Financial Statements

Ministry of Social Development Statement of Accounting Policies: Departmental

Reporting entity

The Ministry of Social Development (the Ministry) is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand. The Ministry's ultimate parent is the New Zealand Crown.

The primary objective of the Ministry is to provide services to the public rather than to make a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for financial reporting purposes.

The financial statements of the Ministry are for the year ended 30 June 2015. The financial statements were authorised for issue by the Chief Executive of the Ministry on 25 September 2015.

In addition, the Ministry has reported on Crown activities and trust monies it administers.

Basis of preparation

Statement of compliance

The financial statements of the Ministry 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.

These financial statements have been prepared in accordance with Tier 1 New Zealand Public Benefit Entity (NZ PBE) International Public Sector Accounting Standards (IPSAS).

These financial statements comply with PBE accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. There are no material adjustments arising on transition to the new PBE accounting standards.

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

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.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, and certain financial instruments (including derivative instruments).

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 of the Ministry is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

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

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

There are no standards, amendments and interpretations issued that are not yet effective and have not been early adopted.

Significant accounting policies

The following particular accounting policies, which materially affect the measurement of financial results and financial position, have been applied.

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 ended 30 June 2015, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates, which includes the transfers made under section 26A of the Public Finance Act 1989.

Revenue

The specific accounting policies for significant revenue items are explained below:

Revenue Crown

Revenue from the Crown is measured based on the Ministry's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, the Ministry can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Cost allocation

The Ministry accumulates and allocates costs to Departmental output expenses using a three-staged costing system, outlined below.

The first stage allocates all direct costs to output expenses as and when they are incurred. The second stage accumulates and allocates indirect costs to output expenses based on cost drivers, such as full-time equivalent (FTE) staff and workload information obtained from surveys, which reflect an appropriate measure of resource consumption/use. The third stage accumulates and allocates overhead costs to output expenses based on resource consumption/use where possible, such as the FTE staff ratio, or where an appropriate driver cannot be found then in proportion to the cost charges in the previous two stages.

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

Criteria for direct and indirect costs

Direct costs are costs that vary directly with the level of activity and are causally related to, and readily assignable to, an output expense. Overhead costs are costs that do not vary with the level of activity undertaken. Indirect costs are costs other than direct costs or overhead costs.

For the year ended 30 June 2015, direct costs accounted for 83.6 percent of the Ministry's costs (2014: 86.2 percent).

Expenses

General

Expenses are recognised in the period to which they relate.

Capital charge

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

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine the interest expense for each period.

Foreign currency

Foreign currency transactions (including those for which foreign exchange forward contracts are held) are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Revenue and Expense.

Financial instruments

Financial assets

Cash and cash equivalents includes cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from the date of acquisition.

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that the Ministry will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Financial liabilities

The major financial liability types are creditors and other payables. Both are designated at amortised cost using the effective interest rate method. Financial liabilities entered into with a duration of less than 12 months are recognised at their nominal value.

Property, plant and equipment

Property, plant and equipment consists of land, buildings, furniture and fittings, computer equipment, motor vehicles and plant and equipment.

Property, plant and equipment items are shown at cost or valuation, less accumulated depreciation and impairment losses.

Individual assets, or groups of assets, are capitalised if their cost is greater than $2,000.

Additions

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

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and 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 at the date of acquisition.

Disposals

Gains and losses on disposal are determined by comparing the proceeds of disposal with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Revenue and Expense. When revalued assets are sold, the amounts included in the property, plant and equipment revaluation reserves for those assets are transferred to taxpayers' funds.

Subsequent costs

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

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Asset type	Useful lives	Depreciation rates
Buildings (including components)	10–80 years	1.25–10%
Leasehold improvements	up to 10 years	>10%
Furniture and fittings	3–5 years	20–33%
Computer equipment	3–5 years	20–33%
Motor vehicles	4–5 years	20–25%
Plant and equipment	3–5 years	20–33%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter with a maximum period of 10 years.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Revaluation

Land and buildings are revalued at least every three years to ensure the carrying amount does not differ materially from the fair value. Fair value is determined from market-based evidence by an independent valuer. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure those values are not materially different from fair value. Additions to assets between revaluations are recorded at cost.

Accounting for revaluations

The Ministry accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluations are recorded in the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, the balance is expensed in the Statement of Comprehensive Revenue and Expense. Any subsequent increase in value after revaluation that offsets a previous decrease in value recognised in the Statement of Comprehensive Revenue and Expense will be recognised first in the Statement of Comprehensive Revenue and Expense up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Intangible assets

Software acquisition and development

Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into use.

Costs that are directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset. Direct costs include the costs of materials and services, employee costs and any directly attributable overheads.

Staff training costs are recognised as an expense when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs of software updates or upgrades are only capitalised when they increase the usefulness or value of the software.

Costs associated with development and maintenance of the Ministry's website are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rate of our major class of intangible assets have been estimated as follows:

Asset type	Useful lives	Depreciation rates
Developed computer software	3–8 years	12.5–33%

Impairment of non-financial assets

The Ministry does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash generating assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Intangible assets not yet available for use at the balance date are tested for impairment annually.

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate 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 its value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Ministry would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the Statement of Comprehensive Revenue and Expense.

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

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell.

Impairment losses for write-downs of non-current assets held for sale are recognised in the Statement of Comprehensive Revenue and Expense.

Increases in fair value (less costs to sell) are recognised up to the level of any impairment losses previously recognised.

Non-current assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Income tax

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

Goods and Services Tax (GST)

All items in the financial statements, including the appropriation statements, are stated exclusive of GST except for receivables and payables, which are stated inclusive of GST. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases where the Ministry is the lessee are recognised as assets and liabilities in the Statement of Financial Position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Ministry will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Provisions

The Ministry recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. A provision is recognised when it is probable an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Commitments

Expenses yet to be incurred on non-cancellable contracts entered into on or before balance date are disclosed as commitments to the extent there are equally unperformed obligations.

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

Contingent assets and liabilities

Contingent assets and liabilities are disclosed at the point the contingency is evident.

Employee entitlements

Short-term employee entitlements

Employee entitlements the Ministry 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 annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

The Ministry recognises a liability for sick leave to the extent 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 entitlements that can be carried forward at balance date, to the extent the Ministry anticipates they will be used by staff to cover future absences.

The Ministry recognises a liability and an expense for performance payments where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Entitlements payable beyond 12 months, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

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

Statement of Cash Flows

Cash means cash balances on hand and held in bank accounts.

Operating activities are those activities where the Ministry receives cash from its income sources and makes cash payments for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections or the repayment of capital to the Crown.

Equity

Equity is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers' funds and property revaluation reserves.

Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events 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 discussed below.

Retirement and long service leave

An analysis of the Ministry's exposure to estimates and uncertainties around its retirement and long service leave liability is contained in the notes (refer Note 16).

Fair value of land and buildings

The significant assumptions applied in determining the fair value of land and buildings are disclosed in the notes (refer Note 10).

Useful lives of software

The useful life of software is determined at the time the software is acquired and brought into use and is reviewed at each reporting date for appropriateness. For computer software licences, the useful life represents management's view of the expected period over which the Ministry will receive benefits from the software, but not exceeding the licence term. For internally generated software developed by the Ministry, the life is based on historical experience with similar systems as well as anticipation of future events, which may impact their useful life, such as changes in technology.

Operating and finance leases

Determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Ministry. Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether to include renewal options in the lease term, and an appropriate discount rate to calculate the present value of the minimum lease payments. Classification as a finance lease means the asset is recognised in the Statement of Financial Position as property, plant and equipment. With an operating lease no such asset is recognised.

The Ministry has exercised its judgement on the appropriate classification of leases, and has determined the Ministry has no finance leases.

Critical judgements in applying the Ministry's accounting policies

There were no significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2015.

Ministry of Social Development
Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2015

Actual 2014 $000		NOTES	Actual 2015 $000	Unaudited Budget 2015 $000
	Revenue			
1,253,265	Revenue Crown		1,384,292	1,350,726
7,857	Revenue other	1	7,314	7,167
-	Gain on disposal of fixed assets	2	19	-
1,261,122	**Total revenue**		**1,391,625**	**1,357,893**
	Expenses			
694,973	Personnel costs	3	716,712	697,398
44,251	Depreciation and amortisation expenses	10,11	53,042	58,157
23,422	Capital charge	4	24,706	23,575
486,439	Other operating expenses	5	591,837	578,763
433	Loss on disposal of fixed assets	6	-	-
1,249,518	**Total expenses**		**1,386,297**	**1,357,893**
11,604	**Net surplus/(deficit)**		**5,328**	**-**
	Other comprehensive revenue and expense			
	Item that will not be reclassified to net surplus/(deficit)			
11,069	Gain on property, plant and equipment revaluations		-	-
22,673	**Total comprehensive revenue and expense**		**5,328**	**-**

Explanations of significant variances against the original 2014/2015 budget are detailed in Note 23. Refer to Note 5 for other operating expenses variances.

The Statement of Accounting Policies: Departmental on pages 84 to 89 and Notes 1 to 23 on pages 97 to 114 form part of these financial statements.

Ministry of Social Development Statement of Financial Position

As at 30 June 2015

Actual 2014 $000		NOTES	Actual 2015 $000	Unaudited Budget 2015 $000
	Equity			
261,887	Taxpayers' funds	17	280,097	280,097
46,944	Revaluation reserve	17	46,944	35,875
308,831	**Total equity**		**327,041**	**315,972**
	Assets			
	Current assets			
31,259	Cash and cash equivalents	7	38,590	46,200
18,353	Accounts receivable	8	9,099	11,078
13,960	Prepayments		23,253	13,056
108,859	Crown receivable	9	72,083	45,718
172,431	**Total current assets**		**143,025**	**116,052**
	Non-current assets			
302,813	Property, plant and equipment	10	300,443	333,297
75,925	Intangible assets	11	114,455	52,119
378,738	**Total non-current assets**		**414,898**	**385,416**
551,169	**Total assets**		**557,923**	**501,468**
	Liabilities			
	Current liabilities			
120,411	Accounts payable and accruals	12	108,668	83,248
2,108	Revenue received in advance	13	-	-
11,604	Return of operating surplus to the Crown	14	5,328	-
60,761	Provision for employee entitlements	16	64,523	56,347
6,199	Other provisions	15	6,873	6,142
201,083	**Total current liabilities**		**185,392**	**145,737**
	Non-current liabilities			
41,255	Provision for employee entitlements	16	45,490	39,759
41,255	**Total non-current liabilities**		**45,490**	**39,759**
242,338	**Total liabilities**		**230,882**	**185,496**
308,831	**Net assets**		**327,041**	**315,972**

Explanations of significant variances against the original 2014/2015 budget are detailed in Note 23.

