



## ***Our Vision***

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

## ***Our Goal***

Reducing re-offending by 25% by 2017.

## ***Our Priorities***

### **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.

### **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***

## CONTENTS

<b>Chief Executive's overview</b>	<b>2</b>
<b>What Corrections does</b>	<b>3</b>
<b>Corrections and the justice sector</b>	<b>4</b>
<b>Managing in a challenging and changing environment</b>	<b>5</b>
<b>PART A: CONTRIBUTION TO OUTCOMES</b>	<b>7</b>
<b>The year at a glance</b>	<b>8</b>
<b>Re-offending is reduced</b>	<b>9</b>
Offenders have the skills and support to lead law-abiding lives	12
Offender's health and well-being is maintained	16
<b>Public safety is improved</b>	<b>18</b>
Risk of harm to others is minimized	18
The integrity of sentences and orders is maintained and offenders are held to account	21
<b>Better public value</b>	<b>23</b>
Freeing up resources while improving our service responses	23
Capital and asset management intentions	24
Information technology	25
<b>Visible leadership</b>	<b>26</b>
Our people	26
<b>PART B: STATEMENT OF SERVICE PERFORMANCE 2012/13</b>	<b>31</b>
<b>Statement of responsibility</b>	<b>32</b>
<b>Audit NZ Report</b>	<b>33</b>
<b>Statement of service performance</b>	
Appropriation – Information and administrative services to the judiciary and New Zealand Parole Board	37
Appropriation – Contract management of services provided by third parties	40
Appropriation – Policy advice and ministerial services (multi class output appropriation)	41
Appropriation – Prison-based custodial services	43
Appropriation – Rehabilitation and re-integration	45
Appropriation – Sentences and orders served in the community	48
Notes to performance measures	51
<b>PART C: ANNUAL FINANCIAL STATEMENTS</b>	<b>55</b>
<b>The year at a glance</b>	<b>56</b>
<b>Annual financial statements</b>	
Statement of comprehensive income	57
Statement of changes in taxpayers' funds	58
Statement of financial position	59
Statement of cash flows	60
Statement of commitments	61
Statement of contingent liabilities and assets	62
Statement of departmental expenditure and capital expenditure against appropriations	63
Statement of unappropriated expenditure	64
Statement of trust monies	65
Notes to the financial statements	66
<b>APPENDICES</b>	<b>95</b>
<b>Appendix one: Recidivism index</b>	<b>96</b>
<b>Appendix two: Information on rehabilitation quotient</b>	<b>100</b>
<b>Appendix three: Report under Section 190 of the <i>Corrections Act 2004</i> and Section 15A of the <i>Parole Act 2002</i></b>	<b>101</b>

## CHIEF EXECUTIVE'S OVERVIEW

Today 8,600 people are having lunch in a prison cell. This weekend 25,000 people will do community work in New Zealand towns and cities. For a small country, we have a large offender population. But at the Department of Corrections we're committed to bringing down these numbers and giving everyone – offenders, family members and victims – the chance to live in a better, safer community.

I am very proud to present this, the Department of Corrections' Annual Report for the year ended 30 June 2013. As you will see in the following pages, our results reflect the impressive work being done by our people and partners around the country.

28,325 offenders received 87,962 rehabilitation and reintegration interventions last year. More offenders than ever have access to programmes that address the underlying causes of their offending, such as drug and alcohol abuse, violence, minimal education and limited life skills. Our probation staff are now directly involved in the on-going rehabilitation needs of community-based offenders. Across all our services, offender education and training has increased, with a determined focus on adult learning and acquiring trade-based skills that will increase people's chances of finding long-term employment.

We have people on community work providing millions of hours' labour in projects that benefit their community. Over 65,000 hours of offender labour have assisted the Canterbury rebuild alone.

This year was the first time in recorded prison history that we have had no escapes from prison. We have contributed further to public safety by ensuring that offenders comply with their sentences and conditions, and holding them to account if they do not. Dedicated teams and GPS monitoring have significantly improved our management of the release of high-risk prisoners.

The Department of Corrections is Trans Tasman's Government Department of the Year for 2013. That's impressive for any organisation – but almost unheard of for one with so many risks to manage as ours. There have been difficult times, such as the riot at Spring Hill Corrections Facility in June. But we had the people and

the resources to manage this dangerous situation well, bringing it to a close the same day it began. Perhaps more than anything it's the way we operate in a time of crisis that makes us worthy of being called Government Department of the Year.

This year saw the closure of two prisons, along with other aging units that were no longer fit for purpose. We now operate 17 prisons (including Mt Eden Corrections Facility, which is run under contract to Serco), with construction of the new public private partnership prison at Wiri on track and scheduled to open in 2015.

A year ago, our people underwent a significant restructure. They've responded well and our services now work more closely together, with our four regions having greater freedom to deliver initiatives specific to their area.

Most importantly, we've reduced re-offending by 10.6 percent. That is nearly 2,000 people who won't return to Corrections. That's significant, and we are well on our way to achieving our target of reducing re-offending by 25 percent by 2017.

Looking back, we can be very proud of what we have achieved, but looking forward there is so much more to come that will make a real difference in the lives of tens of thousands of New Zealanders.



**Ray Smith**  
Chief Executive

## WHAT CORRECTIONS DOES

We keep communities safe by ensuring offenders complete the prison and community – based sentences and orders handed down by our justice system, and by working with offenders to reduce re-offending.

Public safety will always be our bottom line; we respond swiftly if sentences and orders are breached, and we manage risks posed by offenders in the community. We keep prisoners in secure facilities that we regularly upgrade and replace to ensure they remain fit-for-purpose. We also make a positive difference in the lives of offenders to help them to move away from criminal activities.

Providing offenders with a safe, secure, and healthy environment helps to encourage and support them to move towards an offence-free lifestyle. We provide them with primary healthcare, and respond to their mental and physical health needs. Where appropriate, we encourage and support contact between offenders and their families, and we acknowledge the significance of offenders' ethnicity, language, and cultural backgrounds.

We also provide reports to the Judiciary and New Zealand Parole Board about an offender's risk to others and likelihood of re-offending. This allows us to inform sentencing decisions, and decisions on whether a prisoner should be released and under what conditions.

**In 2012/13, we escalated our Reducing Re-offending work programme, which saw us manage an average of 39,500 offenders each week, comprising of 31,000 people in the community, and 8,500 people in prison. Through this programme we supported:**

- > more prisoners to improve their literacy and numeracy skills (up 42 percent from 2,103 prisoners in 2011/12)
- > 1,963 prisoners to gain 3,160 qualifications
- > almost twice as many prisoners to engage in employment-related activities than in 2011/12
- > 1,026 prisoners within Drug Treatment Units (up from 907 in 2011/12)
- > 15,182 offenders in the community through 50,763 interventions delivered by probation staff
- > more than 6,300 community-based offenders to start a rehabilitation programme (up from approximately 5,000 in 2011/12).

**We maintained \$2 billion worth of assets<sup>1</sup>, including:**

- > 17 operational prisons
- > 144 Community Corrections sites<sup>2</sup>.

<sup>1</sup> Comprised of physical and intangible assets; Statement of Financial Position, page 59

<sup>2</sup> Excludes sites not attended by offenders (e.g. District Office, Psychologists' offices, New Zealand Parole Board Office, regional offices)

## CORRECTIONS AND THE JUSTICE SECTOR

Corrections is part of New Zealand's justice sector, which also includes the Ministry of Justice, the New Zealand Police, the Crown Law Office, the Serious Fraud Office, and several Crown entities and agencies. We work together to provide modern, accessible, people-centred justice services, and encourage a safe and just society where people enjoy civil and democratic rights.

Our focus on reducing re-offending while keeping the public safe is an important part of the criminal justice sector activities, which extend from crime prevention, investigation of crime, arrest and prosecutions, through to courts, sentencing, sentence management, rehabilitation and re-integration.

We work towards these goals by providing new and expanded alcohol and drug treatment, rehabilitation interventions, and education and employment opportunities for offenders in prisons and in the community.

Coordination across the sector ensures resources are used effectively, and that future policy, investments and changes to service delivery have the greatest positive impact. The Sector Leadership Board has been established to strengthen the leadership throughout the sector, and is responsible for driving our collective performance across the justice system, coordinating the major change programmes underway, and collectively planning to modernise the sector, reduce costs, improve services, and further enhance public safety.

The Government wants to ensure New Zealanders can rely on Better Public Services, in tight financial times.

For the justice sector, this means reducing the overall crime rate by 15 percent by 2017. To achieve this, the sector is working to reduce the:

- > violent crime rate by 20 percent by 2017
- > youth crime rate by five percent by 2017
- > re-offending rate by 25 percent by 2017.

Closer relationships with our justice sector partners allow us to achieve these goals and contribute to the overall sector performance. In 2012/13, our collaboration with the New Zealand Police and the Ministry of Justice facilitated the development of:

- > a shared services model for delivery of electronic monitored bail
- > a Corrections Remand Facility within the New Plymouth Police Station
- > targeted information sharing and management of child sex offenders
- > supporting a Justice Sector joint initiative in the Hutt Valley that generates new ways of working together to achieve community safety
- > continued implementation of Audio Visual Link (AVL) technology in courts and prisons to reduce the costs and safety risks associated with transporting prisoners to and from courtroom appearances.



## MANAGING IN A CHALLENGING AND CHANGING ENVIRONMENT

New Zealand continues to face economic challenges that impact heavily on government debt. As a result, the public sector must be more innovative and results-focused in the delivery of services within current budgets.

The economic and social pressures faced by Corrections prompt us to think differently about how to reduce re-offending while keeping the public safe. We are responding well to these challenges, working more closely with our public and private sector partners, and innovating in our work with offenders. As a result, we are successfully delivering better, smarter public services.

Offender demographics are evolving; the average age of prisoners is increasing because of longer sentences and repeat offenders staying in the prison system for longer. Some of these prisoners have health issues that make it difficult for them to function independently in a prison environment, but are not eligible for release. We are creating facilities that enable these offenders to have their health needs met as they complete their sentences.

We expect to see more violent offenders come into the prison system, particularly gang members and violent female offenders. Gang members have higher rates of re-offending than non-gang members and are more likely to be involved in prison violence. As the number of female prisoners grows, we are anticipating the number of females convicted for serious violent offending to become a greater proportion of the prisoner population. We are developing strategies to address these trends.

Offenders are also becoming more ethnically diverse, reflecting changes in New Zealand's population. Māori and Pasifika offenders remain over-represented, both in the prison population and in the numbers of offenders serving sentences and orders in the community. We make a difference in the lives of these offenders through our Māori Focus Units and the Pacific Focus Unit, which provide intensive rehabilitative interventions in a therapeutic environment that supports the use of Tikanga Māori, and Pacific values and beliefs.

Offenders have skills that can be used to support the Christchurch rebuild. We are taking a cross-service approach with the Ministry of Social Development, employers and the Non-Government Organisation sector to ensure that the labour market advantages across Canterbury are utilised to maximise offender employment.

For security reasons, the rapidly changing nature of technology means new solutions have to be carefully considered before they can be put in place. We have trialed and implemented technology-based solutions to improve the monitoring of offenders in the community and to mitigate the risks associated with transporting prisoners to and from courtrooms.





# PART A:

# CONTRIBUTION TO OUTCOMES

The year at a glance	8
Re-offending is reduced	9
Offenders have the skills and support to lead law-abiding lives	12
Offender's health and well-being is maintained	16
Public safety is improved	18
Risk of harm to others is minimized	18
The integrity of sentences and orders is maintained and offenders are held to account	21
Better public value	23
Freeing up resources while improving our service responses	23
Capital and asset management intentions	24
Information technology	25
Visible leadership	26
Our people	26



# THE YEAR AT A GLANCE

## IN 2012/13 THE DEPARTMENT OF CORRECTIONS:

### Reduced re-offending

- > Exceeded our end of year target of having 2,520 prisoners engaged in education programmes by 461 prisoners.
- > Provided greater access to National Certificate of Educational Achievement.
- > Provided 11,279 offenders with programmes that are proven to reduce re-offending, exceeding our target of 9,450 offenders for this measure.
- > Finalised our Youth Strategy to ensure young offenders will benefit from our focus on rehabilitation and re-integration.
- > Enhanced our responsiveness to Māori by improving the rehabilitative function of our Māori Focus Units.
- > Introduced the Right Track initiative to support staff to make the right choices and take the right action with offenders at the right time.
- > Introduced a new screening tool to assist health and case management staff to make appropriate brief interventions or referrals to rehabilitation programmes.
- > Began transforming some of our prisons into working prisons to provide employment opportunities for prisoners.
- > Established a High Dependency Unit to accommodate prisoners with health issues that make it difficult for them to function independently in a prison environment, but who are not eligible for release.

### Better public value

- > Commenced construction of a new 960 bed public private partnership prison in Wiri, South Auckland which contributes to reducing re-offending in a way that represents overall value for money.
- > Began a four year plan to upgrade and replace our Community Corrections Sites to encourage more efficient interactions between Corrections staff, offenders and local service providers in the community.
- > Closed two of our oldest prisons to ensure all our facilities are fit-for-purpose and capable of facilitating rehabilitation outcomes for prisoners.
- > Continued to expand our use of results-driven contracts to purchase services that support prisoners and offenders to live offence-free lives.
- > Provided regional staff, iwi and community groups with an opportunity to contribute to reduce re-offending through our Regional Fund Initiative.

- > Used Audio Visual Link (AVL) technology in 3,625 courtroom appearances at three District Courts, reducing the costs and safety risks associated with transporting prisoners to and from these courtrooms. This technology was installed in three prisons in 2012/13.

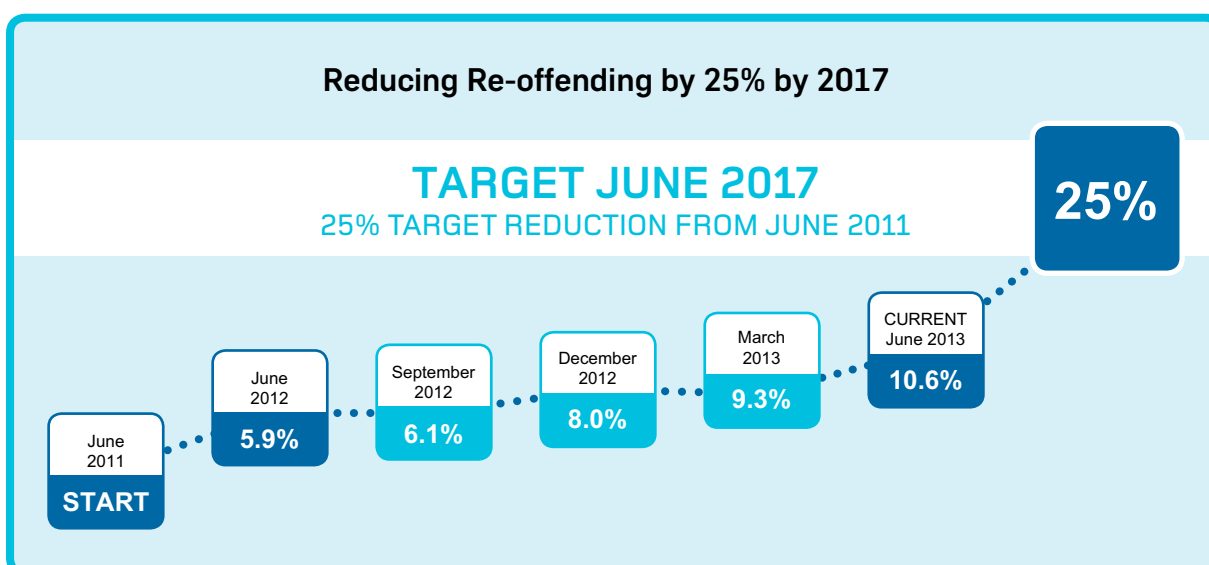
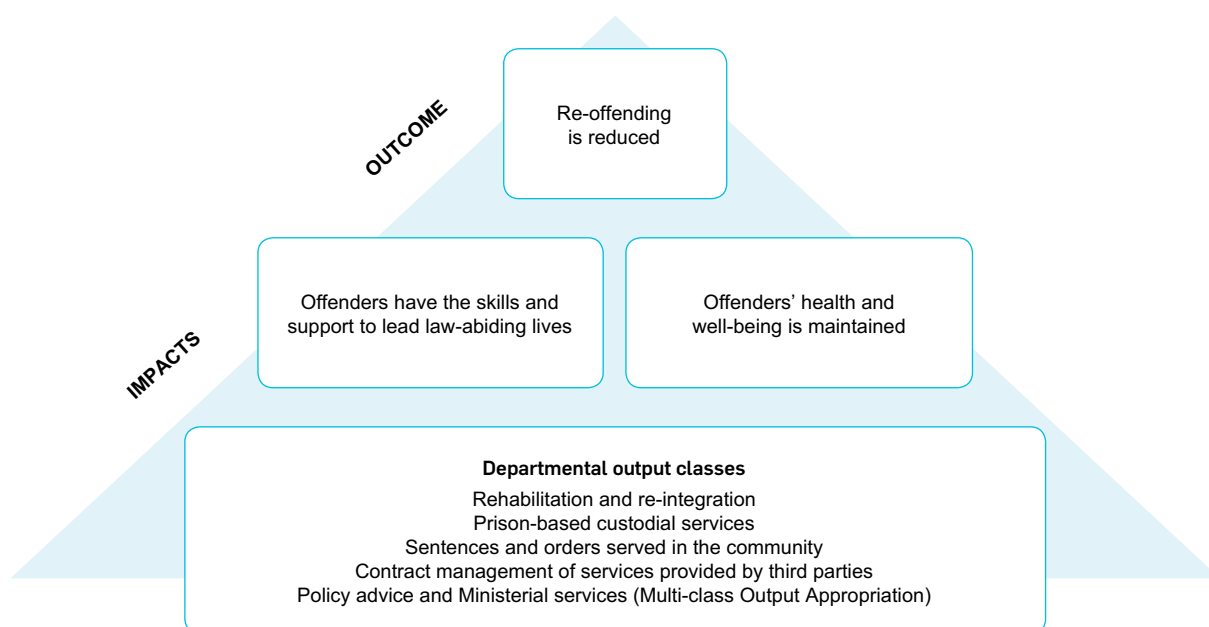
### Improved public safety

- > Finalised our Staff Safety Action Plan to help create a safe working environment and safe practices for our frontline staff.
- > Reduced the number of prison escapes to zero (our lowest number in recent years).
- > Provided staff with Tactical Exit Training to ensure they can get out of situations where their safety is threatened.
- > Equipped staff with pepper spray to restore security and prevent harm to others in approved circumstances.
- > Enhanced the Corrections Amendment Act to protect the public and our staff while prisoners and offenders serve sentences and orders in prisons and in the community.
- > Delivered 50,763 interventions to more than 15,182 offenders by probation staff.
- > Provided new professional development tools and strategies to our probation staff.
- > Made greater use of Global Positioning Satellite (GPS) technology, allowing us to monitor more high risk offenders in the community, and more offenders on community-based work opportunities.

### Visible leadership

- > Implemented our new organisational structure to become one unified and cohesive team.
- > Provided greater support to frontline staff by strengthening our regional leadership.
- > Improved our recruitment and initial training of frontline staff by focusing on the key skills and behaviours these roles need in order to reduce re-offending.
- > Worked with regional staff, iwi and community groups to identify new and effective rehabilitation activities in prisons and in the community.
- > Increased our collaboration with our justice sector partners to share information and expertise to improve the day-to-day operations of each agency.

## RE-OFFENDING IS REDUCED



The Government has set a goal to reduce re-offending by 25 percent by 2017. As at 30 June 2013, we were well on our way to achieving this goal and had reduced re-offending by 10.6 percent.

This means 1,947 fewer offenders being re-imprisoned or reconvicted each year towards the target of 4,600 fewer each year by 2017. It also equates to 7,788 fewer victims each year towards the target of 18,500 fewer victims each year by 2017.

This reduction reflects the positive differences we are making in offenders' lives to help them avoid further criminal activity. We are supporting offenders to work and gain an education, learn life skills, and address the causes of their past offending such as drug and alcohol addiction. We have expanded rehabilitation and re-integration opportunities for prisoners and community-based offenders.

During the last four years, we have seen a gradual decline in the rates of reconviction among offenders who started community-based sentences and offenders released from prison.

We expect this trend to continue as a result of the work we have done in 2012/13 to expand our re-integration and rehabilitation programmes for young offenders, and those on remand<sup>3</sup> or short sentences, or those serving sentences in the community.

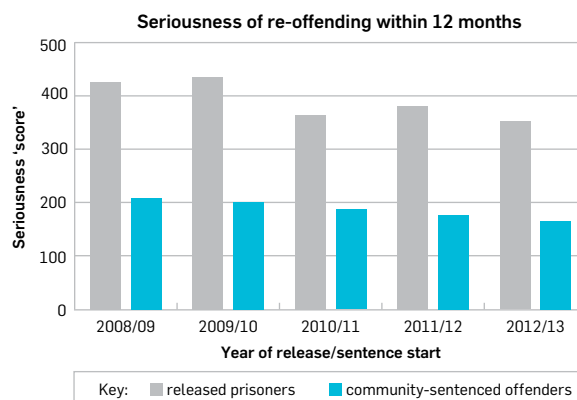
We measure the rate at which re-offending is reduced using the Recidivism Index (RI; Appendix One refers), which quantifies the rate of re-offending of a specified group of offenders over 12 and 24-months follow-up. RI figures are produced for two potential outcomes: reconviction leading to imprisonment,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

Imprisonment figures are perhaps the more critical of the two measures, as this outcome is associated with more serious offences and higher costs in administering the sentence.

However, as the majority of reconvictions do not lead to imprisonment, general reconviction statistics are provided to give a more complete measure of general recidivism.

## Seriousness of re-offending

This is the second year that the Department has presented results for its measure of seriousness of re-offending. The Seriousness Index captures the relative seriousness of offences committed by those who were reconvicted and given a custodial or community sentence during the follow-up period. The method uses the Justice Sector Seriousness Score<sup>4</sup>, a system which assigns scores to individual offences. The Department's measure builds on this system to capture the cumulative seriousness of multiple offences committed within the follow-up period that were dealt with on a single sentencing occasion, as well as offences that were dealt with on two or more successive occasions.



The figures show a continuing reduction in re-offence seriousness over each of the last five years. This is largely consistent with the trend for rates of reconviction, which have similarly declined over this period.

## Re-offending while on parole and home detention<sup>5</sup>

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).

<sup>3</sup> The Department categorises prisoners on remand as being either "Remand Accused", where the prisoner is remanded in custody for trial or further court hearings, or "Remand Convicted", where the prisoner has been convicted and remanded in custody awaiting sentence.

<sup>4</sup> Published by the Ministry of Justice, 2012.

<sup>5</sup> Figures for previous years differ to those reported last year, due to a revised measurement method. Further information on this measure is available in Appendix Two.

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 2012/13.

