
538,846	Total Asset revaluation reserves at 30 June	757,490
Fair Value Through Equity Reserve		
2,267	Asset revaluation reserves at 1 July	2,267
2,267	Asset revaluation reserves at 30 June	2,267
541,113	Asset revaluation reserves at 30 June	759,757

Note 17: Reconciliation of net surplus to net cash flow from operating activities

2013 Actual \$000		2014 Actual \$000
25,516	Net surplus/(deficit) before other comprehensive income	30,326
	<i>Add/(less) non-cash items</i>	
124,310	Depreciation and amortisation	122,401
(1,465)	Non-current employee entitlements	(74)
122,845	Total non-cash items	122,327
	(Increase)/decrease in working capital	
(253,949)	Debtors and other receivables	(60,678)
667	Inventories	200
(2,851)	Prepayments	2,921
10,773	Creditors and other payables	24,739
(11,465)	Provisions	(2,849)
4,214	Current employee entitlements	3,155
(252,611)	Working capital movements – net	(32,512)
	Add/(less) items classified as investing or financing activities	
(1,489)	Biological assets revaluation loss/(gain)	(4,940)
(3,364)	Fair value loss/(gain) on shares	1,719
1,263	Net loss/(gain) on sale or disposal of property, plant and equipment	3,185
(3,590)	Total investing activity items	(36)
(107,840)	Net cash flow from operating activities	120,105

Note 18: Related party disclosure

The Department is a wholly owned entity of the 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.

The Department has entered into the following significant transactions with the Government, or other entities related to the Government, during the 2013/14 fiscal year:

- > received Crown Revenue of \$1.175 million (2013: \$1,140.554 million) (excluding GST) to fund the Department's operating activities;
- > paid capital charge of \$183.588 million (2013: \$185.194 million) to the New Zealand Government;
- > purchased goods and services totalling \$12.678 million (2013: \$12.788 million) on normal commercial terms on an arm's length basis from other government entities: electricity from Contact, Meridian, Genesis and Mercury Energy, travel from Air New Zealand, legal services from Crown Law Office and postal services from New Zealand Post;
- > paid employer ACC levies to Accident Compensation Corporation totalling \$3.394 million (2013: \$2.507 million).

The Department entered into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an 'arm's length' basis that are not of a material nature.

The Department has entered into the following related party transactions:

- > 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 Team. The partner was not involved in providing any advice to the Department. Purchases during the year totalled \$0.003 million (2013: \$0.131 million). There is a nil balance (2013: \$0.022 million) outstanding at 30 June 2014;
- > a second hand vehicle was purchased from the Department by a member of the Department's Executive Team for \$0.019 million (2013: nil).

The Department has not entered into any commitments with these suppliers and transactions were conducted under normal commercial terms. Apart from those transactions described above, the Department has not entered into any related party transactions. The Department has determined key management personnel as the Chief Executive and the individual members of the Executive Leadership Team.

The Treasury advises that responsible Minister Anne Tolley has certified that she has no related party transactions for the year ended 30 June 2014 (2013: nil).

Remuneration applicable to key management personnel is disclosed under note 19.

Note 19: Key management personnel compensation

Currently there are six key management personnel, which include the Chief Executive, four Deputy Chief Executives and the National Commissioner.

Last financial year there were six key management personnel, which included the Chief Executive, one Deputy Chief Executive, one National Commissioner and four General Managers.

During the year the General Managers positions were renamed to Deputy Chief Executives.

2013 Actual \$000		2014 Actual \$000
2,469	Salary and other short term benefits	2,010
54	Other long-term benefits	55
185	Termination benefits	—
2,708	Total key management personnel compensation	2,065

Note 20: Post-balance date events

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

Note 21: Financial instruments

The Department is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, debtors, trade creditors and other financial liability.

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; and
- > 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 2014		
Local currency financial assets		
Cash and cash equivalents	82,337	82,337
Investments	7,130	7,130
Total local currency financial assets	89,467	89,467
As at 30 June 2013		
Local currency financial assets		
Cash and cash equivalents	123,192	123,192
Investments	8,837	8,837
Total local currency financial assets	132,029	132,029

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 relates to its service concession arrangement which is interest bearing at the effective interest rate of 6.13% 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), 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:

2013 Actual \$000		2014 Actual \$000
Counterparties with credit ratings		
Cash and cash equivalents		
123,192	AA-	82,337
123,192	Total cash and cash equivalents	82,337
Investments		
8,837	A+	7,130
8,837	Total investments	7,130
Counterparties without credit ratings		
Debtors and other receivables		
327,662	Existing counterparty with no defaults in the past	388,340
327,662	Total debtors and other receivables	388,340

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.

