Ministry of Social Development

Annual Report

2015/2016

MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

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

MSD people:

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

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Chief Executive's foreword

In the past 12 months, the Ministry of Social Development has started on a far-reaching transformation programme. By the time we produce our next Annual Report, the functions and services we currently deliver for vulnerable children and young people will be the responsibility of the new Ministry for Vulnerable Children, Oranga Tamariki.

Leading the transition to a new operating model for the care and support system, and to a new state for the Ministry of Social Development, while delivering on our strategic priorities, has led to challenges across the organisation.

We have met those challenges and have continued to support and help the more than one million New Zealanders with whom we work each year.

Our focus has remained on delivering better public services, and leading and contributing to government targets across the social sector. We continue to make positive headway in reducing welfare dependence by making additional investment in active case management and trialling new approaches. These include Project 300, which takes a new approach to supporting clients with health conditions and disabilities into sustainable employment.

In the past year we have seen a reduction in the number of physical assaults on children through targeting our funding to those with the highest needs, as part of our Community Investment Strategy and through the establishment of additional Children's Teams.

The safety and security of our staff and clients remain of paramount importance. As well as implementing changes as part of our Security Response Programme, we have delivered comprehensive training to help all staff understand the Health and Safety at Work Act 2015. We have also trialled different options for our site layouts to inform how our sites may look in the future.

In the last 12 months our social housing role has continued to develop and grow, and we have assisted people with securing the right housing options for them.

We do not do our work in isolation. We are increasingly working alongside other social sector government agencies to deliver services to meet the full range of our clients' needs. We work with our partners through collaborative initiatives such as the Children's Teams and programmes addressing family violence and sexual violence.

We are also actively implementing a social investment approach, including making greater use of data and analytics to inform our decision-making and help us understand where our interventions will have the most impact.

The new Social Investment Unit will further support a cross-sector approach to using data and information and contribute to developing effective policy frameworks. It is up to all of us not only to use data to inform our actions, but to have the wisdom to learn and adapt from what we do to improve our future interventions.

During the last 12 months our staff have continued to deliver a high standard of work, often in challenging circumstances, and I am enormously proud of them and the work they do.

It has been a busy and challenging year for the Ministry of Social Development. The coming year will be one of momentous change. We are well placed to do all that needs to be done. We have a clear direction and plan to transition from one Ministry into two and to keep supporting and serving all New Zealanders as we help them to help themselves become safe, strong and independent.

Brendan Boyle
Chief Executive

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.

The Ministry of Social Development is present in almost every region of New Zealand and our people have connections to every community. Our work touches nearly all New Zealanders at some point in their lives.

Our role and functions

Our principal role is to help to build successful individuals, and in turn strong, healthy families and communities. In 2015/2016 we provided the following services to achieve our purpose of helping New Zealanders to help themselves to be safe, strong and independent:

- statutory care and protection of children and young people, youth justice services and adoption services
- funding for, and quality assessment of, community service providers
- information, knowledge and support for families and communities
- employment support
- income support, including payments, entitlements and assessments
- New Zealand Superannuation and Veterans' Pensions
- social housing assessments and services
- access to concessions and discounts for seniors, families and low-income New Zealanders
- services to help disabled people live successful lives
- student allowances and student loans
- campaigns that challenge antisocial attitudes and behaviour
- services to uphold the integrity of the welfare system
- advice to the Government on social policy.

The Government is establishing a new agency, the Ministry for Vulnerable Children, Oranga Tamariki, from 1 April 2017. The Ministry for Vulnerable Children, Oranga Tamariki will support the development and implementation of a new operating model for services to vulnerable children and young people. Statutory care and protection and youth justice services, the Children's Teams, operational adoption services, and relevant funding and contracting services will be transferred to the Ministry for Vulnerable Children, Oranga Tamariki, along with policy advice related to these functions.

Our scope

As the administering department for Vote Social Development, in 2015/2016 we oversaw the expenditure of almost $25 billion of public money, and provided services and assistance to more than a million New Zealanders. Our client base included children, young people, families, youth, working-age people, students, disabled people, seniors and communities.

We provided services to the following Ministers:

- Minister of Finance
- Minister for Social Development
- Minister for Social Housing
- Minister for Youth
- Minister of Revenue
- Minister for Seniors
- Minister of Veterans' Affairs
- Associate Minister for Social Development
- Minister for Disability Issues.

We monitor the following Crown entities:

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

We supported the following statutory tribunals and advisory committees:

- Social Security Appeal Authority
- Student Allowance Appeal Authority
- Social Workers Complaints and Disciplinary Tribunal
- nine Child, Youth and Family Residence Grievance Panels
- Work and Income Board[1]
- Modernising Child, Youth and Family Expert Panel
- Advisory Expert Group on Information Security[2].

We provided leadership across government by:

- chairing the Social Sector Board (SSB)
- hosting the Children's Action Plan Directorate, the Social Sector Trials Programme Office, the Family Violence Unit, and the Property Management Centre of Expertise[3].

We worked with Māori by:

- co-ordinating two Treaty Settlement Social Sector Accords (Te Hiku and Tuhoe)
- supporting the Waikato River Iwi Accord and the Taranaki Whānui Social Accord
- engaging on joint social development planning with the iwi of Wairoa and Ngāti Rangi
- progressing five formal Memoranda of Understanding (with Ngāpuhi, Tainui, Ngāti Porou, Ngāti Kahungunu and Ngāti Toa)
- supporting the E Tu Whānau programme to increase awareness of family violence issues
- establishing a Māori Investment Strategy to improve sustainable employment outcomes for Māori, underpinned by our investment approach.

Better Public Services

We are responsible, through the Social Sector Board, for leading cross-agency effort to achieve the following Better Public Services (BPS) results:

- Reduce working-age client numbers and the long-term cost of benefit dependency (Result 1)
- Reduce the number of children experiencing physical abuse (Result 4).

In addition, our Chief Executive, as Chair of the SSB, has responsibility for leading cross-agency effort to achieve the following BPS results:

- Increase participation in early childhood education (Result 2, led at agency level by the Ministry of Education)
- Increase infant immunisation rates and reduce the incidence of rheumatic fever (Result 3, led at agency level by the Ministry of Health).

We also contribute to the following four Better Public Services results:

- Increase attainment of NCEA Level 2 or an equivalent qualification (Result 5, led by the Ministry of Education)
- Reduce crime rates (Result 7, led by the Ministry of Justice)
- Reduce reoffending rates (Result 8, led by the Ministry of Justice)
- Enhance New Zealanders' ability to deal with government agencies in a digital environment (Result 10, led by the Department of Internal Affairs).

Our legislation

The complex environment in which we operate is governed by many key pieces of legislation that provide the framework to support the decisions we make and to ensure a fair system for all who use it.

A full list of the legislation we administer can be found at www.msd.govt.nz/about-msd-and-our-work/about-msd/legislation/.

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1 Disestablished in December 2015.
2 Disestablished in March 2016.
3 The Property Management Centre of Expertise moved to the Ministry of Business, Innovation and Employment in April 2016.

Government priorities, MSD outcomes and priorities in 2015/2016

Government's Better Public Services Priorities

- Reducing long-term welfare dependence
- Boosting skills and employment
- Improving interaction with government
- Supporting vulnerable children
- Reducing crime

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

Ministry Outcomes

More people into sustainable work and out of welfare dependency	More people are able to participate in and contribute positively to their communities and society	Fewer children and young people are vulnerable	More communities are strong and thriving	Fewer children and young people commit crime	Fewer people commit fraud and the system operates with fairness and integrity

Ministry Intermediate Outcomes

- Fewer people are dependent on welfare
- More young people are in education, training, or work-based learning

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- Children and young people are involved in decision-making on issues that affect them and contribute positively to their communities
- Eligible students are supported to overcome financial barriers to access higher education

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- Disabled people are able to participate in society
- Seniors and veterans are able to maintain their independence and participate in society
- Seniors, families, and low-income New Zealanders have access to goods and services through discounts and concessions

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- More people who need housing support can access it
- More social housing tenants achieve independence, as appropriate
- Appropriate housing is available for those who need it

- Vulnerable children are protected from abuse and neglect
- Children and young people are in safe and permanent care
- Children and young people we work with have access to adequate health services, housing and education

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- More effective and efficient allocation of government resources to meet community needs
- Families and communities have increased levels of awareness of how to respond to family violence
- Children and young people experience good parenting

- More young offenders are in education, training or employment
- Fewer child offenders go on to become youth offenders
- Fewer young people have a repeat youth justice referral
- Families and victims are involved in addressing offending behaviour

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- Fraud is detected sooner
- Fraud overpayments are recovered more frequently and fewer overpayments are made
- People's claims are dealt with appropriately
- People's data and information are managed and used appropriately

Ministry Priorities

- Working differently to better identify, support and protect the most vulnerable children and young people in our society
- Reducing welfare dependence
- Contributing to a fair, efficient social housing market
- Investing more effectively in communities
- Contributing to the social sector and building a social investment approach for the sector
- Streamlining processes and systems for delivering transactional services and improving the effectiveness of our front line
- Improving the safety and security of staff and clients
- Strengthening our organisational health, capability and culture

Demonstrating our progress

Below are the indicators that the Ministry uses to demonstrate progress towards achieving its outcomes.

Ministry outcome	Indicator/s	2013/14:	2014/15:	2015/16:	Intended trend	Trend
More people into sustainable work and out of welfare dependency	Reduce working-age client numbers by 25%, from 295,000 in June 2014 to 220,000 in June 2018	295,000	284,960	279,806	↓	↓
	Achieve an accumulated actuarial release[4] of $13 billion between June 2014 and June 2018		$2.5bn[5]	$3.8bn[6]	↑	↑
More people are able to participate in and contribute positively to their communities and society	More young people are involved in decision-making activities	13,726	9,478	8,430[*]	↑	↓
	More young people are involved in community-based projects and activities	37,506	27,835	34,405	↑	↓
	The number of participating SuperGold Card business partners	7,218	8,053	8,304	↑	↑
	The accurate assessment of Community Services Card and SuperGold Card applications	99%	99%	96.9%	↔	↓

* The direct delivery of youth development activities, for example youth participation workshops, ceased to be an operational function for the Ministry of Youth Development following a policy change from 4 April 2016.

4 An actuarial release is an estimate of the change in long-term liability of the benefit system resulting from changes in the number of beneficiaries and their likelihood of long-term benefit receipt.
5 Source: Ministry of Social Development Quarterly Drivers of Valuation April to June 2015 Report.
6 Source: Ministry of Social Development Quarterly Drivers of Valuation April to June 2016 Report.

Ministry outcome	Indicator/s	2013/14:	2014/15:	2015/16:	Intended trend	Trend
Fewer children and people are vulnerable	The proportion of children and young people who have been abused/neglected within six months of a previous finding of abuse/neglect[7]	13%	12%	11%**	↓	↓
	The proportion of children aged under five years old (who are unable to return home), who are placed with their Home for Life caregiver within 12 months of coming into care		80%	77%†	↑	↓
	The percentage of children and young people in care referred for a Gateway assessment	31%	65%††	80%	↑	↑
	The percentage of children participating in the Family Start programme receiving scheduled Well Child visits	80%	81%	82%	↑	↑
	The percentage of children aged between 18 months and five years participating in the Family Start programme who are enrolled in early childhood education	71%	71%	76%	↑	↑
More communities are strong and thriving	The percentage of families who report that the Strengthening Families process has helped them get access to the services they needed	94%	93%	94%	↑	↔
	The proportion of surveyed community groups that say the It's not OK campaign has increased their ability to address or prevent family violence	94%	96%	93%	↔	↓

** There are known issues about the consistency and quality of abuse findings. Work is under way to improve the accuracy of identification and reporting of abuse.

† Although the trend is down, the performance standard has been met.

†† Before 2014/2015 the Gateway programme had not been rolled out to all district health board (DHB) areas and the focus was on referring children and young people entering care. In 2014/2015 the programme was fully implemented in 20 DHB areas and the focus was on ensuring all children and young people already in care who had not yet received a Gateway assessment were referred.

7 Repeat findings of abuse/neglect may relate to an historical event prior to a child or young person coming to our attention.

Ministry outcome	Indicator/s	2013/14:	2014/15:	2015/16:	Intended trend	Trend
Fewer children and young people commit crime	The proportion of young offenders who are in education, training or employment following our intervention	59%	66%	67%	↑	↑
	The proportion of child offenders who have a subsequent youth justice referral	62%[8]	64%	71%[‡]	↓	↑
	The proportion of victims engaging in family group conferences	59%	57%	55%[‡‡]	↑	↓
Fewer people commit fraud and the system operates with fairness and integrity	The percentage of successful prosecutions concluded	97.2%	96.8%	96.6%	↑	↓
	The percentage of non-current debt paid in full, or under an arrangement to pay, within four months		72.3%	71.1%	↑	↓

‡ The number of child offenders referred to Child, Youth and Family is small, and even a small change to the volume will significantly affect the percentage. Previously published results suggested the trend was decreasing; however a recent data quality review found this to be incorrect. We will be reviewing this indicator for the next financial year.

‡‡ Police are increasingly likely to undertake alternative action prior to referring a young offender to us for a family group conference (FGC). These alternative actions may involve victim engagement, and victims may be less committed to engaging in any subsequent FGC.

8 Following a data quality review, it has been discovered that results for this measure reported in previous Annual Reports were incorrect. The correct results are: for 2013/2014 62 percent (originally reported as 59 percent), and for 2014/2015 64 percent (originally reported as 49 percent).

Adapting to transformational change

In April 2016 the Government announced a fundamental transformation of the system for the care and support of vulnerable children and young people, in order to improve long-term life outcomes. Supporting this work has been a key focus for the year. This transformation will lead to significant changes across the social sector and within the Ministry as we manage our dual role of leading and supporting the establishment of the Ministry for Vulnerable Children, Oranga Tamariki and the new operating model for the vulnerable children system, while continuing to focus on maintaining delivery of high-quality services to all our clients.

Transforming the care and support system

In April 2015 the Minister for Social Development commissioned an Expert Panel to provide independent, system-wide advice on the best way to provide care and support to vulnerable children in New Zealand. This continued the process of creating a fundamental change in the way New Zealand cares for its most at-risk children that began with the Green and White Papers for Vulnerable Children, leading to the Vulnerable Children Act in 2014 and the creation of multi-agency Children's Teams, and a work programme to modernise Child, Youth and Family.

The Expert Panel's final report, *Investing in New Zealand's Children and their Families*, sets out a blueprint for a new child-centred system to improve long-term life outcomes for vulnerable children and young people.

In response to the report, the Government commenced a fundamental overhaul of the system for the care and support of vulnerable children and young people. These changes are transformational, involving comprehensive and systemic reforms to significantly enhance the way our most vulnerable children and young people are supported to achieve better life outcomes. They include changes to the way in which sector agencies work together to provide universal and targeted services to those who need them, and make investment decisions.

The size and scale of the planned reforms mean the changes will take four to five years to be fully embedded.

More immediately, the overhaul of the system involves designing and implementing a new child-centred operating model to be led by a new agency, the Ministry for Vulnerable Children, Oranga Tamariki as a single point of accountability for vulnerable children and young people.

Developing the new care and support operating model

We have already made significant progress in developing the new operating model, which will incorporate the following key elements:

- creating a single clear point of accountability and a common purpose across the system
- creating a child-centred system
- providing stronger system and organisational leadership and culture change
- adopting a formal social investment approach to funding and service provision
- focusing strongly and specifically on improving outcomes for Māori children and young people
- working with Pacific communities to significantly improve outcomes for Pacific children and young people
- working with strategic partners and engaging all New Zealanders
- extending the range of services provided and more effective evidence-based service provision
- providing funding that follows the child and includes the ability to directly purchase
- explicitly recognising and seeking to remediate the trauma that this group of children and young people may have suffered.

The new operating model will include five core services: prevention, intensive intervention, care support, youth justice, and transition support.

Our existing core functions that relate to supporting vulnerable children and young people will move to the Ministry for Vulnerable Children, Oranga Tamariki from 1 April 2017[9]. To support the Ministry for Vulnerable Children, Oranga Tamariki to deliver its services from the outset, the Ministry of Social Development will provide foundation staff and resources for implementing the new operating model.

Progressing key reform elements

The Children, Young Persons, and Their Families (Advocacy, Workforce and Age Settings) Amendment Bill, which was introduced on 1 June 2016, is the first stage of legislative reforms

9 These functions include statutory care and protection, youth justice services, operational adoption services, the Children's Action Plan Directorate and Children's Teams, funding and contracting for vulnerable children's services, family and sexual violence services relating to child victims or perpetrators, complaint and Grievance Panel services, and policy advice relating to these functions.

to support the new operating model. The Bill raises the age of care and protection to include 17-year-olds, embeds the views of children and young people in the development of services and policies, establishes a new independent Youth Advocacy Service, and enables a broader range of professionals to perform a wider set of functions.

Proposals for a second amendment Bill are being developed. This is a larger and more complex set of reforms that includes major reforms to the care system, a new legislative framework for young people who have exited the care system through to age 25, an information-sharing framework, and consideration for extending the youth justice jurisdiction to include 17-year-olds.

Other major changes under way include more strategic partnerships with iwi to improve outcomes for Māori children, and more assistance for foster carers.

We began developing an investment approach and actuarial valuation to underpin the system, and are gathering insights on client experience to inform the design of future services and early enhancements.

To provide advice on the cross-agency elements of the transformation programme, the Vulnerable Children's Board was reconstituted in 2015/2016 with an independent Chair[10]. Once the transformation programme is complete, the Board will provide ongoing advice to Ministers.

Supporting the transition

It is important that both the Ministry for Vulnerable Children, Oranga Tamariki and the Ministry of Social Development are effective and successful from the start. To enable this, we have established a dedicated transformation work programme that focuses on:

- supporting the transition to, and success of, the Ministry for Vulnerable Children, Oranga Tamariki, including the design and implementation of the new operating model
- supporting the smooth transition of functions and staff to the Ministry for Vulnerable Children, Oranga Tamariki
- refocusing the Ministry of Social Development to maximise our contribution to the Government's outcomes through our revised role and functions.

Throughout this period we have also continued to focus on delivering excellence and success from our services, including those for the children and young people in our care. This work is described more fully in the section *Working differently to better identify, support and protect the most vulnerable children and young people in our society.*

Continuing to progress a client-focused, intelligent service delivery approach

Over the past two years we have had a specific focus on a client-centred, intelligent service delivery approach, and on becoming more integrated in the way we work as an organisation. This work has positioned us to be responsive and adaptable to the challenges of change. No matter what our role and functions in the future, we will always need to design and deliver services that make sense from a client's perspective, and use data, evidence and evaluation to understand where, when and how to invest resources to achieve the best outcomes for individuals and society.

Our Simplification programme is making it easier for clients to interact with us when and how they want to. During the year we rolled out new digital services including MyMSD, which has seen strong uptake. This is allowing us to spend less time on transactional services and more time on intensive support for those who need it.

We have continued to embed and expand a social investment approach across our key services. This is an example of the way we use data and insight to target support more effectively.

Through the Community Investment Strategy, we began to redirect funding towards those community services that demonstrate greatest impact for the most vulnerable people. Through the investment approach we have trialled new interventions to achieve better results for clients with more complex needs and have expanded interventions that have been successful, such as the $3K to Work scheme.

We have also made progress towards developing an investment approach to underpin our work to establish a fair and efficient social housing system. Many of our social housing clients are also clients of the benefit system, and we are working to integrate our housing and welfare valuations to better understand what interventions will help people with work, income and housing needs. Ongoing engagement with the Social Investment Unit will be crucial to expanding this approach across the social sector.

A strong culture is critical to working in an integrated way. Since 2013 we have been actively promoting a culture that supports innovation and collaboration and allows us to make a bigger difference in the lives of our clients. A survey of our staff during the year showed that we have made progress towards establishing the culture we need to support our principles and purpose. This foundation will help us to manage through a period of transformational change, and to continue to focus on delivering high-quality services to New Zealanders.

10 Members of the Board include the chief executives of the Ministries of Health, Education, Justice and Social Development, the Department of Corrections, Police and Te Puni Kōkiri, the Chief Executive-designate of the Ministry for Vulnerable Children, Oranga Tamariki, an independent Māori member, and two other independent members to provide specialist expertise.

Contributing to Better Public Services

Since 2012 a core focus of the Ministry has been the Government's challenging targets for the public sector in 10 key result areas. Four of these results are overseen by the Social Sector Board, and we are responsible for leading two of these and contributing to the other two. We also contribute to four of the remaining six results. This section sets out progress towards achieving the targets and our contribution to that progress.

Our work across the sector is crucial to making a difference for New Zealand. Over the past year, we have remained focused on delivering better public services to New Zealanders.

We lead efforts to achieve targets for Results 1 and 4

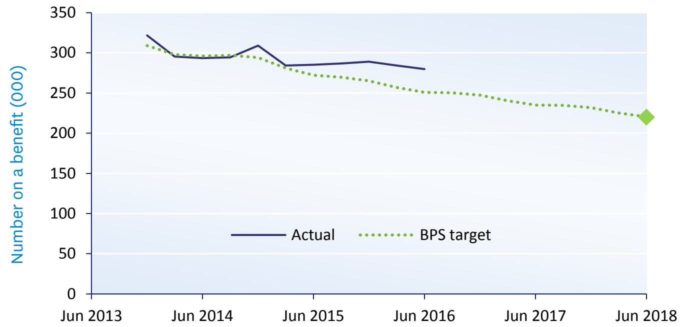
Result 1: Reduce working-age client numbers (targets: achieve a 25 percent reduction in working-age client numbers from 295,000 in June 2014 to 220,000 in June 2018, and an accumulated actuarial release[11] of $13 billion by June 2018[12])

We are the lead agency for this Result.

This year, we increased the number of clients in intensive case management services by giving priority to clients receiving Sole Parent Support and Job Seeker Support clients with a health condition or disability.

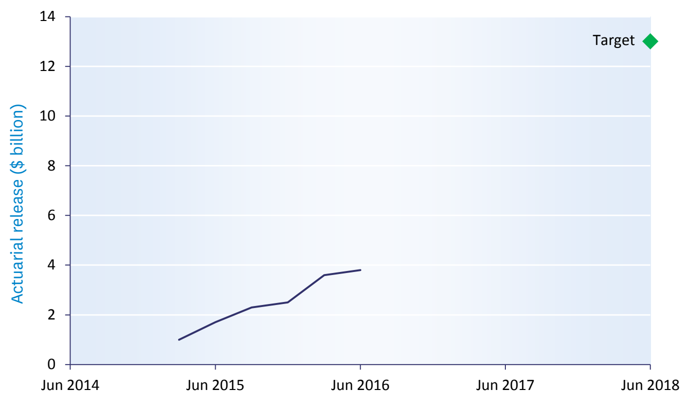
In 2015/2016 the number of working-age main benefit recipients fell by 1.8 percent, from 284,960 to 279,806[13], largely driven by a fall of 3,818 (from 69,240 to 65,422) in Sole Parent Support numbers, which are now at their lowest level since the category was introduced in 2013. The cumulative fall since June 2014 is 4.6 percent.

Number of working-age (18-64 years old) people on a main benefit (excluding Jobseeker Support – Student Hardship)



The latest valuation of the benefit system (June 2015) put the liability at $68.4 billion, a decrease of $600 million (approximately 1 percent) from the previous year. The cumulative actuarial release from June 2014 to June 2016 was $3.8 billion[14].

Actuarial release



11 An 'actuarial release' is an estimate of the change in long-term liability of the benefit system resulting from changes in the number of beneficiaries and their likelihood of long-term benefit receipt. The measure attempts to isolate the impact of collective government activity on beneficiary numbers. Adjustments are made in the estimate to remove the impact of interest and inflation rate changes on the liability and other factors beyond the control of government activity.

12 These targets replaced the previous targets in February 2015.

13 The BPS1 result differs from the total number of people on main benefits as the former does not include the Student Jobseeker (Student Hardship) category.

14 There are two components involved in the approach to calculating the actuarial release:
- The first component involves calculating the difference between actual benefit payments from 30 June 2014 through to the release date of 30 June 2016 (adjusted for seasonal effects) and the expected payments if the benefit recipients were unchanged over the same period.
- The second component looks at the change in expected future benefit costs between the population on benefit in the year prior to 30 June 2014 and the population on benefit in the year prior to the release date, using the June 2014 valuation model as a basis but adjusted by benefit indexation to the year of calculation.

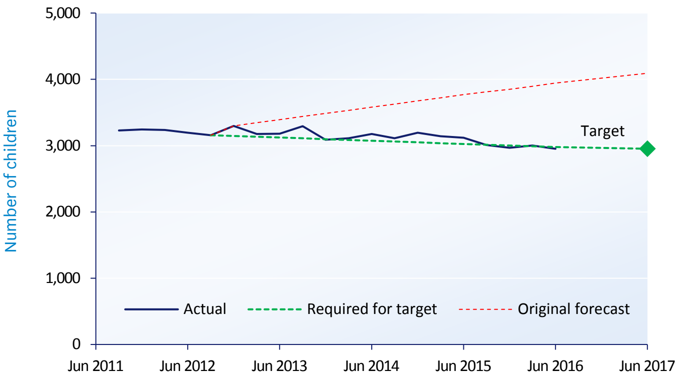
Result 4: Reduce the number of children experiencing physical abuse (target: halt the 10-year rise in children experiencing physical abuse and reduce 2011 numbers by 5 percent by 2017[15])

We are the lead agency for this Result.

The number of physical assaults on children has fallen to 2,953 for the year to 30 June 2016, compared with 3,118 for the previous 12 months. This result meets the target of 5 percent for the first time.

Work that helped us to lower the result has included targeting of funding to those with the highest needs, under the Community Investment Strategy, and the establishment of additional Children's Teams.

Children with substantiated findings of physical abuse (12-month periods)



We support other agencies to deliver on Results 2, 3, 5, 7, 8 and 10

Result 2: Increase participation in early childhood education (target: by the end of 2016, 98 percent of children starting school will have participated in early childhood education (ECE)[16])

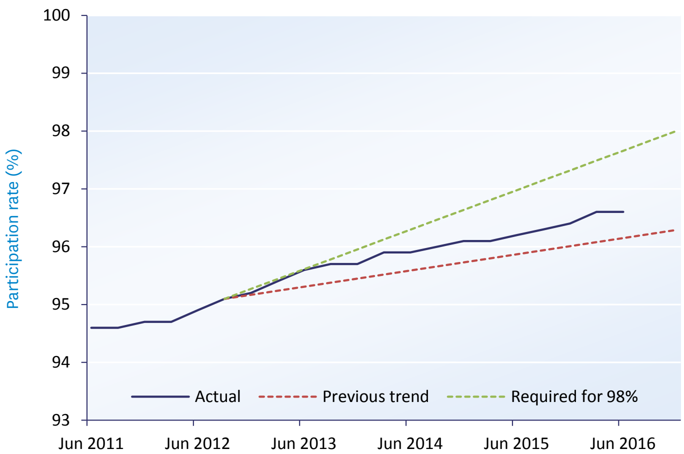
We support the Ministry of Education as lead agency with responsibility for this Result.

At 30 June 2016 the ECE participation rate had risen to 96.6 percent. A key focus for this result is ensuring that families are not lost from the system, particularly if they relocate.

Our work includes locally-based innovations, and engagement with ECE providers, iwi, Māori organisations and Pacific churches. The Puna Kāinga initiative has supported 150 Māori, Pacific and low socio-economic children in 16 priority communities who are within 12 months of starting school to enrol in ECE.

We subsidise the cost of ECE for children in our care aged between 18 and 36 months, and for those that are enrolled in the Family Start programme. At 30 June 2016, 79 percent of children in care aged between 18 months and five years participated in ECE[17], while 76 percent of children in Family Start aged between 18 months and five years were enrolled in ECE.

Prior ECE participation rate



15 This target was set in 2012.
16 This target was set in 2012.
17 Some children may not be enrolled in ECE due to medical reasons, lack of consent from parents, or being on an ECE waiting list.