*Table 1: Percentage of offenders who started Home Detention or Parole and then committed a new offence during the following period of management, by year.*

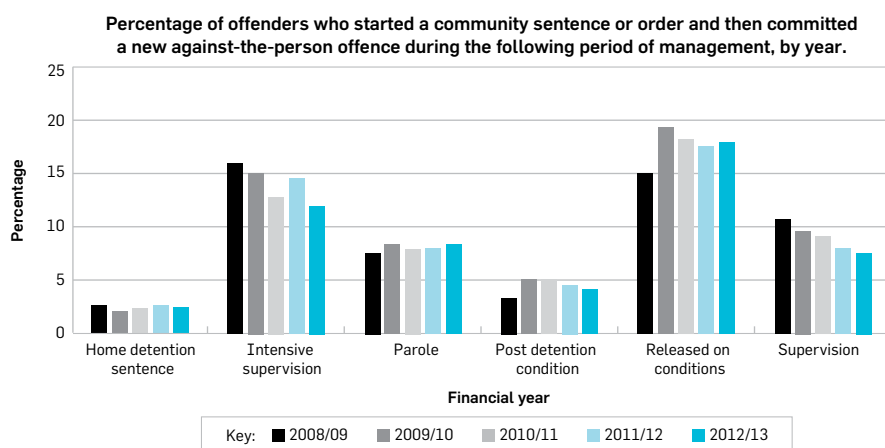
Year results reported	Parole	Home detention sentence
2008/09	24.9	10.5
2009/10	26.5	10.3
2010/11	22.5	9.6
2011/12	22.3	9.2
2012/13	22.9	8.5

The following 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 violence-type offending amongst offenders under their management.

## 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.



## OFFENDERS HAVE THE SKILLS AND SUPPORT TO LEAD LAW ABIDING LIVES

In 2012/13 we worked closely with our stakeholders, developed our staff to become more involved in the delivery of interventions, and implemented innovative solutions to support and monitor our progress to help offenders avoid further criminal activity.

### More prisoners participating in education activities

In 2012/13 we established a clear strategy to support offenders to address life-long learning barriers, and by the end of the financial year, we had 2,981 prisoners engaged in education programmes, exceeding our Statement of Service Performance target of 2,520 prisoners for this measure.

#### Greater access to National Certificate of Educational Achievement

In 2012/13, we introduced new and expanded education and employment-related training in prisons. We provided greater access to the National Certificate of Educational Achievement (NCEA) to raise the skill levels of prisoners, increasing their chances of finding sustainable employment on release.

This was achieved through the Get Ahead to NCEA initiative, which was launched in partnership with the Open Polytechnic. Get Ahead provides up to 2,000 offenders a year with the opportunity to complete NCEA Level 2. We also expanded our use of distance learning to provide prisoners with more access to NCEA levels 1 and 2, and the National Certificate in Employment Skills.

Greater access to NCEA was also made possible through our Audio-Visual Achievement in Literacy, Language and Learning programme, which develops core skills to support youth achievements in NCEA. The programme is now available in our three youth units and at Rimutaka Prison.

#### More education for remand and short-serving prisoners

Remand and short-serving prisoners also benefitted from new and expanded education programmes, including the Short Gains programme, which provides essential literacy and numeracy training to these prisoners. By the end of 2012/13, we had exceeded our target of having 300 prisoners undertake Short Gains (712 prisoners), and the programme was available at all our remand sites.

A total of 411 remand and short-serving prisoners gained essential employment skills through our Work Ready programme, which includes modules on timeliness and working in an ordered manner, communication, computer skills, and financial literacy.

Literacy and numeracy interventions were also provided at Mount Eden Corrections Facility, which is managed by a private provider, Serco. Serco has developed a suite of education activities that focus on addressing the needs of their high churn prison population. By the end of 2012/13, 650 prisoners had engaged in education activities.

As part of Serco's seven pathways, 115 prisoners had demonstrated improvements on the Education Training and Employment pathway, through a combination of distance learning, youth education, and National Qualifications Framework-based programmes.

We investigated technology to modernise our delivery of education activities. We began an online learning pilot within the youth unit at Christchurch Men's Prison to look at the benefits of providing restricted access to specific educational internet sites for young offenders. Initial feedback from participants has been positive, and in 2013/14 we will continue the pilot with a view to including more sites.

### More prisoners participating in employment

Our focus on employment is not just about learning skills. It also involves developing a positive self-awareness, a work ethic, and the ability to relate effectively to others. In 2012/13 we exceeded our target of having 7,800 prisoners engaged in employment activities by 29 percent.

#### Engaging prisoners in employment-related activity at working prisons

We are transforming some of our prisons into working prisons, where all prisoners will be engaged in a structured 40-hour week to equip them for life back in the community.

At Rolleston Prison, we established a Site Level Agreement with Housing New Zealand Corporation (HNZC) to refurbish a minimum of 150 houses at Rolleston Prison over the next five years. This provides a cost-effective option for HNZC to replace some of the 5,000 houses that were damaged in the Christchurch earthquakes. By the end of 2012/13, we began development of two construction yards at Rolleston Prison to facilitate this work.

Auckland Region Women's Correction Facility and Tongariro/Rangipo Prison have also begun the transformation to working prisons in 2012/13.

### Engaging offenders in employment-related activity in the community

In 2012/13, we launched Sustainable Employment pilots at eight Community Corrections Sites. This initiative improves access to education, job skills training, employment and support services to offenders on community sentences and orders, and to prisoners transitioning to the community.

The pilots have strengthened our links with WINZ, local job brokers, and other training providers; reducing the duplication of our work, and providing an assurance that offenders understand what help is available to help them find work.

We also established new employment-related interventions, including Job Clubs, which support offenders in the community and in prison to seek work by helping them with CV writing, job searching skills, interview techniques, and to link with agencies such as WINZ and prospective employers.

We also delivered jobs to more than 600 prisoners in our Release to Work programme. This programme provides prisoners approaching the end of their prison sentences with opportunities to work in the community for an approved employer, with a view to gaining employment on release.

### Increasing young offenders' participation in employment

We believe employment plays an integral role in reducing re-offending because it provides meaningful, real-life work experience. We use a security classification system to identify the level of risk a prisoner presents so that we can decide whether or not they can work outside the prison perimeter.

In 2012/13, we reviewed the calibration of age in the Security Classification system. The current age weighting makes it very difficult for prisoners under the age of 25 years to achieve a minimum security classification, and therefore they were unable to apply for a number of key re-integrative activities, such as living in an external self care unit, or undertaking Release to Work. We have modified the age weighting to minimise the disadvantage incurred based on age alone, while balancing the risks to public safety with a separate risk of harm score.

The revised system was trialled at four prisons with encouraging results of more younger prisoners safely participating in a wider range of re-integrative activities. The revised system will be rolled out nationally in 2013/14.

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

The Department's Rehabilitation Quotient (RQ) measures the impact of the major rehabilitative programmes. RQ shows the extent to which re-offending is reduced by comparing rates of reconviction and re-imprisonment 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 and associated methodology is presented in Appendix Two. RQ results are summarised in the table below.

Table 2: Recidivism quotient results

Prisoner interventions	Reconviction (12 month follow-up)	Reimprisonment (12 month follow-up)
Special Treatment Unit (sex offenders)	- 7.7**	- 6.8**
Special Treatment Unit rehabilitation programmes	- 12.5**	- 12.9**
Drug Treatment Units (6-months)	- 6.8**	- 3.6*
Medium-intensity programme	- 1.3	- 3.8**
Short rehabilitation/ motivational programmes	- 0.1	- 4.5*
Prisoner employment	- 1.6	- 1.4
Trade and Technical Training	- 1.6	- 8.3**
Release to Work	- 5.9**	- 3.2*
Community-based interventions	Reconviction (12 month follow-up)	Imprisonment (12 month follow-up)
Medium-intensity programme	- 3.1	- 6.4**

\* results are statistically significant below the 95 percent threshold but are highly likely to be indicative of effectiveness

\*\*results are statistically significant at the 95 percent level



Special Treatment Unit (STU) programme interventions are high intensity, offence-focused psychological forms of rehabilitation delivered by appropriately qualified staff in accordance with the programme design, goals, theoretical basis and supporting research. In 2012/13, the STUs for child sex offenders in Auckland (Te Piriti), and Christchurch (Kia Marama) expanded delivery of a short intervention programme to an additional 60 prisoners. This means treatment can be provided at the appropriate “dosage” for up to 200 child sex offenders a year. In addition, the special treatment unit at Waikeria Prison, Karaka, has run an extra programme in existing facilities for the whole of the year, enabling 50 high risk violent offenders rather than 40 to be treated.

Newly introduced rehabilitation programmes can take up to two years in order to become fully embedded and capable of delivering results, but these high-intensity programmes for high-risk and mainly violent offenders are now beginning to demonstrate their true potential. Achieving a 12 percentage-point reduction in both re-imprisonment and reconviction for this very challenging group, places this programme on a par with the best programmes of this type in the world.

Our Drug Treatment Unit programme is also continuing to show solid results, as it has done since outcome evaluation of this type commenced in 2004/05.

### **Offenders in the community**

We also strengthened our engagement with offenders in the community, particularly through our medium intensity rehabilitation programmes, which teach male prisoners and offenders serving sentences in the community how to alter the thoughts, attitudes and behaviour that led to their offending, and assist them to develop strategies for maintaining any positive changes.

In 2012/13, these programmes made a solid contribution to the Department's overall goal of reducing re-offending by 25 percent by 2017, having previously been subject to relatively high non-completion rates. We provided offenders in the community with access to Kowhiritanga, a Medium Intensity Rehabilitation Programme for female offenders which targets violence, offence-related thinking and feelings, self-management and problem solving skills. This has increased the number of available places from 60 to 90 for this programme.

Our area offices provide individual assessment and treatment services to prisoners and offenders serving community-based sentences. They also undertake specialist risk of re-offending assessments for Extended Supervision Orders, Court assessments where Preventative Detention is being considered, and reports for the Parole Board. Some offices are now running the

Short Intervention Programme for child sex offenders in the community. In 2012/13, the community based residential centre Tai Aroha reached full capacity, and began providing a 16 week treatment programme for 35 high-risk community-based offenders each year.

Statistically significant reductions in re-offending amongst community offenders participating in the alcohol and drug courses, and domestic violence programmes are also a positive achievement. Though the effect sizes are modest, they are important, given the large volumes of community sentenced offenders who complete these important programmes each year.

### **Remandees**

In 2012/13, we developed a remand management tool to identify the different levels of supervision required for prisoners on remand, based on their individual risk. Following the implementation of regulatory changes in 2013/14, this tool will be used to assist case managers and custodial staff to offer a wider range of interventions to remandees.

### **Young offenders**

In 2012/13, we finalised our Youth Strategy, which sets out how we will achieve our rehabilitation targets and ensure that young offenders benefit from new and expanded initiatives. We also worked with other agencies to develop a Youth Crime Action Plan<sup>6</sup> to address offending by youth. This action plan will contribute to the Better Public Services goals of reducing youth crime.

### **Domestic violence offenders**

We improved our work with domestic violence offenders by having probation staff refer high-risk offenders to psychologists. We also began engaging with the New Zealand Police and the Ministry of Justice to identify work in common, including a review of the Family Court system and the Domestic Violence Regulations. This engagement has led to support from all parties for our work on a new intervention for low to low-medium risk domestic violence offenders.

## **Creating Lasting Change in the lives of Māori offenders**

Māori offenders have a disproportionately high level of representation across all stages of the criminal justice process. Reducing re-offending by Māori offenders is therefore a high priority for Corrections. Research has proven that programmes, activities and therapy are best delivered when matched with a prisoner's rehabilitative need, characteristics and demographics, including cultural background.

6 The plan is scheduled for Cabinet approval in 2013/14.

We are looking at our Tikanga Programmes and developing a high level Tikanga framework to ensure we get the best possible results for Māori offenders. The Tikanga framework will ensure there are clear, consistent and measurable outcomes for Tikanga programmes.

In 2012/13, we engaged with Tikanga providers to understand how Tikanga programmes work, the positive impact they can have on Māori offenders and how the Tikanga framework will assist in delivering positive outcomes. This consultation has informed development of a new Tikanga framework, which will be implemented on 1 July 2014.



#### **Profiling our success: Greater rehabilitation and re-integration for Māori**

Our Māori Focus Units (MFUs) provide intensive rehabilitative interventions for offenders. Participants live and work in a therapeutic environment where staff, kaumātua (elders) and kaiwhakamana (Māori volunteers) support the use of, and role model, Tikanga Māori on a daily basis. A good example of a common Tikanga Māori concept is manaakitanga, which essentially means to show respect and kindness to others.

The same security measures and rules are enforced in the MFUs as in other parts of the prison, but the activities prisoners are involved in vary greatly. Some spend their days in work parties maintaining local marae, while others attend education classes, and activities such as waiata (song), whakapapa (genealogy) and whakairo (carving).

In 2012/13, we improved the delivery of core programmes and services by revitalising the therapeutic programme operating in our MFUs (Mauri Tu Pae) and increased the pool of prisoners eligible to participate in these units. We aligned the Tikanga Māori Programme delivered within MFUs with the Māori Qualifications Framework via the New Zealand Qualifications Authority, which means more of the work prisoners undertake in MFUs can be credited towards nationally recognised qualifications.

## **More alcohol and drug treatment for offenders**

In 2012/13, we increased the availability of alcohol and drug treatment for offenders, providing 12,593 interventions to tackle drug and alcohol abuse.

This included:

- > 1,741 alcohol treatment interventions for prisoners
- > 4,129 brief alcohol and drug interventions for community offenders
- > 6,723 alcohol and drug interventions in the community.

Some of these new programmes include:

- > Brief Support and Intermediate Support Programmes; as at 30 June 2013 these were delivered at all prison sites except Arohata, Rimutaka and Invercargill prisons
- > Intermediate Support Programme (Otago Corrections Facility and Auckland Region Women's Corrections Facility)
- > eight week AOD Intensive Treatment Programmes at Northern Region Corrections Facility and Auckland Region Women's Corrections Facility
- > a three-month programme for segregated prisoners at Hawke's Bay Prison, providing an extra 120 prisoners a year with treatment through the Hawke's Bay Prison Drug Treatment Unit.

## **Equipping our staff to rehabilitate prisoners and community-based offenders**

In addition to the alcohol and drug programmes discussed above, we introduced a new screening tool that enables health and case management staff to identify alcohol and drug issues in prisoners, and to make appropriate brief interventions or referrals to programmes. This tool is based on the World Health Organisation's Alcohol, Smoking and Substance Involvement Screening Test tool, and by the end of 2012/13 we had assessed 1,284 prisoners.

By the end of 2012/13, probation officers across every region were delivering effective brief interventions to higher risk offenders on community-based sentences and orders. Staff had also completed training in Motivational Interviewing and Relapse Prevention. Delivery of these brief interventions as well as Direct Rehabilitation exceeded targets, with probation staff delivering 50,763 interventions to 15,182 offenders in the community.

## **Right Track**

Right Track is our model for an active management approach in our daily interaction with prisoners. The programme supports staff to make the right choice and take the right action with offenders at the right time. Developing the ability of staff to influence offenders to do the same in their daily lives is also a key focus on this work.

We piloted Right Track in 2012/13, which led to a more structured approach to the active management of offenders, with greater exchange of information and generation of ideas around offender management, and faster security classification reviews to identify the level of risk posed by offenders. We are now implementing Right Track into business as usual activity across our prison system.

We are also developing training material for use by frontline staff who deal with young offenders and those who have experienced family violence.

### **Working with our partners to improve the management of offenders**

Better collaboration with other justice sector agencies helps us achieve our Better Public Services target of reducing re-offending by 25 percent by 2017.

In 2012/13, we worked with the Ministry of Justice, Child, Youth and Family, and the New Zealand Police to make the Hutt Valley a safer place to live. Ten initiatives have been identified as part of this project. This includes Operation Relentless, which provides community work offenders with support and advice on preventing and reducing alcohol-related harm and offending.

## **OFFENDERS' HEALTH AND WELL-BEING IS MAINTAINED**

In 2012/13, we exceeded our target of having 75 percent of the prisoner population start and complete a rehabilitation programme. These programmes address addiction, mental health needs, dysfunctional family relationships and other drivers of crime. Providing access to these programmes enables us to more effectively meet the needs of those serving sentences in the community, those on remand or short sentences, and young offenders.

In order for our rehabilitation programmes to create lasting change in the lives of offenders, we need to prioritise offender health and mental well-being. We are required to provide primary healthcare to prisoners, similar to the services provided by a GP in the community. We know we are providing a high quality health service because our health centres are independently audited and benchmarked against health centres in the community.



### **Profiling our success:**

#### **The High Dependency Unit**

In 2012/13, we opened our High Dependency Unit (HDU) at Rimutaka Prison to accommodate prisoners with health issues that make it difficult for them to function independently in a prison environment, but who are not eligible for release.

Older prisoners, or those with multiple medical conditions may need help with the activities of daily life such as showering, toileting and eating. Many of these prisoners are serving indeterminate sentences (a custodial period with no set release date), and may have a history of sexual offending. In addition, they may have little or no support on the outside because of the nature of their offending.

For this small and high needs part of the prison population, the HDU has greatly improved the way we provide the level of healthcare required. These prisoners are now able to receive appropriate care, provided by trained health staff, in a fit-for-purpose, safe and secure environment that affords dignity and respect.

It isn't just about healthcare; the skills and strengths of the staff in the HDU, and their provision of services that support daily living play a vital role in developing the appropriate level of interpersonal relationships needed by these offenders.

Some of these offenders will be released back into the community; the HDU allows us to identify the health and social needs of offenders prior to release, and then provide resources to ensure this care continues when the offenders are transferred to their home region or community setting.

By the end of the financial year, 20 prisoners were accommodated in the HDU and were receiving 24 hour care from health services staff based in this unit. In 2013/14 we will add an additional 10 beds to the unit.

The HDU is an excellent example of how we collaborate with our partners to improve the lives of offenders. Private Health Organisations assist us with the release planning we do to ensure these offenders transition safely back into the community, while the Hutt Valley District Health Board provides ongoing training and support to staff at the unit, and also assists with the assessment and treatment of prisoners.

## Improved identification of prisoners' mental health needs

Addressing prisoners' mental health needs is an important part of reducing re-offending by 25 percent by 2017.

If we can identify the mental health needs of prisoners, we can improve their ability to successfully participate in rehabilitation programmes and employment, which in turn can reduce the severity and frequency of re-offending.

We have implemented a new screening tool to help staff identify prisoners' mental health needs and decide the most appropriate treatment referrals<sup>7</sup>. By the end of 2012/13, our use of this tool had led to 728 prisoners being referred for appropriate healthcare for their mental health needs. These prisoners may not previously have been identified.

Offenders undergo a number of other checks and assessments for their mental health needs during their time in prison. These include drug and alcohol screening, psychological evaluation, and assessments to check if they are at risk of self harm or suicide.

## Greater use of nationally recognised health standards

The quality of our offender healthcare is evidenced through our progress with achieving the Cornerstone accreditation standard, which has been specifically designed by the Royal New Zealand College of General Practitioners for general practices in New Zealand.

By the end of 2012/13, 11 of our 16 health centres had achieved this accreditation, providing a high level of validation with our policies, procedures and knowledge of staff.

## Fewer unnatural deaths and incidents of self-harm

Table 3: Unnatural deaths and self-harm incidents

Financial Year	Unnatural Deaths	Self-harm threat to life incidents
2008/09	5	33
2009/10	6	31
2010/11	12	23
2011/12	5	6
2012/13	3	7

Our focus on offenders' health and well-being includes self-harm threat to life incidents and minimising the number of unnatural deaths.

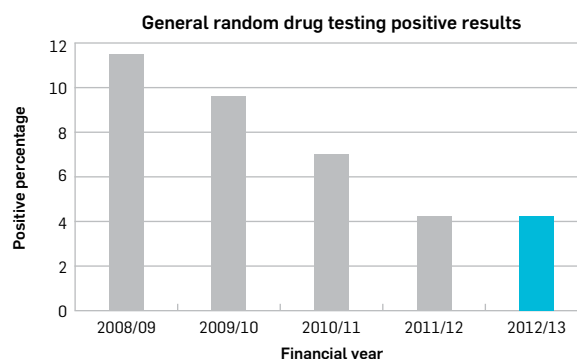
The total number of self-harm threat to life incidents has been steadily dropping since 2008/09; we had seven incidents in 2012/13. While this is one more than what we had in 2011/12, it is a significant improvement from previous years.

In recent years we have introduced a range of initiatives to prevent self-harm, such as tools to assess prisoners risk of self-harm and processes to transition prisoners back to mainstream units following placement in At-Risk Units.

Unfortunately, no amount of good practice, process or intent will prevent someone from harming themselves if they are determined to do so; there were three unnatural deaths<sup>8</sup> of prisoners in 2012/13 – the lowest number in recent years.

## Fewer positive general random drug tests

The number of positive general random drug tests has remained low at just 4.3 percent for the last two years. This follows a dramatic decrease in the number of positive tests, and is indicative of our success in keeping contraband out of our prisons.



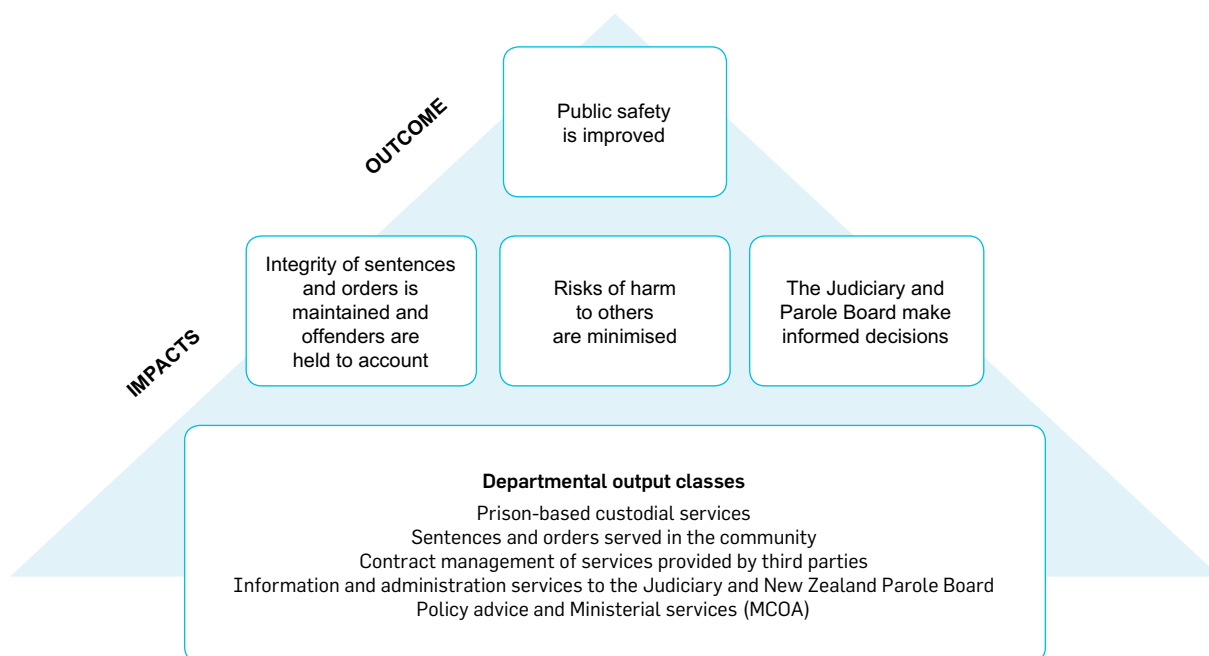
## Justified complaints

The number of justified complaints to the Corrections Inspectorate, including health services, is an important measure of well-being. In 2012/13 a total of 37 complaints were justified – 11 fewer than the number of justified complaints we received in the previous year. This represents less than one percent of the total number of complaints made to the Inspectorate for 2012/13, none of which were health related. A detailed report from the Chief Inspector can be found at Appendix Three.