Brendan Boyle
Chief Executive
25 September 2015

Bruce Simpson
Chief Financial Officer
25 September 2015

The Statement of Accounting Policies: Departmental on pages 84 to 89 and Notes 1 to 23 on pages 97 to 114 form part of these financial statements.

Ministry of Social Development Statement of Changes in Equity

For the year ended 30 June 2015

Actual 2014 $000		NOTES	Actual 2015 $000	Unaudited Budget 2015 $000
292,771	**Balance at 1 July**		**308,831**	**297,762**
22,673	Total comprehensive revenue and expense		5,328	-
	Owner transactions			
(11,604)	Return of operating surplus to the Crown	14	(5,328)	-
4,991	Capital injections		18,210	18,210
308,831	**Balance at 30 June**		**327,041**	**315,972**

Explanations of significant variances against the original 2014/2015 budget are detailed in Note 23.

The Statement of Accounting Policies: Departmental on pages 84 to 89 and Notes 1 to 23 on pages 97 to 114 form part of these financial statements.

Ministry of Social Development Statement of Cash Flows

For the year ended 30 June 2015

Actual 2014 $000		NOTES	Actual 2015 $000	Unaudited Budget 2015 $000
	Cash flows from operating activities			
1,237,474	Receipts from Crown revenue		1,421,068	1,386,419
7,869	Receipts from other revenue		10,589	7,167
(472,442)	Payments to suppliers		(594,479)	(637,505)
(685,581)	Payments to employees		(725,544)	(654,116)
(23,422)	Payments for capital charge		(24,706)	(23,575)
938	Goods and services tax (net)		2,983	-
64,836	**Net cash flow from operating activities**	**18**	**89,911**	**78,390**
	Cash flows from investing activities			
1,844	Receipts from sale of property, plant and equipment		1,749	1,800
(24,743)	Purchase of property, plant and equipment		(28,591)	(63,150)
(41,316)	Purchase of intangible assets		(62,344)	(17,040)
(64,215)	**Net cash flow from investing activities**		**(89,186)**	**(78,390)**
	Cash flows from financing activities			
4,991	Capital injections		18,210	18,210
(7,048)	Return of operating surplus		(11,604)	(5,000)
(2,057)	**Net cash flow from financing activities**		**6,606**	**13,210**
(1,436)	Net increase/(decrease) in cash		7,331	13,210
32,695	Cash at the beginning of the year		31,259	32,990
31,259	**Cash at the end of the year**		**38,590**	**46,200**

The goods and services tax (GST) (net) component of operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component is presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

Refer to Note 18 for reconciliation of net surplus/(deficit) to net cash from operating activities. Explanations of significant variances against the original 2014/2015 budget are detailed in Note 23.

The Statement of Accounting Policies: Departmental on pages 84 to 89 and Notes 1 to 23 on pages 97 to 114 form part of these financial statements.

Ministry of Social Development Statement of Trust Monies

For the year ended 30 June 2015

The Ministry operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances as at 30 June are not included in the Ministry's own financial statements.

Actual 2014 $000		Actual 2015 $000
	William Wallace Trust	
410	**Balance at 1 July**	**405**
(57)	Distributions	(69)
52	Revenue	88
405	**Balance at 30 June**	**424**

William Wallace Trust Account

The William Wallace Awards are held by Child, Youth and Family on an annual basis to celebrate the achievements of young people in care. The awards are in the form of scholarship funding for tertiary study or a contribution to vocational and leadership programmes. The Trust was established in May 1995 to hold funds from an estate for the above purpose.

The Statement of Accounting Policies: Departmental on pages 84 to 89 and Notes 1 to 23 on pages 97 to 114 form part of these financial statements.

Ministry of Social Development Statement of Commitments

As at 30 June 2015

Actual 2014 $000		Actual 2015 $000
	Capital commitments	
43,690	Buildings	28,869
43,690	**Total capital commitments**	**28,869**
	Operating commitments	
	Non-cancellable accommodation leases	
38,924	Not later than one year	36,563
87,477	Later than one year and not later than five years	96,963
188,393	Later than five years	165,565
314,794	**Total non-cancellable accommodation leases**	**299,091**
314,794	**Total operating commitments**	**299,091**
358,484	**Total commitments**	**327,960**

The Ministry is currently in discussions with the Ministry of Business, Innovation and Employment to occupy space in the Central Business District of Christchurch from 1 January 2017 with a term of 12 years and annual rent of $1.608 million.

Capital commitments

The Ministry had capital commitments of $28.869 million as at balance date (2014: $43.690 million). This relates to the leasehold improvement costs associated with the relocation of MSD National Office to 56 The Terrace, Wellington from mid-2016.

Non-cancellable accommodation leases

The Ministry has long-term leases on premises, which are subject to regular reviews. The amounts disclosed above as future commitments are based on the current rental rates.

The Operating and Capital commitments for 2014/2015 include the lease commitment for the new MSD National Office based at 56 The Terrace, Wellington.

There are no restrictions placed on the Ministry by any of its leasing arrangements.

In addition to the above costs the Ministry has sub-lease rental recoveries of $0.926 million expected to be received in the following year, 2015/2016 (2014: $0.543 million). Refer to Note 1 for sub-lease rental recoveries for 2014/2015.

The Statement of Accounting Policies: Departmental on pages 84 to 89 and Notes 1 to 23 on pages 97 to 114 form part of these financial statements.

Ministry of Social Development
Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2015

Unquantifiable contingent liabilities

There is legal action against the Crown relating to historical abuse claims. At this stage the number of claimants and the outcomes of these cases are uncertain. The disclosure of an amount for these claims may prejudice the legal proceedings.

Quantifiable contingent liabilities

Actual 2014 $000		Actual 2015 $000
175	Personal grievance claims	200
125	Other claims	1,138
300	**Total contingent liabilities**	**1,338**

Personal grievances

Personal grievance claims represents amounts claimed by employees for personal grievances cases. There are 26 personal grievances claims (2014: 15 personal grievances claims).

Other claims

Other claims represents outstanding grievance claims from our clients for unpaid benefit entitlements and Child, Youth and Family disputes. There are four claims (2014: 3 claims).

Quantifiable contingent assets

Actual 2014 $000		Actual 2015 $000
5,000	Canterbury earthquake claim	5,000
5,000	**Total contingent assets**	**5,000**

The Ministry has an unsettled business interruption insurance claim resulting from the 2010/2011 Christchurch earthquakes (2014: $5 million).

The Statement of Accounting Policies: Departmental on pages 84 to 89 and Notes 1 to 23 on pages 97 to 114 form part of these financial statements.

Ministry of Social Development
Notes to the Financial Statements

Note 1: Revenue other

Actual 2014 $000		Actual 2015 $000
317	Sub-lease rental recoveries	942
7,540	Other recoveries	6,372
7,857	**Total revenue other**	**7,314**

The Ministry received revenue from child support receipts on behalf of children in foster care ($2.105 million), the Property Management Centre of Expertise (PMCoE) property portal ($2.717 million), Christchurch Earthquake Recovery Authority ($0.260 million) and Strengthening Families interagency support ($0.561 million). The Ministry received other revenues ($0.729 million) and revenue from sub-leased premises ($0.942 million).

Note 2: Gain on disposal of fixed assets

Actual 2014 $000		Actual 2015 $000
-	Gain on disposal of fixed assets	19
-	**Total gains**	**19**

During the year, the Ministry disposed of assets including motor vehicles that reached a pre-determined mileage and/or life. The net gain on asset disposals was $0.019 million (2014: nil).

Note 3: Personnel costs

Actual 2014 $000		Actual 2015 $000
656,804	Salaries and wages	676,006
5,910	Increase/(decrease) in employee entitlements	7,997
2,195	Increase/(decrease) in restructuring costs	1,873
18,420	Defined superannuation contribution scheme	19,309
11,644	Other personnel expenses	11,527
694,973	**Total personnel costs**	**716,712**

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined superannuation contribution schemes and are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

Note 4: Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June each financial year. The capital charge rate for the year ended 30 June 2015 was 8 percent (2014: 8 percent).

Note 5: Operating expenses

Actual 2014 $000		Actual 2015 $000
931	Audit fees[36]	932
72,396	Rental, leasing and occupancy costs	71,201
58	Bad debts written off	61
(195)	Impairment of receivables	215
120,216	Client financial plan costs[37]	125,809
60,463	Employment support and subsidies[38]	162,163
27,605	Non-specific client costs[39]	28,861
23,392	Vocational Skills Training	-
32,966	Office operating expenses	46,691
82,088	IT-related operating expenses	68,375
8,237	Travel expenses	8,120
9,808	Consultancy and contractors' fees	18,872
7,954	Professional fees	10,961
40,520	Other operating expenses	49,576
486,439	**Total operating costs**	**591,837**

Major operating expenses actual variances

Employment support and subsidies increased by $101.7 million to $162.163 million in 2014/2015 compared with the prior year mainly due to:

- Improved Employment and Social Outcomes Support MCA (established from 1 January 2014) having a full year of employment support and subsidies operating expenses in 2014/2015 when compared with the prior year ($45.237 million)
- youth support services being a new operating expense in 2014/2015. This was previously funded from the non-departmental output expense, Youth Support Services MCOA, and was transferred to the Improved Employment and Social Outcomes MCA in Budget 2014 ($34.537 million)
- transfer of vocational services and mainstream supported employment programme funding into the Improved Employment and Social Outcomes Support MCA in 2014/2015 ($19.789 million).