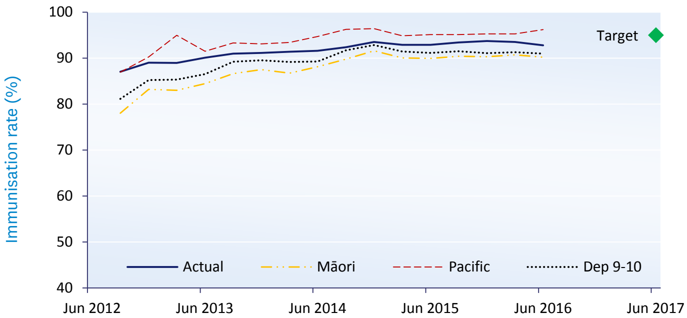
Result 3: Increase infant immunisation rates (target: achieve full immunisation of 95 percent of eight-month-olds by December 2014 and maintain this through to June 2017), and reduce the incidence of rheumatic fever by two-thirds (target: 1.4 cases per 100,000 people by June 2017[18])

We support the Ministry of Health as lead agency with responsibility for this Result.

At 30 June 2016 the immunisation rate was 92.8 percent, an increase of 5.7 percent since 2012. We are working closely with district health boards to locate unimmunised children and to address barriers to primary care for this group.

We ensure that children in care are fully immunised through the Gateway assessments programme. In 2015/2016, 80 percent of children in care were referred for individualised health and educational assessments through the Gateway programme[19].

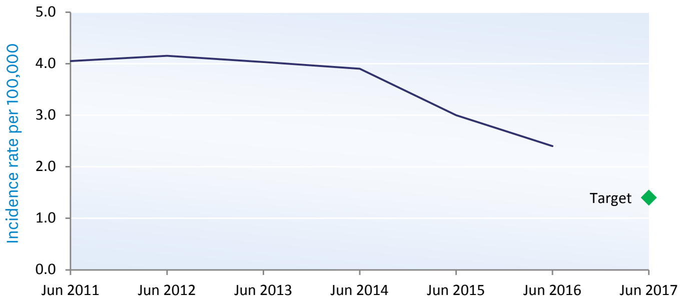
Immunisation coverage for children at eight months



In the 2015/2016 financial year there were 112 first-episode rheumatic fever hospitalisations, a rate of 2.4 per 100,000 (down from 135 hospitalisations and a rate of 3.0 in 2014/2015).

We continue to work with other agencies[20] to promote rheumatic fever prevention messages.

Rheumatic fever



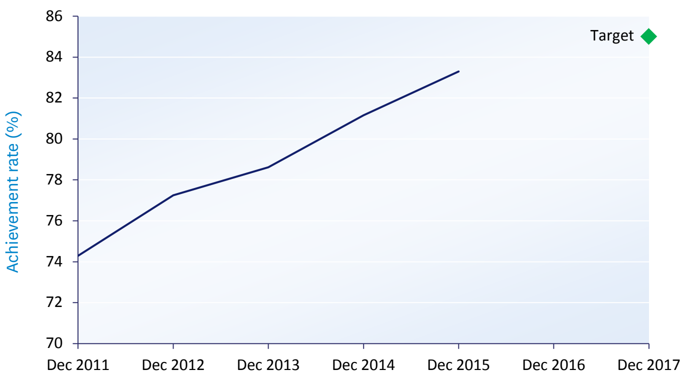
Result 5: Increase attainment of NCEA Level 2 or an equivalent qualification (target: increase the proportion of 18-year-olds with NCEA Level 2 or equivalent qualification to 85 percent by 2017[21])

We support the Ministry of Education as lead agency with responsibility for this Result.

The result for the 2015 calendar year was 83.3 percent, compared with 81.2 percent for 2014.

We contribute to this target through the Youth Service, which aims to assist disengaged young people back into training or education by providing intensive wraparound support including budgeting and parenting. The Youth Service has been very successful: at 30 June 2016, 96.3 percent of its 12,683 participants were engaged in education, training or work-based learning.

18-year-olds' achievement of NCEA Level 2



18 This target was set in 2012.
19 The main circumstances for non-enrolment in early childhood education are medical or psychological reasons that mean this is not appropriate.
20 These agencies include Housing New Zealand, PHARMAC, the Ministry of Education, Te Puni Kōkiri, and the Energy Efficiency and Conservation Authority.
21 This target was set in 2012.

The Youth Service has been extended to at-risk 18- and 19-year-olds and 19-year-old teen parents, to reduce their likelihood of remaining on a benefit long term.

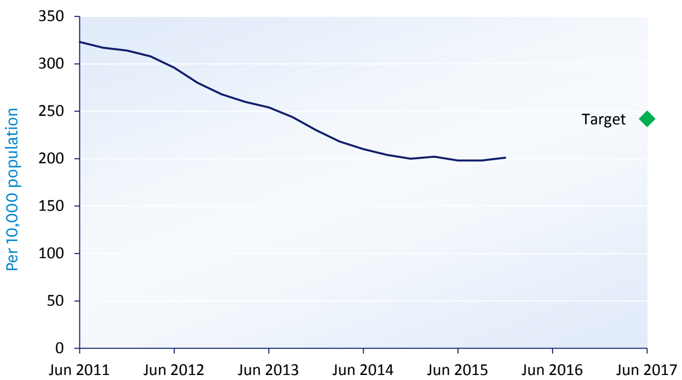
Result 7: Reduce crime rates (target: reduce crime by 20 percent by June 2017[22])

Result 8: Reduce reoffending rates (target: reduce reoffending rates by 25 percent by 2017[23])

As a member of the Youth Crime Action Plan, we support the Ministry of Justice as lead agency with responsibility for these Results. Our areas of focus are responding to youth crime and the prevention of youth reoffending.

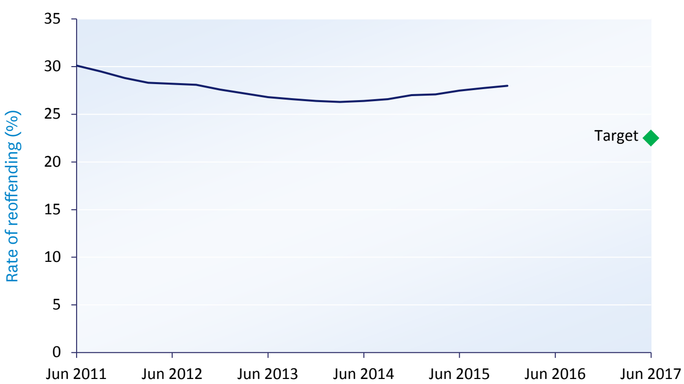
In December 2015 the youth crime rate was 201 court appearances per 10,000, a decrease of nearly 38 percent from 323 in June 2011. The total crime rate over the same period fell from 990 per 10,000 to 827, a decrease of 16.5 percent.

Youth crime rate



The rate of reoffending fell from 28.8 cases per 10,000 population in December 2011 to 28.0 in December 2015.

Reoffending rate



Result 10: Enhance New Zealanders' ability to deal with government agencies in a digital environment (target: increase the percentage of New Zealanders who complete their transactions with government online to 70 percent by 2017.[24])

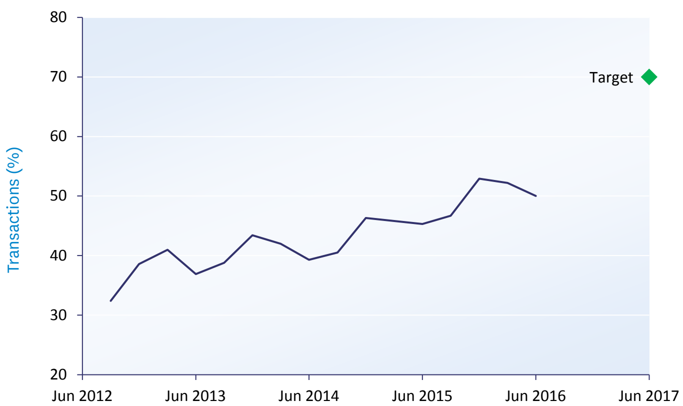
We support the Department of Internal Affairs as lead agency with responsibility for this Result. Our contributing indicator to the result is the proportion of applications for financial assistance that are lodged online.

In the quarter ended 30 June 2016, 46.8 percent of applications for financial assistance were lodged online, up from 37.8 percent a year before. Overall, 50 percent of New Zealanders' common transactions with government agencies were digital in the quarter ended 30 June 2016, compared with 45.3 percent for the same period in 2015.

In 2015/2016 our services and enhancements to help our clients to transact with us digitally included:

- implementing the MyMSD online service
- rolling out Cheap As Data, a package to assist clients to use our digital channels through their mobile network at little or no cost
- enhancing voice-enabled phone technology
- enabling electronic lodgement of medical certificates
- making MyStudyLink easier for students to use.

Average rate of transactions completed in a digital environment



22 This target replaced the previous target in 2015.
23 This target replaced the previous target in 2015.
24 This target was set in 2012.

Delivering on our strategic intentions

This section describes how we have managed our functions and operations over the last year to achieve outcomes for New Zealanders.

In 2015/2016 we worked towards our strategic priorities of:

- working differently to better identify, support and protect the most vulnerable children and young people in our society
- reducing welfare dependence
- contributing to a fair, efficient social housing market
- investing more effectively in communities
- contributing to the social sector and building a social investment approach for the sector
- streamlining processes and systems for delivering transactional services and improving the effectiveness of our front line
- improving the safety and security of staff and clients
- strengthening our organisational health, capability and culture.

Working differently to better identify, support and protect the most vulnerable children and young people in our society

Too many children have a childhood in which they need our help to be safe so that they can thrive, belong and achieve. The *Investing in New Zealand's Children and their Families* report identified a fundamentally new approach that would help give children the best start in life. Our work to support and implement the Government's response to the report is described in the *Adapting to transformational change* section.

While supporting these reforms has been a key focus during the year, we have continued to work with the wider social sector to enhance the way we identify, support and protect vulnerable children and young people.

Implementing enhancements to the Children, Young Persons, and Their Families Act 1989

In 2015/2016 we undertook a significant programme of work to prepare for implementation from 1 July 2016 of amendments to the Children, Young Persons, and Their Families Act 1989. These changes to policy, processes and the way in which staff work with children, young people, family/whānau and agency partners mark a major overhaul in strengthening our child protection system.

The changes reduce vulnerability by providing better support to children and young people, whānau and caregivers, and by minimising the risk of future harm posed by those who have seriously abused children in the past. They include providing financial and other assistance, through a Permanent Caregivers Support Service, to caregivers of children and young people who have left the custody of the Chief Executive.

A new special guardianship order provides an alternative means of securing the permanent placement of a child who requires out-of-home care, where the ongoing role of the guardian is based on what is best for the child.

These provisions support a more individualised response to each child's and young person's situation.

We began providing increased advice and assistance to young people aged between 15 and 20 years who are preparing to leave, or who have left, statutory care, to support them to become and remain living independently.

The family group conference (FGC) planning and review process has also been strengthened to increase the focus on the child's needs. This includes aligning FGC plans with court plans.

Working with Māori and Pacific communities

Achieving better outcomes for Māori and Pacific children is critical to reducing vulnerability in society.

We have worked with iwi partners (Ngāpuhi, Tainui, Ngāti Porou, Ngāti Kahungunu and Ngāti Toa) on the five formal Memoranda of Understanding, and refreshed Joint Service Delivery Plans with iwi to focus on the future direction signalled in the *Investing in New Zealand's Children and their Families* report. These relationships focus on:

- supporting joint project design
- improving testing, learning and delivery, particularly in the areas of supporting family group conferences
- enhancing partnered response pathways
- supporting caregiver training
- ensuring mokopuna feel supported and ready to transition from care
- providing connection to whānau, hapū and iwi through whakapapa knowledge, engagement with marae and hapū communities and the exploration of cultural identity.

In addition, a Pacific cultural framework, Va'aifetu, was launched and piloted in five Child, Youth and Family (CYF) sites. The strategy was developed as part of CYF's Pacific Action Plan *O Au O Matua Fanau – Children are our Treasures*, following national consultation with Pacific communities.

Working with the Children's Action Plan Directorate

We are a part of a cross-agency programme that is responsible for meeting the needs of children who do not require statutory intervention from Child, Youth and Family.

We currently host the Children's Action Plan Directorate, which is changing how government agencies, non-government organisations and iwi work together to identify, support and protect vulnerable children.

A key element of the Children's Action Plan is the implementation of Children's Teams, which are made up of skilled frontline practitioners and professionals from the health, justice, education and social sectors. Children's Teams ensure the right level and type of service are provided to our most vulnerable children.

During 2015/2016 a further six Children's Teams were established, in Hamilton, Tairāwhiti, Eastern Bay of Plenty, Whanganui, Canterbury and Counties Manukau.

The teams are made up of government agencies and members of the local community, and are backed by practitioners and professionals from iwi/Māori and the health, education and social services sectors.

In November 2015 the Directorate launched ViKI, a secure information management system designed to support information sharing, collaboration and case management, and the Vulnerable Children's Hub (The Hub), a contact and triage point for professionals and practitioners to raise concerns about a vulnerable child. ViKI and The Hub are now supporting three large, urban Children's Teams in Hamilton, Canterbury and Counties Manukau.

At a national level the Directorate continued implementing the Vulnerable Children Act 2014 (the VCA) and components of the workforce programme alongside its partner agencies (see *Implementing child protection policies* on page 21). This included extending safety checking to local authorities, supporting Children's Teams, conducting a children's workforce survey, and developing a draft core competency framework.

The Children's Action Plan Directorate and the Children's Teams will be moving to the Ministry for Vulnerable Children, Oranga Tamariki on 1 April 2017.

This work contributes to the following Ministry outcomes:

- Fewer children and people are vulnerable
- Fewer children and young people commit crime

Children's Teams

By 30 June 2016 we had:

- accepted almost 2,000 children into Children's Teams, an increase of over 400 percent since 30 June 2015
- referred over 850 children to Children's Teams from the almost 1,200 people who had contacted the Vulnerable Children's Hub
- completed our engagement[25] with over 400 children across the ten Children's Teams since 2013.

Social Workers in Schools

- Over 142,000 children in 673 decile 1 to 3 schools and 45 decile 4 to 6 schools were provided with access to a social worker in 2015/2016.

25 'Completed engagement' means the child had left the Children's Team with a transition or exit plan in place, had been escalated to Child, Youth and Family, or no longer required intervention from a Children's Team.

Reprioritising funding to support the Children's Action Plan

Funding from the Strengthening Families programme has been reprioritised to support the expansion of the Children's Action Plan in Northland and Canterbury. As a result, Strengthening Families services will close in the locations where Children's Teams are currently operating. This process is being carefully managed to ensure children and their families continue to receive the support they need.

The Family Start and Social Workers in Schools programmes have workers who take on the role of Lead Professionals, as well as acting as members of a Child's Action Network. We have made contracts more flexible to facilitate these workers to move between working within their home agency and Children's Teams.

In areas where Children's Teams are not yet located, families will continue to have access to social services, education, health and other providers from within their community.

Achieving better youth justice outcomes

We are committed to helping youth to get the best start as young adults. This includes having fewer children and young people commit crime. Since its introduction in 2007 we have been part of a cross-agency team delivering the Youth Crime Action Plan (YCAP). YCAP is about providing a more integrated approach to reduce the likelihood of reoffending by those who enter the youth justice system.

Over the past year, we worked with our YCAP partner agencies to:

- publish a set of tools to assist local communities in developing local responses to youth crime
- re-establish youth offending teams as local co-ordination hubs
- develop early case consultation processes with Police
- set up the new Youth Forensics Service, including a secure youth forensics unit.

We worked alongside the Expert Panel to ensure this work is built upon in the new operating model.

Implementing child protection policies

The Government is committed to growing a safe and competent children's workforce who can play their part in keeping vulnerable children safe.

Through the Children's Action Plan and the VCA, a new culture of protection is being introduced across the children's workforce to ensure that children are safe.

In September 2015 we implemented a child protection policy in line with the VCA. Implementation commenced with an online training module known as ChildSAFE for our staff. By 30 June 2016, 98 percent of all Ministry employees had completed the training. As part of our ongoing commitment to child protection, ChildSAFE is included in all of our current induction programmes and will form part of the online national induction programme for social workers.

Under the VCA any core children's worker who is either directly employed by, or is in a role that is funded by, the state sector will be unable to continue in their role if they have been convicted of a specified offence, unless they have obtained a core worker exemption. We have taken steps to strengthen our children's workforce by:

- ensuring that all new core children's workers are screened and vetted before they begin work, in line with the existing standards for our social workers
- ensuring that all current core children's workers undergo a safety check by 1 July 2019
- supporting 170 staff to become registered as social workers.

The Social Sector Accreditation Standards have been updated to incorporate the requirements for providers to have child protection policies. From 1 July 2016 all providers who enter into contracts with the Ministry are assessed against these standards.

Care and protection of vulnerable children and young people

We have a responsibility to provide care and protection to children and young people who require statutory intervention and who cannot live at home.

We work with all children who come into our care to ensure we understand their needs and they get the protection and support they deserve.

As at 30 June 2016:

- 5,312 children and young people were in the custody of the Chief Executive, and of these 4,394 were in care and protection placements outside of their home.

In the year ended 30 June 2016:

- we received notifications (including Police family violence referrals) in respect of 142,249 children and young people, of whom 44,689 required further action: a decrease of 774 or 1.7 percent from the previous year
- 7,757 children and young people were involved in care and protection family group conferences (FGCs)
- 6,114 children and young people were referred for youth justice FGCs. Of these, 280 were child offenders, 2,309 were referred by Police for Intention to Charge FGCs, and 3,525 were referred by the courts following prosecution.

Reducing welfare dependence

Most people want to be in the workforce to better their lives and those of their families. We have worked to help more people become independent of the benefit system, by putting people at the centre of targeted support that helps those who are most at risk of long-term welfare dependency obtain and sustain work.

Improving employment and social outcomes

We operate the benefit system accurately and efficiently in a way that improves employment and social outcomes, to help people move closer to independence and better their lives. During the year we increased our focus on developing effective service interventions for clients with more complex personal situations and higher barriers to entry into the workforce.

After four years of developing and using an investment approach to inform the prioritisation of resources, we are achieving reductions in benefit numbers and in the forecast future liability of the benefit system.

Additional investment in active case management, in the form of Work Focused Case Management (WFCM) and Work Search Support, is improving the number of beneficiaries moving into employment. All Sole Parent Support clients with a youngest child aged over three years, and up to 20,000 Jobseeker Support (Health Condition or Disability) clients, are now receiving WFCM.

This investment and the resulting positive impact are reflected in the annual valuation of the liability of the benefit system. The latest available valuation (to 30 June 2015) shows that not only did the numbers of sole parents decrease between 2014 and 2015, the lifetime costs of benefits for these clients also decreased.

Trialling new approaches to reduce welfare dependency

Trialling different approaches to get people out of welfare dependency and into sustainable work is a key part of our investment approach. We have designed and implemented a number of trials over the last two years that are specifically focused on improving outcomes for our client groups who face complex challenges getting into employment. These include:

- the Young Supported Living Payment (SLP) trial, which allows SLP clients to opt in to our WFCM approach
- an Intensive Client Support trial, which aims to improve work-readiness outcomes for high-complexity clients
- the Flexible Childcare Assistance trial, which provides a payment to enable sole parents to access childcare that is not provided for under existing arrangements
- the In-work Support trial, which focuses on up to 6,000 clients with a high frequency of entry and exits into employment, and work-ready jobseekers who have recently exited into employment.

Preliminary results are helping us to understand whether these trials will achieve their expected outcomes. In particular, results indicate positive off-benefit outcomes from the Young SLP and Intensive Client Support trials. The new SLP Opt-in Service was implemented nationally in May 2016.

Supporting disengaged young people

The Youth Service aims to assist disengaged young people back into training or education by providing intensive wraparound support including budgeting and parenting.

At 30 June 2016 there were 12,683 participants in the Youth Service, of whom 96.3 percent were engaged in education, training or work-based learning.

From July 2016 the Youth Service has been extended to at-risk 18- and 19-year-olds and 19-year-old teen parents, to reduce their likelihood of remaining on a benefit long term.

Rewriting the Social Security Act

During the year we continued progressing a rewrite of the Social Security Act 1964 to make it easier to navigate and understand, and to help us improve the delivery of frontline services.

The focus is on improving the structure of the Act so those who use it can find information more easily and understand it better.

The Social Security Legislation Rewrite Bill was introduced into Parliament on 17 March 2016 and had its first reading in May.

Addressing alignment issues

During the past year we identified an issue where operational practice was not aligned with legislation, involving benefit commencement dates. This error has been fixed and processes put in place to contact and repay, or provide back payments to, affected clients.

The Minister for Social Development subsequently requested a review to identify other potential situations where operational practice and legislation were not aligned. We have established an alignment programme to rectify the 35 issues identified, including around incorrect Accommodation Supplement payments to some clients. We anticipate this rectification work will be completed by the end of 2016.

We are also developing a process to better capture emerging alignment issues and to ensure they are addressed in an efficient, consistent and systematic way.

Alleviating material hardship

Alleviating hardship for children not only means that fewer children are vulnerable today, it is also an investment to improve life chances and child wellbeing in the longer term, and it reduces potential harm and costs (including economic costs) to society.

The $790 million Child Material Hardship package that was announced in Budget 2015 came into effect from 1 April 2016. We increased:

- benefits for families with children by $25 a week
- Working for Families payments for low-income working families by $12.50 per week
- childcare assistance for low-income families
- work obligations for beneficiary parents.

The package will have a meaningful impact for recipient families, particularly those on very low incomes, and will reduce the severity of hardship experienced.

In the five years to March 2016, the number of children in beneficiary families has reduced by over 23 percent, while the number of sole parents with a dependent child under the age of five has reduced by 24 percent.

This work contributes to the following Ministry outcomes:

- More people into sustainable work and out of welfare dependency
- Fewer children and young people are vulnerable

Reducing benefit numbers

At the end of June 2016 main benefit numbers had fallen by 5,154 (1.8 percent) compared with a year previously, from 284,960 to 279,806. Within that reduction:

- the number of people receiving Jobseeker Support reduced by 118
- the number of people receiving Sole Parent Support reduced by 3,818 to the lowest level since the Sole Parent Support category was introduced in 2013
- the number of people receiving Supported Living Payment reduced by 716.

Spotlight on:

Expanding the $3K to Work scheme

More than 2,000 clients have taken advantage of the $3K to Christchurch incentive payment since 2014. Over 92 percent of these remained off benefit for longer than 91 days, 34 percent were aged 24 or younger, and 48 percent were employed in the construction sector.

Following the success of $3K to Christchurch, the initiative was expanded in a limited but successful trial in other regions, and was renamed $3K to Work and extended to all regions from November 2015. In 2015/2016, 301 people took up $3K to Work, with 93 percent remaining off benefit for longer than 91 days.

Project 300

Between April 2015 and April 2016 we delivered Project 300, a 12-month employer-led initiative in the Canterbury region to trial a new approach to support clients with health conditions and disabilities into sustainable employment.

The initiative aimed to assist 300 people. By the end of the initiative, 620 clients had been placed into employment or training.

From 1 July 2016 Project 300 will be known as EmployAbility and will be progressively rolled out across the country, starting in the Bay of Plenty.

Contributing to a fair, efficient social housing market

Suitable housing plays an important role in enabling people to do well in life, raise healthy families, succeed in education and work, and strengthen their communities. We help those who have the highest need into social housing, and we assist people to move towards housing independence where they are able to do so.

We work alongside the Treasury, the Ministry of Business, Innovation and Employment and Housing New Zealand to deliver the Government's social housing reform programme.

Over the last two years our social housing role has expanded. We support people in need of social housing by managing needs assessment and the social housing register, and purchasing tenancies with the Income-Related Rent Subsidy. This ensures that appropriate housing and support are available for those who need it.

During the year we began testing a social investment approach to ensure that social housing is used by the right people at the right time, for the right duration and cost.

Managing and improving the operation of the social housing register

Through our management of the social housing register we aim to reduce vulnerability by improving efficiency and flow through the system so that those with the most need for social housing can access it. We work intensively with Housing New Zealand and community housing providers to match people to housing that suits their needs.

At 30 June 2016 there were 5,012 applications on the social housing register, an increase of 10.4 percent compared with the same time last year.

We have begun a review of the Social Allocation System, the process that assesses and prioritises eligibility for the social housing register. The review will determine whether the needs assessment is fit for purpose and well integrated.

This year we launched a programme to reset public expectations of social housing so that people understand that social housing is to meet a housing need for the duration of that need.

Under this programme, we will remove applicant households from the social housing register for 13 weeks if they decline a vacant social house without a good and sufficient reason. To determine whether a client has a good and sufficient reason for declining the offer of a property, we will consider the information provided by the housing provider and the client.

Each case will be considered on its merits. Most people who decline a property have a good reason for doing so. Some factors we take into consideration are proximity to essential services or the client's workplace, whether the property meets the assessed needs of the client, or whether requiring the client to accept the offer would have an adverse effect on their health, wellbeing or safety. Those who did not have a good and sufficient reason made up less than 10 percent of the 1,152 who declined an offer of social housing between the introduction of the programme in January 2016 and 30 June.

Systems development

During the year we successfully completed the migration of data from Housing New Zealand's Northgate Kotahi system to our own Client Management System. Having data on our own system gives us a fuller picture of social housing tenants' circumstances and the help tenants and their families may be entitled to. We also enhanced systems to improve information sharing between ourselves and community housing providers.

Supporting people into housing independence

Over the last two years we have developed a range of support to people on the social housing register and those already in social housing to become more independent, by helping them access alternative housing in the private market.

Relocation away from Auckland

In June 2016 we introduced a support package to assist applicants who are willing to relocate away from Auckland. This is a new one-off non-recoverable payment to help with the costs associated with relocating.

The package assists people with accessing sustainable housing opportunities outside of Auckland, by way of a new one-off non-recoverable Relocation Assistance payment of up to $5,000 to help with actual and reasonable direct moving costs.

Housing support products

We also provide financial support to help households into housing independence where appropriate. In 2015/2016 we helped over 800 people into their private rentals, by providing:

- 623 Bond Grants
- 195 Transition to Alternative Housing Grants
- 113 Moving Assistance payments
- 31 Tenancy Costs Cover payments
- 211 Letting Fee approvals.

Tenancy reviews

Reviewing social housing tenancies helps to free social housing for those who most need it, by ensuring the right people are in the right house, for the right duration and cost. In 2015/2016 we began the tenancy review process for 5,011 households in social housing. Following the 2,774 reviews that had an outcome, 842 households left social housing, including 609 who voluntarily moved into private accommodation and 103 who bought their own homes.

Increasing supply and diversity in the social housing market

Increasing the supply of social housing in the right places is critical to reducing vulnerability.

Throughout the year we worked to address challenges in securing additional places for social housing. This included working with community housing providers (CHPs) to increase diversity and options in the social housing market.

We worked closely with the Tāmaki Regeneration Company (TRC) to transfer approximately 2,800 Housing New Zealand properties to TRC.

Changes to the Housing Restructuring and Tenancy Matters Act 1992 have enabled us to enter into tailored agreements for social housing places. We ran a successful Request for Proposal process in Auckland, initially seeking an additional 300 places but securing over 500. These places will be delivered by five CHPs and will be ready for use within the next three years.

We are currently seeking 1,000 additional places and have established a social housing supply team in Auckland to broker tailored agreements with the sector to secure additional places.

Purchasing Intentions

Each year, we publish a Purchasing Intentions statement to help the market understand the types of tenancies we expect to purchase[26]. It contains information on performance measures, the characteristics and needs of people living in, or in need of, social housing, and how we work with social housing providers. We expect our next Purchasing Intentions release to be available in late October 2016.