2013 Actual \$000		2014 Actual \$000
Creditors and other payables (note 13)		
98,042	Less than six months	119,749
Other financial liabilities		
–	Less than one year	300
22,300	One to five years	25,800
34,347	More than five years	205,233
154,689		351,082

Other financial liabilities represent the Departments service concession arrangement with SecureFuture Wiri Limited. No payment is expected to be made until construction is complete which is scheduled for June 2015 with the payment terms over 25 years at an effective interest rate of 6.13% per annum. The Department has no securities against other financial liabilities.

The liability for the repayment of surplus to the Crown is not a financial liability as defined by NZ IAS 32 (PBE) *Financial Instruments: Presentation*, as the obligation to pay arises from statute.

CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

2013 Actual \$000		2014 Actual \$000
FINANCIAL ASSETS		
Loans and receivables		
123,192	Cash and cash equivalents (note 6)	82,337
327,662	Debtors and other receivables (note 7)	388,340
450,854	Total cash and receivables	470,677
Fair value through total comprehensive income		
8,837	Investments (note 9)	7,130
8,837	Total investments	7,130
459,691	Total financial assets	477,807
FINANCIAL LIABILITIES		
Measured at amortised cost		
98,042	Creditors and other payables (note 13)	119,749
56,647	Other financial liabilities	231,333
154,689	Total financial liabilities	351,082

Note 22: Capital management

The Department's capital is its Taxpayers' Funds, which comprise General Funds and revaluation reserves. Taxpayers' Funds are represented by net assets.

In accordance with the *Public Finance Act 1989* (the Act) the Department manages its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the New Zealand public.

The Department has in place asset management plans for major classes of assets detailing renewal and maintenance programmes.

The Act 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 Act 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, whilst remaining a going concern.

Note 23: Explanation of significant variances against budget

Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Departmental Expenditure and Appropriations

Explanations for major variances from the 2013/14 Main and Supplementary Estimates are as follows:

Crown revenue was higher than Main Estimates due to:

- > a transfer of funding from Vote Police to Vote Corrections for Electronically Monitored Bail (EM Bail)
- > receiving funding from the Justice Sector for the implementation of Alcohol and Drug Testing of Offenders and Bailees in the Community; and
- > a one-off transfer of funding from 2012/13 to the 2013/14 for project related activities.

These increases were off set by efficiency savings which the Department transferred to the Justice Sector Fund as part of the 2014 March Baseline Update.

Other revenue was higher than Main Estimates due to increases in rental income, insurance proceeds and Offender Employment income.

Personnel costs were higher than Main Estimates due to the transfer of EM Bail operations from Vote Police to Vote Corrections and an increase in the retiring leave provision.

Operating costs were lower than Main Estimates and Supplementary Estimates mostly due to deferred projects and efficiency savings identified by the Department that were transferred to the Justice Sector Fund.

Depreciation was lower than Main Estimates as a result of the reprioritisation of capital projects.

Cash and cash equivalents were significantly lower than Main Estimates due to the reprioritisation of capital projects resulting in the Department requiring less cash. In addition, the Department has further minimised its cash surpluses in line with Treasury's best practice.

Cash and cash equivalents were lower than Supplementary Estimates due to a further reduction in cash surpluses agreed in June 2014 (after the Supplementary Estimates was completed).

Debtors and other receivables were higher than Mains Estimates and Supplementary Estimates as a consequence of the Department requiring less cash, the Crown Debtors has increased.

Property, Plant and Equipment was higher than Mains Estimates, Supplementary Estimates and Forecast due to the revaluation gains on buildings. The gains on buildings were due to increases in construction costs and re-assessment of useful lives, offset by a decrease in the value of land and residential buildings.

Creditors and other payables were significantly higher than Mains Estimates and Supplementary Estimates due to the timing of capital accruals.

Reserves were higher than Mains Estimates and the Forecast due to the revaluation of the Department's land and buildings which resulted in a significant net gain. The gains on buildings were due to increases in construction costs and re-assessment of useful lives, offset by a decrease in the value of land and residential buildings.