36 Audit fees includes statutory audit fees only.

37 Client financial plan costs includes monies paid for the provision of the care and protection of children and young persons, and the provision of programmes and services to support the resolution of behaviour and relationship difficulties. A portion of these costs is used to support statutory processes to promote opportunities for family/whānau, hapū/iwi and family groups to consider care and protection and youth justice issues and to contribute to a decision-making process that often removes the need for court involvement.

38 Employment support and subsidies includes costs related to employment assistance including employment subsidies, training for work, partnership with industry, health interventions and employment placement, job search initiatives and youth services.

39 Non-specific client costs include costs which cannot be attributed to a specific client. It includes costs for maintaining an infrastructure that supports the Ministry to meet its legal and support obligations for the care and protection of children and young persons and the casework resolution process. The costs can be grouped into four main categories:

- Family home costs including bed availability allowances, family home supplies and foster parent resettlement grants
- Residential costs including programmes and client costs
- Costs for Care and Protection resource panels of external advisors mandated by the Children, Young Persons, and Their Families Act 1989 to advise on procedures
- External provider contract costs for specific programmes run by non-government organisations to help children and young people.

Vocational skills training expenses decreased to nil in 2014/2015 due to the transfer of the funding to Vote Tertiary Education and to the non-departmental other expense, Employment Assistance, in August 2013. The Employment Assistance funding was later transferred to the Improved Employment and Social Outcomes Support MCA in 1 January 2014.

Office operating expenses increased by $13.725 million to $46.691 million in 2014/2015 mainly due to increased security costs in the wake of the Ashburton tragedy.

IT-related operating expenses decreased by $13.713 million to $68.375 million in 2014/2015 mainly due to the completion of Welfare Reform and overseas pensions recovery projects in the prior year.

Consultancy and contractors' fees increased by $9.064 million to $18.872 million in 2014/2015 mainly due to:

- work on the Simplification project to review service delivery process, policies and systems
- Child, Youth and Family modernisation project
- valuation of the benefit system
- security review.

Note 6: Loss on disposal of fixed assets

Actual 2014 $000		Actual 2015 $000
433	Loss on disposal of fixed assets	-
433	**Total losses**	**-**

During the year, the Ministry disposed of assets including motor vehicles that reached a pre-determined mileage and/or life. The net loss on asset disposals was nil (2014: $433,000).

Note 7: Cash and cash equivalents

Actual 2014 $000		Actual 2015 $000
31,259	Cash at bank and on hand	38,590
-	Term deposits with maturities less than 3 months	-
31,259	**Total cash and cash equivalents**	**38,590**

Note 8: Debtors and other receivables

Actual 2014 $000		Actual 2015 $000
	By type	
18,353	Trade and other receivables	9,099
18,353	**Total receivables**	**9,099**
	By maturity	
18,353	Expected to be realised within one year	9,099
-	Expected to be held for more than one year	-
18,353	**Total receivables**	**9,099**
	Trade and other receivables	
19,939	Gross trade and other receivables	10,900
(1,586)	Impairment of trade and other receivables	(1,801)
18,353	**Total trade and other receivables**	**9,099**
	Impairment of trade and other receivables	
1,780	Balance at beginning of the year	1,586
395	Impairment losses recognised on receivables	503
(589)	Reversal of impairment losses	(288)
1,586	**Balance at end of the year**	**1,801**
1,586	Collective impairment allowance	1,801
-	Individual impairment allowance	-
1,586	**Balance at end of the year**	**1,801**

The carrying value of debtors and other receivables approximates their fair value.

Debtors impairment

As at 30 June 2015 (and 30 June 2014), impairment of trade and other receivables has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

As at 30 June 2015, the Ministry had no debtors deemed insolvent (2014: nil).

Ageing profile of receivables

as at 30 June 2014				as at 30 June 2015		
Gross $000	Impairment $000	Net $000		Gross $000	Impairment $000	Net $000
14,930	-	14,930	Not past due	8,859	-	8,859
2,193	-	2,193	Past due 1–30 days	62	-	62
1,036	-	1,036	Past due 31–60 days	26	-	26
86	(22)	64	Past due 61–90 days	34	(27)	7
1,694	(1,564)	130	Past due >91 days	1,919	(1,774)	145
19,939	**(1,586)**	**18,353**		**10,900**	**(1,801)**	**9,099**

Note 9: Crown receivable

Crown receivable represents cash yet to be drawn down from the Treasury. As at 30 June 2015 Crown receivable was $72.083 million (2014: $108.859 million).

Note 10: Property, plant and equipment

	Land $000	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Cost or revaluation							
Balance as at 1 July 2013	**49,983**	**208,067**	**78,477**	**116,023**	**26,790**	**18,509**	**497,849**
Additions by purchase	-	7,103	7,520	5,725	4,677	576	25,601
Revaluation increase/(decrease)	7,135	(17,300)	-	-	-	-	(10,165)
Work in progress movement	-	(9,906)	431	8,490	-	125	(860)
Asset transfers	-	-	-	(558)	-	-	(558)
Other asset movement	-	-	20	-	-	(19)	1
Disposals	-	-	(6,389)	(11,816)	(5,122)	(243)	(23,570)
Balance as at 30 June 2014	**57,118**	**187,964**	**80,059**	**117,864**	**26,345**	**18,948**	**488,298**
Balance as at 1 July 2014	**57,118**	**187,964**	**80,059**	**117,864**	**26,345**	**18,948**	**488,298**
Additions by purchase	-	5,391	5,435	6,337	5,213	459	22,835
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	5,440	(402)	873	-	(155)	5,756
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	-	(417)	(26,662)	(5,323)	(14)	(32,416)
Balance as at 30 June 2015	**57,118**	**198,795**	**84,675**	**98,412**	**26,235**	**19,238**	**484,473**
Accumulated depreciation and impairment losses							
Balance as at 1 July 2013	**-**	**14,285**	**59,779**	**104,112**	**11,619**	**10,674**	**200,469**
Depreciation expense	-	6,949	9,011	6,666	3,415	2,060	28,101
Eliminate on disposal	-	-	(5,742)	(11,816)	(3,494)	(240)	(21,292)
Eliminate on revaluation	-	(21,234)	-	-	-	-	(21,234)
Asset transfers	-	-	-	(558)	-	-	(558)
Other asset movement	-	-	17	-	-	(18)	(1)
Balance as at 30 June 2014	**-**	**-**	**63,065**	**98,404**	**11,540**	**12,476**	**185,485**
Balance as at 1 July 2014	**-**	**-**	**63,065**	**98,404**	**11,540**	**12,476**	**185,485**
Depreciation expense	-	11,440	7,172	5,440	3,135	2,043	29,230
Eliminate on disposal	-	-	(417)	(26,662)	(3,592)	(15)	(30,686)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	1	-	-	-	1
Balance as at 30 June 2015	**-**	**11,440**	**69,821**	**77,182**	**11,083**	**14,504**	**184,030**
Carrying amounts							
At 1 July 2013	**49,983**	**193,782**	**18,698**	**11,911**	**15,171**	**7,835**	**297,380**
At 30 June and 1 July 2014	**57,118**	**187,964**	**16,994**	**19,460**	**14,805**	**6,472**	**302,813**
At 30 June 2015	**57,118**	**187,355**	**14,854**	**21,230**	**15,152**	**4,734**	**300,443**

Valuation

A desktop review of land and buildings owned by the Ministry was completed by Quotable Value Limited as at 30 June 2015. Registered valuer Andrew Parkyn ANZIV from Quotable Value Limited was the project manager.

No significant change (under 5 percent) was noted between the fair value and the carrying value of the Ministry's land and buildings from the desktop review. A full valuation involving the physical inspection of all the Ministry's land and buildings assets was conducted by Quotable Value Limited as at 30 June 2014. The next full valuation is scheduled for 2016/2017.

Land

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the 'unencumbered' land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensively.

Buildings

Non-specialised buildings are valued at fair value using market-based evidence. Market rents and capitalisation rate methodologies were applied in determining the fair value of buildings. Residential centres have been valued using market-based evidence where it exists. If there is no active market evidence the optimised depreciated replacement cost has been used.

Work in progress

	Land $000	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Cost or revaluation							
Balance as at 1 July 2013	**-**	**16,652**	**-**	**4,652**	**-**	**88**	**21,392**
Work in progress movement	-	(9,906)	431	8,490	-	125	(860)
Balance as at 30 June 2014	**-**	**6,746**	**431**	**13,142**	**-**	**213**	**20,532**
Balance as at 1 July 2014	**-**	**6,746**	**431**	**13,142**	**-**	**213**	**20,532**
Work in progress movement	-	5,440	(402)	873	-	(155)	5,756
Balance as at 30 June 2015	**-**	**12,186**	**29**	**14,015**	**-**	**58**	**26,288**

The total amount of property, plant and equipment under construction and work in progress is $26.288 million (2014: $20.532 million).

Restrictions

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

Note 11: Intangible assets

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2013	**237,186**	**237,186**
Additions by purchase and internally generated	36,518	36,518
Work in progress movement	4,801	4,801
Asset transfers	558	558
Other asset movement	3	3
Disposals	(664)	(664)
Balance as at 30 June 2014	**278,402**	**278,402**
Balance as at 1 July 2014	**278,402**	**278,402**
Additions by purchase and internally generated	26,564	26,564
Work in progress movement	35,778	35,778
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2015	**340,744**	**340,744**
Accumulated amortisation and impairment losses		
Balance as at 1 July 2013	**186,430**	**186,430**
Amortisation expense	16,150	16,150
Disposals	(661)	(661)
Asset transfers	558	558
Other asset movement	-	-
Balance as at 30 June 2014	**202,477**	**202,477**
Balance as at 1 July 2014	**202,477**	**202,477**
Amortisation expense	23,812	23,812
Disposals	-	-
Asset transfers	-	-
Other asset movement	-	-
Balance as at 30 June 2015	**226,289**	**226,289**
Carrying amounts		
At 1 July 2013	**50,756**	**50,756**
At 30 June and 1 July 2014	**75,925**	**75,925**
At 30 June 2015	**114,455**	**114,455**

Work in progress

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2013	**21,698**	**21,698**
Work in progress movement	4,801	4,801
Balance as at 30 June 2014	**26,499**	**26,499**
Balance as at 1 July 2014	**26,499**	**26,499**
Work in progress movement	35,778	35,778
Balance as at 30 June 2015	**62,277**	**62,277**

The total amount of intangibles in the course of construction is $62.277 million (2014: $26.499 million).