Subsidising social housing availability

As at 30 June 2016:

- 60,995 tenancies were receiving the Income-Related Rent Subsidy (up 74 from 30 June 2015), of which 25,759 were in Auckland
- community housing providers were providing 3,120 Income-Related Rent Subsidised places nationally (up 2,880 from 30 June 2015), with 2,798 in Auckland.

26 The term 'purchase' in this context refers only to tenancies. It does not mean we buy social housing properties or act as a landlord.

This work contributes to the following Ministry outcomes:

- More people are able to participate in and contribute positively to their communities and society
- Fewer children and people are vulnerable

Spotlight on:

Emergency housing

Ensuring accommodation is available for people who urgently require a place to stay is a critical part of our social housing role. During the year we have seen an increasing demand for and pressure on emergency housing support, particularly in the Auckland area. In response, we have enhanced the services and support available to people with an urgent need for accommodation, through financial assistance and referral to emergency housing providers. For example, on a daily basis our Auckland Emergency Housing Liaison Officer is in regular contact with emergency housing providers to identify available vacancies and services for vulnerable clients.

In September 2015 Cabinet agreed to a $2 million short-term emergency housing response for Auckland, supporting emergency accommodation and providing wraparound support services. Specialist provider Emerge Aotearoa is providing 30 places for individuals or families, for a stay of up to 12 weeks, meaning a further 120 people are housed each year in addition to the emergency housing that was already available.

In 2015/2016 we completed a review of funding for emergency housing. The review led to changes to our funding arrangements, including developing a new emergency housing funding model. The model aims to create a more sustainable and effective emergency housing sector.

Budget 2016 included a $41.6 million boost for emergency accommodation, including:

- a new non-recoverable Special Needs Grant for those in emergency situations (as well as supporting those in need, this dedicated grant will help us track demand for emergency housing more effectively)
- contracts for fast-tracked funding for emergency housing places in areas of high demand.

The new initiatives are now being implemented.

We are also continuing to support vulnerable families and single people in need of housing in Christchurch through the Christchurch short-term housing response.

This work forms part of an ongoing work programme on emergency housing. The Government will continue to look at how it can best support vulnerable people in emergency situations.

Investing more effectively in communities

We are changing the way we provide services to vulnerable children, young people and adults by targeting community funding to where it will make the biggest difference.

Supporting strong, thriving communities

Each year we contribute to strong communities by investing over $300 million in community social services. These community services are critical to strengthening communities and reducing vulnerability through programmes that provide residential support, early intervention services, teen parent support, and information and resources for parents and communities.

Examples include supporting the National Collective of Independent Women's Refuges to provide residential and community-based services to over 11,600 clients, and the Stand Children's Service (Tū Māia Whānau), which provided social work support to nearly 1,800 children and young people. Over 88 percent of children who completed the Intensive Wraparound Family Service programme showed an improvement in their wellbeing.

Targeting funding through the Community Investment Strategy

Since 2014 we have been implementing the Community Investment Strategy (CIS) to guide decision-making about where we invest our funding to have the greatest impact. The Strategy is underpinned by a social investment approach, and helps to ensure that our investment in community-based social services is in line with the Government's goals and priorities for New Zealanders.

Through the CIS, we purchased services to support:

- vulnerable children and children in hardship, and to reduce child maltreatment
- vulnerable young people, including youth offenders, and to reduce youth crime
- victims/survivors of family violence and sexual violence, addressing perpetrators' behaviour and reducing violent crime.

By setting a clear direction for funding in line with government priorities, we have been able to reprioritise funding to Whānau Ora, Family Start and the Children's Action Plan.

We aim to fully implement the CIS by 2018. In 2015/2016 we continued to make the purchasing of these services more effective, more transparent and more focused on results by:

- developing a Results Measurement Framework to show how the services we purchase contribute to outcomes
- undertaking a stocktake of programmes and services to help identify gaps in service delivery, identify areas of duplication, and build our evidence base of what works and what does not
- setting up a framework to improve the quality of data we collect from our service providers
- simplifying and reducing compliance requirements for providers
- beginning to develop a training package to help strengthen providers' organisational governance capability and the development of result-based measures
- releasing an update to the Strategy for discussion with the community sector.

Working in partnership with communities and the sector

To ensure effective provision of services, we rely on the relationships we have with our community providers and their connections with their communities. By working closely and engaging with our partners, we hope to strengthen the provider sector's approach to targeting investment where it will make the biggest possible difference.

This year we worked with the community sector to co-design an approach that will underpin the new service structure for what is currently Budget Services. This will help build the financial capability of New Zealanders experiencing hardship. The rollout of the first phase will begin in November 2016.

This work contributes to the following Ministry outcomes:

- Fewer children and people are vulnerable
- More communities are strong and thriving

Spotlight on:

Expanding Family Start

Family Start is a child-centred intensive home visiting service targeted at vulnerable children and their families. The programme has shown positive effects through increasing these children's participation in early childhood education, reducing mortality rates in the first two years of life, and increasing the likelihood that vulnerable children come to the early attention of Child, Youth and Family.

We released research during the year that highlights the significant effectiveness of this programme.

Approximately 6,500 families received Family Start services in 2015/2016. Funding of $7.3 million has been reprioritised from the low-intensity Parents as First Teachers programme to Family Start to support more than 1,000 additional families in 2016/2017.

Contributing to the social sector and building a social investment approach for the sector

Increasingly, New Zealanders expect government agencies to work together to make services more accessible and to make a bigger difference to people at all stages of life. We continue to play an important role in leading and supporting effective cross-sector governance and initiatives to ensure greater collective impact of services on those families and communities who need it most.

Leadership in the sector

We need to work collaboratively and effectively with all our social sector partners to achieve our outcomes for New Zealanders.

As one of the largest providers of social services, we play a critical role in the social sector by supporting initiatives to help those who need it the most, from children and young people to working-age adults and retirees. In 2015/2016 we worked alongside our sector partners to:

- oversee collaborative models such as the Social Sector Trials and Children's Teams
- implement a social investment approach to making sector decisions
- use and share data and analytics to strengthen how we deliver services with other agencies
- work with iwi and the community to enhance our cultural capability
- help seniors maintain independence and participate in society
- address youth offending.

The Social Sector Board and Vulnerable Children's Board

We continued to provide secretariat support and advice to key cross-sector groups such as the Vulnerable Children's Board and the Social Sector Board to ensure that, as a social sector, our services are delivering the biggest impact to people's lives.

In May 2016 the Vulnerable Children's Board (VCB) was reconstituted with an independent Chair, to support the overhaul of New Zealand's care and support system.

The VCB provides advice to the Ministerial Oversight Group on:

- the new care and support operating model
- the cross-agency elements of the transformation process.

The Social Sector Board (SSB) is made up of 10 social sector chief executives who have a collective responsibility to address the complex social problems facing New Zealanders. Our role is to support our Chief Executive as Chair of the Board.

In 2015/2016 the SSB revised its Terms of Reference to ensure it can provide strategic oversight, governance, and collective stewardship of the social system.

As one of its key priorities, the SSB has a role in developing and implementing a social investment approach to deliver a more holistic and client-centric service to achieve better outcomes for New Zealanders.

Building a social investment approach

Social investment is about applying rigorous and evidence-based investment practices to the development, purchase and delivery of social services so decisions can be made that improve the lives of New Zealanders.

We continued to develop our investment approach for welfare and the Community Investment Strategy, to build a better understanding of the types of interventions that work and where our investments will have the greatest impact. This enables us to be flexible about the services we purchase and to make decisions having regard to the future and the needs of our clients.

We began expanding the investment approach across the Ministry, including developing a social housing valuation and looking towards integrating this with the welfare valuation to provide a better understanding of people's pathways in both systems. We expect the first social housing valuation data to be available in late October 2016.

In February 2016 the Social Investment Unit (SIU) was established as a centralised function to co-ordinate the development of social investment and support its application in the social sector. The SIU will provide a robust framework to help guide investment to where it is most effective for our clients. The SIU focused on:

- championing a social investment approach
- acting as stewards of the social investment system
- partnering with agencies
- building and operating the centralised platform required
- prototyping solutions (building a reusable infrastructure).

This work contributes to the following Ministry outcomes:

- More people into sustainable work and out of welfare dependency
- More people are able to participate in and contribute positively to their communities and society
- Fewer children and people are vulnerable
- More communities are strong and thriving
- Fewer children and young people commit crime

Spotlight on:

Supporting Canterbury

We remain committed to supporting the Canterbury recovery. In 2015/2016 we administered the Canterbury Earthquake Recovery Fund to provide a range of psychosocial initiatives to support individuals, families and communities recovering from the earthquakes of 2010 and 2011.

Our work to connect people with employment opportunities created by the rebuild included increasing the mobility of labour into the Canterbury region through the $3K to Christchurch initiative (the success of which led to it being rolled out to other regions in November 2015). We also worked with government and non-government agencies to support psychosocial recovery through the Community in Mind Programme of Action, and helped those in the greatest need into social housing.

The Office for Disability Issues supported the Earthquake Disability Leadership Group to ensure that disabled people are considered in the rebuild, with a particular focus on accessibility.

In 2015/2016 we funded nearly 3,700 trauma counselling sessions and Earthquake Support Co-ordination Services for those affected by the earthquakes. Our support of the 0800 Canterbury Support Line continued to help people connect with free counselling services or organisations. Nearly 1,400 calls were made to the 0800 number.

From 1 July 2016 the 0800 Canterbury Support Line is being funded by the Ministry of Health and delivered via the Ministry of Health's new integrated national telehealth service.

Spotlight on:

Changing attitudes and behaviours towards family violence

Through E Tu Whānau, we supported 41 local initiatives to change attitudes and behaviours towards family violence, and trained 120 Mauri Ora practitioners. Over 60 percent of surveyed practitioners reported that the use of E Tu Whānau resources had led to a change in attitudes and behaviours in their community.

We released two refreshed 30-second It's not OK television ads, to encourage environments that do not tolerate family violence and to support people to change their behaviour. Over 90 percent of community groups reported that the campaign has increased their ability to address or prevent family violence.

Social Sector Trials

Since 2011 we have partnered with other sector agencies to deliver the Social Sector Trials (SSTs) to help create strong and thriving communities.

The purpose of the SST programme was to test community-based approaches to delivering social services. We have helped to deliver SSTs in 16 locations, focusing on a range of justice, health, education and other social sector outcomes for individuals and communities.

A national (programme-level) multi-strand evaluation showed that the intermediate objectives of the SSTs had been achieved.

During the year Cabinet decided that:

- nine SSTs (Ranui, Gore, South Dunedin, Waitomo, Kawerau, Taumarunui, Horowhenua, Porirua, South Waikato) would move to community-led models
- two SSTs (Gisborne and Kaikohe) will be absorbed into place-based models
- five SSTs (Whakatane, Rotorua, South Taranaki, Waikato, Wairarapa) would be exited from 1 July 2016 as they did not meet performance expectations.

The follow-on models in the nine sites that are moving to community-led models are being developed locally. This transition from a locally influenced model to one that is locally developed and then locally led recognises that these communities are ready to take the lessons learnt from the SSTs model and develop their own operating models and supporting structures. We are working closely with our community partners to ensure minimal disruption to core programmes and services during the transition period.

Addressing family violence and sexual violence

Family violence and sexual violence are serious and complex issues that span multiple generations, affecting families from all cultures, classes, backgrounds and socio-economic groups. We are committed to responding to and preventing family and sexual violence in New Zealand so children and people are less vulnerable.

No single agency can address these issues alone. During the year we worked with the Ministry of Justice to co-ordinate an integrated approach to the achievement of this objective. We led:

- a programme to increase knowledge and skills in the workforce
- the Family Violence Primary Prevention Framework, to help guide future investment and support services
- a sexual violence policy framework to support sector infrastructure
- the continuation of the It's not OK, E Tu Whānau and Pasefika Proud campaigns.

Cross-government accreditation standards

Accreditation is the process that assesses a provider's capacity and capability to deliver quality services against a set of standards.

As Chair Agency of the Social Services Procurement Committee (SSPC), we worked with other government agencies to reduce duplication and compliance for social sector providers. This work will help ensure that providers have the time, capacity and capability to deliver the services required of them, and are not burdened by compliance. In 2015/2016 we:

- implemented ten social sector accreditation standards that were endorsed by SSPC
- built a cross-government accreditation register to share accreditation information across participating agencies
- completed a proof-of-concept project to develop a new operating model for agencies to work together.

A cost/benefit analysis of the application of the standards showed forecast savings of approximately $8 million per annum for providers and agencies, if cross-government accreditation is implemented across the social sector. Once realised, these savings can then be channelled directly back to those children, young people and adults who need it the most to improve their life outcomes.

All nine agencies in the Cross-Government Accreditation project team have endorsed the 10 standards.

Streamlining processes and systems for delivering transactional services and improving the effectiveness of our front line

A significant proportion of our clients' transactions with the Ministry are straightforward in nature. We are working hard to make it easier for people to access these services. This will allow our staff to focus on the activities that make a real difference to our clients' lives and lead to better outcomes for their families and communities. We have introduced simpler and streamlined online processes and are seeing strong uptake of these by our clients.

In 2015/2016 our Service Delivery Contact Centres answered around 7.5 million calls, our Centralised Processing Units completed approximately 7 million transactions, and our frontline staff conducted over 1.7 million face-to-face meetings with clients.

Simplification programme

Our Simplification programme, launched in 2014, is redesigning our transactional services and providing a more client-centric service through digital channels, making it easier for clients to do things for themselves and avoid unnecessary visits to our offices. The programme also streamlines our internal processes and automates transactional activity, which reduces related work effort. These changes also speed up transactions for our clients.

Maximising the use of digital channels for transactions allows us to focus our face-to-face services more on outcome-focused activities. These include helping clients to find employment, addressing housing needs, and supporting clients with particularly complex situations.

This is not about changing people's entitlements, eligibility, work or social obligations. We continue to encourage, coach and support our clients to build their digital confidence and independence, but we will not deprive any client of financial support because they cannot use digital channels.

During 2015/2016 our improvements to streamline and simplify processes for clients included:

- implementing MyMSD, a responsive online service and app that allow clients to view and update their own details
- rolling out the MyStudyLink smartphone app to allow students to update their personal information
- enhancing voice-enabled technology in our contact centres
- enabling electronic lodgement of medical certificates
- eliminating 26 types of unnecessary client letters, resulting in 1.3 million fewer letters sent to clients each year
- redesigning content on the Work and Income website and at our service centre kiosks, to make finding information easier
- bringing in the first tranche of business process improvements, including simplifying the authentication of benefit applications.

Improving services to combat fraud and collect debt

In 2015/2016 we launched a Fraud Prevention Strategy to guide our fraud prevention efforts over the next four years across our client groups. The Strategy focuses on how we can make it easier for clients to do the right thing and harder for them to commit benefit fraud.

Inland Revenue Information Sharing (IRIS)

We have improved our information-sharing programme with Inland Revenue so that we can:

- ensure that clients who are identified as being overpaid have their payments corrected
- identify overpayments earlier and more efficiently
- encourage clients to change their behaviour by complying voluntarily with income declaration requirements.

Since its inception in 2013 IRIS has led to:

- 1,134 successful prosecutions
- 12,183 benefit cancellations
- the recovery of $20.9 million in overpaid benefits and allowances.

Optimising debt recovery

We are committed to optimising debt recovery rates and we are encouraging the use of online and other channels to make it easier for clients to repay debt.

During the last year we improved this automated processing by developing and introducing a new dynamic review tool, DART, for completing automated backdated earnings-related reviews of a client's record.

We have realigned our debt collection systems to ensure that our efforts are focused on higher-value work.

Over the next year, we will trial changes to our business rules, to prioritise the recovery of some types of debt that optimises our recovery rates.

Making provider compliance easier

As part of the Community Investment Strategy, we further simplified compliance requirements for our contracted service providers so they have more time to focus on achieving results. This included reducing overlaps in monitoring processes for Ministry funding and working more collaboratively with providers to identify and manage potential issues early.

This work contributes to the following Ministry outcomes:

- More people into sustainable work and out of welfare dependency
- More people are able to participate in and contribute positively to their communities and society
- Fewer people commit fraud and the system operates with fairness and integrity.

Increasing use of digital channels

We actively promoted our new digital services, and saw a strong response from clients.

By the end of June 2016 over 115,000 clients had registered with MyMSD – up from 30,000 in February 2016.

In June 2016:

- 24 percent of benefit applications were made online
- 18 percent of all change in circumstance transactions were completed online (including 37.2 percent of income declarations)
- 77 percent of all medical certificates were lodged electronically
- 37 percent of calls were supported with enhanced voice-enabled technology (approximately 270,000 calls)
- 4 percent of appointment-related transactions were completed online.

We are aiming to have 70 percent of key administrative transactions managed through digital channels by 2018.

Our focus over the next year will also be on introducing back-end automation and streamlining business processes to reduce work effort. Making these and similar changes will lower the cost of processing transactions, and will lead to increased accuracy, efficacy and timeliness in processing.

Protecting the fairness and integrity of the welfare system

In 2015/2016, to protect the integrity of the system, our Fraud Services Unit:

- investigated 8,689 cases of suspected benefit fraud
- completed 2,839 overpayment cases and prosecuted 598 cases
- recovered $1.6 million through asset seizures and reparation orders
- arranged for over 70 percent of people who owe us money due to an overpaid benefit to repay it.

Improving the safety and security of staff and clients

The safety and security of our staff and clients are of paramount importance to us. Our staff have a right to be safe at work, and our clients should feel safe when they visit and talk about their needs and should have confidence and trust in our management of their personal information.

Security Response Programme

This past year has seen us continue to respond to the tragic events that occurred in Ashburton on 1 September 2014 and ready the organisation for the changes introduced under the new Health and Safety at Work Act 2015, which came into force on 1 April 2016.

Following the Ashburton tragedy we established the Security Response Programme (SRP) to implement changes based on the recommendations of the independent review of our security environment and to respond to the changing health, safety and security environment. The SRP has focused on embedding a stronger culture of safety and security awareness across the Ministry, and has implemented a new health, safety and security operating model and a dedicated Health, Safety and Security Group.

Physical environment

We developed an on-site risk assessment framework and deployed a comprehensive site security assessment and associated response programme.

We established two trial sites to test new approaches for our client-facing Work and Income sites (Willis Street, Wellington and Levin). This included introducing different zones within the sites with varying levels of client access, as recommended by the Government's Protective Security Requirements. This testing was supported by staff training that covered situational awareness, stress and stressors, safety tactics and techniques, and emergency response. We will use what we learnt to inform the layout of future sites.

In addition to the physical layout trials, and as part of the overall security system, security levels and an interim Threat Assessment Process have been developed. We will continue to embed the practical use of these into our everyday business.

We also reviewed our off-site framework and looked into deploying mobile duress alarms.

Security incidents

Since the spike in security events following the Ashburton tragedy, the number of reported incidents has settled but remains at higher levels than in 2014. This was expected, given our work to increase staff awareness of safety and security practices and the emphasis on incident reporting.

Training and support for staff

As a part of our ongoing commitment to supporting our people and their role in the safety and security environment, we have implemented a comprehensive training plan to help staff understand the Health and Safety at Work Act. This included:

- introducing annual refreshers to the online training modules we brought in for all staff in 2015
- safety drills across our sites, and scenario-based training for frontline staff
- using our annual National Days of Conversations as an opportunity to talk about safety and security.

ACC Accredited Employer programme

As part of our ongoing commitment to delivering on our health and safety objectives, we are audited annually as part of ACC's Accredited Employer programme. This provides assurance that we are complying with minimum health and safety standards, but it also provides an independent assessment of our commitment to achieve a higher standard.

In the August 2015 audit we retained our Primary Level accreditation. We are aiming to achieve a Tertiary Level accreditation score by 2018.

Privacy and security of information

This year we introduced an Information Management Strategy Framework, which emphasises the importance of privacy and information security, prioritising these areas for further development.

The Framework enables the integration of information management, information sharing, and privacy and information security plans and priorities.

Key initiatives that we have already completed in implementing the Framework include:

- introducing an information security strategy
- completing an information asset inventory
- developing information management, and security, privacy and information-sharing resources, guidance and support
- increasing our investment in privacy and information security.

These initiatives will enable us to deliver safe and secure information for day-to-day operations, transformation programmes and information sharing across the social sector.

Supporting strong, inclusive communities

Different sectors of the population face different challenges to participating fully in their communities and society. The Ministry provides support, through StudyLink, the Ministry of Youth Development, the Office for Seniors and the Office for Disability Issues, to enable students, young adults, seniors and disabled people respectively to be part of their community. In this section we outline our work in support of these groups.

Assisting students to overcome barriers to higher education

As education leads to more people contributing to their communities and society, it is important that eligible students receive support to overcome financial barriers to accessing higher education. We provide this support through StudyLink (student allowances and loans) and the Student Job Search service.

StudyLink helps young people who are leaving school, on a benefit or working, and thinking about tertiary study to make informed decisions about their options.

StudyLink funds the Student Job Search service to help tertiary students find employment while studying and during study breaks. In 2015/2016 students were placed in nearly 28,000 jobs (2.5 percent above target), generating minimum potential earnings of more than $80 million (23.6 percent above target). This income helps students to reduce their reliance on other forms of financial assistance.

Supporting young New Zealanders to contribute to communities

The Ministry of Youth Development (MYD) encourages and supports young people aged between 12 and 24 years to develop and use knowledge, skills and experiences to participate confidently in their communities.

In November 2015 Cabinet agreed a new direction and priorities for MYD. The focus of the new direction is to:

- provide more opportunities for youth development
- increase funding to youth from disadvantaged backgrounds
- pursue partnerships with the business and philanthropic sectors to invest in youth development outcomes
- encourage recognition of the contributions of young people to their communities.

We have taken a number of initiatives to align our operations with the new direction. We have implemented a new organisational structure and new, more flexible funding arrangements.

We also established a new partnership fund to increase youth development opportunities through engagement and partnership with businesses and philanthropic organisations. The first tranche of partnerships has created over 2,000 new youth development opportunities and has generated almost $1 million in co-investment.

We are reviewing funding contracts worth $4.3 million to ensure our purchase of youth development services aligns with the new direction.

Youth Parliament 2016

During the year we were integral in preparing for the July 2016 Youth Parliament. This included working with other agencies on material to support the mock Select Committee hearings, Question Time and a mock Bill. This work helped to make the Youth Parliament a valuable and exciting learning experience for the 121 participating Youth MPs as well as Youth Press Gallery members and other participants.

Support for teen parents and preventing unintended teen pregnancies

Teen parents have the highest lifetime liability costs of all groups in the benefit system, and their children are more likely to experience poor outcomes. It is particularly important to reducing vulnerability and supporting our communities for these parents and their children to thrive, achieve and belong.

We supported this outcome by leading the cross-agency teen parents work programme, which focuses on supporting better access to services for the most vulnerable teen parents and their children.

We also looked at the opportunities that social investment presents for these groups.

Helping seniors maintain independence and participate in society

The Office for Seniors encourages New Zealanders of all ages to think about the ageing population, and it helps update government and communities on the needs of seniors.

At 30 June 2016 there were:

- 704,607 recipients of New Zealand Superannuation
- 9,014 recipients of Veterans' Pensions
- 290,995 Community Services Card holders over 65 years of age
- 688,810 SuperGold Card holders.

Older people are key contributors to our economy and our communities. We provide services to support the wellbeing of seniors and to encourage their participation in their communities. For example we administered nine contracts covering 27 specialist elder abuse and neglect prevention services throughout New Zealand, to the tune of $1.93 million. These services helped prevent or reduce the incidence of abuse or neglect by providing education for aged care workers and public awareness-raising activities to inform the community about:

- the existence and prevalence of elder abuse
- how to identify elder abuse
- how to respond when it is suspected.

Services are provided by appropriately trained and qualified staff.

This work contributes to the following Ministry outcomes:

- More people are able to participate in and contribute positively to their communities and society
- Fewer children and people are vulnerable
- More communities are strong and thriving

Providing financial assistance to students

During 2015/2016 we processed:

- 127,099 Student Allowance applications (2014/2015: 132,293)
- 228,594 Student Loan applications (2014/2015: 230,465)
- 206,317 Student Loan course-related costs applications (2014/2015: 199,662)
- 22,265 Jobseeker Support Student Hardship applications (2014/2015: 25,281).

Providing information and connection points for seniors

During the past year we increased our communications with seniors to ensure they are better informed and have the opportunity to connect with services and their communities. Key initiatives included launching the SuperSeniors website, to keep seniors up to date with news and events and issues that directly impact them. The site has had over 450,000 page views.

The SuperSeniors e-newsletter has been expanded to include useful articles for seniors, as well as details of discounts available to SuperGold Card holders.

The number of followers of the Office for Seniors' Facebook page, which was launched in 2014, doubled last year to almost 7,500. Of these, 85 percent are aged 55 years and over, showing an active following from seniors.

Supporting disabled New Zealanders to participate in society

The Office for Disability Issues exists to help disabled people live successful lives, to help them take their place in a society where their contribution is valued and they are included.

Employment of disabled people

One in four New Zealanders is limited by a physical, sensory, learning, mental health or other impairment.

We developed several initiatives to support agencies to employ and retain disabled people. These included:

- for the public sector, the comprehensive Lead Toolkit, which is available on the State Services Commission's website
- for the private sector, the Hidden Talent tour, which showcases the skills and talents of disabled people and encourages business owners to employ them.

Providing financial support for disabled people

A key part of our support for disabled people to participate fully in society is payment of Disability Allowance to assist with regular ongoing costs associated with their disability, such as visits to the doctor or hospital, medicines, extra clothing or travel. At 30 June 2016, 236,603 people were receiving a Disability Allowance, an increase of 3,818 or 1.6 percent from the previous year.

Disability Data and Evidence Working Group

The Office for Disability Issues and Statistics NZ jointly lead the Disability Data and Evidence Working Group, which was established in 2015 to help improve data collection and statistics on disabled people in New Zealand.

The Working Group is addressing this challenge by developing a data and evidence plan to identify the information needed to make good decisions for disabled people and how to address any information gaps. It completed a stocktake of relevant government data, and is now developing a disability domain plan to set out clearly the priorities for the collection of data on disabled people.

New Zealand Sign Language

The Office for Disability Issues supports the New Zealand Sign Language (NZSL) Board to promote and maintain the use of NZSL. The Office also administers the NZSL Act 2006 and the NZSL Fund, which supports initiatives to promote NZSL in the community.

In March 2016 the NZSL Board's action plan was released, setting out five priorities for action. In addition, 24 projects were supported by the second funding round from the NZSL Fund. Successful projects include the development of a youth mentorship programme, a series of NZSL Immersion Courses in Otago where there is very limited access to NZSL for families with deaf children, and a national conference for families with deaf children.

Spotlight on:

Enabling Good Lives

The Christchurch Enabling Good Lives (EGL) demonstration concluded at the end of June 2016. Its 250 participants now have greater choice and control in their lives and over their supports.

The Waikato-based EGL demonstration has completed its first year, and at 30 June 2016 had 127 participants. We have worked with iwi in the planning and delivery of the demonstration, which is aligned with Māori tikanga and values. Thirty-two percent of Waikato EGL participants are Māori.

Evaluations of the two demonstrations indicate that EGL can make a positive difference to the lives of disabled people and their families. The detailed data and lessons from the two EGL demonstrations will inform future advice about the disability support system.

Strengthening our organisational health, capability and culture

Strengthening our people and capability

In March 2016 the Ministry agreed to its first ever organisation-wide People Strategy, setting a clear transformational path to ensure that all people-related activity would move the Ministry towards its core purpose.

The People Strategy is a crucial platform that ensures we have the organisational health, capability and culture to allow us to work together better, for greater collective impact and the best outcomes for clients. It describes the need to continue to build organisational capacity, both to deliver on agreed outcomes and to deal with challenges ahead.

