Ministry of Social Development

Annual Report

2013/2014

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

We help New Zealanders to help themselves to be safe, strong and independent.

Our Principles

Ministry of Social Development people:

- All own what we all do
- Take responsibility for what we do
- Understand our role in the big picture, who can help us and who we can help
- Navigate through ambiguity and the opportunity it brings to create better ways of doing things
- Act with integrity, courage and transparency
- Celebrate our achievements and those of our clients

Presented to the House of Representatives pursuant to section 44(1) of the Public Finance Act 1989.

Published October 2014
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ISSN: 1175-9895 (print)
ISSN: 1178-3389 (online)

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Chief Executive's Foreword

We work alongside children, young people, individuals, families and communities to help themselves become safe, strong and independent. These people are at the heart of everything we do.

This Annual Report is a valuable opportunity for the Ministry of Social Development and everyone in it to reflect on what has been achieved.

Within a fast-changing and challenging environment, we have continued to focus on delivering quality support and services to New Zealanders. We have made tangible steps towards Government's goals. We are helping more people into work and out of welfare dependency, and working to improve the lives of vulnerable children and young people.

At the same time, we are driving significant change in the way we work, so that collectively we can meet the challenges and needs of New Zealanders in the 21st century.

Last year, we reported on significant policy changes introduced by the Government. This year we implemented the biggest change in policy and operations our welfare system has seen in 50 years. The scope and scale of that reform have radically changed the way we work and target our resources. The success so many of our clients have achieved this year – especially those most at risk of remaining on benefit a long time – tells us we are on the right track.

This year we also gained an opportunity to meet another fundamental need, when government transferred to us key responsibilities in social housing assessment and providing help for people looking for a place to live.

In response to expectations set by Ministers, we're increasingly working across established boundaries between agencies; together we can make far more impact on people's lives than in isolation. We've supported change across the sector in our work with vulnerable children and communities. We are also changing the way we work with our community partners, so that people and communities can access services they really need and that really work for them.

These changes affect every part of the Ministry. To sustain them, we are reshaping the way we work and organise ourselves to ensure we:

- listen to and understand our clients and their needs, and put them first
- work as a whole
- deliver connected, streamlined, evidence-based services based on people's needs.

We are now at the point where we can design a new operating model to take us into the future. We're deliberately building the constructive, collaborative, flexible culture and structure we need to succeed. We're exploring joined-up service delivery, creating simpler and more streamlined systems, and investing in technology, data analysis and the way we manage information.

We're doing this to increase our collective impact and make more difference in the lives of the people who count on us.

The achievements of our clients over the past year are a credit to them and to the extraordinary commitment of our staff. I am immensely proud of what we all do together.

I'm also grateful for the support and commitment of our partners across government and in communities as we try new ways of working together. I look forward to what we can achieve together in the year ahead.

In the final stages of putting together this Annual Report, we were rocked by a tragedy in our Ashburton office. Two staff members were killed, and another was seriously wounded. It was a devastating time for us. However our team is strong and resilient, and is determined to carry on working to help those in need.

In response to this tragedy, I commissioned an independent review of security in our offices. The review has two phases – the first looked at what happened in Ashburton and the second will focus on general security and staff safety.

In relation to the first phase, the reviewers have determined that we took all practicable steps to ensure staff safety. They also made some general observations on how we can enhance security measures and will expand on these in the second phase of the review.

I am committed to ensuring that our staff and the public we serve are safe. We will address the recommendations of the reviewers as a matter of priority. Our next Statement of Intent will set out our response and I will report on that work in the next Annual Report.

Brendan Boyle
Chief Executive
Ministry of Social Development

Nature and Scope of Functions

We help New Zealanders to help themselves to be safe, strong and independent.
Ko ta mātou he whakamana tangata kia tū haumaru, kia tū kaha, kia tū motuhake.

Our purpose and principles

The Ministry helps New Zealanders to help themselves to be safe, strong and independent.

We have a presence in almost every town in New Zealand and our people have connections to every community. Our work touches the life of nearly every New Zealander, and across all stages of life.

Our role

We achieve our purpose by providing:

- statutory care and protection of children and young people, youth justice services, and adoption services
- employment support
- income support including payments of benefits and New Zealand Superannuation
- services to uphold the integrity of the welfare system and to minimise clients' debt levels
- funding to community service providers
- information, knowledge and support for families and communities
- access to concessions and discounts for older people, families and lower-income New Zealanders
- campaigns that challenge antisocial attitudes and behaviours
- tertiary study allowances and loans
- social housing assessments and services
- leadership across the social sector.

The scope of our work

In 2013/2014, we administered three Votes – Vote Social Development, Vote Senior Citizens and Vote Veterans' Affairs – Social Development; and provided services to the following Ministers:

- Minister for Social Development
- Minister of Youth Affairs
- Minister of Health
- Minister of State Services
- Associate Ministers for Social Development
- Minister of Veterans' Affairs
- Minister for Senior Citizens
- Minister of Revenue
- Minister for Disability Issues.

We monitored four Crown entities:

- Children's Commissioner
- Families Commission
- New Zealand Artificial Limb Service
- Social Workers Registration Board.

We supported the following statutory tribunals and advisory committees:

- Expert Advisory Group on Information Security
- Social Security Appeal Authority
- Student Allowance Appeal Authority
- Social Workers Complaints and Disciplinary Tribunal
- Taskforce for Action on Violence within Families
- Work and Income Board
- Nine Child, Youth and Family Residence Grievance Panels.

Better Public Services (BPS)

Our Chief Executive, as Chair of the Social Sector Forum, has responsibility for leading the cross-agency effort to achieve the following four BPS targets:

- Reduce the number of people who have been on a Jobseeker Support benefit for more than 12 months (Result 1)
- Increase participation in early childhood education (Result 2)
- Increase infant immunisation rates and reduce the incidence of rheumatic fever (Result 3)
- Reduce the number of assaults on children (Result 4).

Cross-agency Leadership

The social sector is complex, with a range of government, non-government, and private sector organisations involved in providing a wide range of services to all New Zealanders.

Many communities and families are dealing with difficult social problems that go beyond the boundaries of generations, agencies and services. To address these problems, agencies are finding new ways to work together to make services more accessible and effective.

Our population-based offices, the Ministry of Youth Development, the Office for Disability Issues and the Office for Senior Citizens, lead government engagement with their respective sectors.

The Ministry has a role in providing leadership across the social sector to co-ordinate and organise cross-agency work.

Supporting cross-agency governance groups

During the year, we continued to support and contribute to strengthened governance arrangements across the social sector that enable more co-ordinated and innovative responses to meet the needs of people dealing with multiple agencies.

Social Sector Forum

Our Chief Executive chairs the Social Sector Forum[1]. The Forum brings the social sector together to:

- strengthen combined social sector leadership
- pursue a common agenda to deliver results for shared groups and populations.

During the year, the Forum continued to focus on its shared responsibility for targets relating to the Government's Better Public Services Results 1-4[2], and its other shared priorities: Social Sector Trials, Enabling Good Lives and Addressing Family Violence.

Joint Venture Board

Through the Forum's Joint Venture Board, the Social Sector Trials bring together the Ministries of Social Development, Education, Health and Justice, and New Zealand Police to improve social outcomes by giving non-government organisations or individuals a mandate to co-ordinate local programmes and solutions.

Ten Trials were implemented this year, joining the six that began in 2011[3]. The Trials have a youth focus with outcomes related to reducing truancy, offending, and alcohol and substance abuse, as well as increasing participation in education, training and employment. During the year, the first six Trials were expanded to include 5 to 18-year-olds, to enable a greater focus on prevention and early intervention.

Evaluation has shown the Trials approach to be effective in promoting communication and collaboration between local stakeholders and in delivering a broad range of services targeted at young people. This has led to better information sharing, a greater appreciation of the role of the community, and an improvement in communities' focus on and ownership of outcomes.

Vulnerable Children's Board

Our Chief Executive chairs the Vulnerable Children's Board, which is overseeing implementation of changes to the way government agencies address the needs of at-risk and vulnerable children.

Over the last year, significant progress has been made to implement the Children's Action Plan, including:

- establishing a Children's Action Plan directorate, hosted by the Ministry, to oversee the implementation of the Plan
- establishing two Children's Teams in Rotorua and Whangarei
- drafting the Approved Information Sharing Agreement to enable information sharing between government and non-government organisations, and to support development of the Vulnerable Kids Information System and the Hub (a single point of referral for all vulnerable children).

1 The Social Sector Forum comprises the Chief Executives of the Ministries of Education, Health, Social Development, Justice, Business, Innovation and Employment and Pacific Island Affairs, and Te Puni Kōkiri.

2 Further information on Better Public Services Results and targets can be found on pages 7-11.

3 The six original Trials are in Kawerau, Horowhenua, South Waikato, Gore and Waitomo districts, and Taumarunui. The 10 additional Trials are in Kaikohe, Waikato district, Rotorua district, Ranui, Whakatane, Gisborne, South Taranaki district, Wairarapa, Porirua city and South Dunedin.

During the year, Parliament passed the Vulnerable Children Act. The Act came into force on 1 July 2014. The Act lays the foundation for agencies to work together to improve the wellbeing of children and makes Chief Executives accountable for a cross-agency plan to protect and improve the lives of vulnerable children.

Positive outcomes have resulted from the two Children's Team demonstration sites and lessons learnt will inform the Children's Teams operating model as it expands. In May 2014, Government announced the rollout of eight new Children's Teams in 2014/2015.

Working together to address family and sexual violence

Family violence and sexual violence are serious and complex issues and no one agency can address them alone.

Family Violence

During the year, we provided information, advice and support to member agencies of the Taskforce for Action on Violence within Families, which leads the interagency action to address family violence.

We also continued to deliver campaigns such as It's not OK!, E Tu Whānau and Pasefika Proud to raise awareness about how to prevent family violence. The Family Violence Unit, housed by the Ministry, began developing an overarching strategic framework for cross-government work aimed at achieving intergenerational change to break the cycle of family violence.

Sexual Violence

Specialist sexual violence service staff report that they are experiencing an increased demand for services.

In 2013, the Minister for Social Development commissioned a cross-agency review of sexual violence services, with the aim of developing a sustainable long-term plan for the sector. The review confirmed the increasing demand for sexual violence services and found that a stronger emphasis and a nationally co-ordinated approach are needed to prevent sexual violence.

We have developed a primary prevention strategy in conjunction with primary prevention experts. Options for implementation are currently being considered.

Property Management Centre of Expertise (PMCoE)

The State Services Commission has appointed the Ministry of Social Development to be the Property Management Centre of Expertise for the Public Service and some state service and state sector entities.

We are using the collective purchasing power of the public service to identify and drive property-related savings, co-location opportunities, and more effective and productive work places.

As part of this, we delivered the first tranche of the Wellington Accommodation Project, which will achieve savings of $333 million over the next 20 years. The project's adoption of modern workplace practices has reduced the footprint of public sector agencies in central Wellington by 24 per cent.

The Christchurch Integrated Government Accommodation Project has completed negotiations on three of the four building solutions in the city's central business district. The remaining negotiations are expected to be completed in late 2014. The development of all four buildings, and relocation of agencies, is expected to be completed during 2016. These developments will provide certainty to government staff in Christchurch and will contribute to growth and development in the city.

Better Public Services

As Chair of the Social Sector Forum, our Chief Executive is responsible for four of the Government's 10 Better Public Services Results for New Zealanders. The Ministry is the lead agency for two of these results (Results 1 and 4), while the other two are led at agency level by other Ministries[4].

Result 1: Reduce the number of people who have been on a Jobseeker Support benefit for more than 12 months (Lead agency)

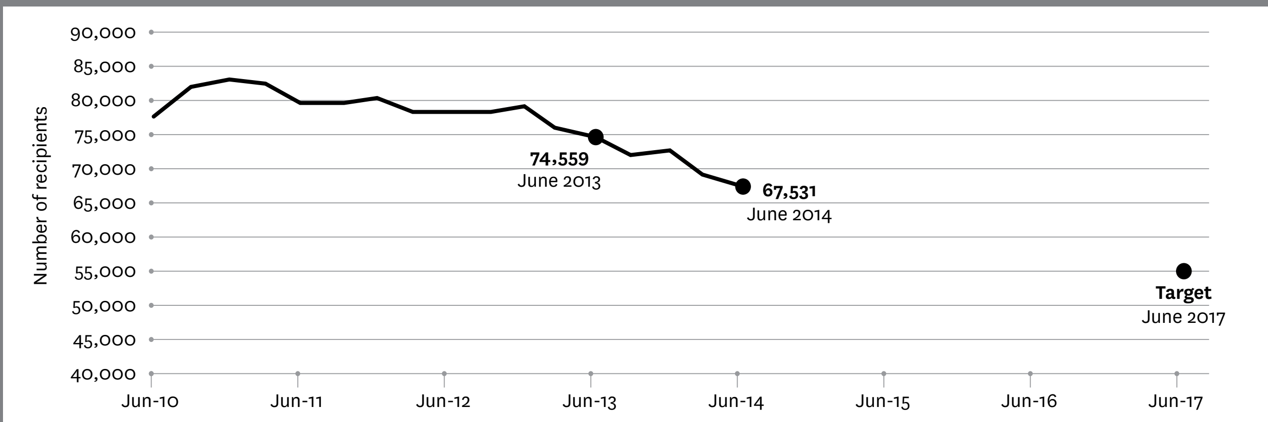
Reducing long-term welfare dependence is about supporting people to better their lives, managing the Government's future financial liability, and supporting the New Zealand economy by ensuring we have a skilled and productive workforce.

During the year, we made significant progress towards achieving the target of *reducing the number of people who have been on a Jobseeker Support benefit for more than 12 months to 55,000 by June 2017.*

Alongside the Government's welfare reforms, we adopted an investment approach to welfare that helps to ensure we invest support where it will make the biggest difference. We also introduced a new work-focused approach to service delivery.

In the year to 30 June 2014, the number of people on a working-age benefit for more than 12 months fell from 74,559 to 67,531. This is a drop of 9.4 per cent as shown in the graph below:

People continuously receiving Jobseeker Support (JS) benefits for over 12 months



4 Result 2 is led by the Ministry of Education and Result 3 is led by the Ministry of Health.

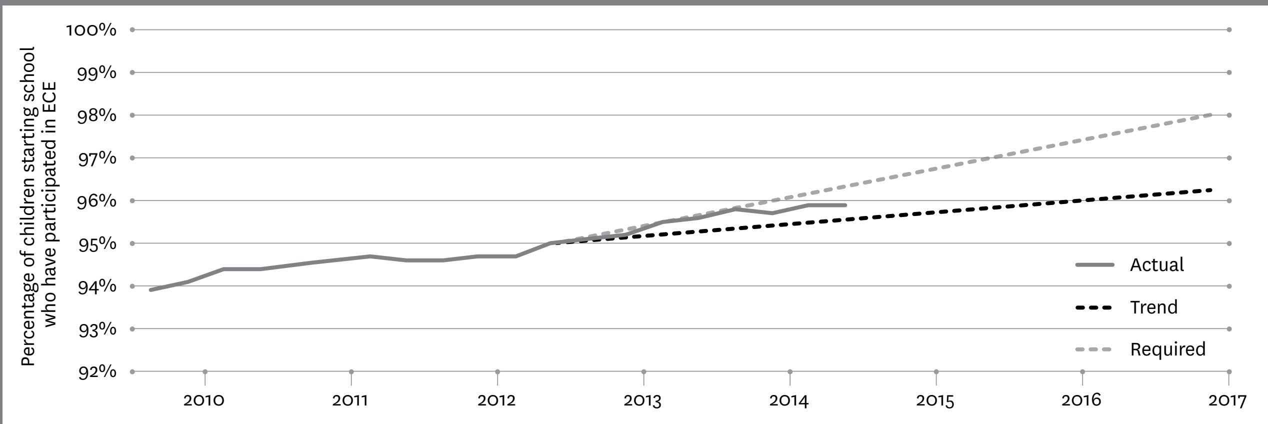
Result 2: Increase participation in early childhood education (Contributor to Ministry of Education as lead)

Quality early childhood education (ECE) has positive long-term benefits, including better health, more stable family relationships, and less likelihood of engagement in criminal activity. The Ministry of Education is leading the work to increase the rate of participation in early childhood education to 98 per cent in 2016.

We contribute to this target by subsidising the cost of ECE for children in our care aged between 18 months and three years and through our Family Start[5] programme. In 2013/2014, 72.3 per cent of children in care aged 18-36 months; and 71 per cent of children whose families participated in Family Start were enrolled in ECE.

During the year, progress has been made towards achieving the target. The percentage of children who have attended ECE before starting school has steadily increased each year since 2000, and reached 95.9 per cent at 30 June 2014 as illustrated below:

Prior ECE participation rate – quarterly for the previous year



The annual growth rates in prior participation for Māori children, Pasifika children, and children starting at low-decile schools are all higher than the national rate.

5 The Family Start programme is a child-centred, intensive home visiting programme to improve children's growth, health, learning, relationships, whānau circumstances, environment, and safety. For more detail, please refer to page 22.

Result 3: Increase infant immunisation rates and reduce the incidence of rheumatic fever (Contributor to Ministry of Health as lead)

Immunisation is one of the most cost-effective ways of preventing many infectious diseases. Early immunisation links children into the health system from a young age. Rheumatic fever can lead to rheumatic heart disease and premature death.

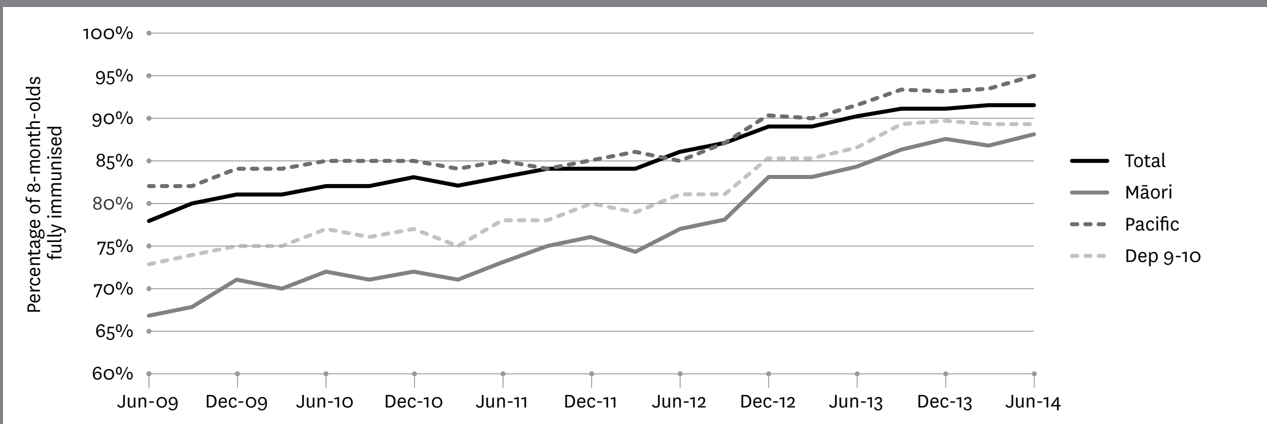
The Ministry of Health is leading work to have 95 per cent of eight-month-olds fully immunised and reduce the incidence of rheumatic fever to 1.4 cases per 100,000 people by June 2017.

We contributed towards the two target indicators for this Result through Gateway Assessments[6] and the Family Start Programme. In 2013/2014, we referred 3,461 children and young people for Gateway Assessments, and 5,114 families received Family Start services.

As at 30 June 2014:

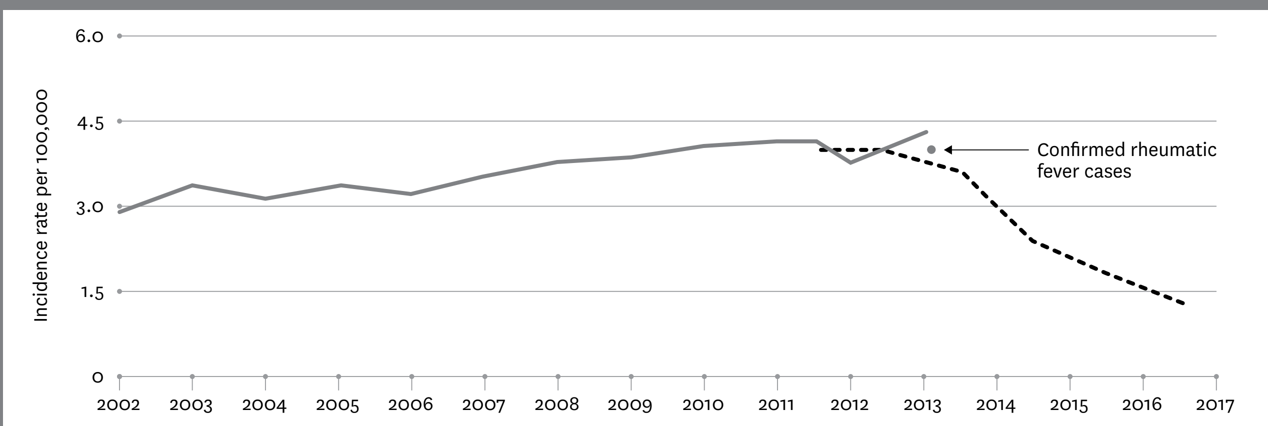
- the immunisation rate for eight-month-old infants was 91.6 per cent, an increase of 1.6 percentage points from the previous year

Immunisation coverage for children at 8 months



- the incidence of rheumatic fever was 4.3 cases per 100,000 of population.

First episode rheumatic fever hospitalisations, annual rate per 100,000, New Zealand (2013 rate is provisional)



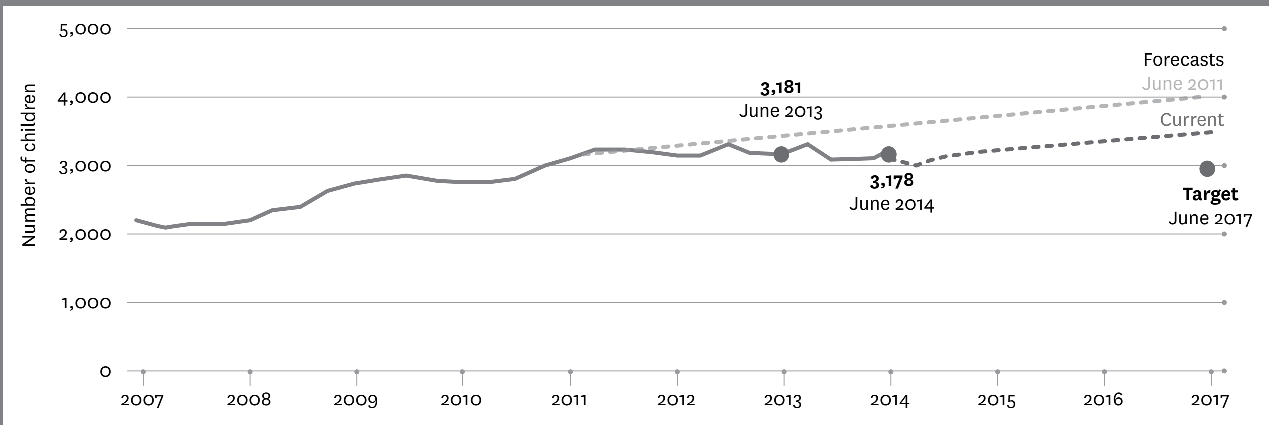
6 Gateway Assessments ensure that every child or young person entering care, and those already in care or at risk of entering care who would benefit from this service, receives a comprehensive health and education assessment to build a picture of their needs. For more detail, please refer to page 21.

Result 4: Reduce the number of assaults on children (Lead agency)

We continue to work collectively with other agencies to achieve the target of halting the 10-year rise in the number of children experiencing physical abuse, and reducing current numbers by 5 per cent by 2017[7].

In 2013/2014, the number of substantiated physical assaults was stable at 3,178 compared with 3,181 the previous year. The recent flattened trend appears to be continuing. Meeting this target means bringing the projected number of children expected to experience substantiated physical abuse down to less than 3,000 by June 2017. The graph below illustrates the stabilising of the number of assaults.

Children experiencing substantiated physical abuse (12 months to June 2014)



We lead cross-agency efforts on this target and we deliver services to support vulnerable families that aim to reduce the number of assaults on children and young people. We also contribute to this by supporting the Children's Action Plan, which seeks to introduce:

- better screening of children for vulnerability
- full needs assessment of vulnerable children
- better support for frontline staff and communities to raise concerns about the safety of children.

Implementation of the Children's Action Plan may increase reporting of child assaults by raising awareness of child abuse. In the short term, this may mean that substantiated findings of physical abuse against children increase.

7 This target was set in June 2012. References to 'the 10-year rise' and 'current numbers' refer to the number of children experiencing substantiated physical abuse as at June 2012.

Other Better Public Services targets to which we contribute

The Ministry contributes to the achievement of another four targets that are led by other government agencies:

Result 5: *Increase the proportion of 18-year-olds with NCEA Level 2 or equivalent qualification*

We contributed to this target by administering the Youth Service, which aims to get disengaged young people back into training or education. During the year, we provided personalised support to more than 9,500 young people at risk of long-term welfare dependency. We also contributed through our participation in the Social Sector Trials.

The proportion of 18-year-olds with NCEA Level 2 or equivalent qualifications has increased by 1.4 percentage points to 78.6 per cent at the end of the 2013 calendar year.

Result 7: *Reduce reoffending* and **Result 8:** *Reduce the rates of total crime, violent crime and youth crime*

We contributed to these targets by providing services and programmes such as Fresh Start to more than 1,600 young people. These programmes hold young offenders accountable for their offending and manage the risk of their reoffending. We also held 5,633 youth justice family group conferences as an early intervention to stop offending from escalating.

Reoffending rates fell from 27.2 per cent in March 2013 to 26.3 per cent in March 2014[8]. The rate of youth crime fell from 265 per 10,000 population in June 2013 to 228 at 31 March 2014[9], a drop of 14 per cent in the period. Since the Better Public Services result was set in June 2011, youth crime has fallen 30.1 per cent, exceeding the target of a 25 per cent reduction by 2017.

Result 10: *New Zealanders can complete their transactions with the Government easily in a digital environment*

Over 39 per cent of New Zealanders' most common government transactions are now completed in a digital environment.

We contributed to this target by enhancing our digital service channels and matching the needs of our clients for digital interaction. We enhanced options for online financial assistance applications, and improved security by implementing RealMe[10]. To enable students to access their personal information from any mobile device we also launched the MyStudyLink mobile view. More information can be found in the section 'More people interact with the Ministry in a digital environment'.

8 This result is reported annually at 31 March.

9 Latest available data.

10 RealMe is a login portal for online applications, which allows clients to easily and securely prove their identity online and access different services using a single username and password.

Ministry Outcomes

More people into work and out of welfare dependency

The Ministry is targeting its resources to those who need it most and moving people off welfare and into work. This will lead to better lives for people and their families.

Implementation of welfare reform

During the year, the Government introduced significant reforms to New Zealand's welfare system. These reforms aim to reduce benefit dependency and encourage work and self-reliance, while continuing to provide a safety net and support for those who need it.

From July 2013, multiple benefit types were replaced with three new benefit categories. This simpler approach to benefit categories enables us to focus on securing work for those who are able to work, and providing appropriate support for those who cannot.

This is supported by a range of other changes to the welfare system introduced during the year, including:

- social obligations for beneficiaries with dependent children
- a new approach to working with clients with a health condition or disability
- powers to stop benefit payments for beneficiaries who have an outstanding warrant for arrest in criminal proceedings
- pre-employment drug test requirements.

We worked with beneficiaries, employers and non-government organisations to communicate these changes and ensure they were made with minimum disruption.

Benefit numbers are down

In 2013/2014, there was a decrease in the overall numbers of people on benefits. Working-age benefit numbers decreased by 5 per cent from 310,000 to 294,000.

During 2013/2014:

- Jobseeker Support numbers fell by 5.8 per cent
- Sole Parent Support numbers fell by 10.7 per cent
- Supported Living Payment numbers increased by 1.5 per cent.

The increase in Supported Living Payment numbers is in line with the ageing population and more people caring for elderly family members.

Good results have been achieved in reducing long-term welfare dependency. The number of people receiving Jobseeker Support for more than 12 months fell by 9.4 per cent during the year. We are on track to achieve the Government's Better Public Services target to reduce this number by 30 per cent, from 78,000 in April 2012 to 55,000 by June 2017.

This continues a two-year downward trend and represents a decrease of 13 per cent since April 2012.

Investment approach

The investment approach helps to ensure support is invested where it will make the biggest difference. This approach uses available evidence to inform decision-making and supports learning from observed outcomes. This drives ongoing improvement in the performance of employment and work-readiness investment, to better support people to become less dependent on the welfare system.

We are using an annual actuarial valuation to manage the lifetime liability of the benefit system[11] more effectively. This gives us greater ability to identify clients in terms of their projected lifetime patterns of benefit receipt.