Restrictions

There are no restrictions over the title of the Ministry's intangible assets; nor are any intangible assets pledged as security for liabilities.

Note 12: Creditors and other payables

Actual 2014 $000		Actual 2015 $000
	By type	
15,153	Trade creditors	11,236
10,633	GST payable	13,616
94,625	Accrued expenses	83,816
120,411	**Total payables**	**108,668**

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

Note 13: Revenue received in advance

Actual 2014 $000		Actual 2015 $000
2,108	Revenue received in advance	-
2,108	**Total revenue received in advance**	**-**

The Ministry had no revenue received in advance (2014: $2.108 million).

Note 14: Return of operating surplus

Actual 2014 $000		Actual 2015 $000
11,604	Net surplus/(deficit)	5,328
11,604	**Total repayment of surplus**	**5,328**

The repayment of surplus is required to be paid to the Crown by 31 October.

Note 15: Provisions

Actual 2014 $000		Actual 2015 $000
4,672	ACC Partnership programme	4,862
1,076	Restructuring provision	1,081
388	Lease reinstatement	897
63	Other provisions	33
6,199	**Total provisions**	**6,873**

Provisions by category

	ACC Partnership Programme $000	Lease Reinstatement $000	Restructure $000	Others $000	Total $000
2014					
Balance as at 1 July 2013	**4,381**	**386**	**1,322**	**53**	**6,142**
Additional provisions made	2,929	80	21	10	3,040
Amounts used	(2,638)	-	(267)	-	(2,905)
Unused amounts reversed	-	(90)	-	-	(90)
Discount unwind	-	12	-	-	12
Balance as at 30 June 2014	**4,672**	**388**	**1,076**	**63**	**6,199**
2015					
Balance as at 1 July 2014	**4,672**	**388**	**1,076**	**63**	**6,199**
Additional provisions made	2,423	486	208	-	3,117
Amounts used	(2,233)	-	(203)	(30)	(2,466)
Unused amounts reversed	-	-	-	-	-
Discount unwind	-	23	-	-	23
Balance as at 30 June 2015	**4,862**	**897**	**1,081**	**33**	**6,873**

ACC Partnership programme

The Ministry belongs to the ACC Accredited Employer programme, whereby the Ministry accepts the management and financial responsibility of the work-related illnesses and accidents of its employees. The Ministry, under the Full Self Cover Plan (FSCP), has opted for a stop loss limit of 160 percent of the industry premium and a High Cost Claims Cover (HCCC) limit of $0.500 million.

The liability for the ACC Partnership programme is measured at the present value of expected future payments to be made for employees' injuries and claims up to the reporting date using actuarial techniques. Consideration is given to the expected future wage and salary levels and the experience of employees' claims and injuries. Expected future payments are discounted using market yields at the reporting date on New Zealand government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

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

- implementing and monitoring health and safety policies
- providing induction training on health and safety
- actively managing workplace injuries to ensure employees return to work as soon as possible
- recording and monitoring workplace injuries and near misses to identify risk areas and implementing mitigating actions
- identifying workplace hazards and implementing appropriate safety procedures.

The Ministry is not exposed to any significant concentrations of insurance risk as work-related injuries are generally the result of an isolated event to an individual employee.

An external independent actuarial valuer, Melville Jessup Weaver, has calculated the Ministry's liability. The valuation is effective as at 30 June 2015. The valuer has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

Lease reinstatement

At the expiry of the lease term for a number of its leased premises, the Ministry is required to remove any fixtures or fittings installed by the Ministry.

At year-end there were 12 sites where a lease reinstatement provision had been established with a value of $0.897 million (2014: $0.388 million). The timing of any future lease reinstatement work is currently up to five years in the future.

In many cases the Ministry has the option to renew these leases, which has an impact on the timing of the expected cash outflows for reinstatement of leased premises.

The value of the provision is based on a professional assessment by the Ministry's property group taking into account the cost and past history of lease reinstatement work.

An asset to the value of $0.925 million (2014: $0.856 million) was established for the lease reinstatement costs. This is being depreciated on a straight-line basis for each lease term.

Restructure

Restructure provision is for equalisation allowances for staff members affected by a restructure in 2009, who have been reassigned to positions within the Ministry at lower salary levels. Additional provisions made in this category are as a result of the revaluation of the provision using 10-year Reserve Bank interest rates.

The restructuring provision as at 30 June 2015 is $1.081 million (2014: $1.076 million).

Others

The Ministry has a provision of $33,167 (2014: $63,167) for family home resettlement. A $1,000 a year resettlement grant is paid to resigning or retiring family home caregivers after five or more years of unbroken service (up to a maximum of $10,000 per couple).

Note 16: Employee entitlements

Actual 2014 $000		Actual 2015 $000
	Current liabilities	
13,190	Retirement and long service leave	14,838
46,208	Provision for annual leave	48,140
1,363	Provision for sickness leave	1,545
60,761	**Total current portion**	**64,523**
	Non-current liabilities	
41,255	Retirement and long service leave	45,490
41,255	**Total non-current portion**	**45,490**
102,016	**Total employment entitlements**	**110,013**

The present value of the retirement and long service leave obligations is determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in these assumptions will have an impact on the carrying amount of the liability.

The Ministry uses the interest rates and the salary inflation factor as supplied and published by the Treasury.

Discount rates and salary inflation applied:

as at 30 June 2014				as at 30 June 2015		
2015 %	**2016 %**	**2017 %**	**Employee Entitlement Variables**	**2016 %**	**2017 %**	**2018 %**
3.70	4.04	5.50	Discount rates	2.93	2.81	4.39
3.50	3.50	3.50	Salary inflation	3.00	3.00	3.00

The financial impact of changes to the discount rates and salary inflation variables:

Movements	Actual 2015 $000	Salary + 1% 2015 $000	Salary - 1% 2015 $000	Discount + 1% 2015 $000	Discount - 1% 2015 $000
Current	14,838	49	(49)	(35)	35
Non-current	45,490	4,589	(4,029)	(3,739)	4,325
Total	**60,328**	**4,638**	**(4,078)**	**(3,774)**	**4,360**

Note 17: Equity

Actual 2014 $000		Actual 2015 $000
	Taxpayers' funds	
256,896	**Balance at 1 July**	**261,887**
11,604	Surplus/(deficit)	5,328
4,991	Capital contribution	18,210
(11,604)	Repayment of surplus	(5,328)
261,887	**Balance at 30 June**	**280,097**
	Revaluation reserves	
35,875	**Balance at 1 July**	**46,944**
11,069	Revaluations	-
46,944	**Balance at 30 June**	**46,944**
308,831	**Total equity**	**327,041**

Note 18: Reconciliation of net surplus/(deficit) to net cash from operating activities

Actual 2014 $000		Actual 2015 $000
11,604	**Net surplus/(deficit)**	**5,328**
	Add/(less) non-cash items	
28,101	Depreciation	29,230
16,150	Amortisation	23,812
44,251	**Total non-cash items**	**53,042**
	Add/(less) items classified as investing or financing activities	
433	(Gains)/losses on disposal property, plant and equipment	(19)
433	**Total items classified as investing or financing activities**	**(19)**
	Add/(less) working capital movements	
(23,065)	(Increase)/decrease in accounts receivable	46,033
(903)	(Increase)/decrease in prepayments	(9,293)
26,453	Increase/(decrease) in accounts payable	(11,743)
95	Increase/(decrease) in revenue received in advance	(2,108)
4,415	Increase/(decrease) in provision for employee entitlements	3,762
57	Increase/(decrease) other provisions	674
7,052	**Net movements in working capital items**	**27,325**
	Add/(less) movements in non-current liabilities	
1,496	Increase/(decrease) in provision for employee entitlements	4,235
1,496	**Net movements in non-current liabilities**	**4,235**
64,836	**Net cash inflow from operating activities**	**89,911**

Note 19: Related party transactions

The Ministry is a wholly-owned entity of the Crown. The Government significantly influences the role of the Ministry as well as being its major source of revenue. All related party transactions are entered into on an arm's-length basis.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Ministry would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, Government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Related party transactions required to be disclosed

There have been no related party transactions other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the Ministry would have adopted if dealing with that individual entity at arm's length in the same circumstance.

Transactions with key management personnel

Key management personnel compensation includes the remuneration for the Chief Executive and ten members of the Senior Management Team (2014: Chief Executive and nine members of the Senior Management Team).

Actual 2014		Actual 2015
	Leadership Team, including the Chief Executive	
$3,175,720	Remuneration	$3,708,376
10	Full-time equivalent members	11

The above key management personnel disclosure excludes the Minister for Social Development. The Minister's remuneration and other benefits are received not only for her role as a member of the key management personnel of the Ministry. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and are not paid by the Ministry of Social Development.

Note 20: Events after the balance sheet date

No significant events, which may have had an impact on the actual results, have occurred between year-end and the signing of the financial statements.

Note 21: Financial instruments

Financial instrument categories

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

Actual 2014 $000		Actual 2015 $000
	Loans and receivables	
31,259	Cash and cash equivalents	38,590
127,212	Debtors and other receivables	81,182
158,471	**Total loans and receivables**	**119,772**
	Financial liabilities measured at amortised cost	
109,778	Creditors and other payables	95,052
109,778	**Total financial liabilities measured at amortised cost**	**95,052**

Fair value hierarchy

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – 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 significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

In 2014/2015 there were no instruments recognised at fair value in the Statement of Financial Position (2014: nil).

Financial instrument risks

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise its exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from future capital purchases and recognised liabilities, which are denominated in a foreign currency. The Ministry purchases some capital equipment internationally and is exposed to currency risk arising from various currency exposures, primarily from the United States and Australian dollars.