The People Strategy sets out four priorities for the Ministry for the period up to 2025:

- changing the way that people experience work – ensuring an environment where our people can thrive and perform at their best
- shifting gears – a workforce which can respond more quickly in an ever changing environment
- redefining our leaders – ensuring the more consistent provision of the best leaders for our people and developing more capability to lead and support the wider sector
- orienting our organisation and workforce around our clients.

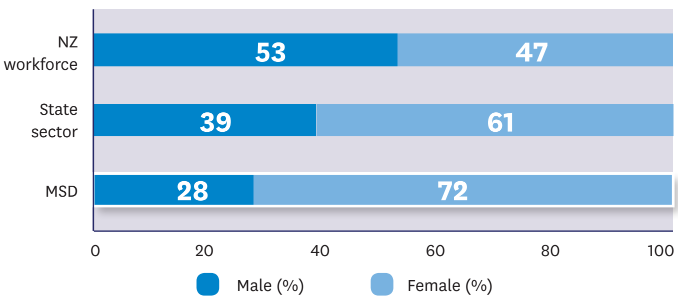
Our people

Our diverse and inclusive workplace

We are committed to supporting and promoting equality and diversity within a constructive work culture based on respect, fairness and valuing individual difference.

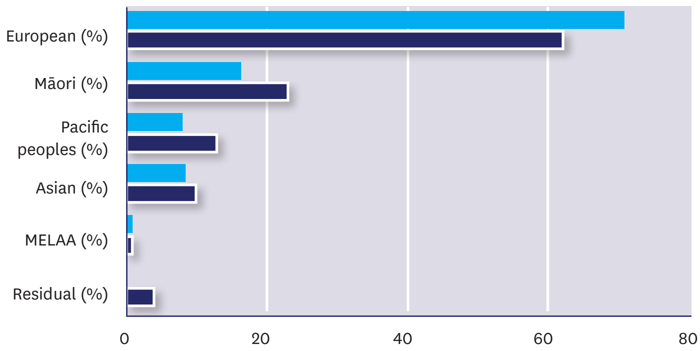
We employ people from a diverse range of backgrounds and employ a higher proportion of females than the public sector average. The next two graphs show our demographic breakdown.

Diversity statistics by gender



Source: State Services Commission – Human Resource Capability in the New Zealand State Services – 2015, and Ministry of Social Development statistics

Diversity statistics by ethnicity



%	Residual	MELAA	Asian	Pacific peoples	Māori	European
State sector	0	1	9	8	16	71
MSD	4	1	10	13	23	62

Note: MELAA refers to Middle Eastern, Latin American, African ethnicities

Source: State Services Commission – Human Resource Capability in the New Zealand State Services - 2015, and Ministry of Social Development statistics

We continue to participate in cross-agency work led by the State Services Commission to recognise and increase diversity and inclusion across the sector and within our own organisation.

Other initiatives that show our commitment to develop diversity and inclusion include:

- developing policies and practices that have led to positive outcomes for Māori employees (as identified in the Human Rights Commission EEO survey)
- removing barriers for disabled employees, by providing an online resource of accessibility information for disabled employees, their managers and colleagues
- improving technology to ensure impairment information is more accurately captured
- building a human resource management system (HRMS) that will enable and improve the data capture of the diversity and skills of our workforce.

This year we undertook a survey of the number of disabled people working in the Ministry. We found that 4 percent of our employees have a disability. We have shared the results and methodology of the survey with the State Services Commission and other government agencies so that the survey can be rolled out across the State sector.

In 2015/2016, 57 percent of our Tier 1 to 3 managers were female, 14 percent were Māori, 3 percent Pacific and 1 percent Asian. The average age of Ministry staff was 45 years, and the average length of service was 10 years.

Our culture – Building Blue

Corporate culture has a significant influence on organisational capability, performance and ability to collaborate constructively to achieve outcomes.

In 2013 we introduced a culture change programme, Building Blue, to build a more constructive and collaborative organisational culture. The programme is designed to roll out over several years, recognising that real change takes time to embed. Our goal is to achieve a constructive culture by 2021.

In late 2015 we completed the first re-survey since the launch of the Building Blue programme. The survey showed that we have achieved a decrease in both passive behaviours and aggressive behaviours in the workplace. It is important that these behaviours lessen in our corporate culture, to enable consistently constructive behaviours.

In the last year we have:

- built a deeper understanding of constructive organisational culture
- begun work to build a culture of coaching
- developed, and launched in March 2016, a New Manager Programme incorporating induction, skill-building workshops, coaching and mentoring, to build a common understanding of expected behaviour and commitment to our culture change vision
- undertaken work to align human resource systems and processes, including recruitment and induction, with constructive culture.

We intend to reassess our operating culture every two years to track the progress towards the preferred ‘blue’ culture.

Ensuring a safe and secure workplace

The Security Response Programme has resulted in the development and rollout of improved business processes and solutions designed to ensure staff can feel secure and confident as they serve New Zealanders.

Maintaining stable industrial relations

Positive and stable industrial relations support a high-performing organisation. Over 6,000 of our 10,000 staff are members of the Public Service Association (PSA).

Three of our collective agreements have come up for renewal during 2015/2016. One of these agreements has been settled, and negotiations on the other two are ongoing. As we work through the renewal of these collective agreements, we look to maintain constructive relationships with the unions representing our people.

In 2015/2016 we continued to work alongside the PSA on significant change initiatives that impact our work environment and workforce, such as the Health, Safety and Security Review.

Shifting gears

In 2015/2016 the Leadership Team has placed a strong emphasis on senior leadership performance and potential (talent). Part of this work has involved making significant investment in a large group of senior leaders participating in Leadership Insight Assessments.

Building a more sophisticated system of supports

We have had a centralised Human Resource management approach for some years. However, over time, practices and processes have become significantly out of step with modern capabilities and difficult to navigate and manage.

Significant work took place in 2015/2016 to attain agreement and funding for a new HRMS system, MyHR, which will significantly improve the visibility of our workforce and its capability, enabling better people leadership.

MyHR is a modern, robust HR management system that integrates HR processes in a single system. Once implemented MyHR will ensure our people have access to stable, reliable and secure HR services. It will enhance our ability to develop a high-performance culture and leverage HR information in a meaningful way to increase our capacity, capability and agility.

MyHR is scheduled to roll out in three waves over the 18 months from November 2016.

Redefining our leaders

Leadership is the single most critical driver of successful change. Given the scale of change we are currently facing and will continue to face, it is essential we have strong leadership in place.

We have strengthened our governance arrangements to support whole-of-Ministry leadership and decision-making.

Our Leadership Team is made up of our Chief Executive, Deputy Chief Executives and a Chief Policy Advisor. These leaders have collective responsibility for ensuring our organisational health, capability, and capacity to deliver services and achieve outcomes.

Four governance sub-committees of the Leadership Team support strategic decision-making across the organisation:

- Information Management Governance Committee
- Finance and Portfolio Governance Committee
- Corporate Capability Governance Committee
- Policy and Cross-Social Sector Committee.

In March 2016 the Leadership Team approved the establishment of the Health, Safety and Security Governance Committee, to provide oversight and governance of Ministry-wide matters relating to our people and physical security.

Independent Risk and Audit Committee

The Risk and Audit Committee provides critical support to the Chief Executive through independent advice and challenge on risk, internal control and assurance matters. The Committee's advisory role provides an alternative perspective on risk management and internal control, internal assurance, external audit, financial and performance matters, and governance frameworks and processes. The perspective provided by the Committee is of critical importance in a time of change for the Ministry.

The Committee met four times during 2015/2016 and comprised four independent external members:

- Graeme Mitchell (Chair)
- Kristy McDonald
- Linda Robertson
- Sir Maarten Wevers.

The Committee provided advice and assurance on the following key areas of our programme of work:

- the strategic change programme, including the Simplification project
- wellbeing, safety and security, including implementation of the Security Response Programme and the Health and Safety at Work Act 2015
- the Community Investment Strategy
- progress with our culture change programme Building Blue
- Investor Confidence Rating
- privacy reporting and holiday pay compliance.

Leadership development

Over the past year we developed a strategy to identify, develop and retain critical roles and key people across the Ministry. An internal talent management approach is now in place for second- and third-tier roles that is consistent with the rest of the State sector.

We provide a number of development opportunities to build leadership capability and succession planning.

Emerging Leaders is a programme designed for high-performing individuals who have the potential and aspiration to move into their first management role. Since the launch of this programme in 2013/2014, 200 employees have participated, with 13 people graduating over the last year.

Te Aratiatia has supported over 150 Māori and Pacific high-performing individuals to move into their first management role since its launch in 2002. Seventeen people graduated last year.

Te Aka Matua supports Māori and Pacific managers to complete their master's degree in Public Management. The last intake was in 2013, and the next is scheduled for 2016.

MSD Study Awards provide an opportunity for staff to pursue a significant learning and development programme of their choice that will benefit both themselves and the Ministry. Ten awards were made in the 2015/2016 year.

Our New Manager Programme is a suite of workshops that provide first-time team leaders with core management and leadership skills. Sixteen managers participated in 2015/2016.

In addition, we provided coaching for 223 of our middle and senior managers utilising the Life Styles Inventory (LSI™), a 360 degree feedback tool linked to our culture programme.

Building enterprise capability to manage projects, programmes and change

Our Enterprise Portfolio Management Office provides an enterprise-wide view of our portfolio of projects and programmes, and is charged with strengthening our capability across portfolio, programme and project management.

Understanding performance, risks and trade-offs helps us make informed decisions on maximising our resource investment.

During 2015/2016 we have introduced benefit management and benefit realisation practices across the Ministry, and have developed our governance practices to ensure we have strong portfolio leadership across top management tiers. We have enhanced our project financial management controls, and made significant progress in integrating change management practices to enhance the quality of the end product.

Building workplace flexibility – National Office accommodation changes

During the year we have been working on the relocation of our National Office to The Terrace, Wellington from August 2016. This gives us the opportunity to design a new, flexible work environment that encourages collaboration, innovation and better ways of doing things.

Bringing 2,000 staff in our National Office together into one building[27] increases opportunities for working together in a collaborative and efficient way, enhances our capacity to operate as an integrated, cohesive agency, and enables us to better respond to the needs of our clients.

In preparation for the move we have tested new office layouts, built more digital ways of working, provided staff with mobile technology, and reduced office clutter, enabling our organisation through better technology.

Delivery of the IT Strategy and Action Plan and other improvements, such as the implementation of the Single Client Management System, have built our organisational capability to work together more efficiently for greater collective impact.

Improving procurement standards

We have made significant improvements in standardising social service and commercial procurement through the development of new policy and practice guidelines. The improvements

27 A temporary expansion of National Office staff requires a short-term lease on a second building on The Terrace, for no longer than three years.

include the establishment of a Procurement Board to govern large purchases, as well as a range of communication and training packages. We have also worked closely with the Ministry of Business, Innovation and Employment to develop government procurement best practice initiatives.

New Zealand Business Number

We are required by a Cabinet directive of 25 May 2016 to recognise in any new or upgraded information management system, where practicable and by 31 December 2018, the NZBN of any organisation with which we interact.

We can identify businesses and community organisations that interact with Work and Income, using their NZBN where one has been issued, in our upgraded Client Management System.

We are working to update provider records to incorporate a NZBN where one has been issued. In some cases, this information will only be added once an organisation makes contact with the Ministry.

For organisations that interact with the Resource Directory Approvals (RDA) and contract to provide services for Child, Youth and Family and communities, we can record and cross-reference NZBNs manually; however this is yet to be automated and integrated into everyday business practices.

We have worked with the Ministry of Business, Innovation and Employment to obtain NZBN numbers for limited liability companies that we contract with, and we are working on obtaining NZBN data on incorporated societies over the next year.

Automation and a system to recognise NZBN numbers of commercial partners are being considered for implementation.

Developing our capability to share information to support better outcomes

Safe, legal and robust information-sharing arrangements enable the use and re-use of information by all of our service lines and by external stakeholders.

We are among the largest consumers of information from other government agencies, using shared information to deliver services, undertake research, and shape policy decisions. We are at the nexus of government information sharing, with at least 22 authorised information-matching programmes in place, and hundreds of Memoranda of Understanding and other arrangements with numerous agencies. This includes sharing our information with agencies and other stakeholders.

We have collaborated with other agencies to develop information-sharing arrangements for specific initiatives such as the Gangs Action Plan and the extension of the Youth Service. We have also continued to work with Inland Revenue on shared approaches to supporting clients' entitlements and obligations. Initiatives and innovations developed by external agencies that rely on shared information to target funding, identify risk, enable service efficiency and develop policy have benefited from access to our data.

In the last year we have also focused on how to improve our information-sharing capability as a part of the Information Management Strategy. We are delivering a centralised operating model and new governance arrangements for information sharing. As a part of this, we will improve our guidance to frontline staff, supporting decision-making around when and how we can share information with agencies and service providers.

Resolving complaints and grievances

A critical component of orienting our workforce and capability around client need is being responsive to our clients and any complaints that they might have.

Resolving historic claims

We are committed to resolving by 31 December 2020 all claims by victims of historic abuse or maltreatment suffered in the State's care before 1993.

As at 30 June 2016, 1,088 of the 1,905 claims have been resolved. We made offers to more than 400 eligible claimants under the Fast Track process in 2015; more than 85 percent of eligible claimants accepted offers.

Benefit Review Committees

Benefit Review Committees (BRCs) carry out independent reviews of clients' applications, income support or pensions.

In 2015/2016 we received 4,784 applications for Review of Decisions. Of these, 3,648 were resolved before going to the BRC, either by the decision being overturned or by the client withdrawing the request. The remaining 1,136 applications were resolved by a BRC in the period 1 July 2015 to 30 June 2016; of these, 904 (80 percent) confirmed the original decision, 92 (8 percent) varied the original decision, and 136 (12 percent) were revoked. Four were outside the jurisdiction of the BRC.

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

The Chief Executive's Advisory Panel is the second stage of the Child, Youth and Family formal complaints process. If complainants are unhappy with Child, Youth and Family's response to their complaint they can request a review by the Chief Executive. The Panel assists the Chief Executive in his review by providing a 'fresh pair of eyes' independent from Child, Youth and Family. It is made up of independent members who are appointed on the basis of their credibility, community standing and professional respect.

In 2015/2016 the Panel received 67 requests for a review, of which 64 were closed during the year. Eighteen of the 64 closed complaints were found to be outside of the Panel's jurisdiction and one was withdrawn. A further 19 requests were referred back to Child, Youth and Family as they had not been through a Child, Youth and Family review.

The Panel heard 20 complaints during the year.

Of the 26 complaints the Chief Executive decided during the year, five were upheld in full, 19 were upheld in part, and two were not upheld.

Working with the Ombudsman and the Privacy Commissioner

We are committed to keeping personal information secure and to protecting the privacy of our clients, their families and the organisations that deliver our services, and ensuring that people get access to the information they require/are entitled to.

We have improved how people can access information and make requests under the Official Information Act 1982. In order to be more open and transparent about the information we hold, our data, we are moving towards proactively releasing information about our significant policies and work programmes.

In 2015/2016:

- the Ombudsman received 77 complaints under the Ombudsman Act 1975 and 46 under the Official Information Act about the Ministry
- the Privacy Commissioner received 39 complaints about the Ministry.

Of the investigations finalised:

- four Ombudsman Act complaints were upheld
- 21 Official Information Act complaints were upheld
- two Privacy Act complaints were upheld.

Statement of Responsibility

I am responsible, as Chief Executive of the Ministry of Social Development (the Ministry), for:

- the preparation of the Ministry's financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them
- having in place a system of internal control designed to produce reasonable assurance as to the integrity and reliability of financial reporting
- ensuring that end-of-year performance information on each appropriation administered by the Ministry is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in the annual report.

In my opinion:

- the financial statements fairly reflect the financial position of the Ministry as at 30 June 2016 and its operations for the year ended on that date
- the forecast financial statements fairly reflect the forecast financial position of the Ministry as at 30 June 2017 and its operations for the year ending on that date.

Brendan Boyle
Chief Executive

23 September 2016

Independent Auditor's Report

To the readers of the Ministry of Social Development's Annual Report for the year ended 30 June 2016

The Auditor-General is the auditor of the Ministry of Social Development (the Ministry). The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- the financial statements of the Ministry on pages 88 to 118, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity, statement of trust monies, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Ministry for the year ended 30 June 2016 on pages 7 to 9 and 53 to 84;
- the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2016 on pages 135 to 143; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 120 to 134 that comprise:
    - the schedules of assets, liabilities, commitments, and contingent liabilities as at 30 June 2016;
    - the schedules of expenses, capital receipts, and revenue for the year ended 30 June 2016;
    - the statement of trust monies for the year ended 30 June 2016; and
    - the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2016; and
        - its financial performance and cash flows for the year ended on that date.
    - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards.
- the performance information of the Ministry:
    - presents fairly, in all material respects, for the year ended 30 June 2016:
        - what has been achieved with the appropriation; and
        - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
    - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Ministry on pages 135 to 143 are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989; and
- the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 120 to 134 present fairly, in all material respects, in accordance with the Treasury Instructions:
    - the assets, liabilities, commitments, contingent assets and contingent liabilities as at 30 June 2016;
    - the expenses, capital receipts and revenue for the year ended 30 June 2016; and
    - the statement of trust monies for the year ended 30 June 2016.

Our audit was completed on 30 September 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

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

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- financial statements that present fairly the Ministry's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand and Public Benefit Entity Standards;
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand;
- statements of expenses and capital expenditure of the Ministry, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Ministry on behalf of the Crown.

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

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

Responsibilities of the Auditor

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

Independence

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

In addition to the audit we have carried out assignments in the area of Probity Assurance (investing in children), which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Ministry.

Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Assessing our performance

Linking it together: Links between the Ministry's outputs and outcomes

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

Ministry Outcomes					
More people into sustainable work and out of welfare dependency	**More people are able to participate in and contribute positively to their communities and society**	**Fewer children and people are vulnerable**	**More communities are strong and thriving**	**Fewer children and young people commit crime**	**Fewer people commit fraud and the system operates with fairness and integrity**

Ministry Intermediate Outcomes	Fewer people are dependent on welfare More young people are in education, training, or work-based learning	Children and young people are involved in decision-making on issues that affect them and contribute positively to their communities Eligible students are supported to overcome financial barriers to access higher education	Disabled people are able to participate in society Seniors and veterans are able to maintain their independence and participate in society Seniors, families, and low-income New Zealanders have access to goods and services through discounts and concessions	More people who need housing support can access it More social housing tenants achieve independence, as appropriate Appropriate housing is available for those who need it	Vulnerable children are protected from abuse and neglect Children and young people are in safe and permanent care Children and young people we work with have access to adequate health services, housing and education	More effective and efficient allocation of government resources to meet community needs Families and communities have increased levels of awareness of how to respond to family violence Children and young people experience good parenting	More young offenders are in education, training or employment Fewer child offenders go on to become youth offenders Fewer young people have a repeat youth justice referral Families and victims are involved in addressing offending behaviour	Fraud is detected sooner Fraud overpayments are recovered more frequently and fewer overpayments are made People's claims are dealt with appropriately People's data and information are managed and used appropriately
Departmental Output Expenses	Data, Analytics and Evidence Services (page 57) Designing and Implementing Social Investment (page 58) Planning, Correspondence and Monitoring (page 66) Policy Advice (page 68) Property Management Centre of Expertise (page 71) Improved Employment and Social Outcomes Support MCA (page 78) Social Sector Trials MCA (page 82)	Data, Analytics and Evidence Services (page 57) Designing and Implementing Social Investment (page 58) Management of Student Loans (page 64) Management of Student Support (page 65) Planning, Correspondence and Monitoring (page 66) Policy Advice (page 68) Property Management Centre of Expertise (page 71) Youth Development (page 74)	Data, Analytics and Evidence Services (page 57) Designing and Implementing Social Investment (page 58) Income Support and Assistance to Seniors (page 59) Management of Service Cards (page 63) Planning, Correspondence and Monitoring (page 66) Policy Advice (page 68) Processing and Payment of Veterans' Pensions (page 69) Promoting Positive Outcomes for Disabled People (page 70) Property Management Centre of Expertise (page 71) Senior Citizens Services (page 72)	Data, Analytics and Evidence Services (page 57) Designing and Implementing Social Investment (page 58) Planning, Correspondence and Monitoring (page 66) Policy Advice (page 68) Property Management Centre of Expertise (page 71) Social Housing Outcomes Support MCA (page 80)	Adoption Services (page 53) Care and Protection Services (page 54) Children's Action Plan (page 56) Data, Analytics and Evidence Services (57) Designing and Implementing Social Investment (page 58) Investing in Communities (page 61) Planning, Correspondence and Monitoring (page 66) Policy Advice (page 68) Property Management Centre of Expertise (page 71) Transformation Programme: Investing in New Zealand Children and their Families (page 77) Social Sector Trials MCA (page 82)	Data, Analytics and Evidence Services (page 57) Designing and Implementing Social Investment (page 58) Investing in Communities (page 61) Planning, Correspondence and Monitoring (page 66) Policy Advice (page 68) Property Management Centre of Expertise (page 71) Social Sector Trials MCA (page 82)	Data, Analytics and Evidence Services (page 57) Designing and Implementing Social Investment (page 58) Planning, Correspondence and Monitoring (page 66) Policy Advice (page 68) Property Management Centre of Expertise (page 71) Youth Justice Services (page 75) Social Sector Trials MCA (page 82)	Data, Analytics and Evidence Services (page 57) Designing and Implementing Social Investment (page 58) Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments (page 60) Planning, Correspondence and Monitoring (page 66) Policy Advice (page 68) Property Management Centre of Expertise (page 71)

Vote Social Development

Output Expense: Adoption Services

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the legal adoption of children by approved parents and to provide access to information on adoptions.

Summary of Performance

Non-financial Performance

In 2015/2016 we undertook 258 applicant assessments for domestic and intercountry adoptions, provided 157 statutory reports to the Family Court on the progress of adoption placements, and worked with 122 birthparents regarding adoption.

Our work ensured that:

- adoptive applicants and birth parents are fully informed and prepared before making their decision about adoption
- quality adoption reports are provided to courts in New Zealand and overseas
- requests for information by adult adopted persons and birth parents relating to past adoptions are responded to.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
182	The number of requests[28] from adults seeking identifying information on birth parents will be between	150-200	221

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted[29] $000**	**Revised[30] $000**	**Actual $000**
	Revenue			
7,038	Crown	7,177	7,177	7,177
-	Department	-	-	-
-	Other	-	-	-
7,038	**Total Revenue**	**7,177**	**7,177**	**7,177**
6,986	**Total Expense**	**7,177**	**7,177**	**7,029**
52	**Net Surplus/(Deficit)**	**-**	**-**	**148**

28 Under section 9(4)(c) of the Adult Adoption Information Act 1985.
29 As set out in the Estimates of Appropriations for 2015/2016.
30 Revised budget figures include any changes made in the Supplementary Estimates of Appropriations for 2015/2016.

Output Expense: Care and Protection Services

Scope

This appropriation is limited to the social work services, both statutory and informal, that protect and assist children and young people who are in need of care and protection, including education and advice services for the recognition and prevention of child abuse and neglect.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve increased safety, security and wellbeing for vulnerable children who have been or are at risk of harm.

Summary of Performance

Non-financial Performance

In 2015/2016 we received notifications, including Police family violence referrals, in respect of 142,249 children and young people. For 44,689 children and young people these notifications required further action. We responded within timeliness standards to 97 percent of children and young people who were experiencing immediate safety risks.

Children and young people we supported during the year received comprehensive and ongoing assessment through the Tuituia assessment framework, and 80 percent of children and young people in care were referred for health and educational assessments through the Gateway programme as appropriate.

We continued to meet all safety, security and stability standards for care and protection services including:

- responding within the timeframes appropriate to the safety and needs of children and young people who are reported
- completing investigations
- placing children and young people in stable, safe and loving environments
- planning for children's reintegration into society.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Engagement and Assessment		
	The percentage of notifications where there are immediate concerns about the safety of the child or young person, that have an initial assessment commenced within the timeframe appropriate to the safety of the child or young person will be between:		
98.4%	Critical (less than 24 hours)	95-100%	97%
98.7%	Very Urgent (up to 48 hours)	95-100%	98%
	The percentage of notifications requiring further action, but where there are no immediate concerns about the safety of the child or young person, that have an initial assessment commenced within the timeframe appropriate to the needs of the child or young person will be between:		
95.3%	Urgent (within seven working days)	85-95%	94%
96.1%	Low Urgent (within 20 working days)	85-95%	95%
91.4%	The percentage of investigations/child and family assessments completed within 43 working days for those aged five and over will be between	80-90%	93%
New measure for 2015/2016	The percentage of investigations/child and family assessments completed within 36 working days for under five year olds will be between	85-95%	92%
New measure for 2015/2016	The percentage of children and young people who have been abused/neglected within six months of a previous finding of abuse/neglect will be no more than[31]	15%	11%*

* There are known issues about the consistency and quality of abuse findings. Work is under way to improve the accuracy of identification and reporting of abuse.

31 Repeat findings may relate to an historical event prior to a child or young person coming to our attention.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Seeking Safety and Security		
98.6%	The percentage of care and protection family group conference plans reviewed by the agreed due date will be between	95-100%	99%
	Securing Stability and Wellbeing		
New measure for 2015/2016	The percentage of children and young people in care referred for a Gateway assessment will be between	70-80%	80%**
New measure for 2015/2016	The percentage of children aged under five years old (who are unable to return home), who are placed with their Home for Life[32] caregiver within 12 months of coming into care will be between	60-70%	77%
99.0%	The percentage of children and young people discharged from a care and protection residence with an individual plan to help them transition back to the community will be between	95-100%	95%
New measure for 2015/2016	The percentage of children and young people in out-of-home care for more than 12 months, who have had more than three caregivers within the previous 12 months, will be no more than[33]	16%[34]	7%

** Not all children and young people in care are referred for Gateway assessments, because consent has not been obtained, or has been withdrawn by the parent or guardian, or because the child or young person is already receiving services.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
377,049	Crown	390,019	394,393	394,393
-	Department	-	-	-
2,105	Other	1,812	1,812	3,013
379,154	**Total Revenue**	**391,831**	**396,205**	**397,406**
376,852	**Total Expense**	**391,831**	**396,205**	**382,924**
2,302	**Net Surplus/(Deficit)**	**-**	**-**	**14,482**

32 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 a Home for Life occurs when the Chief Executive's custody is discharged in favour of a permanent caregiver.

33 Many children will appropriately have more than one placement if they have an emergency placement followed by a longer-term placement, such as in their first year of care.

34 Based on the United Kingdom national standard for a 12-month period.

Output Expense: Children's Action Plan

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve a reduction in the number of vulnerable children in New Zealand by identifying, protecting and supporting children who are at risk of abuse and neglect who need support but do not require a statutory service.

Summary of Performance

Non-financial Performance

In 2015/2016 the Children's Action Plan Directorate enhanced the ability of the system to identify, protect and support children at risk of abuse and neglect by establishing six new Children's Teams, bringing the total now operating to 10. The number of children, families and whānau supported by Children's Teams has increased by over 400 percent in the last year: at 30 June 2016 the 10 Children's Teams have accepted almost 2,000 referrals, and over 400 children have completed their engagement with Children's Teams.

In November 2015 the Directorate launched ViKI, a secure information management system designed to support information sharing, collaboration and case management, and the Vulnerable Children's Hub (The Hub), a contact and triage point for professionals and practitioners to raise concerns about a vulnerable child. ViKI and The Hub are now supporting three large, urban Children's Teams in Hamilton, Canterbury and Counties Manukau. At 30 June 2016 almost 1,200 people had contacted the Vulnerable Children's Hub, resulting in over 850 children being referred to Children's Teams.