The latest valuation of the welfare system, at 30 June 2013, puts the lifetime liability of the benefit system at $76.5 billion – a decrease of $10.3 billion from $86.8 billion in 2012[12]. Of the decrease, $4.4 billion can be attributed to our interventions.

In 2013/2014, our investment strategy focused on clients with work obligations who had a medium to high risk of ongoing long-term welfare dependency. We developed targeted trials to help determine which services and support work best to achieve appropriate quality of life or work-readiness goals for this group.

New service delivery model

To support the investment approach, we implemented a new work-focused service delivery model. This enhances how we provide services to help people into work. People's individual employment needs are considered first, and services are tailored to the level of support they need. This includes:

- intensive one-to-one, work-focused case management to support those who need more help to move into work
- specialist services for those with health conditions or disabilities
- less intensive support for those who are able to find their own way into work or who only need a minimal level of assistance.

We have improved online and self-service options so that people requiring lower-level services can more easily complete appropriate tasks. This enables greater frontline assistance for people with complex needs.

Delivering results with employers

In 2013/2014, we started the rollout of an Employer Strategy. This strategy changes how we work with employers by forming industry partnerships that enable industries, employers and government to work together to maximise job opportunities, particularly for those at the highest risk of long-term welfare dependency. We aim to provide a quality service to businesses and help achieve more successful and sustainable placements.

The strategy aims to create a more nationally consistent approach, while still allowing for regional variation.

We are also responding to unique labour market challenges in the Canterbury region. Labour demand is outstripping supply and innovative approaches are needed to support the Canterbury rebuild. We have been raising awareness of the job opportunities in Canterbury by:

- extending the advertising of vacancies to other regions
- promoting the Canterbury Skills and Employment Hub to people on benefits
- facilitating employer engagement with people on benefits in other regions.

Canterbury continues to lead employment growth, accounting for almost half the total national employment growth over the year. This is reflected in regional benefit numbers, with Canterbury seeing a 17 per cent reduction in Jobseeker Support numbers compared to June 2013.

11 'Lifetime liability of the benefit system' is defined by the actuarial valuation as the cost of all future benefit payments and associated expenses for working-age clients who received a benefit at any time in the 12 months up to the valuation date. The future cost of the benefit system is not a 'liability' for accounting purposes and is not reported on the Government's balance sheet. The purpose of the actuarial valuation is to estimate future cost to allow the Ministry to manage operational decisions and target interventions in order to shift the focus of the benefit system toward improving outcomes over the long term.

12 Source: Actuarial Valuation of the Benefit System for Working-age Adults as at 30 June 2012 and 30 June 2013. These valuation reports and the figures therein have not been subject to audit.

How we demonstrate our success

Intermediate outcome	Indicator	Intended trend	Result	Trend	Comment
Fewer people start welfare	The proportion of clients who get work before requiring a benefit	↑	2013/14: 37.0% 2012/13: 39.7%	↓	This year's result has been driven by the wider group of clients who are now obligated to attend a seminar. During 2013/14, 40,400 out of 109,110 clients who participated in pre-benefit activities did not require a benefit within 28 days.
Fewer clients are reliant on welfare	The proportion of Jobseeker Support clients who do not remain on the benefit for longer than: • 26 weeks • 52 weeks • 104 weeks	↑	*26 weeks* 2013/14: 39.9% *52 weeks* 2013/14: 53.8% *104 weeks* 2013/14: 62.2%	N/A	This is a new indicator and a baseline is being established to determine future trend.
	The number of full-time work-obligated clients continuously receiving a benefit for more than 12 months	↓	2013/14: 67,531[13] 2012/13: 74,599	↓	During 2013/14, the number of full-time and part-time work-obligated clients continuously receiving a benefit for more than 12 months reduced from 74,559 to 67,531, a decrease of 7,028 (9.4%). This is well below the year-end target of 69,500.
	The proportion of Sole Parent Support clients who have work obligations and who are working part-time	↑	2013/14: 28.6%	N/A	This is a new indicator and a baseline is being established to determine future trend.
	The proportion of Supported Living Payment clients who choose to work and are in full- or part-time employment	↑	2013/14: 8.6%	N/A	This is a new indicator and a baseline is being established to determine future trend.

Note: Result changes below 1 per cent between 2012/2013 and 2013/2014 are considered not statistically significant.

13 The results for this indicator include both part-time and full-time work-obligated clients.

More young people are in education, training or work

We work with young people to keep them engaged and active in their communities by supporting them to be involved in education, training and employment.

Youth Service

Receipt of a benefit before reaching 18 makes someone significantly more likely to be on a benefit when they are in their thirties. Seventy per cent of New Zealand's future benefit liability can be attributed to people who first received a benefit as a teenager[14].

During the year, we continued to focus on supporting youth to avoid welfare dependency, through the Youth Service. This encompasses specialist youth case managers, in-house trials, and one-on-one mentoring to get disengaged youth back into education or training. It also provides tools and support for money management, budgeting, parenting and life skills.

Two services make up the Youth Service:

- The Youth Payment and Young Parent Payment for 16 to 19-year-olds who need financial assistance from Work and Income. At 30 June 2014, there were more than 3,000 people enrolled.
- The NEET (not in education, employment or training) programme is for 16 and 17-year-olds who are not in, or are at risk of disengaging from, education, employment or training. At 30 June 2014, there were 9,500 enrolled.

An evaluation of the first 18 months of the Youth Service's operation was completed in June 2014 and showed that it is positively impacting on young people at a critical point in their lives. Early evidence suggests the Youth Service is helping young people to become independent of the benefit system, particularly those receiving the Youth Payment.

The Youth Service also appears to be positively influencing young people's ability to gain NCEA qualifications. The evaluation shows that those receiving the Youth Payment benefit have spent less time on a benefit and that fewer transition to a working-age benefit.

Support for teen parents

Teen parents have the highest lifetime liability costs of all groups receiving a benefit, and their children are more likely to experience poorer outcomes.

During the year, we began a review of the services provided to teen parents and their children to ensure the right services are being delivered and are easily accessible.

We continued to provide support for teen parents through initiatives such as intensive case workers, volunteer neighbourhood supporters, and support for teen fathers. We also supported vulnerable teen parents to access adequate housing.

Through the Guaranteed Childcare Assistance Payment, we helped young parents on a benefit to meet their obligations, and supported those who are not on a benefit to return to or remain in secondary education.

14 Source: Actuarial Valuation of the Benefit System for Working-age Adults as at 30 June 2013. This valuation report and the figures therein have not been subject to audit.

How we demonstrate our success

Intermediate outcome	Indicator	Intended trend	Result	Trend	Comment
More young people are engaged in education, training or employment without needing a benefit	The proportion of Jobseeker Support clients (aged 18-24) who do not remain on the benefit for longer than: • 13 weeks • 26 weeks • 52 weeks	↑	*13 weeks* 2013/14: 23.0% *26 weeks* 2013/14: 44.6% *52 weeks* 2013/14: 59.0%	N/A	This is a new indicator and a baseline is being established to determine future trend.
	The proportion of Youth Service clients (aged 16-18) who require a main benefit within three months of leaving the Service	↓	2013/14: 53.7%	N/A	This is a new indicator and a baseline is being established to determine future trend.
	The proportion of Youth Service clients (aged 16-18) who achieve at least an NCEA Level 2 qualification	↑	2013/14: 15.3%	N/A	This is a new indicator and a baseline is being established to determine future trend.

Note: Result changes below 1 per cent between 2012/2013 and 2013/2014 are considered not statistically significant.

More young people contribute positively to their communities

We support young people to play a positive role in their communities and become active citizens.

Improving the lives of young people

During 2013/2014, we continued to fund youth programmes that develop and promote active youth citizenship. We supported non-government organisations and local authorities to work with young people through the Services for Young People Fund and the Youth Development Partnership Fund. This included support for The Duke of Edinburgh's Hillary Award, the Spirit of Adventure Trust, the Young Enterprise Trust and SCOUTS New Zealand.

In early 2014, we rolled out the Youth in Emergency Services programme across six communities, in collaboration with the Ministry of Civil Defence and Emergency Management. This programme encourages young people to volunteer with their local rural fire or other emergency services. Participants gain a range of marketable and transferable skills. The programme will be expanded to a further 20 communities over the next two years.

Through the Youth Enterprise Initiatives over the next three years we will support young people to develop skills and experience to participate confidently in their communities. The Initiatives focus on financial literacy skills, business enterprise education and social enterprise.

Acknowledging right choices

The Prime Minister's Youth Programme aims to foster and celebrate achievement by young people who have faced challenges in their lives and have been recognised by their schools, youth workers, New Zealand Police or social workers as having taken positive steps to manage these challenges.

One hundred young people from South, West and Central Auckland were selected to participate in the 2014 Programme in one of four structured week-long activity programmes. They also received ongoing support to strengthen the positive decisions they have made in their own lives.

Improving health and wellbeing

The Prime Minister's Youth Mental Health Project aims to improve the mental health and wellbeing of young people who have mild to moderate mental health issues or are at risk of developing them. During 2013/2014, we continued to deliver a number of initiatives under the project.

During the year, 15 youth workers were appointed in 16 decile 1-3 secondary schools in Auckland, Hawke's Bay and Wellington through the Youth Workers in Secondary Schools programme. The youth workers mentor young people at risk of disengaging from school, to improve their wellbeing, school engagement and achievement. We also supported the development of Common Ground, a new online hub for parents, family and friends of young people to access mental health information.

We continued to support the Lifehack project through the Social Media Innovation Fund.

Lifehack brings together young people, non-government organisations, entrepreneurs and IT specialists to develop new online tools to promote youth wellbeing. Four regional Lifehack weekends were held in April 2014, which provided community members with the opportunity to generate and test ideas that will make a difference locally.

Involving more young people in decision-making

During the year, we continued to support young people's participation in decision-making within their communities. This included facilitating youth input into the Prime Minister's Youth Mental Health Project, the Greater Christchurch Youth Resilience and Wellbeing Survey in the aftermath of the Canterbury earthquakes, and the development of a Youth Strategy for the Department of Corrections.

Through the 5,000 members of the Aotearoa Youth Voices Network, we connected young people with a variety of opportunities to participate in international youth leadership initiatives, including the Y20 Youth Summit in Sydney, the World Conference on Youth in Colombo, Sri Lanka, and Bastille Day celebrations in Paris. We will also help the New Zealand Defence Force select a youth delegation to represent New Zealand at Gallipoli centenary commemorations.

We have been supporting work on initiatives to improve regional planning for young people with local and central government agencies, such as Auckland Agencies for Youth, Intersect Waikato and Collaboration Bay of Plenty.

In preparation for the 2014 General Election, we worked with the Electoral Commission on ways to increase youth voter enrolment and engagement with the electoral process.

Youth Parliament

Youth Parliament was held in July 2013. It comprised 121 Youth Members of Parliament (Youth MPs) and 20 Youth Press Gallery members, who were selected to discuss and debate issues of importance for young people.

All Youth MPs and Youth Press Gallery members had an opportunity to participate in community projects over a six-month tenure period following Youth Parliament. Feedback from young people, Ministers, MPs and community members on the 2013 Youth Parliament was positive.

How we demonstrate our success

Intermediate outcome	Indicator	Intended trend	Result	Trend	Comment
More young people are engaged in and contribute to their communities	More young people involved in community-based projects and activities including the Youth Fund and Youth Development Partnership Fund	↑	2013/14: 41,457 2012/13: 39,127	↑	An increased number of young people participated in community-based projects and activities funded through the Youth Fund and the Youth Development Partnership Fund, resulting in an overall increase of 2,330 in 2013/14.
More young people are involved in decision-making	More young people involved in decision-making activities including youth consultations and youth councils	↑	2013/14: 13,726 2012/13: 4,910	↑	There has been an improvement in contract monitoring resulting in improved returns by providers, who have reported on 9,340 participants. There has also been an increase in the number of young people participating in decision-making activities, notably the Greater Christchurch Youth Resilience and Wellbeing Survey, which attracted 3,377 participants.

Note: Result changes below 1 per cent between 2012/2013 and 2013/2014 are considered not statistically significant.

Fewer children are vulnerable

Too many children have a childhood that makes it unlikely that they will thrive, belong and achieve. We help to build stronger families and support parents to do better for their children. For those children who need it, we provide protection.

Notifications to Child, Youth and Family

Through Child, Youth and Family (CYF) we provide statutory care and protection services for the most vulnerable children and young people, including family group conferences, out-of-home care placements and residential services.

In 2013/2014:

- CYF received 146,657 notifications of child abuse or neglect, including Police family violence referrals – this is a 1.3 per cent decrease from last year although notifications have grown in the previous five years
- 54,065 notifications (37 per cent) needed further action to determine the response and social work services needed (in the previous year, 61,877 notifications (42 per cent) required further action)
- of the notifications received, 133 related to an incident of smacking with no other concerns, compared with 177 in the previous year
- as a result of further action, we identified 19,623 findings* of substantiated abuse. This is compared with 22,984 in 2012/2013.

*These numbers differ from the numbers of children experiencing abuse because a child may experience more than one incidence of abuse in a given period.

A co-ordinated cross-agency approach

Ministers have been clear about the shared responsibility of multiple agencies to get better results for vulnerable children. During the year, the Government continued to progress significant changes to the way agencies collectively respond to the needs of at-risk children.

The Vulnerable Children Act, which was passed in June 2014, and changes to the Children, Young Persons, and Their Families Act 1989 are aimed at protecting and improving the wellbeing of vulnerable children. We began work to implement new obligations under these reforms, including child protection policies and standard safety checking of the children's workforce.

We continued to host and support the Children's Action Plan Directorate. The Children's Action Plan will help us maintain our focus on our core business of caring for and protecting our most vulnerable children and young people.

Children's Action Plan

The passing of the Vulnerable Children Act 2014 was an important milestone for implementing the Children's Action Plan. The Act forms a part of comprehensive measures to strengthen the child protection system, including making Chief Executives from the Ministries of Health, Social Development, Education and Justice and the Police Commissioner jointly accountable for implementing the plan to protect our vulnerable children.

Social worker caseload review

The range and complexity of the needs of the children and families we work with are increasing. Notifications have grown steadily over the past six years and the size and demands of social workers' caseloads have increased as a result.

In order to better understand the pressure that this was placing on the service, the Chief Social Worker undertook a qualitative review of social worker casework, caseloads and workloads during 2013/2014.

The review was reported in May 2014 and made a number of recommendations to improve the way we undertake our statutory responsibilities of caring for and protecting our most vulnerable children and young people.

In response to the findings of the review, we have started work to ensure that:

- there is clarity about our statutory role in working with our most vulnerable children and young people
- there are effective working partnerships with other agencies
- social workers have the capacity and capability to work effectively with children, young people and their whānau.

Modernising Child, Youth and Family

The Social Worker Workload and Casework Review, the implementation of the Children's Action Plan, and the Vulnerable Children Act provide a clear direction for the Ministry's role in caring for and protecting the most vulnerable children and young people.

As a result, Child, Youth and Family is beginning a modernisation programme of work that will support New Zealand's changing landscape of services for vulnerable children. This is about:

- improving outcomes for children and young people through what Child, Youth and Family does and the way it works
- focusing on the right children and young people to deliver the outcomes we want
- working actively and productively with our partners where we know it will make a difference
- balancing Child, Youth and Family transactional activity with meaningful engagement needed to transform young lives
- enhancing the quality of social work practice and response to cultural needs.

Children in out-of-home care

At 30 June 2014, 5,188 children were in the custody of the Chief Executive and, of these, 4,129 were in care and protection placements outside of their home.

In 2013/2014, 39 (0.7 per cent of the total) children and young people in the custody of the Chief Executive were found to have been abused by their caregiver.

Any abuse of a child is unacceptable. We will always act immediately to ensure the safety of the child or young person whenever there is an allegation of abuse by a Ministry caregiver.

All caregivers must undergo a thorough series of checks before being approved.

Gateway Assessments

Children and young people in our care are often disconnected from regular health and education services. They are more likely to require physical, behavioural and emotional support.

Gateway Assessments are an important response to our most vulnerable children, and are part of the Children's Action Plan multi-agency strategy for children and young people in care. Every child or young person entering care receives an individualised and comprehensive health and education assessment to identify and address unmet needs. Children and young people at risk of coming into Child, Youth and Family care or already in care may also receive a Gateway Assessment.

2013/2014 is the first full year in which Gateway Assessments have been available in all 20 District Health Board areas. During this period, a total of 3,461[15] children and young people were referred for a Gateway Assessment, an increase of 9 per cent from 2012/2013. Of these, 2,247 received a Gateway Assessment during the year. At 30 June 2014, 71 per cent of children and young people in care[16] had received a thorough health and education assessment.

Supporting more children to experience good parenting

As well as providing statutory care and protection of at-risk children, we fund a range of programmes to help parents develop skills to provide a safe and supportive environment for children to grow up in.

Family Start is a child-centred, intensive home visiting programme to improve children's growth, health, learning, relationships, whānau circumstances, environment, and safety.

In 2013/2014, 5,114 families received services through Family Start. Of those families:

- 96 per cent were enrolled with a primary health organisation or GP
- 71 per cent of children above the age of 18 months were enrolled in early childhood education
- 81 per cent were up to date with immunisations.

This year we supported Family Start providers to further strengthen their collaboration with health, education and child protection providers and agencies. This includes immunisation health initiatives with the Ministry of Health's Well Child/Tamariki Ora service and Family Start workers attending Child, Youth and Family workshops.

The Parents as First Teachers (PAFT) programme educates and supports parents. It helps them understand how their children develop and learn, so they can help their children reach their potential. At 30 June 2014, 6,024 families were enrolled in the programme.

The Strategies with Kids – Information for Parents (SKIP) initiative strengthens community support for parents so that children are safe and nurtured, through funding, training, mentoring and capability building.

This year we worked with parents to create tools to encourage them to spend quality time with their children. This included the creation of 'Tiny Adventures' activity cards, and the development of the smartphone and tablet apps 'Peekaboo' and 'Story of Maui', which weave brain development, tikanga and parenting tips.

15 This includes children and young people referred prior to or following a family group conference who may not be in the custody of the Chief Executive.

16 This includes orders made under section 139 of the Children, Young Persons, and Their Families Act 1989.

How we demonstrate our success

Intermediate outcome	Indicator	Intended trend	Result	Trend	Comment
Fewer babies, children and young people are harmed	The proportion of children and young people who have been abused/neglected within six months of a previous finding of abuse/neglect	↓	2013/14: 13.0% 2012/13: 14.3%	↓	A total of 16,176 children and young people had at least one finding of abuse or neglect in 2013/14. Of these, 2,103 also had a finding of abuse/neglect in the previous six months[17]. Emotional abuse accounts for the majority of repeat findings.
More children are in safe, permanent care	The proportion of children aged under five years old who are unable to return home who are in a home for life placement within 12 months of coming into care[18]	↑	2013/14: 61.3% 2012/13: 69.1%	↓	Of the 279 children under five years old who had a home for life placement between 1 July 2013 and 30 June 2014, 171 were in the placement within 12 months of entering care.
More children in care have improved health and wellbeing	The proportion of children in care who have improved access to a comprehensive assessment and referral to appropriate services in order to achieve improved health and education outcomes	↑	2013/14: 31.0% 2012/13: 27.2%	↑	In 2013/14, 1,624 children and young people entered the custody of the Chief Executive[19]. We gained consent for 1,192 of these to be referred for a Gateway Assessment, and 834 (70%) of these received a Gateway Assessment and 367 had a subsequent referral to services in 2013/14. Gateway Assessments may also be provided to children and young people in care or participating in a family group conference. As at 30 June 2014, 71% of children and young people in care had received a Gateway Assessment.
More children experience good parenting	The proportion of the families who receive in-home parenting support and have up-to-date Well Child/Tamariki Ora check-ups	↑	2013/14: 80.0% 2012/13: 79.0%	↑	As at 30 June 2014, 5,114 families were receiving Family Start services. Well Child/Tamariki Ora check-ups are a schedule of visits for children aged 0-5 years to ensure a child grows and develops to their potential.
	The proportion of the families who receive in-home parenting support who have children enrolled in early childhood education	↑	2013/14: 71.0% 2012/13: 59.0%	↑	This result includes children enrolled in either licensed or certificated early childhood education. Of the 71%, 65% are enrolled in licensed and 6% in certificated early childhood education.
	The proportion of all parents/primary caregivers who received support and have improved their parenting practices	↑	2013/14: 93.0% 2012/13: 80.0%	↑	SKIP supports parents to improve their parenting practices through resources, as well as funding, training, mentoring and capability building of community providers. In 2013/14, more than 23,500 parents participated directly in SKIP community projects.

Note: Result changes below 1 per cent between 2012/2013 and 2013/2014 are considered not statistically significant.

17 Repeat findings may relate to historical events before the child or young person came to our attention.

18 A home for life placement occurs when a child is placed by Child, Youth and Family with a caregiver who is approved to offer a permanent home. Achieving home for life occurs when the Chief Executive's custody is discharged in favour of a permanent caregiver.

19 Orders made under sections 78, 101, 102, 110 and 114 of the Children, Young Persons, and Their Families Act 1989.

More efficient and effective allocation of government resources to meet community needs

We aim to improve results for individuals, vulnerable families, children and young people by targeting funding to services and community initiatives that respond most effectively to Government priorities.

Investing in Services for Outcomes

Government invests over $600 million through Vote Social Development in funding community groups that deliver social and employment-related services and support for vulnerable children, young people and adults.

To ensure the most effective use of this funding, the Investing in Services for Outcomes programme was set up in 2012 to clearly target services to achieve desired outcomes, to streamline and simplify contracting and reporting arrangements, and to support providers.

So far, over $23 million has been invested through the Capability Investment Resource to improve the capability of community providers to offer more targeted services.

In 2013/2014, we continued to develop a Strategic Investment Framework to guide our decisions on which social services to fund. Over the next year, we will build on the Framework by implementing an Investment Strategy to change the way we work with providers and communities to achieve the outcomes being sought.

We continued to collect evidence of effective community-based social services as part of making progress towards outcomes-based contracting. Through trial programmes we are determining how to best monitor and report on outcome performance. The trial findings will help inform how we move our providers onto outcomes-based contracts where appropriate.

Social housing

In 2013, the Government introduced changes to the way social housing will be provided in New Zealand. The changes aim to improve the social housing market and ensure those who are most in need of social housing receive it.

As part of these changes, from April 2014 the Ministry became responsible for social housing needs assessment, which includes:

- screening and assessing people's eligibility for social housing
- managing the social housing waitlist
- referring potential tenants to approved social housing providers, including Housing New Zealand
- calculating and reviewing income-related rents and income-related rent subsidies
- providing options and advice on alternative housing
- managing social housing debt and fraud investigations.

During the year, our initial focus was on ensuring a smooth and successful transfer of the assessment function from Housing New Zealand Corporation.

Community housing providers can now receive a subsidy to provide income-related rents to high-needs tenants and their families. As at 30 June 2014, 20 community housing providers were receiving the Income-related Rent Subsidy.

More than 80 per cent of state housing tenants receive other support from the Ministry. The transfer of the housing assessment role allows us to provide more comprehensive needs assessments that take into account employment, income and other social services, and provides the opportunity to deliver a more efficient, 'wrap-around' service.

Reducing family violence

Family violence is a serious and complex issue that can span multiple relationships and generations. No single agency can address the issues alone.

In June 2014, the Government agreed to develop a comprehensive, long-term and whole-of-government approach to further reduce family violence and achieve intergenerational change. Over the next year, we will work with other agencies to progress the Achieving Intergenerational Change approach, aimed at preventing future generations of children growing up with family violence, and protecting older people from abuse and neglect by family members.

A key component will be to strengthen a ‘no wrong doors’ approach by delivering more connected services. This will involve working with the sector to identify how to ensure better linkages between the Government, non-government agencies and communities.

International research indicates that primary prevention is key to a long-term reduction in family violence. During the year, we continued to deliver primary prevention campaigns to raise community awareness of how to recognise and respond to family violence, such as It’s not OK!, E Tu Whānau and Pasefika Proud.

It’s not OK!

This campaign helps communities mobilise action against family violence by working alongside the family violence sector, central and local government, and community groups including sports clubs, faith communities, work places and neighbourhoods.

In 2013/2014, the campaign focused on encouraging ordinary New Zealanders to take action. We also developed new communications and resources to support the campaign messages.

E Tu Whānau

We worked closely with iwi leaders, Māori elders, whānau and youth to spread E Tu Whānau messages and encourage community action. This involved hui, wānanga and use of Māori media and social media platforms.

In February 2014, Ngāi Tahu launched an interactive E Tu Whānau website, which has received more than 5,000 hits and continues to attract interest and support. Guiding this work are the E Tu Whānau values, which have been incorporated into resources to support discussion and change.

Pasefika Proud

We launched a new Pasefika Proud Programme of Action for 2014-2017. Its purpose is to address key issues and priorities for the next three years in relation to family and domestic violence in Pacific families in New Zealand.

This continues the work begun by the Programme of Action for Pacific People 2008 and Beyond.

How we demonstrate our success

Intermediate outcome	Indicator	Intended trend	Result	Trend	Comment
More communities are better able to support themselves	The proportion of providers who deliver on all contracted results	↑	2013/14: 50.0% 2012/13: 49.2%	↑	The result reflects the transition from output-based contracts to client-centred, outcomes-based contracts under ISO. As outcomes-based contracting and reporting become embedded, we will continue to work with and support providers adjusting to this change, including its implications for reporting requirements. This means we expect improvement in this measure for 2014/15.
	The number of communities funded by need and population	↑	2013/14: 12 2012/13: 12	↔	We continue to support the 12 Community Response Model (CRM) Forums to work with communities to better identify their priorities and determine an appropriate service delivery model.
	The proportion of providers on outcomes-based contracts	↑	2013/14: No result available[20]	N/A	This is a new indicator for 2013/14.

Note: Result changes below 1 per cent between 2012/2013 and 2013/2014 are considered not statistically significant.

20 Outcomes-based contracts are targeted towards achieving specific client-focused results that are explicit and measurable over time. They typically involve a mix of both service inputs/outputs and client-based performance measures.

We have a mixed model approach, working across the continuum from contracting for inputs and outputs, to shorter- and longer-term outcomes, through to payments based on successful outcomes achievement.

We know that currently about 60 per cent of Work and Income contracts (excluding grants) are outcomes based, with clear measurement of client-focused results and a significant funding portion based on achievement.

However, a similar assessment cannot be made at this point in time in relation to Child, Youth and Family (CYF) and Family and Community Services (FACS). They operate in the 'middle space', with a strong focus and reliance on results-based accountability – being a mixture of service inputs/outputs and client-based performance measures. It is not possible, therefore, to provide a Ministry-wide result for the outcome indicator at this stage.

We are undertaking provider trials with a number of CYF- and FACS-funded providers to assist in better understanding how services for vulnerable children, young people and families can be more outcomes focused. This includes a greater use of objective measures, and supporting providers to build capability to work in a more outcomes-focused way. There are currently six trials involving 10 providers.

We are also working towards full adoption of the Ministry of Business, Innovation and Employment's Contracting Framework across all funded social services, an approach that strongly supports the focus on outcomes-based contracting.

Fewer children and young people commit crime

Young people who commit offences should be held to account, but they also need the right support and interventions to address their behaviour and turn their lives around. We help young offenders get back on track towards productive adult lives.

Youth Crime Action Plan

The Youth Crime Action Plan, introduced in 2013, is a 10-year cross-agency plan that builds on existing initiatives and takes a practical approach to supporting youth justice services, frontline workers, service providers and volunteers.

The Plan aims to improve the way government agencies engage with and support communities, reduce escalation and offer the right intervention at the right time to reduce youth reoffending.

During the year, we continued to progress the actions under the Youth Crime Action Plan.

Youth crime rate

The youth crime rate is now at a 35-year low. It has dropped by 36 per cent between 2010 and 2014, with significant decreases in the apprehension of young people by the Police and cases reaching the Youth Court.

Fresh Start

We provide youth justice services and purchase youth justice intervention programmes such as Fresh Start for Young Offenders, which provides a range of intensive interventions over a sustained period of time to help young people turn their lives around.

In 2013/2014, the number of young offenders participating in Fresh Start programmes[21] included:

- 286 low-level offenders in community youth development programmes to develop positive social attitudes, values and behaviours
- 595 in individual and intensive mentoring programmes
- 181 in parenting education programmes
- 277 in community day programmes and 50 in residential programmes focused on alcohol or drug addiction
- 221 on Supported Bail with intensive community-based support and services to reduce the likelihood of offending on bail and a subsequent remand to a youth justice residence.

Military-style Activity Camps

Military-style Activity Camps (MACs) are a component of Fresh Start. MACs provide the Youth Court with an option for dealing with the most serious young offenders, who would otherwise be sent on to the adult justice system.

In March 2014, an evaluation report was released on 47 young people who completed the MAC programme between July 2011 and December 2012.

The evaluation shows that of the 47 young people:

- 19 per cent did not offend in the 12 months after the MAC programme
- 81 per cent reduced the frequency of their offending
- 77 per cent reduced the severity of their most serious offence
- 89 per cent reduced the seriousness of their total offending
- 17 per cent received a custodial sentence within 12 months of the MAC programme.