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

Appendices

APPENDIX ONE: RECIDIVISM INDEX

RECIDIVISM INDEX – 12 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2012/13

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2012/2013)		25.9	41.7	4.4	26.4
Gender	Female	12.9	30.1	2.1	18.8
	Male	27.2	42.9	5.0	28.4
Ethnicity	Māori	29.3	46.2	5.9	30.9
	European	23.7	38.2	3.6	25.0
	Pacific	16.9	31.9	3.6	24.7
	Other (incl. Asian)	11.3	22.0	2.8	20.7
Age (at prison release or start of community sentence)	<20 years	39.5	64.6	5.9	41.1
	20-24 years	29.3	50.3	4.7	30.0
	25-29 years	31.1	47.2	4.9	26.5
	30-39 years	25.2	39.0	4.7	25.1
	40 and above	16.3	26.9	2.6	16.5
Gang Affiliate	Yes	37.4	55.3	15.7	51.6
	No	20.2	35.0	3.1	23.6
Offence Group (Most serious for original sentence)	Breaches	27.8	46.4	8.9	32.6
	Burglary	39.4	59.7	7.2	37.5
	Dishonesty	37.3	54.5	5.6	31.4
	Drugs	11.1	21.4	3.2	20.4
	Property damage	28.6	48.2	5.3	36.6
	Sexual	10.4	18.4	1.0	11.5
	Traffic	13.3	26.2	2.5	21.8
	Violence	22.3	37.9	4.6	27.1
	Weapons	22.3	43.8	5.9	31.8
	Other	34.7	47.9	3.9	24.0
Community Sentence	Community work	n/a	n/a	4.5	27.8
	Supervision	n/a	n/a	4.5	24.5
	Intensive supervision	n/a	n/a	7.5	34.3
	Community detention	n/a	n/a	1.3	23.3
	Home detention sentence	n/a	n/a	5.6	19.4
Prisoner Security Classification (at release)	Maximum	65.2	82.6	n/a	n/a
	High	48.6	65.8	n/a	n/a
	Low Medium	34.7	53.2	n/a	n/a
	Low	21.1	37.8	n/a	n/a
	Minimum	10.0	19.7	n/a	n/a
Release Type	Parole	15.8	25.9	n/a	n/a
	Post-release conditions	28.9	46.7	n/a	n/a
Sentence Length	6 mth or less	29.8	48.3	4.1	26.8
	> 6mth but <= 1 yr	29.4	46.6	4.9	24.3
	>1 to 2 yr	26.9	41.8	8.9	32.3
	>2 to 3 yr	14.8	28.0	n/a	n/a
	>3 to 5 yr	17.1	25.7	n/a	n/a
	>5 yr	11.2	17.9	n/a	n/a
All (2011/2012)		26.7	44.2	4.4	26.8
All (2012/2013)		25.9	41.7	4.4	26.4