<sup>7</sup> All male prisoners over 18 now undergo the screening by a registered nurse in the first seven days after their arrival in prison. Prisoners are referred to Forensic Services if they screen as positive. Prisoners assessed as having a mild to moderate mental health need will be treated in prison. The prisoners may see the nurse or prison doctor or they can be referred to an external provider for a package of care which includes a range of individual tailored interventions, such as anxiety management and cognitive behavioural therapy for up to six sessions.

<sup>8</sup> Every death in custody is referred to the Coroner. Coroner reports can take up to 12 months to complete; at the time of this report, the Coroner was yet to determine the exact cause of these three deaths.

## PUBLIC SAFETY IS IMPROVED



**Public safety will always be our bottom line. We keep communities safe by ensuring offenders complete the prison and community-based sentences and orders handed down by our justice system.**

This involves making sure that the prison environment is a safe place for staff, prison visitors, and prisoners, and that the general public is kept safe while offenders are managed in the community.

We know we are doing our job well when we see the number of serious assaults on staff and other prisoners, and the number of escapes reduced.

### RISKS OF HARM TO OTHERS ARE MINIMISED

Staff safety is of paramount importance for Corrections; our vision is to create a safe working environment where staff and offenders can interact without violence. Our goal is to achieve a 50 percent reduction in serious assaults involving staff and offenders by 2015.

### Responding to the Spring Hill Corrections Facility riot

On 1 June 2013, we experienced an example of just how unpredictable and potentially volatile the prison environment can be when a riot broke out in one of the units at Spring Hill Corrections Facility (SHCF).

This was an extremely serious incident, but the professionalism and judgement shown by our people on the ground meant the riot was contained on the same day it began. Our Advanced Control and Restraint teams from across the prison network were brought in to regain control of the unit, and we also received support from the emergency services to manage this incident.

The recovery effort is now well underway, with repair and rebuilding work at SHCF on track for completion in 2013/14. We have also established an Inquiry Team to review what happened, the immediate response, the emergency management framework, the facilities and prison regime, security classifications of prisoners and key learnings.

### Improving the safety of our frontline staff

The SHCF riot was an unprecedented event that confirmed the value of spending time and resources on safety-related staff training and procedures. Throughout 2012/13, we delivered and progressed the development and implementation of training and tools that further enhance the safety of our environment.

#### Staff Safety Action Plan

We have developed a Staff Safety Action Plan, which covers Corrections staff working in prisons and the community, and focuses on projects that will help to create a safe working environment and safe practices. Some of the key components in the plan include:

- > appointing Regional Welfare Officers who will support staff and their families who have been involved in incidents
- > training opportunities which enable staff to recognise and respond to behaviour associated with mental health or behavioural issues, and which provide guidance on how to get out of aggressive situations
- > tools to support staff safety, including smart phones with a duress application, allowing probation staff to call for help if needed
- > conveying our focus on safety through offender management, linking incentives, earned privileges, and other benefits to good behaviour and positive engagement.

Developing this plan involved the appointment of an Expert Advisory Panel to look at best practice overseas and provide independent advice and guidance on staff safety. This panel received advice on the plan from the Justice Coalition, the New Zealand Nurses Organisation, the Corrections Association of New Zealand, the Public Services Association, and the Ombudsman, as well as from hundreds of Corrections staff across our four regions.

Our Expert Advisory Panel will oversee the plan's implementation and further development through to December 2013.

#### Improving staff safety with the right training

Assaults on staff will always be a concern for us. In 2012/13 we provided Tactical Exit training to 1,809 frontline prison staff across the country to minimise all assaults in prison.

This training enables staff to get out of situations where prisoners threaten their safety. The training also includes techniques such as escape moves and holds to help staff break free or avoid being harmed in a situation where staff are being physically restrained or cannot safely exit the area.

We also provided selected staff across the country with Advanced Control and Restraint Training, where specialised teams are trained to manage major incidents in prisons. This training included the use of advanced negotiation skills, baton use, undertaking rapid response and a demonstration of pepper spray.

#### Improving staff safety with the right tools

Our corrections officers try to minimise the need to use force against prisoners, but if techniques like our Tactical Exit Training are unsuccessful, other strategies may become necessary to restore security and prevent harm to others.

In 2012/13, we completed an evaluation of a 12 month trial of pepper spray conducted in the previous financial year. This evaluation taught us that prisoners would choose to comply rather than having spray used on them. We also learned that using the spray had the potential to improve staff safety, and could be an effective and efficient tactical option where use of force is required.

Following the trial and evaluation, the Corrections Amendment Regulations 2012 came into force in November 2012, making the process for issuing and using pepper spray more straightforward. By the end of 2012/13, all sites had canisters of pepper spray available for use in approved circumstances, and 49 percent of custodial staff and managers, and Health Services staff were trained to use it. All front line prison staff will be trained in the use of pepper spray by the end of October 2013.





### Profiling our success:

#### Implementing pepper spray

While being exited from a unit within one of our prisons, a prisoner became agitated, screaming abuse at staff and smashing the contents of his cell. Trained negotiators attempted to de-escalate the situation but the prisoner continued to throw items at the door, including his television set.

Consequently there was significant risk of injury to staff from the glass and other debris on the cell floor. The prisoner was also seen with a large shard of glass in his hand, and had begun self-harming.

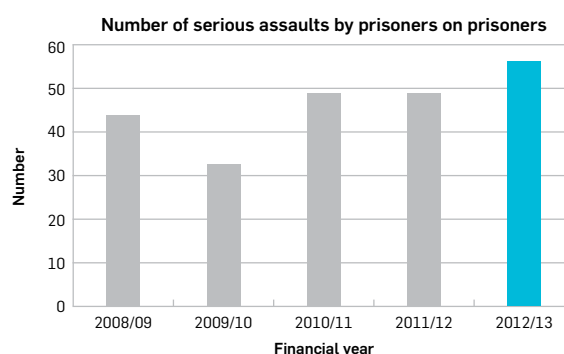
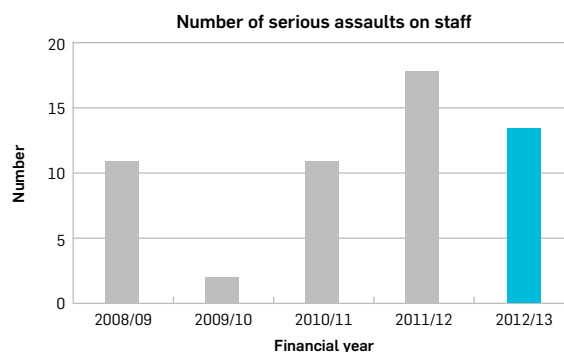
The prisoner was given two final warnings. He gave no verbal response and continued to hold the shard of glass. As a result, a three second burst of pepper spray was deployed. The prisoner fell to the ground; the Control and Restraint team entered the cell and removed the prisoner.

Health staff checked the prisoner outside his cell before he was taken to the decontamination area. Staff noted that this was the safest cell extraction that they had ever been involved in, with no staff member receiving any injury – “not even a scratch”. There were also no long term ill effects to the prisoner.

## Responding to assaults on staff and prisoners

We manage offenders in ways that minimise their risk of harm to others. This means managing prisoners to prevent assaults on staff and other prisoners, and actively working to manage and reduce the levels of risk posed by community-based offenders.

In 2012/13, there were 13 incidents where staff were seriously injured as a result of being assaulted by prisoners; a reduction of five assaults from the previous year. We had a slight increase in the number of serious assaults on prisoners by other prisoners.



Properly managing these incidents can reduce the likelihood of injury to staff and offenders, so we are providing our staff with tools and training to handle situations that could lead to assaults.

## Improving our management of offenders

We have a “One Department” view of our work, where our three distinct main service arms of prisons, probation and rehabilitation work together as one team to manage offenders in the prison and in the community.

### Improved transitions for offenders from custody to community

We have improved the transition of offenders from prison to the community by ensuring release planning between prisons and probation staff starts early. As part of our focus on reducing re-offending, we are developing a district-wide approach to supporting offenders. A number of our prisons now have probation staff working onsite. We are also working towards ensuring every paroled prisoner is seen by a probation officer in prison prior to their release, and will extend this approach to include offenders released on conditions and short serving prisoners from 2013/14.



In 2012/13, we established a High and Complex Needs panel to review the strategies put in place to manage our most behaviourally challenging prisoners as they moved back to the community.

#### Improved management of offenders in the community

Our probation staff work with a wide range of people – from first time offenders doing community work through to high-risk offenders coming out of prison on parole after serving long sentences.

In 2012/13, we embedded a Practice Leadership model into our probation services, making it easier for our probation staff to share more information about offender management with each other, and to make greater use of tools to assess risks posed by offenders in the community.

Our Practice Leadership model includes a Practice Leadership Development Programme to strengthen skills, knowledge and behaviours of our staff.

We re-designed frontline practice to increase the effectiveness of our staff with offenders through the Probation Change Programme. This included the 'Integrated Practice Framework' to guide staff in doing the right thing, at the right time, with the right offender, while meeting all mandatory standards.

The programme has changed the way probation officers work – from treating all offenders on the same sentence in the same way – to managing each offender according to the risks and challenges posed by that individual.

This success earned us a Community Corrections award at the International Corrections and Prisons Association (ICPA) forum. ICPA's internationally-regarded awards programme recognises outstanding progress and best practice by individuals and agencies that support its mission of 'advancing professional corrections'.

## THE INTEGRITY OF SENTENCES AND ORDERS IS MAINTAINED AND OFFENDERS ARE HELD TO ACCOUNT

#### Fewer escapes from prison and custody

We keep escapes to a minimum by upgrading prison units, closing some of our oldest prisons, and by continually reviewing prison security to identify areas where we can improve. For the first time in recorded history, we had no escapes from prison (known as breakouts).

We also had fewer instances of sentenced prisoners or offenders on remand escaping from secure escort, including court cells. In 2012/13, we had one such instance, but promptly recaptured the offender.

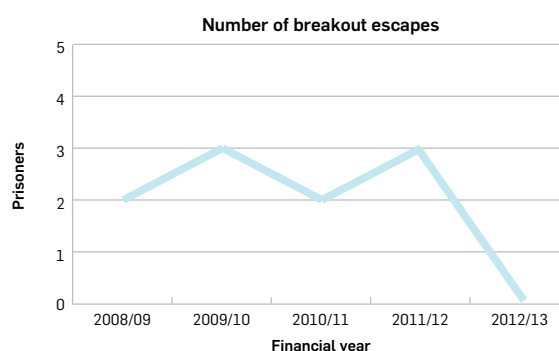


Table 4: Number of other escapes

Financial year	From escort	Breach of temporary release	Abscond
2008/09	2	1	6
2009/10	1	3	2
2010/11	2	0	0
2011/12	5	0	2
2012/13	1	0	0

The Department manages offenders serving community-based sentences and orders, including Home Detention, Community-Based Sentences and Post-Release orders (set by judges at the time of sentencing an offender to imprisonment). We ensure compliance with the sentence or order, including any conditions attached to the sentence or order (for example, curfews or restrictions on living arrangements).

Where an offender fails to comply with their sentence or order, they are held to account by probation staff. This may range from a warning through to being issued with a breach (which may result in imprisonment).

Corrections exceeded the target of 97 percent of offenders complying with their sentences and order, or being held to account, except Community Work. A new Integrated Practice Framework was recently set for Community Work, which requires a separate action for every instance on non-compliance. Better monitoring of this will help improve performance over the year ahead.

### **The Judiciary and New Zealand Parole Board make informed decisions**

We are responsible for providing the Judiciary and New Zealand Parole Board (NZPB) with information to inform their decisions about the offenders we manage. We do this through the provision of services covering:

- > attendance at court
- > prosecutions
- > attendance at sentencing resulting from community probation initiated proceedings
- > parole assessment reports
- > parole progress reports
- > psychological reports.

Further information on the delivery of these reports to quality and timeliness standards is available in our Statement of Service Performance (p 36).

### **Developing legislation to protect the public**

During 2012/13, the Government enhanced legislation designed to protect the public and our staff while prisoners and offenders served sentences and orders in prisons and in the community.

The Government introduced some important changes in the Corrections Amendment Act, which removes barriers identified by staff as obstacles to the safe, secure, humane and effective management of prisoners. The Act now provides a legislative assurance that prisons remain smoke-free, and changes our rules around strip searching, water loading (where prisoners drink a lot of water to intentionally dilute their urine samples when they are being tested for drugs), prisoner self-employment and the contract management of prisons.

In 2012/13, several changes were made to the Criminal Procedures Act to simplify the procedures used by the courts in criminal cases. It puts the responsibility on the justice sector to collectively resolve more cases outside of the courtroom and to work together where they can. The amended legislation will be implemented in 2013/14.

## BETTER PUBLIC VALUE

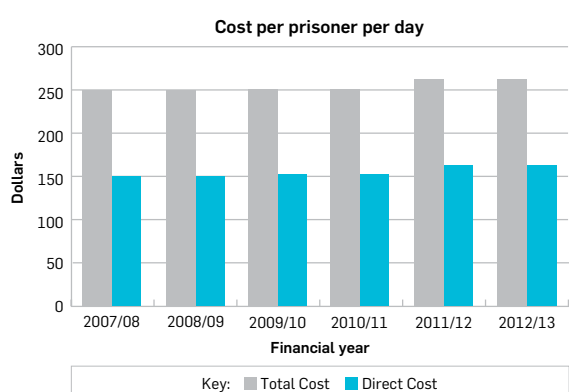
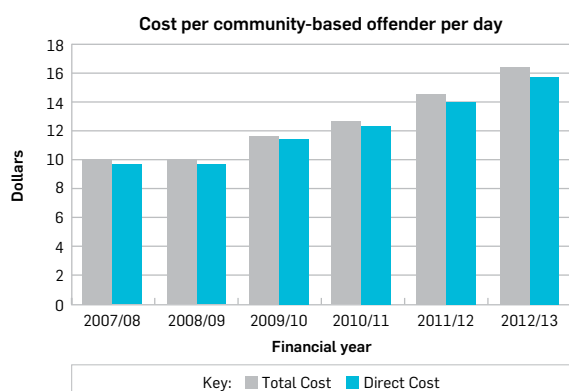
Delivering our services with the best value possible to the New Zealand public involves freeing up resources and reallocating these to improve our service responses.

To make this happen, we are streamlining the way we manage our \$2 billion portfolio of facilities, which includes 17 operational prisons and 144 Community Corrections sites to become faster, smarter and more efficient at reducing re-offending. We are also investigating and implementing technology solutions and working with our partners in the justice sector to create lasting change in the lives of offenders.

Our progress in 2012/13 provides an assurance to the New Zealand public that it has a Corrections system that is using taxpayers' resources wisely to achieve its outcomes.

### FREEING UP RESOURCES WHILE IMPROVING OUR SERVICE RESPONSES

We have implemented an Expenditure Review to transform our business model and operations, and to ensure our long-term sustainability. We are absorbing cost pressures, meeting dividend commitments to the Crown, and re-prioritising funding into activities that are driving a significant reduction in re-offending.



In 2012/13, a decline in the overall prisoner population, and an increased focus on effective rehabilitation and reintegration impacted on the overall costs associated with managing prisoners and offenders in the community.

A decrease in the number of community-based offenders increased the associated costs of managing this group from a five year low of \$9.90 per day in 2008/09 to \$16.54 per day in 2012/13.

We also had fewer prisoners in 2012/13, but the associated costs of managing this group decreased from \$270 in 2011/12 to \$266 in 2012/13. This was due to a reduction in the cost of delivering offender employment activities, as well as a small increase in the revenue earned from them.

### Maximising the value of contracted services

We are using results-driven contracts to purchase a range of services that support prisoners and offenders to live offence free lives. This contracting for results approach provides smarter incentives to the providers of rehabilitative and re-integrative services we enlist to be more effective in reducing re-offending.

In 2012/13, we used engagement with key stakeholders, such as the Justice Coalition, to present and discuss our vision for future results-based contracts, and began using contract renewals and new procurements to describe the requirements of contracts in terms of results required, rather than the methods of performance of the work.



**Profiling Our Success:  
Improved performance through  
Public Private Partnerships**

In September 2012, we signed a contract with the SecureFuture consortium and commenced construction of a new 960 bed prison in Wiri, South Auckland. The contract is for a full custodial Public Private Partnership (PPP) which means that SecureFuture will design, build, finance, operate and maintain the prison. While this was the second PPP contract to reach Financial Close in New Zealand, it was the first to bundle all of these elements. By the end of 2012/13, design and construction of the new prison were ahead of schedule.

Our expectation at the outset is that this project would contribute to our key priorities of achieving better public value and reducing re-offending. It will do so in a way that will lift the overall standard of our prison system and represent value for money. We will also deliver capacity where it is needed, enabling us to accommodate prisoners close to their family and whānau.

We adopted an outcomes-focused procurement strategy when specifying our requirements to the market. We removed as many constraints as we could and challenged the market to develop the most innovative solution possible. The payment mechanism and performance regime we designed are world leading, and require SecureFuture to deliver better performance than the Department. This is achieved through a carefully balanced combination of incentives and penalties designed to ensure a focus on those aspects of the contract of most value – reducing re-offending and ensuring sentence compliance. These innovative aspects of the contract have received international recognition in 2012/13 and have earned the project several awards to date.

## CAPITAL AND ASSET MANAGEMENT INTENTIONS

We manage \$2 billion worth of assets to produce our services. The asset base is predominately land and buildings, including 17 operational prisons, two prisons which were decommissioned in 2012/13, and 144 Community Corrections sites across the country.

Our capital plan helps us to reduce re-offending by linking prison site redevelopment and investment with offender training and working prison opportunities. Over the next few years, redevelopment will commence at Auckland, Waikeria, Tongariro / Rangipo, Whanganui and Invercargill Prisons as well as Community Corrections sites.

The capital plan also includes information technology investment to enhance our management of offenders. This includes our use of Audio Visual Links and other electronic security and software applications. It also details how we will maintain and upgrade our IT infrastructure and technology solutions we use in our work.

### Upgrading our community probation centres

The improvements we are making to our management of offenders in the community are complemented by work to replace and upgrade our Community Corrections sites, creating hubs that encourage more efficient interactions between Corrections staff, offenders and local service providers in the community. Nine of our community sites were retrofitted for this purpose in 2012/13, and further sites will be upgraded in 2013/14.

### Rethinking our services in Christchurch

By 2017, we will be part of Christchurch city's Justice Sector Precinct where staff from the Ministry of Justice, the New Zealand Police, the Department of Corrections, the New Zealand Fire Service, St John Ambulance, and Civil Defence will all work together under the same roof. This will be the first time New Zealand agencies have co-located in this way.

### Keeping our prisons fit-for-purpose

The decisions we make around prison configuration and development ensure our facilities are fit-for-purpose and support rehabilitation outcomes for prisoners.

In 2012/13, after a consultation process to better understand the implications that closures present at a prison and community level, we closed two of our oldest prisons in Wellington and New Plymouth. Public open days arranged as part of this process were an opportunity to increase public awareness of the need for more modern facilities to rehabilitate prisoners and reduce re-offending. Gold coin donations at these events raised \$10,855 for local charities including the Night Shelter, Women's Refuge, Victim Support and the Salvation Army in Wellington, and Hospice Taranaki, the New Plymouth Community Foodbank, the Children's Ward at Taranaki Base Hospital and the New Plymouth Lions Club.

We are also redesigning individual units at prison sites to ensure our facilities support our focus on rehabilitation. This has resulted in three prison wings at Arohata Prison being closed, with the three previously adjoining rooms converted into spaces specifically designed for our new rehabilitation and re-integration programmes. We also closed individual units at Rolleston, Tongariro/Rangipo and Waikeria Prisons, and commenced plans for refurbishing parts of Auckland Men's and Invercargill Prisons in 2012/13.

This work is also an opportunity to incorporate seismic strengthening into the design of our facilities, and this will continue in 2013/14.

### INFORMATION TECHNOLOGY

We use technology to support our management of offenders, to keep the public safe and to ensure offender information is secure, reliable and appropriately accessible.

### Improving the mobility of our staff

In 2012/13, we focused on developing technology solutions to enable flexible working, and to improve offender compliance with sentences and orders. Many of these are ready to be implemented in 2013/14, including mobile phones for community staff and mobile staff safety duress solutions.

### Reducing the costs of courtroom appearances

We are participating in a wider justice sector effort to modernise the court system using technology to deliver court services in ways which are better, faster, cheaper, easier, and more convenient.

Audio Visual Link (AVL) technology in courts and prisons means more prisoners can make court appearances while physically remaining inside the wire. This not only reduces the costs associated with the transportation and escorting of offenders to court, it also improves public safety by reducing the likelihood of escapes, and removes the risk of contraband being smuggled back into prison.

Prisoners have been appearing in some courts via AVL since it was first trialled between Mt Eden Corrections Facility and Auckland District Court in 2010/2011. Several installations followed soon after, including Waikeria Prison, Christchurch Men's Prison, Manukau District Court and Hamilton District Court. Whanganui Prison was completed in January 2013.

By the end of the financial year, the technology had been used in 3,625 courtroom appearances at three District Courts. Over the next two years, we will expand its use to a further 14 District Courts and nine prisons.

We also conducted the first AVL-based visit between a prison and a probation service centre. This took place between Whanganui Prison and the New Plymouth Service Centre.

## VISIBLE LEADERSHIP

### Aligning our structure to support our goals

In 2012/13, we implemented our new organisational structure to become one unified and cohesive team. Under this new structure, our regional leaders have greater authority and influence to work with offenders, families, communities and stakeholders.

We communicated our approach to reducing re-offending through our district plans, which show how we will achieve this goal in each part of the country. In 2012/13, we developed and published these plans, and in 2013/14 will be working with regions to keep them relevant and up-to-date.