21 The reduction in uptake of Fresh Start programmes from last year corresponds with the reduction in Police apprehensions and referrals to Child, Youth and Family.

Youth justice family group conferences

A youth justice family group conference is a meeting between a young offender, their family, victims and others such as the Police, a social worker or a youth advocate. Their purpose is to discuss ways to address a young person's offending before it escalates.

In 2013/2014, we held 5,633 youth justice family group conferences, resulting in plans[22] for 2,967 children and young people to address their offending, and 95.2 per cent of children and young people meeting the objectives of their plans.

We continued to progress work around reinvigorating family group conferences to better meet the needs of children, young people and their families involved in family group conferences. During the year, we:

- developed a set of family group conference practice standards
- appointed 12 kaiwhakatara to support the implementation of the standards and improve the quality of practice
- strengthened interagency collaboration to increase their participation.

Over the next year, we will pilot new models of convening and facilitating family group conferences with iwi so that we can improve Māori mokopuna and whānau participation in the family group conference process.

How we demonstrate our success

Intermediate outcome	Indicator	Intended trend	Result	Trend	Comment
More young offenders are in education, training or employment	The proportion of young offenders who are in education, training or employment following our intervention	↑	2013/14: 59.0% 2012/13: 56.3%	↑	1,396 young offenders received a youth justice intervention during 2013/14. Of these, 823 were in education, training or employment following our intervention.
Fewer child offenders enter the youth justice system	The proportion of child offenders who enter into the youth justice system	↓	2013/14: 58.7% 2012/13: 61.0%	↓	Of the 201 child offenders aged 12 or 13 years in 2010/11, 118 subsequently had a youth justice referral as 14 to 16-year olds in 2013/14.
Fewer young people re-enter the youth justice system	The proportion of young offenders who reoffended[23] within one year of a previous offence	↓	2013/14: 38.5% 2012/13: 37.9%	↑	1,933 young people were referred to Child, Youth and Family during 2013/14 for offending. Of these, 745 were young people who had reoffended within 12 months of a previous offence.
	The proportion of young offenders whose reoffending[24] within one year has reduced in severity	↑	2013/14: 17.0% 2012/13: 16.2%	↑	Of the 745 young offenders who reoffended within one year, 17% (127) reduced the severity of their offending.
More young offenders are aware of the impact of their offending	The proportion of victims participating and engaging in family group conferences improves	↑	2013/14: 59.3% 2012/13: 58.5%	↑	95% of the 9,347 victims were contacted before a Family Group Conference and 5,539 attended, provided a submission or had a representative at the conference.

Note: Result changes below 1 per cent between 2012/2013 and 2013/2014 are considered not statistically significant.

22 A Youth Justice Family Group Conference does not necessarily result in a Family Group Conference plan being agreed.

23 This relates to offending that resulted in a Youth Justice Family Group Conference.

24 This relates to offending which meets the threshold of a Youth Justice Family Group Conference.

Fewer people commit fraud and the system is fair and sustainable

We take fraud seriously. We will continually review and adapt the actions we take to prevent, detect and investigate fraud.

Welfare fraud reforms

During the year, we continued to implement a range of initiatives to prevent and detect welfare fraud more effectively. We also had a stronger focus on preventing and dealing with increasingly sophisticated fraud.

In February 2014, we started a 12-month trial programme of follow-up interventions with a trial to confirm benefit entitlement of 1,616 Sole Parent Support clients. This involved letters, phone calls and home visits. The trial will be evaluated to inform a nationwide rollout.

During the year, Parliament passed the Social Security (Fraud Measures and Debt Recovery) Amendment Act, which came into force in July 2014. The new legislation makes both parties in a relationship jointly liable for any benefit relationship fraud uncovered. We developed an information campaign to inform benefit recipients of this change.

Since February 2013, the Welfare Fraud Collaborative Action Programme (WFCAP) has provided a platform for us to work with the Accident Compensation Corporation, Housing New Zealand Corporation, Inland Revenue and New Zealand Police to investigate suspected fraud.

Since WFCAP started, 27 investigations have identified $4.1 million of overpayments across participating organisations and the direct cancellation of 20 benefits.

In 2013/2014, our Fraud Investigation Unit investigated 4,614 cases of suspected benefit fraud – 996 more cases than last year. We completed 1,994 overpayment cases and prosecuted 893 cases.

Since April 2013, we have also adopted a more vigorous approach to seizing the assets of people who commit benefit fraud. We identify assets as part of all benefit fraud investigations and make referrals to the Police Asset Recovery Unit.

Since the programme started, $70,000 has been recovered through asset seizures.

Information sharing with Inland Revenue[25]

Since March 2013, we have been receiving income and employer information from Inland Revenue for all working-age people receiving benefits.

This information tells us earlier and in more detail about changes in clients' employment and income circumstances, and allows near-real-time assessment of entitlements to assistance. Since the programme was implemented, as at 30 June 2014, investigations led to:

- prosecution of 351 cases
- cancellation of 6,900 benefits after receiving employment information from Inland Revenue
- estimated future benefit savings of $44.8 million[26]
- recovery of $3 million in overpayments.

25 This information-sharing programe is separate to the Welfare Fraud Collaborative Action Programe.

26 Estimated future benefit savings are calculated as the difference between the weekly rate of benefit paid at the time it was reduced and what it became, multiplied by 26 weeks.

How we demonstrate success

Intermediate outcome	Indicator	Intended trend	Result	Trend	Comment
Fewer people commit fraud	The number of people who offend	↓	2013/14: 868	N/A	This is a new indicator and a baseline is being established to determine future trend.
More fraud overpayments are recovered	The amount of money recovered from fraud overpayments	↑	2013/14: $3.94m	N/A	This is a new indicator and a baseline is being established to determine future trend.
Fraud is detected sooner	Age of offending[27]	↓	2013/14: 3.5 years	N/A	This is a new indicator and a baseline is being established to determine future trend.
	The average value of fraud overpayments	↓	2013/14: $35,200 2012/13: $35,200[28]	↔	The average value of fraud is the same as the previous year.

Note: Result changes below 1 per cent between 2012/2013 and 2013/2014 are considered not statistically significant.

27 'Age of offending' refers to the period between the first and last overpayment of a successful fraud prosecution.

28 In the 2012/2013 Annual Report, we reported that the average value of fraud overpayments was $34,500. In 2013/2014, we completed a review of prosecution data and implemented reporting of prosecution results that are recorded on the Investigation Management System (IMS). Based on the IMS, the average value of fraud for 2012/2013 is $35,200.

More people interact with the Ministry in a digital environment

We will use technology to support continuous innovation and improvements across our business. Technology will also provide easier and more cost-effective ways to engage with our people.

Enhancing our online services

Increasingly, the people we work with expect us to use technology to make it easier for them to connect with the Ministry. During the year, we continued to enhance our online options and channels to improve the delivery and efficiency of our services.

For our clients, this has meant being able to apply for financial assistance[29], update personal details, and report changes in circumstances more conveniently, while maintaining security.

We introduced the RealMe login portal for online applications, which allows clients to easily and securely prove their identity online and access different services using a single username and password.

In the three months to 30 June 2014, 37.4 per cent of all financial assistance applications we received were made online.

Supporting students

We have used feedback and ideas from students to enhance the StudyLink website home page. Behind these changes is an enhanced search engine and meta data which improves the results of any search.

In addition, we launched the MyStudyLink mobile view in March 2014 to enable students to access their personal information from mobile devices. The mobile view simplifies the login process to allow students to move between the mobile and full website views more conveniently.

More students are now using the MyStudyLink channel to lodge and monitor their student support payments. In the last year, 98 per cent of 213,068 students applied for student support online. Seventy-nine per cent of current, eligible students used MyStudyLink to review and confirm their student loan contract.

Online channels for older people

We sent regular email updates to around 170,000 New Zealand Superannuation clients and SuperGold cardholders to advise them of annual payment increases, health- and wellbeing-related issues, legislative changes, and special offers from SuperGold Card business partners.

29 'Financial assistance applications' refer to student loan, student allowance, superannuation and benefit applications.

How we demonstrate our success

Intermediate outcome	Indicator	Intended trend	Result	Trend	Comment
More clients are using a wider range of services online	The proportion of people aged 65 and over taking up online services	↑	2013/14: 30.0% 2012/13: 32.0%	↓	Online applications for New Zealand Superannuation have declined slightly since the introduction of a more secure login process in December 2013.
	The proportion of clients applying for a benefit online	↑	2013/14: 15.95% 2012/13: 18.95%[30]	↓	In 2013/14, we introduced the RealMe login portal to enhance online security. This has resulted in a decline in the number of clients applying for benefits online.
Transactions with the Ministry will be more convenient for clients	The proportion of students applying for student support online	↔	2013/14: 98.0% 2012/13: 96.6%	↑	In 2013/14, we maintained the high level of students applying for student assistance online.
	More students access their MyStudyLink e-accounts using smart applications	↑	2013/14: No result 2012/13: No result	N/A	The mobile view was launched on 16 March 2014 and will enable us to measure and report on this indicator from 2014/15.
	More eligible students review and approve their student loan contract through their MyStudyLink e-accounts	↑	2013/14: 108,527	N/A	This is a new indicator and a baseline is being established to determine future trend.

Note: Result changes below 1 per cent between 2012/2013 and 2013/2014 are considered not statistically significant.

30 In the Ministry's 2012/2013 Annual Report, we reported 31.7%, which counted all online applications, irrespective of whether the applicant had their application processed. For 2013/2014, we changed our measurement and only counted online applications that were processed. This is now consistent with the way we count online applications for other service lines.

Supporting older New Zealanders and disabled people

We promote positive ageing of older New Zealanders so that they are independent, respected, valued and recognised as an integral part of their families and communities.

Supporting older New Zealanders

Supporting independence for seniors

New Zealand's population is getting older and more ethnically diverse. By 2036, around 1.2 million people, or 23 per cent of the total population, will be aged over 65.

New Zealand Superannuation, along with any other retirement savings, provides guaranteed income into old age. In 2013/2014, more than 650,000 New Zealanders received New Zealand Superannuation.

Good health and strong connections to family and community are important to independence and wellbeing for older New Zealanders. We support good health for seniors through our Community Services Card service, which provided access to subsidised health care and other related services to 17,771 seniors in 2013/2014.

We also issued 279,207 SuperGold Cards, which provide discounts and concessions to seniors and veterans. As at 30 June 2014, 7,218 businesses offer SuperGold Card discounts at 11,801 outlets.

Nearly 300,000 older New Zealanders have a Community Services Card, and more than 640,000 have a SuperGold Card.

We are supporting service providers, community groups and older people to work together to provide opportunities for older people to remain connected and reduce social isolation.

Examples of this include the Napier Connects initiative, which is working on new ways to reduce and prevent social isolation among older people, and SAGES, a volunteer-based mentoring programme, which runs in 16 locations. SAGES gives older New Zealanders opportunities to share their life experiences and knowledge in areas like home management, cooking, budgeting and parenting, and encourages them to be active members of their community. In 2013/2014, 595 families and whānau received services from SAGES.

Older people are respected, valued and recognised

In October 2013, the Minister for Senior Citizens released two reports relating to older people. The report Older New Zealanders: Healthy, Independent, Connected and Respected outlines the actions that Government is taking to demonstrate its commitment to the vision of the Positive Ageing Strategy. The Business of Ageing Update 2013 highlights that over the next four decades older New Zealanders are likely to make a significant contribution to the economy – both within the workforce (paid and unpaid) and as taxpayers.

In February 2014, the Minister for Senior Citizens launched the Carers' Strategy Action Plan 2014-2018. We are one of the lead implementation agencies along with the Ministry of Health, the Ministry of Business, Innovation and Employment, and the Accident Compensation Corporation.

We are also working in partnership with Age Concern and other government and non-government agencies to widen the community's understanding of, and response to, elder abuse. In support of this, we have funded 24 elder abuse and neglect prevention services throughout New Zealand. The Minister announced in April 2014 that additional funding will be provided for three new elder abuse and neglect prevention services.

We are encouraging people to protect their future through raising awareness of the importance of having an Enduring Power of Attorney, and by making the process easier for people to negotiate. In June 2014, the Minister presented her review of the Protection of Personal and Property Rights Act, which has recommended a number of improvements.

Supporting disabled New Zealanders

New ways of working with disabled people's organisations

The number of people identifying as disabled is increasing. While the ageing population may account for some increase, the changing public perception of disability (which may lead more people to report limitations on their ability to carry out daily tasks) and methodological improvements may also contribute to the increase.

The 2013 Disability Survey showed that 24 per cent of New Zealanders (1.1 million people) identified as having a long-lasting physical, sensory, mental or other functional impairment that limited their ability to function.

In April 2014, the Ministerial Committee on Disability Issues approved a new Disability Action Plan for 2014-2018, which updates the Plan first introduced in 2010. In developing the new Plan, we worked closely with representative organisations of disabled people over six-months, which has achieved a very different look and feel from previous plans. The Plan was noted by the Cabinet Social Policy Committee in May 2014.

The latest Plan provides consistency in strategic priorities and is centred on the issues of greatest importance to disabled people, under the vision 'All New Zealanders experience equal rights of citizenship'.

Enabling Good Lives

Enabling Good Lives is a partnership between government agencies and the disability sector, aimed at long-term transformation of how disabled people and their families are supported to live everyday lives. The Enabling Good Lives approach offers a flexible and tailored approach, where the disabled person and their family have choice and control over the support they receive to enable them to lead their lives.

In 2013/2014, we worked with the Ministries of Health and Education to begin a three-year demonstration of the Enabling Good Lives approach. A demonstration in Christchurch was co-designed with a local group of disabled people, their families and the disability sector and started with 52 school leavers with high or very high needs. A further 150 people are expected to join the demonstration's second phase.

Next year, a demonstration is planned for Waikato, which will be co-designed and overseen by local groups of disabled people and their families.

The demonstrations will provide evidence to inform a business case for wider changes to the cross-government disability support system.

Think Differently

The Think Differently campaign is a key initiative of the Government's Disability Action Plan that encourages and supports a fundamental shift in attitudes and behaviour towards disabled people. Working at both national and local levels, the campaign supports projects to engage with a variety of organisations and communities, including employers, educators, businesses, families, whānau, and other influencers.

In 2013/2014, the campaign supported 14 national partners to deliver nationwide projects. The Making a Difference Fund provided funding of $2 million to 40 community-led projects. One such project was the tactile, accessible map developed by Hamilton City Council to help people with vision impairments to navigate popular attractions around the city.

An evaluation undertaken this year found that the funded community projects are beginning to have a diverse range of impacts. For example, projects are creating practical opportunities for communities to be more inclusive of disabled people.

Building access review

In 2013/2014, the Office for Disability Issues worked with the Ministry of Business, Innovation and Employment on a review to determine whether the current building regulatory system meets the needs of disabled people.

The review aimed to increase understanding of how building access requirements are being implemented in new and older buildings and the extent to which they provide access to buildings for disabled people.

Recommendations from the review are being considered and will be announced later in 2014.

Organisational Management

Maintaining performance integrity

The Leadership Team

Our Leadership Team is made up of our Chief Executive, the Deputy Chief Executives of our business groups, and the Chief Policy Advisor. It is collectively responsible for the governance and direction of the Ministry, and for ensuring we have the capability to achieve our strategic objectives.

During the year, we undertook a full review of the organisational governance arrangements supporting the Leadership Team to meet the Ministry's future needs and expectations. A new governance structure has been implemented from July 2014 to provide Ministry-wide assurance, oversight and advice to the Leadership Team.

Independent advisory committees

We seek input and advice from external and independent sources to help maintain performance integrity:

- The **Work and Income Board** provides advice and expertise from outside the public sector to test and challenge our thinking as we implement Welfare Reform policy changes and the Investment Approach. The Board provides ongoing assurance to Joint Ministers and advises the Chief Executive on the performance of Work and Income, including the design, implementation and delivery of the Investment Approach.
- The **Audit Committee** provides independent advice on our risk framework and internal controls (including legislative compliance), on our internal and external audit functions, financial and other external reporting, and on our governance framework and process. The Committee is chaired by one of the three external members.
- The **Value for Money Advisory Board** provides advice and support to the Chief Executive on the implementation of the Ministry's Value for Money programme, and on opportunities to embed a culture of efficiency and value for money within ongoing business activities. The Board is chaired by one of the three external members. One of these external members is a representative from the Treasury.

Complaints, reviews and resolution of grievances

Historical claims

We are committed to settling all historical claims of abuse or maltreatment that relate to the state's care of children or young people by 31 December 2020.

In 2013/2014, we received 219 claims and resolved 120. As at 30 June 2014, 873 claims are now current; this is an increase of 99 from the 774 current claims at 30 June 2013.

Benefit Review Committees

Benefit Review Committees provide clients with an opportunity to have decisions about an application, income support or pension reviewed.

In 2013/2014, 4,736 benefit decisions were reviewed. Of these, 1,358 were referred to an external Benefit Review Committee. As a result of the external committee's review, 81 per cent of reviews were upheld, 8 per cent were varied or changed and 11 per cent were overturned.

Chief Executive's Advisory Panel on Child, Youth and Family Complaints

This panel responds to complaints related to Child, Youth and Family that are escalated to the Chief Executive. It is made up of independent members who are appointed on the basis of their credibility, community standing and professional respect. In 2013/2014, the Panel received 40 new complaints and 21 panel hearings were held. The Chief Executive accepted all of the Panel's recommendations on these complaints.

Control and accountability

Our Risk and Assurance unit provides independent assurance and advice to the Audit Committee, Chief Executive and the Leadership Team on the systems, processes and controls that we use to deliver effective and efficient services. The unit undertakes an annual programme of work to evaluate and improve the effectiveness of our risk management, controls and business processes.

During the year, we continued to build on our approach to risk management, including further development of a risk management model. This outlines a systematic approach that helps to generate quality and robust information for Ministry-wide risk reporting. It will contribute to a Ministry-wide view of the risks and will enable more effective governance.

Security and privacy

The Ministry takes a risk-based approach to security and privacy. During the year, we strengthened governance arrangements to improve the oversight of security matters relating to our people, information, property and assets.

A programme of work was undertaken to embed best practice and integrate information security into long-term planning, including beginning the rollout of enterprise-wide security technology. We also began developing a Ministry-wide Privacy Strategy to continue building our privacy capability and enhance a privacy culture.

Privacy Complaints

In 2013/2014, the Privacy Commission:

- received 40 privacy breach complaints on the Ministry
- closed 41 cases, of which five were upheld as a breach.

Our health, safety and security work programme was also progressed, including the development of a strategic framework and approach, improving staff awareness, and health, safety and security practices and tools. We will be reconsidering this work programme to incorporate the recommendations of the independent security review currently underway.

Debt recovery

In addition to fraud, we are responsible for collecting other types of money our clients owe to the Crown. This includes:

- **Recoverable Assistance Payment Grants**, which is a payment that helps people pay for something they need urgently when they have no other way of paying for it. We granted $146.1 million worth of assistance and recovered $133.4 million. The total balance owed is $421.3 million
- **Overpayments**, which occur when a client's circumstances have changed after a payment has been made. In 2013/2014, we recovered $145 million of the total $183.2 million overpayments made (1 per cent of the total benefit spend).

Organisational health and capability

In the last year, we looked at our systems and processes, our culture, the way we invest our resources, the way we gather and use our information, and our brand. Steady progress during the year means that we are well placed to explore the development of an integrated operating model to support us into the future.

Our culture

In 2013, we launched our new purpose and principles to guide the way we work, to form the foundation for the culture needed to achieve our goals of delivering tailored services to New Zealanders. Establishing these shared principles ensures we will build a culture where we can be constructive, collaborative and innovative, and focused on making a real difference to people's lives.

Leadership style is the most significant driver of organisational culture and this was the main theme of our most recent leadership summit. We have identified 'culture champions' from across the organisation to ensure culture building becomes a widespread capability throughout the organisation. We will continue to work with staff to create an environment that encourages them to be innovative, open and responsive, and think independently.

Developing our leaders

Leadership capability is critical to developing a more integrated way of working, and we rely on leaders and managers to drive change across the organisation. During the year, we continued to invest in leadership and talent management to underpin the development of a strong organisational culture.

We launched our Talent Management and Succession Planning project in March 2014. This is a comprehensive approach to identifying and managing organisational talent and planning for our future capability needs. The plan links the design and implementation of a range of other strategies focused on areas such as organisational culture, employee engagement, and performance within the context of our future strategic direction. This project will also inform the development of a Talent Strategy for the Ministry.

We provided a range of development opportunities to build our leadership capability and succession planning, including:

- **Emerging Leaders**, a programme designed for high-performing individuals who have the potential and aspiration to move into their first management or leadership role. Since its launch, 170 employees have participated
- **Te Aratiatia**, which supports Māori and Pacific high-performing individuals to move into their first management or leadership role. More than 140 Māori and Pacific staff have graduated from Te Aratiatia since its launch in 2002
- **Te Aka Matua**, which supports five Māori and Pacific managers who will complete their masters degrees in Public Management from Victoria University of Wellington every three years. The latest intake took place in late 2013 and the next is scheduled for 2016
- **MSD Study Awards**, which are an opportunity for our employees to pursue a significant learning and development programme of their choice that will benefit both themselves and the Ministry. Up to 10 of these awards are available each year
- **The Team Leader Programme**, a suite of five workshops providing first-time team leaders with core management and leadership skills. Since its introduction in 2011, a total of 68 participants have completed the programme
- **The Leadership in Action Programme**, which we recently launched for experienced frontline managers from across the Ministry. Much of the learning comes from watching simulated situations that a manager typically faces. Just over 320 managers are taking part in the programme.

Improving business processes and enhancing the use of data

Simplification Project

During the year, we initiated a review of the way we deliver transactional services to New Zealanders. Simplification is about removing transactional clutter to allow more time to focus on delivering better outcomes for our clients. It involves simplifying the way we do business by streamlining processes and updating policy and systems.

In 2013/2014, we prepared an indicative business case for Government that identified potential changes to the way we deliver transactional services. This was informed by insights and potential improvements gathered from clients and staff. We examined data to identify opportunity areas and spoke to other organisations that have responded to similar challenges. Government approved the business case in June 2014.

We are involving staff and clients throughout this project. Staff have submitted more than 500 ideas for change, some of which have been implemented as 'quick wins', while others have informed concepts for the next phase business case.

These concepts will be tested, researched and discussed with the supplier market to develop prototypes to help us understand what is possible.

Data Hub

Data and information are integral to all we do. We have undertaken a comprehensive review of our business processes and systems to identify the most effective structure to manage and analyse data in a single, central data hub.

This will help ensure we have consistent, integrated information that provides the view of the client's experience, a critical mass of specialist expertise, and faster more efficient provision of high-value insights.

As a result, we established a centralised Data Hub which consolidates all our data analytic functions and expertise in a single area. Through the Hub, we can have real-time, comprehensive information about our clients that allows us to make informed decisions to deliver the right services at the right time to meet our clients' needs.

Over the next year, we will continue to test new ways of working by expanding secure data links with other agencies. This will further enhance the information that informs our decision-making.

Modernising the ICT platform

Investing in technology now will position us to meet the challenges we face in the immediate future. Better technology that supports a changing mix of services will tell us more about who we are working with and how we can deliver more effective services.

Our current ICT systems have been built up over the last 20 years to support individual service lines and adapted at each separate policy change. We have started a programme of work to move off fragmented legacy platforms and towards a more integrated operating model.

We have an ICT Strategy and Action Plan (ISAP) that sets out a technology response to the challenges we face, and supports our vision and goals. The response is a shift to self-service, systems simplification, process automation, data-assisted decision-making, information sharing and mobility.

The findings of the Simplification Project will inform the future ISAP.

Developing specialist expertise

Social workers

All Child, Youth and Family social workers undertake professional development through our in-house Practice Curriculum, social worker registration requirements, or advanced specialist development.

In 2013/2014, Child, Youth and Family provided 305 in-house workshops for staff, which included the Safe Strong Practice and the Advanced Safe Strong Practice programmes for frontline social workers, the Practice Leadership Curriculum for new supervisors, and the Residential Curriculum programme for new residential workers. Additional professional development was undertaken by the 1,263 social workers who were registered with the Social Workers Registration Board as at 30 June 2014, an increase of 101 from last year.

We also provided study awards and other assistance to 53 social workers undertaking formal tertiary qualifications in social work and child-centred practice, including masters degrees and post-graduate diplomas.

Case management

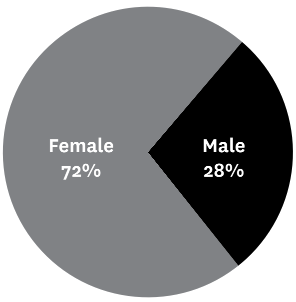
At 30 June 2014, 394 Work and Income staff members were enrolled in a qualification programme, including 68 Customer Services Representatives and Central Processing Unit staff. This also included 65 candidates on the Level 5 Public Sector qualification and 139 candidates on the Level 4 Public Sector qualification. There were also 22 new cadets in Work and Income sites.

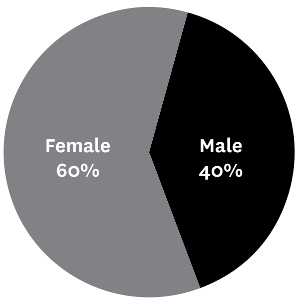
Our people

Diversity

Our Equal Employment Opportunities (EEO) policy demonstrates our commitment to supporting and promoting equality and diversity within a positive work culture based on respect, fairness and valuing individual difference. The following graphs show our demographic background.

By gender

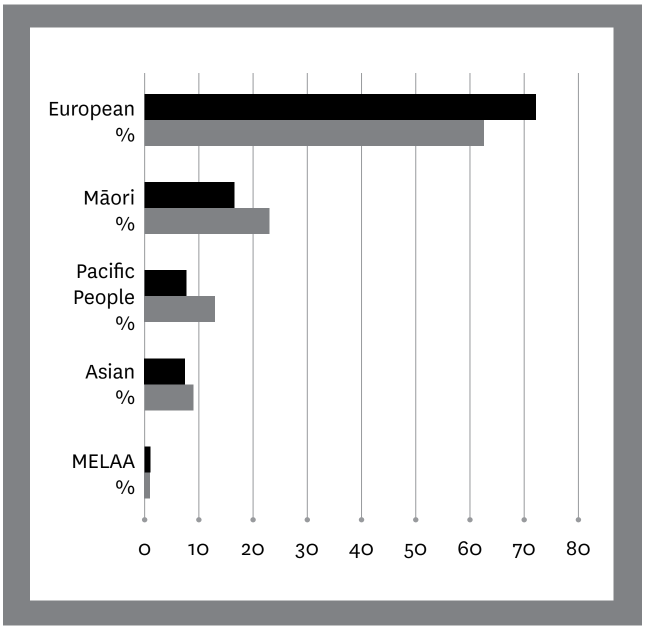




Ministry of Social Development **Public Service**

Source: State Services Commission Public Services Report 2013 and Ministry of Social Development statistics.

By ethnicity



	MELAA %	Asian %	Pacific People %	Māori %	European %
Public Service	1.2	7.6	7.7	16.5	72
MSD	1	9	13	23	62

Source: State Services Commission Public Services Report 2013 and Ministry of Social Development statistics.

Note: 'MELAA' refers to Middle Eastern, Latin American, African ethnicities. The percentages above do not add up to 100 per cent because each ethnic group includes all those who identify with the group. An employee may identify with two or more ethnic groups.

The 2013 Human Rights Commission EEO Survey identified that our policies and practices have led to positive outcomes for Māori employees.

In 2013, we began work to remove barriers, and ensure appropriate accommodation is available for current disabled employees. We have improved the recruitment process to enable more disabled people to apply for jobs within the Ministry and be accommodated if employed. The disability community has given us positive feedback about the changes we have made.

Positive and stable industrial relations

The Ministry's relationship with the Public Service Association (PSA) through the Modern, Innovative and Productive Public Services Agreement (MIPPS) continues to provide a vibrant and stable industrial relations platform. Over 6,000 of our 10,000 staff are PSA members.

In 2013/2014, we worked alongside the PSA on a range of significant initiatives that impact our work environment and workforce. This included the Child, Youth and Family qualitative review of social worker caseload and casework, strategic reviews of pay, and our new performance management process.

During the year, we also successfully settled the remaining two of our five collective agreements, which gives us a stable platform as we embed government initiatives for better public services and other programmes that will change the way we work.

Diversity statistics

In 2013/2014:

- in our senior management team
  - 58 per cent were female
  - 13 per cent were Māori
  - 3 per cent were Pacific peoples
  - 1 per cent was Asian
- the average age of Ministry staff was 44 years
- the average length of service was 10 years.

Statement of Responsibility

As Chief Executive of the Ministry of Social Development, I am responsible, under the Public Finance Act 1989, for the preparation of the Ministry's financial statements, and statement of service performance, and for the judgements made in them.