The Directorate continued to implement the Vulnerable Children Act 2014 and components of the workforce programme alongside its partner agencies. This included extending safety checking legislation to local authorities, supporting Children's Teams, conducting a children's workforce survey and developing a draft core competency framework.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
New measure for 2015/2016	The percentage of Children's Team staff (Children's Team Directors, Lead Professionals and Children's Team members) safety checked at all referral ready Children's Teams by 30 June 2016 will be no less than	100%	100%
New measure for 2015/2016	The number of children accepted into Children's Teams as at 30 June 2015 (cumulative) is increased by 70% by 30 June 2016	Achieved	Achieved*
New measure for 2015/2016	All Children's Team components are implemented to support the Hamilton Children's Team including Phase 1 of the Vulnerable Kids Information System (ViKI), the Vulnerable Children's Hub pilot (The Hub) and an Approved Information Sharing Agreement (AISA) by 30 March 2016	Achieved	Achieved**
New measure for 2015/2016	The Children's Action Plan Directorate has the ability to report on outcomes for children in Children's Teams by 30 June 2016	Achieved	Achieved

* The number of children accepted into Children's Teams increased by over 400 percent, from 377 at 30 June 2015 to 1,947 at 30 June 2016.

** This measure focuses on the implementation of the Hamilton Children's Team in November 2015, which included the launch of ViKI, The Hub and the Approved Information Sharing Agreement with other agencies.

Financial Performance

2014/2015		2015/2016		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
9,233	Crown	13,394	12,894	12,894
-	Department	-	-	-
-	Other	-	-	-
9,233	**Total Revenue**	**13,394**	**12,894**	**12,894**
8,137	**Total Expense**	**13,394**	**12,894**	**12,505**
1,096	**Net Surplus/(Deficit)**	**-**	**-**	**389**

Output Expense: Data, Analytics and Evidence Services

Scope

This appropriation is limited to providing data, analytics and evidence services to better inform government decision-making.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve an increase in the use and thereby the value of the data and information assets of the Ministry and other government agencies to improve outcomes for New Zealanders.

Summary of Performance

Non-financial Performance

We provided high-quality advice to enable Ministers to make decisions on government social policy matters, including welfare reform, care and support of children, social housing, youth policy, youth justice, enhancing the lives of older people, and ensuring better social outcomes for disabled people.

During the year we enhanced the way we use data to improve decision-making and to help inform the way we deliver services to clients. We published four reports that evaluated current work, while a further four reports had been approved for publication by 30 June 2016. Publication dates for these reports are still being planned with other agencies.

We also provided expenditure forecasts in relation to appropriation expenditure trends (for example, in terms of expenditure, numbers and average rates), cost-benefit analysis and an updated version of a model to predict the future liability for clients. This model is being used to assess the return on investment of interventions.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
New measure for 2015/2016	Data, analytics and evidence services will be delivered in accordance with a work programme agreed with Ministers	Achieved	Achieved
New measure for 2015/2016	Independent review of the quality of the products and services produced as assessed against the Ministry's Data, Analytics and Evidence Quality Standard	Achieved	Achieved
10	The number of research, evaluation and analytics reports published will be no less than	8	4*

* As at 30 June 2016 an additional four reports had been approved for publication. The reports were published in September 2016.

Financial Performance

2014/2015		2015/2016		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
-	Crown	11,420	11,380	11,380
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**11,420**	**11,380**	**11,380**
-	**Total Expense**	**11,420**	**11,380**	**11,187**
-	**Net Surplus/(Deficit)**	**-**	**-**	**193**

This appropriation was newly established in 2015/2016 from the former *Information, Evaluation and Analytics Services* category of the *Social Policy Advice* Multi-category Appropriation.

Output Expense: Designing and Implementing Social Investment

Scope

This appropriation is limited to expenses incurred in designing and implementing a cross agency social investment system.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the provision of initial tools and infrastructure by the Social Investment Unit required to enable a collective social investment approach allowing investment in what works to improve the lives of New Zealanders, creating lasting change.

Summary of Performance

Non-financial Performance

In 2015/2016 the Social Investment Unit (SIU) was established to develop the principles and framework to help embed social investment within the social sector.

The SIU focused on:

- championing a social investment approach
- acting as stewards of the social investment system
- partnering with agencies
- building and operating the centralised platform required
- prototyping solutions (building a reusable infrastructure).

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
New measure for 2015/2016	The satisfaction rating given by lead Ministers for the quality and timeliness of advice, as per the Common Satisfaction Survey will be at least	7.0	8.5

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	-	2,000	2,000
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**-**	**2,000**	**2,000**
-	**Total Expense**	**-**	**2,000**	**1,518**
-	**Net Surplus/(Deficit)**	**-**	**-**	**482**

This was a new appropriation in 2015/2016.

Output Expense: Income Support and Assistance to Seniors

Scope

This appropriation is limited to paying New Zealand Superannuation and social security entitlements to older persons, providing advice to them, administering international social security agreements relating to non-superannuitants, and assessing financial entitlement to Residential Care Subsidies.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve more seniors maintaining their independence and social participation through the efficient and accurate assessment and payment of entitlements to older people.

Summary of Performance

Non-financial Performance

In 2015/2016 the number of people on New Zealand Superannuation increased to 704,607, compared with 677,935 at the end of 2014/2015, an increase of 26,672 or 3.9 percent.

We provided accurate and timely entitlement assessments and payments to 58,640 new applicants for New Zealand Superannuation to help them maintain independence.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
90%	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 completed accurately will be no less than	90%	93.3%
83%	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 timeframes[35] will be no less than	90%	72.6%*

Note: Budgeted standards for timeliness and accuracy measures in this appropriation were revised for 2015/2016 to ensure alignment with similar measures across appropriations delivered by the Service Delivery group. This alignment follows the merger in October 2014 of the Ministry's Work and Income, Seniors Services, Integrity Services and StudyLink groups into the Service Delivery group.

* A new work distribution tool was introduced during the year, which has impacted performance. Training and systems improvements have been introduced to restore performance to expected standards.

Financial Performance

2014/2015		2015/2016		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
36,776	Crown	37,022	36,902	36,902
-	Department	-	-	-
-	Other	-	-	-
36,776	**Total Revenue**	**37,022**	**36,902**	**36,902**
36,686	**Total Expense**	**37,022**	**36,902**	**36,981**
90	**Net Surplus/(Deficit)**	**-**	**-**	**(79)***

* The actual expenditure for this appropriation in 2015/2016 is within the revised budget when the remeasurement adjustment for unvested long service leave is excluded. The Ministry is appropriated for expenditure excluding remeasurements; this figure is shown in the Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations tables on pages 135 to 140.

35 This combines timeliness measures for all activities in this output expense. Standard timeframes for each component are as follows:
- 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 payments overseas and other New Zealand entitlements paid overseas
- 20 working days for Residential Subsidy entitlement assessments.

Output Expense: Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments

Scope

This appropriation is limited to services to minimise errors, fraud and abuse of the benefit system and Income Related Rent, and services to manage the collection of overpayments, recoverable assistance loans and other balances owed by former clients.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve a welfare system that operates with fairness and integrity by ensuring that the right people receive the right entitlements and assistance at the right time.

Summary of Performance

Non-financial Performance

We undertake prevention programmes and operate a range of detection activities to minimise and mitigate fraud and to protect the integrity of the welfare system. During the year we launched a Fraud Prevention Strategy to guide fraud prevention efforts and focus on how to make it easier for clients to do the right thing.

In order to protect the integrity of the benefit system and Income-Related Rent Subsidy payments, our specialised investigation staff investigated 8,689 cases and established 2,839 overpayments.

We completed 619 prosecutions, nearly all of which were successful. Cases are investigated only when allegations have been made and there is sound information indicating that fraud may be present.

We are committed to optimising debt recovery rates and we are encouraging the use of online and other channels to make it easier for clients to repay debt.

We recovered $1.6 million through asset seizures and reparation orders; and over 70 percent of people who owe money to the Crown because of an overpaid benefit are repaying it.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
62.6%	The percentage of investigations that result in an entitlement change[36] or an overpayment will be no less than	50%	58.4%*
96.8%	The percentage of successful prosecutions concluded will be no less than	95%	96.6%**
72.3%	The percentage of non-current debt paid in full, or under an arrangement to pay, within four months will be no less than	70%	71.1%†

* We have widened our focus from investigating fraud to include preventing fraud. This has meant more early interventions and as a result an overall reduction in the percentage of overpayments established.

** Prosecutions typically number 600 to 900 each year. The small drop in performance compared with 2014/2015 is immaterial.

† The fall in the result between 2014/2015 and 2015/2016 is insignificant given the small number of cases involved.

Financial Performance

2014/2015		2015/2016		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
-	Crown	49,510	49,350	49,350
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**49,510**	**49,350**	**49,350**
-	**Total Expense**	**49,510**	**49,350**	**49,518**
-	**Net Surplus/(Deficit)**	**-**	**-**	**(168)***

* The actual expenditure for this appropriation in 2015/2016 is within the revised budget when the remeasurement adjustment for unvested long service leave is excluded. The Ministry is appropriated for expenditure excluding remeasurements; this figure is shown in the Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations tables on pages 135 to 140.

This appropriation was newly established in 2015/2016 by merging the former appropriations *Collection of Balances Owed by Former Clients and Non-beneficiaries* and *Services to Protect the Integrity of the Benefit System and Eligibility for Income Related Rent*.

36 This includes the increase, reduction or cessation of entitlement to benefit as a direct result of the investigation.

Output Expense: Investing in Communities

Scope

This appropriation is limited to approving community-based social services; managing the relationship with service providers, including funding and monitoring; and the co-ordination of social support services to strengthen families and whānau.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve strong and thriving communities by improving access to advice and social support services available to communities, young people and families.

Summary of Performance

Non-financial Performance

In 2015/2016 an average of 6,988 clients a month accessed a wide range of advice and social support services through 34 Heartland Services Centres. Of those surveyed, 93 percent reported improved access to support services.

We funded 28 local community initiatives and 14 national and strategic partnerships through the SKIP (Strategies with Kids, Information for Parents) initiative to help build community capability, knowledge and focus to support parents and to prevent child maltreatment.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Approval of Community Organisations		
99%	The percentage of Level 1[37] and Level 2[38] Ministry of Social Development-contracted providers who will be assessed at least once every two years against Ministry of Social Development approval standards will be no less than	100%	100%
89%	The percentage of Level 3[39] and Level 4[40] Ministry of Social Development-contracted providers who will be assessed within the review frequency[41] against Ministry of Social Development approval standards will be no less than	100%	81%*
	Relationship with Social Services Providers		
New measure for 2015/2016	The proportion of all contracted services which achieved or exceeded the target for their primary contracted measure[42] will be no less than	75%	78%
	Social Support Services Co-ordination		
New measure for 2015/2016	The percentage of surveyed clients that agree that they are better off as a result of accessing Heartland Services will be no less than	80%	93%
88%	The percentage of surveyed agencies agreeing that they are 'satisfied' or 'very satisfied' with Heartland Services Centres' accessibility, range of services and facilities will be no less than	90%	72%**
	Supporting Communities		
New measure for 2015/2016	The proportion of parents who received support and have reported that they have improved their parenting practices[43] will be no less than	90%	90%

* The result achieved for this measure can be attributed to programme and funding changes resulting from the Community Investment Strategy line-by-line review. These changes led to new Level 1 and Level 2 assessments taking priority over new, existing or overdue Level 3 and Level 4 assessments, due to the higher risk and increased vulnerability of clients within the Levels 1 and 2 service types.

** The lower-than-expected result is due to a fall in the satisfaction ratings from all agencies around accessibility aspects, as shown in the 2015 and 2016 survey results. The biggest area of dissatisfaction was in relation to resources available at the centres (internet access, telephone, photocopier/fax).

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37 Level 1: Providers delivering care-based services.

38 Level 2: Providers delivering services under Level 2 are those that have high-risk/vulnerable clients who require intensive support.

39 Level 3: Providers delivering services under Level 3 are those that have medium-risk clients require short-term or early interventions (including Out of School Care and Recreation (OSCAR) Programmes).

40 Level 4: Providers delivering services to low-risk client group or general population – low-level support, usually delivered in a group setting, for example co-ordination services, training or employment services.

41 'Review frequency' means:
- for Level 3 community service providers: every two years
- for Level 3 OSCAR providers: every two to five years depending on risk
- for Level 4 providers: every two years via provider self-assessment.

42 Every contract contains a primary or volume measure that describes what the provider is contracted to deliver, such as the total number of clients receiving a service or intervention.

43 The proportion of parents is measured by surveys conducted by SKIP-funded providers as part of their contractual arrangements.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	46,231	45,786	45,786
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**46,231**	**45,786**	**45,786**
-	**Total Expense**	**46,231**	**45,786**	**45,054**
-	**Net Surplus/(Deficit)**	**-**	**-**	**732**

This appropriation was newly established in 2015/2016 by merging the former appropriations *Development and Funding of Community Services* and *Family and Community Services*.

Output Expense: Management of Service Cards

Scope

This appropriation is limited to assessing entitlement, issuing cards, and promoting and distributing information about the Community Services, SuperGold and Veteran SuperGold cards, including enlisting business partners to provide discounts to SuperGold cardholders.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve more low income New Zealanders and seniors participating in society through the efficient and accurate assessment and issuing of discount service cards.

Summary of Performance

Non-financial Performance

In 2015/2016:

- the number of Community Services Card recipients fell from 885,760 to 867,383, reflecting decreases in all client categories, with the exception of Student Allowance clients
- the total number of SuperGold Card holders increased from 666,015 to 688,810
- the number of SuperGold Card business partners providing discounts to cardholders increased from 8,053 to 8,304, with a total of 297 new partners joining the programme, including 42 as the result of a recruitment campaign in May and June 2016.

The number of SuperGold Cards and Veteran SuperGold Cards issued is determined by the number of new card applicants and card renewals. In 2015/2016 the number of new cards issued was 258,558, compared with 290,372 in 2014/2015.

The efficient and accurate assessment and issuing of discount cards enables more New Zealanders and seniors to take part fully in society.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
99%	The percentage of card entitlement assessments completed accurately will be no less than	90%	96.9%
99%	The percentage of card entitlement assessments completed within five working days will be no less than	90%	88.1%*
865	The number of new business partners engaged will be no fewer than	250	297**

Note: Budgeted standards for timeliness and accuracy measures in this appropriation were revised for 2015/2016 to ensure alignment with similar measures across appropriations delivered by the Service Delivery group. This alignment follows the merger in October 2014 of the Ministry's Work and Income, Seniors Services, Integrity Services and StudyLink groups into the Service Delivery group.

* Performance for this measure was affected by the rollout of a new client management system in March 2016. Operational issues have been resolved and we expect to reach targets in 2016/2017.

** A recruitment campaign in May and June 2016 resulted in more new business partners than forecasted being engaged.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	6,629	6,279	6,279
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**6,629**	**6,279**	**6,279**
-	**Total Expense**	**6,629**	**6,279**	**6,227**
-	**Net Surplus/(Deficit)**	**-**	**-**	**52**

This appropriation was newly established in 2015/2016 by the disestablishment of the former *Management of Service Cards* Multi-category Appropriation.

Output Expense: Management of Student Loans

Scope

This appropriation is limited to assessing, paying and reviewing entitlements for student loans and providing guidance to students making financial and study decisions.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve reduced financial barriers to tertiary study through the efficient and accurate assessment and payment of Student Loans.

Summary of Performance

Non-financial Performance

In 2015/2016 we processed 228,594 Student Loan applications, with over 99 percent of Student Loan entitlement assessments being completed accurately.

Timely and accurate assessments and payment of entitlements for Student Loans during the year helped reduce financial barriers for students and enabled them to access tertiary study.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
New measure for 2015/2016	The percentage of entitlement assessments for a Student Loan completed accurately will be no less than	90%	99.1%*
New measure for 2015/2016	The percentage of initial entitlement assessments for a Student Loan completed within five working days will be no less than	90%	100%*

Note: Budgeted standards for timeliness and accuracy measures in this appropriation were revised for 2015/2016 to ensure alignment with similar measures across appropriations delivered by the Service Delivery group. This alignment follows the merger in October 2014 of the Ministry's Work and Income, Seniors Services, Integrity Services and StudyLink groups into the Service Delivery group.

* These are new measures for 2015/2016 and a baseline is being established.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
13,702	Crown	15,045	15,045	15,045
-	Department	-	-	-
-	Other	-	-	-
13,702	**Total Revenue**	**15,045**	**15,045**	**15,045**
13,489	**Total Expense**	**15,045**	**15,045**	**15,129**
213	**Net Surplus/(Deficit)**	**-**	**-**	**(84)***

* The actual expenditure for this appropriation in 2015/2016 is within the revised budget when the remeasurement adjustment for unvested long service leave is excluded. The Ministry is appropriated for expenditure excluding remeasurements; this figure is shown in the Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations tables on pages 135 to 140.

Output Expense: Management of Student Support

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.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve reduced financial barriers to tertiary study through the efficient and accurate assessment and payment of non-recoverable financial support for students.

Summary of Performance

Non-financial Performance

In 2015/2016 we processed 127,099 Student Allowance applications, with over 96 percent of Student Allowance entitlement assessments being completed accurately.

Timely and accurate assessment and payment of entitlements for Student Loans during the year helped reduce financial barriers for students and enabled them to access tertiary study.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
New measure for 2015/2016	The percentage of entitlement assessments for a Student Allowance completed accurately will be no less than	90%	96.5%*
99.9%	The percentage of initial entitlement assessments for a Student Allowance completed within five working days will be no less than	90%	99.8%

Note: Budgeted standards for timeliness and accuracy measures in this appropriation were revised for 2015/2016 to ensure alignment with similar measures across appropriations delivered by the Service Delivery group. This alignment follows the merger in October 2014 of the Ministry's Work and Income, Seniors Services, Integrity Services and StudyLink groups into the Service Delivery group.

* This is a new measure for 2015/2016 and a baseline is being established.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
16,760	Crown	15,704	15,704	15,704
-	Department	-	-	-
-	Other	-	-	-
16,760	**Total Revenue**	**15,704**	**15,704**	**15,704**
16,740	**Total Expense**	**15,704**	**15,704**	**15,794**
20	**Net Surplus/(Deficit)**			**(90)***

* The actual expenditure for this appropriation in 2015/2016 is within the revised budget when the remeasurement adjustment for unvested long service leave is excluded. The Ministry is appropriated for expenditure excluding remeasurements; this figure is shown in the Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations tables on pages 135 to 140.

Output Expense: Planning, Correspondence and Monitoring

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve effective and efficient ministerial, advisory and administrative services to support Ministers to discharge their portfolio responsibilities.

Summary of Performance

Non-financial Performance

We provided services to support Ministers to discharge their portfolio responsibilities, including their roles as Responsible Ministers for Crown entities that are attached to the Social Development portfolio. This included:

- supporting Crown entities to be better aligned with government priorities
- appointing board members with the right skills and experience to deliver the Government's priorities.

Cabinet approved 23 appointments to our four Crown entities as well as to statutory tribunals and advisory bodies during the year.

During the year we prepared responses to 1,822 written Parliamentary questions, 1,247 items of correspondence and 84 Official Information Act requests for the Minister for Social Development. We drafted responses to 226 written questions from the Social Services Committee and 19 from the Finance and Expenditure Committee in June 2016 in relation to the Estimates Examination for Vote Social Development for 2015/2016.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Ministerial and Executive Services 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:		
99.3%	• Ministerial correspondence replies	95-100%	99%
99.9%	• Parliamentary question replies	100%	100%
96.6%	• Ministerial Official Information Act request replies	100%	100%
100%	• Select Committee Estimates examination responses	100%	100%
	The percentage of all drafts provided for the Minister's signature within the following timeframes will be between or no less than:		
97.2%	• Ministerial correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed	95-100%	97%
99.9%	• Parliamentary question replies provided to the Minister's Office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	91%*
100%	• Ministerial Official Information Act request replies completed within the statutory timeframe (or 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%

* The timeframe for this measure was reduced from seven to five working days during the year to more accurately reflect performance expectations. System enhancements to reflect the higher standard have been implemented and we expect to achieve targets in 2016/2017.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Crown Entity Monitoring		
100%	Advice delivered to the Minister on the accountability documents of Crown entities within the Social Development portfolio will be no less than	100%	100%
Achieved	Provide advice to the Minister on Crown entity and Statutory Tribunal appointments as required	Achieved	Achieved
98%	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%	100%
100%	The percentage of occasions in which advice to Ministers on draft accountability documents for Crown entities for the next year is provided within agreed timeframes will be no less than	100%	100%
100%	The percentage of performance reports reviewed no later than 20 working days from receipt of the final Crown entity report will be no less than	100%	100%

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
5,474	Crown	5,554	6,154	6,154
-	Department	-	-	-
-	Other	-	-	-
5,474	**Total Revenue**	**5,554**	**6,154**	**6,154**
5,390	**Total Expense**	**5,554**	**6,154**	**6,081**
84	**Net Surplus/(Deficit)**	**-**	**-**	**73**

Output Expense: Policy Advice

Scope

This appropriation 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.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve high quality social policy decisions.

Summary of Performance

Non-financial Performance

We continued to provide high-quality policy advice to support Ministers to make decisions on government social policy matters. This included providing advice on welfare reform, improving outcomes for vulnerable children, social housing, youth policy, enhancing the lives of older people, and ensuring better social outcomes for disabled people.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
8.5	The satisfaction rating given by Ministers for the quality and timeliness of policy advice, as per the Common Satisfaction Survey[44] will be at least	7.0	8.33
75.3%	The technical quality of policy advice papers assessed by a survey with a methodological robustness of 85%[45] will be no less than	70%	71%
$126.71	The total cost[46] per hour per person of producing outputs will be	$130.00-$140.00	$128.28
Achieved	Social policy advice will be delivered in accordance with work priorities identified and advised by Ministers[47]	Achieved	Achieved

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	19,572	19,572	19,572
-	Department	-	1,150	920
-	Other	-	-	-
-	**Total Revenue**	**19,572**	**20,722**	**20,492**
-	**Total Expense**	**19,572**	**20,722**	**20,421**
-	**Net Surplus/(Deficit)**	**-**	**-**	**71**

This appropriation was newly established in 2015/2016 from the former *Policy Advice* category of the *Social Policy Advice* Multi-category Appropriation.

44 The Common Satisfaction Survey rating measures Ministers' satisfaction with the quality, timeliness and value for money of policy advice from 1 to 10, where 1 means not satisfied and 10 means extremely satisfied.

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

46 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.

47 The Ministers who received services were the Minister for Social Development, the Minister of State Services, the Associate Minister for Social Development, the Minister for Youth, the Minister for Seniors, the Minister for Disability Issues and the Minister for Social Housing.

Output Expense: Processing and Payment of Veterans' Pensions

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve more veterans maintaining their independence and social participation through the efficient and accurate assessment and payment of Veterans' Pensions and related allowances.

Summary of Performance

Non-financial Performance

In 2015/2016 we granted 280 pensions to veterans to support them to maintain their independence and social participation, compared with 2,278 in 2014/2015[48].

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
92.0%	The percentage of Veterans' Pension entitlement assessments completed accurately will be no less than	90%	91.1%
91.0%	The percentage of Veterans' Pension entitlement assessments completed within timeframes[49] will be no less than	90%	87.5%*

Note: Budgeted standards for timeliness and accuracy measures in this appropriation were revised for 2015/2016 to ensure alignment with similar measures across appropriations delivered by the Service Delivery group. This alignment follows the merger in October 2014 of the Ministry's Work and Income, Seniors Services, Integrity Services and StudyLink groups into the Service Delivery group.

* During the year a new work distribution tool was introduced. There was a temporary dip in performance during the change period. Training and systems improvements have been introduced to restore performance to expected standards. As a result, performance has recovered during the year. We expect to meet the target next year.

Financial Performance

2014/2015		2015/2016		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
538	Crown	438	438	438
-	Department	-	-	-
-	Other	-	-	-
538	**Total Revenue**	**438**	**438**	**438**
530	**Total Expense**	**438**	**438**	**386**
8	**Net Surplus/(Deficit)**	**-**	**-**	**52**

48 The passage of the Veterans' Support Act 2014 led to an extra 2,033 Veteran's Pension applications in 2014/2015.

49 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.

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.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve reduced barriers to participation in society for people with disabilities, so that disabled people experience the same rights as other New Zealanders.

Summary of Performance

Non-financial Performance

We provided support for the Minister for Disability Issues' annual report to Parliament on progress with implementing the Disability Action Plan of priorities for cross-government actions. A public engagement process to revise the New Zealand Disability Strategy was initiated in early 2016.

Time-limited funding to promote the use of lifetime design in housing ended on 30 June 2016. This funding enabled Lifetime Design Ltd to promote the use and value of its Lifemark standards accreditation system. In 2015/2016 an additional 509 Lifemark certifications were granted. There was also an increase in promotional activity of Lifemark.

Disabled people-led monitoring of disabled people's rights continued, with further interviews of disabled people's experiences conducted in late 2015 and early 2016.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
Achieved	A monitoring report by disabled people on their rights under the United Nations Convention on the Rights of Persons with Disabilities will be provided annually	Achieved	Achieved
Achieved	An annual report is provided for the Minister for Disability Issues on progress with implementing the New Zealand Disability Strategy which includes the promotion of universal design in housing design and Enabling Good Lives	Achieved	Achieved*

* The Minister presented the report to Parliament in December 2015.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
8,495	Crown	5,745	5,745	5,745
-	Department	-	-	-
36	Other	-	34	18
8,531	**Total Revenue**	**5,745**	**5,779**	**5,763**
8,505	**Total Expense**	**5,745**	**5,779**	**5,685**
26	**Net Surplus/(Deficit)**	**-**	**-**	**78**

Output Expense: Property Management Centre of Expertise

(This summary covers the period 1 July 2015 to 31 March 2016. From 1 April 2016 the Property Management Centre of Expertise was transferred from the Ministry of Social Development to the Ministry of Business, Innovation and Employment (MBIE). Performance information for April to June 2016 will be reported in MBIE's 2015/2016 Annual Report.)

Scope

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

What is intended to be achieved with this appropriation

This appropriation is intended to achieve improved property management practices across government and support agencies to manage property in more effective and efficient ways.

Summary of Performance

Non-financial Performance

During the period the Ministry was responsible for the Property Management Centre of Expertise, property management practice improved in terms of economy, efficiency and effectiveness.

Economies were achieved when the first Common Capability Contract, for Office Furniture and Related Services, went live and was utilised by numerous agencies.

A number of multi-agency accommodation projects were active during 2015/2016 in Christchurch, Wellington, Whanganui, New Plymouth, Lower Hutt and Auckland. These projects achieved efficiencies through streamlining processes, reducing agency footprint, sharing facilities and amenities, and sharing infrastructure such as Information and Communication Technology. Their modern workplace design also improved effectiveness by supporting staff productivity and collaboration between teams, business units and agencies.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
New measure for 2015/2016	All agencies within the Property Management Centre of Expertise (PMCoE) mandate will maintain a current agency property plan aligned with the Government National Property Strategy and approved by PMCoE	Achieved	No result available*

* This is an annual measure and no result was available at 31 March 2016. PMCoE moved to the Ministry of Business, Innovation and Employment (MBIE) on 1 April 2016. The full-year result for this measure will be reported in MBIE's 2015/2016 Annual Report.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
850	Crown	2,500	2,433	2,433
-	Department	-	-	-
2,705	Other	255	2,403	2,857
3,555	**Total Revenue**	**2,755**	**4,836**	**5,290**
3,632	**Total Expense**	**2,755**	**4,836**	**4,835**
(77)	**Net Surplus/(Deficit)**	**-**	**-**	**455**

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.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve that the Minister for Seniors has the support and advice to deliver positive outcomes for senior citizens.

Summary of Performance

Non-financial Performance

In 2015/2016 we supported the Minister for Seniors to deliver:

- the SuperSeniors website
- the Community Connects programme
- an information brochure to help people stay connected in their community, to help prevent social isolation.

In September 2015 the Minister launched the SuperSeniors website, which provides a gateway for seniors to information that is relevant to them and easy to understand. The previous SuperGold newsletter was also refreshed to become the SuperSeniors e-newsletter, offering relevant information to SuperGold Card holders, as well as SuperGold discounts. The number of Office for Seniors Facebook page followers increased, with 7,500 followers by the end of 2015/2016.