The Ministry's Foreign Exchange Management Policy requires the Ministry to manage currency risk arising from future transactions and recognised liabilities by entering into foreign exchange forward contracts when the total transaction exposure to an individual currency exceeds NZ$50,000 or the department's net aggregate NZ$ equivalent exposure at any point in time exceeds NZ$250,000. The Ministry's policy has been approved by the Treasury and is in accordance with the requirements of the Treasury's Guidelines for the Management of Crown and Departmental Foreign-Exchange Exposure.

Sensitivity analysis

As at 30 June 2015 there were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2014: no significant foreign exchange exposures).

Interest rate risk

Interest rate risk is the risk the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Ministry has no exposure to interest rate risk because it has no interest-bearing financial instruments.

Credit risk

Credit risk is the risk a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss.

In the normal course of the Ministry's business, credit risk arises from receivables, deposits with banks and derivative financial instrument assets.

The Ministry is permitted to deposit funds only with Westpac (Standard and Poor's credit rating of AA-), a registered bank, and to enter into foreign exchange forward contracts with the New Zealand Debt Management Office (Standard and Poor's credit rating of AA). These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables (refer Note 8), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Management of liquidity risk

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

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash draw-downs from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the Ministry's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Actual 2014 $000		Actual 2015 $000
	Creditors and other payables	
109,778	Less than six months	95,052
109,778		**95,052**

Contractual maturity analysis of derivative financial instrument liabilities

The Ministry currently does not have any forward exchange contract derivatives (2014: nil).

Note 22: Capital management

The Ministry's capital is its equity, which comprises taxpayers' funds and revaluation reserves. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing income, expenses, assets, liabilities, and the Ministry's compliance with the Government Budget processes, Treasury Instructions and the Public Finance Act 1989.

The objective of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

Note 23: Major budget variations

Explanations for major variances from the Ministry's estimated figures in the Forecast Financial Statements 2014/2015 are as follows:

	Notes	Actual 2015 $000	Unaudited Budget 2015 $000	Variance 2015 $000
Statement of Comprehensive Revenue				
Revenue				
Revenue Crown	(a)	1,384,292	1,350,726	(33,566)
Statement of Financial Position				
Equity				
Revaluation reserve	(b)	46,944	35,875	(11,069)
Assets				
Current assets				
Prepayments	(c)	23,253	13,056	(10,197)
Crown receivable	(d)	72,083	45,718	(26,365)
Non-current assets				
Property, plant and equipment	(e)	300,443	333,297	32,854
Intangible assets	(f)	114,455	52,119	(62,336)
Liabilities				
Current liabilities				
Accounts payable and accruals	(g)	108,668	83,248	(25,420)
Statement of Cash Flows				
Cash flows from operating activities				
Receipts from Crown revenue	(h)	1,421,068	1,386,419	(34,649)
Receipts from other revenue	(i)	10,589	7,167	(3,422)
Payments to suppliers	(j)	(594,479)	(637,505)	(43,026)
Payments to employees	(k)	(725,544)	(654,116)	71,428
Cash flows from investing activities				
Purchase of property, plant and equipment	(l)	(28,591)	(63,150)	(34,559)
Purchase of intangible assets	(m)	(62,344)	(17,040)	45,304

Statement of Comprehensive Revenue and Expense

a. Increase in Revenue Crown of $33.566 million was mainly due to:

- a transfer of $12 million, transferred in from outyears to 2014/2015, for settling a significant portion of the backlog of historic claims of abuse
- a transfer of $9.326 million during 2014/2015 from the non-departmental categories of the Improved Employment and Social Outcomes Support MCA to increase flexiwage and outcomes-based contracts
- the impact of the enhanced use of authoritative data business case for the Simplification project resulting in an increase to Revenue Crown of $11.400 million.

Statement of Financial Position

b. Revaluation reserve budget variance was due to the change in valuation of the Ministry's land and buildings as a result of the full valuation performed by Quotable Value Limited as at 30 June 2014. Due to the timing of the valuation the budget is first updated during the October Baseline Update 2014.

c. Prepayments were higher than budget mainly due to the timing of property rent prepayments of $4.354 million, SAS software license renewal $2.690 million and one day of payroll prepayment $2.254 million.

d. Crown receivable relates to funds the Ministry has not drawn down for 2015 and previous years. The higher balance is attributable to delays with the timing of a number of capital projects.

e. Property, plant and equipment is lower due to the budget phasing of a number of property projects including the relocation of National Office to 56 The Terrace.

f. Intangible assets are higher than budget due to increased capital activity with information technology including social housing, single client management refresh and cyber security.

g. Accounts payable and accruals are higher than budget mainly due to the timing of accrued expenses and cash payments including from the Work and Income contract management system $10.109 million, historic claims $3.324 million and Improved Employment and Social Outcomes Support MCA charges $3.498 million.

Statement of Cash Flows

h. Receipts from Crown Revenue is higher due to the increase in Revenue Crown as explained in note (a) above.

i. Receipts from other revenue is higher mainly due to the reduction in accounts receivable and timing of receipts collection during the period.

j. Payments to suppliers is lower than budget mainly due to the overstatement of this cash budget due to a shift to payments to employees (refer note [k]).

k. Payments to employees is higher than budget mainly due to the impact of the final payrun of the year being paid from the bank account on 29 June 2015 $20.287 million and the understatement of the balance of the cash budget (refer note [j]).

l. Purchase of property, plant and equipment is lower than budget mainly due to the phasing of the cash flow budget as explained in note (e) above.

m. Purchase of intangible assets is higher due to increased capital activity on a number of major software-related projects as explained in note (f) above.

Statement of Accounting Policies: Non-Departmental

Reporting entity

These non-departmental statements and schedules present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, readers should refer to the Financial Statements of the Government.

Basis of preparation

The non-departmental statements and schedules have been prepared in accordance with the accounting policies of the Financial Statements of the Government, Treasury Instructions and Treasury Circulars.

Measurement and recognition rules applied in the preparation of these non-departmental statements and schedules are consistent with New Zealand Generally Accepted Accounting Practice (Tier 1 Public Sector Benefit Entity Accounting Standards) as appropriate for public benefit entities.

These non-departmental statements and schedules are the first prepared in accordance with the new PBE accounting standards. There are no material adjustments arising on transition to the new PBE accounting standards.

Changes in accounting policies

Social benefit receivables are initially assessed at fair value, which is consistent with the accounting policies of the Financial Statements of the Government. This policy change has no impact on the non-departmental financial statements and schedules.

There have been no other changes in accounting policies during the financial year.

Significant accounting policies

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

Budget figures

The budget figures are consistent with the financial information in the Main Estimates. In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

Revenue

The Ministry administers revenue on behalf of the Crown. This revenue includes student loan administration fees, interest revenue, maintenance capitalisation and miscellaneous revenue.

Student loan administration fee revenue is recognised when the eligible student loan application has been processed.

Interest revenue is the interest on Major Repairs Advance (MRA), which was advances made for the repairs or maintenance of clients' homes. This programme is no longer current.

Maintenance capitalisation relates to the old child support scheme managed by the Ministry before 1 July 1992. Up until that date, a person who had custody of a child could seek financial support (ie, maintenance) from the non-custodial parent. The maintenance capitalisation revenue is the re-establishment of historical maintenance debt previously written off. The current child support scheme is managed by the Inland Revenue Department.

Miscellaneous revenue is all the other non-departmental revenues received by the Ministry.

Expenses

Expenses are recognised in the period they relate to.

Welfare benefits are recognised in the period when an application for a benefit has been received and the eligibility criteria met.

Where grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Crown.

Foreign currency

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Schedule of Non-Departmental Revenue or in the Schedule of Non-Departmental Expenses. For information on foreign currency risk management, refer Note 4.

Financial instruments

Financial assets

Cash and cash equivalents includes cash on hand, cash in transit, bank accounts and deposits with a maturity of no more than three months from the date of acquisition.

Debtors and other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate less any provision for impairment, except for social benefit debt receivables.

The impairment of a receivable is established when there is objective evidence the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties for the debtor, a probability the debtor will enter into bankruptcy and defaults in payments are considered indicators 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 effective interest rates. 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 Schedule of Non-Departmental Expenses. When a debt is uncollectible, it is written off against the allowance account for debtors. Overdue receivables that are renegotiated are reclassified as current (ie, not past due).

Financial liabilities

The major financial liability type is accounts payable. This is designated at amortised cost using the effective interest rate method. Financial liabilities entered into with a duration of less than 12 months are recognised at their nominal value.

Derivatives

Foreign exchange forward contracts are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or a net loss position respectively. These derivatives are entered into for risk management purposes.

Social benefit receivables

Social benefit debt receivables relate to benefit overpayments, advances on benefits and recoverable special needs grants (refer Note 3). They are initially assessed at fair value. These receivables are subsequently tested for impairment.

Goods and Services Tax

All items in the financial statements, including the appropriation statements, are stated exclusive of GST, except for receivables and payables, which are stated inclusive of GST. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. An input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue at the consolidation of the government financial statements.

Commitments

Future expenses and liabilities to be incurred on non-cancellable contracts entered into at balance date are disclosed as commitments to the extent there are equally unperformed obligations.

Cancellable commitments that have penalty or exit costs explicit in their agreements are included in the Statement of Commitments at the value of that penalty or exit cost.

Contingent assets and liabilities

Contingent assets and liabilities are disclosed at the point the contingency is evident.

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events 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 discussed below.

Social benefit receivables

Social benefit receivables are initially measured at fair value and are subsequently tested for impairment. Note 3 provides an analysis of the uncertainties relating to the valuation of social benefit receivables.

Critical judgements in applying the Ministry's accounting policies

Applying the Ministry's social benefit receivables policy requires judgements to determine a value to place on future repayments of benefit overpayments, advances on benefits and recoverable special needs grants. Judgement is required on various aspects that include, but are not limited to, the use of interest rates, mortality rates, allowance for collection costs and calculation of future rates of default on the receivables.

The Ministry has exercised its judgement on the appropriateness of its valuation of the social benefit receivables (refer Note 3).

There were no other significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2015.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2015

The following non-departmental statements and schedules record the revenue, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets, and trust accounts that the Ministry manages on behalf of the Crown.