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

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2014; and the forecast financial statements fairly reflect the Ministry's forecast financial position for the financial year 2014/2015.

Brendan Boyle
Chief Executive
30 September 2014

Countersigned by

Bruce Simpson
Chief Financial Officer
30 September 2014

Independent Auditor's Report

To the readers of the Ministry of Social Development's financial statements, non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2014.

The Auditor-General is the auditor of the Ministry of Social Development (the Ministry). The Auditor-General has appointed me, J R Smaill, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the non-financial performance information and the schedules of non-departmental activities of the Ministry on her behalf.

We have audited:

- the financial statements of the Ministry on pages 85 to 116, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of changes in taxpayers' funds, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated departmental expenses and capital expenditure against appropriations, statement of trust monies and statement of cash flows for the year ended on that date and the notes to the financial statements that include the statement of accounting policies and other explanatory information; and
- the non-financial performance information of the Ministry that comprises the statement of service performance on pages 47 to 83 and the report about outcomes on pages 13 to 34; and
- the schedules of non-departmental activities of the Ministry on pages 117 to 137 that comprise the schedule of non-departmental assets, schedule of non-departmental liabilities, schedule of non-departmental commitments and schedule of non-departmental contingent liabilities and contingent assets as at 30 June 2014, the schedule of non-departmental expenses, statement of non-departmental expenditure and capital expenditure against appropriations, statement of non-departmental unappropriated expenditure and capital expenditure, schedule of non-departmental income, schedule of non-departmental capital receipts and statement of trust monies, for the year ended on that date and the notes to the schedules that include the statement of accounting policies: non-departmental and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry on pages 85 to 116:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Ministry's:
    - financial position as at 30 June 2014;
    - financial performance and cash flows for the year ended on that date;
    - expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2014; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2014.
- the non-financial performance information of the Ministry on pages 47 to 83 and 13 to 34:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Ministry's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
    - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
    - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

- the schedules of non-departmental activities of the Ministry on pages 117 to 137 fairly reflect, in accordance with the Treasury Instructions:
  - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2014 managed by the Ministry on behalf of the Crown; and
  - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the financial statements, the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the appropriateness of the reported non-financial performance information within the Ministry's framework for reporting performance;
- the adequacy of all disclosures in the financial statements, the non-financial performance information and the schedules of non-departmental activities; and
- the overall presentation of the financial statements, the non-financial performance information and the schedules of non-departmental activities.

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

We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- financial statements and non-financial performance information that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the Ministry's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
  - fairly reflect its service performance and outcomes; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that fairly reflect those activities managed by the Ministry on behalf of the Crown.

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

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

Responsibilities of the Auditor

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

Independence

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

Other than the audit, we have no relationship with or interests in the Ministry.

J R Smaill
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Objectives and Service Performance

Statement of Objectives and Service Performance

For the year ended 30 June 2014

Vote Social Development

Output Expense: Administration of Trialling New Approaches to Social Sector Change

Scope

This appropriation is limited to the administration by committed individuals of the delivery of social sector services as part of the Social Sector Trials for children and young people in specified locations.

Summary of Performance

Non-financial Service Performance Information

The Social Sector Trials are a community-based approach to social service delivery aimed at children and young people. In 2013/2014, there were six Trials located in Taumarunui, Kawerau, Waitomo, South Dunedin, Gisborne and Waikato. The desired outcomes of the Trials were to reduce truancy, youth offending, and alcohol and drug abuse, and to increase participation in education, training and employment.

Output: Administration of Trialling New Approaches to Social Sector Change

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
3 locations	Services will be administered in between	3-13 locations[31]	6 locations
	Quality		
100%	The percentage of funding and contracting agreements that are consistent with the Code of Funding Practice[32] will be no less than	100%	100%
	Timeliness		
100%	The percentage of payments made to providers on time will be no less than	100%	100%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
468	Crown	1,382	2,832	1,382
-	Department	-	-	-
-	Other	-	-	-
468	**Total Revenue**	**1,382**	**2,832**	**1,382**
443	**Total Expense**	**1,212**	**2,832**	**1,382**
25	**Net Surplus/(Deficit)**	**170**	**-**	**-**

31 In December 2012, Cabinet agreed to expand the Trials model. The number of new Trials to be administered by committed individuals had not been determined when this performance measure was adopted.

32 The Code of Funding Practice aims to help government agencies and non-profit organisations when entering into government funding arrangements. It sets out seven core codes, 22 key criteria and a range of success indicators.

Output Expense: Adoption Services

Scope

The management of services, incorporating education, assessment, reporting, counselling, and mediation, to all people who are party to adoption-related matters, past or present.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, the Ministry undertook 295 applicant assessments for domestic and inter-country adoptions, provided 172 statutory reports to the New Zealand Family Court on the progress of adoption placements, worked with 77 birthparents regarding adoption, and responded to 490 requests for information about past adoptions.

Output: Adoption Services

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
219	The number of requests[33] from adults seeking identifying information on birth parents will be between	170-200	201

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted[34] 2014 $000
	Revenue			
7,142	Crown	6,704	7,114	6,704
-	Department	-	-	-
-	Other	-	-	-
7,142	**Total Revenue**	**6,704**	**7,114**	**6,704**
6,814	**Total Expense**	**6,521**	**7,114**	**6,704**
328	**Net Surplus/(Deficit)**	**183**	**-**	**-**

33 Under section 9(4)(c) of the Adult Adoption Information Act 1985.

34 This includes transfers made under section 26A of the Public Finance Act 1989.

Output Expense: Care and Protection Services

Scope

Social work services, both statutory and informal, that protect and assist children and young people who are in need of care and protection.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, the Ministry received 146,657 notifications, including 57,889 family violence referrals from the Police that did not require Ministry action. The number of notifications requiring further action was 54,065.

Output: Engagement and Assessment

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Timeliness The percentage of notifications that require further action allocated[35] to a social worker within the timeframe appropriate to the safety of the child or young person will be between:		
98.6%	Critical (less than 24 hours)	95-100%	98.5%
98.9%	Very Urgent (up to 48 hours)	95-100%	97.8%
95.4%	Urgent (up to seven days)	85-95%	92.0%
95.9%	Low Urgent (up to 28 days)	85-95%	94.7%
89.0%	The percentage of investigations/child and family assessments completed within 60 days for those aged five and over will be between	80-90%	87.7%

Output: Seeking Safety and Security

In 2013/2014, 6,461 children and young people were involved in Care and Protection Family Group Conferences.

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
94.3%	**Quality** The percentage of children and young people whose Care and Protection Family Group Conference plans were completed and the objectives were assessed as being met will be between	90-100%	94.1%
99.3%	**Timeliness** The percentage of Care and Protection Family Group Conference plans reviewed by the agreed due date will be between	95-100%	99.2%
97.6%	The percentage of reports provided to Courts that are delivered on time will be between	90-100%	98.1%

35 Safety and risk screen completed.

Output: Securing Stability and Wellbeing

At 30 June 2014, there were 4,129 children in care and protection placements outside of their home, and 3,650 children and young people for whom family/whānau agreements were signed.

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quality		
99%	The percentage of children and young people discharged from a care and protection residence with an individual transition plan to help them reintegrate into society will be between	95-100%	98.0%
	Timeliness		
96.3%	The percentage of Family Court plans reviewed on time will be between[36]	95-100%	94.7%*
99.1%	The percentage of family/whānau agreements reviewed within three months will be between	95-100%	99.1%

* Performance in this measure was narrowly below target. In part this was due to a 5.6 per cent increase in the number of Family Court reports due, from 6,456 in 2012/2013 to 6,816 this year.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted[37] 2014 $000
	Revenue			
343,966	Crown	348,502	343,701	348,502
-	Department	-	-	-
1,721	Other	1,814	1,799	1,799
345,687	**Total Revenue**	**350,316**	**345,500**	**350,301**
344,499	**Total Expense**	**350,019**	**345,500**	**350,301**
1,188	**Net Surplus/(Deficit)**	**297**	**-**	**-**

36 The timeliness of Family Court planned reviews are directed by the Family Court (eg, children under seven years old have planned reviews every six months or as directed by the Court – children and young people over seven years old have planned reviews every 12 months or as directed by the Court).

37 This includes transfers made under section 26A of the Public Finance Act 1989.

Output Expense: Children's Action Plan

Scope

This appropriation is limited to activities necessary to implement the Children's Action Plan.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, significant progress has been made in implementing the Children's Action Plan, including the establishment of:

- the Vulnerable Children's Board comprising the Chief Executives of the social, education and justice sector agencies
- the Advisory Expert Group on Information Sharing
- the Children's Action Plan Directorate
- two Children's Teams' demonstration sites in Rotorua and Whangarei went live, with 114 children referred to the two Teams (55 in Rotorua and 59 in Whangarei).

Output: Children's Action Plan

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Timeliness		
New measure for 2013/14	A business case on the Vulnerable Children Information System will be completed no later than 30 June 2014	Standard met	Standard not met*

* The business case for the Vulnerable Children Information System has been deferred to early 2015 as we refine the solution design and project management approach. A high-level solution for system architecture has been developed based on business requirements documented from discussions between the Ministries of Social Development, Health and Education and New Zealand Police, and will be enhanced in consultation with non-government organisations and local practitioners from various sectors.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
2,535	Crown	5,690	400	5,690
-	Department	-	-	-
-	Other	-	-	-
2,535	**Total Revenue**	**5,690**	**400**	**5,690**
1,242	**Total Expense**	**5,554**	**400**	**5,690**
1,293	**Net Surplus/(Deficit)**	**136**	**-**	**-**

Output Expense: Collection of Balances Owed by Former Clients and Non-beneficiaries

Scope

Services to manage the collection of overpayments and recoverable assistance loans from former clients and other balances owed comprising of Student Allowance overpayments, Liable Parent Contributions, and court ordered Maintenance.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, we collected $88.4 million from former clients and non-beneficiaries, compared with $80.7 million last year and $79.7 million the year before.

The cost of collection has reduced significantly from 17 cents for every dollar collected in 2012/2013 to 14 cents in 2013/2014, which represents an 18 per cent reduction in cost of collection.

Output: Collection of Balances Owed by Former Clients and Non-beneficiaries

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
$80.7m	The actual amount of money collected by the Collections Units is expected to be between	$79-86m	$88.4m
$0.17	The cost per dollar of collecting balances owed will be between	$0.18-0.24	$0.14
	Quality		
96.8%	The percentage of work completed accurately by the Collections Units will be between	95-100%	96.0%
	Timeliness		
80.1%	The percentage of clients on arrangement to pay, or paid in full within four months of the balances owed transferring to the Collections Units, will be between	80-85%	81.1%
87.7%	The percentage of clients on arrangement to pay, or paid in full within 12 months of balances owed transferring to the Collections Units, will be between	85-90%	87.3%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
14,084	Crown	13,711	14,011	13,711
-	Department	-	-	-
-	Other	-	-	-
14,084	**Total Revenue**	**13,711**	**14,011**	**13,711**
13,533	**Total Expense**	**13,429**	**14,011**	**13,711**
551	**Net Surplus/(Deficit)**	**282**	**-**	**-**

Output Expense: Development and Funding of Community Services

Scope

Management of Government funding of community-based social and welfare services.

Summary of Performance

Non-financial Service Performance Information

In 2013/14, we monitored 463 funding agreements and assessed 600 of the 602 contracted providers against Child, Youth and Family Approval Standards.

We also developed a new Approvals framework to reflect the requirement for all providers contracted by the Ministry to have some level of approval.

Output: Development and Funding of Community Services

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Timeliness		
100%	The percentage of funding agreements that will have their provider monitoring reports reviewed and assessed at least once a year for funding agreement compliance will be no less than	100%	100%
100%	The percentage of Child, Youth and Family contracted providers who will be assessed at least once every two years against Child, Youth and Family Approval Standards will be no less than	100%	99.6%*
	Quality		
100%	The percentage of payments to providers made in accordance with their contracts will be no less than	100%	100%

* Two providers were not assessed within the scheduled timeframe and were rescheduled and completed in July 2014. This did not impact on the safety and quality of services of the providers.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
8,227	Crown	8,329	8,329	8,329
-	Department	-	-	-
-	Other	-	-	-
8,227	**Total Revenue**	**8,329**	**8,329**	**8,329**
8,220	**Total Expense**	**8,229**	**8,329**	**8,329**
7	**Net Surplus/(Deficit)**	**100**	**-**	**-**

Output Expense: Family and Community Services

Scope

Provision of leadership and co-ordination services to support and strengthen families and whānau; including providing information and advice that assists families, young people and communities and managing preventative social services programmes.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, over 97,000 people gained access to government and non-government social services through the 34 Heartland Services Centres. In an independent survey, 95 per cent of clients agreed that Heartland Services Centres provided improved access to government and community services in their community.

This year, 89 per cent of surveyed agencies reported that they were satisfied or very satisfied with Heartland Services Centres' accessibility, services and facilities, compared with 86 per cent last year.

Output: Social Support Services Sector Leadership and Co-ordination

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
95%	**Quality** The percentage of surveyed clients agreeing that Heartland Services Centres have improved access to government and community services in their community will be no less than	80%	95%*
86%	The percentage of surveyed agencies agreeing that they were satisfied or very satisfied with Heartland Services Centres' accessibility, range of services and facilities will be no less than	80%	89%*

* Satisfaction with Heartland Services continues to be high and we have adjusted the standards for 2014/2015 to reflect this.

Output: Supporting Families and Communities

The demand for the Strategies with Kids – Information for Parents (SKIP) services and resources comes from national and community organisations that work with families to make positive parenting the norm.

In 2013/2014, 50 community projects received support through the SKIP Local Initiatives Fund. These projects focused on young fathers, grandparents raising grandchildren, refugees, Pacific, Asian and Islamic communities, isolated communities, and parent-led initiatives.

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
92%	**Quality** The percentage of community projects funded through SKIP[38] that meet their objectives will be between	90-95%	100%
8,379	**Quantity** Break Thru The number of young people supported through group activities and events by youth workers will be between	6,000-8,000	8,343

38 These projects are funded through the SKIP Local Initiatives Fund. Progress reports are used to determine whether objectives are being met.

Output: Management of Social Services Funding Agreements

This year, the number of funding agreements reduced from 2,567 in 2012/2013 to 1,784 in 2013/2014. This is mainly due to more accurate reporting on the number of grants made this year. In addition, the continuing move towards outcomes-based contracts as part of the adoption of the Investing in Services for Outcomes approach has contributed to an overall reduction in the number of funding agreements.

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
2,567	The number of funding agreements will be between	1,500-1,900	1,784
87%	The percentage of provider reports due that are received for assessment annually will be no less than	85%	86%
100%	The percentage of provider reports received that have been reviewed and assessed will be no less than	100%	100%
	Timeliness		
100%	The percentage of payments to providers that are made in accordance with their contracts will be between	95-100%	100%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
35,746	Crown	35,892	35,692	35,892
-	Department	-	-	-
-	Other	-	-	-
35,746	**Total Revenue**	**35,892**	**35,692**	**35,892**
34,556	**Total Expense**	**35,720**	**35,692**	**35,892**
1,190	**Net Surplus/(Deficit)**	**172**	**-**	**-**

Output Expense: Income Support and Assistance to Seniors

Scope

This appropriation is limited to paying New Zealand Superannuation and social security entitlements (including administering related international social security agreements) and providing advice to help older people maintain independence and social participation; and administering international social security agreements relating to non-superannuitants; and assessing financial entitlement to Residential Care Subsidies.

Summary of Performance

Non-financial Service Performance Information

The number of New Zealand Superannuation recipients continues to rise. In 2013/2014, the number of people on New Zealand Superannuation increased to 653,247, compared with 626,213 at the end of 2012/2013.

Output: Income Support and Assistance to Seniors

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quality		
94%	The percentage of clients satisfied with the level of service provided by staff will be between	90-95%	94.0%
90%	The percentage of entitlement assessments completed accurately[39] will be between	90-95%	89.0%*
	Timeliness		
84.8%	The percentage of entitlement assessments for payment of New Zealand Superannuation (in New Zealand and overseas), Emergency Benefit for people over 65, other New Zealand entitlements paid overseas and residential subsidies, finalised within required timeframes[40] will be between	85-90%	84.0%*

* The accuracy and timeliness standards were narrowly missed due to an increase in the volume of work related to applications for assistance (including New Zealand Superannuation, Veteran's Pensions, SuperGold Card and extra financial assistance) and the complexities around Disability Allowance processing. Additional training will be provided for staff to ensure we meet targets in the future.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
35,907	Crown	37,828	38,998	37,828
-	Department	-	-	-
-	Other	-	-	-
35,907	**Total Revenue**	**37,828**	**38,998**	**37,828**
35,290	**Total Expense**	**37,757**	**38,998**	**37,828**
617	**Net Surplus/(Deficit)**	**71**	**-**	**-**

39 An assessment of entitlement is deemed accurate when the right person is receiving the correct entitlement, at the correct rate and from the correct commencement date.

40 This combines timeliness measures for all activities in this output expense. The standard timeframe for each component is:

- five working days for New Zealand Superannuation and Emergency Benefit (for people over 65 years of age) entitlement assessments completed for payment in New Zealand
- 20 working days for New Zealand Superannuation entitlement assessments completed for payment overseas and for other New Zealand entitlements paid overseas
- 20 working days for residential subsidy entitlement assessments.

Output Expense: Management of Service Cards (MCOA)

Output Class: Administration of Community Services Card

Scope

This output class is limited to assessing entitlement, issuing cards, and promoting and distributing information about the Community Services Card.

Summary of Performance

Non-financial Service Performance Information

At the end of 2013/2014, the number of Community Services Card recipients was 913,450, compared with 949,096 at the end of 2012/2013. The lower number reflects a decrease in clients receiving benefits and Working for Families tax credits.

Output Class: Administration of Community Services Card

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
98.6%	**Quality** The percentage of Community Services Card entitlement assessments[41] completed accurately will be between	95-100%	99.0%
98.6%	**Timeliness** The percentage of Community Services Card entitlement assessments completed within five working days of receipt will be between	95-100%	98.0%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
4,914	Crown	5,251	5,251	5,251
-	Department	-	-	-
-	Other	-	-	-
4,914	**Total Revenue**	**5,251**	**5,251**	**5,251**
4,553	**Total Expense**	**5,031**	**5,251**	**5,251**
361	**Net Surplus/(Deficit)**	**220**	**-**	**-**

41 This relates to Community Services Cards where an entitlement assessment is required, for example when the entitlement is based on income. Some Community Services Cards are issued automatically without requiring an assessment, for example when the recipient commences receiving a benefit.

Output Class: Management of SuperGold Card

Scope

This output class is limited to management of the SuperGold Card and the Veteran SuperGold Card comprising assessing entitlement for, and issuing cards, distributing information about the Card, enlisting business partners to provide discounts to cardholders, and promoting use of the Card and related discounts.

Summary of Performance

Non-financial Service Performance Information

The number of SuperGold Cards and Veteran SuperGold Cards issued is determined by the number of new applicants and card renewals. In 2013/2014, the number of new SuperGold Cards issued was 279,207, compared with 295,714 in 2012/2013[42].

At the end of 2013/2014, the total number of SuperGold cardholders was 643,526, compared with 619,983 at the end of 2012/2013.

Output Class: Management of SuperGold Card

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
2,002	The number of new business partners engaged will be no fewer than	1,000	1,664*
	Quality		
99.8%	The percentage of SuperGold Card entitlement assessments[43] completed accurately will be between	95-100%	99.0%
	Timeliness		
96.3%	The percentage of SuperGold Card entitlement assessments completed within five working days of receipt will be between	95-100%	98.0%

* In 2013/2014, 1,664 new business partners joined the SuperGold Card programme. This brings the total number of businesses participating across New Zealand to 7,218 businesses, representing 11,801 outlets. The increase was largely a result of two recruitment campaigns carried out in November 2013 (targeting provincial businesses) and May 2014 (targeting legal services).

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
1,407	Crown	1,403	1,403	1,403
-	Department	-	-	-
-	Other	-	-	-
1,407	**Total Revenue**	**1,403**	**1,403**	**1,403**
1,133	**Total Expense**	**1,145**	**1,403**	**1,403**
274	**Net Surplus/(Deficit)**	**258**	**-**	**-**

42 Fewer SuperGold Cards have been issued as a result of the introduction of non-expiry cards for those without entitlement to a Community Services Card.

43 Recipients of New Zealand Superannuation and the Veteran's Pension are automatically issued with a SuperGold Card. However, around 6 per cent of recipients require their entitlement to be assessed as they either elected not to apply for New Zealand Superannuation when they turned 65, or do not meet the New Zealand Superannuation residency requirements.

Output Expense: Management of Student Loans

Scope

This appropriation is limited to assessing and paying student loans to eligible tertiary students, and, as part of managing this support, providing related guidance to students making financial and study decisions.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, we processed a total of 238,029 Student Loan applications, with 99.9 per cent of students receiving their correct Student Loan entitlement (living cost component) on their first payment. The proportion of Student Loan applications completed online increased to 97.1 per cent, compared with 95 per cent in 2012/2013.

Output: Management of Student Loans

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quality		
86%	The percentage of surveyed students satisfied[44] with the quality of service received the last time[45] they contacted StudyLink will be between	85-90%	85.0%
99.9%	The percentage of students who receive their correct entitlement (living cost component) on their first payment will be between	95-100%	99.9%
	Timeliness		
99.9%	The percentage of initial entitlement assessments for a Student Loan completed within three working days of receipt of application will be between	95-100%	97.5%
	Quantity		
New measure in 2013/14	The number of visits to the Sussed Online Reality Check will be between	38,000-45,000	37,972*
New measure in 2013/14	The percentage of Student Loan applications received online will be no less than	95%	97.1%

* The number of visits to Sussed Online was 0.07 per cent below the target figure, but this represents an increase of 5,633 (17.4 per cent) on the number of visits in 2012/2013. This result was achieved despite reduced traffic on the StudyLink website (StudyLink's successful summer season reduced the need for visits, which were down 22 per cent from 2012/2013) and reduced student numbers (applications were down by 8,652 or 2.2 per cent). The simplified StudyLink homepage is also likely to have reduced the number of visits to Sussed.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
16,179	Crown	16,237	15,407	16,237
-	Department	-	-	-
-	Other	-	-	-
16,179	**Total Revenue**	**16,237**	**15,407**	**16,237**
15,844	**Total Expense**	**16,068**	**15,407**	**16,237**
335	**Net Surplus/(Deficit)**	**169**	**-**	**-**

44 Students who say they are 'satisfied' or 'very satisfied' with StudyLink's service on a scale of 'very dissatisfied', 'dissatisfied', 'neither/nor', 'satisfied' or 'very satisfied'.

45 Within the previous 14 days.

Output Expense: Management of Student Support, excluding Student Loans

Scope

This appropriation is limited to managing non-recoverable financial support to students, involving assessing and paying student allowances and other income support to eligible secondary and tertiary students.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, we processed a total of 142,678 Student Allowance applications, with 98.6 per cent of all Student Allowance assessments completed within five working days. The proportion of Student Allowance applications completed online increased to 98.1 per cent, compared with 97 per cent in 2012/2013.

Output: Management of Student Support, excluding Student Loans

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
New measure in 2013/14	The number of visits to the Sussed Online Reality Check will be between	38,000-45,000	37,972*
New measure in 2013/14	The percentage of student allowance applications completed online will be no less than	95%	98.1%
	Quality		
85%	The percentage of surveyed students satisfied[46] with the quality of service received the last time[47] they contacted StudyLink will be between	85-90%	85.0%
95.5%	The percentage of students who receive their correct student allowance entitlement on their first payment will be between	95-100%	97.0%
	Timeliness		
99.2%	The percentage of initial entitlement assessments for a student allowance completed within five working days of receipt of application will be between	95-100%	98.6%

* The number of visits to Sussed Online was 0.07 per cent below the target figure, but this represents an increase of 5,633 (17.4 per cent) on the number of visits in 2012/2013. This result was achieved despite reduced traffic on the StudyLink website (StudyLink's successful summer season reduced the need for visits, which were down 22 per cent from 2012/2013) and reduced student numbers (applications were down by 8,652 or 2.2 per cent). The simplified StudyLink homepage is also likely to have reduced the number of visits to Sussed.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
15,780	Crown	17,102	16,647	17,102
-	Department	-	-	-
-	Other	-	-	-
15,780	**Total Revenue**	**17,102**	**16,647**	**17,102**
15,743	**Total Expense**	**16,749**	**16,647**	**17,102**
37	**Net Surplus/(Deficit)**	**353**	**-**	**-**

46 Students who say they are 'satisfied' or 'very satisfied' with StudyLink's service on a scale of 'very dissatisfied', 'dissatisfied', 'neither/nor', 'satisfied' or 'very satisfied'.

47 Within the previous 14 days.

Output Expense: Planning, Correspondence and Monitoring

Scope

This appropriation is limited to providing planning, reporting and monitoring, Crown entity and statutory appointment advice (other than policy decision-making advice) and correspondence services to support Ministers to discharge their portfolio responsibilities.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, we provided advice to the Minister for Social Development on the following social development Crown entities – the Office of the Children's Commissioner, the Families Commission, the New Zealand Artificial Limb Service and the Social Workers Registration Board.

Output: Crown Entity Monitoring

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
100%	Advice will be delivered to the Minister on all social development Crown entities' statements of intent and output agreements[48]	100%	100%
100%	Monitoring advice will be provided to the Minister on all social development Crown entities' performance reports	100%	100%
	Quality		
Standard met	Provide advice to the Minister on Crown entity and Statutory Board appointments as required	Standard met[49]	Standard met
100%	The percentage of all reports provided to the Minister that are factually accurate, meet any legislative requirements, and contain no avoidable errors will be between	95-100%	99%
	Timeliness		
100%	The percentage of cases where advice to Ministers on draft statements of intent for Crown entities for the next year will be provided no later than 31 May 2014[50]	100%	100%
100%	The percentage of cases where advice to Ministers on draft output agreements for Crown entities for the next year will be provided no later than 30 June 2014	100%	N/A[51]
100%	Performance reports are reviewed no later than 20 working days from receipt of the final Crown entity report will be no less than	100%	100%

48 Changes to the Crown Entities Act 2004 require Crown entities to produce a statement of intent and a statement of performance expectations from 2014/2015. Output agreements have been superseded by these changes.

49 'Standard met' means all the appointments identified in the report to Cabinet at the start of each calendar year are actioned as agreed with the Minister.

50 Changes to the Crown Entities Act now require the statement of intent to be provided to the responsible Minister no later than at the same time as the annual report for the preceding year. All advice on 2014/2015 statements of intent received from Crown entities during the 2013/2014 year was provided by 31 May 2014.

51 Changes to the Crown Entities Act 2004 require Crown entities to produce a statement of intent and a statement of performance expectations from 2014/2015. Output agreements have been superseded by these changes.

Output: Ministerial and Executive Services

In 2013/2014, we provided draft responses for 1,461 items of ministerial correspondence, 868 written and oral parliamentary questions, and 53 requests for information under the Official Information Act 1982.

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quality		
	The percentage of all drafts provided for the Minister's signature that are factually accurate, meet any legislative requirements, and contain no avoidable errors will be between, or no less than:		
99.5%	Ministerial correspondence replies	95-100%	98.8%
99.8%	Parliamentary question responses	100%	100%
100%	Ministerial Official Information Act request replies	100%	100%
100%	Select Committee Estimates examination responses	100%	100%
	Timeliness		
	The percentage of all drafts provided for the Minister's signature within the following timeframes will be between, or no less than:		
97.7%	Ministerial correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed	95-100%	96.1%
100%	Parliamentary question responses provided to the Minister's Office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	100%
100%	Ministerial Official Information Act request replies completed five days prior to the statutory time limit, unless otherwise agreed	100%	96.6%*
100%	Responses to Select Committee examinations provided to the Minister's Office so that answers can meet the timeframe set by the Committee(s)	100%	100%

* The timeliness measure for responses to Official Information Act requests was not met this year, due to two responses not being provided within the required timeframe as a result of a higher than expected volume of requests on hand.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
5,554	Crown	5,554	5,554	5,554
-	Department	-	-	-
-	Other	-	-	-
5,554	**Total Revenue**	**5,554**	**5,554**	**5,554**
5,359	**Total Expense**	**5,226**	**5,554**	**5,554**
195	**Net Surplus/(Deficit)**	**328**	**-**	**-**

Output Expense: Prevention Services

Scope

Education and advice services for the prevention of child abuse and neglect, and the promotion of the wellbeing of children, young people and their families.

Summary of Performance

Non-financial Service Performance Information

This appropriation supports activities to raise awareness and capability in the community on how to respond to and prevent child abuse and neglect.

In 2013/2014, 86 workshops were held. The workshops were tailored to ensure every person came away with a better knowledge of signs of child abuse, how to help, and how to connect with the appropriate social services in their community.