World Elder Abuse Awareness Day (WEAAD) in June 2016 was heavily promoted on the Office for Seniors' Facebook page. Material promoting WEAAD was displayed and distributed in Work and Income offices nationwide to raise awareness of elder abuse and neglect prevention.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
46	The number of Ministerial speeches, communications and events prepared or organised by the Ministry to increase awareness of elder abuse and neglect prevention will be between	25-30	58*
100%	The percentage of draft speeches and speech notes provided to the Minister for Seniors within the timeframe specified by the Minister's Office will be no less than	95%	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:		
98.4%	• Ministerial correspondence replies	95-100%	100%
100%	• Parliamentary question replies	100%	100%
100%	• Ministerial Official Information Act request replies	100%	100%
100%	• Select Committee Estimates examination responses	100%	100%
	The percentage of all drafts provided for the Minister's signature within the following timeframes will be between, or no less than:		
95.1%	• Ministerial correspondence replies completed within 20 working days of receipt by the Ministry, unless otherwise agreed	95-100%	100%
100%	Parliamentary question replies provided to the Minister's Office so that answers can meet the timeframe set in Parliamentary Standing Orders	100%	92%**
100%	Ministerial Official Information Act request replies completed within the statutory timeframe (or 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%

* The number of communications produced increased through the year due to the increased use of digital communication channels (an electronic newsletter, the SuperSeniors website www.superseniors.govt.nz and Facebook).

** In June 2016 two written responses to Parliamentary questions were submitted late as a result of a process error. Procedures are being reviewed to ensure that this is not repeated.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	1,010	1,010	1,010
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**1,010**	**1,010**	**1,010**
-	**Total Expense**	**1,010**	**1,010**	**888**
-	**Net Surplus/(Deficit)**	**-**	**-**	**122**

This appropriation was newly established in 2015/2016 following the disestablishment of Vote Senior Citizens.

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.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve an increase in the capability and opportunities for young people to participate in decision-making and contribute positively to their communities.

Summary of Performance

Non-financial Performance

We provided opportunities for young people to become involved in a number of youth-related funding panels and the Youth Week Awards selection panel. Groups of young people have also participated in co-ordinating and leading activities for a number of Councils and community groups. They have also responded to a Ministry consultation on reducing unintended pregnancies.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Supporting Young People's Participation in Government Decision-making		
89	The number of youth participation activities delivered will be between	80-100	55*
9,478	The number of young people participating in decision-making[50] activities will be between	3,500-4,000	8,430**
98%	The percentage of young people who report an increase in skills and knowledge from attending youth participation activities will be between	95-100%	99%
95%	The percentage of young people who report being 'satisfied' or 'very satisfied' with their involvement in youth participation activities will be between	95-100%	96%
	Enabling Youth Development		
100%	The percentage of funding and contracting agreements that are consistent with the principles in the Code of Funding Practice[51] will be between	95-100%	100%

* The direct delivery of youth development activities, for example youth participation workshops, ceased to be an operational function for the Ministry of Youth Development following a policy change from 4 April 2016.

** This result exceeds the standard as a result of providers and community organisations making participation by questionnaire more widely available.

Financial Performance

2014/2015		2015/2016		
Actual $000	Financial Performance (Figures are GST exclusive)	Budgeted $000	Revised $000	Actual $000
	Revenue			
2,932	Crown	2,932	2,932	2,932
-	Department	-	-	-
-	Other	-	-	-
2,932	**Total Revenue**	**2,932**	**2,932**	**2,932**
2,926	**Total Expense**	**2,932**	**2,932**	**2,856**
6	**Net Surplus/(Deficit)**	**-**	**-**	**76**

50 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.

51 Launched by the Minister for the Community and Voluntary Sector in October 2010, the Code of Funding Practice aims to assist 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

This appropriation is limited to 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.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve a reduction in offending by children and young people through addressing underlying causes and contributing risk factors.

Summary of Performance

Non-financial Performance

In 2015/2016 we worked with young offenders, their families, the victims of offending, and partner agencies to manage and change offending behaviour and reduce the likelihood of reoffending.

We provided timely social work services to young offenders who were referred for a youth justice family group conference (FGC) and/or admitted to a youth justice residence.

We ensured that 98 percent of children and young people had a youth justice FGC held and reviewed on time and that the FGC plans (including plans to reintegrate into society) were completed. In addition to specialist screening and assessments, the Tuitui a assessment framework enabled comprehensive strengths, needs and risk assessments to be completed, where appropriate, for young offenders going to FGC.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Youth Justice Engagement and Assessment		
94.7%	The percentage of young persons and/or key family members consulted by the Youth Justice Co-ordinator during the convening phase will be between	90-95%	95%
	Youth Justice Safety and Belonging		
97.5%	The percentage of youth justice family group conferences held within statutory timeframes (unless there are special reasons for delay)[52] will be between	95-100%	98%
New measure for 2015/2016	The proportion of victims engaging in family group conferences will be between	55-65%	55%
	Youth Justice Changing Behaviour and Enhancing Wellbeing		
New measure for 2015/2016	The proportion of child offenders who have a subsequent youth justice referral will be no more than	65%	71%*
New measure for 2015/2016	The proportion of young offenders who are referred for a youth justice family group conference within one year of a previous youth justice family group conference will be no more than	40%	38%
New measure for 2015/2016	The proportion of young offenders who are in education, training or employment following our intervention will be between	60-70%	67%

* The number of child offenders referred to Child, Youth and Family is small and even a small change to the volume will significantly affect the percentage.

52 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
- the family group conference requesting an adjournment to enable its members to come to an agreement.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
131,280	Crown	132,641	130,876	130,876
-	Department	-	-	-
-	Other	-	-	-
131,280	**Total Revenue**	**132,641**	**130,876**	**130,876**
131,265	**Total Expense**	**132,641**	**130,876**	**131,321**
15	**Net Surplus/(Deficit)**	**-**	**-**	**(445)***

* The actual expenditure for this appropriation in 2015/2016 is within the revised budget when the remeasurement adjustment for unvested long service leave is excluded. The Ministry is appropriated for expenditure excluding remeasurements; this figure is shown in the Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations tables on pages 135 to 140.

Other Expense: Transformation Programme: Investing in New Zealand Children and their Families

Scope

This appropriation is limited to the co-design and implementation of system-wide reform of services provided to New Zealand's vulnerable children, young people and their families.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve the delivery of a new operating model to support the system-wide reform of services provided to New Zealand's vulnerable children, young people and their families.

Summary of Performance

Non-financial Performance

It is important that both the Ministry for Vulnerable Children, Oranga Tamariki and the Ministry of Social Development will be effective and successful from the very beginning of the new arrangements on 1 April 2017. To support this, we have established a dedicated transformation work programme that is focused on:

- supporting the transition to, and success of, the Ministry for Vulnerable Children, Oranga Tamariki, including the design and implementation of the new operating model
- ensuring the Ministry of Social Development will be effective and can provide shared corporate services to the Ministry for Vulnerable Children, Oranga Tamariki for a minimum of two years
- considering future implications and opportunities for the Ministry of Social Development.

We have developed a detailed transformation programme plan to support the system-wide reform of services provided to New Zealand's vulnerable children, young people and their families.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Report back to Social Cabinet Committee, Minister for Social Development and the Ministerial Oversight Group		
New measure for 2015/2016	Report back on detailed transformation programme for first 12-18 months by July 2016	Achieved	Achieved*

* This report was delivered using staff seconded from other parts of the Ministry and some staff funded from the Modernisation of Child, Youth and Family programme.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Revenue			
-	Crown	-	3,000	3,000
-	Department	-	-	-
-	Other	-	-	-
-	**Total Revenue**	**-**	**3,000**	**3,000**
-	**Total Expense**	**-**	**3,000**	**-**
-	**Net Surplus/(Deficit)**	**-**	**-**	**3,000***

* Government agreed to an in-principle expense transfer due to delays in appointing key personnel and Board members as the direction for the Transformation programme was being established.

This was a new appropriation in 2015/2016.

Multi-Category Expense Appropriation: Improved Employment and Social Outcomes Support MCA

Overarching Purpose Statement

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) by moving them closer to independence, with a focus on those at risk of long term benefit receipt.

Scope

Departmental Output Expenses

Administering Income Support

This category is limited to assessing, paying, reviewing entitlements and collecting balances owed by clients for income support, supplementary assistance, grants and allowances.

Improving Employment Outcomes

This category is intended to achieve an increase in 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.

Improving Work Readiness Outcomes

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.

What is intended to be achieved with this appropriation

The appropriation is intended to achieve a reduction in long-term welfare dependency.

How performance will be assessed for this appropriation

Performance will be assessed by a reduction in the:

- total number of people receiving a benefit by 25 percent, from 295,000 in June 2014 to 220,000 by June 2018
- long-term cost of benefit dependency by $13 billion as measured by an accumulated actuarial release[53] by June 2018.

Summary of Performance

Non-financial Performance

In 2015/2016 we made progress on reducing the number of people on benefit, particularly sole parents.

At 30 June 2016 there were 279,806 clients on a working-age benefit. This is a reduction of 5,543 since June 2015, and 74,252 fewer than the January 2011 peak. Sole Parent Support numbers fell from 69,240 in June 2015 to 65,422 in June 2016, the lowest since the Sole Parent Support category was introduced in 2013.

In 2015/2016 we supported 82,703 people with full-time work obligations to move off Jobseeker Support, and 64.3 percent of these clients were still off benefit 26 weeks later.

The 2015 valuation of the benefit system was $68.4 billion, a decrease of $0.6 billion from the previous year. Policy and operational changes influencing benefit dynamics accounted for a reduction of $3.8 billion in the liability between June 2014 and June 2016.

In 2015/2016 we supported 76,600 working-age clients into work. Around 64 percent of all clients with full-time work obligations stayed off benefit for at least six months, while 62 percent of all clients with part-time work obligations that left did not return. Of clients who exited into work, 30 percent had been on benefit for more than 12 months.

During the year we completed more than 220,000 applications for main benefits. Our rate of paying the correct amount to the correct people on time shows that we operated the benefit system accurately and efficiently in 2015/2016.

53 Actuarial release is defined as the difference between a current and previous estimate of the liability. The measure attempts to isolate the impact of collective government management on beneficiary numbers. Adjustments are made to remove the impact of interest and inflation rate changes on the liability and other factors beyond the control of management.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Departmental Output Expenses *Administering Income Support* 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		
90.2%	The proportion of benefit entitlement assessments completed accurately will be no less than	90%	90.1%
94.0%	The proportion of benefit entitlement assessments completed within five working days will be no less than	90%	91.5%
	Improving Employment Outcomes This category is intended to achieve an increase in 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		
New measure for 2015/2016	The proportion of clients with full-time work obligations who remain independent of benefit for at least 26 weeks will be no less than	60%	64.3%
87.8%	The proportion of clients with full-time work obligations who are engaged will be no less than	80%	89.1%
49.5%	The proportion of clients who are not on a main benefit eight weeks following completion of an employment intervention will be no less than	50%	57.3%
	Improving Work Readiness Outcomes 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		
New measure for 2015/2016	The proportion of clients with part-time, preparation or deferred obligations who remain independent of benefit for at least 26 weeks will be no less than	60%	62.0%
72.6%	The proportion of clients with part-time, preparation or deferred work obligations who are engaged will be no less than	70%	79.7%
40.6%	The proportion of clients who are not on a main benefit 16 weeks after completing a work readiness intervention will be no less than	35%	38.7%

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expenses			
	Revenue from Crown			
315,708	Administering Income Support	337,576	304,871	304,871
248,897	Improving Employment Outcomes	269,382	295,719	295,719
51,867	Improving Work Readiness	70,433	75,709	75,709
	Revenue from Others			
2,474	Administering Income Support	2,600	2,600	4,542
-	Improving Employment Outcomes	-	-	-
-	Improving Work Readiness	-	-	-
618,946	**Total Revenue**	**679,991**	**678,899**	**680,841**
618,623	**Total Expense**	**679,991**	**678,899**	**662,669**
323	**Net Surplus/(Deficit)**	**-**	**-**	**18,172**

Multi-Category Expense Appropriation: Social Housing Outcomes Support MCA

Overarching Purpose Statement

The single overarching purpose of this appropriation is to operate the social housing register and associated interventions in such a way as to support more people with the greatest housing need into housing, and to move those who are capable of housing independence closer towards that.

Scope

Departmental Output Expenses

Services to Support People to Access Accommodation

This category is limited to assessing and reviewing eligibility for social housing and income related rent, social housing register management and the accurate and timely payment of income related rent subsidies to the social housing provider.

Non-Departmental Output Expenses

Housing Support Package

This category is limited to the provision of incentives, products and services to help households with lower housing need who are in, or seeking social housing, to access or retain alternative housing solutions.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve housing assessments and placement on the housing register, for people with a housing need, and provision of support to those who are capable to be independent of social housing over the longer term.

How performance will be assessed for this appropriation

Performance will be assessed by using a future social housing valuation to track the key drivers of the valuation, identify variances in trends projected from the valuation, and show how the management of the social housing system is influencing movements in the future valuation.

Summary of Performance

Non-financial Performance

In 2015/2016 we placed over 6,000 households into social housing and helped 1,173 people into the private market with our Housing Support Products. We also commenced over 5,000 tenancy reviews, which resulted in 842 households leaving social housing (including 103 who moved into home ownership).

The first annual social housing valuation will be released in October 2016.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Departmental Output Expenses *Services to Support People to Access Accommodation* This category is intended to achieve accurate and efficient operation of the social housing register so more people who are eligible for social housing have their housing needs met, and those who are capable of housing independence closer towards that.		
95.9%	The percentage of Income-Related Rent assessments (for tenants with verified income) that are calculated accurately will be no less than	90%[54]	96.6%
87.6%	The proportion of housing needs assessments completed within five working days will be no less than	90%	86.9%*
	Non-Departmental Other Expenses *Housing Support Package*		
Exempted	This category is intended to achieve more people transitioning into social housing independence to ensure that social housing is available for households with the greater housing need.	Exempted[55]	Exempted

* The result was affected by increases in demand and system changes. These have been addressed by changing some functions to increase capacity and providing additional staff to improve the level of client service.

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expenses			
	Revenue from Crown			
-	Services to Support People to Access Accommodation	27,066	28,266	28,266
-	**Total Revenue**	**27,066**	**28,266**	**28,266**
-	**Total Expense**	**27,066**	**28,266**	**28,129**
-	**Net Surplus/(Deficit)**	**-**	**-**	**137**

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Other Expenses			
-	Housing Support Package	1,800	1,800	1,280
-	**Total Expense**	**1,800**	**1,800**	**1,280**

This Multi-category Appropriation was newly established in 2015/2016 with transfers from the former Departmental Output Expense *Services to Support People to Access Accommodation* and the former Non-Departmental Output Expense *Housing Support Package*.

54 This standard has been amended for consistency with other similar measures.
55 This category was granted a performance reporting exemption under section 15D(2)(b)(iii) of the Public Finance Act 1989 as the amount of this annual appropriation for a Non-departmental Output Expense is less than $5 million.

Multi-Category Expense Appropriation: Social Sector Trials MCA

Overarching Purpose Statement

The overarching purpose of this appropriation is the delivery of the Social Sector Trials programme.

Scope

Departmental Output Expenses

National Leadership and Administration of Social Sector Trials Programme, and Individual-led Social Sector Trials

This category is limited to the administration of the Social Sector Trials by a national programme office, and by government-employed Social Sector Trial Leads in specified locations, leading a cross-agency approach to improve outcomes for target groups.

Non-Departmental Output Expenses

NGO-led Social Sector Trials and Contracted Programmes and Services

This category is limited to the administration of the Social Sector Trials by non-governmental organisations in specified locations, leading a cross-agency approach to improve outcomes for target groups, and the social services purchased by the Social Sector Trials to improve social service delivery and improve outcomes.

What is intended to be achieved with this appropriation

This appropriation is intended to achieve innovative cross-agency responses to tackle social issues among targeted groups.

How performance will be assessed for this appropriation

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
New measure for 2015/2016	The percentage of action plan commitments[56] delivered will be no less than	**95%**	**100%**

Summary of Performance

Non-financial Performance

Programme performance

In 2015/2016 the cross-sector Social Sector Trials (SST) programme continued to operate across 16 sites to deliver joint planning, funding and delivery in order to provide a community and individual-centric approach to improve outcomes.

Community action plans in each site provided a transparent and agreed approach to deliver cohesive interventions and a total of 376 initiatives, which included the:

- tracking of school leavers across Dunedin to support positive pathways and ongoing support where required
- Ranui employment programme, which provides a multifaceted approach to support young people into employment (support includes case management, driver's licence training, work experience and first aid training)
- Treasure our Taitamariki programme in South Waikato, providing a local and integrated approach to support teen parents through a local provider network
- kaumatua in court in Porirua, along with a designated children's area and primary health supports for offenders and their whānau in the court.

56 As indicated by blue (completed) and green (on track) 'traffic lights' in the Trials' quarterly reports.

Evaluation

A national (programme-level) multi-strand evaluation showed that the intermediate objectives of the SSTs had been achieved.

Decisions on the future

Cabinet has decided that:

- nine SSTs (Ranui, Gore, South Dunedin, Waitomo, Kawerau, Taumarunui, Horowhenua, Porirua, South Waikato) will move to community-led models in a six-month transition period from July to December 2016
- two SSTs (Gisborne and Kaikohe) will be absorbed into place-based models
- five SSTs (Whakatane, Rotorua, South Taranaki, Waikato, Wairarapa) were exited from 1 July 2016 as they did not meet performance expectations.

The six-month transition period aims to support local development of a model that will continue beyond the SSTs programme, which ends on 31 December 2016.

The transition from a locally influenced model to one that is locally developed and then locally led recognises that these communities are ready to use what was learnt in the SSTs model and develop their own operating models and supporting structures.

National support remains in place until 31 December 2016 to support the transition.

2014/2015 Actual Standard	Measure	2015/2016 Budgeted Standard	2015/2016 Actual Standard
	Departmental Output Expenses *National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials* This category is intended to achieve innovative cross-agency responses to tackle social issues among targeted groups in specified locations.		
New measure for 2015/2016	The percentage of commitments in the action plan that have been delivered	95%	100%
	Non-Departmental Output Expenses *Social Sector Trials – NGO-led Social Sector Teams and Contracted Programmes and Services* This category is intended to achieve innovative cross-agency responses to tackle social issues among targeted groups in specified locations, and improved social services for targeted groups in order to improve outcomes.		
New measure for 2015/2016	The percentage of commitments in the action plan that have been delivered	95%	100%
100%	The percentage of services provided in accordance with relevant guidelines and standards will be no less than	100%	100%
100%	The percentage of payments made to providers in accordance with contract requirements will be no less than	100%	100%

Financial Performance

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Departmental Output Expenses			
	Revenue from Crown			
-	National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials	-	2,985	2,985
-	**Total Revenue**	**-**	**2,985**	**2,985**
-	**Total Expense**	**-**	**2,985**	**2,265**
-	**Net Surplus/(Deficit)**	**-**	**-**	**720**

2014/2015		2015/2016		
Actual $000	**Financial Performance (Figures are GST exclusive)**	**Budgeted $000**	**Revised $000**	**Actual $000**
	Non-Departmental Output Expenses			
-	Social Sector Trials – NGO-led Social Sector Teams and Contracted Programmes and Services	-	5,373	5,111
-	**Total Expense**	**-**	**5,373**	**5,111**

This Multi-category Appropriation was newly established in 2015/2016 from the former Departmental Output Expense *Administration of Trialling New Approaches to Social Sector Change* and the former Non-Departmental Output Expense *Trialling New Approaches to Social Sector Change.*

Financial Statements

Ministry of Social Development Statement of Accounting Policies: Departmental

These financial statements are for the year ended 30 June 2016 and include unaudited forecast financial statements for the year ending 30 June 2017. The statements have been combined to provide a single view of budget, actual and forecast information.

References to the financial statements incorporate the financial statements and the unaudited forecast financial statements, unless otherwise stated.

Reporting entity

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

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

The financial statements of the Ministry are for the year ended 30 June 2016. The financial statements were authorised for issue by the Chief Executive of the Ministry on 23 September 2016.

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

Basis of preparation

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

Statement of compliance

The financial statements of the Ministry have been prepared in accordance with the requirements of the PFA, which include the requirements to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and Treasury Instructions.

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

These financial statements comply with PBE accounting standards.

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 an historical cost basis, modified by the revaluation of land and buildings, and certain financial 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), unless otherwise stated. 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

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

Significant accounting policies

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

Budget and forecast figures

Basis of the budget and forecast figures

The 2016 budget figures are for the year ended 30 June 2016 and were published in the 2014/2015 Annual Report. They are consistent with the Ministry's best estimate financial forecast information submitted to the Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 30 June 2016.

The 2017 forecast figures are for the year ending 30 June 2017, and are consistent with the best estimate financial forecast information submitted to the Treasury for the BEFU for the year ending 30 June 2017.

The forecast financial statements have been prepared as required by the PFA to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2017 forecast figures have been prepared in accordance with PBE FRS 42 Prospective Financial Statements and comply with PBE FRS 42.

The forecast financial statements were approved for issue by the Chief Executive on 18 April 2016. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2017 will not be published.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions of what may occur during the 2016/2017 year. The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the Main Estimates were finalised.

The main assumptions, which were adopted as at 18 April 2016, were as follows:

- The Ministry's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities.
- Personnel costs were based on 10,367 full-time equivalent staff positions.
- Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are the Ministry's best estimate of future costs that will be incurred. Remuneration rates are based on current salary costs, adjusted for anticipated remuneration changes.
- Land and buildings are not revalued.
- Estimated year-end information for 2015/2016 was used as the opening position for the 2016/2017 forecasts.

The actual financial results achieved for 30 June 2017 are likely to vary from the forecast information presented, and the variations may be material.

Since the approval of the forecasts, the only significant change or event that would have a material impact on the forecasts has been that a new department called the Ministry for Vulnerable Children, Oranga Tamariki will be established from 1 April 2017. This will result in the transferring of a number of the Ministry of Social Development's vulnerable children related activities and outputs to the new Ministry from April 2017.

Revenue

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

Revenue Crown

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

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

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

Cost allocation

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

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

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

Criteria for direct and indirect costs

Direct costs are costs that vary directly with the level of activity and are causally related, 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 2016 direct costs accounted for 89.6 percent of the Ministry's costs (2015: 83.6 percent).

Expenses

General

Expenses are recognised in the period to which they relate.

Capital charge

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

Interest expense

Interest expense is accrued using the effective interest rate method.

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

Foreign currency

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

Financial instruments

Financial assets

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

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

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

Financial liabilities

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

Property, plant and equipment

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

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

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

Additions

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

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

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

Disposals

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

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

Depreciation

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

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

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

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

Revaluation

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

Accounting for revaluations

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

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

Intangible assets

Software acquisition and development

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

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

Staff training costs are recognised as an expense when incurred.

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

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

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

Amortisation

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

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

Asset Type	Estimated Life	Depreciation rate
Developed computer software	3–8 years	12.5%–33%

Impairment of non-financial assets

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

Non-cash-generating assets

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

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

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

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

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

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

Non-current assets held for sale

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

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

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

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

Income tax

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

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Leases

Finance leases

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

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

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

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

Operating leases

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

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

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

Provisions

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

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

Commitments

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

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

Contingent assets and liabilities

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

Employee entitlements

Short-term employee entitlements

Employee entitlements the Ministry expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

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

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

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

Long-term employee entitlements

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

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

Statement of Cash Flows

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

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

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

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

Equity

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

Property revaluation reserves

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

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retirement and long service leave

An analysis of the Ministry's exposure to estimates and uncertainties around its retirement and long service leave liability is contained in the notes (refer to Note 15).

Fair value of land and buildings

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

Useful lives of software

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

Operating and finance leases

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

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

Critical judgements in applying the Ministry's accounting policies

There were no significant items for which management had to exercise critical judgement in applying the Ministry's accounting policies for the year ended 30 June 2016.

Ministry of Social Development
Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Unaudited Forecast 2017 $000
	Revenue				
1,384,292	Revenue Crown		1,476,620	1,471,120	1,477,333
7,314	Revenue other	1	11,360	4,667	4,412
19	Gain on disposal of fixed assets	2	-	-	-
1,391,625	**Total revenue**		**1,487,980**	**1,475,787**	**1,481,745**
	Expenses				
716,712	Personnel costs	3	749,832	773,038	788,500
53,042	Depreciation and amortisation expenses	10,11	57,251	55,540	57,045
24,706	Capital charge	4	26,163	24,461	26,179
591,837	Other operating expenses	5	616,053	622,748	610,021
-	Loss on disposal of fixed assets	6	103	-	-
1,386,297	**Total expenses**		**1,449,402**	**1,475,787**	**1,481,745**
5,328	**Net surplus/(deficit)**		**38,578**	**-**	**-**
	Other comprehensive revenue and expense				
	Item that will not be reclassified to net surplus/(deficit)				
-	Gain on property revaluations		-	-	-
5,328	**Total comprehensive revenue and expense**		**38,578**	**-**	**-**

Explanations of significant variances against the original 2015/2016 budget are detailed in Note 22. Refer to Note 5 for other operating expenses actual variances.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development
Statement of Financial Position

As at 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Unaudited Forecast 2017 $000
	Equity				
280,097	Taxpayers' funds	16	280,298	282,397	288,697
46,944	Revaluation reserve	16	46,944	46,944	46,944
327,041	**Total equity**		**327,242**	**329,341**	**335,641**
	Assets				
	Current assets				
38,590	Cash and cash equivalents	7	77,644	19,390	21,279
9,099	Accounts receivable	8	3,809	18,351	1,975
23,253	Prepayments		19,004	12,000	18,359
72,083	Crown receivable	9	30,000	61,394	-
143,025	**Total current assets**		**130,457**	**111,135**	**41,613**
	Non-current assets				
300,443	Property, plant and equipment	10	314,097	318,174	330,894
114,455	Intangible assets	11	151,796	125,835	185,309
414,898	**Total non-current assets**		**465,893**	**444,009**	**516,203**
557,923	**Total assets**		**596,350**	**555,144**	**557,816**
	Liabilities				
	Current liabilities				
108,668	Accounts payable and accruals	12	105,338	104,588	105,289
5,328	Return of operating surplus to the Crown	13	38,578	-	-
64,523	Provision for employee entitlements	15	65,510	68,761	64,523
6,873	Other provisions	14	7,161	6,199	6,873
185,392	**Total current liabilities**		**216,587**	**179,548**	**176,685**
	Non-current liabilities				
45,490	Provision for employee entitlements	15	52,521	46,255	45,490
45,490	**Total non-current liabilities**		**52,521**	**46,255**	**45,490**
230,882	**Total liabilities**		**269,108**	**225,803**	**222,175**
327,041	**Net assets**		**327,242**	**329,341**	**335,641**

Explanations of significant variances against the original 2015/2016 budget are detailed in Note 22.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development Statement of Changes in Equity

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Unaudited Forecast 2017 $000
308,831	**Balance at 1 July**		**327,041**	**327,041**	**327,241**
5,328	Total comprehensive revenue and expense		38,578	-	-
	Owner transactions				
(5,328)	Return of operating surplus to the Crown	13	(38,578)	-	-
18,210	Capital injections		2,300	2,300	8,400
-	Capital withdrawal – non-cash		(2,099)	-	-
327,041	**Balance at 30 June**		**327,242**	**329,341**	**335,641**

Explanations of significant variances against the original 2015/2016 budget are detailed in Note 22.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development
Statement of Cash Flows

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Unaudited Forecast 2017 $000
	Cash flows from operating activities				
1,421,068	Receipts from Crown revenue		1,518,703	1,479,809	1,512,333
10,589	Receipts from other revenue		9,470	4,667	4,412
(594,479)	Payments to suppliers		(607,761)	(704,385)	(607,785)
(725,544)	Payments to employees		(745,529)	(673,461)	(809,261)
(24,706)	Payments for capital charge		(26,163)	(24,461)	(26,179)
2,983	Goods and services tax (net)		3,813	-	-
89,911	**Net cash flow from operating activities**	**17**	**152,533**	**82,169**	**73,520**
	Cash flows from investing activities				
1,749	Receipts from sale of property, plant and equipment		1,863	1,800	2,000
(28,591)	Purchase of property, plant and equipment		(45,282)	(26,652)	(36,712)
(62,344)	Purchase of intangible assets		(67,032)	(59,850)	(60,431)
(89,186)	**Net cash flow from investing activities**		**(110,451)**	**(84,702)**	**(95,143)**
	Cash flows from financing activities				
18,210	Capital injections		2,300	2,300	8,400
(11,604)	Return of operating surplus		(5,328)	(2,000)	(5,000)
6,606	**Net cash flow from financing activities**		**(3,028)**	**300**	**3,400**
7,331	Net increase/(decrease) in cash		39,054	(2,233)	(18,223)
31,259	Cash at the beginning of the year		38,590	21,623	39,502
38,590	**Cash at the end of the year**		**77,644**	**19,390**	**21,279**

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 17 for reconciliation of net surplus/(deficit) to net cash from operating activities. Explanations of significant variances against the original 2015/2016 budget are detailed in Note 22.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development Statement of Trust Monies

For the year ended 30 June 2016

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

Actual 2015 $000		Actual 2016 $000
	William Wallace Trust	
405	**Balance at 1 July**	**424**
(69)	Distributions	(57)
88	Revenue	52
424	**Balance at 30 June**	**419**

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 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development Statement of Commitments

As at 30 June 2016

Actual 2015 $000		Actual 2016 $000
	Capital commitments	
28,869	Buildings	5,153
28,869	**Total capital commitments**	**5,153**
	Operating commitments	
	Non-cancellable accommodation leases	
36,563	Not later than one year	47,987
96,963	Later than one year and not later than five years	100,784
165,565	Later than five years	152,952
299,091	**Total non-cancellable accommodation leases**	**301,723**
299,091	**Total operating commitments**	**301,723**
327,960	**Total commitments**	**306,876**

The Ministry is currently in discussions with the Ministry of Business, Innovation and Employment to co-locate space in the Central Business District of Christchurch from September 2016 with a term of 12 years.