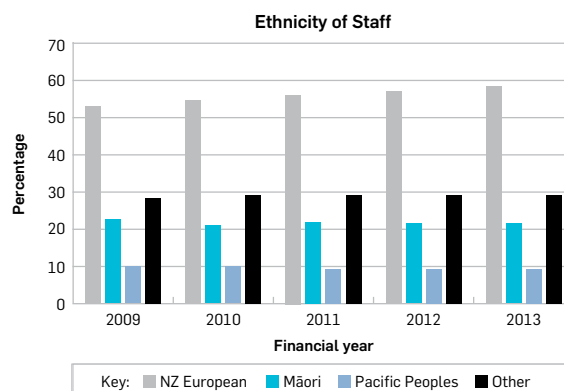
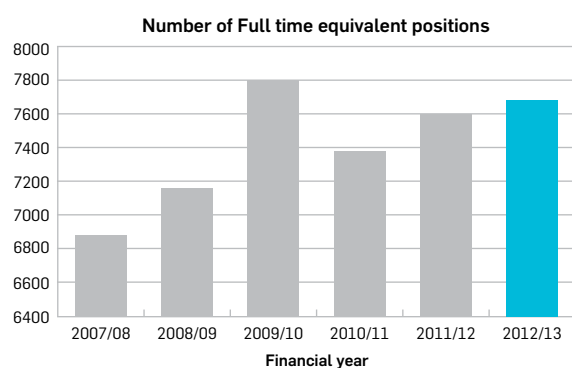
### Strengthening regional management to support the frontline

Enhancing the role of our regional managers supports our frontline staff as they work to create lasting change in the lives of offenders. In 2012/13, our newly established Executive Leadership Team expanded our highly commended Emerging Leaders programme<sup>9</sup> to include emerging leader groups in each of the four regions.

We also launched our Visible Leadership Programme, which enhances our managers' leadership skills in the workplace, and established our quarterly Frontline Staff Forum as a new conduit between the frontline and National Office to gather suggestions for innovation and to test and evaluate policy changes.

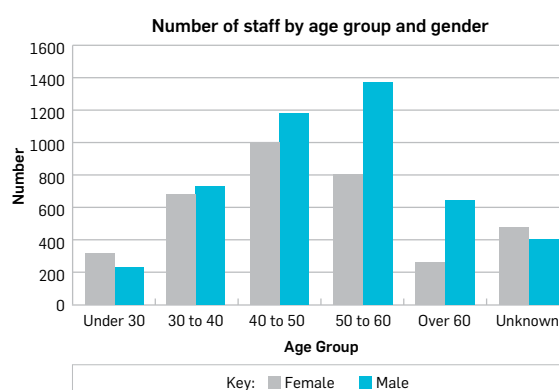
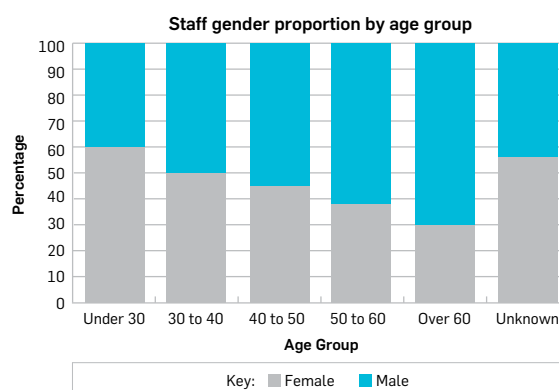
## OUR PEOPLE

Our permanent workforce continued to grow in 2012/13; we filled many of the positions created from the new organisational structure, and continued to fill vacancies created from our focus on employment and education.



With Māori and Pacific peoples continuing to be over-represented in the corrections system, it is important for us to ensure that our staff represent the full spectrum of the offender population. As with previous years, this level remained high in 2012/13.

More than 20 percent of our staff identified as Māori in 2012/13, and approximately eight percent identified themselves as Pacific Island peoples. More and more staff are identifying themselves as having a multi-ethnic background, and this is reflected in the continued growth of staff selecting the 'other' category.

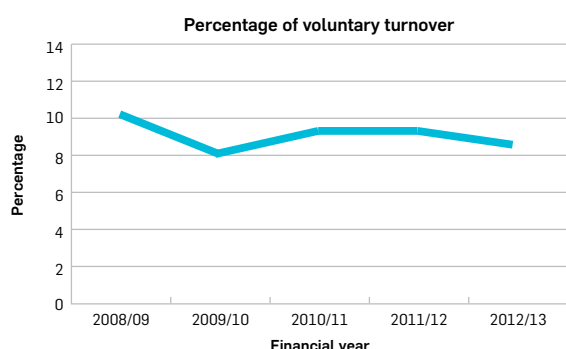


<sup>9</sup> A programme developed by the Department for people who aspire to take on more influential or senior leadership roles and accelerate their development.

The average age of our staff is 47 years. Fifty seven percent of Corrections' staff are male, and 43 percent are female.

### Turnover

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



### Improving our recruitment and initial training of frontline staff

In 2012/13, we reviewed the way we recruit and train frontline staff to make sure we attract the right people to work with us. As a result of this review, we have put a fresh focus on the key skills and behaviours that are needed to reduce re-offending.

We also worked with our frontline probation staff to create a new set of competencies for their roles, enabling us to verify that we have reflected the most important skills, knowledge and attributes needed for the role. This has resulted in a new competency model that better reflects what is expected of staff working in the Integrated Practice Framework – particularly frontline administration staff, community work staff, probation officers, senior practitioners, and practice leaders.

To help new staff stay safe, we extended our Initial Training Course for corrections officers and offender employment instructors from six to nine weeks. The new course length brings us into line with international training standards.

### Keeping our workforce healthy

We know that our staff are most effective in their role when they are fit and well, so we have appointed a Healthy Workforce Coordinator to assist the Department with its goal of improving the wellbeing of staff.

Staff can also participate in the My Healthcheck initiative, which provides information on heart health, cholesterol and blood pressure. As part of these checks, staff receive a personal health booklet with tips and advice.

### Partnerships

Close working relationships with other agencies and organisations that share our objectives is essential to reducing re-offending. As we focus our efforts on creating lasting change in the lives of offenders, our relationships with justice sector partners and community organisations become increasingly important.

### Working with the community to Create Lasting Change

#### Reducing re-offending with local solutions

The Regional Initiatives Fund (RIF) was set up in 2012 to support our goal of reducing re-offending by 25 percent by 2017. Regional staff, iwi and community groups have the opportunity to compete for funding by submitting their ideas for new and effective rehabilitation activities in prisons and in the community.

Overall, the RIF exceeded its 2012/13 targets, delivering 971 additional interventions to offenders. We had two funding rounds in 2012/13, with nearly \$1.2 million allocated to 27 initiatives. By the end of the financial year, over 820 prisoners and 377 offenders on community-based sentences had started with a regional provider through this fund.

We are now focusing on increasing the number of community-based offenders participating in programmes through the RIF, and have updated our targets accordingly; in 2013/14 we aim to have 500 prisoners and 1,000 community offenders start on an initiative through this fund.





#### **Profiling our success:**

##### **Preventing inter-generational offending**

While our work is about rehabilitating and re-integrating prisoners back into the community as productive members of society, we also work closely with organisations that support prisoners' children and families who are often the unseen victims also living a sentence.

There are close to 23,000 children in New Zealand who have a parent in prison and a lack of effective intervention means these children are up to seven times more likely than the average person to end up as prisoners themselves.

In 2012/13, we provided financial support to Pillars Incorporated, a charity that supports children and whānau of prisoners in New Zealand, and provides integrated services and support that help prevent inter-generational offending. The range of programmes provided by Pillars includes assisting access to much needed social services but also mentoring of children of prisoners.

This support resulted in a service being established at Christchurch Men's Prison where Pillars' staff are on hand during weekend visiting hours. The staff provide resources and supplies for prisoners to use to bond with their children. Items available include books, colouring pages and crayons, playing cards and small toys. Rather than a children's play area, the Pillars team are actually assisting families maintain connections while a parent is away from the family environment.

Starting with six families, over the year the programme has grown to support on average 65 families each weekend. Many more visits occur because of the child-friendly atmosphere, and the programme is considered extremely successful.

The programme will be piloted at Invercargill Prison in 2013/14.

#### **Working with large community organisations**

The Salvation Army plays an important role in improving community life in New Zealand, and in 2012/13 we signed a Memorandum of Understanding (MoU) to formalise our decision to work together.

The MoU recognises our shared goals of ensuring our services best meet the needs of people, a focus on the rehabilitation and re-integration of people we work with, and the importance of working with communities.

We also recognised that changing our approach to re-integration would benefit more prisoners. Although this saw the closure of the Faith Based Unit at Rimutaka Prison, it also resulted in a new agreement with Prison Fellowship New Zealand (PFNZ), as well as other new programmes that give prisoners greater access to re-integration services than ever before.



#### **Profiling our success: Supporting a seamless and integrated justice sector**

We work closely with the New Zealand Police and the Ministry of Justice through the Joining Forces programme to reduce crime and re-offending and increase public safety. Our participation in this programme is about making sure we share expertise and resources in ways that help us operate as effectively as possible.

In 2012/13, the Joining Forces Programme focused on establishing collaborative working relationships between the New Zealand Police, Corrections and the Ministry of Justice (across frontline service areas), with a view to making it second nature to think and work together as partners and deliver more efficient and effective services.

Collaborative work has delivered a Corrections remand facility within the New Plymouth Police Station (including shared services), targeted information sharing and management of child sex offenders, and shared training resources with the New Zealand Police.

The key areas of focus for 2013/14 are custodial services, prisoner transport and further innovation into co-located facilities.

## Shared services arrangements

We are working with our justice sector partners to identify savings that can be made through the shared services arrangements we have with local providers. We will continue to stand alongside the New Zealand Police and the Ministry of Justice to deliver against our shared objectives of reducing crime and producing operational savings.

## RISK MANAGEMENT

The Department's risk management approach has been refreshed this year, in alignment with good practice. The Executive Leadership Team leads a strong risk aware culture, and has challenged the Risk and Assurance team to build a risk based assurance programme which both supports the strategic priorities of the Department but also maintains full coverage of the wider operational environment.

The Audit Committee has received confidence, from robust reporting this year, that management assurance and independent assurance are working effectively. In 2012/13, Corrections undertook a significant programme of audits to review key processes across the Department. In addition, front end audit advisory has been provided to ensure development of new projects, processes, or policies gives consideration to key controls and risks that need to be mitigated. Utilisation of subject matter experts on technical audits has also strengthened the approach of Internal Audit and built stronger relationships across the wider team.

The merging of the Professional Standards Unit into Risk and Assurance in September 2012, has resulted in better information sharing and we now take a joint approach to the education of the wider Department, training staff in how to identify and respond to fraud, corruption, and manage emerging risks.

Maturity of the three Risk and Assurance teams (Risk, Internal Audit and Professional Standards Unit) has significantly increased over the past twelve months. This has been borne out by successful independent reviews on our internal processes, a significant increase in demand for assistance from the wider Department for assurance services and increased confidence from the Audit Committee and Executive Leadership Team.



# PART B:

# STATEMENT OF SERVICE PERFORMANCE

Statement of responsibility	32
Audit NZ Report	33
Statement of service performance	
Appropriation – Information and administrative services to the judiciary and New Zealand Parole Board	37
Appropriation – Contract management of services provided by third parties	40
Appropriation – Policy advice and ministerial services (multi class output appropriation)	41
Appropriation – Prison-based custodial services	43
Appropriation – Rehabilitation and re-integration	45
Appropriation – Sentences and orders served in the community	48
Notes to performance measures	51



## STATEMENT OF RESPONSIBILITY

In terms of 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 and statement of service performance fairly reflect the financial position and operations of the Department for the year ended 30 June 2013.

Signed

Countersigned



**Ray Smith**  
Chief Executive  
30 September 2013



**Sean Mahony**  
Chief Financial Officer  
30 September 2013

## 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 and schedules of non-departmental activities for the year ended 30 June 2013.

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 and the schedules of non-departmental activities of the Department on her behalf.

We have audited:

- > the financial statements of the Department on pages 57 to 93, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and assets as at 30 June 2013, 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;
- > the non-financial performance information of the Department that comprises the statement of service performance on pages 37 to 53 and the report about outcomes on pages 9 to 29; and
- > the schedule of non-departmental activities of the Department on page 93 that comprises the schedule of non-departmental expenses for the year ended 30 June 2013.

### OPINION

In our opinion:

- > the financial statements of the Department on pages 57 to 93:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Department's:
    - financial position as at 30 June 2013;
    - 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 2013; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2013.
- > the non-financial performance information of the Department on pages 37 to 53 and 9 to 29:
  - 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 2013, 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.
- > the schedule of non-departmental activities of the Department on page 93 fairly reflects, in accordance with the Treasury Instructions, the non-departmental expenses against appropriation for the year ended on that date managed by the Department on behalf of the Crown.

Our audit was completed on 30 September 2013. 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, the non-financial performance information and the schedules of non-departmental activities 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, the non-financial performance information and the schedules of non-departmental activities. 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, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, 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, the non-financial performance information and the schedules of non-departmental activities 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, the non-financial performance information and the schedules of non-departmental activities; and
- > the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

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

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.
- > schedule of non-departmental activities, in accordance with the Treasury Instructions, that fairly reflects those activities managed by the Department on behalf of the Crown.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements, non-financial performance information and schedules of non-departmental activities 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, non-financial performance information and schedules of non-departmental activities, 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, the non-financial performance information and the schedules of non-departmental activities 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 tender process for the provision of control and restraint equipment, assurance over the selection process for the Wiri Prison Public Private Partnership (PPP), assurance over the Auckland East redevelopment project and the tender process for electronic monitoring equipment. 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

## MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

This audit report relates to the financial statements and statement of service performance of the Department of Corrections for the year ended 30 June 2013 included on the Department of Corrections website. The Chief Executive is responsible for the maintenance and integrity of the Department of Corrections website. We have not been engaged to report on the integrity of the Department of Corrections website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 30 September 2013 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

As part of the Information Supporting the Estimates 2012/13 Budget 2012



## APPROPRIATION – INFORMATION AND ADMINISTRATIVE SERVICES TO THE JUDICIARY AND NEW ZEALAND PAROLE BOARD

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

### OUTPUT CLASS STATEMENT

For the year ended 30 June 2013

	2011/12	2012/13		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
<b>REVENUE</b>				
Crown	59,898	61,912	57,673	61,912
Departmental	511	–	1	1
Other	–	71	–	129
<b>Total Revenue</b>	<b>60,409</b>	<b>61,983</b>	<b>57,674</b>	<b>62,042</b>
<b>Total Expenses</b>	<b>57,559</b>	<b>58,842</b>	<b>57,674</b>	<b>62,042</b>
<b>Net Surplus / (Deficit)</b>	<b>2,850</b>	<b>3,141</b>	<b>–</b>	<b>–</b>

### 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 community probation initiated proceedings. This output supports the Judiciary to make informed decisions.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
The percentage of probation reports provided to court that met mandatory standards (see note 2)	97%	≥ 90%	98%	0%
<b>TIMELINESS</b>				
The percentage of reports provided to court within agreed timeframes before sentencing: (see note 3)				
• probation reports	95%	≥ 95%	94%	(1%)
• psychological reports	98%	≥ 95%	84%	(12%)

Activity Information	Actual Volume	Budget Volume	Actual Volume	Variance
<b>NUMBER OF REPORTS AND HOURS</b>				
The number of reports provided to court:	53,399	52,726	47,494	(5,232)
• probation reports	53,286	52,476	47,310	(5,166)
• psychological reports	113	250	184	(66)
The number of court attendance hours	102,159	107,057	97,561	(9,496)

The percentage of psychological reports provided to courts within agreed timeframes is 84 percent against a target of 95 percent. This is due to 16 reports not being delivered within timeframes (according to the agreed policy). However, all reports were delivered in time for the court hearing, and at no stage were any court hearings adjourned due to the late receipt of a psychological report.

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

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

Performance Measures	2011/12	2012/13		
	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
The percentage of parole progress reports provided to agreed standards pursuant to NZPB requirements (see note 4)	99%	≥ 90%	97%	0%
<b>TIMELINESS</b>				
The percentage of reports provided to agreed timeframes pursuant to NZPB requirements: (see note 5)				
• parole assessment reports	85%	≥ 75%	88%	0%
• parole progress reports	97%	≥ 95%	96%	0%
• psychological reports	95%	≥ 95%	94%	(1%)
<b>Activity Information</b>				
	Actual Volume	Budget Volume	Actual Volume	Variance
<b>NUMBER OF REPORTS</b>				
The number of reports provided to the NZPB:	8,352	7,669	8,249	580
• parole assessment reports	6,725	6,228	6,772	544
• parole progress reports	415	441	320	(121)
• psychological reports	1,212	1,000	1,157	157

The demand for reports to the New Zealand Parole Board was over the budget standard expected. The number of parole assessment reports prepared for the Board was nine percent over the budget standard expected while the number of psychological reports was 16 percent over the budget standard expected. The number of reports provided to the Board is demand driven, and is dependent on the number of requests from the Board.

## 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.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY AND TIMELINESS</b>				
The number of justified complaints about notification services received from registered victims	Nil	Nil	1	(100%)
Activity Information	Actual Volume	Budget Volume	Actual Volume	Variance
<b>NUMBER OF VICTIMS</b>				
The number of victim referrals received from the New Zealand Police	754	≥ 700	753	53

One justified complaint was received in June 2013. The complaint was made by Police on behalf of the victim who was not notified of the offender's release from prison. The Department aims to have no justified complaints about notification services received from registered victims. Therefore, the one complaint represents a 100 percent variance against target.

The number of referrals from the New Zealand Police was eight percent over the standard expected, however it is almost the same as the number of referrals received for the 2011/12 financial year. The Department has no direct control over the number of referrals received.

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

The Department provides administrative services to the New Zealand Parole Board.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
The percentage of offenders who are notified as per NZPB requirements (see note 6)	100%	≥ 98%	100%	0%
The percentage of victims who are notified as per NZPB requirements (see note 7)	100%	≥ 98%	100%	0%
<b>TIMELINESS</b>				
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%	≥ 98%	100%	0%
Activity Information	Actual Volume	Budget Volume	Actual Volume	Variance
<b>NUMBER OF HEARINGS</b>				
The number of NZPB hearings where administrative support was required	8,942	8,500	8,614	114

The New Zealand Parole Board is funded for 8,500 hearings and the result for 2012/13 was slightly above this. In all cases, offenders and victims received written notifications of pending hearings and hearing outcomes within specified timeframes.

## 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 2013

	2011/12	2012/13		
	Actual	Actual	Main	Supp.
	\$000	\$000	Estimates	Estimates
			\$000	\$000
<b>REVENUE</b>				
Crown	9,442	4,700	1,601	4,700
Departmental	–	–	–	–
Other	–	–	–	–
<b>Total Revenue</b>	<b>9,442</b>	<b>4,700</b>	<b>1,601</b>	<b>4,700</b>
<b>Total Expenses</b>	<b>7,720</b>	<b>4,007</b>	<b>1,601</b>	<b>4,700</b>
<b>Net Surplus / (Deficit)</b>	<b>1,722</b>	<b>693</b>	<b>–</b>	<b>–</b>

### OUTPUT: WIRI PRISON PUBLIC PRIVATE PARTNERSHIP

This output covers the Public Private Partnership (PPP) project and the subsequent contract management of the prison for the provision of custodial services.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance
<b>QUALITY</b>				
Complete contract negotiations with a preferred bidder and achieve financial close for the Wiri Public Private Partnership	Note 1	Achieved	Achieved	Nil
Establish governance, relationship and contract management arrangements for the management of the Wiri Public Private Partnership Contract	Note 1	Achieved	Achieved	Nil

### OUTPUT: CONTRACT MANAGEMENT

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

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
Undertake an audit of the contract outcomes for each contract by 30 June 2013, and report on the audit (see note 8)	Note 1	Achieved	Achieved	Nil
Non-compliance events in relation to the contract partner are managed within the contract (see note 9)	100%	100%	100%	0%
The number of times a contract partner delivers a formal innovative proposal for consideration	Note 1	12	12	0%

## 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<sup>10</sup>.

### OUTPUT CLASS STATEMENT

For the year ended 30 June 2013

	2011/12	2012/13		
	Actual	Actual	Main	Supp.
	\$000	\$000	Estimates	Estimates
			\$000	\$000
<b>REVENUE</b>				
Crown	–	4,225	4,069	4,225
Departmental	–	–	–	–
Other	–	–	–	–
<b>Total Revenue</b>	–	<b>4,225</b>	<b>4,069</b>	<b>4,225</b>
<b>Total Expenses</b>	–	<b>3,621</b>	<b>4,069</b>	<b>4,225</b>
<b>Net Surplus / (Deficit)</b>	–	<b>604</b>	–	–

### 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 2013

	2011/12	2012/13		
	Actual	Actual	Main	Supp.
	\$000	\$000	Estimates	Estimates
			\$000	\$000
<b>REVENUE</b>				
Crown	–	1,121	745	1,121
Departmental	–	–	–	–
Other	–	–	–	–
<b>Total Revenue</b>	–	<b>1,121</b>	<b>745</b>	<b>1,121</b>
<b>Total Expenses</b>	–	<b>997</b>	<b>745</b>	<b>1,121</b>
<b>Net Surplus / (Deficit)</b>	–	<b>124</b>	–	–

<sup>10</sup> In the comparative 2011/12 year, this was a multi-class output appropriation (MCOA).



## POLICY ADVICE AND MINISTERIAL SERVICES

### OUTPUT CLASS STATEMENT

For the year ended 30 June 2013

	2011/12	2012/13		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
<b>REVENUE</b>				
Crown	4,728	–	–	–
Departmental	46	–	–	–
Other	–	–	–	–
<b>Total Revenue</b>	4,774	–	–	–
<b>Total Expenses</b>	4,622	–	–	–
<b>Net Surplus / (Deficit)</b>	152	–	–	–

### APPROPRIATION: POLICY ADVICE

The Department provides advice and develops policies that contribute to service delivery, including policies that improve outcomes for Māori and Pacific peoples, and the development of effective criminal justice sector legislation. Services also include the development of standards, the analysis of trends in the offender population, and the evaluation of the impact of programmes to reduce re-offending.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
The percentage of policy advice that was delivered according to the work programme agreed with the Minister of Corrections	100%	≥ 95%	100%	0%
The percentage of policy advice delivered to the Minister of Corrections that meets agreed standards (see note 10)	100%	≥ 95%	100%	0%
<b>TIMELINESS</b>				
The percentage of policy advice delivered to the Minister of Corrections within agreed timelines (see note 11)	99%	≥ 95%	100%	0%

### APPROPRIATION: MINISTERIAL SERVICES

The Department provides responses to ministerial correspondence and parliamentary questions.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
The percentage of ministerial draft correspondence that is signed without changes	97%	≥ 90%	96%	0%
<b>TIMELINESS</b>				
The percentage of all responses to parliamentary questions that are completed within five working days	100%	≥ 98%	100%	0%
The percentage of responses to ministerial draft correspondence that are completed within 20 working days	100%	≥ 98%	100%	0%

## 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 2013

	2011/12	2012/13		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
<b>REVENUE</b>				
Crown	749,628	745,039	756,836	745,039
Departmental	6,698	290	426	678
Other	913	1,980	–	3,852
<b>Total Revenue</b>	<b>757,239</b>	<b>747,309</b>	<b>757,262</b>	<b>749,569</b>
<b>Total Expenses</b>	<b>753,802</b>	<b>742,859</b>	<b>757,262</b>	<b>749,569</b>
<b>Net Surplus / (Deficit)</b>	<b>3,437</b>	<b>4,450</b>	<b>–</b>	<b>–</b>

### 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.

This output also provides for drug testing of prisoners while in prison. This is complemented by other drug control activities such as checkpoints, dogs, and cell searches.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUANTITY</b>				
The number of non-serious/no injury prisoner/prisoner assaults (see note 12)	812	≤ 800	720	0%
The number of non-serious/no injury prisoner/staff assaults (see note 12)	338	≤ 300	337	(12%)
The total number of drug tests sampled: (see note 13)	11,878	11,600	10,995	(5%)
• general random	4,140		4,191	
• reasonable cause	1,680		1,493	
• temporary release	1,102		1,430	
• identified drug user (IDU)	791		595	
• voluntary participant	3,429		2,726	
• identified drug user voluntary participant	736		520	

The appropriation for prison-based custodial services funds things such as prison facilities (17 prisons accommodating an average of 8,587 prisoners at any time), staff costs (3,112 custodial staff and 1,539 support staff in prisons), vehicles, overheads and prisoner costs. Examples of prisoner costs includes meals, clothing and prisoner movements. In 2012/13 there were approximately 90,000 movements of prisoners for reasons such as transferring between prisons, attending court and escorts for medical reasons.