Output: Prevention Services

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
85	The number of child protection workshops delivered to professionals and service providers on how to recognise and respond to child abuse and to keep children safe will be no fewer than	85	86[52]
99.9%	The percentage of professionals and service providers attending child protection workshops with increased awareness and knowledge[53] on how to respond to child abuse and neglect will be between	95-100%	96%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted[54] 2014 $000
	Revenue			
4,032	Crown	4,007	4,027	4,007
-	Department	-	-	-
1	Other	-	13	13
4,033	**Total Revenue**	**4,007**	**4,040**	**4,020**
3,505	**Total Expense**	**3,904**	**4,040**	**4,020**
528	**Net Surplus/(Deficit)**	**103**	**-**	**-**

52 Comprises 65 contracted workshops and 18 contracted five-day programmes with professionals and service providers, plus three regional workshops with an international expert.

53 This has been measured through feedback from participants at the 65 workshops.

54 This includes transfers made under section 26A of the Public Finance Act 1989.

Output Expense: Promoting Positive Outcomes for Disabled People

Scope

This appropriation is limited to providing services to promote and monitor the implementation of the New Zealand Disability Strategy, to monitor and implement the United Nations Convention on the Rights of Persons with Disabilities, and to provide information to Ministers on disability matters.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, Cabinet approved a new Disability Action Plan for 2014-2018, updating the previous Action Plan that was introduced in 2010. The new Plan is centred on what matters the most for disabled people, and their vision that "all New Zealanders experience equal rights of citizenship".

This year, the Making a Difference Fund provided funding to 40 community-led projects to increase the participation of disabled people in all aspects of community life.

Output: Promoting Positive Outcomes for Disabled People

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
1 report	The number of monitoring reports by disabled people on their rights under the United Nations Convention on the Rights of Persons with Disabilities will be no fewer than	1 report	1 report[55]
New measure for 2013/14	The number of community-led projects that are funded by the Think Differently campaign to promote positive attitudes will be between	20-25	40*
New measure for 2013/14	The number of reports provided to the Minister for Disability Issues on progress with implementing the New Zealand Disability Strategy will be no fewer than	1 report	1 report
	Quality		
New measure for 2013/14	The percentage of Think Differently partners[56] who report that attitudes and behaviours are shifting in their community will be no less than	50%	87%**
	Timeliness		
	Lifetime Design		
New measure for 2013/14	Progress will be monitored against the agreed Lifetime Design Ltd business plan no fewer than	2 times a year	2 times

* In 2013/2014, the number of projects funded by the Think Differently campaign to promote positive attitudes was higher than target. This result was achieved due to additional funding granted in Budget 2013 that was not expected when the performance target was set.

** The standard for this measure was set at 50 per cent in the absence of any previous data.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
2,210	Crown	5,785	5,485	5,785
-	Department	-	-	-
-	Other	-	-	-
2,210	**Total Revenue**	**5,785**	**5,485**	**5,785**
1,784	**Total Expense**	**5,309**	**5,485**	**5,785**
426	**Net Surplus/(Deficit)**	**476**	**-**	**-**

55 The Disability Rights in Aotearoa New Zealand 2013: Youth monitoring report was based on interviews with 27 young disabled people.

56 The Think Differently partners include local authorities, NGOs and charitable organisations that promote and encourage positive attitudes and behaviours towards disabled people in their communities.

Output Expense: Property Management Centre of Expertise

Scope

The appropriation is limited to the operation of a Property Management Centre of Expertise, to provide leadership, guidance and support, monitoring and brokerage in respect of property management within the State Sector.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, the first tranche of the functional lead's Wellington Accommodation Project was delivered, and will deliver cost savings of $333 million over the next 20 years.

Output: Property Management Centre of Expertise

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
Standard met	**Timeliness** Publish report[57] on property management information for agencies by 30 June 2014	Standard met	Standard met
30	**Quantity** The number of agencies who receive brokerage, guidance, or support as at 30 June 2014 will be no fewer than	30	30

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
1,350	Crown	1,000	1,000	1,000
-	Department	-	-	-
1,019	Other	2,686	1,755	2,855
2,369	**Total Revenue**	**3,686**	**2,755**	**3,855**
2,606	**Total Expense**	**3,845**	**2,755**	**3,855**
(237)	**Net Surplus/(Deficit)**	**(159)**	**-**	**-**

57 This report is published annually by the State Services Commission.

Output Expense: Services to Protect the Integrity of the Benefit System

Scope

Services to minimise errors, fraud and abuse of the benefit system.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, 97.2 per cent of prosecutions were successful, an increase from last year of 95.5 per cent. This year we completed 893 prosecutions, compared with 979[58] in 2012/2013.

Output: Services to Protect the Integrity of the Benefit System

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
96.9%	**Quantity** The percentage of cases referred to the National Fraud Investigators that are 'fully investigated'[59] will be between	95-100%	97.7%
95.5%	**Quality** Of all the cases we prosecute, the percentage of successful prosecutions concluded will be no less than	95%	97.2%
98.2%	**Timeliness** The percentage of cases[60] completed within a 12-month period will be no less than	95%	97.9%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
34,516	Crown	35,139	35,139	35,139
-	Department	-	-	-
-	Other	-	-	-
34,516	**Total Revenue**	**35,139**	**35,139**	**35,139**
33,616	**Total Expense**	**34,995**	**35,139**	**35,139**
900	**Net Surplus/(Deficit)**	**144**	**-**	**-**

58 Prosecution results are now reported based on data Legal Services have entered into the Investigation Management System (IMS). This reporting was implemented in 2013/2014 after the National Fraud Investigation Unit undertook a review of each prosecution result recorded in the IMS since 2011/2012 year. Based on IMS data 957 prosecutions were completed in the 2012/2013 year.

59 A case is 'fully investigated' when an assessment is made to either close, take no further action or commence a full investigation.

60 This includes cases referred by all sources for further enquiry, for example fraud allegations and data matches.

Output Expense: Social Housing Services

This appropriation was transferred from Housing New Zealand Corporation to the Ministry of Social Development on 14 April 2014. The service performance information below only covers the period 14 April to 30 June 2014. Please refer to the Housing New Zealand Corporation 2013/2014 Annual Report for results prior to 14 April 2014.

Scope

This appropriation is limited to ensuring that people's social housing financial assistance is assessed and is paid to social housing providers, providing advice on options to access alternative accommodation, and services to manage the collection of overpayments of Income Related Rent Subsidies.

Summary of Performance

Non-financial Service Performance Information

Output: Social Housing Support

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quality		
New measure for 2013/14	The transfer of social housing functions from Housing New Zealand to the Ministry of Social Development will be completed by 14 April 2014	Achieved	Achieved

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
-	Crown	9,545	-	9,545
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**9,545**	**-**	**9,545**
-	**Total Expense**	**9,490**	**-**	**9,545**
-	**Net Surplus/(Deficit)**	**55**	**-**	**-**

Output Expense: Social Policy Advice (MCOA)

Output Class: Forecast, Modelling, Information Monitoring and Analysis

Scope

This output class is limited to providing forecast, modelling, information monitoring and analysis used to inform social policy development and to support government decision-making.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, a paper to Ministers on the Half Year Economic Forecast Update of Benefit Forecasts was completed in December 2013. The Baseline Economic Forecast Update of Benefit Forecasts was completed in May 2014.

Output Class: Forecast, Modelling, Information Monitoring and Analysis

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
Standard met	The Annual Statistical Report is published by 30 June 2014	Standard met	N/A[61]
New measure for 2013/14	Benefit fact sheets are published on the Ministry of Social Development website[62]	4 times a year	4 times
	Quality		
Standard met	Analysis, reporting, and costing advice will be delivered in accordance with work priorities identified and advised by Ministers	Standard met	Standard met
100% of cases	An audit[63] shows the Ministry of Social Development's quality assurance processes have been followed in between	90-95% of cases	100%
	Timeliness		
Standard met	Joint Ministers' reports will be produced for each baseline update, within stipulated timelines, to enable baselines to be updated to reflect forecast changes	Standard met	Standard met

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
6,450	Crown	6,450	6,450	6,450
-	Department	-	-	-
-	Other	-	-	-
6,450	**Total Revenue**	**6,450**	**6,450**	**6,450**
6,155	**Total Expense**	**6,291**	**6,450**	**6,450**
295	**Net Surplus/(Deficit)**	**159**	**-**	**-**

61 This performance measure was removed through the 2013/2014 Supplementary Estimates process as the Annual Statistical Report is no longer being produced, and was not reported.

62 This performance measure was introduced during the year to replace the Annual Statistical Report measure.

63 The work in relation to the internal audit, review or survey for these measures was conducted during the year and reported on an annual basis. Under the audit, a random sample of reports was reviewed internally during the year to assess if they complied with minimum quality assurance standards.

Output Class: Longitudinal Studies

Scope

This output class is limited to providing longitudinal studies to inform social policy development and to support decision-making by Ministers on government social policy matters.

Summary of Performance

This output class transferred to the Families Commission from 1 November 2013.

Non-financial Service Performance Information

Output Class: Longitudinal Studies

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
80% of cases	**Timeliness** The percentage of contracted outputs that are delivered and completed within the agreed period will be between	90-95% of cases	N/A*

* This measure transferred to the Families Commission on 1 November 2013. The decision to transfer the studies to the Commission was known at the beginning of 2013/2014 and as a result no work was done by the Ministry.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
2,088	Crown	-	3,001	-
1,322	Department	-	-	-
-	Other	-	-	-
3,410	**Total Revenue**	**-**	**3,001**	**-**
3,410	**Total Expense**	**-**	**3,001**	**-**
-	**Net Surplus/(Deficit)**	**-**	**-**	**-**

Output Class: Policy Advice

Scope

This output class is limited to providing advice (including second opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government social policy matters, including social sector issues.

Summary of Performance

Non-financial Service Performance Information

In May 2014, the Treasury amended the formula for calculating the total cost per hour for policy required updating to better align it with the amended definition of policy advice costs. Performance measures calculated using both the original and updated formulae have been provided to help readers understand how this change has affected the performance result.

Output Class: Policy Advice

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
New measure for 2013/14	**Quality/Timeliness** The satisfaction rating given by Ministers for the quality and timeliness of policy advice, as per the Common Satisfaction Survey will be at least	7.0[64]	Standard met[65]
95% of cases	An audit[66] shows the Ministry of Social Development's quality assurance processes have been followed in between	90-95% of cases	97%
New measure for 2013/14	The technical quality of policy advice papers assessed by a survey with a methodical robustness of 85%[67] will be no less than	70%	75.2%
New measure for 2013/14	The total cost[68] per hour per person of producing outputs will be no more than	Original standard $114.00	Original result $109.74
		Updated standard N/A[69]	Updated result $129.20

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
18,362	Crown	18,180	18,180	18,180
-	Department	-	-	-
-	Other	-	-	-
18,362	**Total Revenue**	**18,180**	**18,180**	**18,180**
17,304	**Total Expense**	**17,841**	**18,180**	**18,180**
1,058	**Net Surplus/(Deficit)**	**339**	**-**	**-**

64 The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of policy advice on a scale from 1 to 10, where 1 means unsatisfied and 10 means extremely satisfied.

65 The Minister for Social Development did not complete a survey questionnaire but expressed her satisfaction verbally.

66 The work in relation to the internal audit for this measure was conducted during the year and reported on an annual basis. A random sample of reports was reviewed to assess whether they complied with minimum quality assurance standards.

67 This measure is a compulsory policy advice measure for all public sector agencies. The wording of the measure was supplied by the Treasury.

68 This measure provides the total cost of an hour of professional staff time devoted to both policy advice and other policy unit outputs. Total cost includes the cost of labour, overheads, support staff, direct costs and outsourced work to support output production.

69 An updated standard was not calculated at this stage.

Output Class: Research and Evaluation

Scope

This output class is limited to providing research and evaluation to inform the development of social policy advice and to support government decision-making.

Summary of Performance

Non-financial Service Performance Information

Output Class: Research and Evaluation

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
Standard met	**Quality** Research and evaluation will be delivered in accordance with work priorities identified and advised by Ministers[70]	Standard met[71]	Standard met
100% of cases	An audit[72] shows the Ministry of Social Development's quality assurance processes have been followed in between	90-95% of cases	100%
New measure for 2013/14	The technical quality of research and evaluation papers assessed by a survey with a methodical robustness of 85%[73] will be no less than	70%	75.2%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
7,130	Crown	5,000	5,180	5,000
-	Department	-	-	-
-	Other	-	-	-
7,130	**Total Revenue**	**5,000**	**5,180**	**5,000**
5,449	**Total Expense**	**4,954**	**5,180**	**5,000**
1,681	**Net Surplus/(Deficit)**	**46**	**-**	**-**

70 The Ministers who received services were the Minister for Social Development, the Minister of State Services, the Associate Ministers for Social Development, the Minister of Youth Affairs, the Minister for Senior Citizens and the Minister for Disability Issues.

71 'Standard met' means the items on the Ministry's work programme designated as being representative of Ministers' priorities around research and evaluation are completed.

72 The work in relation to the internal audit, review or survey for this measure is conducted during the year and reported on an annual basis. Under the audit, a random sample of reports is reviewed internally during the year to assess if they comply with minimum quality assurance standards.

73 This measure is a compulsory policy advice measure for all public sector agencies. The wording of the measure was supplied by the Treasury.

Output Expense: Tailored Sets of Services to Help People into Work or Achieve Independence

Scope

The appropriation is limited to delivering tailored sets of services to individuals to help them into sustainable employment, participate more fully in their community or achieve a greater level of social independence; and the management of related non-departmental output contracts. The composition of each set of services is determined by the individual's needs and selected from a mix of employment, readiness training and support, employment placement, social support services, payment of income support and training support benefits, and referrals to other employment or social support providers.

Summary of Performance

The service performance information for this appropriation only covers the period 1 July to 31 December 2013. From 1 January 2014, this appropriation is being reported as part of the Improved Employment and Social Outcomes Support Multi-Category Appropriation. Please refer to page 77 for the MCA results.

Non-financial Service Performance Information

Output: Tailored Sets of Services to Help People into Work or Achieve Independence

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 31 December 2013
	Quality		
39.7%	The proportion of clients who participate in a triage service and do not require a benefit within 28 days will be between	35-40%	36.9%*
	Quantity		
New measure in 2013/14	The proportion of Jobseeker Support clients with less than 52 weeks benefit duration who participate in a work-focused intervention will be between	70-75%[74]	89.0%
New measure in 2013/14	The proportion of Jobseeker Support clients with more than 52 weeks benefit duration who participate in a work-focused intervention will be between	60-65%[74]	87.1%
	Quantity		
New measure in 2013/14	The proportion of Jobseeker Support clients who undertake a comprehensive work assessment will be no less than	100%	100%
New measure in 2013/14	The proportion of Sole Parent Support clients with part-time work obligations (with a youngest child aged between 5 and 13 years) and a duration of less than 52 weeks who participate in a work-focused intervention will be between	55-60%[74]	83.4%
New measure in 2013/14	The proportion of Sole Parent Support clients with part-time work obligations (with a youngest child aged between 5 and 13 years) and a duration of more than 52 weeks who participate in a work-focused intervention will be between	60-65%[74]	85.6%
New measure in 2013/2014	The proportion of Sole Parent Support clients with pre-employment obligations (with a youngest child aged under five years) who will be engaged with will be between	40-45%	57.2%

* The results for this measure are as at 31 December 2013. All variances for the full year only are explained under the Improved Employment and Social Outcomes Support MCA on page 77 for the result as at 30 June 2014.

74 The standards for these measures were changed through the 2013/2014 Supplementary Estimates process. These changes have been reflected in the Improved Employment and Social Outcomes Support Multi-Category Appropriation.

Output: Tailored Sets of Services to Help People into Work or Achieve Independence (continued)

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 31 December 2013
New measure in 2013/14	The proportion of Jobseeker Support clients with less than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between	80-85%	78.6%*
New measure in 2013/14	The proportion of Jobseeker Support clients with more than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between	70-75%	69.5%*
New measure in 2013/14	The proportion of Jobseeker Support clients aged 18-24 years with less than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between	80-85%	79.0%*
New measure in 2013/14	The proportion of Jobseeker Support clients aged 18-24 years with more than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between	65-70%	67.1%
New measure in 2013/14	The average time that Sole Parent Support clients (with a youngest child aged between 5 and 13 years) with a cumulative benefit duration of less than 52 weeks spend in part-time employment will be between	20-25 weeks[75]	17.5 weeks
New measure in 2013/14	The average time that Sole Parent Support clients (with a youngest child aged between 5 and 13 years) with a cumulative benefit duration of more than 52 weeks spend in part-time employment will be between	30-35 weeks[75]	26 weeks
100%	The proportion of payments to third-party providers that are made in accordance with their contracts will be no less than	100%	100%
90.1%	**Quality** The proportion of benefit entitlement assessments completed accurately will be no less than	90%	90.5%
91.6%	**Timeliness** The proportion of benefit entitlement assessments completed within five working days will be no less than	90%	90.3%

* The results for these measures are as at 31 December 2013. All variances for the full year only are explained under the Improved Employment and Social Outcomes Support MCA on page 77 for the result at 30 June 2014.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
444,081	Crown	225,331	432,670	225,331
816	Department	800	4,544	802
726	Other	479	4,349	471
445,623	**Total Revenue**	**226,610**	**441,563**	**226,604**
452,860	**Total Expense**	**226,604**	**441,563**	**226,604**
(7,237)	**Net Surplus/(Deficit)**	**6**	**-**	**-**

75 The standards for these measures were changed through the 2013/2014 Supplementary Estimates process. These changes have been reflected in the Improved Employment and Social Outcomes Support Multi-Category Appropriation.

Output Expense: Vocational Skills Training

Scope

This appropriation is limited to vocationally based skills training for working-age people through the Training Opportunities Programme.

Summary of Performance

Non-financial Service Performance Information

A decision was made after Budget 2013 to cease the Foundation Focused Training Opportunity study programme from 31 December 2013.

Output: Vocational Skills Training

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 31 December 2013
	Quantity		
3,958	The number of contracted places in Foundation Focused Training Opportunity study programmes will be between	3,700-4,000	3,941
	Quality		
New measure in 2013/14	The proportion of participants in Foundation Focused Training Opportunity study programmes who move into training or employment will be between	60-64%	43.0%*

* The performance result for 2013/2014 reflects providers downsizing contracts and ending contracts early as a result of the Foundation Focused Training Opportunity study programme ending on 31 December 2013.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
54,635	Crown	23,392	46,784	23,392
-	Department	-	-	-
-	Other	-	-	-
54,635	**Total Revenue**	**23,392**	**46,784**	**23,392**
54,635	**Total Expense**	**23,392**	**46,784**	**23,392**
-	**Net Surplus/(Deficit)**	**-**	**-**	**-**

Output Expense: Youth Development

Scope

This appropriation is limited to providing leadership and service delivery to promote the interests of, and improve outcomes for, young people.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, 13,726 young people participated in decision-making opportunities including the Youth Parliament 2013. Young people are encouraged to be more involved in their communities and this is done by building capability across the youth sector.

Output: Supporting Young People's Participation in Government Decision-making

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
New measure in 2013/14	The number of youth participation activities delivered will be between	80-100	85
New measure in 2013/14	The number of young people participating in decision-making[76] activities will be between	3,500-4,000	13,726*
	Quality		
New measure in 2013/14	The percentage of young people who report an increase in skills and knowledge from attending youth participation activities will be no less than	95%	99%
96%	The percentage of young people who report being satisfied or very satisfied with their involvement in youth participation activities will be between	95-100%	98%

* There has been an improvement in contract monitoring, resulting in improved returns by providers, who have reported on 9,340 participants. There has also been an increase in the number of young people participating in decision-making activities, notably the Greater Christchurch Youth Resilience and Wellbeing Survey, which attracted 3,377 participants.

Output: Enabling Youth Development

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quality		
100%	The percentage of funding and contracting agreements that are consistent with the Code of Funding Practice[77] will be no less than	100%	100%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
2,974	Crown	2,953	2,953	2,953
-	Department	-	-	-
-	Other	-	-	-
2,974	**Total Revenue**	**2,953**	**2,953**	**2,953**
2,714	**Total Expense**	**2,897**	**2,953**	**2,953**
260	**Net Surplus/(Deficit)**	**56**	**-**	**-**

76 This measure accounts for the number of young people participating in programmes and activities supported by the Ministry of Youth Development that involve them engaging in decision-making aspects at local and national levels, such as funding selection panels. Whenever practicable, this measure will be assessed through feedback from youth participants.

77 Launched by the Minister for the Community and Voluntary Sector in October 2010, the Code of Funding Practice aims to help government agencies and non-profit organisations when entering into government funding arrangements. It sets out seven core codes, 22 key criteria and a range of success indicators.

Output Expense: Youth Justice Services

Scope

Social work and other services to manage and resolve offending behaviour by children and young people, by providing assessment, support, programmes, containment and care of young offenders.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, Youth Justice Family Group Conference plans were prepared for 2,967 children and young people. Of these, 2,824 met their objectives set out in their plans.

Output: Youth Justice Safety and Belonging

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Timeliness		
97.9%	The percentage of Youth Justice Family Group Conferences held within statutory timeframes (unless there are special reasons for delay[78]) will be between	95-100%	98.6%

Output: Youth Justice Changing Behaviour and Enhancing Wellbeing

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quality		
94.0%	The percentage of children and young people whose Youth Justice Family Group Conference plans were completed and the objectives were assessed as being met will be between	85-90%	95.2%
99.0%	The percentage of young people discharged from a youth justice residence, after completing a Supervision with Residence Order, who receive an individual transition plan to help them reintegrate into society will be between	95-100%	98.0%
	Timeliness		
99.6%	The percentage of Youth Justice Family Group Conference plans reviewed on time will be between	95-100%	99.7%
97.0%	The percentage of early release reports completed on time will be between	90-100%	93.7%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted[79] 2014 $000
	Revenue			
132,440	Crown	128,681	131,896	128,681
-	Department	-	-	-
-	Other	-	-	-
132,440	**Total Revenue**	**128,681**	**131,896**	**128,681**
129,540	**Total Expense**	**128,586**	**131,896**	**128,681**
2,900	**Net Surplus/(Deficit)**	**95**	**-**	**-**

78 Section 249(6) of the Children, Young Persons, and Their Families Act 1989 enables a Family Group Conference to be delayed for special reasons. A Youth Justice Co-ordinator may hold a Family Group Conference outside the normal timeframes or adjourn to a later date due to:

- the unavailability of key whānau (especially the custodial parent), the child or young person, a victim or the youth advocate
- a delay in receiving information critical for the Family Group Conference to consider, and
- the Family Group Conference requesting an adjournment to enable its members to come to an agreement.

79 This includes transfers made under section 26A of the Public Finance Act 1989.

Output Expense: Improved Employment and Social Outcomes Support (MCA)[80]

This new Multi-Category Appropriation (MCA) was established from 1 January 2014. The MCA includes and replaces the Tailored Sets of Services to Help People into Work or Achieve Independence departmental output expense and the Employment Assistance non-departmental other expense. The service performance information below covers the full 2013/2014 year and focuses on departmental operating expenses.

Reporting on the Employment Assistance non-departmental appropriation is included in the 2013/2014 Vote Social Development Report on Selected Non-departmental Appropriations.

Purpose of appropriation

The single overarching purpose of this appropriation is to operate the benefit system and associated interventions in such a way as to improve client outcomes (employment and social) to move them closer to independence, with a focus on those at risk of long-term benefit receipt.

What is intended to be achieved by the appropriation

This appropriation is intended to achieve a reduction in long-term valuation and achievement of Better Public Services Result 1.

Summary of Appropriation Performance

Non-financial Service Performance Information

Performance in the MCA is assessed by:

- *Reducing the number of people continuously receiving long-term benefits for more than 12 months by 30 per cent, from 78,000 in April 2012 to 55,000 by 2017*

  As at 30 June 2014, 67,531 people were continuously receiving Jobseeker Support for more than 12 months, down from 74,559 in 30 June 2013. This was made up of:

  – 29,359 people receiving Work Ready benefits

  – 38,172 people receiving Health Condition or Disability benefits.

- *Using the future benefit valuation to track the key drivers of the valuation, identify variances in trends projected from the valuation, and show how the management of the benefit system is influencing movements in the future valuation.*

  – The latest actuarial valuation (November 2013) shows that benefit payments were $180 million less than expected in the year to June 2013, with a $10.3 billion reduction in the liability ($4.4 billion of which can be attributed to welfare reforms and management influence), reflecting fewer than expected beneficiaries and less time expected on benefit in the future[81].

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
-	Crown	282,764	-	282,764
-	Department	14	-	800
-	Other	2,064	-	500
-	**Total Revenue**	**284,842**	**-**	**284,064**
-	**Total Expense**	**277,382**	**-**	**284,064**
-	**Net Surplus/(Deficit)**	**7,460**	**-**	**-**

80 All non-financial output performance results for the Improved Employment and Social Outcomes Support MCA are calculated on a year-to-date cumulative basis.

81 Source: Actuarial Valuation of the Benefit System for Working-age Adults as at 30 June 2013. The valuation report and the figures therein have not been subject to audit.

Summary of Performance within the appropriation

Departmental Output Expense Category: Administering Income Support

Scope of category

This category is limited to assessing, paying, reviewing and collecting debts in respect of working-age benefits, supplementary benefits, grants and allowances, and ensuring people meet their social and other obligations.

What is intended to be achieved by the category

This category is intended to achieve accurate and efficient operation of the benefit system so that the correct amount is paid to the correct people on time.

Summary of Performance

Non-financial Service Performance Information

Departmental Output Expense Category: Administering Income Support[82]

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
90.1%	**Quality** The proportion of benefit entitlement assessments completed accurately will be no less than	90%	90.1%
39.7%	**Quality** The proportion of clients who participate in a triage service and do not require a benefit within 28 days will be between	35-40%	37.0%
100%	The proportion of payments to third-party providers that are made in accordance with their contracts will be no less than	100%	100.0%
91.6%	**Timeliness** The proportion of benefit entitlement assessments completed within five working days will be no less than	90%	90.6%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
-	Crown	149,991	-	149,991
-	Department	14	-	800
-	Other	2,064	-	500
-	**Total Revenue**	**152,069**	**-**	**151,291**
-	**Total Expense**	**147,326**	**-**	**151,291**
-	**Net Surplus/(Deficit)**	**4,743**	**-**	**-**

82 The output performance results represent the annual year-to-date cumulative figure at 30 June 2014.

Departmental Output Expense Category: Improving Employment Outcomes – Service Provision

Scope of category

This category is limited to providing services, including services provided in accordance with criteria set out in delegated legislation under the Social Security Act 1964, to facilitate transitions to work for people who are receiving or likely to receive working-age benefits or youth support payments and are work ready to help them move into sustainable employment.

What is intended to be achieved by the category

This category is intended to increase the number of people (from those who are currently receiving or are likely to receive working-age benefits and are work ready) moving into sustainable employment.

Summary of Performance

Non-financial Service Performance Information

Departmental Output Expense Category: Improving Employment Outcomes – Service Provision[83]

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
New measure in 2013/14	The proportion of Jobseeker Support clients with less than 52 weeks benefit duration who participate in a work-focused intervention will be between	85-90%[84]	91.2%
New measure in 2013/14	The proportion of Jobseeker Support clients with more than 52 weeks benefit duration who participate in a work-focused intervention will be between	85-90%[85]	89.2%
New measure in 2013/14	The proportion of Sole Parent Support clients with part-time work obligations (with a youngest child aged between 5 and 13 years) and a duration of less than 52 weeks who participate in a work-focused intervention will be between	80-85%[86]	88.8%
New measure in 2013/14	The proportion of Sole Parent Support clients with part-time work obligations (with a youngest child aged between 5 and 13 years) and a duration of more than 52 weeks who participate in a work-focused intervention will be between	80-85%[87]	88.3%
New measure in 2013/14	The proportion of Jobseeker Support clients with less than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between	80-85%	79.5%*
New measure in 2013/14	The proportion of Jobseeker Support clients with more than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between	70-75%	69.5%*
New measure in 2013/14	The proportion of Jobseeker Support clients aged 18-24 years with less than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between	80-85%	79.5%*
New measure in 2013/14	The proportion of Jobseeker Support clients aged 18-24 years with more than 52 weeks benefit duration who do not return to benefit within 91 days of exit will be between	65-70%	66.7%
New measure in 2013/14	The average time that Sole Parent Support clients (with a youngest child aged between 5 and 13 years) with a cumulative benefit duration of less than 52 weeks spend in part-time employment will be between	15-20 weeks[88]	17.1 weeks

* Three measures relating to adult or youth Jobseeker Support clients staying off benefit for 91 days or more were slightly below target. These were new measures and had ambitious targets following the introduction of Jobseeker Support in July 2013. Results improved steadily throughout the year and give an indication of the effectiveness of the strategies and action plans that have been put in place.

83 The output performance results represent the annual year-to-date cumulative figure at 30 June 2014.

84 The standard for this measure was changed from 70-75 per cent to 85-90 per cent through the Supplementary Estimates process.

85 The standard for this measure was changed from 60-65 per cent to 85-90 per cent through the Supplementary Estimates process.