Schedule of Non-Departmental Revenue

For the year ended 30 June 2015

Actual 2014 $000		NOTES	Actual 2015 $000	Unaudited Budget 2015 $000
4	Interest revenue		2	-
366	Maintenance capitalisation		225	450
1,315	Miscellaneous revenue		38	-
-	Gain on foreign exchange		2,340	-
10,968	Student Loan – administration fee	2	10,891	11,412
12,653	**Total non-departmental income**		**13,496**	**11,862**

Explanations of significant variances against budget are detailed in Note 1.

For additional detail on student loan advances refer Note 2.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2014/2015.

The Statement of Accounting Policies: Non-Departmental on pages 115 to 116 and Notes 1 to 4 on pages 125 to 131 form part of these financial statements.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2015

Actual 2014 $000		NOTES	Actual 2015 $000	Unaudited Budget 2015 $000
217,970	Benefit recoveries – current debt		221,269	223,066
985	Benefit recoveries – liable parent contributions		963	573
86,931	Benefit recoveries – non-current debt		92,331	93,077
214,214	Overseas pension recoveries		237,909	241,010
90,462	Student Loans – repayment of principal	2	99,014	98,643
610,562	**Total non-departmental capital receipts**		**651,486**	**656,369**

Explanations of significant variances against budget are detailed in Note 1.

For additional detail on student loan advances refer Note 2.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2014/2015.

The Statement of Accounting Policies: Non-Departmental on pages 115 to 116 and Notes 1 to 4 on pages 125 to 131 form part of these financial statements.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2015

Actual 2014 $000		Actual 2015 $000	Unaudited Budget 2015 $000
	Vote Social Development		
533,145	Non-departmental output expenses	1,036,774	1,047,967
131,722	Non-departmental other expenses	85,139	145,425
1,745,998	Non-departmental capital expenditure	1,757,945	1,829,797
18,182,938	Benefits or related expenses	18,847,186	18,865,041
1,027	Loss on foreign exchange	-	-
66,476	Other operating expenses	52,361	58,599
20,661,306	**Total Vote Social Development**	**21,779,405**	**21,946,829**
	Vote Veterans' Affairs – Social Development		
165,250	Benefits or related expenses	-	-
165,250	**Total Vote Veterans' Affairs – Social Development**	**-**	**-**
20,826,556	**Total non-departmental expenses**	**21,779,405**	**21,946,829**

The Other operating expenses of $52 million is mainly GST on grants and subsidies paid under Non-departmental output expenses and Non-departmental other expenses. An input tax deduction is not claimed on non-departmental expenditure.

These Non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2014/2015.

The Statement of Accounting Policies: Non-Departmental on pages 115 to 116 and Notes 1 to 4 on pages 125 to 131 form part of these financial statements.

Schedule of Non-Departmental Assets

As at 30 June 2015

Actual 2014 $000		NOTES	Actual 2015 $000	Unaudited Budget 2015 $000
	Current assets			
148,805	Cash and cash equivalents		100,063	164,847
106,384	Receivables	3	114,836	183,856
34,012	Prepayments – benefits and allowances		21,570	2,001
289,201	**Total current assets**		**236,469**	**350,704**
	Non-current assets			
433,518	Receivables	3	465,185	272,252
87	Other advances		67	76
433,605	**Total non-current assets**		**465,252**	**272,328**
722,806	**Total non-departmental assets**		**701,721**	**623,032**

Explanations of significant variances against budget are detailed in Note 1.

For additional detail on Accounts receivable – benefits and allowances refer Note 3.

These Non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2014/2015.

The Statement of Accounting Policies: Non-Departmental on pages 115 to 116 and Notes 1 to 4 on pages 125 to 131 form part of these financial statements.

Schedule of Non-Departmental Liabilities

As at 30 June 2015

Actual 2014 $000		Actual 2015 $000	Unaudited Budget 2015 $000
	Current liabilities		
156,586	Accruals – other than government departments	108,944	135,864
165,493	Tax payable	100,587	93,061
1,076	Other current liabilities	1,738	1,373
2,661	Foreign exchange forward contracts	373	1,854
325,816	**Total non-departmental liabilities**	**211,642**	**232,152**

Explanations of significant variances against budget are detailed in Note 1.

These Non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2014/2015.

The Statement of Accounting Policies: Non-Departmental on pages 115 to 116 and Notes 1 to 4 on pages 125 to 131 form part of these financial statements.

Schedule of Non-Departmental Commitments

As at 30 June 2015

The Ministry has no non-departmental commitments at balance date (2014: nil).

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2015

Unquantifiable contingent liabilities

The Ministry on behalf of the Crown has no unquantifiable contingent liabilities (2014: nil).

Quantifiable contingent liabilities

There are no quantifiable cases lodged against the Ministry that remain unresolved as at 30 June 2015 (2014: nil).

Contingent assets

The Ministry on behalf of the Crown has no contingent assets (2014: nil).

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2014/2015.

The Statement of Accounting Policies: Non-Departmental on pages 115 to 116 and Notes 1 to 4 on pages 125 to 131 form part of these financial statements.

Statement of Trust Monies

For the year ended 30 June 2015

The Ministry operates trust accounts as the agent under section 66 of the Public Finance Act 1989. The transactions through these accounts and their balances as at 30 June 2015 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2015 were as follows:

Actual 2014 $000		Actual 2015 $000
	Australian Debt Recoveries	
3	**Balance at 1 July**	**2**
13	Contributions	12
(14)	Distributions	(12)
-	Revenue	-
-	Expenditure	-
2	**Balance at 30 June**	**2**
	Australian Embargoed Arrears	
379	**Balance at 1 July**	**1,026**
5,943	Contributions	7,150
(5,296)	Distributions	(7,617)
-	Revenue	-
-	Expenditure	-
1,026	**Balance at 30 June**	**559**
	Maintenance	
54	**Balance at 1 July**	**251**
533	Contributions	459
(338)	Distributions	(604)
2	Revenue	2
-	Expenditure	-
251	**Balance at 30 June**	**108**
	Netherlands Debt	
1	**Balance at 1 July**	**4**
108	Contributions	152
(105)	Distributions	(145)
-	Revenue	-
-	Expenditure	-
4	**Balance at 30 June**	**11**
1,283	**Total trust monies**	**680**

The Statement of Accounting Policies: Non-Departmental on pages 115 to 116 and Notes 1 to 4 on pages 125 to 131 form part of these financial statements.

Australian Debt Recoveries Trust Account

An agreement exists between the Australian and New Zealand Governments for the Ministry to deduct monies from customers in receipt of a benefit in New Zealand for debts owing in Australia. The trust account records these transactions and transfers the amounts held in the trust account to the Australian Government on a monthly basis.

Australian Embargoed Arrears Trust Account

Under the reciprocal agreement between the Australian and New Zealand Governments, the New Zealand Government is required to make regular contributions to any former New Zealand residents living in Australia in receipt of a benefit in Australia. The trust account has been established to record any one-off arrears payments.

Maintenance Trust Account

The Ministry is responsible for collecting maintenance arrears owing as at 30 June 1992. Amounts are collected from the non-custodial parent and deposited into the trust account. These amounts are then paid into the custodial parent's bank account.

Netherlands Debt Trust Account

An agreement exists between the Netherlands and New Zealand Governments for the Ministry to deduct monies from customers in receipt of a benefit in New Zealand for debts owing in the Netherlands. The trust account records these transactions and transfers the amounts held in the trust account to the Netherlands Government on a monthly basis.

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2014/2015.

The Statement of Accounting Policies: Non-Departmental on pages 115 to 116 and Notes 1 to 4 on pages 125 to 131 form part of these financial statements.

Notes to the Non-Departmental Financial Statements

Note 1: Explanation of major variances against budget

Explanations for major variances from the Ministry's non-departmental estimated figures in the Main Estimates are as follows:

Schedule of revenue and expenses

Non-departmental other expenses were lower than budget mainly due to less expenditure on Debt Write-downs. Debt Write-downs have been underspent as an expense by $43.786 million against an original budget of $84.302 million. This can be mainly attributed to the budget containing a balance to allow for the impact of remeasurement, driven by changes in interest rates. In the current year the new interest rate changes impacted the account with a decrease of $19.159 million. The Ministry is appropriated for expenditure excluding any remeasurement.

There are no other significant variances against budget.

Schedule of assets and liabilities

Cash and cash equivalents is lower in 2014/2015 compared with the original budget by $64.784 million due to the timing of the cash draw-down from the Treasury.

Current and non-current receivables were higher than budget by $123.913 million mainly due to a lower provision for doubtful debts of $74.573 million.

Prepayments were higher than budget by $19.569 million mainly due to a $20.452 million prepayment for Income Related Rent in the social housing area.

There are no other significant variances against budget.

Note 2: Student loan advances

Carrying value of student loans

As at 30 June 2015

Actual 2014 $000		Actual 2015 $000
	Vote Social Development	
	Student loans	
-	**Opening nominal balance**	-
1,601,031	New lending	1,616,917
(90,462)	Repayment	(99,014)
(1,521,537)	Loan balance transfer to IRD	(1,528,794)
10,968	Administration fee	10,891
-	**Closing nominal balance**	-
-	**Net carrying value of student loans**	-

The Student Loan Scheme is administered by the Ministry of Social Development in conjunction with the Ministry of Education and the Inland Revenue Department (IRD). The Ministry's role is to assess and make payments to students undertaking tertiary education. Student loans are transferred to the IRD on a daily basis for collection. The interest rate risk and the credit risk on student loans are held by the IRD.

Note 3: Accounts receivable – benefits and allowances

Balances owed to the Ministry are made up of benefits and allowances overpayments, recoverable assistance and fraud repayments. Interest is not charged on benefit recovery and demands for repayment are restricted to prevent client hardship.

The carrying value and the fair value are the same for these amounts. Since there is no market comparison, the fair value is determined by discounting the expected future cash flows by the appropriate interest rates at year-end. The effective interest rates applied at year-end were between 4.11 percent and 4.91 percent (4.85 percent and 5.73 percent at 30 June 2014).

The fair value of the portfolio as at 30 June 2015 is $580 million ($540 million at 30 June 2014).