Capital commitments

The Ministry had capital commitments of $5.2 million as at balance date (2015: $28.9 million). This relates to the leasehold improvement costs associated with the relocation of MSD National Office to 56 The Terrace and 89 The Terrace, Wellington from August 2016.

Non-cancellable accommodation leases

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

The Operating and Capital commitments for 2015/2016 include the lease commitment for the new MSD National Office based at 56 The Terrace, Wellington.

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

In addition to the above costs the Ministry has sub-lease rental recoveries of $0.736 million expected to be received in the following year, 2016/2017. Refer to Note 1 for actual sub-lease rental recoveries for 2015/2016.

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development
Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2016

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 2015 $000		Actual 2016 $000
200	Personal grievances claims	45
1,138	Other claims	886
1,338	**Total contingent liabilities**	**931**

Personal grievances

Personal grievances claims represents amounts claimed by employees for personal grievances cases. There are nine personal grievances claims (2015: 26 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 four claims (2015: four claims).

Quantifiable contingent assets

Actual 2015 $000		Actual 2016 $000
5,000	Canterbury earthquake claim	-
5,000	**Total contingent assets**	**-**

The Ministry has settled the business interruption insurance claim resulting from the 2010/2011 Christchurch earthquakes in 2016 (2015: $5.0 million).

The Statement of Accounting Policies: Departmental on pages 88 to 93 and Notes 1 to 22 on pages 101 to 118 form part of these financial statements.

Ministry of Social Development Notes to the Financial Statements

Note 1: Revenue other

Actual 2015 $000		Actual 2016 $000
942	Sub-lease rental recoveries	1,135
6,372	Other recoveries	10,225
7,314	**Total revenue other**	**11,360**

The Ministry received revenue from child support receipts on behalf of children in foster care ($3.012 million), the Property Management Centre of Expertise property portal ($2.857 million), insurance recovered ($2.250 million), the Social Sector Investment Programme ($0.920 million), Strengthening Families interagency support ($0.543 million) and the Canterbury Earthquake Recovery Authority ($0.348 million) and other revenues ($0.295 million). The Ministry also received revenue from sub-leased premises ($1.135 million).

Note 2: Gain on disposal of fixed assets

Actual 2015 $000		Actual 2016 $000
19	Gain on disposal of fixed assets	-
19	**Total gains**	**-**

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 (2015: $0.019 million).

Note 3: Personnel costs

Actual 2015 $000		Actual 2016 $000
676,006	Salaries and wages	708,730
7,997	Increase/(decrease) in employee entitlements	8,018
1,873	Increase/(decrease) in restructuring costs	1,521
19,309	Defined superannuation contribution scheme	20,339
11,527	Other personnel expenses	11,224
716,712	**Total personnel costs**	**749,832**

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

Note 4: Capital charge

The Ministry pays a capital charge to the Crown on its taxpayers' funds at 31 December and 30 June in each financial year. The capital charge rate for the year ended 30 June 2016 was 8 percent (2015: 8 percent).

Note 5: Operating expenses

Actual 2015 $000		Actual 2016 $000	Unaudited Forecast 2017 $000
932	Audit fees[57]	937	1,200
71,201	Rental, leasing and occupancy costs	70,781	72,000
61	Bad debts written off	222	-
215	Impairment of receivables	(394)	-
125,809	Client financial plan costs[58]	126,456	127,000
162,163	Employment support and subsidies[59]	177,037	175,000
28,861	Non-specific client costs[60]	33,840	35,000
46,691	Office operating expenses	43,770	50,000
68,375	IT-related operating expenses	84,353	76,821
8,120	Travel expenses	7,968	8,000
18,872	Consultancy and contractors' fees	23,588	20,000
10,961	Professional fees	12,828	15,000
49,576	Other operating expenses	34,667	30,000
591,837	**Total operating costs**	**616,053**	**610,021**

Major operating expenses actual variances

Employment support and subsidies increased by $14.874 million to $177.037 million in 2015/2016 mainly due to transition to work costs previously classified as non-departmental expenditure in 2014/2015.

IT-related operating expenses increased by $15.978 million to $84.353 million in 2015/2016 mainly due to increases in variable application support costs related to major projects on social housing assessment, children in material hardship, the Youth Service extension, and the Single Client Management System.

Note 6: Loss on disposal of fixed assets

Actual 2015 $000		Actual 2016 $000
-	Loss on disposal of fixed assets	103
-	**Total losses**	**103**

During the year the Ministry disposed of assets including motor vehicles that reached a pre-determined mileage and/or life. The net loss on asset disposals was $103,000 (2015: nil).

57 Audit fees includes statutory audit fees only. In addition to the annual audit, Audit New Zealand (Audit NZ) has carried out an assignment in the area of probity assurance (Investing in Children), which is compatible with independence requirements. The costs for this assignment are included as part of Other operating expenses. Other than the annual audit and this assignment, Audit NZ has no relationship with or interests in the Ministry.

58 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.

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

60 Non-specific client costs includes 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: Cash and cash equivalents

Actual 2015 $000		Actual 2016 $000
38,590	Cash at bank and on hand	77,644
-	Term deposits with maturities less than 3 months	-
38,590	**Total cash and cash equivalents**	**77,644**

Note 8: Debtors and other receivables

Actual 2015 $000		Actual 2016 $000
	By type	
9,099	Trade and other receivables	3,809
9,099	**Total receivables**	**3,809**
	By maturity	
9,099	Expected to be realised within one year	3,809
-	Expected to be held for more than one year	-
9,099	**Total receivables**	**3,809**
	Trade and other receivables	
10,900	Gross trade and other receivables	5,216
(1,801)	Impairment of trade and other receivables	(1,407)
9,099	**Total trade and other receivables**	**3,809**
	Impairment of trade and other receivables	
1,586	Balance at beginning of the year	1,801
503	Impairment losses recognised on receivables	-
(288)	Reversal of impairment losses	(394)
1,801	**Balance at end of the year**	**1,407**
1,801	Collective impairment allowance	1,407
-	Individual impairment allowance	-
1,801	**Balance at end of the year**	**1,407**

The carrying value of debtors and other receivables approximates their fair value. The above are all exchange transactions.

Debtors impairment

As at 30 June 2016 (and 30 June 2015) 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 2016 the Ministry had no debtors deemed insolvent (2015: nil).

Ageing profile of receivables

as at 30 June 2015				as at 30 June 2016		
Gross $000	**Impairment $000**	**Net $000**		**Gross $000**	**Impairment $000**	**Net $000**
8,859	-	8,859	Not past due	3,039	-	3,039
62	-	62	Past due 1–30 days	257	-	257
26	-	26	Past due 31–60 days	86	-	86
34	(27)	7	Past due 61–90 days	23	-	23
1,919	(1,774)	145	Past due >91 days	1,811	(1,407)	404
10,900	**(1,801)**	**9,099**		**5,216**	**(1,407)**	**3,809**

Note 9: Crown receivable

Crown receivable represents cash yet to be drawn down from the Treasury. As at 30 June 2016 Crown receivable was $30 million (2015: $72.083 million).

Note 10: Property, plant and equipment

	Land $000	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Cost or revaluation							
Balance as at 1 July 2014	**57,118**	**187,964**	**80,059**	**117,864**	**26,345**	**18,948**	**488,298**
Additions by purchase	-	5,391	5,435	6,337	5,213	459	22,835
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	5,440	(402)	873	-	(155)	5,756
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	-	-	-	-	-
Disposals	-	-	(417)	(26,662)	(5,323)	(14)	(32,416)
Balance as at 30 June 2015	**57,118**	**198,795**	**84,675**	**98,412**	**26,235**	**19,238**	**484,473**
Balance as at 1 July 2015	**57,118**	**198,795**	**84,675**	**98,412**	**26,235**	**19,238**	**484,473**
Additions by purchase	-	2,645	7,387	14,651	4,944	227	29,854
Revaluation increase/(decrease)	-	-	-	-	-	-	-
Work in progress movement	-	16,750	6,717	(7,997)	-	(48)	15,422
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	2	-	-	-	-	2
Disposals	-	-	(280)	(2)	(5,575)	(43)	(5,900)
Balance as at 30 June 2016	**57,118**	**218,192**	**98,499**	**105,064**	**25,604**	**19,374**	**523,851**

Note 10: Property, plant and equipment (continued)

	Land $000	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Motor Vehicles $000	Plant & Equipment $000	Total $000
Accumulated depreciation and impairment losses							
Balance as at 1 July 2014	**-**	**-**	**63,065**	**98,404**	**11,540**	**12,476**	**185,485**
Depreciation expense	-	11,440	7,172	5,440	3,135	2,043	29,230
Eliminate on disposal	-	-	(417)	(26,662)	(3,592)	(15)	(30,686)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	1	-	-	-	1
Balance as at 30 June 2015	**-**	**11,440**	**69,821**	**77,182**	**11,083**	**14,504**	**184,030**
Balance as at 1 July 2015	**-**	**11,440**	**69,821**	**77,182**	**11,083**	**14,504**	**184,030**
Depreciation expense	-	11,097	6,499	7,271	3,392	1,425	29,684
Eliminate on disposal	-	-	(263)	(3)	(3,653)	(40)	(3,959)
Eliminate on revaluation	-	-	-	-	-	-	-
Asset transfers	-	-	-	-	-	-	-
Other asset movement	-	-	(1)	-	-	-	(1)
Balance as at 30 June 2016	**-**	**22,537**	**76,056**	**84,450**	**10,822**	**15,889**	**209,754**
Carrying amounts							
At 1 July 2014	**57,118**	**187,964**	**16,994**	**19,460**	**14,805**	**6,472**	**302,813**
At 30 June and 1 July 2015	**57,118**	**187,355**	**14,854**	**21,230**	**15,152**	**4,734**	**300,443**
At 30 June 2016	**57,118**	**195,655**	**22,443**	**20,614**	**14,782**	**3,485**	**314,097**
Unaudited forecast carrying amount at 30 June 2017	**57,118**	**187,383**	**61,273**	**8,059**	**14,523**	**2,538**	**330,894**

Valuation

A desktop review of land and buildings owned by the Ministry was completed by Quotable Value Limited as at 30 June 2016. Registered valuer Andrew Parkyn, ANZIV, from Quotable Value Limited was the project manager.

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

Land

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

Buildings

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

Work in progress

	Buildings $000	Furniture & Fittings $000	Computer Equipment $000	Plant & Equipment $000	Total $000
Cost or revaluation					
Balance as at 1 July 2014	**6,746**	**431**	**13,142**	**213**	**20,532**
Work in progress movement	5,440	(402)	873	(155)	5,756
Balance as at 30 June 2015	**12,186**	**29**	**14,015**	**58**	**26,288**
Balance as at 1 July 2015	**12,186**	**29**	**14,015**	**58**	**26,288**
Work in progress movement	16,750	6,717	(7,997)	(48)	15,422
Balance as at 30 June 2016	**28,936**	**6,746**	**6,018**	**10**	**41,710**

The total amount of property, plant and equipment under construction and work in progress is $41.710 million (2015: $26.288 million).

Restrictions

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

Note 11: Intangible assets

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2014	**278,402**	**278,402**
Additions by purchase and internally generated	26,564	26,564
Work in progress movement	35,778	35,778
Asset transfers	-	-
Other asset movement	-	-
Disposals	-	-
Balance as at 30 June 2015	**340,744**	**340,744**
Balance as at 1 July 2015	**340,744**	**340,744**
Additions by purchase and internally generated	83,581	83,581
Work in progress movement	(16,572)	(16,572)
Asset transfers	(2,099)	(2,099)
Other asset movement	(3)	(3)
Disposals	(9,118)	(9,118)
Balance as at 30 June 2016	**396,533**	**396,533**
Accumulated amortisation and impairment losses		
Balance as at 1 July 2014	**202,477**	**202,477**
Amortisation expense	23,812	23,812
Disposals	-	-
Asset transfers	-	-
Other asset movement	-	-
Impairment losses	-	-
Balance as at 30 June 2015	**226,289**	**226,289**
Balance as at 1 July 2015	**226,289**	**226,289**
Amortisation expense	27,568	27,568
Disposals	(9,117)	(9,117)
Asset transfers	-	-
Other asset movement	(3)	(3)
Impairment losses	-	-
Balance as at 30 June 2016	**244,737**	**244,737**
Carrying amounts		
At 1 July 2014	**75,925**	**75,925**
At 30 June and 1 July 2015	**114,455**	**114,455**
At 30 June 2016	**151,796**	**151,796**
Unaudited forecast carrying amount at 30 June 2017	**185,309**	**185,309**

Work in progress

	Internally Generated Software $000	Total $000
Cost or revaluation		
Balance as at 1 July 2014	**26,499**	**26,499**
Work in progress movement	35,778	35,778
Balance as at 30 June 2015	**62,277**	**62,277**
Balance as at 1 July 2015	**62,277**	**62,277**
Work in progress movement	(16,572)	(16,572)
Balance as at 30 June 2016	**45,705**	**45,705**

The total amount of intangibles in the course of construction is $45.705 million (2015: $62.277 million).

Restrictions

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

Note 12: Creditors and other payables

Actual 2015 $000		Actual 2016 $000
	By type	
11,236	Trade creditors	7,551
13,616	GST payable	17,429
83,816	Accrued expenses	80,358
108,668	**Total payables**	**105,338**

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. The above are all exchange transactions.

Note 13: Return of operating surplus

Actual 2015 $000		Actual 2016 $000
5,328	Net surplus/(deficit)	38,578
5,328	**Total repayment of surplus**	**38,578**

The repayment of surplus is required to be paid to the Crown by 31 October 2016.

Note 14: Provisions

Actual 2015 $000		Actual 2016 $000
4,862	ACC Partnership programme	4,986
1,081	Restructuring provision	1,137
897	Lease reinstatement	1,028
33	Other provisions	10
6,873	**Total provisions**	**7,161**

Provisions by category

	ACC Partnership Programme $000	Lease Reinstatement $000	Restructure $000	Others $000	Total $000
2015					
Balance as at 1 July 2014	**4,672**	**388**	**1,076**	**63**	**6,199**
Additional provisions made	2,423	486	208	-	3,117
Amounts used	(2,233)	-	(203)	(30)	(2,466)
Unused amounts reversed	-	-	-	-	-
Discount unwind	-	23	-	-	23
Balance as at 30 June 2015	**4,862**	**897**	**1,081**	**33**	**6,873**
2016					
Balance as at 1 July 2015	**4,862**	**897**	**1,081**	**33**	**6,873**
Additional provisions made	2,358	290	217	-	2,865
Amounts used	(2,234)	-	(161)	-	(2,395)
Unused amounts reversed	-	(200)	-	(23)	(223)
Discount unwind	-	41	-	-	41
Balance as at 30 June 2016	**4,986**	**1,028**	**1,137**	**10**	**7,161**

ACC Partnership programme

The Ministry belongs to the ACC Accredited Employer programme, whereby the Ministry accepts the management and financial responsibility of the work-related illnesses and accidents of its employees. The Ministry, under the Full Self Cover Plan (FSCP), has opted for a stop loss limit of 160 percent of the industry premium and a High Cost Claims Cover (HCCC) limit of $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 2016. The valuer has attested he is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. There are no qualifications contained in the actuarial valuer's report.

Lease reinstatement

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

At year-end there were 13 sites where a lease reinstatement provision had been established with a value of $1.028 million (2015: $0.897 million). The timing of any future lease reinstatement work is currently up to five years in the future.

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

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

An asset to the value of $0.951 million (2015: $0.925 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 2016 is $1.137 million (2015: $1.081 million).

Others

The Ministry has a provision of $10,000 (2015: $33,167) 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 15: Employee entitlements

Actual 2015 $000		Actual 2016 $000
	Current liabilities	
14,838	Retirement and long service leave	15,212
48,140	Provision for annual leave	48,637
1,545	Provision for sickness leave	1,661
64,523	**Total current portion**	**65,510**
	Non-current liabilities	
45,490	Retirement and long service leave	52,521
45,490	**Total non-current portion**	**52,521**
110,013	**Total employment entitlements**	**118,031**

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 2015			Employee Entitlement Variables	as at 30 June 2016		
2016 %	2017 %	2018 %		2017 %	2018 %	2019 %
2.93	2.81	4.39	Discount rates	2.12	1.95	3.13
3.00	3.00	3.00	Salary inflation	3.00	3.00	3.00

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

Movements	Actual 2016 $000	Salary + 1% 2016 $000	Salary - 1% 2016 $000	Discount + 1% 2016 $000	Discount - 1% 2016 $000
Current	15,212	48	(48)	(34)	34
Non-current	52,521	5,550	(4,845)	(4,555)	5,309
Total	**67,733**	**5,598**	**(4,893)**	**(4,589)**	**5,343**

Note 16: Equity

Actual 2015 $000		Actual 2016 $000
	Taxpayers' funds	
261,887	**Balance at 1 July**	**280,097**
5,328	Surplus/(deficit)	38,578
18,210	Capital contribution	2,300
-	Capital withdrawal – non-cash	(2,099)
(5,328)	Repayment of surplus	(38,578)
280,097	**Balance at 30 June**	**280,298**
	Revaluation reserves	
46,944	**Balance at 1 July**	**46,944**
-	Revaluations	-
46,944	**Balance at 30 June**	**46,944**
327,041	**Total equity**	**327,242**

Note 17: Reconciliation of net surplus/(deficit) to net cash from operating activities

Actual 2015 $000		Actual 2016 $000
5,328	**Net surplus/(deficit)**	**38,578**
	Add/(less) non-cash items	
29,230	Depreciation	29,683
23,812	Amortisation	27,568
53,042	**Total non-cash items**	**57,251**
	Add/(less) items classified as investing or financing activities	
(19)	(Gains)/losses on disposal of property, plant and equipment	103
(19)	**Total items classified as investing or financing activities**	**103**
	Add/(less) working capital movements	
46,033	(Increase)/decrease in accounts receivable	47,376
(9,293)	(Increase)/decrease in prepayments	4,249
(11,743)	Increase/(decrease) in accounts payable	(3,330)
(2,108)	Increase/(decrease) in revenue received in advance	-
3,762	Increase/(decrease) in provision for employee entitlements	987
674	Increase/(decrease) other provisions	288
27,325	**Net movements in working capital items**	**49,570**
	Add/(less) movements in non-current liabilities	
4,235	Increase/(decrease) in provision for employee entitlements	7,031
4,235	**Net movements in non-current liabilities**	**7,031**
89,911	**Net cash inflow from operating activities**	**152,533**

Note 18: Related party transactions

The Ministry is a wholly-owned entity of the Crown and received funding from the Crown of $1,477 million to provide services to the public for the year ended 30 June 2016 (2015: $1,384 million). The Government significantly influences the role of the Ministry as well as being its major source of revenue. All related party transactions are entered into on an arm's-length basis.

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

Related party transactions required to be disclosed

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

Transactions with key management personnel

Key management personnel compensation includes the remuneration for the Chief Executive and 14 members of the Senior Management Team (2015: Chief Executive and 10 members of the Senior Management Team).

Actual 2015		Actual 2016
	Leadership Team, including the Chief Executive	
$3,708,376	Remuneration	$4,656,520
11	Full-time equivalent members	13

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

Note 19: Events after the balance sheet date

Subsequent to balance date the Government announced that, from 1 April 2017, a new department called the Ministry for Vulnerable Children, Oranga Tamariki will be established with its own Chief Executive.

The new department will have a specific focus on vulnerable children and young people and the services that support them, encompassing care and protection and youth justice services. It will include the services that the existing Ministry of Social Development performs including current Child, Youth and Family, Children's Action Plan Directorate and Children's Teams and Community Investment functions relating to funding and contracting services for vulnerable children. These operations and all relevant assets and liabilities are expected to be transferred to the new Ministry from 1 April 2017.

The new Ministry will also need a range of corporate services as part of its initial structure, while other services will be supplied as shared services by the Ministry of Social Development. Decisions on what corporate services will be shared or embedded in each Ministry will be presented to Cabinet in October 2016.

No adjustments have been made to the measurement or presentation of the accounts as a result of the above new information.

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 20: Financial instruments

Financial instrument categories

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

Actual 2015 $000		Actual 2016 $000
	Loans and receivables	
38,590	Cash and cash equivalents	77,644
81,182	Debtors and other receivables	33,809
119,772	**Total loans and receivables**	**111,453**
	Financial liabilities measured at amortised cost	
95,052	Creditors and other payables	87,909
95,052	**Total financial liabilities measured at amortised cost**	**87,909**

Fair value hierarchy

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

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

In 2015/2016 there were no instruments recognised at fair value in the Statement of Financial Position (2015: nil).

Financial instrument risks

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

Market risk

Currency risk

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

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

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

Sensitivity analysis

As at 30 June 2016 there were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2015: no significant foreign exchange exposures).

Interest rate risk

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

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

Credit risk

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

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

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

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

Liquidity risk

Management of liquidity risk

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

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

Contractual maturity analysis of financial liabilities, excluding derivatives

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

Actual 2015 $000		Actual 2016 $000
	Creditors and other payables	
95,052	Less than six months	87,909
95,052		**87,909**

Contractual maturity analysis of derivative financial instrument liabilities

The Ministry currently does not have any forward exchange contract derivatives (2015: nil).

Note 21: 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 and 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 22: Major budget variations

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

	Notes	Actual 2016 $000	Unaudited Budget 2016 $000	Variance 2016 $000
Statement of Comprehensive Revenue				
Revenue				
Revenue Other	a	11,360	4,667	(6,693)
Expenses				
Personnel costs	b	749,832	773,038	23,206
Statement of Financial Position				
Assets				
Current assets				
Cash and cash equivalents	c	77,644	19,390	(58,254)
Accounts receivable	d	3,809	18,351	14,542
Prepayments	e	19,004	12,000	(7,004)
Crown receivable	f	30,000	61,394	31,394
Non-current assets				
Intangible assets	g	151,796	125,835	(25,961)
Liabilities				
Current liabilities				
Return of operating surplus to the Crown	h	38,578	-	(38,578)
Statement of Cash Flows				
Cash flows from operating activities				
Receipts from Crown revenue	i	1,518,703	1,479,809	(38,894)
Receipts from other revenue	j	9,470	4,667	(4,803)
Payments to suppliers	k	(607,761)	(704,385)	(96,624)
Payments to employees	l	(745,529)	(673,461)	72,068
Cash flows from investing activities				
Purchase of property, plant and equipment	m	(45,282)	(26,652)	18,630

Statement of Comprehensive Revenue and Expense

a. Increase in Revenue Other of $6.693 million was mainly due to:
   - increases in project activity for the Property Management Centre of Expertise (PMCoE) during 2015/2016 resulting in higher revenue generated than in the original budget ($2.148 million)
   - insurance recovered ($2.250 million) for business interruption claims resulting from the 2010/2011 Christchurch earthquakes
   - cross-agency contribution to the Social Investment Programme ($0.920 million)
   - Child Support receipts ($0.906 million).

b. Personnel costs budget variance is mainly due to significant in-principle expense and capital transfers (IPECTs)[61] from 2015/2016 to 2016/2017 including for Simplification changes, service delivery employment contracts and the transformation programme.

Statement of Financial Position

c. Cash and cash equivalents is higher than budget due to significant IPECTs from 2015/2016 to 2016/2017 including for Simplification changes, service delivery employment contracts, the transformation programme and historical claims.

d. Accounts receivable is lower than budget with the gradual decline of the shared service arrangement that the Ministry has with the Canterbury Earthquake Recovery Authority.

e. Prepayments is higher than budget mainly due to the timing of the Oracle software licence renewal.

f. Crown receivable relates to funds the Ministry has not drawn down for 2016 and previous years. The current lower balance compared with budget is attributable to a higher demand for cash and the subsequent drawdown from the Crown receivable balance during 2015/2016 including for Simplification work and the National Office relocation.

g. Intangible assets are higher than budget due to increased capital activity including significant Simplification system improvement work.

h. Return of operating surplus to the Crown is higher than budget due to significant IPECTs from 2015/2016 to 2016/2017 including for Simplification changes, service delivery employment contracts, the transformation programme and historical claims.

Statement of Cash Flows

i. Receipts from Crown revenue has increased mainly due to the significant decrease in Crown receivable during 2015/2016 ($31.394 million) as well as additional funding approved during the year for the Social Sector Investment change and the Investing in New Zealand's Children and their Families Transformation programmes ($5 million).

j. Receipts from other revenue is higher mainly due to higher revenue other funding during 2015/2016.

k. Payments to suppliers is lower than budget mainly due to the overstatement of this cash budget due to a shift of resources to payments to employees.

l. Payments to employees is higher than budget mainly due to some additional staff resource combined with an understatement of the budget level. This area is substantially offset by an overstatement in the payments to suppliers budget.

m. Purchase of property, plant and equipment is higher than budget mainly due to increased capital activity related to the relocation of National Office to 56 The Terrace.

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61 In-principle expense and capital transfers (IPECTs) approved by joint Ministers are used to transfer funding up to a maximum amount from an appropriation in one financial year to the same appropriation in one or more of the next three financial years, where there is no change to the total amount of spending across the affected years and to the ouput being purchased. IPECT's can be used only where a factor outside of the department's control has caused a delay in a specific and discrete project and the costs cannot be met from the baseline of the future years.

Statement of Accounting Policies: Non-Departmental

Reporting entity

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

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

Basis of preparation

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

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

These non-departmental statements and schedules are prepared in accordance with PBE accounting standards.

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 2016 budget figures are for the year ended 30 June 2016, which are consistent with the best estimate financial information submitted to the Treasury for the BEFU for the year ending 2015/2016.