The number of assaults remains a concern for the Department. We manage offenders in ways that minimise their risk of harm to others. This means managing prisoners to prevent assaults on staff and other prisoners. Our vision is to create a safe working environment where staff and offenders interact without violence.

An Expert Advisory Panel has been established, consisting of a group of recognised international experts who have proven that positive changes to staff safety can be made. We have developed a Staff Safety Action Plan, *Keeping Each Other Safe* that provides a solid foundation to achieve this mission. The plan focusses on initiatives that will help to create a safe working environment and safe practices for Corrections Services staff in prisons and the community.

Total drug screening tests carried out on prisoners was 605 below the anticipated standard of 11,600. Volumes for tests carried out under the 'random'<sup>11</sup> testing regime, made up 57 percent of all tests conducted.

Activity Information	Actual Volume	Budget Volume	Actual Volume	Variance
<b>NUMBERS OF OFFENDERS</b>				
The average prison population	8,587	8,341	8,614	273
The maximum number of prisoners held	8,738	8,506	8,743	237

## OUTPUT: HEALTH

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

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
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 with Prison Services	Note 1	≥ 90%	83%	(8%)
The number of identified Prison Services Health Centres achieving Cornerstone accreditation (see note 14)	Note 1	5	6	20%
The percentage of newly received prisoners who have a reception health triage assessment on the day of reception	98%	≥ 95%	99%	0%

Activity Information	Actual Volume	Budget Volume	Actual Volume	Variance
<b>NUMBER OF PRISONERS</b>				
The number of prisoners who require a health screening upon reception	29,295	27,500	30,253	2,753
The total number of health consultations with healthcare staff	234,421	240,000	264,422	24,422

The information used to report against the quality of cardio-vascular risk assessments (CVRA) being provided to prisoners was reviewed during the financial year. As a result, upgrades were made to the technology system and it is expected that improved results against this measure will be reported in the 2013/14 financial year.

Health services are generally demand driven, and as such the Department has limited control over the demand for its services. The prison population has a direct impact on the number of health services required each year.

The number of prisoners who received a health screening upon reception is above the standard expected due in part to the number of prisoner movements required following the closures of Wellington and New Plymouth Prisons. It is a requirement that all prisoners receive a health screening upon reception into prison, including internal transfers between prisons.

<sup>11</sup> The 'random' testing regime is made up of general random, temporary release and identified drug user (IDU).

## APPROPRIATION – REHABILITATION AND RE-INTEGRATION

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 2013

	2011/12	2012/13		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
<b>REVENUE</b>				
Crown	116,894	117,074	120,019	117,074
Departmental	1,656	–	1	1
Other	35,450	38,190	30,998	35,099
<b>Total Revenue</b>	<b>154,000</b>	<b>155,264</b>	<b>151,018</b>	<b>152,174</b>
<b>Total Expenses</b>	<b>153,567</b>	<b>145,923</b>	<b>151,018</b>	<b>152,174</b>
<b>Net Surplus / (Deficit)</b>	<b>433</b>	<b>9,341</b>	<b>–</b>	<b>–</b>

### OUTPUT: CASE MANAGEMENT

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

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUANTITY</b>				
The percentage of prisoners entitled to receive an offender plan that received one (see note 15)	96%	≥ 95%	98%	0%

## OUTPUT: INTERVENTIONS: EDUCATION AND SKILLS

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

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
The percentage of prisoners who demonstrate measurable gains with literacy and numeracy (see note 16)	89%	≥ 75%	82%	0%
<b>QUANTITY</b>				
The number of prisoners who have engaged in education programmes (see note 18)	Note 1	2,520	2,981	18%
The total number of qualifications achieved by prisoners through Corrections Offender Employment (see note 17)	3,145	2,550	3,160	24%

For 2012/13 the unique number of prisoners who engaged in education exceeded the target by 18 percent. This was primarily due to the expansion of the suite of foundation learning programmes, which replaced the original 'foundation skills' programme. The new programmes are shorter and better targeted to meet prisoner needs.

## OUTPUT: INTERVENTIONS: PRISONER EMPLOYMENT

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

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUANTITY</b>				
The number of prisoners who have engaged in employment activities (see note 19)	Note 1	7,800	10,085	29%

In 2012/13, the Reducing Re-offending programme resulted in more prisoners having the opportunity to participate in employment activities than ever before. Participating in employment activities provides prisoners with real-life work experience and skills that will assist them to secure employment upon release.

## OUTPUT: INTERVENTIONS: REHABILITATION

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

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
The percentage of offenders who start and complete a rehabilitation programme:				
• prisoners	Note 1	≥ 75%	86%	0%
• community-based offenders	Note 1	≥ 65%	63%	(3%)
<b>QUANTITY</b>				
The number of offenders who start a rehabilitation programme:	Note 1	9,450	11,279	19%
• prisoners	Note 1	4,100	4,950	21%
• community-based offenders	Note 1	5,350	6,329	18%

Successful programmes are key to reducing re-offending and effective participation by offenders is an important element in the success of the programme. In line with an increased focus on rehabilitation and re-integration, more opportunities to attend rehabilitative interventions were provided to offenders.

Overall, we performed well against our targets for delivery of rehabilitation interventions to prisoners and community-based offenders. Community-based programmes achieved a 63 percent completion rate, against a target of 65 percent. This was driven by lower than expected completion rates in Domestic Violence and Medium Intensity Suite programmes, which account for over 75 percent of the expected completion volume for community-based programmes. The completion rate for Domestic Violence was 54 percent, and the overall completion rate for Medium Intensity Suite programmes was 64 percent.

Rehabilitation programme completion rates were high for prisoners, with 86 percent against a target of 75 percent. This was driven by high completion rates across the Medium Intensity Suite of programmes, parenting programmes and Tikanga Māori programmes.

## OUTPUT: INTERVENTIONS: RE-INTEGRATION

This output is focused on ensuring offenders start and complete their re-integrative interventions.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY</b>				
The percentage of prisoners who have had their re-integrative needs addressed (see note 20)	Note 1	≥ 60%	78%	0%

Re-integrative services are provided to offenders and their families/whanau in order to facilitate the transition from prison to the community or to assist offenders serving sentences in the community to fulfil the conditions of their sentence or order. Re-integrative needs may include accommodation and employment, financial management, relationship management, community support, victim related issues and health care.

Effective re-integration is important to our overall goal of reducing re-offending. Some offenders received re-integrative support on more than one occasion, either because they served multiple sentences, or they had multiple re-integrative needs to be addressed.

## 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.

### OUTPUT CLASS STATEMENT

For the year ended 30 June 2013

	2011/12	2012/13		
	Actual	Actual	Main Estimates	Supp. Estimates
	\$000	\$000	\$000	\$000
<b>REVENUE</b>				
Crown	192,377	206,483	213,013	206,483
Departmental	1,698	–	3	3
Other	–	323	–	576
<b>Total Revenue</b>	<b>194,075</b>	<b>206,806</b>	<b>213,016</b>	<b>207,062</b>
<b>Total Expenses</b>	<b>193,842</b>	<b>203,233</b>	<b>213,016</b>	<b>207,062</b>
<b>Net Surplus / (Deficit)</b>	<b>233</b>	<b>3,573</b>	<b>–</b>	<b>–</b>

### 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.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY AND TIMELINESS</b>				
Compliance with mandatory standards for home detention sentences	Note 1	≥ 98%	96%	(2%)
<b>Activity Information</b>	<b>Actual Volume</b>	<b>Budget Volume</b>	<b>Actual Volume</b>	<b>Variance</b>
<b>NUMBERS OF OFFENDERS</b>				
The total number of offenders commencing a home detention sentence	3,363	2,825	3,527	702
The average number of home detention sentences being served	2,693	2,329	2,854	525

The Judiciary used this sentencing option more than expected resulting in a five percent increase in the actual number of offenders who have commenced a home detention sentence between 2011/12 and 2012/13. The full year result was 25 percent more home detention sentences than the expected standard. It is expected that this sentencing option will continue to be fully utilised by the Judiciary during 2013/14.



## OUTPUT: COMMUNITY-BASED SENTENCES

This output covers the management of offenders serving community-based sentences, being: 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.

	2011/12	2012/13		
Performance Measures	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY AND TIMELINESS</b>				
Compliance with mandatory standards for community-based sentences	Note 1	≥ 98%	95%	(3%)
Activity Information	Actual Volume	Budget Volume	Actual Volume	Variance
<b>NUMBERS OF OFFENDERS</b>				
The total number of offenders commencing community-based sentences	58,726	61,561	54,561	(7,000)
The average number of community-based sentences being served	33,076	34,090	30,359	(3,731)

The number of offenders commencing a community-based sentence was 11 percent lower than anticipated, decreasing the average number of community-based sentences. This was predominantly in relationship to community work sentences.

The number of community-based sentences imposed varies depending on rates of arrest, the nature of offending and judicial decisions.

## 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 Board and extended supervision orders imposed by the courts, with additional special conditions set by the Board 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	2011/12	2012/13		
	Actual Standard	Budget Standard	Actual Standard	Variance (%)
<b>QUALITY AND TIMELINESS</b>				
Compliance with mandatory standards for post-release orders	Note 1	≥ 98%	98%	0%
<b>Activity Information</b>				
	Actual Volume	Budget Volume	Actual Volume	Variance
<b>NUMBERS OF OFFENDERS</b>				
The total number of offenders with a post-release order	6,140	6,336	5,999	(337)
The average number of post-release orders being served	5,968	6,151	5,917	(234)

The appropriation for sentences and orders served in the community funds things such as community corrections facilities (144 community corrections sites plus other support offices), staff costs (2,734 probation officers and community corrections support staff), vehicles, overheads and offender costs. Examples of offenders costs include safety equipment for community work parties, and Global Positioning System (GPS) monitoring equipment.

The number of prisoners released on post-release conditions imposed by the court, or directed to complete orders determined by decisions made by the New Zealand Parole Board, is beyond the ability of the Department to control.

The volume of offenders commencing a post-release order has declined and is dependent on the number of prisoners who appear before the New Zealand Parole Board and are released. The reduction in the number of offenders commencing a post-release order has also affected the average number of post-release orders being served.

## NOTES TO PERFORMANCE MEASURES

Note #	Reference/Performance measure	Definition
1	New measure for 2012/13	These new performance measures are being introduced for the 2012/13 financial year.
2	The percentage of probation reports provided to court that met mandatory standards	Probation reports are completed to formal standards as set out in the <i>Community Probation Services Integrated Quality Framework</i> .
3	The percentage of reports provided to court within agreed timeframes before sentencing	<p>Probation reports are completed to timeframes as set out in the <i>Community Probation Service Operations Manual</i>. Specific timeframes are provided in respect of each of the individual report types that are included under the heading of 'Probation' reports.</p> <p>Psychological Services provides reports to court at least two working days before sentencing where a request is received, allowing an agreed minimum timeframe, as set out in the <i>Psychological Services Operations Manual</i>.</p>
4	The percentage of parole progress reports provided to agreed standards pursuant to NZPB requirements	Parole progress reports are completed to formal standards as set out in the <i>Community Probation Services Integrated Quality Framework</i> .
5	The percentage of reports provided to agreed timeframes pursuant to NZPB requirements	<p>Parole assessment reports are provided to the NZPB at least 15 working days prior to the hearing date.</p> <p>Parole progress reports are provided to the NZPB at least 10 working days prior to the hearing date.</p> <p>Psychological reports are prepared for the NZPB at least five weeks prior to the hearing date.</p>
6	The percentage of offenders who are notified as per NZPB requirements	<p>Offenders are notified of an impending hearing no later than 14 days from the date of the hearing.</p> <p>Offenders are notified of a Board decision no later than 14 days following receipt of the signed decision.</p>
7	The percentage of victims who are notified as per NZPB requirements	<p>Victims are notified of an impending hearing no later than 28 days from the date of the hearing.</p> <p>Victims are notified of a Board decision no later than 14 days following receipt of the signed decision.</p>
8	Undertake an audit of the contract outcomes for each contract by 30 June 2013, and report on the audit	All audits will be undertaken by 30 June 2013, with reports being completed within two months of the completion of the audit.
9	Non-compliance events in relation to the contract partner are managed within the contract	All "non compliance events" are recorded and tracked by the Commercial Contracts Team in the respective Contract Register, along with the process to be followed and the relevant timeframes.

Note #	Reference/Performance measure	Definition
10	The percentage of policy advice delivered to the Minister of Corrections that meets agreed standards	<p>This measure is the number of briefings accepted by the Minister and not returned as not meeting agreed standards as follows:</p> <ul style="list-style-type: none"> <li>– includes a clear statement of purpose</li> <li>– is accurate and uses sound information</li> <li>– presents a clear, concise and logical argument, with explicit assumptions and supported by facts</li> <li>– draws on professional knowledge and appropriate methodologies</li> <li>– examines comparative material</li> <li>– presents options</li> <li>– uses a clear conceptual and well-articulated framework</li> <li>– considers resource, legal and human rights, implication and implementation issues/practicability</li> <li>– considers evaluation</li> <li>– considers issues for Māori and Pacific peoples</li> <li>– considers risk, costs and benefits.</li> </ul>
11	The percentage of policy advice delivered to the Minister of Corrections within agreed timelines	This measure is around ensuring that advice is provided to the Minister within agreed timelines. Each policy advice item requested is subject to timelines agreed between the Minister and the Department.
12	The number of non-serious/no injury assaults	<p><b>Non-serious assault</b> – An act of physical violence that resulted in physical injuries that may or may not have required medical attention, but not overnight hospitalisation or on-going medical treatment.</p> <p><b>No-injury assault</b> – An act of physical violence that did not result in physical injuries or require any form of medical treatment.</p>
13	The total number of drug tests sampled	This measure is based on the total number of drug test samples collected, not on the number of unique individuals who provided samples; the following drug test categories are included: voluntary participant (manual), reasonable cause (manual), identified drug user voluntary participant (manual), temporary release (random), identified drug user (random), general random (random).
14	The number of identified Prison Services Health Centres achieving Cornerstone accreditation	To demonstrate that the level of care in prisons meets the standards of care that are available in the community all health centres are aiming to be accredited under the Cornerstone process. The accreditation process demonstrates that prison health centres meet the Royal New Zealand College of General Practitioners Aiming for Excellence standards for New Zealand general practice.
15	The percentage of prisoners entitled to receive an offender plan that received one	<p><i>Corrections Act 2004</i> – Section 51. Management Plans</p> <p>This section applies to every prisoner who is:</p> <ul style="list-style-type: none"> <li>a) sentenced to imprisonment for a term of more than two months, or</li> <li>b) in custody for a continuous period of more than two months on remand.</li> </ul>
16	The percentage of prisoners who demonstrate measurable gains with literacy and numeracy	Prisoners will be regularly assessed using the Literacy and Numeracy for Adults Assessment Tool after each period of 32 hours of tuition. Measurable improvements are where there is a statistically significant increase based on the Literacy and Numeracy for Adults Assessment Tool.

Note #	Reference/Performance measure	Definition
17	The total number of qualifications achieved by prisoners through Corrections Offender Employment	<p>Each qualification has been approved by the National Prisoner Training Manager as being in line with the New Zealand Qualifications Framework (NZQF) and is of specific value and relevance to prospective employers.</p> <ul style="list-style-type: none"> <li>- <b>National certification (Nat Cert)</b> – qualification listed on the National Qualifications Framework (NQF) administered by the New Zealand Qualifications Authority (NZQA), composed of a prescribed number of unit standards and is a complete qualification. Range from level 1 to 4 within Corrections Offender Employment.</li> <li>- <b>Limited credit programme (LCP)</b> – qualification listed on the NQF administered by the NZQA, composed of a number of unit standards and is not a complete National Cert but is a pathway towards.</li> <li>- <b>Modularised training programme</b> – qualification not listed on the NQF administered by an Industry Training Organisation (ITO), composed of a number of unit standards and is not a complete National Cert but is a pathway towards.</li> <li>- <b>Trade ticket</b> – qualification underpinned by unit standards indicating trade currency and competency. Examples: 4711 Welding Ticket or Electrical Limited Regulation Ticket.</li> <li>- <b>Drivers licence</b> – qualification composed of unit standards authorising individuals to drive prescribed types of vehicles.</li> <li>- <b>Health and safety</b> – qualification sanctioned by ITOs, underpinned by or containing unit standards. Examples are: first aid, Grow Safe and Site Safe.</li> </ul>
18	The number of prisoners who engaged in education programmes	<p>Education participation is a planned intervention that is scheduled and undertaken as part of an offenders plan. Ensuring every offender has an offender plan will assist in education being undertaken. The timing and sequencing of education will take into account an offender's needs as well as the other interventions the offender has planned.</p>
19	The number of prisoners who have engaged in employment activities	<p>Provision of prisoner employment, including the provision and administration of work experience and training opportunities designed to help address the underlying causes of criminal re-offending. The Department provides employment and work-based training with assessment of New Zealand Qualifications Framework (NZQF) unit standards and qualifications to prisoners.</p> <p>Eligible prisoners are provided with work related training to support their re-integration into the community on release from prison. Prisoners nearing their release date and who meet eligibility criteria, work outside the prison boundaries during the day in supervised work parties or on Release to Work to support their re-integration back into the community.</p>
20	The percentage of prisoners who have their re-integrative needs addressed	<p>Re-integration services build upon the rehabilitation programmes provided within New Zealand's prisons, enabling and supporting the offender's transition into the community, or to assist offenders serving sentences in the community to fulfil the conditions of their sentence or order.</p> <p>Re-integration services are demand driven and can be accessed by offenders while in custody (remand and sentenced) and post release. The services are not scheduled and are usually requested by offenders as they prepare to transition back to the community. The timing of re-integration is based on the offender's needs and support other interventions.</p> <p>The Department contracts re-integration providers to assist offenders with accommodation, employment or training, financial management, managing relationships and connecting with family/whanau, community support, victim related issues, and healthcare.</p>



# PART C:

# ANNUAL FINANCIAL

# STATEMENTS

The year at a glance	56
Annual financial statements	
Statement of comprehensive income	57
Statement of changes in taxpayers' funds	58
Statement of financial position	59
Statement of cash flows	60
Statement of commitments	61
Statement of contingent liabilities and assets	62
Statement of departmental expenditure and capital expenditure against appropriations	63
Statement of unappropriated expenditure	64
Statement of trust monies	65
Notes to the financial statements	66







# THE YEAR AT A GLANCE

---

## IN 2012/13 THE DEPARTMENT OF CORRECTIONS:

### Financial health

- > scored above average against all nine principles in the recently introduced Chartered Institute of Public Finance and Accountancy Treasury Internal Controls Knowledge Survey (CIPFA TICK).

### Financial improvements

- > realised savings from efficiency initiatives and prison reconfiguration
- > refined processes to achieve greater efficiencies.

### Expenditure

- > managed a \$1.2 billion budget within two percent before expense transfers
- > reinvested \$10 million in Reducing Re-offending initiatives
- > improved controls around contractors and consultants resulting in \$2.8 million under spend against budget and previous years
- > achieved a reduction in domestic travel expenditure of \$1.0 million compared to budget.

### Pressures

- > absorbed increased wage and superannuation costs
  - > absorbed the cost of new initiatives such as the High Dependency Unit, Right Track and Working Prisons.
-

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

2012 Actual	Notes	2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000		\$000	\$000	\$000
<b>REVENUE</b>				
1,132,967	Crown	1,140,554	1,153,956	1,140,554
10,609	Departmental revenue	290	431	683
35,920	Other revenue	38,883	30,998	39,656
443	Dividend revenue	418	–	–
–	Gains on biological assets	1,489	–	–
–	Gains on shares	3,364	–	–
<b>1,179,939</b>	<b>Total operating revenue</b>	<b>1,184,998</b>	<b>1,185,385</b>	<b>1,180,893</b>
<b>EXPENDITURE</b>				
519,364	Personnel costs	516,048	553,332	529,518
326,466	Operating costs	332,609	305,057	335,855
144,304	Depreciation and amortisation	124,310	138,512	126,836
180,493	Capital charge	185,184	188,484	185,184
2,407	Earthquake related	1,331	–	3,500
4,089	Losses on biological assets	–	–	–
<b>1,177,123</b>	<b>Total operating expenses</b>	<b>1,159,482</b>	<b>1,185,385</b>	<b>1,180,893</b>
<b>2,816</b>	<b>Net surplus/(deficit)</b>	<b>25,516<sup>12</sup></b>	<b>–</b>	<b>–</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
(25,856)	Revaluation gains/(losses) on land and buildings	(18,623)	–	(869)
–	Fair value through other comprehensive income	–	–	–
<b>(25,856)</b>	<b>Total other comprehensive income</b>	<b>(18,623)</b>	<b>–</b>	<b>(869)</b>
<b>(23,040)</b>	<b>Total comprehensive income</b>	<b>6,893</b>	<b>–</b>	<b>(869)</b>

Remeasurement gains are included in the Statement of Comprehensive Income under Other revenue.

The accompanying notes form part of these financial statements.  
For information on major variances against budget refer to Note 26 (page 93).