86 The standard for this measure was changed from 55-60 per cent to 80-85 per cent through the Supplementary Estimates process.

87 The standard for this measure was changed from 60-65 per cent to 80-85 per cent through the Supplementary Estimates process.

88 The standard for this measure was changed from 20-25 weeks to 15-20 weeks through the Supplementary Estimates process.

Departmental Output Expense Category: Improving Employment Outcomes – Service Provision (continued)

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
New measure in 2013/14	The average time that Sole Parent Support clients (with a youngest child aged between 5 and 13 years) with a cumulative benefit duration of more than 52 weeks spend in part-time employment will be between	25-30 weeks[89]	25.7 weeks
New measure in 2013/14	The number of contracted places in Skills for Industry training will be between	22,000-24,000	27,400**
New measure in 2013/14	The proportion of participants in Skills for Industry training who move off benefit into employment after eight weeks of completion will be between	55-60%	57.7%
New measure in 2013/14	The number of clients who are provided with a Flexi-Wage will be between	4,800-5,000	7,862**
New measure in 2013/14	The proportion of clients who are provided with a Flexi-Wage who retain employment after eight weeks of expiry of the subsidy will be between	75-80%	79.5%

** The targets for the contracted places for Skills for Industry training and the number of Flexi-Wage clients were exceeded due to additional funding transferred from the Employment Assistance appropriation.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
-	Crown	123,049	-	123,049
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**123,049**	**-**	**123,049**
-	**Total Expense**	**120,953**	**-**	**123,049**
-	**Net Surplus/(Deficit)**	**2,096**	**-**	**-**

89 The standard for this measure was changed from 30-35 weeks to 25-30 weeks through the Supplementary Estimates process.

Departmental Output Expense Category: Improving Work Readiness – Service Provision

Scope of category

This category is limited to providing services, including services provided in accordance with criteria set out in delegated legislation under the Social Security Act 1964, to address barriers to employment (such as literacy, numeracy, health, skills, drug or alcohol use, confidence and motivation) for people who are receiving or likely to receive working-age benefits or youth support payments to help them become work ready.

What is intended to be achieved by the category

This category is intended to achieve a substantial reduction in barriers to employment so that people who are receiving or are likely to receive working-age benefits can become work ready.

Summary of Performance

Non-financial Service Performance Information

Departmental Output Expense Category: Improving Work Readiness – Service Provision[90]

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quantity		
New measure in 2013/14	The proportion of Jobseeker Support clients who undertake a comprehensive work assessment will be no less than	100%	100%
New measure in 2013/14	The proportion of Sole Parent Support clients with pre-employment obligations (with a youngest child aged under five years) who will be engaged with will be between	40-45%	64.4%*

* As at 30 June 2014, the proportion of Sole Parent Support clients who participated in work preparation was significantly higher than the target range of 40-45 per cent, which was set at the beginning of the year based on previous performance of around 38 per cent. A focus on engagement through the new service delivery model has led to ongoing improvement throughout the year. Performance expectations for the 2014/2015 financial year have been reset accordingly.

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
-	Crown	9,724	-	9,724
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**9,724**	**-**	**9,724**
-	**Total Expense**	**9,103**	**-**	**9,724**
-	**Net Surplus/(Deficit)**	**621**	**-**	**-**

90 The output performance results represent the annual year-to-date cumulative figure at 30 June 2014.

Vote Senior Citizens

Output Expense: Senior Citizens Services

Scope

This appropriation is limited to providing information and facilitation to protect the rights and interests of older people, to promote local community involvement in senior citizens' issues, and ministerial services.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, we provided draft responses for 177 items of ministerial correspondence, 42 written and oral parliamentary questions, and six requests for information under the Official Information Act 1982.

Output: Senior Citizens Services

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
	Quality		
100% of cases	An audit[91] shows the Ministry of Social Development's quality assurance processes have been followed in at least	90-95% of cases	100%
	The percentage of all drafts provided for the Minister's signature that are factually accurate, meet any legislative requirements, and contain no avoidable errors will be between, or no less than:		
99.1%	Ministerial correspondence replies	95-100%	100%
100%	Parliamentary question responses	100%	100%
100%	Ministerial Official Information Act request replies	100%	100%
100%	Select Committee Estimates examination responses	100%	100%
	Timeliness		
	The percentage of all drafts provided for the Minister's signature within the following timeframes will be between, or no less than:		
100%	Ministerial correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed	95-100%	98.5%
100%	Parliamentary question responses provided to the Minister's Office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	100%
100%	Ministerial Official Information Act request replies completed five days prior to the statutory time limit, unless otherwise agreed	100%	100%
100%	Responses to Select Committee examinations provided to the Minister's Office so that answers can meet the timeframe set by the Committee(s)	100%	100%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
1,016	Crown	1,013	1,013	1,013
-	Department	-	-	-
-	Other	-	-	-
1,016	**Total Revenue**	**1,013**	**1,013**	**1,013**
979	**Total Expense**	**941**	**1,013**	**1,013**
37	**Net Surplus/(Deficit)**	**72**	**-**	**-**

91 The work in relation to the internal audit, review or survey for this measure is conducted during the year and reported on an annual basis. Under the audit, a random sample of reports is reviewed internally during the year to assess whether they comply with minimum quality assurance standards.

Vote Veterans' Affairs – Social Development

Output Expense: Processing and Payment of Veterans' Pensions

Scope

This appropriation is limited to the processing and payment of Veterans' Pensions and related allowances.

Summary of Performance

Non-financial Service Performance Information

In 2013/2014, the number of new Veterans' Pension applications was 337, compared with 426 in 2012/2013. In the future the number of new applications is likely to increase as a result of the Veterans' Support Act 2014.

Output: Processing and Payment of Veterans' Pensions

Actual 30 June 2013	Performance Measure	Standard 30 June 2014	Actual 30 June 2014
94.3%	**Quality** The percentage of Veteran's Pension entitlement assessments completed accurately will be between	90-95%	93.0%
96.3%	**Timeliness** The percentage of Veteran's Pension entitlement assessments completed within required timeframes[92] will be between	90-95%	93.0%

Financial Performance Information

Actual 2013 $000	Financial Performance (Figures are GST exclusive)	Actual 2014 $000	Main Estimates 2014 $000	Appropriation Voted 2014 $000
	Revenue			
443	Crown	440	440	440
-	Department	-	-	-
-	Other	-	-	-
443	**Total Revenue**	**440**	**440**	**440**
409	**Total Expense**	**427**	**440**	**440**
34	**Net Surplus/(Deficit)**	**13**	**-**	**-**

92 Five working days for Veteran's Pension entitlement assessments for payment in New Zealand and 20 working days for Veteran's Pension entitlement assessments for payment overseas.

Financial Statements

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 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 the purposes of applying New Zealand's equivalents to the International Financial Reporting Standards (NZ IFRS).

The financial statements of the Ministry are for the year ended 30 June 2014. The financial statements were authorised for issue by the Chief Executive of the Ministry on 30 September 2014.

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 NZ GAAP. They comply with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in 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

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Ministry, are:

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

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

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

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 2014, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates, which includes the transfers made under section 26A of the Public Finance Act 1989.

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.

Revenue

The Ministry gets revenue from providing outputs to the Crown and for services to third parties. Revenue is recognised when it is earned and is reported in the financial period it relates to.

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.

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 2014, direct costs accounted for 86.2 per cent of the Ministry's costs (2013: 85.5 per cent).

Expenses

General

Expenses are recognised in the period to which they relate.

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 Income.

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 impairment changes.

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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income. Overdue receivables that are renegotiated are reclassified as current (ie, not past due).

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.

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 Income. When revalued assets are sold, the amounts included in the property, plant and equipment revaluation reserves for those assets are transferred to general 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.

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	Estimated Life	Estimated Life
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 to 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 Income. Any subsequent increase in value after revaluation that offsets a previous decrease in value recognised in the Statement of Comprehensive Income will be recognised first in the Statement of Comprehensive Income 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 associated with maintaining computer software are recognised as an expense when incurred. Costs directly associated with the development of software for internal use by the Ministry are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overhead costs.

Staff training costs 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. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

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

Asset Type	Estimated Life	Estimated Life
Developed computer software	3-8 years	12.5%-33%

Impairment of non-financial 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 sheet 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 Income.

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 Income, a reversal of the impairment loss is also recognised in the Statement of Comprehensive Income.

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

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 Income.

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

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.

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 equipment leases, and has determined the Ministry has no finance leases.

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.

Taxpayers' funds

Taxpayers' funds are the Crown's investment in the Ministry and are measured as the difference between total assets and total liabilities. Taxpayers' funds are disaggregated and classified as general funds and property, plant and equipment revaluation reserves.

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 14).

Critical judgements in applying the Ministry's accounting policies

In accounting for revaluations of land and buildings the Ministry accepts the judgements of the work performed by our independent registered valuer, Andrew Parkyn ANZIV of Quotable Value Limited (refer Note 8).

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 2014.

Statement of Comprehensive Income

For the year ended 30 June 2014

Actual 2013 $000		Notes	Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
	Income				
1,203,636	Revenue Crown		1,253,265	1,189,557	1,253,265
5,310	Revenue other	1	7,857	12,460	7,240
295	Gain on disposal of fixed assets	2	-	-	-
1,209,241	**Total income**		**1,261,122**	**1,202,017**	**1,260,505**
	Expenditure				
660,842	Personnel costs	3	694,973	655,078	667,239
45,135	Depreciation and amortisation expenses	8, 9	44,251	51,853	50,117
23,742	Capital charge	4	23,422	23,575	23,575
472,476	Other operating expenses	5	486,439	471,511	519,574
-	Loss on disposal of fixed assets	6	433	-	-
1,202,195	**Total expenditure**		**1,249,518**	**1,202,017**	**1,260,505**
7,046	**Net surplus/(deficit)**		**11,604**	**-**	**-**
	Other comprehensive income				
-	Gain on property, plant and equipment revaluations		11,069	-	-
7,046	**Total comprehensive income**		**22,673**	**-**	**-**

Explanations of significant variances against budget are detailed in Note 21. Refer to Note 5 for other operating expenses variances.

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Financial Position

As at 30 June 2014

Actual 2013 $000		Notes	Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
	Taxpayers' funds				
256,896	General funds		261,887	256,896	261,887
35,875	Revaluation reserve		46,944	35,875	35,875
292,771	**Total taxpayers' funds**	**15**	**308,831**	**292,771**	**297,762**
	Assets				
	Current assets				
32,695	Cash and cash equivalents		31,259	40,701	27,990
11,078	Accounts receivable	7	18,353	7,798	11,078
13,056	Prepayments		13,960	10,205	13,056
93,068	Crown receivable		108,859	53,000	81,411
149,897	**Total current assets**		**172,431**	**111,704**	**133,535**
	Non-current assets				
297,380	Property, plant and equipment	8	302,813	317,662	312,253
50,756	Intangible assets	9	75,925	57,640	52,930
348,136	**Total non-current assets**		**378,738**	**375,302**	**365,183**
498,033	**Total assets**		**551,169**	**487,006**	**498,718**
	Liabilities				
	Current liabilities				
93,955	Accounts payable and accruals	10	120,411	96,731	98,708
2,013	Revenue received in advance	11	2,108	-	-
7,046	Return of operating surplus to the Crown	12	11,604	-	-
56,347	Provision for employee entitlements	14	60,761	53,622	56,347
6,142	Other provisions	13	6,199	6,916	6,142
165,503	**Total current liabilities**		**201,083**	**157,269**	**161,197**
	Non-current liabilities				
39,759	Provision for employee entitlements	14	41,255	36,966	39,759
39,759	**Total non-current liabilities**		**41,255**	**36,966**	**39,759**
205,262	**Total liabilities**		**242,338**	**194,235**	**200,956**
292,771	**Net assets**		**308,831**	**292,771**	**297,762**

Explanations of significant variances against budget are detailed in Note 21.

Brendan Boyle
Chief Executive

30 September 2014

Bruce Simpson
Chief Financial Officer

30 September 2014

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Changes in Taxpayers' Funds

For the year ended 30 June 2014

Actual 2013 $000		Note	Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
300,771	**Balance at 1 July**		**292,771**	**292,771**	**292,771**
7,046	Total comprehensive income		22,673	-	-
(7,046)	Return of operating surplus to the Crown	12	(11,604)	-	-
-	Capital injections		4,991	-	4,991
(8,000)	Capital withdrawal		-	-	-
292,771	**Balance at 30 June**		**308,831**	**292,771**	**297,762**

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2014

Actual 2013 $000		Note	Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
	Cash flows from operating activities				
1,218,004	Receipts from Crown revenue		1,237,474	1,201,557	1,264,922
3,892	Receipts from other revenue		7,869	12,460	7,240
(475,176)	Payments to suppliers		(472,442)	(472,407)	(518,606)
(655,875)	Payments to employees		(685,581)	(651,782)	(665,467)
(23,742)	Payments for capital charge		(23,422)	(23,575)	(23,575)
(602)	Goods and services tax (net)		938	-	-
66,501	**Net cash flow from operating activities**	**16**	**64,836**	**66,253**	**64,514**
	Cash flows from investing activities				
2,276	Receipts from sale of property, plant and equipment		1,844	1,800	1,800
(25,854)	Purchase of property, plant and equipment		(24,743)	(45,175)	(51,129)
(17,659)	Purchase of intangible assets		(41,316)	(17,821)	(17,833)
(41,237)	**Net cash flow from investing activities**		**(64,215)**	**(61,196)**	**(67,162)**
	Cash flows from financing activities				
-	Capital contribution from the Crown		4,991	-	4,991
(8,000)	Capital withdrawal from the Crown		-	-	-
(14,983)	Return of operating surplus to Crown		(7,048)	(4,000)	(7,048)
(22,983)	**Net cash flow from financing activities**		**(2,057)**	**(4,000)**	**(2,057)**
2,281	Net increase/(decrease) in cash held		(1,436)	1,057	(4,705)
30,414	Cash and cash equivalents at the beginning of the year		32,695	39,644	32,695
32,695	**Cash and cash equivalents at the end of the year**		**31,259**	**40,701**	**27,990**

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 16 for reconciliation of net surplus/(deficit) to net cash from operating activities. Explanations of significant variances against budget are detailed in Note 21.

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Trust Monies

As at 30 June 2014

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. Movements in these accounts during the year ended 30 June 2014 were as follows:

Actual 2013 $000		Actual 2014 $000
	William Wallace Trust	
404	**Balance at 1 July**	**410**
(34)	Distributions	(57)
40	Revenue	52
410	**Balance at 30 June**	**405**

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 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Commitments

As at 30 June 2014

Actual 2013 $000		Actual 2014 $000
	Capital commitments	
-	Property, plant and equipment	43,690
-	**Total capital commitments**	**43,690**
	Operating commitments	
	Non-cancellable accommodation leases	
41,879	Not later than one year	38,924
74,116	Later than one year and not later than five years	87,477
13,534	Later than five years	188,393
129,529	**Total non-cancellable accommodation leases**	**314,794**
129,529	**Total operating commitments**	**314,794**
129,529	**Total commitments**	**358,484**

Capital commitments

The Ministry had capital commitments of $43.7 million as at balance date (2013: nil). This mainly relates to the leasehold improvement costs associated with the relocation of MSD National Office to 56 The Terrace, Wellington.

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 2013/2014 include the lease commitment for the new MSD National Office based at 56 The Terrace, Wellington.

In addition to the above costs the Ministry has sub-lease rental recoveries of $0.543 million expected to be received in the following year, 2014/2015 (2013: $0.248 million). Refer to Note 1 for sub-lease rental recoveries for 2013/2014.

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2014

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 2013 $000		Actual 2014 $000
65	Personal grievances claims	175
125	Other claims	125
190	**Total contingent liabilities**	**300**

Personal grievances

Personal grievances claims represents amounts claimed by employees for personal grievances cases. There are 15 personal grievances claims (2013: 11 personal grievances claims).

Other claims

Other claims represents outstanding grievances claims from our clients for unpaid benefit entitlements and Child, Youth and Family disputes. There are three claims (2013: three claims).

Quantifiable contingent assets

Actual 2013 $000		Actual 2014 $000
2,000	Canterbury earthquake claim	5,000
2,000	**Total contingent assets**	**5,000**

The Ministry has an unsettled business interruption insurance claim resulting from the 2010/2011 Christchurch earthquakes (2013: $2.0 million).

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Departmental Expenses and Capital Expenditure against Appropriations

For the year ended 30 June 2014

Expenditure Including Remeasurements 2013 $000	Summary By Output Expenses	Expenditure Including Remeasurements 2014 $000	Remeasurements[93] 2014 $000	Expenditure Excluding Remeasurements 2014 $000	Appropriation Voted[94] 2014 $000
	Appropriations for output expenses				
	Vote Social Development				
443	Administration of Trialling New Approaches to Social Sector Change	1,212	1	1,213	1,382
6,814	Adoption Services	6,521	5	6,526	6,704
344,499	Care and Protection Services	350,019	171	350,190	350,301
1,242	Children's Action Plan	5,554	-	5,554	5,690
13,533	Collection of Balances Owed by Former Clients and Non-beneficiaries	13,429	11	13,440	13,711
8,220	Development and Funding of Community Services	8,229	6	8,235	8,329
34,556	Family and Community Services	35,720	15	35,735	35,892
35,290	Income Support and Assistance to Seniors	37,757	31	37,788	37,828
-	**Improved Employment and Social Outcomes Support MCA**	**277,382**	**323**	**277,705**	**284,064**
-	*Administering Income Support*	147,326	209	147,535	151,291
-	*Improving Employment Outcomes - Service Provision*	120,953	111	121,064	123,049
-	*Improving Work Readiness - Service Provision*	9,103	3	9,106	9,724
5,686	**Management of Service Cards MCOA**	**6,176**	**6**	**6,182**	**6,654**
4,553	*Administration of Community Services Card*	5,031	5	5,036	5,251
1,133	*Management of SuperGold Card*	1,145	1	1,146	1,403
15,844	Management of Student Loans	16,068	12	16,080	16,237
15,743	Management of Student Support, excluding Student Loans	16,749	14	16,763	17,102
5,359	Planning, Correspondence and Monitoring	5,226	4	5,230	5,554
3,505	Prevention Services	3,904	2	3,906	4,020
1,784	Promoting Positive Outcomes for Disabled People	5,309	1	5,310	5,785
2,606	Property Management Centre of Expertise	3,845	1	3,846	3,855
33,616	Services to Protect the Integrity of the Benefit System	34,995	24	35,019	35,139
-	Social Housing Services	9,490	7	9,497	9,545
32,318	**Social Policy Advice MCOA**	**29,086**	**16**	**29,102**	**29,630**
6,155	*Forecast, Modelling, Information Monitoring and Analysis*	6,291	3	6,294	6,450
3,410	*Longitudinal Studies*	-	-	-	-
17,304	*Policy Advice*	17,841	11	17,852	18,180
5,449	*Research and Evaluation*	4,954	2	4,956	5,000
452,860	Tailored Sets of Services to Help People into Work or Achieve Independence	226,604	-	226,604	226,604
54,635	Vocational Skills Training	23,392	-	23,392	23,392
2,714	Youth Development	2,897	2	2,899	2,953
129,540	Youth Justice Services	128,586	77	128,663	128,681
1,200,807	**Total Vote Social Development**	**1,248,150**	**729**	**1,248,879**	**1,259,052**

Responsible Ministers

Minister for Social Development is responsible for all appropriations above except:

- Minister of Health is responsible for Administration of Trialling New Approaches to Social Sector Change
- Minister of Revenue is responsible for Management of Student Loans
- Minister for Disability Issues is responsible for Promoting Positive Outcomes for Disabled People
- Minister of State Services is responsible for Property Management Centre of Expertise
- Minister of Youth Affairs is responsible for Youth Development.

93 The remeasurement adjustment relates to movements in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

94 This includes adjustments made in the Supplementary Estimates and transfers made under section 26A of the Public Finance Act 1989.

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Departmental Expenses and Capital Expenditure against Appropriations (continued)

For the year ended 30 June 2014

Expenditure Including Remeasure-ments 2013 $000	Summary By Output Expenses	Expenditure Including Remeasure-ments 2014 $000	Remeasure-ments[95] 2014 $000	Expenditure Excluding Remeasure-ments 2014 $000	Appropriation Voted[96] 2014 $000
	Vote Senior Citizens				
979	Senior Citizens Services	941	-	941	1,013
979	**Total Vote Senior Citizens**	**941**	**-**	**941**	**1,013**
	Vote Veterans' Affairs - Social Development				
409	Processing and Payment of Veterans' Pensions	427	-	427	440
409	**Total Vote Veterans' Affairs - Social Development**	**427**	**-**	**427**	**440**
1,202,195	**Total departmental output expenses**	**1,249,518**	**729**	**1,250,247**	**1,260,505**
	Appropriations for capital expenditure				
	Vote Social Development				
43,513	Ministry of Social Development - Capital Expenditure PLA	66,059	-	66,059	68,962
43,513	**Total departmental capital expenditure**	**66,059**	**-**	**66,059**	**68,962**
1,245,708	**Total departmental expenditure and capital expenditure**	**1,315,577**	**729**	**1,316,306**	**1,329,467**

Responsible Ministers

Minister for Social Development is responsible for all appropriations above except:

- Minister for Senior Citizens is responsible for Senior Citizens Services
- Minister of Veterans' Affairs is responsible for Processing and Payment of Veterans' Pensions.

95 The remeasurement adjustment relates to movements in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

96 This includes adjustments made in the Supplementary Estimates and transfers made under section 26A of the Public Finance Act 1989.

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Statement of Departmental Expenses and Capital Expenditure against Appropriations (continued)

For the year ended 30 June 2014

Transfers approved under section 26A of the Public Finance Act 1989

The Appropriation Voted includes adjustments made in the Supplementary Estimates and the following transfers made under section 26A of the Public Finance Act 1989.

	Supplementary Estimates 2014 $000	Section 26A Transfers 2014 $000	Appropriation Voted[97] 2014 $000
Vote Social Development			
Adoption Services	6,814	(110)	6,704
Prevention Services	4,040	(20)	4,020
Youth Justice Services	129,546	(865)	128,681
Care and Protection Services	349,306	995	350,301
Total appropriations for output expenses	**489,706**	**-**	**489,706**

Statement of Unappropriated Departmental Expenses and Capital Expenditure against Appropriations

For the year ended 30 June 2014

The Ministry had no unappropriated departmental operating or capital expenditure in 2013/2014 (2013: nil).

There were no breaches of projected departmental net asset schedules in 2013/2014 (2013: nil).

97 This includes adjustments made in the Supplementary Estimates and transfers made under section 26A of the Public Finance Act 1989.

The Statement of Accounting Policies: Departmental on pages 85 to 90 and Notes 1 to 21 on pages 101 to 116 form part of these financial statements.

Notes to the Financial Statements

Note 1: Revenue other

Actual 2013 $000		Actual 2014 $000
248	Sub-lease rental recoveries	317
5,062	Other recoveries	7,540
5,310	**Total revenue other**	**7,857**

The Ministry received revenue from child support receipts on behalf of children in foster care ($1.813 million), the Property Management Centre of Expertise (PMCoE) property portal ($2.686 million), Tertiary Education Commission ($1.901 million) and Strengthening Families interagency support ($0.662 million). The Ministry received other revenues ($0.478 million) and revenue from sub-leased premises ($0.317 million).

Note 2: Gain on disposal of fixed assets

Actual 2013 $000		Actual 2014 $000
295	Gain on disposal of fixed assets	-
295	**Total gains**	**-**

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 nil (2013: $295,235).

Note 3: Personnel costs

Actual 2013 $000		Actual 2014 $000
628,473	Salaries and wages	656,804
5,517	Increase/(decrease) in employee entitlements	5,910
1,653	Increase/(decrease) in restructuring costs	2,195
14,795	Defined superannuation contribution scheme	18,420
10,404	Other personnel expenses	11,644
660,842	**Total personnel costs**	**694,973**

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 Income.

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

Note 5: Other operating expenses

Actual 2013 $000		Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
1,034	Audit fees[98]	931	1,178	1,178
69,482	Rental, leasing and occupancy costs	72,396	70,000	73,000
10	Bad debts written off	58	-	-
80	Impairment of receivables	(195)	-	-
118,182	Client financial plan costs[99]	120,216	120,000	121,000
-	Employment support and subsidies[100]	60,463	-	62,310
22,422	Non-specific client costs[101]	27,605	25,000	28,000
54,635	Vocational Skills Training	23,392	46,784	23,392
32,621	Office operating expenses	32,966	31,000	33,000
107,719	IT related operating expenses	82,088	98,000	92,600
7,313	Travel expenses	8,237	7,100	8,500
6,650	Consultancy and contractors' fees	9,808	7,000	10,000
14,301	Professional fees	7,954	15,000	9,000
38,027	Other operating expenses	40,520	50,449	57,594
472,476	**Total operating costs**	**486,439**	**471,511**	**519,574**

Major other operating expenses variances

Employment support and subsidies is a new category of expenditure in 2013/2014 as a result of the implementation of the Improved Employment and Social Outcomes Support MCA from 1 January 2014.

Vocational Skills Training expenses decreased in 2013/2014 mainly due to the transfer of funding to Vote Tertiary Education ($13.912 million) and the transfer of funding to the Non-departmental other expense Employment Assistance to provide funding for other education, training and employment interventions to support beneficiaries into work ($16.141 million).

IT related operating expenses decreased in 2013/2014 mainly due to the completion of system changes for Welfare Reform in the prior year.

Note 6: Loss on disposal of fixed assets

Actual 2013 $000		Actual 2014 $000
-	Loss on disposal of fixed assets	433
-	**Total losses**	**433**

During the year, the Ministry incurred a loss on disposal of fixed assets. This was mainly from the disposal of leasehold improvements no longer in use (2013: nil).

98 Audit fees includes statutory audit fees and disbursements.

99 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.

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

101 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.

Note 7: Debtors and other receivables

Actual 2013 $000		Actual 2014 $000
	By type	
11,078	Trade and other receivables	18,353
11,078	**Total receivables**	**18,353**
	By maturity	
11,078	Expected to be realised within one year	18,353
-	Expected to be held for more than one year	-
11,078	**Total receivables**	**18,353**
	Trade and other receivables	
12,858	Gross trade and other receivables	19,939
(1,780)	Impairment of trade and other receivables	(1,586)
11,078	**Total trade and other receivables**	**18,353**
	Impairment of trade and other receivables	
1,700	Balance at beginning of the year	1,780
372	Impairment losses recognised on receivables	395
(292)	Reversal of impairment losses	(589)
1,780	**Balance at end of the year**	**1,586**
1,780	Collective impairment allowance	1,586
-	Individual impairment allowance	-
1,780	**Balance at end of the year**	**1,586**

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

Debtors impairment

As at 30 June 2014 (and 30 June 2013), 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 2014, the Ministry had no debtors deemed insolvent (2013: nil).

Ageing profile of receivables

as at 30 June 2013				as at 30 June 2014		
Gross $000	**Impairment $000**	**Net $000**		**Gross $000**	**Impairment $000**	**Net $000**
8,300	-	8,300	Not past due	14,930	-	14,930
2,467	-	2,467	Past due 1–30 days	2,193	-	2,193
97	-	97	Past due 31–60 days	1,036	-	1,036
128	(2)	126	Past due 61–90 days	86	(22)	64
1,866	(1,778)	88	Past due >91 days	1,694	(1,564)	130
12,858	**(1,780)**	**11,078**		**19,939**	**(1,586)**	**18,353**

Note 8: 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 2012	**49,983**	**199,440**	**72,965**	**113,612**	**28,806**	**16,999**	**481,805**
Additions by purchase	-	5,725	8,496	2,686	3,786	1,576	22,269
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	2,902	-	732	-	(49)	3,585
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	-	(2,984)	(1,007)	(5,802)	(17)	(9,810)
Balance as at 30 June 2013	**49,983**	**208,067**	**78,477**	**116,023**	**26,790**	**18,509**	**497,849**
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**
Accumulated depreciation and impairment losses							
Balance as at 1 July 2012	**-**	**7,027**	**54,086**	**97,111**	**11,824**	**8,709**	**178,757**
Depreciation expense	-	7,258	8,677	8,008	3,617	1,980	29,540
Eliminate on disposal	-	-	(2,984)	(1,007)	(3,822)	(17)	(7,830)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	2	2
Balance as at 30 June 2013	**-**	**14,285**	**59,779**	**104,112**	**11,619**	**10,674**	**200,469**
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**
Carrying amounts							
At 1 July 2012	**49,983**	**192,413**	**18,879**	**16,501**	**16,982**	**8,290**	**303,048**
At 30 June and 1 July 2013	**49,983**	**193,782**	**18,698**	**11,911**	**15,171**	**7,835**	**297,380**
At 30 June 2014	**57,118**	**187,964**	**16,994**	**19,460**	**14,805**	**6,472**	**302,813**

Valuation

The most recent valuation of land and buildings was performed by an independent registered valuer, Andrew Parkyn ANZIV of Quotable Value Limited. The valuation is effective as at 30 June 2014.