Social benefit and other receivables

As at 30 June 2015

Actual 2014 $000		Actual 2015 $000
	Social benefit receivables	
1,236,250	Nominal value of receivable	1,297,727
1,236,250	Gross value of receivables	1,297,727
(708,828)	less provision for impairment[40]	(733,267)
527,422	Net social benefit receivables	564,460
12,480	Other receivables	15,561
539,902	**Total receivables**	**580,021**

	Total receivables are represented by:	
106,384	Current	114,836
433,518	Non-current	465,185
539,902	**Balance at end of the year**	**580,021**

	Social benefit receivables	
	Movements in the carrying value of the loans are as follows:	
502,200	**Balance at 1 July**	**527,422**
377,096	Face value of new receivables during the year	376,041
(305,886)	Receivables repaid during the year	(314,563)
(45,988)	Subsequent net impairment	(24,440)
527,422	**Balance at 30 June**	**564,460**

40 Impairment of social benefit receivables includes a decrease of $19.159 million of remeasurement due to changes in interest and collection cost rates.

Impairment is calculated on a collective basis, not on an individual basis. There was a net movement in impairment losses of $24 million during the 2014/2015 year (2014: $46 million).

The fair value is sensitive to the discount rate and the expected future cash flows. An increase in the discount rate of 1 percent would decrease fair value by approximately $22 million. A decrease in the discount rate of 1 percent would increase fair value by approximately $26 million. Since there are no contractual repayment terms, future cash flows assume existing cash flow receipts will continue. These are adjusted for likely negative future events such as death.

Interest rate risk is the risk the fair value will fluctuate due to changes in interest rates. The effective interest rate range applied to determine the fair value has moved by between (0.74) percent and (0.82) percent from 1 July 2014 to 30 June 2015 (2014: (0.64) percent and 0.99 percent).

Credit risk is the risk the benefit debt is not repaid before the borrower dies. Benefit policy does not require recipients to provide any collateral or security to support advances made. As the total benefit debt is dispersed over a large number of borrowers, there is no material individual concentration of credit risk. The credit risk is reduced by compulsory deductions from benefit and superannuation payments, provided hardship is not caused.

Note 4: Financial instruments

Financial instrument categories

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

Actual 2014 $000		Actual 2015 $000
	Loans and receivables	
148,805	Cash and cash equivalents	100,063
12,480	Debtors and other receivables	15,561
161,285	**Total loans receivables**	**115,624**
	Fair value through surplus or deficit – held for trading	
-	Derivative financial instruments assets	-
2,661	Derivative financial instruments liabilities	373
	Financial liabilities measured at the amortised cost	
157,662	Creditors and other payables	110,682

Fair value hierarchy

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – 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 significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – 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 in the Statement of Financial Position.

Actual 2014 $000		**Actual 2015 $000**
	Financial assets	
	Observable inputs	
-	Foreign exchange derivatives	-
	Financial liabilities	
	Observable inputs	
2,661	Foreign exchange derivatives	373

There were no transfers between the different levels of the fair value hierarchy.

Financial instrument risks

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise its exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from the need to reimburse the Australian Government for income support assistance provided to New Zealanders eligible under the 1994 Reciprocal Agreement. The reimbursement is paid in Australian dollars. The Ministry has bought foreign exchange forward contracts with the New Zealand Debt Management Office (NZDMO) to hedge the currency risk. At balance date, the Ministry had a series of foreign exchange forward contracts which entitles the Ministry to exchange NZ$3.830 million with the NZDMO for AUD$3.069 million. On 30 June 2015, the market value of these contracts was a liability of NZ$0.373 million (2014: liability of NZ$2.661 million).

Sensitivity analysis

There were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2014: no significant foreign exchange exposures).

Interest rate risk

Interest rate risk is the risk the fair value of a financial instrument will fluctuate, or the cash flows from a financial instrument will fluctuate, due to changes in market interest rates.

The Ministry has no exposure to interest rate risk because it has no interest-bearing financial instruments.

Credit risk

Credit risk is the risk a third party will default on its obligation to the Ministry, causing the Ministry to incur a loss.

In the normal course of the Ministry's business, credit risk arises from receivables, deposits with banks and derivative financial instrument assets.

The Ministry is permitted to deposit funds only with Westpac (Standard and Poor's credit rating of AA-), a registered bank, and to enter into foreign exchange forward contracts with the New Zealand Debt Management Office (Standard and Poor's credit rating of AA). These entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, receivables (refer Note 3), and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Management of liquidity risk

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

In meeting its liquidity requirements, the Ministry closely monitors its forecast cash requirements with expected cash draw-downs from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet liquidity requirements.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses the Ministry's financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Actual 2014 $000		Actual 2015 $000
	Creditors and other payables	
157,662	Less than six months	110,682
157,662		**110,682**

Contractual maturity analysis of derivative financial instrument liabilities

The table below analyses the Ministry's forward exchange contract derivatives into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undisclosed cash flows.

	Liability carrying amount $000	Asset carrying amount $000	Contractual cash flows $000	Less than six months $000	6-12 months $000	1-2 years $000
2015						
Forward foreign exchange contracts	373	-				
- outflow	-	-	3,830	3,830	-	-
- inflow	-	-	3,456	3,456	-	-
2014						
Forward foreign exchange contracts	2,661	-				
- outflow	-	-	19,637	8,465	7,489	3,683
- inflow	-	-	16,976	7,274	6,488	3,214

Statements of Expenses and Capital Expenditure

The following statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Ministry for the year ended 30 June 2015.

Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations

For the year ended 30 June 2015

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasurements 2014 $000	Appropriation title	Expenditure including Remeasurements 2015 $000	Remeasurements[41] 2015 $000	Expenditure excluding Remeasurements 2015 $000	Appropriation Voted[42] 2015 $000	Location of end-of-year performance information[43] 2015
	Vote Social Development					
	Departmental output expenses					
1,212	Administration of Trialling New Approaches to Social Sector Change	2,280	(3)	2,277	2,592	1
6,521	Adoption Services	6,986	(15)	6,971	7,038	1
350,019	Care and Protection Services	376,852	(503)	376,349	378,848	1
5,554	Children's Action Plan	8,137	-	8,137	9,233	1
13,429	Collection of Balances Owed by Former Clients and Non-beneficiaries	13,510	(32)	13,478	13,543	1
8,229	Development and Funding of Community Services	7,635	(20)	7,615	7,660	1
35,720	Family and Community Services	36,893	(41)	36,852	37,051	1
37,757	Income Support and Assistance to Seniors	36,686	(91)	36,595	36,776	1
16,068	Management of Student Loans	13,489	(26)	13,463	13,702	1
16,749	Management of Student Support, excluding Student Loans	16,740	(39)	16,701	16,760	1
5,226	Planning, Correspondence and Monitoring	5,390	(9)	5,381	5,474	1
3,904	Prevention Services	4,005	(5)	4,000	4,035	1
-	Processing and Payment of Veterans' Pensions	530	(2)	528	538	1
5,309	Promoting Positive Outcomes for Disabled People	8,505	(4)	8,501	8,531	1
3,845	Property Management Centre of Expertise	3,632	(4)	3,628	4,105	1

41 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

42 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

43 The numbers in this column represent where the end-of-year performance information has been reported for each appropriation administered by the Ministry, as detailed below:

1 The Ministry's Annual Report.
2 To be reported by the Ministry of Social Development in the Vote Social Development Non-Departmental appropriations report.
3 No reporting due to an exemption obtained under section 15D of the Public Finance Act 1989.
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5 The Families Commission Annual Report.

Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations (continued)

For the year ended 30 June 2015

Expenditure including Remeasurements 2014 $000	Appropriation title	Expenditure including Remeasurements 2015 $000	Remeasurements[44] 2015 $000	Expenditure excluding Remeasurements 2015 $000	Appropriation Voted[45] 2015 $000	Location of end-of-year performance information[46] 2015
34,995	Services to Protect the Integrity of the Benefit System and Eligibility for Income Related Rent	34,585	(69)	34,516	34,670	1
-	Services to Support People to Access Accommodation	20,428	(44)	20,384	20,448	1
2,897	Youth Development	2,926	(5)	2,921	2,932	1
128,586	Youth Justice Services	131,265	(216)	131,049	131,280	1
9,490	Social Housing Services	-	-	-	-	
226,604	Tailored Sets of Services to Help People into Work or Achieve Independence	-	-	-	-	
23,392	Vocational Skills Training	-	-	-	-	
935,506	**Total departmental output expenses**	**730,474**	**(1,128)**	**729,346**	**735,216**	
	Departmental capital expenditure					
66,059	Ministry of Social Development – Capital Expenditure Permanent Legislative Authority under section 24(1) of the PFA	90,935	-	90,935	91,000	1
66,059	**Total departmental capital expenditure**	**90,935**	**-**	**90,935**	**91,000**	
	Non-departmental output expenses					
945	Assistance to Disadvantaged Persons	950	-	950	950	3
2,157	Children's Commissioner	2,157	-	2,157	2,157	4
14,045	Connected Communities	7,298	-	7,298	7,477	2
17,674	Counselling and Rehabilitation Services	18,675	-	18,675	18,677	2
8,543	Education and Prevention Services	8,421	-	8,421	8,428	2
10,305	Families Commission	9,869	-	9,869	9,869	5
83,877	Family Wellbeing Services	84,696	-	84,696	85,234	2
-	Part Payment of Rent to Social Housing Providers	703,207	-	703,207	718,428	2
88,274	Participation and Inclusion for Disabled People	71,663	-	71,663	74,782	2
5,185	Services for Young People	7,314	-	7,314	7,314	2
-	Short-term Housing in Canterbury	642	-	642	650	3

44 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

45 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

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Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations (continued)