12 Net surplus includes \$4.8 million of revaluation gains and up to \$14.5 million of expense transfers.

## STATEMENT OF CHANGES IN TAXPAYERS' FUNDS

For the year ended 30 June 2013

2012 Actual \$000	Notes	2013 Actual \$000	2013 Main Estimates \$000	2013 Supp. Estimates \$000
2,261,627	<b>Taxpayers' funds at 1 July</b>	2,314,805	2,346,672	2,314,805
	<b>Changes in taxpayers' funds during the year</b>			
	<i>Transfers from statement of comprehensive income</i>			
2,816	Add/(deduct) net surplus/(deficit)	25,516	–	–
(25,856)	Increase/(decrease) in revaluation reserves 18	(18,623)	–	(869)
<b>(23,040)</b>	<b>Total comprehensive income</b>	<b>6,893</b>	<b>–</b>	<b>(869)</b>
	<b>Adjustment for flows to and from the Crown</b>			
95,965	Add capital contributions from the Crown during the year 18	–	19,500	–
(10,920)	Less capital returned to the Crown during the year 18	(6,190)	–	(3,350)
(8,827)	Provision for payment of surplus to the Crown	(20,663)	–	–
<b>76,218</b>	<b>Total adjustments for flows to and from the Crown</b>	<b>(26,853)</b>	<b>19,500</b>	<b>(3,350)</b>
<b>2,314,805</b>	<b>Taxpayers' funds at 30 June</b>	<b>2,294,845</b>	<b>2,366,172</b>	<b>2,310,586</b>

The accompanying notes form part of these financial statements.  
For information on major variances against budget refer to Note 26 (page 93).

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

2012 Actual		Notes	2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000			\$000	\$000	\$000
ASSETS					
Current assets					
315,186	Cash and cash equivalents	7	123,192	267,459	200,255
2,043	Prepayments	8	4,894	3,025	3,025
72,815	Debtors and other receivables	9	327,662	70,995	170,995
4,972	Inventories	10	4,305	6,231	6,231
395,016	Total current assets		460,053	347,710	380,506
Non-current assets					
5,560	Investments	11	8,837	5,590	5,590
2,015,461	Physical assets	12	1,986,655	2,135,258	2,034,933
47,842	Intangible assets	13	58,600	72,888	67,018
45,258	Biological assets	14	48,628	49,347	45,259
2,114,121	Total non-current assets		2,102,720	2,263,083	2,152,800
2,509,137	Total assets		2,562,773	2,610,793	2,533,306
LIABILITIES					
Current liabilities					
82,638	Creditors and other payables	15	95,015	83,802	79,101
68,053	Employee entitlements	16	72,267	66,622	66,622
19,695	Provisions	17	9,682	7,779	7,779
8,827	Provision for repayment of surplus to the Crown	18	20,663	–	–
179,213	Total current liabilities		197,627	158,203	153,502
Non-current liabilities					
15,119	Employee entitlements	16	13,654	12,618	12,618
–	Other financial liabilities		56,647	73,800	56,600
15,119	Total non-current liabilities		70,301	86,418	69,218
194,332	Total liabilities		267,928	244,621	222,720
TAXPAYERS' FUNDS					
1,755,069	General funds	18	1,753,732	1,780,580	1,751,719
559,736	Reserves	18	541,113	585,592	558,867
2,314,805	Total taxpayers' funds		2,294,845	2,366,172	2,310,586
2,509,137	Total liabilities and taxpayers' funds		2,562,773	2,610,793	2,533,306

The accompanying notes form part of these financial statements.  
For information on major variances against budget refer to Note 26 (page 93).

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

2012 Actual	Notes	2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000		\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Cash provided from:</b>				
	Supply of outputs to			
1,152,343	Receipts from Crown *	918,252	1,153,956	1,040,554
12,454	Receipts from departments	513	2,922	1,984
34,772	Receipts from other revenue	38,944	30,998	40,175
(1,967)	Change in GST payable (net) *	(32,842)	–	–
<b>Cash disbursed to:</b>				
(502,424)	Payments to employees	(513,299)	(549,133)	(530,902)
(331,260)	Payments to suppliers	(334,224)	(309,157)	(359,597)
(180,493)	Payments for capital charge	(185,184)	(188,484)	(185,184)
<b>183,425</b>	<b>Net cash flows from operating activities</b>	<b>19</b>	<b>(107,840)</b>	<b>141,102</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Cash provided from:</b>				
443	Receipts from interest and dividends	418	–	–
1,715	Receipts from sale of physical, biological and intangible assets	771	1,000	535
<b>Cash disbursed to:</b>				
(56,156)	Purchase of physical and biological assets	(56,387)	(113,639)	(84,665)
(23,746)	Purchase of intangible assets	(20,129)	(32,355)	(29,004)
<b>(77,744)</b>	<b>Net cash flows from investing activities</b>	<b>(75,327)</b>	<b>(144,994)</b>	<b>(113,134)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Cash provided from:</b>				
48,171	Capital injections *	–	19,500	–
<b>Cash disbursed to:</b>				
(10,920)	Return of capital	–	–	–
(44,077)	Return of operating surpluses	(8,827)	(17,144)	(8,827)
<b>(6,826)</b>	<b>Net cash flows from financing activities</b>	<b>(8,827)</b>	<b>2,356</b>	<b>(8,827)</b>
<b>98,855</b>	<b>Net increase/(decrease) in cash</b>	<b>(191,994)</b>	<b>(1,536)</b>	<b>(114,931)</b>
216,331	Cash at the beginning of the year	315,186	268,995	315,186
<b>315,186</b>	<b>Cash at the end of the year</b>	<b>123,192</b>	<b>267,459</b>	<b>200,255</b>

\* For the 2011/12 comparative year, these amounts have been reclassified.

The accompanying notes form part of these financial statements.  
For information on major variances against budget refer to Note 26 (page 93).

## STATEMENT OF COMMITMENTS

As at 30 June 2013

2012 Actual \$000		2013 Actual \$000
<b>CAPITAL COMMITMENTS</b>		
<b>Property, plant and equipment</b>		
20,334	Less than one year	189,364
–	One to five years	80,685
<b>20,334</b>	<b>Total capital commitments</b>	<b>270,049</b>
<b>NON-CANCELLABLE OPERATING LEASE COMMITMENTS</b>		
<b>Office accommodation</b>		
11,016	Less than one year	12,309
29,231	One to five years	30,407
16,517	More than five years	21,180
<b>56,764</b>	<b>Total non-cancellable operating lease commitments</b>	<b>63,896</b>
<b>77,098</b>	<b>Total commitments</b>	<b>333,945</b>

### 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 the balance sheet.

### 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.  
For information on major variances against budget refer to Note 26 (page 93).*

## STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2013

### QUANTIFIABLE CONTINGENT LIABILITIES

2012 Actual \$000		2013 Actual \$000
1,504	Legal proceedings	1,048
333	Personal grievances	195
<b>1,837</b>	<b>Total quantifiable contingent liabilities</b>	<b>1,243</b>

#### Legal proceedings

The Department was defending 30 (2012: 39) legal proceedings claims by prisoners and related/external parties as at 30 June 2013. 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 also defending 14 (2012: 17) employment related claims made by staff members as at 30 June 2013.

### UNQUANTIFIED CLAIMS

#### Unquantified Contingent Assets

The Department has an unquantifiable contingent asset in relation to a current insurance claim. The insurance claim relates to the damage caused by the riot at the Spring Hill Corrections Facility which took place on 1 June 2013.



## STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL EXPENDITURE AGAINST APPROPRIATIONS

For the year ended 30 June 2013

2012 Expenditure Actual \$000		2013 Expenditure Actual \$000	2013 Appropriation Voted \$000
<b>VOTE: CORRECTIONS</b>			
<b>Departmental output expenditure</b>			
57,559	Information Services	58,842	62,042
4,622	Policy Advice and Ministerial Services	–	–
	Policy Advice and Ministerial Services MCOA	4,618	5,346
	– Policy Advice	3,621	4,225
	– Ministerial Services	997	1,121
–	Prison-based Custodial Services	742,859	749,569
753,802	Prison-based Custodial Services MCOA	–	–
164,752	– Custody of Remand Prisoners	–	–
589,050	– Custody of Sentenced Prisoners	–	–
153,567	Rehabilitation and Re-integration	145,923	152,174
193,842	Sentences and Orders served in the Community	203,233	207,062
7,720	Contract Management of Services Provided by Third Parties	4,007	4,700
<b>1,171,112</b>	<b>Total departmental output expenditure</b>	<b>1,159,482</b>	<b>1,180,893</b>
6,011	Re-measurements	–	–
<b>1,177,123</b>	<b>Total departmental operating expenditure</b>	<b>1,159,482</b>	<b>1,180,893</b>
<b>Appropriation for capital expenditure</b>			
<b>80,658</b>	<b>Corrections – Permanent Legislative Authority</b>	<b>133,163</b>	<b>170,166</b>

Refer to Part B: Statement of Service Performance for detailed performance against each output class (pages 37 – 65).

The Department intends to utilise the full amount of funding included in the appropriation for capital expenditure.

### Changes in Appropriation Structure

There were two changes to the appropriation structure compared to the previous year. The Policy Advice and Ministerial Services output class has been replaced by the Policy Advice and Ministerial Services MCOA (Multi Class Output Appropriation). The Prison-based Custodial Services MCOA has been replaced by the Prison-based Custodial Services output class.

The accompanying notes form part of these financial statements.  
For information on major variances against budget refer to Note 26 (page 93).

## STATEMENT OF UNAPPROPRIATED EXPENDITURE

For the year ended 30 June 2013

2012 Unappropriated Expenditure \$000	2013 Actual Expenditure \$000	2013 Appropriation Voted \$000	2013 Unappropriated Expenditure \$000
<b>VOTE: CORRECTIONS</b>			
<b>Appropriations for output expenditure</b>			
– Information Services	58,842	62,042	–
– Policy Advice and Ministerial Services	–	–	–
– Policy Advice and Ministerial Services MCOA	4,618	5,346	–
– – <i>Policy Advice</i>	3,621	4,225	–
– – <i>Ministerial Services</i>	997	1,121	–
– Prison-based Custodial Services	742,859	749,569	–
– Prison-based Custodial Services MCOA	–	–	–
– – <i>Custody of Remand Prisoners</i>	–	–	–
– – <i>Custody of Sentenced Prisoners</i>	–	–	–
– Rehabilitation and Re-integration	145,923	152,174	–
– Sentences and Orders served in the Community	203,233	207,062	–
– Contract Management of Services provided by Third Parties	4,007	4,700	–
<b>– Total</b>	<b>1,159,482</b>	<b>1,180,893</b>	<b>–</b>

There was no unappropriated expenditure for the year ended 30 June 2013 (2012: nil).

## STATEMENT OF TRUST MONIES

For the year ended 30 June 2013

	As at 1 July 2012 \$000	Contribution \$000	Distribution \$000	As at 30 June 2013 \$000
Prison Trust Accounts	1,356	14,564	(14,164)	1,756
	<b>1,356</b>	<b>14,564</b>	<b>(14,164)</b>	<b>1,756</b>

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 the prisoners in the bank accounts maintained by the prisons (one bank account per prison).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

### NOTE 1: STATEMENT OF ACCOUNTING POLICIES

#### REPORTING ENTITY

The Department of Corrections is a government department as defined by Section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

These are the financial statements of the Department of Corrections prepared pursuant to Section 45B of the Public Finance Act 1989.

The Department of Corrections has reported funds held in trust for prisoners, which it administers.

The Department of Corrections administers the corrections system in a way designed to improve public safety, reduce re-offending and contribute to the maintenance of a fair and just society. Under the New Zealand equivalents of International Financial Reporting Standards (NZ IFRS), the Department of Corrections is classified as a Public Benefit Entity (PBE). This has affected the selection of accounting policies required or permitted under the NZ IFRS.

The financial statements of the Department of Corrections are for the year ended 30 June 2013. Comparative figures for the year ended 30 June 2012 are provided.

The financial statements were authorised for issue by the Chief Executive of the Department of Corrections on 30 September 2013.

#### BASIS OF PREPARATION

##### Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, which includes the requirements to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Treasury Instructions. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

The Department does not qualify for differential reporting exemptions.

##### Measurement base

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

##### Functional and presentation currency

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

##### Changes in accounting policies

There were two changes to the Department's accounting policies during the period. The first change relates to the timing of revaluations for land and buildings within the Department's Property, Plant and Equipment policy. Also, one new policy was added relating to service concession arrangements.

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 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. This means the Department will transition to the new standards in preparing its 30 June 2015 financial statements.

The Department is yet to assess the implications of PAS which were published after balance date. 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 until the new Accounting Standards Framework comes into effect. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

## **ACCOUNTING POLICIES**

The Department's accounting policies have been applied consistently to all periods presented in these financial statements.

### **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**

The Department derives revenue through the provision of goods and services to other departments. Departmental revenue is recognised at fair value of the consideration received or receivable when earned.

#### **Other revenue – external sales of goods and services**

The Department derives other revenue from the sale of goods and services to third parties. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised where:

- > there are significant uncertainties regarding recovery of the consideration due, associated goods or possible return of goods;
- > there is continuing management involvement with goods;
- > the amount of revenue cannot be measured reliably;
- > it is not probable that the economic benefits associated with the transaction will flow to the Department; and
- > the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

#### **Revenue – interest**

Revenue from interest is recognised using the effective interest method, using the effective interest rate.

#### **Revenue – dividends**

Revenue from dividends is recognised when the shareholder's right to receive payment is established.

## DEPRECIATION AND AMORTISATION

Depreciation and amortisation are provided on a straight-line basis on all property, plant, equipment and intangible assets, other than freehold land and assets under construction, over their estimated economic useful lives. There is no allowance for residual values, except for 'motor vehicles – other', which have a residual value of 20 percent of cost. Revalued assets are depreciated or amortised on the revalued amount on a straight-line basis over their remaining useful lives.

### Depreciation

The economic useful lives and associated depreciation rates of classes of assets have been estimated as follows:

<b>Buildings</b>		
Buildings – concrete	50 – 65 years	(2.0% to 1.5%)
Buildings – commercial	75 years	(1.3%)
Buildings – wood	25 years	(4.0%)
Buildings – fit-outs	3 to 20 years	(33.3% to 5.0%)
Hut complexes – concrete	50 years	(2.0%)
Hut complexes – wood	25 years	(4.0%)
Hut fit-outs	3 to 20 years	(33.3% to 5.0%)
<b>Leasehold Improvements</b>		
Leasehold improvements	10 years	(10.0%)
<b>Plant and Equipment</b>		
Plant and machinery	10 years	(10.0%)
Office equipment	5 years	(20.0%)
Tools and equipment	5 years	(20.0%)
<b>Furniture and Fittings</b>		
Furniture and fittings – office	5 years	(20.0%)
Furniture and fittings – prisoner	3 years	(33.3%)
<b>Computer Hardware</b>		
Information technology – network	5 years	(20.0%)
Information technology – specialised	3 to 10 years	(33.3% to 10.0%)
Information technology – PC based	3 years	(33.3%)
<b>Motor Vehicles</b>		
Motor vehicles – heavy duty	8 years	(12.5%)
Motor vehicles – other	5 years	(20.0%)

The useful life of buildings is reassessed following any revaluation.

Where the fixed term of a lease is for less than 10 years, excluding rights of renewal, leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

### Amortisation

The economic useful lives and associated amortisation rates of classes of assets have been estimated as follows:

<b>Computer Software</b>		
Information technology – network	5 years	(20%)
Information technology – specialised	3 to 10 years	(33.3% to 10%)
Information technology – PC based	3 years	(33.3%)

## OPERATING LEASES

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

## CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash held in bank accounts and is measured at face value.

## DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate, less impairment changes.

Impairment of a receivable is established when there is objective evidence that the Department will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debt is impaired.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the total comprehensive income.

Subsequent recoveries of amounts previously written off are credited against the total comprehensive income.

Overdue receivables that are renegotiated are reclassified as current, not past due.

## INVENTORIES

Inventories held for distribution, or consumption in the provision of services, that are not supplied on a commercial basis are measured at the lower of cost (calculated using the weighted average method) and current replacement cost. Where inventories are acquired at no cost, or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

The replacement cost of the economic benefits or service potential of inventory held for distribution reflects any obsolescence or any other impairment.

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method.

The write-down from cost to current replacement cost or net realisable value is recognised in total comprehensive income in the period when the write-down occurs.

## PROPERTY, PLANT AND EQUIPMENT

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. Additions between revaluations are recorded at cost. The three-year cycle is subject to a reasonableness test on an annual basis to ensure it does not result in material differences in fair value.

The results of revaluing land and buildings are credited or debited to other comprehensive income and are accumulated to the asset revaluation reserve for that class of asset. Where a revaluation would result in a debit balance within an asset class in the revaluation reserve, the debit balance will be expensed in total comprehensive income. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in total comprehensive income, will be recognised first in total comprehensive income up to the amount previously expensed, and then recognised in other comprehensive income.

All other property, plant and equipment, or groups of assets forming part of a network, which are material in aggregate, costing more than \$3,000 (GST exclusive) or deemed as valuable and/or attractive are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in total comprehensive income.

Discontinued operations, disposals, transfers and assets held for sale are shown at fair value prior to being sold or disposed.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised using the effective interest method.

### **Additions**

The cost of an item of property, plant or equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Department and the cost of the item can be measured reliably.

In most instances, an item of property, plant or equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

### **Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in total comprehensive income. When revalued assets are sold or derecognised, the amounts included in asset revaluation reserves in respect of those assets are transferred to general funds.

### **Subsequent costs**

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Department and the cost of the item can be measured reliably.

## **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).

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 under a service concession arrangement reduce the liability, pay for interest, reimburse the operator for the service provided and reimburse any other additional operational costs.

## **INTANGIBLE ASSETS**

Intangible assets with finite lives are recorded at cost less any amortisation and impairment losses. Amortisation is charged to total comprehensive income on a straight-line basis over the useful life of the asset.

Intangible assets, or groups of intangible assets forming part of a network, which are material in aggregate, costing more than \$3,000 (GST exclusive) or deemed as valuable and/or attractive are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the total comprehensive income.

The disposals and assets held for sale are shown at fair value prior to being sold or disposed of.

Intangible assets are tested for impairment where an indicator arises.

### **Software acquisition and development**

Acquired computer software licences 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 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 relevant overheads.

## **BIOLOGICAL ASSETS**

The Department's biological assets are forests and livestock.

The Department recognises biological assets or agricultural produce when and only when:

- > the Department controls the asset as a result of past events;
- > it is probable that future economic benefits associated with the asset will flow to the Department; and
- > the fair value or cost of the asset can be measured reliably.

Biological assets managed for harvesting into agricultural produce are recorded at fair value less costs to sell, with any realised gains or losses reported in total comprehensive income.



## Forests

Forestry assets are independently revalued annually at fair value less costs to sell. 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 on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell, are recognised in total comprehensive income.

The costs to maintain the forestry assets are included in total comprehensive income.

## Livestock

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

Gains and losses at balance date, due to changes in the per head value of livestock and changes in livestock numbers, are recognised in total comprehensive income.

## CAPITAL CHARGE

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

## INVESTMENTS

Investments are classified as financial assets and are recognised initially 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 total 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.

Investments arise from the Department's business dealings with companies in the farming industry.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have indefinite useful lives 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 for the amount by which 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 and 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 entity 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 in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation reserve in equity for that same class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in total comprehensive income.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in total comprehensive income.

The Department accounts for reversals on a class basis. A reversal of an impairment loss on a revalued asset is credited to other comprehensive income and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss on the same class of asset was previously recognised in total comprehensive income, a reversal of that impairment loss is also recognised in total comprehensive income.

## EMPLOYEE ENTITLEMENTS

### Short-term employee entitlements

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. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retiring, long service and sick leave entitlements expected to be settled within 12 months.

The Department recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that the Department anticipates it will be used by staff to cover those future absences.

The Department recognises a liability and an expense for performance payments where contractually obliged or where there is a past practice that has created a constructive obligation.

### Long-term employee entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis based on the present value of expected future entitlements.

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. A discount rate of 2.71 percent to 5.50 percent (2012: 2.43 percent to 4.29 percent), and a future salary growth rate of 3 percent (2012: 3 percent) were used. The discount rates are based on the table of the latest risk-free discount rates and CPI assumptions issued by the Treasury.

## SUPERANNUATION SCHEMES

### Defined contribution schemes

Obligations for contributions to KiwiSaver, the Government Superannuation Fund, and other defined contribution superannuation schemes are recognised as an expense in total comprehensive income as incurred.

### Termination benefits

Termination benefits are recognised in the total comprehensive income statement, only when there is a demonstrable commitment either to terminate employment prior to the normal employment date or to provide such benefits as a result of a position becoming redundant. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Other termination benefits are reported at the present value of 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. No provision has been recognised for the year ended 2013 (2012: nil). A provision would be stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

## 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 the 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 expenditures 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. The increase in the provision due to the passage of time is recognised as a finance cost.

### Accident Compensation Corporation (ACC) Partnership Programme

The Department participates in the ACC Partnership Programme whereby the Department accepts the management and financial responsibility of work-related illnesses and accidents of employees.

Under the ACC Partnership Programme, the Department is effectively providing accident insurance to employees and this is accounted for as an insurance contract. The value of this liability represents the expected future payments in relation to accidents and illnesses occurring up to the balance date for which the Department has responsibility under the terms of the Partnership Programme.

The liability for claims reported prior to balance date has been determined by assuming that the future experience for each current claim is consistent with historical claim information since the commencement of the programme. The liability for injuries or illnesses that have occurred up to balance date, but not yet reported or not enough reported, has been determined by reference to historical information of the time it takes to report injury or illness.

The liability is measured at the present value of the expected future payments to be made in respect of employee injuries and claims up to the reporting date using actuarial techniques.

## COMMITMENTS

Future expenses and liabilities to be incurred on capital and operating contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

Cancellable commitments that have penalty or exit costs explicit in the agreement on exercising that option to cancel are included in the statement of commitments at the value of that penalty or exit cost.

## CONTINGENT LIABILITIES

Contingent liabilities are disclosed at the point at which the contingency is evident and for each class of contingent liability at balance date, a brief description of the nature of the contingent liability is provided.

Contingent liabilities are not disclosed if the possibility of an outflow of resources embodying economic resources is remote.

## TAXPAYERS' FUNDS

Taxpayers' Funds is the Crown's net investment in the Department and is measured as the difference between total assets and total liabilities.

Taxpayers' Funds is disaggregated and classified as general funds and revaluation reserves.

## FOREIGN CURRENCY

Foreign currency transactions are converted into New Zealand Dollars at the exchange rate at the date of the transaction.

## FINANCIAL INSTRUMENTS

The Department is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors and other receivables, creditors and other payables, and investments. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in total comprehensive income.

All financial instruments, except for those items covered by a separate accounting policy, are shown at their estimated fair value.

## 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)

The Statement of Financial Position is exclusive of GST except for creditors and other payables and debtors and other receivables, which are GST inclusive. All other financial statements are GST exclusive.

The net amount of GST payable to, or recoverable from, Inland Revenue at balance date is included in creditors, other payables, debtors, or other receivables.

Commitments and contingent liabilities are disclosed exclusive of GST. The movement in GST paid or received is recognised as a separate cash flow line item.

## 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 2013, 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.

## CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparing these financial statements, the Department has made estimates, assumptions and critical judgements in applying accounting policies concerning the future. These estimates, assumptions, and critical judgements in applying accounting policies may differ from the subsequent actual results. Estimates, assumptions and critical judgements in applying accounting policies are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

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 disclosed below.