The valuation involved a full physical inspection of all the Ministry's land and buildings assets and has been completed in compliance with the New Zealand Institute of Chartered Accountants (NZICA) New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

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 intensely.

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

The total amount of property, plant and equipment under construction and work in progress is $20.532 million (2013: $21.392 million). This includes building works under construction and work in progress as at 30 June 2014 of $7.179 million (2013: $16.654 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 9: Intangible assets

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2012	**219,523**	**219,523**
Additions by purchase and internally generated	9,562	9,562
Work in progress movement	8,099	8,099
Asset transfers	-	-
Other asset movement	2	2
Disposals	-	-
Balance as at 30 June 2013	**237,186**	**237,186**
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**
Accumulated amortisation and impairment losses		
Balance as at 1 July 2012	**170,835**	**170,835**
Amortisation expense	15,595	15,595
Disposals	-	-
Asset transfers	-	-
Other asset movement	-	-
Balance as at 30 June 2013	**186,430**	**186,430**
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**
Carrying amounts		
At 1 July 2012	**48,688**	**48,688**
At 30 June and 1 July 2013	**50,756**	**50,756**
At 30 June 2014	**75,925**	**75,925**

Work in progress

The total amount of intangibles in the course of construction is $26.499 million (2013: $21.698 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 10: Creditors and other payables

Actual 2013 $000		Actual 2014 $000
	By type	
11,565	Trade creditors	15,153
9,695	GST payable	10,633
72,695	Accrued expenses	94,625
93,955	**Total payables**	**120,411**

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 11: Revenue received in advance

Actual 2013 $000		Actual 2014 $000
2,013	Revenue received in advance	2,108
2,013	**Total revenue received in advance**	**2,108**

The Ministry received revenue in advance for the Property Management Centre of Expertise (PMCoE) property portal ($1.720 million). The Ministry also received other revenues in advance of ($0.388 million), mainly from contributions by other government agencies for Social Sector Trials costs.

Note 12: Return of operating surplus

Actual 2013 $000		Actual 2014 $000
7,046	Net surplus/(deficit)	11,604
7,046	**Total repayment of surplus**	**11,604**

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

Note 13: Provisions

Actual 2013 $000		Actual 2014 $000
4,381	ACC Partnership programme	4,672
1,322	Restructuring provision	1,076
386	Lease make-good	388
53	Other provisions	63
6,142	**Total provisions**	**6,199**

Provisions by category

	ACC Partnership Programme $000	Lease Make-Good $000	Restructure $000	Others $000	Total $000
2013					
Balance as at 1 July 2012	**4,894**	**381**	**1,569**	**72**	**6,916**
Additional provisions made	1,640	-	83	1	1,724
Amounts used	(2,153)	-	(330)	(9)	(2,492)
Unused amounts reversed	-	-	-	(11)	(11)
Discount unwind	-	5	-	-	5
Balance as at 30 June 2013	**4,381**	**386**	**1,322**	**53**	**6,142**
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**

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 per cent of the industry premium and a High Cost Claims Cover (HCCC) limit of $250,000.

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 by:

- 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 2014. 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 make-good

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

At year-end there were eight sites where a make-good provision had been established with a value of $0.388 million (2013: $0.386 million). The timing of any future make-good work is currently up to four 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 to make good the 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 make-good work.

An asset to the value of $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 2014 is $1.076 million (2013: $1.322 million).

Others

The Ministry has a provision of $63,167 (2013: $53,167) 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 14: Employee entitlements

Actual 2013 $000		Actual 2014 $000
	Current liabilities	
11,549	Retirement and long service leave	13,190
43,499	Provision for annual leave	46,208
1,299	Provision for sickness leave	1,363
56,347	**Total current portion**	**60,761**
	Non-current liabilities	
39,759	Retirement and long service leave	41,255
39,759	**Total non-current portion**	**41,255**
96,106	**Total employment entitlements**	**102,016**

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 2013				as at 30 June 2014		
2014 %	2015 %	2016 %	Employee Entitlement Variables	2015 %	2016 %	2017 %
2.71	3.14	5.50	Discount rates	3.70	4.04	5.50
3.50	3.50	3.50	Salary inflation	3.50	3.50	3.50

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

Movements	Actual 2014 $000	Salary + 1% 2014 $000	Salary - 1% 2014 $000	Discount + 1% 2014 $000	Discount - 1% 2014 $000
Current	13,190	43	(43)	(32)	33
Non-current	41,255	4,049	(3,566)	(3,287)	3,788
Total	**54,445**	**4,092**	**(3,609)**	**(3,319)**	**3,821**

Note 15: Taxpayers' funds

Actual 2013 $000		Actual 2014 $000
	General funds	
264,896	Balance at 1 July	256,896
7,046	Surplus/(deficit)	11,604
-	Capital contribution	4,991
(8,000)	Capital withdrawal	-
(7,046)	Repayment of surplus	(11,604)
256,896	**General funds at 30 June**	**261,887**
	Revaluation reserves	
35,875	Balance at 1 July	35,875
-	Revaluations	11,069
35,875	**Revaluation reserves at 30 June**	**46,944**
292,771	**Total taxpayers' funds**	**308,831**

Note 16: Reconciliation of net surplus/(deficit) to net cash from operating activities

Actual 2013 $000		Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
7,046	**Net surplus/(deficit) after tax**	**11,604**	**-**	**-**
	Add/(less) non-cash items			
29,540	Depreciation	28,101	38,117	34,456
15,595	Amortisation	16,150	13,736	15,661
45,135	**Total non-cash items**	**44,251**	**51,853**	**50,117**
	Add/(less) items classified as investing or financing activities			
(295)	(Gains)/losses on disposal of property, plant and equipment	433	-	-
(295)	**Total items classified as investing or financing activities**	**433**	**-**	**-**
	Add/(less) working capital movements			
11,085	(Increase)/decrease in accounts receivable	(23,065)	12,000	11,657
(2,851)	(Increase)/decrease in prepayments	(903)	-	-
424	Increase/(decrease) in accounts payable	26,453	2,400	2,740
1,213	Increase/(decrease) in revenue received in advance	95	-	-
2,725	Increase/(decrease) in provision for employee entitlements	4,415	-	-
(774)	Increase/(decrease) in other provisions	57	-	-
11,822	**Net movements in working capital items**	**7,052**	**14,400**	**14,397**
	Add/(less) movements in non-current liabilities			
2,793	Increase/(decrease) in provision for employee entitlements	1,496	-	-
2,793	**Net movements in non-current liabilities**	**1,496**	**-**	**-**
66,501	**Net cash inflow from operating activities**	**64,836**	**66,253**	**64,514**

Note 17: 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.

Significant transactions with government-related entities

The Ministry received funding from the Crown of $1.253 billion (2013: $1.204 billion) to provide services to the public for the year ended 30 June 2014.

Collectively, but not individually, significant transactions with government-related entities

In conducting its activities, the Ministry is required to pay various taxes and levies (such as GST, FBT, PAYE, and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Ministry is exempt from paying income tax.

The Ministry also purchases goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled $52.841 million (2013: $80.046 million). These purchases included the purchase of electricity from Genesis Energy, air travel from Air New Zealand, legal services from the Crown Law Office, postal services from New Zealand Post and vocational skills training from the Tertiary Education Commission.

Transactions with key management personnel

Key management personnel compensation includes the remuneration for the Chief Executive and nine members of the Senior Management Team.

Actual 2013 $000		Actual 2014 $000
3,024	Salaries and other short-term employee benefits	3,121
62	Post-employment benefits	55
-	Other long-term benefits	-
-	Termination benefits	-
3,086	**Total key management personnel compensation**	**3,176**

It excludes the remuneration and other benefits received by 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.

Related party transactions involving key management personnel (or their close family members):

- Related parties of key management personnel who are in receipt of statutory benefits, pensions or student loans are receiving them based on their own entitlements and eligibility criteria to such benefits, pensions or student loans.
- A member of the Senior Management Team was on the board of Vitae as chair until 27 February 2014. The Ministry had transactions with Vitae to the value of $36,079.45 during the year for staff support – chaplaincy costs and employee assistance services.

No provision is required, nor any expense recognised, for the impairment of receivables from related parties.

Note 18: 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 19: 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.

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. Currency risk arises from future capital purchases and recognised liabilities, which are denominated in a foreign currency.

As at 30 June 2014, there were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2013: no significant foreign exchange exposures).

Interest rate risk

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

The Ministry has no interest-bearing financial instruments and, accordingly, has no exposure to interest rate risk.

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 debtors, deposits with banks and derivative financial instrument assets.

The Ministry is only permitted to deposit funds with Westpac, a registered bank, and to enter into foreign exchange forward contracts with the New Zealand Debt Management Office. 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, net debtors (refer Note 7), 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

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.

Financial instrument risks

Classes and categories of financial assets:

as at 30 June 2013 Designation						as at 30 June 2014 Designation				
Amortised cost $000	Loans & receivables $000	Held for trading $000	Fair value through P&L $000	Total $000		Amortised cost $000	Loans & receivables $000	Held for trading $000	Fair value through P&L $000	Total $000
-	32,695	-	-	32,695	Cash and cash equivalents	-	31,259	-	-	31,259
-	104,146	-	-	104,146	Trade and other receivables	-	127,212	-	-	127,212
-	**136,841**	**-**	**-**	**136,841**	**Total financial assets by designation**	**-**	**158,471**	**-**	**-**	**158,471**

Classes and categories of financial liabilities:

as at 30 June 2013 Designation					as at 30 June 2014 Designation			
Amortised cost $000	Held for trading $000	Fair value through P&L $000	Total $000		Amortised cost $000	Held for trading $000	Fair value through P&L $000	Total $000
81,700	-	-	81,700	Accounts payable	104,705	-	-	104,705
81,700	**-**	**-**	**81,700**	**Total financial liabilities by designation**	**104,705**	**-**	**-**	**104,705**

Foreign currency risk management:

as at 30 June 2013					as at 30 June 2014			
NZD NZ$000	AUD NZ$000	Other NZ$000	Total NZ$000		NZD NZ$000	AUD NZ$000	Other NZ$000	Total NZ$000
32,273	422	-	32,695	Cash and cash equivalents	30,854	405	-	31,259
104,146	-	-	104,146	Trade and other receivables	127,212	-	-	127,212
136,419	**422**	**-**	**136,841**	**Total financial assets**	**158,066**	**405**	**-**	**158,471**
81,700	-	-	81,700	Accounts payable	104,705	-	-	104,705
81,700	**-**	**-**	**81,700**	**Total financial liabilities**	**104,705**	**-**	**-**	**104,705**

Australian cash and cash equivalents is used to pay Australian creditors directly in Australian dollars.

Credit risk management:

as at 30 June 2013						as at 30 June 2014				
AAA $000	AA $000	A $000	Non-rated $000	Total $000		AAA $000	AA $000	A $000	Non-rated $000	Total $000
-	32,645	-	50	32,695	Cash and cash equivalents	-	31,209	-	50	31,259
-	-	-	104,146	104,146	Trade and other receivables	-	-	-	127,212	127,212
-	**32,645**	**-**	**104,196**	**136,841**	**Total financial assets**	**-**	**31,209**	**-**	**127,262**	**158,471**

The non-rated portion of cash and cash equivalents is the Ministry's petty cash fund.

Concentration of credit exposure by geographical area:

as at 30 June 2013						as at 30 June 2014				
New Zealand $000	Australia $000	Europe $000	Other $000	Total $000		New Zealand $000	Australia $000	Europe $000	Other $000	Total $000
32,273	422	-	-	32,695	Cash and cash equivalents	30,854	405	-	-	31,259
104,146	-	-	-	104,146	Trade and other receivables	127,212	-	-	-	127,212
136,419	**422**	**-**	**-**	**136,841**	**Total financial assets**	**158,066**	**405**	**-**	**-**	**158,471**

Liquidity risk management:

as at 30 June 2013						as at 30 June 2014				
Carrying Value $000	Contractual cash flows $000	0-12 months $000	1-2 years $000	>2 years $000		Carrying value $000	Contractual cash flows $000	0-12 months $000	1-2 years $000	>2 years $000
81,700	81,700	81,700	-	-	Accounts payable	104,705	104,705	104,705	-	-
81,700	**81,700**	**81,700**	**-**	**-**	**Total financial liabilities**	**104,705**	**104,705**	**104,705**	**-**	**-**

Note 20: Capital management

The Ministry's capital is its equity (or taxpayers' funds), which comprises general 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 21: Major budget variations

Explanations for major variances from the Ministry's estimated figures in the Forecast Financial Statements 2013/2014 are as follows:

	Notes	Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000	Main Estimates vs Actual Variance 2014 $000
Statement of Comprehensive Income					
Income					
Revenue Crown	(a)	1,253,265	1,189,557	1,253,265	(63,708)
Revenue other	(b)	7,857	12,460	7,240	4,603
Expenditure					
Personnel costs	(c)	694,973	655,078	667,239	(39,895)
Statement of Financial Position					
Taxpayers' funds					
Revaluation reserve	(d)	46,944	35,875	35,875	(11,069)
Assets					
Current assets					
Accounts receivable	(e)	18,353	7,798	11,078	(10,555)
Prepayments	(f)	13,960	10,205	13,056	(3,755)
Crown receivable	(g)	108,859	53,000	81,411	(55,859)
Non-current assets					
Intangible assets	(h)	75,925	57,640	52,930	(18,285)
Statement of Cash Flows					
Cash flows from operating activities					
Receipts from Crown revenue	(i)	1,237,474	1,201,557	1,264,922	(35,917)
Receipts from other revenue	(j)	7,869	12,460	7,240	4,591
Payments to employees	(k)	(685,581)	(651,782)	(665,467)	33,799
Cash flows from investing activities					
Purchase of property, plant and equipment	(l)	(24,743)	(45,175)	(51,129)	(20,432)
Purchase of intangible assets	(m)	(41,316)	(17,821)	(17,833)	23,495

Statement of Comprehensive Income

a) Increase in Revenue Crown was mainly due to the transfer of $62 million from Non-departmental other expense Employment Assistance into the new Multi-Category Expenses and Capital Expenditure (MCA) Improved Employment and Social Outcomes Support from 1 January 2014.

b) Revenue other is lower due to the Ministry receiving less in sub-lease rental recoveries, which has reduced significantly over time. The Supplementary budget has been adjusted to reflect the current lower levels of sub-lease recoveries.

c) Personnel costs budget variance is mainly due to new funding for Social Housing transfer, Children's Action Plan and Welfare Reform costs for new staff.

Statement of Financial Position

d) 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.

e) Accounts receivable actual is higher than budget mainly due to the Canterbury Earthquake Recovery Authority (CERA) payments being higher in June than was anticipated. CERA owed the Ministry $13 million as at 30 June 2014 representing one month's payments made on behalf of CERA.

f) Prepayments is higher than budget due to the timing of a CURAM software license prepayment transaction of $3.3 million in June 2014.

g) Crown receivable relates to funds the Ministry has not drawn down for 2014 and previous years, mainly due to delays with capital projects.

h) Intangibles are higher than budget with the capitalisation of the major capital project Enhanced Online Services.

Statement of Cash Flows

i) Receipts from Crown Revenue is higher than budget mainly due to the changes to Revenue Crown associated with the new MCA Improved Employment and Social Outcomes Support.

j) Receipts from Revenue other is lower than budget due to the Ministry receiving less funding from sub-lease rental recoveries.

k) Payments to employees is higher than budget due to the introduction of new funding during the year that has increased personnel costs as explained in Note (c) above.

l) Purchase of property, plant and equipment is lower than budget in the current year due to timing delays on major capital projects. However, expenditure levels are similar to the previous year.

m) Purchase of intangible assets is higher than budget due to the work during the year on a number of major IT capital projects including Enhanced Online Services (EOS), Data Centre Migration and CURAM software upgrade.

Changes in appropriations

The table below summarises the material changes in appropriations between the Main Estimates and the final Supplementary Estimates for the 2013/2014 financial year.

	Notes	Main Estimates 2014 $000	Appropriation Voted[102] 2014 $000	Variance 2014 $000
Vote Social Development				
Appropriations for output expenses				
Administration of Trialling New Approaches to Social Sector Change	(a)	2,832	1,382	(1,450)
Children's Action Plan	(b)	400	5,690	5,290
Improved Employment and Social Outcomes Support MCA				
Administering Income Support	(c)	-	151,291	151,291
Improving Employment Outcomes - Service Provision	(c)	-	123,049	123,049
Improving Work Readiness - Service Provision	(c)	-	9,724	9,724
Property Management Centre of Expertise	(d)	2,755	3,855	1,100
Social Housing Services	(e)	-	9,545	9,545
Social Policy Advice MCOA				
Longitudinal Studies	(f)	3,001	-	(3,001)
Tailored Sets of Services to Help People into Work or Achieve Independence	(g)	441,563	226,604	(214,959)
Vocational Skills Training	(h)	46,784	23,392	(23,392)

102 This includes adjustments made in the Supplementary Estimates under section 26A of the Public Finance Act 1989.

Variance explanation

a) This appropriation decreased by $1.450 million due to a transfer to the Non-departmental output expense, Trialling New Approaches to Social Sector Change, to fund seven Trial locations led by non-government organisations NGOs.

b) This appropriation increased by $5.290 million mainly due to a draw-down of funding from the Vulnerable Children's contingency fund.

c) This is a newly established Multi-Category Appropriation (MCA) from 1 January 2014.

d) This appropriation increased by $1.100 million in 2013/2014 due to an increased level of work activity performed by the Property Management Centre of Expertise (PMCoE) on behalf of other agencies.

e) This is a newly established appropriation in 2013/2014 due to a transfer of the social housing needs assessment and related functions from Housing New Zealand Corporation.

f) This appropriation was transferred to the Non-departmental output expense Families Commission in 2013/2014 with the Families Commission assuming responsibility for managing the Growing Up in New Zealand Longitudinal study.

g) This appropriation decreased by $214.959 million due to the transfer of funds to the Multi-Category Appropriation (MCA) Improved Employment and Social Outcomes Support from 1 January 2014.

h) This appropriation decreased by $23.392 million in 2013/2014 due to firstly transferring funding to Vote Tertiary Education as a result of reprioritising Foundation Focused Training Opportunities funding; and secondly, a transfer to Non-departmental other expense Employment Assistance to provide funding for other education, training and employment interventions to support beneficiaries into work.

The Supplementary Estimates of Appropriations and Supporting Information 2013/2014 contains more information on appropriation variances.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2014

Actual 2013 $000		Actual 2014 $000
	Summary	
20,328,737	Expenditure against appropriations	20,826,556
11,722	Revenue	12,653
581,230	Capital receipts	610,562
669,929	Assets	722,806
643,867	Liabilities	325,816
437	Trust monies	1,283

Further details of the Ministry's management of these Crown expenses, revenue, assets and liabilities are provided in the Statement of Objectives and Service Performance section of this report.

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 2013/2014.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

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 Government's accounting policies set out in the Financial Statements of the Government, and in accordance with relevant Treasury Instructions and Treasury Circulars.

The measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with the New Zealand Generally Accepted Accounting Practice for public benefit entities.

Changes in accounting policies

There have been no 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.

Revenues

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 Income 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 nominal amount or face 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 nominal amount 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

In 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 2014.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2014

Actual 2013 $000		Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
	Vote Social Development			
367,877	Non-departmental output expenses	533,145	379,879	540,860
192,392	Non-departmental other expenses	131,722	205,275	162,032
1,709,993	Non-departmental capital expenditure	1,745,998	1,782,330	1,833,993
17,814,340	Benefits and other unrequited expenses	18,182,938	18,600,893	18,317,187
2,925	Loss on foreign exchange	1,027	-	-
70,094	Other operating expenses	66,476	75,654	68,171
20,157,621	**Total Vote Social Development**	**20,661,306**	**21,044,031**	**20,922,243**
	Vote Veterans' Affairs - Social Development			
171,116	Benefits and other unrequited expenses	165,250	167,008	166,228
171,116	**Total Vote Veterans' Affairs - Social Development**	**165,250**	**167,008**	**166,228**
20,328,737	**Total non-departmental expenses**	**20,826,556**	**21,211,039**	**21,088,471**

The Other operating expenses of $66 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 2013/2014.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Statement of Non-Departmental Expenditure and Capital Expenditure against Appropriations

For the year ended 30 June 2014

Actual 2013 $000	Type of Appropriation	Actual 2014 $000	Appropriation Voted 2014 $000
	Vote Social Development		
	Non-departmental output expenses		
1,445	Assistance to Disadvantaged Persons	945	950
2,157	Children's Commissioner	2,157	2,157
14,961	Connected Communities	14,045	14,047
17,789	Counselling and Rehabilitation Services	17,674	17,677
8,677	Education and Prevention Services	8,543	8,562
7,124	Families Commission	10,305	10,305
77,087	Family Wellbeing Services	83,877	84,903
-	Income Related Rent Subsidy for Community Housing Providers	74	2,900
39	**Independent Advice on Government Priority Areas MCOA**	**216**	**538**
39	*Other Advice*	216	329
-	*Policy Advice*	-	209
-	Provision of Housing and Related Services for Tenants Paying Income Related Rent	149,573	151,535
6,230	Services for Young People	5,185	5,244
2,290	Strengthening Providers and Communities	2,381	2,382
109,263	Strong Families	108,212	108,496
3,336	Student Placement Services	3,336	3,337
1,729	Trialling New Approaches to Social Sector Change	4,762	4,835
89,213	Vocational Services for People with Disabilities	88,274	88,902
880	Youth Development Partnership Fund	889	889
25,657	**Youth Support Services MCOA**	**32,697**	**33,201**
7,664	*Support for Youth Payment and Young Parent Payment recipients*	13,410	14,964
17,993	*Support to prevent disengaged young people from coming on to benefit at the age of 18*	19,287	18,237
367,877	**Total non-departmental output expenses**	**533,145**	**540,860**
	Non-departmental other expenses		
78,776	Debt Write-downs[103]	65,127	93,983
92,876	Employment Assistance	43,900	43,900
3,945	Mainstream Supported Employment Programme	3,290	3,546
16,795	Out of School Care Programmes	19,396	19,603
	Improved Employment and Social Outcomes Support MCA		
-	*Improving Employment Outcomes - Assistance*	9	1,000
192,392	**Total non-departmental other expenses**	**131,722**	**162,032**
	Non-departmental capital expenditure		
143,245	Recoverable Assistance	144,967	147,848
1,566,748	Student Loans	1,601,031	1,686,145
1,709,993	**Total non-departmental capital expenditure**	**1,745,998**	**1,833,993**

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 2013/2014.

Responsible Ministers

Minister for Social Development is responsible for all appropriations above except:

- Minister of Youth Affairs is responsible for Services for Young People and Youth Development Partnership Fund
- Minister of Health is responsible for Trialling New Approaches to Social Sector Change
- Minister of Revenue is responsible for Student Loans.

103 Debt Write-downs in 2013/2014 includes $2.35 million of remeasurement due to changes in interest and collection cost rates.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Statement of Non-Departmental Expenditure and Capital Expenditure against Appropriations (continued)

For the year ended 30 June 2014

Actual 2013 $000	Type of Appropriation	Actual 2014 $000	Appropriation Voted 2014 $000
	Benefits and other unrequited expenses		
1,177,315	Accommodation Assistance	1,145,875	1,158,002
21,707	Benefits Paid in Australia	18,560	18,560
185,979	Childcare Assistance	185,596	189,941
384,154	Disability Assistance	379,444	380,701
1,737,972	Domestic Purposes Benefit	62,916	62,916
6,741	Employment Related Training Assistance	5,905	15,262
499	Family Start/NGO Awards	488	705
271,346	Hardship Assistance	270,835	276,401
1,636	Independent Youth Benefit	-	-
1,329,674	Invalid's Benefit	52,355	52,355
-	Jobseeker Support and Emergency Benefit	1,691,007	1,715,984
10,234,977	New Zealand Superannuation	10,913,103	10,920,665
114,474	Orphan's/Unsupported Child's Benefit	121,559	123,053
782,442	Sickness Benefit	29,209	29,209
-	Sole Parent Support	1,221,895	1,242,256
12,328	Special Circumstance Assistance	12,173	13,049
596,333	Student Allowances	539,031	565,359
21,599	Study Scholarships and Awards	15,594	21,467
-	Supported Living Payment	1,421,910	1,432,410
20,681	Transition to Work	25,503	27,600
811,947	Unemployment Benefit and Emergency Benefit	28,546	28,546
70,569	Widow's Benefit	2,223	2,223
31,967	Youth Payment and Young Parent Payment	39,211	40,523
17,814,340	**Total benefits and other unrequited expenses**	**18,182,938**	**18,317,187**
20,084,602	**Total Vote Social Development**	**20,593,803**	**20,854,072**
	Vote Veterans' Affairs - Social Development		
	Benefits and other unrequited expenses		
171,116	Veterans' Pension	165,250	166,228
171,116	**Total Vote Veterans' Affairs - Social Development**	**165,250**	**166,228**
20,255,718	**Total non-departmental expenses**	**20,759,053**	**21,020,300**

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 2013/2014.

Responsible Ministers

Minister for Social Development is responsible for all appropriations above except:

- Minister of Veterans' Affairs is responsible for Veterans' Pension.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Statement of Non-Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2014

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

The demand-driven nature of the Benefits and Other Unrequited Expenses (BOUE) and Non-departmental capital expenditure appropriations means they are forecast on a mid-point average basis during the year. Under this method of forecasting, it was expected the actual expenditure on some of the forecast items would be more than the mid-point forecast and on other forecast items the actual expenditure would be less than the mid-point forecast. As an appropriation is a legal upper limit on expenditure, using a mid-point forecast to determine the amount of the appropriation inevitably means there will be unappropriated expenditure for some forecast items requiring separate ministerial approval.

To reduce the likelihood of unappropriated expenditure, each item in the 2013/2014 Supplementary Estimates included forecasts set within reason at the higher end of their forecast range. In addition, the Ministry can seek approval under section 26B of the Public Finance Act 1989 for demand-driven expenditure likely to exceed the forecasts prepared for the 2013/2014 Supplementary Estimates. In 2013/2014, this approval was not required with all expenditure within appropriation voted budget levels.

There were no instances of unappropriated expenditure in excess of section 26B approvals at year-end (2013: nil).

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Schedule of Non-Departmental Income

For the year ended 30 June 2014

Actual 2013 $000		Note	Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
2	Interest revenue		4	-	-
214	Maintenance capitalisation		366	60	450
216	Miscellaneous revenue		1,315	-	-
11,290	Student Loan - administration fee	2	10,968	11,334	11,410
11,722	**Total non-departmental income**		**12,653**	**11,394**	**11,860**

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 2013/2014.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2014

Actual 2013 $000		Note	Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
219,625	Benefit recoveries - current debt		217,970	232,180	215,638
1,030	Benefit recoveries - liable parent contributions		985	960	607
79,097	Benefit recoveries - non-current debt		86,931	82,861	87,383
184,725	Overseas pension recoveries		214,214	197,943	221,569
96,753	Student Loans - repayment of principal	2	90,462	115,203	96,458
581,230	**Total non-departmental capital receipts**		**610,562**	**629,147**	**621,655**

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 2013/2014.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Schedule of Non-Departmental Assets

As at 30 June 2014

Actual 2013 $000		Notes	Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
	Current assets				
164,848	Cash and cash equivalents		148,805	74,336	164,848
185,282	Social benefit receivables	3	199,460	174,654	199,829
(101,526)	Provision for doubtful debts – social benefit receivables	3	(105,556)	-	-
3,495	Other receivables	3	13,314	7,789	3,495
(1,140)	Provision for doubtful debts – other receivables	3	(834)	(1,065)	(1,140)
435	Prepayments – benefits and allowances		34,012	33,042	34,391
251,394	**Total current assets**		**289,201**	**288,756**	**401,423**
	Non-current assets				
979,758	Social benefit receivables	3	1,036,790	1,028,399	1,025,861
(561,314)	Provision for doubtful debts - socal benefit receivables	3	(603,272)	(740,015)	(742,840)
91	Other advances		87	85	83
-	Foreign exchange forward contracts		-	961	-
418,535	**Total non-current assets**		**433,605**	**289,430**	**283,104**
669,929	**Total non-departmental assets**		**722,806**	**578,186**	**684,527**

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 2013/2014.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Schedule of Non-Departmental Liabilities

As at 30 June 2014

Actual 2013 $000		Actual 2014 $000	Main Estimates 2014 $000	Supplementary Estimates 2014 $000
	Current liabilities			
556,133	Accruals - other than government departments	156,586	165,000	164,350
84,506	Tax payable	165,493	145,191	152,691
1,373	Other current liabilities	1,076	780	1,374
1,855	Foreign exchange forward contracts	2,661	-	1,854
643,867	**Total non-departmental liabilities**	**325,816**	**310,971**	**320,269**

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 2013/2014.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Schedule of Non-Departmental Commitments

As at 30 June 2014

The Ministry has no non-departmental commitments at balance date (2013: nil).