For the year ended 30 June 2015

Expenditure including Remeasurements 2014 $000	Appropriation title	Expenditure including Remeasurements 2015 $000	Remeasurements[47] 2015 $000	Expenditure excluding Remeasurements 2015 $000	Appropriation Voted[48] 2015 $000	Location of end-of-year performance information[49] 2015
2,381	Strengthening Providers and Communities	2,382	-	2,382	2,382	3
108,212	Strong Families	109,355	-	109,355	110,675	2
3,336	Student Placement Services	3,336	-	3,336	3,512	3
4,762	Trialling New Approaches to Social Sector Change	5,590	-	5,590	5,700	2
889	Youth Development Partnership Fund	884	-	884	889	3
74	Income Related Rent Subsidy for Community Housing Providers	-	-	-	-	
149,573	Provision of Housing and Related Services for Tenants Paying Income Related Rent	-	-	-	-	
500,232	**Total non-departmental output expenses**	**1,036,439**	**-**	**1,036,439**	**1,057,124**	
	Non-departmental other expenses					
65,127	Debt Write-downs	40,516	19,159	59,675	86,028	3
-	Extraordinary Care Fund	693	-	693	1,128	3
-	Housing Support Package	301	-	301	1,000	3
19,396	Out of School Care Programmes	18,188	-	18,188	18,403	2
43,900	Employment Assistance	-	-	-	-	
3,290	Mainstream Supported Employment Programme	-	-	-	-	
131,713	**Total non-departmental other expenses**	**59,698**	**19,159**	**78,857**	**106,559**	
	Non-departmental capital expenditure					
144,967	Recoverable Assistance	141,028	-	141,028	145,752	3
1,601,031	Student Loans	1,616,917	-	1,616,917	1,672,167	3
1,745,998	**Total non-departmental capital expenditure**	**1,757,945**	**-**	**1,757,945**	**1,817,919**	
	Multi-category appropriations					
277,391	**Improved Employment and Social Outcomes Support MCA**	**644,064**	**(924)**	**643,140**	**650,491**	
	Departmental output expenses					
147,326	*Administering Income Support*	307,492	(618)	306,874	318,308	1
120,953	*Improving Employment Outcomes – Service Provision*	257,925	(298)	257,627	248,897	1

47 Debt Write-downs in 2014/2015 includes $19.159 million of remeasurement due to changes in interest and collection cost rates. The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurement.

48 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

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Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations (continued)

For the year ended 30 June 2015

Expenditure including Remeasurements 2014 $000	Appropriation title	Expenditure including Remeasurements 2015 $000	Remeasurements[50] 2015 $000	Expenditure excluding Remeasurements 2015 $000	Appropriation Voted[51] 2015 $000	Location of end-of-year performance information[52] 2015
9,103	*Improving Work Readiness – Service Provision*	53,206	(8)	53,198	51,867	1
	Non-departmental other expenses					
9	*Improving Employment Outcomes – Assistance*	20,351	-	20,351	24,407	1
-	*Improving Work Readiness – Assistance*	5,090	-	5,090	7,012	1
-	**Independent Advice on Government Priority Areas MCA**	**335**	**-**	**335**	**538**	
	Non-departmental output expenses					
-	*Other Advice*	195	-	195	269	3
-	*Policy Advice*	140	-	140	269	3
-	**Management of Service Cards MCA**	**5,827**	**(13)**	**5,814**	**6,169**	
	Departmental output expenses					
-	*Administration of Community Services Card*	4,955	(12)	4,943	5,049	1
-	*Management of SuperGold Card*	872	(1)	871	1,120	1
-	**Social Policy Advice MCA**	**30,394**	**(46)**	**30,348**	**30,528**	
	Departmental output expenses					
-	*Information, Evaluation and Analytics Services*	11,607	(18)	11,589	11,720	1
-	*Policy Advice*	18,787	(28)	18,759	18,808	1
	Multi-category output appropriations					
277,391	**Total multi-category appropriations**	**680,620**	**(983)**	**679,637**	**687,726**	
	Multi-category output appropriations					
6,176	**Management of Service Cards MCOA**	**-**	**-**	**-**	**-**	
	Departmental output expenses					
5,031	*Administration of Community Services Card*	-	-	-	-	
1,145	*Management of SuperGold Card*	-	-	-	-	
216	**Independent Advice on Government Priority Areas MCOA**	**-**	**-**	**-**	**-**	
	Non-departmental output expenses					
216	*Other Advice*	-	-	-	-	
-	*Policy Advice*	-	-	-	-	
29,086	**Social Policy Advice MCOA**	**-**	**-**	**-**	**-**	

50 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations (continued)

For the year ended 30 June 2015

Expenditure including Remeasurements 2014 $000	Appropriation title	Expenditure including Remeasurements 2015 $000	Remeasurements[53] 2015 $000	Expenditure excluding Remeasurements 2015 $000	Appropriation Voted[54] 2015 $000	Location of end-of-year performance information[55] 2015
	Departmental output expenses					
6,291	*Forecast, Modelling, Information Monitoring and Analysis*	-	-	-	-	
17,841	*Policy Advice*	-	-	-	-	
4,954	*Research and Evaluation*	-	-	-	-	
32,697	**Youth Support Services MCOA**	**-**	**-**	**-**	**-**	
	Non-departmental output expenses					
13,410	*Support for Youth Payment and Young Parent Payment recipients*	-	-	-	-	
19,287	*Support to prevent disengaged young people from coming on to benefit at the age of 18*	-	-	-	-	
68,175	**Total multi-category output appropriations**	**-**	**-**	**-**	**-**	
	Benefits or related expenses					
1,145,875	Accommodation Assistance	1,128,850	-	1,128,850	1,133,498	3
18,560	Benefits Paid in Australia	15,343	-	15,343	15,344	3
185,596	Childcare Assistance	183,095	-	183,095	190,504	3
379,444	Disability Assistance	377,001	-	377,001	379,230	3
488	Family Start/NGO Awards	430	-	430	705	3
270,835	Hardship Assistance	276,884	-	276,884	281,581	3
1,691,007	Jobseeker Support and Emergency Benefit	1,683,877	-	1,683,877	1,706,855	3
10,913,103	New Zealand Superannuation	11,591,026	-	11,591,026	11,613,093	3
121,559	Orphan's/Unsupported Child's Benefit	132,020	-	132,020	133,869	3
1,221,895	Sole Parent Support	1,186,493	-	1,186,493	1,199,280	3
12,173	Special Circumstance Assistance	11,935	-	11,935	15,076	3
539,031	Student Allowances	511,105	-	511,105	537,977	3
15,594	Study Scholarships and Awards	11,802	-	11,802	20,145	3
1,421,910	Supported Living Payment	1,514,559	-	1,514,559	1,520,555	3
-	Veterans' Pension	177,503	-	177,503	179,736	3
-	Work Assistance	3,617	-	3,617	3,977	3
39,211	Youth Payment and Young Parent Payment	41,646	-	41,646	43,442	3

53 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

54 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

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Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations (continued)

For the year ended 30 June 2015

Expenditure including Remeasurements 2014 $000	Appropriation title	Expenditure including Remeasurements 2015 $000	Remeasurements[56] 2015 $000	Expenditure excluding Remeasurements 2015 $000	Appropriation Voted[57] 2015 $000	Location of end-of-year performance information[58] 2015
62,916	Domestic Purposes Benefit	-	-	-	-	
5,905	Employment Related Training Assistance	-	-	-	-	
52,355	Invalid's Benefit	-	-	-	-	
29,209	Sickness Benefit	-	-	-	-	
25,503	Transition to Work	-	-	-	-	
28,546	Unemployment Benefit and Emergency Benefit	-	-	-	-	
2,223	Widow's Benefit	-	-	-	-	
18,182,938	**Total benefits or related expenses**	**18,847,186**	**-**	**18,847,186**	**18,974,867**	
21,908,012	**Total Vote Social Development**	**23,203,297**	**17,048**	**23,220,345**	**23,470,411**	
	Vote Senior Citizens					
	Departmental output expenses					
941	Senior Citizens Services	979	(1)	978	1,010	1
941	**Total Vote Senior Citizens**	**979**	**(1)**	**978**	**1,010**	
	Vote Veterans' Affairs - Social Development					
	Departmental output expenses					
427	Processing and Payment of Veterans' Pensions	-	-	-	-	
	Benefits or related expenses					
165,250	Veterans' Pension	-	-	-	-	
165,677	**Total Vote Veterans' Affairs - Social Development**	**-**	**-**	**-**	**-**	
22,074,630	**Total annual and permanent appropriations**	**23,204,276**	**17,047**	**23,221,323**	**23,471,421**	

Transfers approved under section 26A of the Public Finance Act

The approved appropriation includes adjustments made in the Supplementary Estimates. There were no transfers made under section 26A of the Public Finance Act 1989 for the year ended 30 June 2015.

56 The remeasurement adjustment to departmental output expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

57 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act 1989.

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Statement of Expenses and Capital Expenditure incurred without, or in excess of, appropriation or other authority

For the year ended 30 June 2015

Unappropriated Expenditure 2014 $000	Type of appropriation	Actual 2015 $000	Appropriation Voted 2015 $000	Unappropriated Expenditure 2015 $000
	Vote Social Development			
	Non-departmental output expense			
-	Short-term Housing in Canterbury	131	-	(131)
-	**Total**	**131**	**-**	**(131)**

The Short-term Housing in Canterbury MCA appropriation was established from 28 July 2014 with two categories, Short-term Housing in Canterbury Operating Expenses and Short-term Housing in Canterbury Capital Expenses. On 13 April 2015 Cabinet agreed to transfer $3.5 million from the non-departmental capital expenditure category to the non-departmental output expense category. This left the capital expenditure category with a zero balance in 2014/2015 and outyears, which is not permitted by the Public Finance Act 1989. As a result of this, a new non-departmental output expense appropriation called Short-term Housing in Canterbury was established on 30 April 2015 with the actual expenses of 2014/2015 incurred against the existing MCA transferred and reported under the new appropriation. The new appropriation was inadvertently established without Imprest Supply authority. This resulted in $130,963 of unappropriated expenditure. The transfer of Imprest Supply authority has since been corrected in the Supplementary Estimates.

The above expenditure will be validated under section 26C of the Public Finance Act 1989.

Statement of Departmental Capital Injections

For the year ended 30 June 2015

Actual capital injections 2014 $000		Actual capital injections 2015 $000	Approved appropriation 2015 $000
4,991	Ministry of Social Development – Capital injection	18,210	18,210

Statement of Departmental Capital Injections without, or in excess of, authority

For the year ended 30 June 2015

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