RECIDIVISM INDEX – 24 MONTHS FOLLOW-UP (PERCENTAGES) FOR 2011/12

Category	Group	Released from prison		Beginning community sentence	
		Reimprisoned	Reconvicted	Imprisoned	Reconvicted
All (2011/2012)		36.8	58.9	6.6	38.7
Gender	Female	23.1	48.7	3.1	29.4
	Male	38.3	60.0	7.5	41.2
Ethnicity	Māori	41.2	64.4	8.6	44.7
	European	31.8	53.4	5.5	36.5
	Pacific	32.8	53.0	6.0	37.5
	Other (incl. Asian)	16.1	25.5	4.0	28.8
Age (at prison release or start of community sentence)	<20 years	55.2	81.9	8.1	53.9
	20-24 years	42.0	68.4	7.1	43.9
	25-29 years	43.9	66.2	7.3	39.4
	30-39 years	34.7	57.3	7.0	36.7
	40 and above	23.3	39.3	4.2	24.4
Gang Affiliate	Yes	54.5	74.9	22.9	69.2
	No	28.3	51.3	4.8	35.4
Offence Group (Most serious for original sentence)	Breaches	40.4	63.9	11.1	46.4
	Burglary	51.2	74.6	10.8	53.2
	Dishonesty	45.2	68.7	8.9	44.6
	Drugs	18.1	38.5	5.1	31.9
	Property damage	37.6	63.4	9.6	50.1
	Sexual	16.9	23.4	5.6	18.9
	Traffic	25.2	49.0	4.0	33.2
	Violence	36.1	59.2	6.7	40.0
	Weapons	47.5	68.3	8.9	49.1
	Other	39.2	60.3	5.8	34.4
Community Sentence	Community work	n/a	n/a	6.8	39.6
	Supervision	n/a	n/a	7.2	36.2
	Intensive supervision	n/a	n/a	8.9	47.4
	Community detention	n/a	n/a	2.2	36.7
	Home detention sentence	n/a	n/a	8.4	33.8
Prisoner Security Classification (at release)	Maximum	76.2	92.9	n/a	n/a
	High	56.0	78.6	n/a	n/a
	Low Medium	47.9	70.2	n/a	n/a
	Low	30.5	55.9	n/a	n/a
	Minimum	16.8	33.1	n/a	n/a
Release Type	Parole	26.6	42.8	n/a	n/a
	Post-release conditions	39.6	64.7	n/a	n/a
Sentence Length	6 mth or less	41.2	65.9	6.3	39.0
	> 6mth but <= 1 yr	40.4	63.2	7.6	36.8
	>1 to 2 yr	35.7	57.7	9.3	47.2
	>2 to 3 yr	27.6	48.9	n/a	n/a
	>3 to 5 yr	26.0	40.7	n/a	n/a
	>5 yr	19.5	27.6	n/a	n/a
All (2010/2011)		37.3	58.8	7.2	40.8
All (2011/2012)		36.8	58.9	6.6	38.7

APPENDIX TWO: INFORMATION ON REHABILITATION QUOTIENT

Corrections' Rehabilitation Quotient (RQ) measures the impact of the Department's rehabilitative programmes. RQ shows the extent to which re-offending is reduced by comparing rates of reconviction and reimprisonment amongst 'treated' offenders (who completed a rehabilitative intervention) with the rates observed amongst 'untreated' offenders (offenders who are matched based on a range of risk-related factors, and who had no involvement in the programme).

RQ scores are calculated separately for programmes delivered in prison and in the community. The cohort of prisoners is those who completed programmes in prison and were released in the 12 months ending 31 March 2013. We analyse their re-offending over the 12 month period following their individual release dates. The cohort of community offenders is those who completed a programme on a community sentence, where the programme end date occurred within the 12 months ending 31 March 2013; we measure their re-offending over the 12 months following completion of the programme.

The figures represent 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 percentage points lower than for the comparable 'untreated' offenders (for example, 12% compared to 22%). 'Untreated' includes those who did not receive any form of treatment whatsoever, 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.

Note that many prisoners and offenders participate in more than one programme. Where this occurs, the beneficial effects of this exposure to multiple programmes are not 'double-counted' in each of the different programme RQs. The effect size of some programmes reported are small and below the level of statistical significance. However, this does not necessarily mean that this 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 managers 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 a continued increase in Corrections' stakeholder engagement, as well as actively engaging with individuals and groups where our operations could potentially impact communities, e.g. the construction of Auckland South Corrections Facility at Wiri. Community engagement is carried out ahead of any construction.

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 have worked 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 over 200 employers to provide Release to Work opportunities for offenders who are close to release from prison, we have signed Memoranda of Understanding with 15 employers agreeing to provide 156 jobs for prisoners upon release.

Early in 2013/14 the 'From Prison Gate to Plate' gala dinner prepared by prisoners at Rimutaka Prison as part of the Visa Wellington On a Plate festival was a sell-out. The first night was an event held for key stakeholders to showcase our work.

Stakeholders have been invaluable in their input around the support people need on their release from prison. They were also a driving force behind our provision of reintegration services in communities; in particular our Out of Gate, Tiaki Tangata and Rotorua, Taupō and Tokoroa reintegration initiatives.

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 reduced 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 inspectors of Corrections, including statistical information about the disposition of complaints made by people under control or supervision and comment on issues arising from complaints or visits.

CHIEF INSPECTOR'S ANNUAL REPORT FOR 2013/14 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 offenders traditionally generate a very low volume of complaints to the Inspectors. Only 13 were received for the year which is two fewer 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 the Department 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 the Department 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 manager. This constitutes the first tier.

The Inspectorate is the Department's second tier of complaints resolution. As such it is effectively the Department's last opportunity to resolve a complaint before the involvement of external agencies or court action. There were 1,608 formal complaints received for the year. This was a decrease of 536 complaints from 2012/13 year complaints.