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2014

Unquantifiable contingent liabilities

The Ministry on behalf of the Crown has no unquantifiable contingent liabilities (2013: nil).

Quantifiable contingent liabilities

There are no quantifiable cases lodged against the Ministry that remain unresolved as at 30 June 2014 (2013: nil).

Contingent assets

The Ministry on behalf of the Crown has no contingent assets (2013: 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 2013/2014.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

Statement of Trust Monies

As at 30 June 2014

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 2014 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2014 were as follows:

Actual 2013 $000		Actual 2014 $000
	Australian Debt Recoveries	
2	**Balance at 1 July**	**3**
19	Contributions	13
(18)	Distributions	(14)
-	Revenue	-
-	Expenditure	-
3	**Balance at 30 June**	**2**
	Australian Embargoed Arrears	
356	**Balance at 1 July**	**379**
5,424	Contributions	5,943
(5,401)	Distributions	(5,296)
-	Revenue	-
-	Expenditure	-
379	**Balance at 30 June**	**1,026**
	Maintenance	
33	**Balance at 1 July**	**54**
514	Contributions	533
(496)	Distributions	(338)
3	Revenue	2
-	Expenditure	-
54	**Balance at 30 June**	**251**
	Netherlands Debt	
11	**Balance at 1 July**	**1**
69	Contributions	108
(79)	Distributions	(105)
-	Revenue	-
-	Expenditure	-
1	**Balance at 30 June**	**4**
437	**Total trust monies**	**1,283**

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

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 2013/2014.

The Statement of Accounting Policies: Non-Departmental on pages 118 to 119 and Notes 1 to 4 on pages 131 to 137 form an integral part of these financial statements and schedules.

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 income and expenses

Non-departmental output expenses were higher than Mains Estimates mainly due to the introduction of the new appropriation Provision of Housing and Related Services for Tenants Paying Income Related Rent in November 2013.

Non-departmental other expenses were lower than Mains Estimates due to the transfer of funds from Employment Assistance to the new Multi-Category Appropriation (MCA) Improved Employment and Social Outcomes Support from 1 January 2014.

There are no other significant variances against budget.

Schedule of assets and liabilities

Cash and cash equivalents is higher in 2013/2014 compared with the original budget due to the timing of the cash draw-down from the Treasury.

There are no other significant variances against budget.

Changes in actual results and Supplementary Estimates[104]

Explanations for major variances from the Ministry's Supplementary Estimates figures are as follows:

	Notes	Actual 2014 $000	Appropriation Voted 2014 $000	Variance 2014 $000
Vote Social Development				
Non-departmental output expenses				
Income Related Rent Subsidy for Community Housing Providers	(a)	74	2,900	2,826
Independent Advice on Government Priority Areas MCOA				
Other Advice	(b)	216	329	113
Policy Advice	(b)	-	209	209
Non-departmental other expenses				
Debt Write-downs	(c)	65,127	93,983	28,856
Improved Employment and Social Outcomes Support MCA				
Improving Employment Outcomes – Assistance	(d)	9	1,000	991
Non-departmental capital expenditure				
Student Loans	(e)	1,601,031	1,686,145	85,114
Benefits and other unrequited expenses				
Employment Related Training Assistance	(f)	5,905	15,262	9,357
Family Start/NGO Awards	(g)	488	705	217
Student Allowances	(h)	539,031	565,359	26,328
Study Scholarships and Awards	(i)	15,594	21,467	5,873

104 Variances against original budget are detailed in the section 'Changes in appropriations' refer page 132.

Variance explanation

a) Income Related Rent Subsidy for Community Housing Providers was lower than budget because the demand has been very low since it was established from 14 April 2014 when the social housing functions were transferred from Vote Housing.

b) Other Advice and Policy Advice were both underspent because expenditure in this MCOA is dependent on when specific work is commissioned which has been low during 2013/2014.

c) Debt Write-downs was lower than budget because of the supplementary add-on[105] of $10 million (10.6 per cent of appropriation voted) and changes to the rates used to calculate the debt write-down provision.

d) Improving Employment Outcomes – Assistance expenditure has been lower than expected since the establishment of the Improved Employment and Social Support MCA from 1 January 2014. This has been due to lower demand for this service. However the underspend represents only 0.3 per cent of the total budgeted amount for the MCA.

e) Student Loans was lower than budget mainly because of the supplementary add-on of $45 million (2.7 per cent of appropriation voted) and lower than expected student loan borrowers during the quarter ended June 2014.

f) Employment Related Training Assistance is a capped item containing the Training Incentive Allowance and the Course Participation Assistance Grant. The cap is set higher than current demand and underspends are expected.

g) Family Start/NGO Awards is a capped appropriation of $705,000. The actual expenditure of $488,000 was in line with expenditure trends since 2011/2012. As Family Start/NGO Awards is a capped item, underspends are expected.

h) Student Allowances was lower than budget mainly due to the supplementary add-on of $24 million (4.2 per cent of appropriation voted).

i) Study Scholarship and Awards was underspent mainly due to TeachNZ expenditure being below forecast. TeachNZ is a capped item and the cap is set higher than current demand with underspends expected.

Changes in appropriations

The table below summarises the material changes in appropriations between the Main Estimates and the final Supplementary Estimates for the 2013/2014 financial year.

	Notes	Main Estimates 2014 $000	Appropriation Voted 2014 $000	Variance 2014 $000
Vote Social Development				
Non-departmental output expenses				
Provision of Housing and Related Services for Tenants Paying Income Related Rent	(a)	-	151,535	151,535
Non-departmental other expenses				
Employment Assistance	(b)	102,133	43,900	(58,233)
Improved Employment and Social Outcomes Support MCA				
Improving Employment Outcomes - Assistance	(c)	-	1,000	1,000
Non-departmental capital expenditure				
Student Loans	(d)	1,631,661	1,686,145	54,484
Benefits and other unrequited expenses				
Accommodation Assistance	(e)	1,191,296	1,158,002	(33,294)
Domestic Purposes Benefit	(f)	149,349	62,916	(86,433)
Invalid's Benefit	(f)	116,468	52,355	(64,113)
New Zealand Superannuation	(g)	10,894,365	10,920,665	26,300
Sickness Benefit	(f)	69,833	29,209	(40,624)
Supported Living Payment	(h)	1,391,858	1,432,410	40,552
Unemployment Benefit and Emergency Benefit	(f)	64,589	28,546	(36,043)
Widow's Benefit	(f)	5,996	2,223	(3,773)

105 The supplementary add-on refers to the budget adjustments that the Ministry makes in the Supplementary Estimates each year to its forecast appropriations to minimise the risk of unappropriated expenditure. These appropriations are demand-driven and are required to be forecast at a mid-point estimate during the normal course of the year. This is to accurately reflect the information and circumstances at the date the forecasts are set. However, as this mid-point method can increase the unappropriated expenditure risk, the Ministry is permitted to make supplementary add-on adjustments to its final year-end budgets.

Variance explanation

a) This is a new appropriation in 2013/2014 to provide for the transfer of functions related to the assessment of eligibility for social housing and the calculation of Income Related Rent subsidies from Vote Housing.

b) This appropriation decreased by $58.233 million to $43.900 million in 2013/2014 mainly due to the transfer of funds to the Multi-Category Appropriation (MCA) Improved Employment and Social Outcomes Support from 1 January 2014.

c) This is part of the newly established Multi-Category Appropriation (MCA) Improved Employment and Social Outcomes Support from 1 January 2014.

d) Student Loans appropriation increased by $54.484 million in 2013/2014 mainly due to the supplementary add-on of $45 million which reduced the likelihood of overspending.

e) This appropriation decreased by $33.294 million mainly due to fewer Accommodation Assistance recipients, which was a result of fewer main benefit recipients.

f) This appropriation decreased in 2013/2014 because the Appropriation Voted is two weeks of actual spending compared with a whole forecast month of expenditure in the Main Estimates. This appropriation ceased on 14 July 2013 and was replaced by new appropriations under Welfare Reform.

g) This appropriation increased by $26.300 million in 2013/2014 mainly due to a higher number of recipients because of demographic trends offset by higher than expected overseas pension recoveries.

h) This appropriation increased by $40.552 million in 2013/2014 mainly due to a higher number of recipients and a supplementary add-on of $10 million to reduce the likelihood of overspending.

The Supplementary Estimates of Appropriations and Supporting Information 2013/2014 contains more information on appropriation variances.

Note 2: Student loan advances

Carrying value of student loans

As at 30 June 2014

Actual 2013 $000		Actual 2014 $000
	Vote Social Development	
	Student loans	
-	**Opening nominal balance**	-
1,566,796	New lending	1,601,031
(96,753)	Repayment	(90,462)
(1,481,333)	Loan balance transfer to IRD	(1,521,537)
11,290	Administration fee	10,968
-	**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 4.85 per cent and 5.73 per cent (3.86 per cent and 6.37 per cent at 30 June 2013).

The fair value of the portfolio as at 30 June 2014 is $540 million ($505 million at 30 June 2013).

Social benefit and Other receivables

As at 30 June 2014

Actual 2013 $000		Actual 2014 $000
	Account receivables	
1,165,040	Gross social benefit receivables	1,236,250
(662,840)	Impairment of social benefit receivables[106]	(708,828)
3,495	Other receivables	13,314
(1,140)	Provision for doubtful debts – other receivables	(834)
504,555	**Total receivables**	**539,902**
	Impairment of social benefit receivables	
(602,015)	Opening balance	(662,840)
(78,702)	Impairment losses recognised on receivables	(65,434)
17,877	Amounts written off as uncollectible	19,446
(662,840)	**Balance at end of the year**	**(708,828)**
(662,840)	Collective impairment allowance	(708,828)
-	Individual impairment allowance	-
(662,840)	**Balance at end of the year**	**(708,828)**
	Ageing of social benefit receivables past due but not impaired	
29,562	Less than six months	31,232
67,008	Between six months and one year	61,094
-	Greater than one year	-
96,570	**Total social benefit receivables past due but not impaired**	**92,326**
	Significant assumption behind the carrying value is:	
3.86%-6.37%	Effective interest rate	4.85%-5.73%
	The estimated fair value of the Social Benefit Debt and Other receivables portfolio and key assumptions underpinning the fair valuation are:	
504,555	Fair value	539,902
(17,768)	Impact on fair value of a 1% increase in discount rate	(19,651)
19,907	Impact on fair value of a 1% decrease in discount rate	22,193

Impairment is calculated on a collective basis, not on an individual basis. There was a net movement in impairment losses of $46 million during the 2013/2014 year (2013: $61 million).

The fair value is sensitive to the discount rate and the expected future cash flows. An increase in the discount rate of 1 per cent would decrease fair value by approximately $20 million. A decrease in the discount rate of 1 per cent would increase fair value by approximately $22 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.

106 Impairment of social benefit receivables includes $2.35 million of remeasurement due to changes in interest and collection cost rates.

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 (0.64) per cent and 0.99 per cent from 1 July 2013 to 30 June 2014 (2013: (0.03) per cent and 0.93 per cent).

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 instrument risks

Financial instrument risks

Classes and categories of financial assets:

as at 30 June 2013 Designation						as at 30 June 2014 Designation				
Amortised cost $000	Loans & receivables $000	Held for trading $000	Fair value through P&L $000	Total $000		Amortised cost $000	Loans & receivables $000	Held for trading $000	Fair value through P&L $000	Total $000
-	164,848	-	-	164,848	Cash and cash equivalents	-	148,805	-	-	148,805
-	2,355	-	-	2,355	Trade and other receivables	-	12,480	-	-	12,480
-	-	-	-	-	Foreign exchange contract	-	-	-	-	-
-	**167,203**	**-**	**-**	**167,203**	**Total financial assets by designation**	**-**	**161,285**	**-**	**-**	**161,285**

Classes and categories of financial liabilities:

as at 30 June 2013 Designation					as at 30 June 2014 Designation			
Amortised cost $000	Held for trading $000	Fair value through P&L $000	Total $000		Amortised cost $000	Held for trading $000	Fair value through P&L $000	Total $000
557,506	-	-	557,506	Accounts payable	157,662	-	-	157,662
-	1,855	-	1,855	Foreign exchange contract	-	2,661	-	2,661
557,506	**1,855**	**-**	**559,361**	**Total financial liabilities by designation**	**157,662**	**2,661**	**-**	**160,323**

Foreign currency risk management:

as at 30 June 2013					as at 30 June 2014			
NZD NZ$000	AUD NZ$000	Other NZ$000	Total NZ$000		NZD NZ$000	AUD NZ$000	Other NZ$000	Total NZ$000
146,222	18,626	-	164,848	Cash and cash equivalents	146,899	1,906	-	148,805
2,355	-	-	2,355	Trade and other receivables	12,480	-	-	12,480
-	-	-	-	Foreign exchange contract	-	-	-	-
148,577	**18,626**	**-**	**167,203**	**Total financial assets**	**159,379**	**1,906**	**-**	**161,285**
557,506	-	-	557,506	Accounts payable	157,662	-	-	157,662
1,855	-	-	1,855	Foreign exchange contract	2,661	-	-	2,661
559,361	**-**	**-**	**559,361**	**Total financial liabilities**	**160,323**	**-**	**-**	**160,323**

The Ministry needs 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$20.002 million with the NZDMO for AUD$15.996 million. On 30 June 2014, the market value of these contracts was a liability of NZ$2.661 million (2013: liability of NZ$1.855 million).

Credit risk management:

as at 30 June 2013						as at 30 June 2014				
AAA $000	AA $000	A $000	Non-rated $000	Total $000		AAA $000	AA $000	A $000	Non-rated $000	Total $000
-	164,848	-	-	164,848	Cash and cash equivalents	-	148,805	-	-	148,805
-	-	-	2,355	2,355	Trade and other receivables	-	-	-	12,480	12,480
-	-	-	-	-	Foreign exchange contract	-	-	-	-	-
-	**164,848**	**-**	**2,355**	**167,203**	**Total financial assets**	**-**	**148,805**	**-**	**12,480**	**161,285**

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 debtors, deposits with banks and derivative financial instrument assets.

The Ministry is only permitted to deposit funds with Westpac, a registered bank, and to enter into foreign exchange forward contracts with the New Zealand Debt Management Office. These entities have high credit ratings.

For its other financial instruments, the Ministry does not have significant concentrations of credit risk.

Concentration of credit exposure by geographical area:

as at 30 June 2013						as at 30 June 2014				
New Zealand $000	Australia $000	Europe $000	Other $000	Total $000		New Zealand $000	Australia $000	Europe $000	Other $000	Total $000
146,222	18,626	-	-	164,848	Cash and cash equivalents	146,899	1,906	-	-	148,805
2,355	-	-	-	2,355	Trade and other receivables	12,480	-	-	-	12,480
-	-	-	-	-	Foreign exchange contract	-	-	-	-	-
148,577	**18,626**	**-**	**-**	**167,203**	**Total financial assets**	**159,379**	**1,906**	**-**	**-**	**161,285**

Liquidity risk management:

as at 30 June 2013						as at 30 June 2014				
Carrying value $000	Contractual cash flows $000	0-12 months $000	1-2 years $000	>2 years $000		Carrying value $000	Contractual cash flows $000	0-12 months $000	1-2 years $000	>2 years $000
557,506	557,506	557,506	-	-	Accounts payable	157,662	157,662	157,662	-	-
1,855	-	-	-	-	Foreign exchange contract	2,661	-	-	-	-
559,361	**557,506**	**557,506**	**-**	**-**	**Total financial liabilities**	**160,323**	**157,662**	**157,662**	**-**	**-**

Fair value hierarchy risk management:

as at 30 June 2013					as at 30 June 2014			
Quoted market price NZ$000	Observable inputs NZ$000	Significant non-observable inputs NZ$000	Total NZ$000		Quoted market price NZ$000	Observable inputs NZ$000	Significant non-observable inputs NZ$000	Total NZ$000
-	-	-	-	Foreign exchange contract	-	-	-	-
-	**-**	**-**	**-**	**Total financial assets**	**-**	**-**	**-**	**-**
-	1,855	-	1,855	Foreign exchange contract	-	2,661	-	2,661
-	**1,855**	**-**	**1,855**	**Total financial liabilities**	**-**	**2,661**	**-**	**2,661**

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

Forecast Financial Statements

Statement of Accounting Policies: Departmental

Reporting entity

These are the prospective financial statements of the Ministry of Social Development, prepared in accordance with section 38 of the Public Finance Act 1989. The Ministry of Social Development is a government department as defined by section 2 of the Public Finance Act 1989 and is domiciled in New Zealand.

For the purposes of financial reporting, the Ministry of Social Development is a public benefit entity.

Authorisation statement

The forecast figures reported are those for the year ending 30 June 2015 included in the Budget Economic and Fiscal Update 2014 (BEFU 2014). These were authorised for issue on 17 April 2014 by the Chief Executive, who is responsible for the forecast financial statements as presented. The preparation of these financial statements requires judgements, estimations and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material.

It is not intended that the prospective financial statements will be updated subsequent to presentation.

Basis of preparation

These forecast financial statements have been prepared in accordance with New Zealand Public Benefit Entity (NZ PBE) International Public Sector Accounting Standards (IPSAS). While a detailed impact assessment has yet to be completed, no significant impact is expected on transition from NZ IFRS to IPSAS.

These are the first set of prospective financial statements presented by the department under NZ PBE IPSAS. They are compliant with Public Benefit Entity Financial Reporting Standard 42 Prospective Financial Statements (PBE FRS-42) and are consistent with Generally Accepted Accounting Practice. The purpose of the forecast financial statements is to facilitate Parliament's consideration of the appropriations for, and planned performance of, the department. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the forecast information presented and that the variations may be material.

The actual results for 30 June 2013 and 2014 and Main Estimates 2014 are based on NZ IFRS for public benefit entities.

The forecast financial statements are unaudited.

Significant assumptions

These forecast financial statements are based on the BEFU and have been prepared on the basis of assumptions as to future events that the department reasonably expects to occur, associated with the actions it reasonably expects to take. They have been compiled on the basis of existing government policies and ministerial expectations at the date that the information was prepared.

The main assumptions are as follows:

- The department's activities will remain substantially the same as the previous year
- Personnel costs are based on 9,900 full-time equivalent staff positions
- Operating costs are based on historical experience. The general historical pattern is expected to continue.

These assumptions are adopted as at 1 April 2014.

Estimated year-end information for 2013/2014 is used as the opening position for the 2014/2015 forecasts.

There are no significant events or changes that would have a material impact on the BEFU forecast.

Factors that could lead to material differences between the forecast financial statements and the 2014/2015 actual financial statements include changes to the baseline budget through new initiatives, or technical adjustments.

Significant accounting policies

The accounting policies used for the forecast financial statements does not vary materially from the statement of financial policies applied to the financial statements of the Ministry for the year ended 30 June 2014 (refer page 85).

Statement of Forecast Comprehensive Income

For the year ending 30 June 2015

Actual 2013 $000		Notes	Actual 2014 $000	Main Estimates 2014 $000	Forecast 2015 $000
	Income				
1,203,636	Revenue Crown		1,253,265	1,189,557	1,350,726
5,310	Revenue other		7,857	12,460	7,167
295	Gain on disposal of fixed assets		-	-	-
1,209,241	**Total income**		**1,261,122**	**1,202,017**	**1,357,893**
	Expenditure				
660,842	Personnel costs		694,973	655,078	697,398
45,135	Depreciation and amortisation expenses		44,251	51,853	58,157
23,742	Capital charge		23,422	23,575	23,575
472,476	Other operating expenses	1	486,439	471,511	578,763
-	Loss on disposal of fixed assets		433	-	-
1,202,195	**Total expenditure**		**1,249,518**	**1,202,017**	**1,357,893**
7,046	**Net surplus/(deficit)**		**11,604**	**-**	**-**
	Other comprehensive income				
-	Gain on property, plant and equipment revaluations		11,069	-	-
7,046	**Total comprehensive income**		**22,673**	**-**	**-**

The Statement of Accounting Policies: Departmental on page 139 and Notes 1 to 4 on pages 144 to 146 form an integral part of these forecast financial statements.

Forecast Statement of Financial Position

As at 30 June 2015

Actual 2013 $000		Notes	Actual 2014 $000	Main Estimates 2014 $000	Forecast[107] 2015 $000
	Taxpayers' funds				
256,896	General funds		261,887	256,896	280,097
35,875	Revaluation reserve		46,944	35,875	35,875
292,771	**Total taxpayers' funds**		**308,831**	**292,771**	**315,972**
	Assets				
	Current assets				
32,695	Cash and cash equivalents		31,259	40,701	46,200
11,078	Accounts receivable		18,353	7,798	11,078
13,056	Prepayments		13,960	10,205	13,056
93,068	Crown receivable		108,859	53,000	45,718
149,897	**Total current assets**		**172,431**	**111,704**	**116,052**
	Non-current assets				
297,380	Property, plant and equipment	2	302,813	317,662	333,297
50,756	Intangible assets	3	75,925	57,640	52,119
348,136	**Total non-current assets**		**378,738**	**375,302**	**385,416**
498,033	**Total assets**		**551,169**	**487,006**	**501,468**
	Liabilities				
	Current liabilities				
93,955	Accounts payable and accruals		120,411	96,731	83,248
2,013	Revenue received in advance		2,108	-	-
7,046	Return of operating surplus to the Crown		11,604	-	-
56,347	Provision for employee entitlements		60,761	53,622	56,347
6,142	Other provisions		6,199	6,916	6,142
165,503	**Total current liabilities**		**201,083**	**157,269**	**145,737**
	Non-current liabilities				
39,759	Provision for employee entitlements		41,255	36,966	39,759
39,759	**Total non-current liabilities**		**41,255**	**36,966**	**39,759**
205,262	**Total liabilities**		**242,338**	**194,235**	**185,496**
292,771	**Net assets**		**308,831**	**292,771**	**315,972**

107 The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

The Statement of Accounting Policies: Departmental on page 139 and Notes 1 to 4 on pages 144 to 146 form an integral part of these forecast financial statements.

Statement of Forecast Changes in Taxpayers' Funds

For the year ending 30 June 2015

Actual 2013 $000		Note	Actual 2014 $000	Main Estimates 2014 $000	Forecast 2015 $000
300,771	**Balance at 1 July**[108]		**292,771**	**292,771**	**297,762**
7,046	Total comprehensive income		22,673	-	-
(7,046)	Return of operating surplus to the Crown		(11,604)	-	-
-	Capital injections		4,991	-	18,210
(8,000)	Capital withdrawal		-	-	-
292,771	**Balance at 30 June**		**308,831**	**292,771**	**315,972**

108 The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

The Statement of Accounting Policies: Departmental on page 139 and Notes 1 to 4 on pages 144 to 146 form an integral part of these forecast financial statements.

Statement of Forecast Cash Flows

For the year ending 30 June 2015

Actual 2013 $000		Note	Actual 2014 $000	Main Estimates 2014 $000	Forecast 2015 $000
	Cash flows from operating activities				
1,218,004	Receipts from Crown revenue		1,237,474	1,201,557	1,386,419
3,892	Receipts from other revenue		7,869	12,460	7,167
(475,176)	Payments to suppliers		(472,442)	(472,407)	(637,505)
(655,875)	Payments to employees		(685,581)	(651,782)	(654,116)
(23,742)	Payments for capital charge		(23,422)	(23,575)	(23,575)
(602)	Goods and services tax (net)		938	-	-
66,501	**Net cash flow from operating activities**	**4**	**64,836**	**66,253**	**78,390**
	Cash flows from investing activities				
2,276	Receipts from sale of property, plant and equipment		1,844	1,800	1,800
(25,854)	Purchase of property, plant and equipment		(24,743)	(45,175)	(63,150)
(17,659)	Purchase of intangible assets		(41,316)	(17,821)	(17,040)
(41,237)	**Net cash flow from investing activities**		**(64,215)**	**(61,196)**	**(78,390)**
	Cash flows from financing activities				
-	Capital contribution from the Crown		4,991	-	18,210
(8,000)	Capital withdrawal from the Crown		-	-	-
(14,983)	Return of operating surplus to Crown		(7,048)	(4,000)	(5,000)
(22,983)	**Net cash flow from financing activities**		**(2,057)**	**(4,000)**	**13,210**
2,281	Net increase/(decrease) in cash held		(1,436)	1,057	13,210
30,414	Cash and cash equivalents at the beginning of the year[109]		32,695	39,644	32,990
32,695	**Cash and cash equivalents at the end of the year**		**31,259**	**40,701**	**46,200**

109 The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

The Statement of Accounting Policies: Departmental on page 139 and Notes 1 to 4 on pages 144 to 146 form an integral part of these forecast financial statements.

Notes to the Financial Statements

Note 1: Other operating expenses

Actual 2013 $000		Actual 2014 $000	Main Estimates 2014 $000	Forecast 2015 $000
1,034	Audit fees	931	1,178	1,000
69,482	Rental, leasing and occupancy costs	72,396	70,000	71,000
10	Bad debts written off	58	-	-
80	Impairment of receivables	(195)	-	-
118,182	Client financial plan costs	120,216	120,000	120,000
-	Employment support and subsidies	60,463	-	168,807
22,422	Non-specific client costs	27,605	25,000	28,000
54,635	Vocational Skills Training	23,392	46,784	-
32,621	Office operating expenses	32,966	31,000	33,000
107,719	IT related operating expenses	82,088	98,000	82,000
7,313	Travel expenses	8,237	7,100	8,500
6,650	Consultancy and contractors' fees	9,808	7,000	10,000
14,301	Professional fees	7,954	15,000	8,000
38,027	Other operating expenses	40,520	50,449	48,456
472,476	**Total operating costs**	**486,439**	**471,511**	**578,763**

Note 2: 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 2014[110]	**49,983**	**215,519**	**92,095**	**135,584**	**31,790**	**20,737**	**545,708**
Additions by purchase	-	5,750	34,362	12,810	8,000	2,228	63,150
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	-	-	-	(3,000)	(270)	(3,270)
Balance as at 30 June 2015	**49,983**	**221,269**	**126,457**	**148,394**	**36,790**	**22,695**	**605,588**
Accumulated depreciation and impairment losses							
Balance as at 1 July 2014[110]	**-**	**21,860**	**69,002**	**114,353**	**15,259**	**12,981**	**233,455**
Depreciation expense	-	7,766	12,659	10,973	6,001	2,907	40,306
Eliminate on disposal	-	-	-	-	(1,300)	(170)	(1,470)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Balance as at 30 June 2015	**-**	**29,626**	**81,661**	**125,326**	**19,960**	**15,718**	**272,291**
Carrying amounts							
At 1 July 2014	**49,983**	**193,659**	**23,093**	**21,231**	**16,531**	**7,756**	**312,253**
At 30 June 2015	**49,983**	**191,643**	**44,796**	**23,068**	**16,830**	**6,977**	**333,297**

110 The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

Note 3: Intangible assets

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2014[111]	**255,019**	**255,019**
Additions by purchase and internally generated	17,042	17,042
Work in progress movement	-	-
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2015	**272,061**	**272,061**
Accumulated amortisation and impairment losses		
Balance as at 1 July 2014[111]	**202,091**	**202,091**
Amortisation expense	17,851	17,851
Disposals	-	-
Asset transfers	-	-
Other asset movement	-	-
Balance as at 30 June 2015	**219,942**	**219,942**
Carrying amounts		
At 1 July 2014	**52,928**	**52,928**
At 30 June 2015	**52,119**	**52,119**

111 The opening balance as at 1 July 2014 differs from the actual closing balance as at 30 June 2014 as it is based on the estimated year-end information included in the BEFU 2014.

Note 4: Reconciliation of net surplus/(deficit) to net cash from operating activities

Actual 2013 $000		Actual 2014 $000	Main Estimates 2014 $000	Forecast 2015 $000
7,046	**Net surplus/(deficit) after tax**	**11,604**	**-**	**-**
	Add/(less) non-cash items			
29,540	Depreciation	28,101	38,117	40,306
15,595	Amortisation	16,150	13,736	17,851
45,135	**Total non-cash items**	**44,251**	**51,853**	**58,157**
	Add/(less) items classified as investing or financing activities			
(295)	(Gains)/losses on disposal of property, plant and equipment	433	-	-
(295)	**Total items classified as investing or financing activities**	**433**	**-**	**-**
	Add/(less) working capital movements			
11,085	(Increase)/decrease in accounts receivable	(23,065)	12,000	35,693
(2,851)	(Increase)/decrease in prepayments	(903)	-	-
424	Increase/(decrease) in accounts payable	26,453	2,400	(15,460)
1,213	Increase/(decrease) in revenue received in advance	95	-	-
2,725	Increase/(decrease) in provision for employee entitlements	4,415	-	-
(774)	Increase/(decrease) in other provisions	57	-	-
11,822	**Net movements in working capital items**	**7,052**	**14,400**	**20,233**
	Add/(less) movements in non-current liabilities			
2,793	Increase/(decrease) in provision for employee entitlements	1,496	-	-
2,793	**Net movements in non-current liabilities**	**1,496**	**-**	**-**
66,501	**Net cash inflow from operating activities**	**64,836**	**66,253**	**78,390**

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