Revenue

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

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

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

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

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

Expenses

Expenses are recognised in the period they relate to.

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

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

Foreign currency

Transactions in foreign currencies are initially translated at the foreign exchange rate at the date of the transaction. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Schedule of Non-Departmental Income or in the Schedule of Non-Departmental Expenses. For information on foreign currency risk management, refer to 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 to Note 3). They are initially assessed at fair value. These receivables are subsequently tested for impairment.

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. In accordance with Treasury Instructions, GST is returned on revenue received on behalf of the Crown, where applicable. An input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue at the consolidation of the government financial statements.

Commitments

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

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

Contingent assets and liabilities

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

Critical accounting estimates and assumptions

In preparing these financial statements the Ministry has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Social benefit receivables

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

Critical judgements in applying the Ministry's accounting policies

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

The Ministry has exercised its judgement on the appropriateness of its valuation of the social benefit receivables (refer to 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 2016.

Non-Departmental Financial Statements and Schedules

For the year ended 30 June 2016

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

Schedule of Non-Departmental Revenue

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
2	Interest revenue		1	-
225	Maintenance capitalisation		185	450
38	Miscellaneous revenue		1,046	-
2,340	Gain on foreign exchange		-	-
10,891	Student Loan – administration fee	2	10,433	10,889
13,496	**Total non-departmental income**		**11,665**	**11,339**

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

For additional detail on Student Loan advances, refer to 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 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Capital Receipts

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
221,269	Benefit recoveries – current debt		224,263	226,587
963	Benefit recoveries – liable parent contributions		923	725
92,331	Benefit recoveries – non-current debt		94,560	96,857
237,909	Overseas pension recoveries		284,837	270,451
99,014	Student Loans – repayment of principal	2	98,258	97,292
651,486	**Total non-departmental capital receipts**		**702,841**	**691,912**

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

For additional detail on Student Loan advances, refer to Note 2.

Benefit recoveries (current and non-current) represents the amounts collected from clients either by way of regular deductions from the client's benefit payments or repayments from former clients and non-beneficiaries. When a debt is established, it is disclosed as a reduction in social benefit expenses. Therefore the associated debt recovery is disclosed as a reduction in social benefits cash payments on the Financial Statements of the Government.

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 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Expenses

For the year ended 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
1,036,774	Non-departmental output expenses		1,090,764	1,112,824
85,139	Non-departmental other expenses		(20,172)	95,757
1,757,945	Non-departmental capital expenditure		1,762,590	1,823,625
18,847,186	Benefits or related expenses		19,548,166	19,543,597
-	Loss on foreign exchange		45	-
52,361	Other operating expenses		51,534	54,395
21,779,405	**Total non-departmental expenses**		**22,432,927**	**22,630,198**

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

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Assets

As at 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
	Current assets			
100,063	Cash and cash equivalents		150,494	148,805
114,836	Receivables		119,989	290,977
21,570	Prepayments – benefits and allowances		17,963	11,521
236,469	**Total current assets**		**288,446**	**451,303**
	Non-current assets			
465,185	Receivables	3	584,006	192,746
67	Other advances		58	66
465,252	**Total non-current assets**		**584,064**	**192,812**
701,721	**Total non-departmental assets**		**872,510**	**644,115**

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

For additional detail on Accounts receivable – benefits and allowances, refer to 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 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Liabilities

As at 30 June 2016

Actual 2015 $000		Notes	Actual 2016 $000	Unaudited Budget 2016 $000
	Current liabilities			
108,944	Accruals – other than government departments		203,725	176,616
100,587	Tax payable		99,617	110,089
1,738	Other current liabilities		606	-
373	Foreign exchange forward contracts		410	2,663
211,642	**Total non-departmental liabilities**		**304,358**	**289,368**

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 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Schedule of Non-Departmental Commitments

As at 30 June 2016

The Ministry has no non-departmental commitments at balance date (2015: nil).

Schedule of Non-Departmental Contingent Liabilities and Contingent Assets

As at 30 June 2016

Unquantifiable contingent liabilities

The Ministry on behalf of the Crown has no unquantifiable contingent liabilities (2015: nil).

Quantifiable contingent liabilities

There are no quantifiable cases lodged against the Ministry that remain unresolved as at 30 June 2016 (2015: nil).

Contingent assets

The Ministry on behalf of the Crown has no contingent assets (2015: 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 2015/2016.

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Statement of Trust Monies

For the year ended 30 June 2016

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 2016 are not included in the Ministry's own financial statements. Movements in these accounts during the year ended 30 June 2016 were as follows:

Actual 2015 $000		Actual 2016 $000
	Australian Debt Recoveries	
2	**Balance at 1 July**	**2**
12	Contributions	10
(12)	Distributions	(10)
2	**Balance at 30 June**	**2**
	Australian Embargoed Arrears	
1,026	**Balance at 1 July**	**559**
7,150	Contributions	6,174
(7,617)	Distributions	(6,254)
559	**Balance at 30 June**	**479**
	Maintenance	
251	**Balance at 1 July**	**108**
459	Contributions	388
(604)	Distributions	(476)
2	Revenue	3
108	**Balance at 30 June**	**23**
	Netherlands Debt	
4	**Balance at 1 July**	**11**
152	Contributions	88
(145)	Distributions	(95)
11	**Balance at 30 June**	**4**
680	**Total trust monies**	**508**

The Statement of Accounting Policies: Non-Departmental on pages 120 to 121 and Notes 1 to 4 on pages 130 to 134 form part of these financial statements.

Australian Debt Recoveries Trust Account

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

Australian Embargoed Arrears Trust Account

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

Maintenance Trust Account

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

Netherlands Debt Trust Account

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

These non-departmental balances are consolidated into the Financial Statements of the Government, and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2015/2016.

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 other expenses were lower than budget mainly due to less expenditure on debt write-downs. Debt write-downs have been underspent as an expense by $113.586 million against an original budget of $71.804 million. This is mainly attributed to less expenditure due to interest rate remeasurement of $41.121 million, new collection cost rates of $18.723 million and changes driven by the application of a new valuation methodology of $24.361 million. Also contributing to the underspend is an additional provision contained in the debt write-downs budget to allow for the potential for significant expenditure movement each year of $35 million. This additional provision is necessary to reduce the likelihood of unappropriated expenditure.

There are no other significant variances against budget.

Schedule of assets and liabilities

Current and non-current receivables were higher than budget by $220.272 million. This is mainly due to a lower provision for doubtful debts of $119.206 million due to interest rate remeasurement, new collection cost rates, new valuation methodology and additional budget provision. Also contributing to the higher value of receivables is an increase in book value of $52.313 million and a change in the opening balance applied to the actual results since the budget was calculated of $50 million.

There are no other significant variances against budget.

Note 2: Student loan advances

Carrying value of student loans

As at 30 June 2016

Actual 2015 $000		Actual 2016 $000
	Student loans	
-	**Opening nominal balance**	-
1,616,917	New lending	1,610,273
(99,014)	Repayment	(98,258)
(1,528,794)	Loan balance transfer to IRD	(1,522,448)
10,891	Administration fee	10,433
-	**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 2.12 percent and 4.31 percent (4.11 percent and 4.91 percent at 30 June 2015).

The fair value of the portfolio as at 30 June 2016 is $704 million ($580 million at 30 June 2015).

Social benefit and other receivables

As at 30 June 2016

Actual 2015 $000		Actual 2016 $000
	Social benefit receivables	
1,297,727	Nominal value of receivables	1,377,577
1,297,727	Gross value of receivables	1,377,577
(733,267)	less provision for impairment[62]	(673,614)
564,460	Net social benefit receivables	703,963
15,561	Other receivables	31
580,021	**Total receivables**	**703,994**

	Total receivables are represented by:	
114,836	Current	119,989
465,185	Non-current	584,006
580,021	**Balance at end of the year**	**703,995**

	Social benefit receivables **Movements in the carrying value of the loans are as follows:**	
527,422	**Balance at 1 July**	**564,460**
376,041	Face value of new receivables during the year	399,596
(314,563)	Receivables repaid during the year	(319,746)
(24,440)	Subsequent net impairment	59,653
564,460	**Balance at 30 June**	**703,963**

Impairment is calculated on a collective basis, not on an individual basis. There was a net movement in impairment gains of $60 million during the 2015/2016 year (2015: $24 million).

The fair value is sensitive to the discount rate and the expected future cash flows. An increase in the discount rate of 1 percent would decrease fair value by approximately $36.793 million. A decrease in the discount rate of 1 percent would increase fair value by approximately $42.439 million. Since there are no contractual repayment terms, future cash flows assume existing cash flow receipts will continue. These are adjusted for likely negative future events such as death.

Interest rate risk is the risk the fair value will fluctuate due to changes in interest rates. The effective interest rate range applied to determine the fair value has moved by between (1.99) percent and (0.60) percent from 1 July 2015 to 30 June 2016 (2015: (0.74) percent and 0.82 percent).

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

62 Impairment of social benefit receivables includes a decrease of $41.121 million of remeasurement due to changes in interest and collection cost rates.

Note 4: Financial instruments

Financial instrument categories

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

Actual 2015 $000		Actual 2016 $000
	Loans and receivables	
100,063	Cash and cash equivalents	150,494
15,561	Debtors and other receivables	31
115,624	**Total loans and receivables**	**150,525**
	Fair value through surplus or deficit – held for trading	
373	Derivative financial instrument liabilities	410
	Financial liabilities measured at amortised cost	
110,682	Creditors and other payables	204,331

Fair value hierarchy

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

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

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the Statement of Financial Position.

Actual 2015 $000		Actual 2016 $000
	Financial liabilities	
	Observable inputs	
373	Foreign exchange derivatives	410

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

Financial instrument risks

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

Market risk

Currency risk

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

Currency risk arises from the need to reimburse the Australian Government for income support assistance provided to New Zealanders eligible under the 1994 Reciprocal Agreement. The reimbursement is paid in Australian dollars. The Ministry has bought foreign exchange forward contracts with the New Zealand Debt Management Office (NZDMO) to hedge the currency risk. At balance date, the Ministry had a series of foreign exchange forward contracts which entitles the Ministry to exchange NZ$10.013 million with the NZDMO for A$8.692 million. On 30 June 2016 the market value of these contracts was a liability of NZ$0.410 million (2015: liability of NZ$0.373 million).

Sensitivity analysis

There were no significant foreign exchange exposures that required a sensitivity analysis to be prepared (2015: no significant foreign exchange exposures).

Interest rate risk

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

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

Credit risk

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

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

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

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

Liquidity risk

Management of liquidity risk

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

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

Contractual maturity analysis of financial liabilities, excluding derivatives

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

Actual 2015 $000		Actual 2016 $000
	Creditors and other payables	
110,682	Less than six months	204,331
110,682		**204,331**

Contractual maturity analysis of derivative financial instrument liabilities

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

	Liability carrying amount $000	Asset carrying amount $000	Contractual cash flows $000	Less than six months $000	6-12 months $000	1-2 years $000
2016						
Forward foreign exchange contracts	410	-				
- outflow			10,013	10,013	-	-
- inflow			9,603	9,603	-	-
2015						
Forward foreign exchange contracts	373	-				
- outflow			3,830	3,830	-	-
- inflow			3,456	3,456	-	-

Statements of Expenses and Capital Expenditure

The following Statements report information about the expenses and capital expenditure incurred against each appropriation administered by the Ministry for the year ended 30 June 2016.

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

For the year ended 30 June 2016

Annual and permanent appropriations for the Ministry of Social Development

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments[63] 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[64] 2016 $000	Location of end-of-year performance information[65] 2016
	Vote Social Development					
	Departmental output expenses					
6,986	Adoption Services	7,029	(31)	6,998	7,177	1
376,852	Care and Protection Services	382,924	(1,268)	381,656	396,205	1
8,137	Children's Action Plan	12,505	-	12,505	12,894	1
-	Data, Analytics and Evidence Services	11,187	(37)	11,150	11,380	1
-	Designing and Implementing Social Investment	1,518	-	1,518	2,000	1
36,686	Income Support and Assistance to Seniors	36,981	(194)	36,787	36,902	1
-	Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments	49,518	(269)	49,249	49,350	1
-	Investing in Communities	45,054	(136)	44,918	45,786	1
-	Management of Service Cards	6,227	(51)	6,176	6,279	1
13,489	Management of Student Loans	15,129	(91)	15,038	15,045	1
16,740	Management of Student Support	15,794	(114)	15,680	15,704	1
5,390	Planning, Correspondence and Monitoring	6,081	(23)	6,058	6,154	1
-	Policy Advice	20,421	(64)	20,357	20,722	1
530	Processing and Payment of Veterans' Pensions	386	(2)	384	438	1
8,505	Promoting Positive Outcomes for Disabled People	5,685	(10)	5,675	5,779	1
3,632	Property Management Centre of Expertise	4,835	-	4,835	4,836	1
-	Senior Citizens Services	888	(1)	887	1,010	1
2,926	Youth Development	2,856	(9)	2,847	2,932	1
131,265	Youth Justice Services	131,321	(540)	130,781	130,876	1

63 The remeasurement adjustment to Departmental Output Expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

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

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

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

For the year ended 30 June 2016

Expenditure including Remeasurements 2015 $000	Appropriation title	Expenditure including Remeasurements 2016 $000	Remeasurements 2016 $000	Expenditure excluding Remeasurements 2016 $000	Appropriation Voted[66] 2016 $000	Location of end-of-year performance information[67] 2016
2,280	Administration of Trialling New Approaches to Social Sector Change	-	-	-	-	
13,510	Collection of Balances Owed by Former Clients and Non-beneficiaries	-	-	-	-	
7,635	Development and Funding of Community Services	-	-	-	-	
36,893	Family and Community Services	-	-	-	-	
4,005	Prevention Services	-	-	-	-	
34,585	Services to Protect the Integrity of the Benefit System and Eligibility for Income Related Rent	-	-	-	-	
20,428	Services to Support People to Access Accommodation	-	-	-	-	
730,474	**Total departmental output expenses**	**756,339**	**(2,840)**	**753,499**	**771,469**	
	Departmental other expenses					
-	Transformation Programme: Investing in New Zealand Children and their Families	-	-	-	3,000	1
-	**Total departmental other expenses**	**-**	**-**	**-**	**3,000**	
	Departmental capital expenditure					
90,935	Ministry of Social Development – Capital Expenditure Permanent Legislative Authority under section 24(1) of the PFA	112,314	-	112,314	120,838	1
90,935	**Total departmental capital expenditure**	**112,314**	**-**	**112,314**	**120,838**	

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

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

For the year ended 30 June 2016

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[68] 2016 $000	Location of end-of-year performance information[69] 2016
	Non-departmental output expenses					
2,157	Children's Commissioner	2,157	-	2,157	2,157	4
-	Community Participation Services	75,080	-	75,080	78,441	2
18,675	Counselling and Rehabilitation Services	18,773	-	18,773	18,773	2
8,421	Education and Prevention Services	8,382	-	8,382	8,427	2
-	Emergency Housing Response	2,693	-	2,693	2,738	2
9,869	Families Commission	12,331	-	12,331	12,331	5
84,696	Family Wellbeing Services	84,509	-	84,509	84,734	2
703,207	Part Payment of Rent to Social Housing Providers	755,268	-	755,268	766,141	2
7,314	Services for Young People	8,588	-	8,588	8,594	2
-	Strong Families and Connected Communities	113,750	-	113,750	113,751	2
3,336	Student Placement Services	3,344	-	3,344	3,512	3
884	Youth Development Partnership Fund	439	-	439	439	3
950	Assistance to Disadvantaged Persons	-	-	-	-	
7,298	Connected Communities	-	-	-	-	
71,663	Participation and Inclusion for Disabled People	-	-	-	-	
642	Short-term Housing in Canterbury	-	-	-	-	
2,382	Strengthening Providers and Communities	-	-	-	-	
109,355	Strong Families	-	-	-	-	
5,590	Trialling New Approaches to Social Sector Change	-	-	-	-	
1,036,439	**Total non-departmental output expenses**	**1,085,314**	**-**	**1,085,314**	**1,100,038**	

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

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

For the year ended 30 June 2016

Expenditure including Remeasure-ments 2015 $000	Appropriation title	Expenditure including Remeasure-ments 2016 $000	Remeasure-ments[70] 2016 $000	Expenditure excluding Remeasure-ments 2016 $000	Appropriation Voted[71] 2016 $000	Location of end-of-year performance information[72] 2016
	Non-departmental other expenses					
40,516	Debt Write-downs	(41,782)	41,121	(661)	75,825	3
693	Extraordinary Care Fund	1,542	-	1,542	3,108	3
18,188	Out of School Care Programmes	18,124	-	18,124	19,045	2
-	Support for the Provision of Social Housing Supply	664	-	664	20,000	2
301	Housing Support Package	-	-	-	-	
59,698	**Total non-departmental other expenses**	**(21,452)**	**41,121**	**19,669**	**117,978**	
	Non-departmental capital expenditure					
141,028	Recoverable Assistance	152,317	-	152,317	150,159	3
1,616,917	Student Loans	1,610,273	-	1,610,273	1,682,736	3
1,757,945	**Total non-departmental capital expenditure**	**1,762,590**	**-**	**1,762,590**	**1,832,895**	
	Multi-category appropriations					
644,064	**Improved Employment and Social Outcomes Support MCA**	**662,669**	**(2,296)**	**660,373**	**678,899**	
	Departmental output expenses					
307,492	*Administering Income Support*	299,870	(1,404)	298,466	307,471	1
257,925	*Improving Employment Outcomes*	295,521	(866)	294,655	295,719	1
53,206	*Improving Work Readiness*	67,278	(26)	67,252	75,709	1
	Non-departmental other expenses					
20,351	*Improving Employment Outcomes – Assistance*	-	-	-	-	1
5,090	*Improving Work Readiness – Assistance*	-	-	-	-	1
335	**Independent Advice on Government Priority Areas MCA**	**339**	**-**	**339**	**538**	
	Non-departmental output expenses					
195	*Other Advice*	339	-	339	269	3
140	*Policy Advice*	-	-	-	269	3

70 Debt Write-downs in 2015/2016 includes $41.121 million of remeasurement due to changes in interest rates. The remeasurement adjustment to Departmental Output Expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.

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

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

For the year ended 30 June 2016

Expenditure including Remeasurements 2015 $000	Appropriation title	Expenditure including Remeasurements 2016 $000	Remeasurements[73] 2016 $000	Expenditure excluding Remeasurements 2016 $000	Appropriation Voted[74] 2016 $000	Location of end-of-year performance information[75] 2016
-	**Social Housing Outcomes Support MCA**	**29,409**	**(140)**	**29,269**	**30,066**	
	Departmental output expenses					
-	*Services to Support People to Access Accommodation*	28,129	(140)	27,989	28,266	1
	Non-departmental other expenses					
-	*Housing Support Package*	1,280	-	1,280	1,800	1
-	**Social Sector Trials MCA**	**7,376**	**(8)**	**7,368**	**8,358**	
	Departmental output expenses					
-	*National Leadership and Administration of Social Sector Trials programme, and Individual-led Social Sector Trials*	2,265	(8)	2,257	2,985	1
	Non-departmental output expenses					
-	*Social Sector Trials – NGO-led Social Sector Teams and Contracted Programmes and Services*	5,111	-	5,111	5,373	1
5,827	**Management of Service Cards MCA**	**-**	**-**	**-**	**-**	
	Departmental output expenses					
4,955	*Administration of Community Services Card*	-	-	-	-	
872	*Management of SuperGold Card*	-	-	-	-	
30,394	**Social Policy Advice MCA**	**-**	**-**	**-**	**-**	
	Departmental output expenses					
11,607	*Information, Evaluation and Analytics Services*	-	-	-	-	
18,787	*Policy Advice*	-	-	-	-	
680,620	**Total multi-category appropriations**	**699,793**	**(2,444)**	**697,349**	**717,861**	

73 The remeasurement adjustment to Departmental Output Expense appropriations relates to movement in the unvested long service leave provision due to changes in discount rates. The Ministry is appropriated for expenditure excluding remeasurements.
74 These are the appropriations from the Supplementary Estimates, adjusted for any transfers under section 26A of the Public Finance Act.
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Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against appropriations (continued)

For the year ended 30 June 2016

Expenditure including Remeasurements 2015 $000	Appropriation title	Expenditure including Remeasurements 2016 $000	Remeasurements 2016 $000	Expenditure excluding Remeasurements 2016 $000	Appropriation Voted[76] 2016 $000	Location of end-of-year performance information[77] 2016
	Benefits or related expenses					
1,128,850	Accommodation Assistance	1,163,674	-	1,163,674	1,140,479	3
15,343	Benefits Paid in Australia	39,940	-	39,940	39,941	3
183,095	Childcare Assistance	182,138	-	182,138	194,585	3
377,001	Disability Assistance	376,943	-	376,943	378,656	3
430	Family Start/NGO Awards	432	-	432	705	3
276,884	Hardship Assistance	289,558	-	289,558	293,849	3
1,683,877	Jobseeker Support and Emergency Benefit	1,671,316	-	1,671,316	1,692,956	3
11,591,026	New Zealand Superannuation	12,266,832	-	12,266,832	12,287,231	3
132,020	Orphan's/Unsupported Child's Benefit	142,893	-	142,893	144,165	3
1,186,493	Sole Parent Support	1,152,990	-	1,152,990	1,163,217	3
11,935	Special Circumstance Assistance	11,438	-	11,438	14,399	3
511,105	Student Allowances	485,653	-	485,653	514,334	3
11,802	Study Scholarships and Awards	11,158	-	11,158	18,910	3
1,514,559	Supported Living Payment	1,523,016	-	1,523,016	1,532,017	3
-	Transitional Assistance	1	-	1	65	3
177,503	Veterans' Pension	185,849	-	185,849	187,844	3
3,617	Work Assistance	3,247	-	3,247	4,066	3
41,646	Youth Payment and Young Parent Payment	41,088	-	41,088	42,635	3
18,847,186	**Total benefits or related expenses**	**19,548,166**	**-**	**19,548,166**	**19,650,054**	
23,203,297	**Total Vote Social Development**	**23,943,064**	**35,837**	**23,978,901**	**24,314,133**	
	Vote Senior Citizens					
	Departmental output expenses					
979	Senior Citizens Services	-	-	-	-	
979	**Total Vote Senior Citizens**	**-**	**-**	**-**	**-**	
23,204,276	**Total annual and permanent appropriations**	**23,943,064**	**35,837**	**23,978,901**	**24,314,133**	

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

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

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4. The Office of the Children's Commissioner's annual report.
5. The Families Commission's annual report.

Transfers approved under section 26A of the Public Finance Act

The approved appropriation includes adjustments made in the Supplementary Estimates. There were no transfers made under section 26A of the Public Finance Act.

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

For the year ended 30 June 2016

	Expenditure excluding Remeasurements 2016 $000	Appropriation Voted 2016 $000	Unappropriated expenditure 2016 $000
Non-departmental capital expenditure			
Recoverable Assistance	152,317	150,159	(2,158)
Benefits or related expenses			
Accommodation Assistance	1,163,674	1,140,479	(23,195)
Total	**1,315,991**	**1,290,638**	**(25,353)**

Expenses and capital expenditure approved under section 26B of the PFA

Recoverable Assistance is overspent due to the demand-driven nature of the appropriation. Despite the Appropriation Voted budget being set at the higher end of its forecast range, there was not enough funding to cover a sharp increase in expenditure in May and June 2016.

This unappropriated expenditure has been approved by the Minister of Finance under section 26B of the Public Finance Act.

Expenses and capital expenditure incurred in excess of appropriation

Accommodation Assistance is overspent due to a significant accrual of $29 million at year-end to provide for the costs of an historical Accommodation Supplement (AS) payment error dating back to 1993. This significant error related to the assessment and payment system that affected client entitlement to AS.

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

Statement of Departmental Capital Injections

For the year ended 30 June 2016

Actual capital injection 2015 $000		Actual capital injection 2016 $000	Approved appropriation 2016 $000
18,210	Ministry of Social Development – Capital injections	2,300	2,300
18,210	**Total**	**2,300**	**2,300**

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

For the year ended 30 June 2016

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

Appendix: Information Sharing with New Zealand Police, the Ministries of Health, Justice, and Education, and the Children's Action Plan Directorate

The Ministry of Social Development is the lead agency for the Information Sharing Agreement for Improving Services for Vulnerable Children (the AISA). The Ministry must report annually, in its annual report, on the following information specified by the Privacy Commissioner.

This is the first report on this AISA. It covers the period 1 July 2015 to 30 June 2016.

Information sharing between the New Zealand Police, Ministries of Social Development, Health, Justice, and Education, and the Children's Action Plan (CAP) Directorate

Description	Progress
Number of referrals made to The Hub	865 children from 417 households
Number of individuals whose information is shared under the agreement, or where the number is not known, the best estimate of that number	331
Number of vulnerable children identified[1]	865
Number of referrals (by pathway):	
• Universal services	31
• Child, Youth and Family	21
• Children's Team[2]	813
Number of children successfully exited with outcomes achieved	Results not yet available[3]
Number of complaints received about an alleged interference with privacy under the agreement and the disposition of those complaints	0
Number of reported instances of improper access to/use of information by Hub worker	0
Amendments to the AISA	0

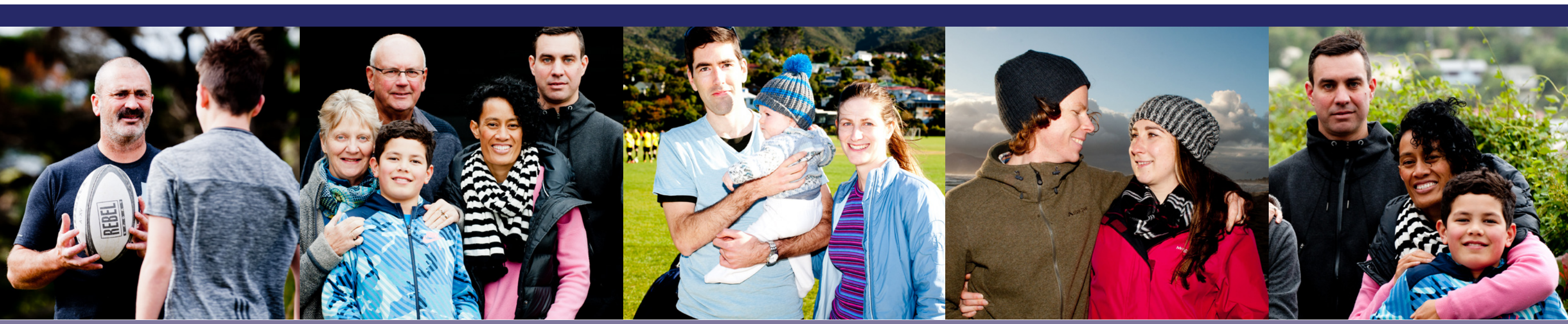
Qualitative feedback on the AISA

The Advisory Expert Group on Information Security's *Final Report to the Vulnerable Children's Board* (April 2016) recommends that this AISA is reviewed against the Privacy Act 1993 requirements and that the CAP Directorate considers broadening the scope to include district health boards as parties.

Commentary on audits

In March 2016 KPMG completed its 'Functional Review of Vulnerable Kids Information System (MVP)', which reviews the security arrangements for the AISA, and raised no concerns. The review found types of access, permissions, authentication and privacy of information to be adequate and appropriate. It also found there was full audit, logging and tracking capability to ensure accountability for privacy and security. No issues were uncovered with regard to privacy and information security.

1 'Vulnerable Children' is defined as any child that does not result in a 'no further action' by The Hub.
2 Referred to one of the three Children's Teams which operate with the Vulnerable Children's Hub: Hamilton, Canterbury or Counties Manukau.
3 It is too early to report on these results as the three Children's Teams who operate with the Vulnerable Children's Hub have not been operating long enough to see sufficient numbers of exits with outcomes achieved. These results will be reported in a future Annual Report.



MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

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New Zealand Government