### Employee entitlements – retiring and long service leave

Note 16 provides an analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities.

### Revaluation of land and buildings

At each revaluation, the useful lives and residual values of the Department's land and buildings are reviewed. 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.

Reassessment of the useful lives or residual values will affect the depreciable amount of land and buildings, therefore impacting the depreciation expense recognised in total comprehensive income, and the carrying amount of land and buildings in the Statement of Financial Position.

## NOTES

The notes that accompany the financial statements form part of the financial statements.

## 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.

Examples of cost groupings and suitable drivers:

Cost Type	Driver
National Office personnel costs	Direct established positions
Community Probation district office overheads	Programme/sentence delivery hours
Prison site overheads	Prison capacity
Prison site and regional rehabilitation overheads	Planned programme hours

## CHANGES IN COST ACCOUNTING POLICIES

There have been no changes in cost accounting policies since the date of the last audited financial statements.

## NOTE 2: OTHER REVENUE

2012 Actual		2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000		\$000	\$000	\$000
32,223	Sale of goods	35,301	29,498	37,156
2,784	Board and rents	3,208	1,500	2,500
913	Profit on sale of assets	374	–	–
<b>35,920</b>	<b>Total other revenue</b>	<b>38,883</b>	<b>30,998</b>	<b>39,656</b>

## NOTE 3: PERSONNEL COSTS

2012 Actual		2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000		\$000	\$000	\$000
495,268	Salaries and wages	501,343	537,451	514,890
–	ACC Partnership Programme	903	–	–
557	Government Superannuation Fund contribution expense	444	550	630
9,690	State Sector Retirement Savings Scheme and KiwiSaver employer contribution	10,506	10,229	11,998
9,209	Restructuring costs	–	–	–
1,475	Annual leave	2,379	1,000	1,000
4,166	Retirement and long service leave	(626)	4,102	1,000
(1,001)	Sick leave	1,099	–	–
<b>519,364</b>	<b>Total personnel costs</b>	<b>516,048</b>	<b>553,332</b>	<b>529,518</b>

## NOTE 4: OPERATING COSTS

2012 Actual		2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000		\$000	\$000	\$000
16,435	Operating lease rentals	16,671	16,375	16,621
366	Audit fees for annual audit	361	358	361
88	Fees to auditors for other services	–	–	–
76,807	Facilities maintenance	79,237	68,694	81,750
52,810	Offender management costs	52,635	50,911	58,849
27,099	Computer costs	32,709	23,059	27,844
60,476	Contract management	66,123	59,153	69,887
36,438	Administration	31,008	35,779	34,485
63	Receivables written off during period	55	–	1
314	ACC Partnership Programme	–	–	–
9,995	Inventory expenses	10,062	–	–
43,720	Other operating costs	41,911	50,728	46,057
–	Donations	200	–	–
1,855	Loss on sale of property, plant and equipment	1,637	–	–
<b>326,466</b>	<b>Total operating costs</b>	<b>332,609</b>	<b>305,057</b>	<b>335,855</b>

\* During the year the Department made a donation of \$200,000 to Victoria University of Wellington. The donation was a partial contribution as part of a wider Justice Sector donation to establish a chair in Restorative Justice at Victoria University. Although Corrections will not directly benefit from the contribution, the Department's support will enable the establishment of a world-class programme of research, teaching and public engagement. The donation is considered a one-off event and not on-going, and was authorised by the Chief Executive.

## NOTE 5: DEPRECIATION AND AMORTISATION

2012 Actual		2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000		\$000	\$000	\$000
<b>DEPRECIATION</b>				
116,972	Buildings	98,544	105,600	102,834
3,496	Leasehold improvements	3,954	–	–
4,561	Plant and equipment	3,757	7,234	4,722
526	Furniture and fittings	229	1,107	227
5,393	Computer hardware	4,284	5,173	3,428
4,727	Motor vehicles	4,858	7,916	5,901
<b>135,675</b>	<b>Depreciation charge</b>	<b>115,626</b>	<b>127,030</b>	<b>117,112</b>
<b>AMORTISATION</b>				
8,629	Computer software	8,684	11,482	9,724
<b>8,629</b>	<b>Amortisation charge</b>	<b>8,684</b>	<b>11,482</b>	<b>9,724</b>
<b>144,304</b>	<b>Total depreciation and amortisation charge</b>	<b>124,310</b>	<b>138,512</b>	<b>126,836</b>

## NOTE 6: 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 2013 was 8 percent per annum (2012: 8 percent).

## NOTE 7: CASH AND CASH EQUIVALENTS

2012 Actual \$000	2013 Actual \$000
315,186 Cash and bank balances	123,192
<b>315,186 Total cash and cash equivalents</b>	<b>123,192</b>

The Department is required 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 8: PREPAYMENTS

2012 Actual \$000	2013 Actual \$000
<b>CURRENT PORTION</b>	
2,043 Prepayments	4,894
<b>2,043 Total prepayments</b>	<b>4,894</b>

The Department classifies prepayments that are expected to be realised within 12 months as current.

## NOTE 9: DEBTORS AND OTHER RECEIVABLES

2012 Actual \$000	2013 Actual \$000
<b>CURRENT PORTION</b>	
67,510 Debtor Crown	323,157
<b>67,510 Debtor Crown</b>	<b>323,157</b>
3,950 Trade debtors – external	3,262
216 Employee advances	270
(162) Less provision for impairment	(71)
<b>4,004 Trade debtors – external and employees</b>	<b>3,461</b>
1,301 Trade debtors – other government entities	1,044
<b>1,301 Trade debtors – other government entities</b>	<b>1,044</b>
<b>72,815 Total debtors and other receivables</b>	<b>327,662</b>

The carrying value of trade debtors approximates their fair value.

The Crown debtor of \$323.157 million consists of \$47.794 million of capital funding (no GST on capital injection) not drawn down and \$275.363 million of operating funding (GST inclusive) not drawn down as a result of the timing of cash requirements.

The Department does not make loans to employees other than minor salary/travel advances. There were no loans outstanding to related parties.

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, except for doubtful debts, are expected to be realised within 12 months and therefore classified as current.

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

	\$000 Gross	2012 \$000 Impairment	\$000 Net	\$000 Gross	2013 \$000 Impairment	\$000 Net
Not past due	70,775	–	70,775	327,042	–	327,042
Past due 1-30 days	1,130	–	1,130	235	–	235
Past due 31-60 days	763	–	763	94	–	94
Past due 61-90 days	120	–	120	29	–	29
Past due > 90 days	189	(162)	27	333	(71)	262
	72,977	(162)	72,815	327,733	(71)	327,662

As at 30 June 2013 and 2012, 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:

2012 Actual \$000	2013 Actual \$000
77 Balance at 1 July	162
85 Provisions made/released during the year	(91)
<b>162 Balance at 30 June</b>	<b>71</b>

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 2013 the Department has identified one debtor (2012: nil) that is insolvent.

## NOTE 10: INVENTORIES

2012 Actual \$000	2013 Actual \$000
4,486 Inventory held for the provision of goods and services	3,719
486 Finished goods	586
<b>4,972 Total inventories</b>	<b>4,305</b>

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.

The Department classifies inventories that are expected to be realised within 12 months as current.



## NOTE 11: INVESTMENTS

2012 Actual \$000	2013 Actual \$000
<b>Non-current portion</b>	
5,560 Investments	8,837
<b>5,560 Total investments</b>	<b>8,837</b>

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 total comprehensive income.

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

## NOTE 12: PROPERTY, PLANT AND EQUIPMENT

An independent valuer, Darroch Valuations, performed the most recent valuation of freehold land and buildings and the valuation was effective as at 30 June 2011. K Stewart FPINZ FNZIV certified this valuation.

The total fair value of freehold land and buildings valued by Darroch Valuations at 30 June 2011 totalled \$1,990 million.

Some of the land holdings of the Department are subject to general Treaty of Waitangi claims. No reduction in value has been recognised in these financial statements but there may be restrictions on the Department disposing of the holdings except under Treaty claims procedures.

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.

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 \$7.970 million (2012: \$8.857 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 for the delivery of a new men's prison at Wiri 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, operation and ownership 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 when 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.

	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
<b>Cost or valuation</b>									
Balance 1 July 2011	216,108	1,774,327	12,567	48,457	6,901	48,018	46,085	73,915	2,226,378
Additions	-	12,282	1,403	2,918	336	1,427	7,163	31,383	56,912
Revaluation increase/(decrease)	(2,803)	(23,053)	-	-	-	-	-	-	(25,856)
Disposals	(859)	(1,168)	(465)	(3,435)	(736)	(4,009)	(5,677)	-	(16,349)
Transfers	-	33,163	8,126	1,543	-	257	277	(43,366)	-
<b>Cost or valuation at 30 June 2012</b>	<b>212,446</b>	<b>1,795,551</b>	<b>21,631</b>	<b>49,483</b>	<b>6,501</b>	<b>45,693</b>	<b>47,848</b>	<b>61,932</b>	<b>2,241,085</b>
<b>Add: Movements</b>									
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)
<b>Cost or valuation at 30 June 2013</b>	<b>206,598</b>	<b>1,816,410</b>	<b>29,018</b>	<b>49,772</b>	<b>6,515</b>	<b>47,541</b>	<b>47,481</b>	<b>110,810</b>	<b>2,314,145</b>
<b>Accumulated depreciation and impairment losses</b>									
Balance 1 July 2011	-	-	(5,305)	(30,387)	(6,171)	(36,969)	(24,700)	-	(103,532)
Depreciation expense	-	(116,972)	(3,497)	(4,561)	(526)	(5,393)	(4,727)	-	(135,676)
Disposals	-	1,406	453	3,041	744	3,998	4,780	-	14,422
Transfers	-	(28)	78	(40)	-	-	(10)	-	-
Impairment losses	-	(838)	-	-	-	-	-	-	(838)

	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
<b>Accumulated depreciation and impairment losses at 30 June 2012</b>	-	(116,432)	(8,271)	(31,947)	(5,953)	(38,364)	(24,657)	-	(225,624)
<b>Add: Movements</b>									
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
<b>Accumulated depreciation and impairment losses at 30 June 2013</b>	-	(206,876)	(11,896)	(33,887)	(6,096)	(41,615)	(27,120)	-	(327,490)
<b>Carry amounts per asset class</b>									
At 30 June 2012	212,446	1,679,119	13,360	17,536	548	7,329	23,191	61,932	2,015,461
At 30 June 2013	206,598	1,609,534	17,122	15,885	419	5,926	20,361	110,810	1,986,655

\* Transfers refer to movements between assets under construction and property, plant and equipment.

## NOTE 13: INTANGIBLE ASSETS

	Acquired Software \$000	Internally Generated Software \$000	Asset Under Construction \$000	Total Intangible Assets \$000
<b>Cost or valuation</b>				
Balance 1 July 2011	39,808	58,472	5,821	104,101
Additions	3,154	1,830	18,762	23,746
Disposals	(19,764)	(13,140)	–	(32,904)
Transfers	518	4,137	(4,655)	–
<b>Cost or valuation at 30 June 2012</b>	<b>23,716</b>	<b>51,299</b>	<b>19,928</b>	<b>94,943</b>
<b>Add: Movements</b>				
Additions	411	693	19,026	20,130
Disposals	–	–	(688)	(688)
Transfers	832	4,414	(5,246)	–
<b>Cost or valuation at 30 June 2013</b>	<b>24,959</b>	<b>56,406</b>	<b>33,020</b>	<b>114,385</b>
<b>Accumulated depreciation and impairment losses</b>				
Balance 1 July 2011	(33,299)	(38,128)	–	(71,427)
Amortisation expense	(3,130)	(5,499)	–	(8,629)
Disposals	19,753	13,202	–	32,955
<b>Accumulated depreciation and impairment losses at 30 June 2012</b>	<b>(16,676)</b>	<b>(30,425)</b>	<b>–</b>	<b>(47,101)</b>
<b>Add: Movements</b>				
Amortisation expense	(3,131)	(5,553)	–	(8,684)
<b>Accumulated depreciation and impairment losses at 30 June 2013</b>	<b>(19,807)</b>	<b>(35,978)</b>	<b>–</b>	<b>(55,785)</b>
<b>Carrying amounts</b>				
<b>At 30 June 2012</b>	<b>7,040</b>	<b>20,874</b>	<b>19,928</b>	<b>47,842</b>
<b>At 30 June 2013</b>	<b>5,152</b>	<b>20,428</b>	<b>33,020</b>	<b>58,600</b>

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 14: BIOLOGICAL ASSETS

	Forests	Livestock	Total Biological Assets
	\$000	\$000	\$000
<b>Cost or valuation</b>			
Balance at 1 July 2012	32,408	12,850	45,258
Purchases	–	279	279
Net gain/(loss) due to; regeneration, maturation, and changes in unit values	12,038	4,798	16,836
Sales/harvest	(7,082)	(6,663)	(13,745)
<b>Cost or valuation at 30 June 2013</b>	<b>37,364</b>	<b>11,264</b>	<b>48,628</b>
<b>Net change</b>	<b>4,956</b>	<b>(1,586)</b>	<b>3,370</b>
Change due to movement in quantity	2,330	(449)	1,881
Change due to movement in fair value	2,626	(1,137)	1,489
<b>Carrying amounts</b>			
<b>At 30 June 2012</b>	<b>32,408</b>	<b>12,850</b>	<b>45,258</b>
<b>At 30 June 2013</b>	<b>37,364</b>	<b>11,264</b>	<b>48,628</b>

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 forestland 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
	<b>Total legal area</b>	<b>5,844ha</b>

The valuation of forests was undertaken by an independent registered valuer, PF Olsen and Company Limited, on 30 June 2013. 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 percent (2012: 7 percent) 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 3 percent (2012: 3 percent) 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 2013, livestock on hand comprised 15,847 sheep (2012: 16,550); 1,388 beef cattle (2012: 1,935); 4,499 dairy cattle (2012: 4,377); 3,006 deer (2012: 2,833) and 7,507 pigs (2012: 7,092).

The valuation of livestock is based on the active market price and was undertaken by various independent livestock valuers.

## 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 15: CREDITORS AND OTHER PAYABLES

2012 Actual \$000		2013 Actual \$000
<b>CURRENT PORTION</b>		
23,608	Trade creditors	26,414
49,929	Accrued expenditure	57,720
9,101	GST payable	10,881
<b>82,638</b>	<b>Total creditors and other payables</b>	<b>95,015</b>

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 16: EMPLOYEE ENTITLEMENTS

2012 Actual \$000		2013 Actual \$000
<b>Current liabilities</b>		
21,245	Retirement and long service leave	22,001
45,911	Annual leave	48,270
897	Sick leave	1,996
<b>68,053</b>	<b>Total current portion</b>	<b>72,267</b>
<b>Non-current liabilities</b>		
15,119	Retirement and long service leave	13,654
<b>15,119</b>	<b>Total non-current portion</b>	<b>13,654</b>
<b>83,172</b>	<b>Total provision for employee entitlements</b>	<b>85,921</b>

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, conducted the revaluation of long service leave and retirement leave as at 30 June 2013. Aon New Zealand revalues the Department's non-current employment entitlements on a quarterly basis.

The major assumptions used in the 30 June 2013 valuation are that future salary growth rates are 3 percent (2012: 3 percent) per annum and discount rates ranged from 2.71 to 5.50 percent (2012: 2.43 percent to 4.29 percent) 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 17: PROVISIONS

2012 Total Provisions Actual \$000		2013 Restructuring Actual \$000	2013 Employee Accidents Actual \$000	2013 Total Provisions Actual \$000
<b>Current provisions</b>				
7,775	Balance at 1 July	11,649	8,046	19,695
19,695	Additional provisions made during the year	–	184	184
(7,775)	Charged against provision for the year	(10,197)	–	(10,197)
<b>19,695</b>	<b>Current provisions</b>	<b>1,452</b>	<b>8,230</b>	<b>9,682</b>
–	<b>Non-current provisions</b>	–	–	–
<b>19,695</b>	<b>Total provisions</b>	<b>1,452</b>	<b>8,230</b>	<b>9,682</b>

## EMPLOYEE ACCIDENTS

The provision relates to the estimation of the outstanding claims liability under the ACC Partnership Programme and ACC levies:

2012 Actual \$000		2013 Actual \$000
4,300	Outstanding claims liability	5,203
3,746	Outstanding ACC levies provision	3,027
<b>8,046</b>	<b>Total outstanding claims liability and ACC levies</b>	<b>8,230</b>

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 2013. The actuary attested that he was satisfied as to the nature, sufficiency and accuracy of the data used at the time that the estimate was calculated. However, additional information was received, subsequent to the valuation, that required an adjustment to the estimated outstanding claims liability. The estimated claims liability at 30 June is \$5.203 million (2012: \$4.300 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 12.00 percent (2012: 12.80 percent) would be added by ACC.

The estimated ACCPP outstanding claims liability as at 30 June 2013 included a provision for future claims handling expenses of 10 percent (2012: 10 percent) of expected future claims costs.

The Department has one very large open claim which has no precedent in the Department's ACCPP experience. As such, the triangulation method used will not include any provision for future payments of this magnitude and a specific provision was made for this claim.

## Health and safety

The Department manages the risk of employee accidents by promoting a safe and healthy working environment. Specifically the Department:

- > implements and monitors health and safety policies
- > provides induction training on health and safety
- > identifies work place hazards and implements appropriate safety procedures
- > actively manages work place injuries to ensure employees return to work as soon as practical
- > records and monitors work place injuries and near misses to identify risk areas; and
- > implements mitigating actions.

## NOTE 18: TAXPAYERS' FUNDS

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

2012 Actual \$000		2013 Actual \$000	2013 Main Estimates \$000	2013 Supp. Estimates \$000
<b>GENERAL FUNDS</b>				
1,676,035	Balance at 1 July	1,755,069	1,761,080	1,755,069
2,816	Net operating surplus/(deficit)	25,516	–	–
95,965	Capital contribution from the Crown	–	19,500	–
(10,920)	Capital returned to the Crown	(6,190)	–	(3,350)
87,861	Total movement in general funds	19,326	19,500	(3,350)
(8,827)	Provision for repayment of surplus to the Crown	(20,663)	–	–
<b>1,755,069</b>	<b>Balance at 30 June</b>	<b>1,753,732</b>	<b>1,780,580</b>	<b>1,751,719</b>
<b>REVALUATION RESERVES</b>				
583,325	Balance at 1 July	557,469	583,325	557,469
(25,856)	Revaluation gains/(losses)	(18,623)	–	(869)
<b>557,469</b>	<b>Balance at 30 June</b>	<b>538,846</b>	<b>583,325</b>	<b>556,600</b>
<b>FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE</b>				
2,267	Balance at 1 July	2,267	2,267	2,267
–	Revaluation gains/(losses)	–	–	–
–	Net write-back of revaluation gains/(losses)	–	–	–
<b>2,267</b>	<b>Balance at 30 June</b>	<b>2,267</b>	<b>2,267</b>	<b>2,267</b>
<b>559,736</b>	<b>Revaluation total</b>	<b>541,113</b>	<b>585,592</b>	<b>558,867</b>
<b>2,314,805</b>	<b>Total taxpayers' funds at 30 June</b>	<b>2,294,845</b>	<b>2,366,172</b>	<b>2,310,586</b>

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.



## REVALUATION RESERVES

2012 Actual \$000		2013 Actual \$000
	<b>Asset Revaluation Reserve</b>	
	<b>Land</b>	
138,052	Revaluation reserves at 1 July	135,249
(2,803)	Revaluation gains/(losses)	22
135,249	Revaluation reserves at 30 June	135,271
	<b>Buildings</b>	
445,273	Asset revaluation reserves at 1 July	422,220
(23,053)	Revaluation gains/(losses)	(18,645)
422,220	Asset revaluation reserves at 30 June	403,575
557,469	Total Asset revaluation reserves at 30 June	538,846
	<b>Fair Value Through Equity Reserve</b>	
2,267	Asset revaluation reserves at 1 July	2,267
2,267	Asset revaluation reserves at 30 June	2,267
559,736	Asset revaluation reserves at 30 June	541,113

## NOTE 19: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

2012 Actual		2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000		\$000	\$000	\$000
2,816	<b>Net surplus/(deficit) before other comprehensive income</b>	25,516	–	–
	Add/(less) non-cash items			
144,304	Depreciation and amortisation	124,310	138,512	126,836
3,011	Non-current employee entitlements	(1,465)	–	–
6,011	Biological assets revaluation loss/(gain)			
	Other non-cash items	–	–	–
<b>153,326</b>	<b>Total non-cash items</b>	<b>122,845</b>	<b>138,512</b>	<b>126,836</b>
	<b>(Increase)/Decrease in Working capital</b>			
(23,675)	Debtors and other receivables	(253,949)	2,491	(99,162)
499	Inventories	667	–	(1,259)
(251)	Prepayments	(2,851)	–	–
(9,653)	Creditors and other payables	10,773	99	(7,469)
11,920	Provisions	(11,465)	–	(11,916)
1,629	Current employee entitlements	4,214	–	–
<b>(19,531)</b>	<b>Working capital movements – net</b>	<b>(252,611)</b>	<b>2,590</b>	<b>(119,806)</b>
	<b>Add/(less) items classified as investing or financing activities</b>			
–	Dividends	–	–	–
(1,922)	Biological assets revaluation loss/(gain)	(1,489)	–	–
–	Fair value loss/(gain) on shares	(3,364)	–	–
942	Net loss/(gain) on sale or disposal of property, plant and equipment	1,263	–	–
<b>(980)</b>	<b>Total investing activity items</b>	<b>(3,590)</b>	<b>–</b>	<b>–</b>
<b>135,631</b>	<b>Net cash flow from operating activities</b>	<b>(107,840)</b>	<b>141,102</b>	<b>7,030</b>

## NOTE 20: CONTINGENCIES

Contingent liabilities and assets are separately disclosed in the Statement of Contingent Liabilities and Assets.

## NOTE 21: 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 2012/13 fiscal year:

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

- > engineering supplies were purchased from Vulcan Steel. A shareholder/director of the company is the brother of a member of the Department's Executive Leadership Team. Purchases during the year totalled \$0.189 million (2012: \$0.034 million). There is a balance of \$0.003 million (2012 \$0.0004 million) outstanding at year end;
- > legal services were purchased from Minter Ellison Rudd Watts. A partner of this legal firm is the brother of a member of the Department's Executive Leadership Team. He was not involved in providing any advice to the Department. Purchases during the year totalled \$0.131 million (2012: \$0.459 million). There is a balance of \$0.022 million (2012 \$0.032 million) outstanding at year end.

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 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 2013.

The personnel compensation relating to key management personnel is not disclosed as part of the related party disclosure note. Remuneration applicable to key management personnel is disclosed as part of the Key Management Personnel Compensation note.

## NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Currently key management personnel include the Chief Executive, the Deputy Chief Executive, the National Commissioner (2012:nil) and three General Managers (2012:seven).