It should be noted that the Inspectorate has altered the manner in which it handles complaints from 1 April 2013 which would account for a significant portion of this decrease. 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 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 38 of the 1,608 complaints received in the 2013/14 year were found to be justified. At 2.36 per cent of total complaints this is a low proportion of the thousands of interactions that occur between the Department and offenders every year.

The actual number of justified complaints is considered as somewhat artificial as the Inspectorate has previously endeavoured to negotiate a resolution to the complaint rather than categorising the complaint as justified. 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 was 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 (19) 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/whānau could use to raise a complaint directly with an Inspector during normal business hours. In 2013/14 year there were 3,028 calls received, of which 1,013 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 1,013 of these contacts resulted in formal complaints during 2013/14, 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 13 prisoner deaths in custody (10 assumed natural causes, three assumed suicides). This is an increase of 40 per cent on the 10 deaths investigated for 2012/13. 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.

In the interests of transparency, the Inspectors have also continued to monitor the conduct and outcome of a number of internal prison investigations into prisoners' allegations of assault/abuse by staff. Twenty-four such monitoring reviews were carried out during the year, with only four cases being progressed to employment investigations against the staff involved. Five cases are still currently under active 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 2013/14 year has been approved which saw the Inspectorate conducting special focus reviews of various aspects of prison operations using the Healthy Prison Standards¹⁶, as developed and used by other international jurisdictions. Two reviews have been concluded into Directed Segregation and Prisoner Activities. Planning is currently underway for a third review 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 Committee.

It cannot be stressed enough that Corrections is, and will remain, a difficult and potentially dangerous 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 the Department can be proud of the overall quality of its services and of the ongoing dedication and professionalism of its staff and managers. While isolated incidents may from time to time generate a disproportionate level of negative attention, the Inspectorate's overall view is derived from the largely positive findings arising out of the Inspectors visiting, investigation and review activities and the low level incidence of justified complaints to the Inspectorate throughout the year.

Andy Fitzharris

Chief Inspector of Corrections

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, and
- > 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 the Department 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 prevent drug use, violence, and escapes and to protect victims from 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.

¹⁶ 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".

Spark New Zealand* provides standard payphones for prisoner use in units across all prisons. Prisoners can purchase phone cards to pay for their calls through the prisoner canteen system, or they can be posted to the prisoner by family/whānau members and friends. All calls are recorded and monitored on a random or 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 10 numbers are able to be loaded onto the prisoner's approved calling list. This is to prevent criminal activity or harassment of victims, or members of the public, from within the prison. All numbers are verified by prison staff and permission sought from the call recipient before the number is approved.

In 2013/14, 54,575 calls were monitored, 90 per cent of these monitored calls produced valuable information to support the prevention and reduction of crime. We are unable to capture specific details about each call we share with other agencies, but we know that doing so has resulted in a number of arrests (of prisoners, visitors, members of the community) for a variety of offences. We also know that sharing this information with our partners has made it possible to identify visitors who may pose a threat to staff and prisoners in our prisons, enhanced community safety and led to the discovery of drugs and other contraband.

SECTION 190(1)(F)

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

The effectiveness of our prison-based drug and alcohol interventions has been significantly improved since the introduction of a screening tool during the 2012/13 year to better identify alcohol and drug issues among prisoners and help staff determine which interventions will be needed. During 2013/14 Corrections delivered brief and intermediate level alcohol and other drug treatment programmes to over 2,500 prisoners, and provided over 1,000 placements in our more intensive three month and six month Drug Treatment Unit programmes.

Corrections focuses on both the treatment of prisoners with drug and alcohol problems and the prevention of opportunity for prisoners to consume alcohol and drugs. The introduction of our prisoner television rental scheme during the year has enabled us to more easily detect contraband that has entered prison, due to the clear plastic casing from which the rental televisions are made.

The percentage of general random drug tests returning a positive drug result has been falling since 2008/09. In 2013/14 we undertook 4,295 drug tests under our general random drug testing regime; 3.8 per cent of the 4,226 resulted tests returned a positive drug result, a further improvement on the four per cent result recorded for the previous two years.

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 also worked with the Ministry of Health to increase the availability of alcohol and other drug services to community-based offenders. More than 9,000 brief interventions were delivered by probation officers and over 6,000 offenders were referred for more intensive treatment options during the year.