2012 Actual \$000		2013 Actual \$000
2,685	Salary and other short term benefits	2,469
98	Other long-term benefits	54
–	Termination benefits	185
<b>2,783</b>	<b>Total key management personnel compensation</b>	<b>2,708</b>

## NOTE 23: POST-BALANCE DATE EVENTS

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

## NOTE 24: 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 and trade creditors.

### 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:

	Total	Quoted market price	Valuation technique – market observable inputs	Valuation technique – non-market observable inputs
	\$000	\$000	\$000	\$000
<b>As at 30 June 2013</b>				
<b>Local currency financial assets</b>				
Cash and cash equivalents	123,192	123,192	–	–
Investments	8,837	8,837	–	–
<b>Total local currency financial assets</b>	<b>132,029</b>	<b>132,029</b>	<b>–</b>	<b>–</b>
<b>As at 30 June 2013</b>				
<b>Local currency financial assets</b>				
Cash and cash equivalents	315,816	315,816	–	–
Investments	5,560	5,258	302	–
<b>Total local currency financial assets</b>	<b>321,376</b>	<b>321,074</b>	<b>302</b>	<b>–</b>

### 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.

## 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.

Under Section 46 of the Public Finance Act 1989, the Department cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, the Department has no interest bearing financial instruments and therefore has no exposure to interest rate risk.

## 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 7), prepayments (note 8), debtors and other receivables (note 9) 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.

2012 Actual \$000		2013 Actual \$000
<b>Counterparties with credit ratings</b>		
<b>Cash and cash equivalents</b>		
315,815	AA	123,192
<b>315,815</b>	<b>Total cash and cash equivalents</b>	<b>123,192</b>
<b>Investments</b>		
5,220	A+	8,837
340	Non-rated	–
<b>5,560</b>	<b>Total investments</b>	<b>8,837</b>
<b>Counterparties without credit ratings</b>		
<b>Debtors and other receivables</b>		
72,814	Existing counterparty with no defaults in the past	327,662
<b>72,814</b>	<b>Total debtors and other receivables</b>	<b>327,662</b>
<b>Prepayments</b>		
2,043	Existing counterparty with no defaults in the past	4,894
<b>2,043</b>	<b>Total prepayments</b>	<b>4,894</b>

## LIQUIDITY RISK

Liquidity risk is the risk that the Department will encounter difficulty raising liquid funds to meet commitments as they fall due.

## MANAGEMENT OF LIQUIDITY RISK

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.

2012 Actual \$000	2013 Actual \$000
<b>Creditors and other payables (note 15)</b>	
82,638 Less than six months	95,015
<b>82,638</b>	<b>95,015</b>

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

## SENSITIVITY ANALYSIS

The Department does not have interest bearing assets or liabilities, nor does the Department deal in foreign currency.

<b>Cash and Cash Equivalents:</b>	No cash or cash equivalents earn interest, nor are they held in any term deposits.
<b>Bank Overdraft:</b>	The Department has no bank overdraft.
<b>Secured Loans:</b>	The Department has no secured loans.
<b>Derivatives Held for Trading and Hedge Accounting:</b>	The Department has no derivatives held for trading and does not engage in hedging activities.
<b>Creditors and Other Payables:</b>	The Department holds no significant creditors or other payables that are affected by foreign exchange rate movements.

## CATEGORIES OF FINANCIAL INSTRUMENTS

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

2012 Actual \$000	2013 Actual \$000
<b>FINANCIAL ASSETS</b>	
<b>Loans and receivables</b>	
315,816 Cash and cash equivalents (note 7)	123,192
72,815 Debtors and other receivables (note 9)	327,662
<b>388,631 Total cash and receivables</b>	<b>450,854</b>
<b>Fair value through total comprehensive income</b>	
5,560 Investments (note 11)	8,837
<b>5,560 Total investments</b>	<b>8,837</b>
<b>394,191 Total financial assets</b>	<b>459,691</b>
<b>FINANCIAL LIABILITIES</b>	
<b>Measured at amortised cost</b>	
82,638 Creditors and other payables (note 15)	95,015
<b>82,638 Total financial liabilities</b>	<b>95,015</b>

## NOTE 25: 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 26: 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 2012/13 Main and Supplementary Estimates are as follows:

Crown revenue was lower than Main Estimates due to funding from 2012/13 being transferred to the 2013/14 year. As part of the Department's Expenditure Review, savings have been generated from initiatives, specifically the reconfiguration of prison assets, realignment of national office and regional organisational structures, and improved efficiencies of corporate services. The transfer of these efficiency savings will enable the Department to meet cost pressures in 2013/14.

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

Personnel costs were lower than the Main and Supplementary Estimates because the Department carried vacancies throughout the year and due to the release of provision.

Operating costs were higher than the Main Estimates mostly due to an increase in rehabilitation and reintegration activities for offenders.

Cash was lower than the Main and Supplementary Estimates due to the reprioritisation of capital projects and deferred operating funding. As a consequence Crown Debtors was higher than the Main and Supplementary Estimates.

Physical assets and intangible assets were lower than the Main and Supplementary Estimates as a result of the reprioritisation of capital projects.

### SCHEDULE OF NON-DEPARTMENTAL EXPENSES FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual	2013 Actual	2013 Main Estimates	2013 Supp. Estimates
\$000	\$000	\$000	\$000
<b>Expenditure</b>			
150 Property development related costs	–	–	–
<b>150 Total non-departmental expenditure</b>	<b>–</b>	<b>–</b>	<b>–</b>

The schedule of non-departmental expenses shows expenditure managed by the Department on behalf of the Crown.

The creation of this appropriation was in relation to the development of the Mt Eden Corrections Facility. This was a single year appropriation for 2011/12 only.





# APPENDICES

Appendix one: Recidivism index	96
Appendix two: Information on rehabilitation quotient	100
Appendix three: Report under Section 190 of the <i>Corrections Act 2004</i> and Section 15A of the <i>Parole Act 2002</i>	101



## APPENDIX ONE: RECIDIVISM INDEX

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

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
<b>All (2011/12)</b>		26.7	44.2	4.4	26.8
<b>Gender</b>	Female	16.8	35.0	1.9	19.9
	Male	27.9	45.3	5.1	28.7
<b>Ethnicity</b>	Māori	30.1	48.4	5.7	31.3
	European	23.2	40.1	3.7	25.0
	Pacific	23.6	40.3	4.2	25.7
	Other (incl. Asian)	10.7	18.6	2.2	18.7
<b>Age</b> (at Prison release or start of Community sentence)	<20 years	45.5	69.1	6.0	40.5
	20-24 years	31.2	52.4	4.7	30.8
	25-29 years	31.4	51.0	4.8	26.1
	30-39 years	24.5	41.3	4.7	24.7
	40 and above	16.0	27.4	2.6	16.1
<b>Gang Affiliate</b>	Yes	40.8	57.9	16.5	52.2
	No	20.5	38.2	3.2	24.3
<b>Offence Group</b> (Most serious for original sentence)	Dishonesty	37.0	57.7	6.7	35.9
	Property Damage/Abuses	30.1	48.5	7.2	36.0
	Admin	42.6	57.0	11.4	34.7
	Violence	26.7	43.7	4.7	27.7
	Traffic	15.0	33.8	2.5	21.9
	Drug & Anti-social	18.6	33.8	4.6	25.3
	Sexual	12.6	17.8	4.1	13.3
	Other Minor Offences	20.7	39.2	3.4	22.4
<b>Offence Type</b> (Most serious for original sentence)	Car Conversion	45.9	70.7	9.4	43.6
	Theft	37.6	63.3	7.2	39.5
	Burglary	38.1	58.4	7.3	39.1
	Fraud	21.2	32.5	2.8	16.7
	Intimidation and Threats	35.9	59.8	6.4	34.4
	Robbery	28.1	43.0	5.0	25.0
	Assaults	26.3	43.7	4.4	26.5
	Homicide	4.7	10.6	20.0	40.0
	Disqualified Driving	21.3	46.0	5.2	31.8
	Drink Driving	9.6	24.9	1.5	17.7
	Family Offences	36.8	56.5	9.6	37.2
	Drugs (Not Cannabis)	12.9	25.8	4.6	23.9
	Drugs (Cannabis Only)	12.3	28.3	2.7	19.8
	Sexual (Other)	21.1	27.1	4.4	15.2
	Sexual (Child Sex)	7.3	11.8	3.7	10.7

		Released from prison		Beginning community sentence	
Category	Group	Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
All (2011/12)		26.7	44.2	4.4	26.8
Community Sentence	Community Work	n/a	n/a	4.6	28.1
	Supervision	n/a	n/a	4.7	24.3
	Intensive Supervision	n/a	n/a	6.4	33.6
	Community Detention	n/a	n/a	1.4	24.0
	Home Detention Sentence	n/a	n/a	5.2	20.4
Prisoner Security Classification (at Release)	Maximum	64.1	84.6	n/a	n/a
	High	44.1	65.1	n/a	n/a
	Low Medium	35.6	55.2	n/a	n/a
	Low	21.0	38.7	n/a	n/a
	Minimum	10.3	21.0	n/a	n/a
Release Type	Parole	18.3	28.0	n/a	n/a
	Post-release Conditions	28.6	49.2	n/a	n/a
Sentence Length	6 mth or less	31.2	51.5	4.3	27.2
	> 6mth but <= 1 yr	27.9	48.2	5.1	24.6
	> 1 to 2 yr	25.4	42.8	6.5	32.0
	> 2 to 3 yr	19.8	32.0	n/a	n/a
	> 3 to 5 yr	18.6	26.5	n/a	n/a
	> 5 yr	11.4	15.9	n/a	n/a
All (2010/2011)		27.0	43.3	4.8	28.4
All (2011/2012)		26.7	44.2	4.4	26.8

**RECIDIVISM INDEX – 24-MONTHS FOLLOW-UP (PERCENTAGES) FOR 2009/10**

Category	Group	Released from prison		Beginning community sentence	
		Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
<b>All (2011/12)</b>		37.3	58.8	7.2	40.8
<b>Gender</b>	Female	25.3	48.9	3.8	31.0
	Male	38.7	59.9	8.1	43.4
<b>Ethnicity</b>	Māori	41.8	63.5	9.2	46.9
	European	32.8	53.5	6.2	39.0
	Pacific	30.7	54.9	6.1	37.3
	Other (incl. Asian)	21.8	36.1	3.9	32.2
<b>Age</b> (at Prison release or start of Community sentence)	<20 years	53.3	78.2	8.3	55.5
	20-24 years	43.1	69.0	7.7	45.8
	25-29 years	42.2	64.8	7.8	41.7
	30-39 years	36.4	57.7	7.7	37.9
	40 and above	23.3	38.5	4.8	25.4
<b>Gang Affiliate</b>	Yes	57.8	77.4	24.9	71.2
	No	29.0	51.2	5.5	37.9
<b>Offence Group</b> (Most serious for original sentence)	Dishonesty	53.1	75.2	10.6	51.6
	Property Damage/Abuses	35.6	61.4	9.6	48.7
	Admin	55.2	73.1	15.9	45.8
	Violence	36.8	58.2	7.5	42.8
	Traffic	22.1	46.2	4.8	35.2
	Drug & Anti-social	28.4	46.0	7.6	38.4
	Sexual	14.5	24.1	3.9	20.6
	Other Minor Offences	27.0	54.9	5.3	35.0
<b>Offence Type</b> (Most serious for original sentence)	Car Conversion	65.7	83.8	13.0	63.4
	Theft	48.2	72.3	11.4	57.0
	Burglary	55.8	79.3	11.8	55.5
	Fraud	36.2	50.6	5.5	27.2
	Intimidation and Threats	49.6	68.6	10.6	48.9
	Robbery	36.8	58.3	7.6	42.2
	Assaults	36.6	59.7	6.9	41.7
	Homicide	14.1	16.5	11.8	17.6
	Disqualified Driving	31.0	58.7	8.1	46.7
	Drink Driving	14.4	36.1	3.3	29.9
	Family Offences	58.0	71.6	15.0	54.2
	Drugs (Not Cannabis)	21.7	34.8	6.8	34.2
	Drugs (Cannabis Only)	19.9	40.6	5.4	32.8
	Sexual (Other)	20.7	32.6	5.1	21.2
	Sexual (Child Sex)	9.3	16.7	2.2	19.6

		Released from prison		Beginning community sentence	
Category	Group	Re-imprisoned	Reconvicted	Imprisoned	Reconvicted
All (2011/12)		37.3	58.8	7.2	40.8
Community Sentence	Community Work	n/a	n/a	7.3	41.5
	Supervision	n/a	n/a	7.9	38.7
	Intensive Supervision	n/a	n/a	10.0	51.2
	Community Detention	n/a	n/a	2.5	38.0
	Home Detention Sentence	n/a	n/a	9.0	35.9
Prisoner Security Classification (at Release)	Maximum	75.0	87.5	n/a	n/a
	High	60.6	80.1	n/a	n/a
	Low Medium	47.2	71.3	n/a	n/a
	Low	30.6	54.9	n/a	n/a
	Minimum	16.3	32.8	n/a	n/a
Release Type	Parole	27.3	42.4	n/a	n/a
	Post-release Conditions	41.1	64.8	n/a	n/a
Sentence Length	6 mth or less	41.9	65.6	6.9	40.9
	> 6mth but <= 1 yr	37.7	61.3	8.2	39.7
	> 1 to 2 yr	38.9	59.8	11.5	50.1
	> 2 to 3 yr	27.9	45.2	n/a	n/a
	> 3 to 5 yr	25.9	39.5	n/a	n/a
	> 5 yr	20.6	32.7	n/a	n/a
All (2010/2011)		37.0	59.9	7.7	43.1
All (2011/2012)		37.3	58.8	7.2	40.8

## APPENDIX TWO: INFORMATION ON REHABILITATION QUOTIENT

The Department's Rehabilitation Quotient (RQ) measures the impact of the major rehabilitative programmes. RQ shows the extent to which re-offending is reduced by comparing rates of reconviction and re-imprisonment, 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).

RQ scores are calculated separately for programmes delivered in prison and in the community. The cohort of prisoners are those released in the 12 months ending 31 March 2012, and we analyse their re-offending for the 12 month period following their release. The cohort of community offenders are those who commenced a community sentence in the 12 months ending 31 March 2012, and we measure their re-offending for the 12 months following completion of the programme.

The figures represent percentage point changes in the rates of re-imprisonment or reconviction of treated offenders compared to equivalent 'untreated' offender groups. A re-imprisonment score of -10.0 indicates that the rate of re-imprisonment for 'treated' offenders was 10 percentage points lower than for 'untreated' offenders (for example, 12 percent compared to 22 percent).

'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 '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.

Participation in less intensive programmes with smaller effect sizes may instead enhance the effect sizes of the more intensive rehabilitation programmes (for example, participation in a special treatment unit rehabilitation programme).

## APPENDIX THREE: REPORT UNDER SECTION 190 OF THE *CORRECTIONS ACT 2004* AND SECTION 15A OF THE *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 last year has seen a marked 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 a new 960 bed Public Private Partnership prison in Wiri, South Auckland, Corrections has spent more time working with employers, government agencies and community groups to 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.

Prison Open Days around the country were very well attended by thousands of members of the public, in particular the open days held as part of the closure of Wellington and New Plymouth Prison. This year we closed two of our oldest prisons and several units that were no longer fit-for-purpose. Staff, local councils and communities were consulted as part of this process. We also opened new service centres in several centres, including Kapiti, Papakura and Napier. Community engagement is carried out ahead of any construction.

This year saw the closure of the Faith Based Unit at Rimutaka Prison as part of a move to a new rehabilitation model. Our relationship with Prison Fellowship New Zealand (PFNZ) remains strong, with a new agreement between our organisations and new programmes that give prisoners greater access to reintegration services than ever before.

The From Prison Gate to Plate gala dinner prepared by prisoners at Rimutaka Prison 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.

Engagement with whanau, 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 our new Regional Initiative Fund and helped us identify 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 2012 / 2013 PURSUANT TO SECTION 190(1)(B) OF THE *CORRECTIONS ACT 2004*

### Introduction

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

### Complaints to the Inspectors of Corrections

Community-based sentences traditionally generate a very low volume of complaints to the Inspectors. Only 15 were received for the year which is the same number as received for the previous year.

The effective and timely resolution of prisoner complaints is the primary area of focus for Inspector's 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 external agencies or Court action become involved. There were 2144 formal complaints received for the year. This was a decrease of approximately 33 percent on the 2011/2012 year total of 3169.

It should be noted that the Inspectorate had altered the manner in which it handled 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 that 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 11 of the 2144 complaints received in the 2012/2013 year were found to be justified. At 0.51 percent of total complaints this is in my view a very low proportion of the thousands of interactions that occur between the Department and offenders every year. It is also a decrease on the 2011/2012 year which resulted in 1.54 percent of complaints being categorised as justified (49 of the 3169).

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. It was considered that in most cases prison management may not have been given the opportunity to resolve the matter in the first instance. It is anticipated that with the alteration to the Inspectorate complaint handling process, the ratio of justified complaints will rise. It is also assumed that the actual number of justified complaints may 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 (5) related to the management of prisoner's personal property. 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 a property claim.

The Department had completed a comprehensive review of prisoner property and implemented new property handling processes. As was anticipated the number of total complaints related to prisoner property management have decreased by 37 percent with the implementation of the new policy and justified complaints in this category have also reduced from eighteen in the 2011/2012 year to five in the 2012/2013 year.



## 0800 Complaints line

Since 1997, the Inspectorate has operated a 0800 free-call phone line that offenders, and in particular prisoners and their families could use to raise a complaint directly with an Inspector during normal business hours. In 2012/2013 year there were 4664 calls received, of which 1815 generated a formal complaint. The remaining contacts were for general information or clarification of issues.

This facility still generates the vast majority of the contacts prisoners make with the Inspectors every year. While only 1815 of these contacts resulted in formal complaints during 2012/2013, 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 ten prisoner deaths in custody (seven assumed natural causes, three assumed suicide). This is a decrease of 24 percent on the 13 deaths investigated for 2011/2012. 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. Three further investigations of serious incidents in prisons have also been undertaken at the direction of the Chief Executive.

In the interests of transparency, the Inspectors have also continued to monitor the conduct and outcome of a number of internal prison investigations into prisoner's allegations of assault/abuse by staff. Twenty-four such monitoring reviews were carried out during the year, with only two cases being substantiated with disciplinary action being taken against the staff involved. This represents a decrease of 43 percent on 2011/2012 when 42 monitoring reviews were conducted.

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 proposed change to the Inspectorate work plan for the 2013/2014 year has been approved which will see the Inspectorate conducting thematic reviews of various aspects of prison operations using the Healthy Prison Standards, as developed and used by other international jurisdictions.

## 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, as highlighted with the recent serious incident at Springhill Corrections Facility. Incidents are a fact of prison life in particular, and no jurisdiction in the world has developed an effective immunity to them. When they occur, incidents provide an easy target for criticism, generalisation and sensationalism.

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 will 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.

## 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<sup>13</sup> 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 protect victims and 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.

Telecom New Zealand provide standard payphones for prisoner use in units across all prisons. Prisoners can purchase phone cards to pay for their calls through the prisoner canteen system, or they can be posted to the prisoner by family members and friends. All calls are recorded and monitored on a 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 control centre – which restricts the calls that prisoners are able to make. Only ten numbers are able to be loaded onto the prisoners "approved calling" list. This is to prevent criminal activity or harassment of victims, or members of the public, from within the prison. All numbers are verified by prison staff and permission sought from the call recipient before the number is approved.

In 2012/13, the cost of calls made from payphones became cheaper due to changes in Telecom's pricing strategy. This increased the number of calls made by prisoners in 2011/12, as well as the number of calls that were monitored (approximately 62,500 – up from 59,305 from the previous year). Ninety percent of these monitored calls produced valuable information to support the prevention and reduction of crime – up from 81 percent in 2011/12.

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, 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.**

New interventions have been introduced in our prisons, and more of our staff have been provided with skills and resources to rehabilitate prisoners. We have also made changes to the *Corrections Amendment Act* which apply to the rules around water loading (where prisoners drink a lot of water to intentionally dilute their urine samples when they are being tested for drugs).

To reduce drug and alcohol use by offenders in the community, our probation officers are delivering effective brief interventions to offenders with identified need subject to community-based sentences and orders.

The effectiveness of our prison-based interventions has been significantly improved through the introduction of a new screening tool to better identify alcohol and drug issues in prisoners and help staff determine which interventions will be needed. The number of positive random drug tests has been falling dramatically since 2008/9 and has remained at four percent for the last two years.

<sup>13</sup> Telephone monitoring was progressively introduced throughout prisons in 2008. Every prison payphone in New Zealand now has phone monitoring facilities.

## 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 97 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.

### **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 was one reported incident 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 was one reported incident 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 were no reported incidents involving self-inflicted injuries to prisoners while in the custody of security officers employed by the Contractor.

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

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

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

A total of 43,769 searches were recorded by security officers employed by the Contractor during the reporting year. This included 12 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 second year of operation the site has seen over 20,000 movements through the receiving office, and over 1,000 inter-prison transfers.

Serco's performance in the second 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. This year Serco published their 2013-2015 Strategic Plan for MECF, which highlights their commitment to supporting the Department's Creating Lasting Change strategy.

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 80 percent of their performance measured against these is consistent, most of the missed targets have 100 percent compliance requirements. Where appropriate the Department has issued performance notices in relation to the missed targets.

Serco are also measured against 14 key performance indicators, which provide a financial incentive for Serco to exceed baseline performance in some key areas. Serco have achieved 13 of the 14 key performance indicators.

Serco's results in the Department's Prison Performance Table have seen them move from a rating of "effective" in the first quarter of 2012/13 to "exceeding" in both the second and third quarters during the fourth quarter Serco have progressed to an "exceptional" rating.

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 2012/2013, 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 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 proposals The Department, has agreed in principal to pilot at MECF. These will be closely monitored and if successful, adopted by the Department.

Serco commenced the introduction of a Violence Reduction and Safer Custody Strategies. 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 gained registration as a Private Training Establishment which will enable them to train their own Corrections Officers in New Zealand, for the first time.

Ultimately, the success of the contract will be reflected in reduced re-offending. To that end, the contract included a commitment to develop a Key Performance Indicator on recidivism, which is to come into effect from 1 July 2013/14. This new measure is intended to 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. The measure incentivises Serco to reduce re-offending by maximising the amount of time a prisoner spends out of custody.

## 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 offended, 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). The Department 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 2013.

For the financial year ending 30 June 2013 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 165. 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 2013 was 395. The average length of time they were subject to such conditions during the financial year was 4.85 months.

During the year ending 30 June 2013, there were 49 offenders subject to extended supervision with residential restrictions or electronic monitoring. Of those 49 offenders:

- > 8 (16.33%) were convicted of a breach of their electronic monitoring/residential restriction condition
- > 17 (34.69%) were convicted of other offences, including breaches (15 offenders) 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.







Department of Corrections, Mayfair House, 44-52 The Terrace, Wellington  
Phone: (64 4) 460 3000 Fax: (64 4) 460 3263 [www.corrections.govt.nz](http://www.corrections.govt.nz)

New Zealand Government