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 69 training courses were attended by security officers employed by the Contractor. Security officers received training in control and restraint (including both Instructor and Refresher training) and first aid. Security officers also achieved Full Class 2 Drivers Licence qualifications.

* Spark New Zealand previously known as Telecom New Zealand.

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 and against prisoners while in the custody of security officers employed by the Contractor. This assault resulted in minor injuries and was considered non-serious.

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

There were no reported incidents involving violence against security officers employed by the Contractor while carrying out escort duties or courtroom custodial duties. This assault resulted in minor injury and was 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 was one reported incident 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*

A total of 11 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 39,827 searches were recorded by security officers employed by the Contractor during the reporting year. This included four strip searches.

The number and nature of any disciplinary actions taken against security officers employed by the Contractor, and the reasons for, and the outcomes of, those actions, including any penalties imposed

Disciplinary proceedings were initiated against one security officer employed by the Contractor, for offences related to staff conduct. The proceedings resulted in dismissal.

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

This section provides a summary of the monthly reports submitted to the Chief Executive by the monitors of the Serco contract.

The Department has a contract with a private provider to run Mt Eden Corrections Facility (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 966.

This makes it one of the largest prisons in the country and the largest prison with a predominantly remand population.

In MECF's third year of operation the site has seen over 25,000 movements through the receiving office, including over 2,000 inter-prison transfers.

Serco's performance in the third year managing MECF has seen improved and more consistent delivery. They have continued to embed their 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 for Serco show that over 85 per cent of their performance measured against these is consistent, all of the missed targets have 100 per cent compliance requirements. Where appropriate the Department has issued performance notices in relation to the missed targets.

Serco is also measured against nine key performance indicators which provide a financial incentive for Serco to exceed baseline performance in some key areas. Serco has achieved all nine of the key performance indicators.

Serco's results in the Department's Prison Performance Table have seen them move from a rating of "exceeding" in the first and second quarters of 2013/14 to "exceptional" in both the third and fourth quarters.

Beyond our own 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.

During 2013/14, under Serco's management, there have been no escapes or deaths in custody. Serco has again minimised the amount of drugs entering MECF and this is shown by having one of the lowest rates of positive drug tests in the country. Given that a large proportion of the prisoners that Serco manages are on remand, and remand prisoners generally have slightly higher positive general random drug test results, this is an encouraging result.

The continued improvement in the approach to highlighting issues with Serco has resulted in the timely resolution of areas of concern. These process improvements have provided an improved level of assurance that MECF is being run in a safe, secure and humane manner.

The requirement to generate and share innovation is reflected in the contract. There are a number of innovations that Serco has implemented at MECF, and a number of new innovation proposals Corrections has agreed to pilot at MECF. These are being closely monitored and if successful maybe adopted by Corrections.

Serco continued to embed its Violence Reduction and Safer Custody Strategies at MECF. These are designed to combat incidents of violence and intimidation, while at the same time empowering staff to feel confident when challenging, guiding and supporting prisoners who display patterns of poor behaviour.

During the year Serco Training gained approval under Section 252 of the *Education Act 1989* which will enable them to assess the NZQA unit standards that lead to qualifications for their own staff in New Zealand.

Ultimately, the success of the contract will be reflected in reduced re-offending. To that end, in the third year of the contract, seven key performance indicators were replaced with two reducing re-offending focussed measures titled the 'Out of Custody' index.

The new measures reflect 'density' through measuring the average number of days a prisoner is out of custody in the 12 month period after his release from MECF. In order to achieve their target Serco must perform 10 per cent better than the Department. Serco has performed well against the new measures, and the end of year results are currently being finalised.

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.

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 conditions as provided under section 15 (3) (f). Corrections also 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 2014.

For the financial year ending 30 June 2014 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 244. 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 2014 was 425. The average length of time they were subject to such conditions during the financial year was 6.7 months.

During the year ending 30 June 2014, there were 63 offenders subject to extended supervision with residential restrictions or electronic monitoring. Of those 63 offenders:

- > 7 (11.1%) were convicted of a breach of their electronic monitoring/residential restriction condition
- > 3 (4.8%) were convicted of other offences
- > 21 (33.3%) 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 the Department of 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 a security guard is sent to the house.

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. Some offenders subject to an electronic monitoring condition may be required to submit to Global Positioning System (GPS) monitoring. GPS monitoring enhances the ability of the Department 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.

